



**PERSATUAN ALUMNI PEGAWAI TADBIR DAN DIPLOMATIK
ALUMNI PTD**

PTD Alumni Forum on 11th Malaysia Plan

Theme :

‘11th. Malaysia Plan: Are We In The Right Direction?’

Tuesday, 11 August 2015

INTAN, Kuala Lumpur

Session : **Keynote Address**
Time : **9.10 am**
Presenter : **YB Senator Dato' Sri Abdul Wahid Bin Omar**
Moderator : **YBhg Tan Sri Dr Sulaiman Mahbob**

The moderator began the session by giving a brief introduction of the PPTD Alumni and the aspirations of its members of continuing to contribute towards the development of the nation and country by sharing their views and giving inputs to the government in policy formulation and implementation. He also briefed that the main objective of this forum was to disseminate information, encourage ideation through feedbacks and views shared by the participants. Ultimately this would be compiled and brought to the purview of the government towards the development of the country.

Malaysia's Past Performance

The presentation began with a brief reflection of the country's socio-economic performance since 1970. To date, Malaysia has achieved a commendable milestone by being amongst the top performers in Asia by recording 6.2% annual growth in economy for the past four decades. Due to this, the household income that reflects the earning capacity has risen 20 times more since 1970 to 2014. This indicates that poverty has been successfully reduced from 49.3% in 1970s to 0.6% in 2014. The wage gap has also reduced significantly by reducing the Gini coefficient index from 0.513 in 1970s to 0.0401 in 2014. This has resulted in the improvement in the peoples' standard of living where $\frac{3}{4}$ of the household own their homes and have access to clean water and electricity. Apart from that, Malaysia stands amongst the top 20 investor friendly destination internationally.

Gauging from Malaysia's performance from the aspect of rural development, the minister pointed out that, we have successfully reduced poverty level from 58.7% in 1970s to 1.6% in 2014. Wealth distribution in the rural areas has also improved whereby the Gini coefficient has be lowered to 0.355 in 2014.

11th Malaysia Plan – A New Dimension

The Minister stated that the 11th Malaysia Plan was prepared in 18 months with the engagement of with all parties from various levels of the community who had a vested interest. This plan he stressed differs from the previous 5 year plans due to the following reasons:

- i. The 11th Malaysia Plan is still pillared on the Government Transformation Agenda based on the New Economic Model which consists of three main principles which are

sustainable development, inclusiveness and high income. However, it emphasises on the measures and implementation to ensure the country's target to achieve a developed nation status and inclusiveness is met. For instance, the creativity index will be used to evaluate socio-economic impact of all the programs and development projects implemented.

- ii. 11th Malaysia Plan will continue "people based development" concept like the previous plans. Amongst them will be increasing access to education, health care, quality affordable homes and reducing the income gap.
- iii. 11th Malaysia Plan also has identified the drivers of change which will be the innovative way of accelerating Malaysia's development and impacting the trajectory of the country's economic growth significantly.
- iv. The implementation of 11th Malaysia Plan does not end in 2020, it also goes beyond by taking into consideration long term goals and aspiration of the younger generation.

Strengthening Macroeconomic Resilience for Sustaining Growth.

The presentation continued with the speaker further illustrating the multi-dimensional macro-economic objectives that have been identified, which are:

- i. GDP is targeted to grow between 5% to 6% annually;
- ii. Labour productivity to rise about 3.7% annually from RM77,100 in 2015 to RM92,300 in 2020;
- iii. Per capita income to reach RM54,100 or USD 15,690 in 2020;
- iv. Average household income to attain RM10,540 in 2020;
- v. Worker's compensation towards GDP rise to a minimum 40% in the year 2020; and People's wellbeing increase as reflected by the rise in Malaysia Prosperity Index to at least 1.7% annually.

He further explained that in achieving these objectives, four main strategies will be implemented with selected outcomes such as:

- i. Enhance productivity potentials by ensuring sustainable and inclusive growth which involves several initiatives at the national, industry and business level implemented;

- ii. Encouraging investment to propel economic growth;
- iii. Enhance export to improve trade balances; and
- iv. Increase fiscal policy flexibility to ensure a sustainable fiscal position.

Based on the projected GDP growth, the main objective of per capita income to achieve the status of a high income nation will only materialise in 2020. It is estimated that the per capita income would reach USD 15,690 surpassing the minimum standard of USD 15,000. The gross income per household which is targeted will also show an improvement specifically for the bottom 40% of the society or B40.

He explained that, the household income for the B40 group which is expected to record a 13.2% increase annually during the 11th Malaysia Plan tenure which doubles the amount from 2014 to 2020. This would ensure the highest jump in income in comparison to other income groups.

The Minister went on to elaborate that from the supply point of view, all sectors of the economy will be further strengthened by:

- Higher productivity following knowledge based value adding activities and
- Strong demands from domestic and external sectors.

Growth Driven by Strong Domestic Demand

The presentation also pointed out that the growth anticipated under the 11th Malaysia Plan will be driven by domestic demands and also increasing contribution by the external sector. In total, investments are projected to expand 7.2%, driven by infrastructure projects such as high-speed rail, MRT2, LRT3 and the Pan Borneo Expressway.

Private sector investments will drive the growth with an increase of 9.4% per year. To realise this target, the minister highlighted that to achieve this target, the environment to attract private investments will be increased utilising the following strategies:

- Reducing cost of running business;
- Providing incentives based on performance for economy activities that are value added and knowledge intensive;
- Addressing the issues of labour mismatch;
- Increasing access to financing particularly for knowledge based industries; and
- Providing tipping point financing through Facilitation Funds.

Private sector spending is estimated to increase with the country's prosperity where else public spending is expected to grow moderately following prudent spending. The import and export of goods and services is estimated to grow a minimum of 2 percent in this period.

Malaysia's Current Economic Standing

The speaker gave a snapshot of the current economic standing in particular the foreign international reserve performance. He explained that from the year 1997-98 Malaysia had reserves of USD30 B which was sufficient to cater for the retained import for a period of 3.2 months. That point time, the country too has trade deficit and private sector borrowing were high. However at the current scenario, though the outflow of funds have increased but international reserves are three times more and is able to cater for the retained imports for a period of 7.6 months.

Malaysia's trade surplus has reached RM41b for the first half of 2015 even though the price of oil and commodities are far lower comparatively. Corporate sectors show healthy balance sheets, more stable labour market and unemployment rate at only 3 %. Bank Negara Malaysia has managed to monitor finances effectively, enabling banks to have sufficient capitals.

Six Strategic Thrust and Game Changers to Propel Development

In explaining Malaysia's strategy to ensure the country attains the status of a developed nation in 2020, the Minister explained that six strategic thrusts are put in place to meet various needs of the people and the country. The six thrusts are:

- i. Enhancing inclusiveness towards an equitable society
- ii. Improving wellbeing for all
- iii. Accelerating human capital development for an advanced nation
- iv. Pursuing green growth for sustainability and resilience
- v. Strengthening infrastructure for economic expansion
- vi. Re-engineering economic growth for greater prosperity.

In further boosting development of the nation, the government has also identified six game changers as below:

- i. Uplifting B40 households towards middle income society;
- ii. Unlocking the potential of productivity
- iii. Enabling industrial led Technical and Vocational education and training;
- iv. Embarking on green growth;

- v. Translating innovation to wealth;
- vi. Investing in competitive cities.

Uplifting B40 households towards middle income society

In the presentation, the minister focused on this particular segment as 2.7 million household in Malaysia fall under this category. As Malaysia's continues to grow, the government feels strongly that these households should not miss out the national prosperity that comes with it. The minister went on to elaborate that in efforts to uplift the B40 households several efforts are taken by ensuring:

- Bumiputera community's economic opportunity is enhanced to enable wealth creation;
- Transforming rural areas to uplift the wellbeing of rural communities;
- Empowering communities for a productive and prosperous society

Amongst the main initiatives outlined under the first strategic thrust is strengthening households through various outcome based programmes such as entrepreneurial programs, skills training and enlarging bumiputera wealth ownership. The minister iterated that uplifting the B40 household to a middle class society was important as majority of Malaysians belonged to this group. He went on to stress that the government will implement these strategies to increase the income and wealth ownership of B40 households, address the increasing cost of living and strengthen the delivery mechanisms for supporting B40 households. In order to achieve this target, following approaches have been identified, which are:

- i. Creating opportunities for Bumiputera Economic Community to increase wealth by ensuring at least 60% are high skilled workers as well ensuring the community has effective control of corporate ownership at 30%;
- ii. Transforming rural sector by widening the coverage of basic infrastructure, attracting more private sector investments besides improving the connectivity between the rural and urban areas.
- iii. Expediting regional growth to ensure there is better balance geographically, by implementing various regional development master plans and by speeding up investments in regional corridor projects.
- iv. Empowering communities to create a productive and prosperous nation through multiple initiatives by strengthening family institutions, moulding the potentials in youth as well as increasing women participation in development.

- v. Reducing school dropouts.
- vi. Enhancing accessibility to higher education and skills training.
- vii. Increasing productivity through adoption of modern technology.
- viii. Lifting B40 households to middle class society by further improving income levels and wealth creation, as well as increasing education and skill levels.

Transforming Public Sector for Productivity

The final lapse of the presentation went on to discuss the focus of transforming the public sector to increase efficiency and productivity. This is to cope with the increasingly complex nature of challenges faced by the government due to technological and cultural changes, economic uncertainties, and demographic shifts in addition to the rapid movement of money, goods and people. The minister stated that governments globally are encountering greater fiscal constraints, economic uncertainties, declining effectiveness of standard practices as well as challenges in attracting and retaining top talent. To address these challenges, a new model of service delivery has to be adapted to suit the expectations of the citizens and technological advancement in providing services which are cost effective and innovative. The public sector needs to re-engineer itself to meet the new demands by being less bureaucratic, productive, more skilled, open and efficient.

It was explained that, the 11th Malaysia Plan would be more citizen centric with focus on enhancing effectiveness and efficiency of the public service. Emphasis will be given in ensuring service delivery is provided with speed and accuracy using creativity and innovations while upholding integrity. The minister highlighted that to meet the current challenges; the government will implement several strategies to improve delivery processes, leveraging data, expanding outreach, and increasing accountability and transparency. Further to that, efforts are also made to rationalise public sector institutions by rightsizing public service and introducing several programs to manage and retain talents. In a nutshell, the minister stated that efforts to enhance the public service in Malaysia by having the citizen in the centre using skilled talents who are less bureaucratic, less centralised, and with services which are more accessible, efficient and effective for the people.

Conclusion

In concluding the presentation, the minister elaborated a little on the current concern of the people regarding the weakening ringgit. He spelled out that there are three major factors that affect the strength of RM, they are:

- i. Recovery of US Economy;
- ii. Significant drop in the price of oil, gas and commodities;
- iii. Global economy performance

He explained that the scenario Malaysia is further fuelled my sentiments and confidence elements. These are particularly related to the 1MDB and other domestic issues. He assured that these matters are being addressed by appropriate agencies that are tasked professionally to handle it. He did admit that though there are hiccups but we should remain hopeful and look forward. The minister once again stressed that the weakening Ringgit issue is amplified due to sentiments and comparatively to 1997-98, the Ringgit does not deserve to be at the value as it is of today.

He briefly explained that, our foreign reserves in comparison to 1997-98 crisis even with significant outflows remain strong at 96.7 Billion USD. Our trade position has been relatively strong with trade surpluses from 1998 till date. He went on to compare that in 1997-98, the corporate sector was highly leveraged, had many borrowings in USD without assets, income or revenue in USD in contrary to the current situation. He further explained that the banking system is well managed by consolidation, better managed risk management and high quality asset which are lower ratio of Non-Performing Loans at 1.2% compared to 8-9% in 1997-98.

The minister thanked the PPTD alumni for continuing to support the government and country. He urged respective parties to do their part and also allow people who are empowered to carry out their duties in ensuring the development and success of the country.

Questions and Answers:

Dato' Sri Dr. Isahak bin Yoep Mohd Shar

Q1.

The participant firstly congratulated on the well drafted 11th Malaysia Plan. He stated that planning and implementation carried equal weightage in the success of any program. In this regard, he questioned whether the Minister has taken into consideration of the challenge of corruption in ensuring the effective implementation of the 11th Malaysian Plan and has it been addressed in the 11th Malaysian Plan?

A1. *The minister admitted that corruption is a serious challenge and efforts need to be stepped in the fight against corruption. Nevertheless he said that many programs and initiatives are already on going by the MACC in addressing this issue.*

Q.2

The participant stated that there have been several new agencies been set up lately which seem to duplicate the functions of existing agencies such as EPU and UKAS. He questioned whether the government intends to review the existence and relevancy of these agencies particularly in relation to ensuring the interests of Bumiputeras are concerned.

A2.

The minister responded by stating that one of the strategies under the 11th Malaysia Plan is to transform the public sector, therefore in line with this existence of several agencies has to be reviewed to reduce the redundancy of the roles. However he commented that the existence of TERAJU is not duplication but rather to take over the role of Ministry of Entrepreneurial and Cooperatives Development (MECD) which has been dissolved. TERAJU serves as a coordination body that ensures the roles of MECD which are distributed among 8 ministries is coordinated and monitored.

The minister also explained that, each ministry has a “Unit Pemerkasaan Ekonomi Bumiputera” that ensures the interest of Bumiputeras are given the attention required.

Datuk Wira Yahya Mat

Q3.

What is the plan under the 11th Malaysia Plan to address the issue of currency exchange which is largely determined by the prices of oil, gas and commodity? This is especially so in light with the high dependency of the country on foreign labour which causes high amount of remittances made out of the country. So what our plan to address these issues of dependency of foreign labour and the role of primary commodities in the future of our economy?

A3

The minister responded by stating that foreign labour is only brought in to do jobs that are not taken up by the Malaysians i.e. 3D-dull, dirty and dangerous. However he agreed that, the challenge is in the enforcement of the labour policies which can be enhanced by eradication of corruption and better foreign labour policy enforcement.

Additional Comments:

- i. One of the participants thanked the Minister for remembering the public service in the drafting of the 11th Malaysia Plan. He stated that in his view, though it is undeniable that the public service seems to be a factor of production but it is also a guardian of culture, value, stability and security. He expressed his view that the public service

should not only be considered as a factor for productivity but the establishment of institutions such as the AG, SPRM etc. is to uphold values, stability and security of the country. The minister echoed this view and seconded the fact that the integrity of these institutions should be upheld as it is the core.

ii. **Datuk. Dr. Mohd. Ghazali Mohd Nor**

He commenced by stating that the country has gone through several economic crisis since independence in its aspiration to be a developed nation. However he questioned on the premise of why are we adhering model proposed by World Bank that to his opinion has not been able to solve the problems faced by Malaysia today. He went on to share that in the book entitled "Web of Debt" by Ellen Brown states that capitalism system that controls the banking systems of the world has created havoc in monies system almost in every decade.

He pointed out that, our economic planning is still based on the old model and this is not sufficient to develop a nation. He believes that the economic model is not the only system and therefore put forward the question to the minister whether we are heading towards the right destiny as oppose to the right direction in developing the country? He further commented that, Nation building has become an ancient metaphor as the new round of global reorganisation of nations refining is based on economy and not political will. The question he put forward was to what extend are we developed in the sense of mind-set?

He concluded by stating that, we cannot build this country based on a 5 year plan which is considered as an outdated model, rather it should be build based on a generation and we must have people who are able to envision and think futuristically in order to sustain and endure this nation.

Session : **Panel Discussion**
Time : **11.00am -12.30 noon**
Presenter : **YBhg Prof. Datuk Dr. Norma Binti Mansor**
YBhg Datuk Seri Saw Choo Boon
Dr. Yeah Kim Leng
Dr. Muhammed Abdul Khalid
Moderator : **YBhg Datuk Harun Siraj**

1. **YBhg Prof. Datuk Dr. Norma Binti Mansor**

YBhg Prof. Datuk Dr. Norma Binti Mansor highlighted that the Tenth and Eleven Malaysian Plans were premised on the New Economic Model (NEM). Thus, the development of some definitions and indicators originates from the World Bank. However, Malaysia did refer to past policies, Vision 2020 and Outline Perspective Plan (OPP). YBhg Prof. Datuk Dr. mentioned that the development team of NEM also asked themselves, '*what Malaysia wants to be in year 2020 and beyond?*' She pointed out that the development team of NEM consisted of economists as well as non-economists such as development experts and so on. YBhg Prof. Datuk Dr. revealed that she was directly involved in the development of NEM and recapped the goals of NEM:

- Malaysia to become a developed and competitive economy that people can enjoy a high quality of life and a high level of income resulting from growth that is both inclusive and sustainable.
- By the year 2020, Malaysia will be a confident Malaysian society, infused by strong moral and ethical values, living in a nation that is democratic, liberal and tolerant, caring, economically just and equitable, progressive and prosperous, and enjoying an economy that is competitive, dynamic, robust and resilient.

High Income	Inclusiveness	Sustainability
Per capita Gross Domestic Product (GDP) will rise to about USD 15,000 ¹ by 2020	Enhance growth for expanding economic opportunities	Promoting sustainability through improved public financial management
Aggregate demand will have to grow at a robust pace	Pursue equitable and fair opportunities and fairness in process	Environmental sustainability as top priority
To unlock the value of investment to be the main driver of economic growth by 2020, as well as enhance labour productivity and efficiency	Accelerate liberalisation for growth	
Private consumption will rise and increase its share of GDP	Focus on the bottom 40% of households (77.2% are <i>Bumiputera</i>) and small businesses	

¹ *YBhg Prof. Datuk Dr. explained that the per capita GDP of USD 15,000 – 20,000 was based on the average growth of developed and high-income nations for the last 10 years prior to 2009. She further revealed that they decided on these figures based on our population growth and the exchange rate at that point of time, whereby the inflation rate was 2.5% - 3%. However, she pointed out that the population growth and exchange rate now have declined.

Public consumption will slow down	Emphasize opportunities for inclusiveness	
	Stress knowledge creation and the knowledge economy	

YBhg Prof. Datuk Dr. clarified that the bottom 40% (B40) of households were defined as earning average income per month of RM1232 in year 2009. This also includes about 99% of B40-owned small businesses. The aid aimed for B40 households is not through distribution of goodies but to provide opportunities to uplift their standard of living. The characteristics of B40 include those with very low education, low wage, poor training et cetera. The outlined strategies under NEM were picked up in the Tenth and Eleven Malaysian Plans in uplifting B40 households by empowering this group through education, training and opportunities. However, if these strategies fail to uplift the B40 households, then cash transfers such as BR1M have to be done just like any other developed countries. The NEM also covers the rationalisation of subsidy as a form of sustainability.

YBhg Prof. Datuk Dr. outlined eight Strategic Reform Initiatives (SRIs):

- Re-energizing the private sector
- Developing quality workforce
- Competitive domestic economy
- Strengthen the public sector
- Lifting the bottom 40% of households
- Building knowledge based infrastructure
- Enhancing sources of growth

- Ensuring sustainability of growth

She stressed the fact that these eight SRIs are interrelated and not mutually exclusive. YBhg Prof Datuk also assured that the public sector is at the core of these policies. This is because the public sector is responsible for the effective implementation, enforcement, monitoring and evaluation of these initiatives. She also highlighted that the role of the public sector, namely the integrity is crucial as the nation is currently facing a 'trust deficit' environment. Besides that, the public sector plays an important role in the following areas:

- Enhancing service delivery with citizens at the centre
- Rationalising public sector institutions for greater productivity and performance
- Strengthening talent management in the public service
- Enhance project management for better and faster outcomes
- Capitalising on local authorities for quality services at the local level

YBhg Prof also further added that the public sector has done well in international rankings. She revealed the achievements of Malaysia for being ranked 18th out of 189 economies in the 2015 World Bank's Doing Business Report and also 33rd on the Global Innovation Index out of 143 countries in 2014. She provided examples of reduction in public sector procedures: construction permit from 37 to 15, business licenses procedures were reduced to 448 from 707 and from 1455 to 449 for local licenses. She highly praised the public sector for these achievements.

YBhg Prof Datuk Dr also briefly explained on the economy growth. She agreed with YB Senator Dato' Sri Abdul Wahid bin Omar that Malaysia is doing quite well in economy growth as comparatively to other nations. The driving factor for the economic performance was the public investment and consumption since 1997. This was because the private sector investment did not pick up the rate as expected during pre-1997. Hence, the public sector has to support the economy. She further described that the private investment has picked up and is expected to grow at 9.4% per annum

whilst the public investment is expected to grow at 2.7% per annum. She also pointed out that the private investment has improved in the Tenth Malaysian Plan at the rate of 12.6% and better incentives are provided in Eleventh Plan so that the private sector plays the main role in driving the growth.

YBhg Prof Datuk Dr. enlightened the forum to the fact that the Eleventh Malaysian Plan included the Malaysian Well-being Index (MWI). She finds this very encouraging as the plan covers the measures of both economic and social well-being. The multidimensional goals that were included in the MWI are as the following:

- real GDP to expand
- increase in labour productivity
- increase in Gross National Income (GNI) per capita
- average monthly household income to increase from RM6,141 in 2014 to RM10,540 in 2020
- the share of compensation of employees to GDP to increase from 34.9% in 2015 to at least 40% in 2020
- the MWI to increase by 1.7% per annum, an indicator of improvement in the well-being of the *rakyat*

YBhg. Prof Datuk further added that B40 policy measure relatively addresses:

- Growth elasticity of poverty - uplifting the B40 households towards a middle-class society
- Empowering communities for a productive and prosperous society
- Transforming rural areas to uplift well-being of rural communities
- Accelerating regional growth
- Enhancing *bumiputera* economic opportunities

YBhg. Prof. stressed that addressing B40 policy measure is related closely to other policy measures such as:

- Malaysian Education Blueprint 2013-2015 (Preschool to Post-Secondary Education)
- New Standard Curriculum for Primary School which emphasised Higher Order Thinking Skills (HOTS)
- The current fragmented TVET sector will be consolidated through the establishment of a single system
- The establishment of Institute of Labour Market Information and Analysis (ILMIA) under Ministry of Human Resources
- The establishment of The Labour Market Information Data Warehouse (LMIDW)
- Public universities have been empowered and strengthened
- Workers are better protected with the introduction of better SSN and active labour market policies (unemployment insurance)
- Productivity-linked wage system (PLWS) has been introduced

YBhg. Prof. Datuk Dr. concluded that Tenth and Eleventh plans have adopted strategies proposed in the NEM to elevate Malaysia to the next level of development and beyond. The success however, hinges on the implementation of policies outlined in both plans. It was stated that decentralization in the decision making process is crucial for achieving successful outcomes.

2. YBhg Datuk Seri Saw Choo Boon

YBhg Datuk Seri Saw Choo Boon addressed that the Eleventh Malaysian Plan is a well-crafted plan. The development of this plan was said to take learning from past mistakes with the involvement as well as effort of many organizations. Nevertheless,

Datuk Seri added that the main challenge is in the implementation of the plan. He mentioned that the Tenth Malaysian Plan was not entirely implemented. He further added that The Chief Secretary mentioned to him that one of the main reasons for incomplete implementation is due to lack of coordination between various departments and agencies.

YBhg Datuk is pleased with the Eleventh Malaysian Plan because it is premised on the Malaysian National Development Strategy that will focus on delivering high impact outcomes to both the capital as well as people economy. He revealed that Shell² has always operated by adopting the 3P formulation: 'people, planet and profit' or also known as the 'three pillars of sustainability'. He mentioned that the concept of 'people, planet and profit' succinctly describes the goal of sustainability whereby the 'profit' aspect must be seen as the real economic benefit enjoyed by the people and to protect the environment. Thus, he suggested that the 'profit' is indeed vital in sustaining the 'people and planet' components.

Datuk Seri highlighted major points from the private sector's perspective on the Eleventh Malaysian Plan as the following:

- i. Investment is the key for capital economy, particularly private sector investment is crucial for any nation's development. In fact, the government should avoid over participation in business and crowding out the private sector. Besides that, the government incentives to attract investment must come in tandem with political stability as the overriding factor to gain investors' confidence.
- ii. The regulatory environment is very important because delay in service delivery will cost the investors. Through the years, public service in Malaysia is known to maintain high standards of service delivery and is quite well respected in the world. Thus, the public service must not let this standard deteriorate. Relatively,

² * YBhg Datuk Seri was appointed as Managing Director of Shell MDS (Malaysia) Sdn Bhd. from 1998 to 1999

the Malaysian public service should have good regulatory practice. In 2013, the Chief Secretary launched a policy guideline that reflected the government's desire to improve the overall regulatory quality or good regulatory practice. This guideline is tailored to good regulatory practices of Organisation for Economic Co-Operation and Development (OECD). This guideline requires departments or agencies to complete Regulatory Impact Assessment (RIA) before any changes are made to existing regulation or new regulations are introduced. However, this guideline has not been made mandatory. RIA is crucial to ensure that policy bodies carry out assessment of the impact resulting from regulation changes on business and society. The departments or agencies should also assess the ease of enforceability of these policy changes and the cost of enforcement. Essentially, these policy bodies should consult the public and other government departments or agencies that may be involved for implementing policy changes. These measures are to ensure new introduction or changes in regulations are truly beneficial to the nation without triggering complications. For instance, the retirement age has been stretched to 60 years old without considering other factors. Relatively, the Employees Provident Fund (EPF) has highlighted a problem with maintaining our aging society because the amount of savings is very low. Most were dead set against the EPF's proposal of raising the full withdrawal age from 55 to 60. Consequently, it was decided that the withdrawal age is maintained at 55. This problem could have been avoided if these factors were looked into from the beginning.

- iii. Kuala Lumpur must be a global city by the year 2020 to attract talent. However, Datuk Seri feels that Kuala Lumpur has not reached the status of a global city. We need to get the basics right to attain this status. Complaints on issues like insecurity, high crime rate, littering, illegal waste dumping, bad traffic management are rising nowadays and must be resolved. The chief reason for these problems is due to poor enforcement. Datuk Seri urged that public officials not to be excessively lenient and should be stricter on policy enforcement.

- iv. Vocational education should be given equal attention besides university education to develop skilled workers. The East Coast Economic Region Development Council's chief executive officer revealed that there are many unemployed graduates in the eastern states because they are not trained to be skilled workforce. Therefore, Datuk Seri urged that there is a need to fix the problem of the mismatch between university graduates and the industry

3. Dr. Yeah Kim Leng

The presentation by the third panelist, Dr. Yeah Kim Leng covered three (3) areas:

- i. Where is Malaysia now?;
- ii. Does the 11th Malaysia Plan address the critical challenges?; and
- iii. Is Malaysia in the right direction.

In his introduction, Dr. Yeah provided an overview of Malaysia's commendable economic achievements for more than five decades. After almost 60 years of achieving independence from the British, Malaysia has progressed through different phases of economic growth as follows:

Year	Economic Phase	Per capita Income
1962 - 1971	Natural resource extraction and agricultural commodity diversification strategy	Low income (<USD1,045)
1972 – 1981	Assembly manufacturing through EPZs	Lower middle income (USD1,046-4125)
1982 - 1990	Heavy industries import substitution strategy	
1991 – 2002	Export-oriented, FDI-driven E&E manufacturing	

2003 - 2015	High value manufacturing and services	Upper middle income (USD4,126-12,735)
2016 - 2020	11 th Malaysia Plan	
Post-2020		High income (>USD12,736)

Malaysia is currently in the final lap before achieving the high income and fully developed nation status. In Malaysia’s present economic scenario, the rise from low income to upper middle income corresponds to a shift to higher value activities i.e. from primary (agriculture) to secondary (manufacturing) and tertiary (services) sectors. Within the tertiary sector, there is also a need to move up the value chain with a shift towards high value and high wage. Therefore, not only is it important for Malaysia to become a developed nation but also to sustain growth beyond its high income status.

To explain the potential for Malaysia to achieve the high income target by 2020, Dr. Yeah provided three possible economic growth scenarios:

- i. Baseline growth scenario – per capita GNP growth rate of 3%
- ii. Low growth scenario – per capita GNP growth rate of 3 to 4%
- iii. High growth scenario – per capita GNP growth rate of 6 to 8%

Dr. Yeah is of the view that if Malaysia sustains the momentum of a high growth scenario (6-8% growth per annum) over the next five years, it can easily achieve the high income nation status by year 2018/2019. To substantiate his argument, Dr. Yeah pointed out that based on World Bank’s income classification in 2014, Venezuela and Argentina have graduated into high income nations. Therefore, Dr. Yeah is confident that Malaysia is well positioned to achieve the target of becoming a high income nation status if it is able to sustain the economic growth at between 5-6% by year 2020.

Based on the current growth momentum and economic fundamentals, if Malaysia is able to sustain the per capita income growth of between 3.5 – 4%, Malaysia can easily

cross the threshold by year 2020. The most probable growth for Malaysia is 5-6% based on fundamental growth factors.

Dr. Yeah highlighted a few economic challenges which must be overcome:

- i. Malaysia has a fairly narrow international industrial competitiveness i.e. products are uncompetitive because the manufacturing sector is concentrated in a relatively small range of products. Hence, there is a need to increase the number of competitive products and services for the international market;
- ii. Malaysia is facing a situation of under-investment by the private sector even though private investment is the driver in sustaining the 5-6% economic growth. If Malaysia is able to achieve investment growth at the current rate of between 8-10%, the private sector's production capacity will not only continue to increase but also sustain as well as generate high value and high wage employment. Therefore, a very important factor for Malaysia to monitor closely is to what extent the private sector investment can be sustained at the current level. Since the ETP and GTP were launched, private sector investment has been raised from 10-12% to 17% of the GDP in 2014. However, Dr. Yeah finds that this is not sufficient because Malaysia needs about 20-25% of GDP in order to have a robust and dynamic economy; and
- iii. Compared to other countries, Malaysia has a low level of entrepreneurship. Therefore, it is pertinent to produce more entrepreneurs and close the technological gap. With the currently low number of R&D researchers in Malaysia, the country's total factor productivity growth is higher than the advanced economies. According to the 10th Malaysia Plan, Malaysia's productivity growth is 1.6% whereas the advanced economies registered productivity growth at only 1%. In this regard, Malaysia lacks productivity and innovation i.e. the country fails to produce high value goods and services.

According to Dr. Yeah, the 11th Malaysia Plan is well conceived and holistic with the right focus in terms of transforming the services and also reenergizing the manufacturing sector. In relation to the manufacturing sector, the important aspect to be considered is to what extent have the industries shifted from medium-high to high-tech industries in order to boost economic growth. As for the services sectors, it would be good to focus on the manufacturing related services such as the R&D and high end services. Dr. Yeah believes that the positive synergy between manufacturing and services will be able to drive the Malaysian economy forward. The private sectors can take the lead in identifying the productive services.

At the current stage of economic development, the short term threats faced by Malaysia are not overly daunting if the following issues are addressed:

- i. Property price run-ups since year 2010. However, this problem is easing due to measures to curb speculative spending;
- ii. Declining housing affordability due to oversupply and overbuilt in high-end segments of the property markets;
- iii. Rising household debt by ensuring that consumption is driven by the upper middle income group with higher spending power instead of the lower income group so that consumption growth can be sustained over the next five years; and
- iv. Reining in fiscal deficit. Currently, Malaysia was awarded a grade A- by three international rating agencies for its economic outlook.

Dr. Yeah further emphasized that if the above issues are addressed, the domestic and external opportunities are abound for Malaysia. In broader terms, domestic opportunities with regards to domestic growth re-balancing will be driven by private sector investment and this in turn will raise the confidence of domestic investors in the country's economy. In terms of structural transformation, Malaysia must shift to high value services and manufacturing in the third wave of the internet era. Apart from that, there are also many opportunities in industrial upgrading and innovation by increasing

R&D and productivity levels as well as stimulates new products and services innovations that are of higher value.

Externally, Malaysia is moving in the right direction by pursuing FTAs besides encouraging and pushing for the internationalization of local businesses. Hence, Malaysia should leverage on the current recovery of advanced economies which are Malaysia's traditional export markets and also to diversify into other non-traditional markets.

In conclusion, Dr. Yeah feels that Malaysia is on the right track to high income and to a certain level, the country's growth becomes self-sustaining if there are no political and social problems. More importantly, the challenge that lies ahead for Malaysia is to aim to close the income gap with other high income countries once it has achieved the high income target. In echoing the sentiments of other speakers and panelists, Dr. Yeah is opines that implementation and execution is the key to ensuring the success of 11th Malaysia Plan. Given the high quality of the public and private institutions, there is potential for Malaysia to enhance the standards of delivery systems towards a higher value chain.

4. Dr. Muhammed Abdul Khalid

At the beginning of his presentation, Dr. Muhammed Khalid affirms that Malaysia is moving towards the right direction with regards to the implementation of the 11th Malaysia Plan. However, he is of the view that Malaysia will become a high income nation only to a certain extent. In his explanation, the speaker highlighted six (6) states in Malaysia which, in his view, will fall behind and not able to reflect the national target of a high income and fully developed nation status. The six states which he refers to are Kelantan, Terengganu, Perlis, Kedah, Perak and Sabah.

Dr. Muhammed further commended the effort taken by the Government of Malaysia in drafting and formulating the 11th Malaysia Plan which he finds is more comprehensive and holistic in comparison with the previous 10th Malaysia Plan because the 11th Malaysia Plan focuses on the people (*rakyat*).

According to Dr. Muhammed, the issue of poverty is well addressed in the 11th Malaysia Plan. Current statistics shows that the poverty rate among the indigenous people (*orang asli*) in Malaysia is 33% (one out of three *orang asli* are categorized as poor) followed by 20% of the Bumiputera people in Sabah who live in poverty. As for the Bumiputera people in Sarawak, the poverty rate is registered at 7% while the national poverty rate is 0.6%.

Touching on the issue of inclusiveness under Strategic Thrust One in the 11th Malaysia Plan, Dr. Muhammed disagrees with the set target of 0.385 reduction in Gini coefficient from 0.401 in 2014. In his opinion, the figure should be lower as the current indicator of 0.385 does not reflect an equal or inclusive nation. Therefore, the target has to be adjusted accordingly.

Dr. Muhammed also highlighted on the issue related to the target of increasing the income of the B40 households from RM2500 to RM5300 towards a middle-class or middle-income society. The speaker is of the view that structural issues are major factors that contribute towards inequality. One of the structural issues which the Government needs to address is the meritocracy system in the education system. In elaborating this point, Dr. Muhammed pointed out the inequality practices in the local education scholarship award system by MRSM and JPA. He quoted an example of the annual *Yang di-Pertuan Agong* Scholarship Awards Ceremony held in INTAN in which according to a source from JPA, 19 out of 20 scholarship recipients turned up on the day of the ceremony in chauffeur-driven luxury vehicles. In addition to that, he also highlighted a particular case of a government scholarship recipient recently whose father has a nine-digit savings in his bank account. Dr. Muhammed said that this unfair practice is tantamount to penalizing the bright and highly potential students from low-

income families. If this issue is not addressed, Dr. Muhammed is skeptical of Malaysia achieving the target of increasing the income of the B40 households.

The other aspect which is not addressed by the 11th Malaysia Plan as mentioned by the speaker is labour market imperfections especially with regards to foreign labour and discrimination. Dr. Muhammed quoted a recent study by World Bank shows that the monthly wages for women is 15-30% lower than that of their male counterparts. A joint academic research by Dr. Muhammed and Dr. Lee also finds that ethnic discrimination also exists in the corporate sector. In relation to this, Dr. Muhammed pointed out the fact that people from poor ethnic groups face difficulties and challenges in social and professional mobility as they do not enjoy equal opportunities.

The third structural issue which the 11th Malaysia Plan fail to address is taxation policies that increases inequality. Even though majority of the B40 are wage earners, the Malaysian tax structure is more favourable towards the high income earners. For example, 0% tax is imposed on capital gain income in Malaysia. In parallel with what has been practiced in the United States and Singapore, capital gain tax should not be a taboo subject and it should be fair to all strata of the Malaysian society. Dr. Muhammed quoted a specific example of a recent speech by Hillary Clinton to increase capital gain tax to reduce short-term speculation.

The fourth issue in Strategic Thrust One under the 11th Malaysia Plan has to do with the target of increasing the income of the B40 from RM2500 to RM5270 by year 2020 which is translated into an annual increment of 20%. However, Dr. Muhammed pointed out that the actual increase in wages since year 2011 is only about 5%. Hence, how does the Government aim to bridge the gap of 15%? In 2014, the state of Selangor registered an increase in wage or income of RM20 which is negative in real terms.

The last issue in the 11th Malaysia Plan highlighted by Dr. Muhammed is weaknesses to address the increasing cost of living in particular housing. The speaker felt that the

current initiatives and measures by the Government to make housing more affordable to the B40 by making financing easier is not a right solution as it will only serve to increase household debts. Furthermore, many low income earners who are unable to borrow from the formal banking sector resort to borrowing from the informal financial sector such as unlicensed money borrowers who charge exorbitant interest rates. A better solution would be to make the prices of houses or properties cheaper. Apart from that, Dr. Muhammed provided a stark example of how a study conducted found that credit purchase of electrical goods (refrigerator or television) from the retailers such as Aeon or Courts Mammoth over a period of five years would eventually result in consumers paying a total interest rate of 150% over the price of the items. Such practice is considered illegal in other countries.

In order to address and overcome the structural issues and weaknesses related to the 11th Malaysia Plan, Dr. Muhammed proposed the following measures to be undertaken:

- i. In the education sector, intervention must begin at the preschool level. Preschool must be universal, compulsory and accessible to all regardless of their economic and social status.
- ii. The tax structure and policy as well as labour policies should be fair to all Malaysians.
- iii. Many studies (past and present) by scholars such as Ungku Aziz, Ismail Salleh, Ishak Shaari on the factors of poverty among the Malays in Malaysia point towards a common denominator which is leadership. Leadership is recognized as key to achieving national targets and economic growth.

Questions and Answers:

Q1: Tan Sri Arshad Ayub (PTD Alumni)

What is leadership?

A1: Dr. Muhammed Abdul Khalid

I just read a 9-page letter written by Saiyidina Ali to the Governor of Egypt on the do's and don'ts as a leader. Basically, a leader is someone who is honest, just, morally right and inspiring. Leaders should surround themselves with people who are more intelligent than them instead of people who are loyal to them. I recommend JPA to make it compulsory for all the new staff.

Q2: Datuk Dr. Ghazali Mohd Nor (PTD Alumni)

What is our assumption of Malaysia's economy? The first three panelists applied conventional economic theories to their deliberations on the 11th Malaysia Plan. There are alternatives to these theories i.e. business of the poor. This new alternative theory has been tried and tested in India with a total of 2.7 million poor households which is a sizeable market for the world's economy. Prior to this, the focus of our economic strategies has always been skewed towards the rich and high income population. Are the poor people insignificant? In the pursuit of expanding the economy of the country, we often forgot about the new dynamics of the world. I posed a question to the Minister, "As a developed nation, are we Malaysians becoming more Malaysians or do we become more global? What do we learn from great nations with powerful economies? They manage the world. So Malaysia must produce for the world and think for the world. Yet, Malaysia did not bring in 600 million Asian economy market outreach in the calculation. Malaysia harbours the dream of producing Rolls Royce but yet poverty rate is high. Tapping into China and India's market would be the response

to this question by economists. Do you think the population in China does not need slippers? So my question to the panelists is *What are we thinking?*”

A2: Prof. Datuk Dr. Norma Mansor

In the drafting process of the 11th Malaysia Plan in year 2009, the experts foresee the new dynamics of the world economy with Malaysia being in a strategic position in the region and also the country’s cultural and religious linkages with the Middle East, China and India is something which we can capitalize on. As a matter of fact, the first 10 pages of the 11th Malaysia Plan did talk about the region, the New Economic Model (NEM) and also the shift from the traditional markets to the region such as the Middle East, China and India.

Datuk Seri Saw Choo Boon

Malaysia is a small country which is less than half a per cent of the world’s population. The world must be our playing field. Malaysia must diversify and not be over dependent on China. In the event that Malaysia is too dependent on China and if China’s economy collapses, then Malaysia will also follow suit. Therefore, trade agreements are very important for Malaysia as nett exporter with an open economy. For example, the Trans-Pacific Partnership Agreement (TPPA) would provide a good opportunity for Malaysia’s automobile industry to tap into Mexico’s economy. This is because Mexico is the biggest car manufacturer for the US. Therefore, Malaysia must not only concentrate on China and India’s economies. Besides that, Malaysia should move towards producing high value and high end products in order to stay competitive internationally. In other words, the manufacturing sector in Malaysia should graduate from assembling parts to designing. The high end products must be exported to developed countries rather than poor countries.

Dr. Yeah Kim Leng

- Datuk Dr. Ghazali's suggestion about the possible alternative economic arrangements is rather interesting to explore because there is a missing sector i.e. social enterprise. As Malaysia move towards the internet and sharing economy, we need to explore on how social enterprises is able to bridge many gaps between the markets and consumers and poor households. Therefore, new thinking is required to make this work. Social enterprises in the advanced economies have actually contributed tremendously to the economy. In the US, the NGOs play a larger role than the private sector due to its philanthropic nature and significant amount of contributions from the volunteer organizations that they represent to the economy.

Q3: Che Muin Umar (PTD Alumni)

I refer to the Strategic Thrust 2 and 3 in the 11th Malaysia Plan. There are two issues that I wish to raise. The first issue is that over the years, our income was RM260 in the 1970 and has increased to RM2500 in year 2013/2014. Therefore, this charts an increase of RM50 per year within a span of 45 years. From year 2015 to year 2020, Malaysia targets that income level will rise to RM5200 which is a 100% increase. Is this a realistic target? At present, the majority of the population who are in this income bracket are those from rural areas. Do the economists who are responsible in drafting the 11th Malaysia Plan aware about the harsh realities faced by the people on the ground? The second issue is related to human capital development. The current pay or salary system in Malaysia is outdated which is based on a monthly structure as opposed to developed countries with an hourly pay structure. In New Zealand, the minimum pay is NZD15 per hour for a total of 8 hours a day. Without conducting a review of the current salary structure, Malaysia has decided to import 1.5 million foreign workers from Bangladesh. As a stark contrast, the salary of foreign workers in the farms in Sabah is RM8-9 per day. In short, the salary structure in Malaysia does not leave any room for human capital development. If Malaysia continues with the current practice of human capital development, the younger generation of Malaysians

would prefer to be unemployed and live with their parents. In fact, there has been an increasing trend of young adults who chose to be employed and become financially dependent on their parents. Therefore, to what extent has the 11th Malaysia Plan adequately addressed this issue in a holistic way?

A3: Datuk Harun Siraj (PTD Alumni cum Moderator)

It has now become a norm for young adults to live with their parents. There are also instances where young adults in Kuala Lumpur who are married with children are still living with their aged parents due to the high cost of living. An issue that also needs to be addressed is related to the immigration policy of Malaysia which brings us to the question of “Are we so loose in accepting foreign workers into our country? 1.5 million is just an official figure and there are also those who entered the country illegally which have not been accounted for.”

Datuk Seri Saw Choo Boon

Statistics gathered from Malaysian factory owners around the world show that the productivity level in Malaysia is low as compared to countries like Vietnam and China. The reason for this problem is the lack of discipline, absenteeism and frequent medical leave among employees. Therefore, the employers prefer foreign workers who are hardworking. As Malaysia shifts towards the high income nation status, productivity must be an important feature and there is a need to increase productivity level. One of the methods is to move from manual to automation and a change in attitude. The current tax system in Malaysia in particular the fixed 10% service tax in the service industry does not cultivate high productivity in workers. Regardless of the quality of service rendered, consumers are subjected to the service tax. Therefore, the current system should be replaced by the reward system.

Prof. Datuk Dr. Norma Mansor

It is acknowledged that locals are not interested in jobs if the pay is low and the working condition is bad. Once upon a time in the UK for example, the rubbish collectors were British who were proud of their profession because they received good wages and their living condition was also good. The issue has to be addressed at all levels and the basic factors as well as needs in lives of workers must be taken into consideration. That is the reason why the minimum wage policy was proposed. At the same time, the importance of reducing dependency on foreign workers is also addressed in the 10th and 11th Malaysia Plans. As emphasized by the Minister, enforcement is the key to ensure that rules and regulations are strictly adhered to and that appropriate actions must be taken so that employers incentivize to hire local workers. It is clearly a structural issue with regards to the subject of income. In terms of the TVET, the way that the policies are sequenced and planned is meant to address the issue at all levels. On one hand, it is to upgrade the skills and on the other hand, it pushes companies to equip their workers with multi-skills. For those who do not wish to be in this kind of environment would choose to be unemployed and continue to rely on their parents for financial support. At the company level, we must identify the policies that will discourage the employers from hiring foreign workers. Technology should also be emphasized not to displace workers but to incentivize them so that they would be rewarded with higher wages. In conclusion, the economy is a vicious cycle of how policies has to be in the right sequencing and addressed at every level.

Q4: Hajjah Ainun Haji Kuntom (PTD Alumni)

Even though poverty eradication measures have been undertaken, the poverty gap is now becoming larger in both rural and urban areas. Therefore, is there any new and innovative way to overcome this gap?

A4: Dr. Muhammed Abdul Khalid

In reality, poverty rate has been declining due to government's initiatives. In statistics terms, the poverty rate has declined from more than 50% in 1970 to 0.6% at present. The definition of poverty is household income less than RM1000 which affects about 0.6% of the Malaysian population. If the poverty line is increased to RM2000, then the poverty rate would rise to 11%. Therefore, "vulnerable" instead of "poor" is the more appropriate word to describe the context. The vulnerable groups are those who do not have savings. According to the UNDP Report, about 90% of the people do not have any savings. While the 11th Malaysia Plan is well drafted, the indicators fail to capture the vulnerabilities of the population in the urban areas. Therefore, it is suggested that the indicators must be tweaked to reflect the realities of the urban poor against the rural poor. By comparison, the quality of living in Malaysian flats is worse than the Palestinian refugee camps in Syria.

Q5: Amin Arief (INTAN)

Is Malaysia prepared to introduce the wealth tax or inheritance tax implemented by other developed countries in order to increase the country's income?

A5: Dr. Muhammed Abdul Khalid

As a matter of fact, this tax has been implemented in Malaysia before. However, the tax was abolished. Inequality is not only in aspects income but also in policy-making and voices. To address and overcome the issue, there has to be strong political will although political will seems to be lacking at present.

Conclusion by Moderator

There has been an extensive discussion on inequality. The 11th Malaysia Plan is aimed at creating equality in terms of quality of life, income and creating more equitability for the people. Sustainability and inclusiveness are important and it is not only a challenge for Malaysia but also other countries. Malaysia must also take a serious stance on effective planning and implementation as well as tackle issues in particular crimes related to foreign labour. There should be a clear distinction between security, tourism and immigration. As presented by the panelists, there are conditions to be met if the 11th Malaysia Plan were to be implemented successfully. Apart from emphasizing on the importance of productivity, high technology, high end and high value products, Malaysia must ensure that sustainability of the country's high income status once the target is achieved in year 2020.

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