



**PERSATUAN ALUMNI PEGAWAI TADBIR DAN DIPLOMATIK**  
*Administrative And Diplomatic Officers' Association*

**STRATEGIC ECONOMIC THRUSTS FOR BUDGET 2020:**  
**VIEWS AND RECOMMENDATIONS FROM**  
***PERSATUAN ALUMNI PEGAWAI TADBIR & DIPLOMATIK***

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**INTRODUCTION**

1. Budget 2020 will represent a watershed in the government's economic planning strategies for decades to come in bringing Malaysia towards achieving a developed nation status. In line with its objectives, the *Persatuan Alumni Pegawai Tadbir dan Diplomatik* (Alumni PTD) is interested in contributing to the Government's efforts to chart an appropriate direction in this agenda by harnessing the experiences and ideas of its members with the hope that their views and recommendations would be taken into consideration and incorporated into the Budget 2020 document.
2. Towards this end, **a Working Group comprising a selection of its members was set up to discuss the issues involved and to document the product of its deliberations.** These are presented below for the consideration of the Government.

**POLICY DIRECTION FOR BUDGET 2020**

3. The current socio-economic environment characterized by looming global economic uncertainties, an aging population, slowing growth in government revenue and, at the same time, the need to meet the needs of the less privileged, a burgeoning operating expenditure and a huge national debt, as well as an enormous civil service that needs to be restructured and strengthened, provides a strong case to support the following **fundamental policy directions for Malaysia's Budget 2020:**
  - a. **Implement a needs-based and inclusive approach** as the fundamental principle in all government policies in consonance with the strategy of shared prosperity and sustainability; and

- b. **Provide for an expansionary Budget 2020**, although a cautious one, in order to counter a high likelihood of a global economic slump and the need to promote an aura of economic confidence in order to sustain a growing economy.

## **STRATEGIC ECONOMIC THRUSTS**

4. To operationalise the fundamental policy directions above, it is **recommended that the Government focus on the following strategic economic thrusts:**
  - 4.1 **A greater digitalisation approach to education and training** to prepare the population to capitalise on IR 4.0;
  - 4.2 **Rationalising and restructuring the Public Service** towards greater efficiency, accountability and sustainability;
  - 4.3 **A radical change in approach in addressing the issues of an aging population;**
  - 4.4 **Increasing dependence on the domestic economy** for sustainable growth, particularly the rural economy; and
  - 4.5 **Reducing over-dependence on foreign labour** and addressing issues of unemployment.
5. Budget 2020 signifies a critical milestone in the nation's socio-economic development after Vision 2020. Hence, the policy direction and the strategic economic thrusts should pave the way forward for, at least, the next five years.

## **PROPOSED PLAN OF ACTION FOR BUDGET 2020**

6. These strategic economic thrusts need to be translated into a plan of action which should incorporate, but are not limited to, the following:

### **6.1 Digitalisation of the economy to prepare and capitalize on IR 4.0**

**The Government and all sectors of the economy will have to embrace the digital economy. The eco-system must be in place for this to happen.** These would include 5G, AI, block-chain and cloud computing. The Public Service and the private sector should also familiarise themselves with these developments and take advantage of them. However, the other prerequisites for successful adoption must be identified and the following are recommended for consideration:

- a. **More incentives should be provided to SMEs to utilise e-commerce.** They should be encouraged to do business on-line as this mode has become the norm. Technical training programmes for SMEs on Big Data, Internet of Things and other relevant IR 4.0 elements should also be provided.
- b. **More scholarships for technical training, especially related to IR 4.0 training,** should be provided. Such training should also be extended to civil servants so that they are also conversant with fintech, block chain and other electronic applications.
- c. **Upgrading and democratising Internet infrastructure** like fibre optics capacity and speed will have to be planned and implemented for fair and equitable coverage nationwide.
- d. **The whole education system should be reviewed in view of these developments.** Looking at irrelevant and peripheral issues of the education system will not bring significant benefits. The Government must address substantive issues, e.g., apart from acquiring technical knowledge and skills, students also require soft skills such as communication, creative and analytical skills. Learning is a continuous process and the skills to continuously learn is important to adapt to and adopt the changes that are happening all the time.

## **6.2 Rationalising and restructuring the Public Service towards greater efficiency, accountability and sustainability**

**The Public Service is here to stay.** Its members are needed to help the Government formulate policies and then ensure that they get implemented. There is an urgent need for a total review of the Public Service in order to **rationalise and restructure some entities and their functions to avoid overlaps and duplication** leading to reduced efficiency and effectiveness. What is needed is a **Public Service that is lean, efficient, accountable and sustainable.** Among others, the following are recommended for consideration:

- a. **Reduce the number and size of central agencies but increase the capacity of implementing agencies.** There is also a need to avoid overlapping services provided by agencies. Detailed consideration is needed before the establishment of new ministries, agencies or departments and this means reviewing what is already available so as to **avoid duplication in organisations, activities and functions.** Overlapping functions will arise easily when new agencies are created without reviewing the functions and activities of those already existing. The review should also incorporate all processes and procedures, from recruitment and selection to training and retirement, to ensure their relevance and efficient management.
- b. **Review deployment of public servants to ensure their optimal utilisation by assigning more staff to operational rather than desk jobs** and ensuring there is no underemployment, both of which will lead to more efficient utilisation of resources as well as high-level service delivery.
- c. **Reduce activities which are basically ceremonial in nature** and are unnecessary and which result in excessive wastage in terms of resources – manpower, money and time.
- d. In the context of the Government's policy of shared prosperity and sustainability to achieve a high income status, the **Public Service must adapt and adjust to the needs of the new environment under the new Government.** Policy implementation has been a problem in

the past resulting in goal displacement. **Monitoring and evaluation of policy implementation should become a crucial role for the Public Service.**

- e. **War on corruption in the Public Service is an urgent, though painful, undertaking.** It is necessary to address corrupt practices, particularly at the lowest level, and in the implementing agencies. **There is a need to ensure that action is also taken against the 'givers'.** To reduce the problem of corrupt practices, **ensure more transparency and greater use of ICT in order to minimize discretionary decision-making.**

### **6.3 Radical Change in Approach in Addressing the Aging Population**

Our population is expected to increase from 32 million in 2017 to 42 million in 2050 with the percentage of population 65 and older increasing from 5% to more than 15%. There is a **need, therefore, to address the problems of an aging population** as it will have implications on health care, social safety and retirement savings apart from a shrinking labour force. Among other things, it is recommended that the Government:

- a. **Review and standardise pre-retirement training for public servants** to make it more useful (for example, like the training provided for the retiring members of the armed forces) **to seek employment (self or otherwise) after retirement.** A new framework that incorporates policies, laws and mechanisms is urgently required. For example, the Human Resource Development Fund can be used to finance such pre-retirement training for the private sector whilst relevant existing agencies can fund retirees to start business ventures.
- b. Consider the need to **have a policy framework on housing for the aged.** For example, PRIMA houses that are smaller and fully equipped to meet the needs of the aged could be sold to retirees who will want to move from bigger to smaller houses. The Government can

work with the private sector to **build affordable retirement homes in the form of retirement communities or resorts with all the support facilities for the aged**. The local authorities may have to review current requirements to make the homes more affordable. The policy framework should also define the role of the pension fund and the Employees Provident Fund in supporting such a plan.

- c. The **Government should also identify all the existing facilities for the aged (such as old folk's home, day care centres, etc.) managed by its agencies and evaluate the facilities and services they offer, their conditions, their utilisation and acceptance by their clients**, with the intention of ensuring that they meet specific required standards. The Government should also consider the expansion of such facilities and services to a larger number of the aged and publicise their availability as well as promote the need and suitability for them in the long term from a social, cultural and religious perspective. Examples and experiences in other countries should be studied and adopted where suitable.
- d. **Identify suitable employment opportunities for retirees to continue working (as a source of income and to keep them occupied and avoid possible health problems)**. There may also be a need to amend the labour laws and get the support of the private sector. The aged can also be trained to take advantage of the developments in digitalisation.
- e. The **Government should also provide incentives to train more locals to become caregivers for the aged**. This will reduce the increasing dependency on foreign workers.
- f. There is a need to **focus on preventive rather than reactive health care and this requires a shift from a sickness to a wellness paradigm**. A policy framework and a comprehensive programme will have to be drawn up and this will help the Government to reduce its future expenditure on health services.

- g. The Government may need to increase the budget allocation to care for the aged either from the available revenue or through the **imposition of a wealth tax**. The other option is to provide additional tax incentives for children to take care of their parents. For example, the **government could consider a 'caring incentive' to children who take care of their aged parents**. The proportion of the aged in the population will continue to increase and so will the costs of managing them. These will encompass health cost, institutional maintenance cost and other social costs, particularly in an environment where the children have a tendency to abandon their parents at old age.
- h. It may also be useful to **introduce structured volunteerism where able retirees can be trained as volunteers to take care of others**, including the aged. The **Government and private sector organisations should support volunteer organisations** that can help the aged in terms of their needs, especially transport to hospitals for health care, shopping and recreation. Likewise, **local authorities should also consider providing such transport services for the aged**. Promoting structured volunteerism among senior citizens can also be achieved by providing the necessary infrastructure and system. The Government should actively **promote structured volunteerism where able but aged individuals can do voluntary work at museums and libraries and provide tuition in schools. Doing voluntary work should become a culture among the entire population**. Those who are able and have the desire to work can work part-time in supermarkets and office complexes to supplement whatever savings they have and this will help to reduce dependency on foreign workers as well.
- i. **Changes to building by-laws may be necessary to cater to the needs of the elderly: elderly-friendly and not just disabled-friendly buildings, parks and other facilities**. Revolutionary design of such public facilities will encourage healthy living for senior citizens.

Parks that are easily accessible and recreational centres with appropriate facilities for senior citizens should be provided.

- j. The time is right to **create a new industry – resort homes for the aged**. There are already Singaporeans and Chinese as well as locals accessing such facilities and services and, in the future, our other neighbours, like the Indonesians, may join them as our customers.
- k. Increasing the focus on preventive health-care in order to develop a healthier aging population, thus minimising curative health-care, is another measure that should be considered, especially in the interest of reducing costs of health services in the future. As part of its effort to reduce cost and make the life of the aged more meaningful and enjoyable, **the Government should focus more on preventive rather than curative health**.
- l. **Incentives for care givers and voluntary establishments for the Aged should be reviewed**. Currently, there are some incentives for caregivers e.g. deductions for medical expenses of parents from the personal income tax of children. In addition to voluntary establishments, what is needed is to develop a pool of caregivers to assist the sick and immobile. There is now a dearth of maids and caregivers while the ones available cost too much and are out of reach of most households. There is, therefore, a **need to develop a pool of caregivers with expertise and who can do house calls as well as part or full time care giving**. If caring for the aged is to be professional, then caregivers must be given professional training. Able individuals from a young age should be encouraged to volunteer to help the aged for credit to be used by them when they become old. Such systems are being practiced in some countries and the relevant Ministry should study them further. Such an undertaking will also provide employment opportunities for work that is now mostly done by foreign maids and caregivers leading to bringing in more foreign labour and loss in foreign exchange.

- m. **Promoting personal savings for the future**, over and above pension and EPF contribution, is another point for consideration. Further, **loans could be provided by banks for them to invest in schemes such as ASN** etc. Also, the government can **consider increasing the retirement age**. Singapore is going to extend the retirement age from 62 currently to 65 in stages by 2030. This will help the Government save on pension payments in addition to keeping workers with continuous income as well as probably keeping them healthy. It will also reduce the need for foreign workers.

#### **6.4 Increasing dependence on the domestic economy for sustainable growth, particularly the rural economy**

Now that the Government's financial position is in deficit, efforts must be put in place to increase the dependence on domestic sources and resources. Among measures that should be considered are the following:

- a. Getting the **private sector to take a greater role in financing development projects**. In fact, financing of economic growth and social development can be increasingly undertaken by the private sector if equitable pricing arrangements and consumer welfare concerns are incorporated. If the balance of risk and reward is equitable and consumer welfare is protected, there should be greater private sector financing of public sector development projects, such as in building of **schools, colleges, student hostels, and staff quarters**. To operationalise this recommendation, the following conditions must be ensured:
  - i. There must be **open tender to select private sector entities** interested in financing any projects;
  - ii. There must be **open competition**; and
  - iii. **The risk must be borne solely by the private sector entity, i.e., there will be no government guarantee.**
- b. Identify **new sources for increasing government revenue**. While the government has undertaken several measures to streamline

expenditure such as reviewing BRIM payments, petrol subsidies and even reviewing committed projects, there is still a need for the government to **seek new sources of revenue**. It is recommended that the following measures be undertaken by the government:

- i. One approach to increasing government revenue is the **monetisation of un-used government assets**. The Government's decision to continue with mega projects, albeit on a smaller scale, after an in-depth review, is most welcome as local contractors will be the primary beneficiaries. At the same time, **optimising the use of existing capacity** will reduce expenditure. There is a lot of underutilised capacity in buildings and equipment. Examples include schools and colleges, hospitals and laboratories, and all forms of equipment. The **Government should review the need for new facilities and maximise the utilisation of whatever is available**. The budget should also facilitate **unlocking the value of whatever is lying idle, whether it is land or buildings** (which can be leased, for example) or old vehicles or equipment (that can be auctioned or disposed of in other ways). These will also increase the overall efficiency of the Government.
- ii. Another approach is **making the tax base broader** rather than depending mainly on income taxation. Increasing the tax rate will not be welcome. There is justification, therefore, to **consider reintroducing the GST** but at a lower rate. The Government could also **increase the tax collection by increasing efficiency in collection** as there are many who are not paying though they should, like small businesses (hawkers). The **Customs Department should consider taking serious actions against smugglers (cigarettes and liquor) who evade duty and this should be done through greater inter-agency coordination**.
- iii. Encouraging an **Endowment approach (WAKAF) towards greater self-funding by government agencies is another way to increase Government resources**. The Government should

look for alternative ways to fund projects rather than rely on borrowings. Wakaf is one way to get funds to build hospitals, schools and other public facilities. This alternative should be explored further as some countries have used this method of financing.

iv. **Consider Equity type of funding in place of government funding.** This should be the case for projects that gives commercial returns. Government can provide the concessions but the risks lies with the equity holders and not with the government.

c. **Seek ways of optimising government expenditure.** Dealing with government budget deficits requires a **two-prong approach**. The government has to **increase the revenue** on the one hand and at the same time **rein in the costs**. Among the ways for the government to reduce its expenditure are as follows:

i. **Maximise utilisation of current government physical facilities instead of building new ones.** There must be optimal utilisation to get the maximum returns from all assets.

ii. **Federal grants and borrowings by States should be on the basis of needs and the potential for development. State Governments should also be encouraged to look for new sources of revenue.**

iii. We propose a **review of all the direct and indirect subsidies being given out currently**. Two basic principles that should underlie such a review is that **subsidies should be target-oriented - only those who deserve them should get subsidies and, secondly, subsidies should also be based on productivity**. The potential receivers should produce or show results before subsidies are given. By virtue of being in a particular occupation does not necessarily mean you get subsidy. It must be based on productivity. For example, in estates, productivity incentives are given only when an individual

brings in more than the prescribed minimum, be it rubber or palm oil.

- d. **Apply zero-based budgeting** for all government agencies to ensure that only genuine needs are catered for.
- e. **Replace grants to SMEs with loans** as, psychologically, there is a pressure on the borrower to perform well to repay the loan and repaid loans can be used to assist others.
- f. Malaysia has many GLCs. While some **GLCs**, like the EPF, Khazanah and PNB are well run, there may be others **which are badly managed and their continued existence should be reviewed.**
- g. **Ensure effectiveness of Parliament Select Committees by appointing relevant professionals** like lawyers, accountants and economists to assist each of the Committee to carry out its responsibilities professionally. Select Committees will be under Parliament itself. Parliament will recruit new staff to assist in research and provide inputs to the Select Committees. These Committees will oversee and examine the work of Ministries, departments and agencies as well as examine important topical issues.
- h. **Maintain a steady growth of Development Expenditure.** Our **operating expenditure far exceeds our development expenditure.** Only a small portion of our revenue is available for development and this is necessary for continuous economic growth to avoid recession. A country's performance is measured, among others, on their GDP growth. **To get maximum benefits from development expenditure,** the government should among others :
  - i. **Continue to invest in large infrastructure projects** due to their multiplier effects on Bumiputera entrepreneurs and the economy as a whole.

- ii. Ensure the **selection of accountable, reliable and capable contractors through the use of open tenders.**
- iii. Put more effort **to study and identify rural villages with high tourism potential for development** to be targeted not only as international tourist attractions but also cater to domestic tourism as well.
- iv. **Encourage more agricultural activities, like fruit farming, using better technology, modern farm management methods and mechanisation.** Many countries, including a number of our neighbours, have succeeded in such ventures.

#### **6.5 Reducing over dependence on foreign labour and addressing issues of unemployment**

The country **must reduce and, eventually, totally eliminate its dependence on foreign workers and the Government must draw up a roadmap for that purpose.** Having such a high proportion of foreign workers to local workers is undesirable and can lead to critical social problems. Employers tend to take advantage of cheap foreign labour and, in the process, prevent the country from moving up the value-chain towards higher productivity. The following recommendations are submitted for consideration:

- a. The **use of new technology, such as IBS, in the building industry should be made mandatory.**
- b. An **effective regulatory system must be put in place to ensure that foreign workers return to their country of origin when their term expires.**
- c. As a long term measure, it is necessary to **consider giving additional incentives for mechanisation, automation and computerisation** to reduce dependency on labour and, at the same time, make them more productive.

- d. **The procedures for bringing in foreign workers should be examined and further streamlined for better control and monitoring.** Employers must cooperate with the Government to resolve issues pertaining to foreign workers.
- e. There is a need also to **create a one-stop centre to match supply and demand to meet industry needs as well as to provide the necessary training.** This employment exchange/centre can register all potential employers and employees and act as an employment broker which can charge fees for such services.
- f. To counter the argument that locals are not interested in the 3D jobs, the **locals must be provided with adequate skills and knowledge through TVET training at the numerous skill training centres under several Ministries.** Such training will enhance their productivity and, therefore, they can be paid more by the employers. These should include training for domestic workers which could be provided to those from both urban and rural areas for shared prosperity to prevail. The focus should be to promote training in sectors which are capable to be filled by local labour, like cooks in the food industry. IR 4.0 related technical training for youth would also make them more marketable.
- g. To encourage women participation, there is a need to **create more self employment opportunities among them through e-commerce.** They should be provided with training in the related fields.

## CONCLUSION

- 7. **Budget 2020**, as the immediate policy instrument to other future planning activities for the socio-economic development of the nation, **needs to be relevant in meeting the current and future challenges faced by the nation in its efforts towards becoming a high-income nation.**

8. At the same time, it has to **balance the realities of a slowing revenue growth and the need to continue to grow the economy** in the face of global economic uncertainties.
  
9. Adopting the **fundamental principle that a needs-based approach and inclusive policies will promote shared prosperity leading to a peaceful, harmonious and progressive nation.**

**Alumni PTD**

**26<sup>th</sup>. August 2019**

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