FUNDAMENTAL NATIONAL POLICIES
T5

FEM3106
SOCIAL POLICY AND LAW

DR SA’ODAH BINTI AHMAD
JPMPK/FEM/UPM
OBJECTIVES OF POLICY

- Economic growth
- Distribution of income
- Welfare
- Vision 2020
- Population
- Nation sovereignty and longevity
CATEGORIES OF POLICIES

- General government policies
- Economic policies
- Socio-political policies
- Foreign relation policies
ECONOMIC POLICIES

• New Economic Plan
• National Development Policy
• National Industrial Policy
• National Agricultural Policy
• Privatisation Policy
• Dasar Pensyarikatan
MALAYSIAN PLAN – PLANNING HORIZON

• LONG TERM PLANNING

✓ Vision 2020, 1991-2020
✓ First Outline Perspective Plan (OPP1): 1971-1990
✓ Third Outline Perspective Plan (OPP3): 2001-2010
MALAYSIAN PLAN – PLANNING HORIZON

• MEDIUM TERM PLANNING

✓ Five-year development plans, such as the Eighth Malaysia Plan (2001-2005).

• Mid-term review (MTR) of the five-year Plans.

• SHORT TERM PLANNING

✓ Annual budget.
OPP 1 (1971-1990)

- Period: 20 years
- Based on the New Economic Policy
- Objective: to build national integration based on the economic growth (target-8% per year) and equitable distribution of wealth.

• Period: 10 years
• Based on the National Development Policy
• Emphasis on the balance development based on the principles of equitable and rapid growth and distribution to build a cohesive society.
OPP 3 (2001-2010)

• Period: 10 years
• Based on the National Vision Policy 2020.
• Emphasize to improve the integrity and competitiveness of the country.
• The strategic thrusts of the Third Outline Perspective Plan (OPP3) are as follows:
  1. Strengthening the manufacturing sector;
  2. Restructuring and modernising the agriculture sector to be dynamic and competitive.
OPP 3 (2001-2010)

3. Developing the services sector as the main engine of growth;

4. Accelerating the development of S&T capacity and capability to further increase competitiveness and efficiency;

5. Increasing the usage of ICT in all sectors to increase productivity; and

6. Increasing coverage as well as improving access and quality of basic infrastructure and social services to increase efficiency and quality of life.
The strategic thrusts of the OPP3 serve as the guiding framework for the various Malaysia Plans during the period, including the Eight Malaysia Plan.
NEW ECONOMIC POLICY (OPP1)

• The launching of the New Economic Policy (NEP) in 1971 was the most significant policy change in the Malaysian history.

• The NEP emphasized the importance of achieving socioeconomic goals alongside pursuing economic growth objectives as a way of creating harmony and unity in a nation with many ethnic and religious groups.

• The NEP had the stated goal of poverty eradication and economic restructuring so as to eliminate the identification of ethnicity with economic function - impact of British policy of Divide and Rule.
The initial target was to move the ratio of economic ownership in Malaysia from a 2.4:33:63 ratio of Bumiputra, Other Malaysian, Foreigner ownership to a 30:40:30 ratio. This was to be done by redistributing the wealth to increase the ownership of enterprise by Bumiputras from the then 2.4% to 30% of the share of national wealth.

Alongside this redistribution of wealth was the goal of increased economic growth. This economic growth would allow the non-Bumiputra share of the economy to decrease, while permitting the growth of non-Bumiputra business interests in absolute terms.
• In some quarters, this was referred to as "expanding pie theory": the Bumiputra share of the pie would increase, without reducing the size of the non-Bumiputra slices of the pie. This theory was first enunciated in the Second Malaysian Plan.

• In 1975 the government created incentives to expand large-scale manufacturing industries and energy-intensive industries, targeting these industries and building policies around them.
The Heavy Industries Corporation of Malaysia (HICOM), for example, was formed in order to assist in the manufacture of pig-iron, aluminium die casting, pulp and paper, steel, cement, motorcycle and heavy engineering.

At the same time, export incentives were initiated.
As a result of NEP, the wealth in the hands of the Bumiputras went from 4% in 1970 to about 20% in 1997. The disparity of wealth in Malaysia no longer disadvantaged the Bumiputra collectively.

<table>
<thead>
<tr>
<th>NEP Benchmarks</th>
<th>1970</th>
<th>1990</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumiputra equity</td>
<td>2.4%</td>
<td>19.3%</td>
<td>18.7%</td>
</tr>
<tr>
<td></td>
<td>RM477m</td>
<td>RM20.9b</td>
<td>RM73.2b</td>
</tr>
<tr>
<td>Overall poverty</td>
<td>52%</td>
<td>17.1%</td>
<td>5%</td>
</tr>
<tr>
<td>Rural poverty</td>
<td>59%</td>
<td>21.8%</td>
<td>11%</td>
</tr>
<tr>
<td>Household income</td>
<td>RM660</td>
<td>RM1,254</td>
<td>RM2,996</td>
</tr>
</tbody>
</table>
• The National Development Policy (NDP), introduced in 1991, was not only the successor to the NEP a Malaysia’s development policy but also set the stage for the first decade under the Vision 2020.
• The NDP reaffirmed the relevance of the NEP by retaining the latter’s main elements and at the same time, in view of the emergence of fresh challenges, introduced several new thrusts for balanced development.
These new thrusts, together with the existing ones, served to emphasize the growing concern of Malaysians that increasing consideration need to given to non-materialistic matters in national development which encompass, among others, the strengthening of social and spiritual values as well as the protection of the environment and ecology.
STRATEGIC THRUST OF NDP

• The new thrusts entailed shifting the focus of the anti-poverty strategy towards the eradication of hardcore poverty while reducing relative poverty;
• Emphasizing employment creation;
• The rapid development of an active Bumiputera Commercial and Industrial Community as a more effective strategy to increase the meaningful participation of the Bumiputeras in the modern sectors of the economy;
• Greater reliance on the involvement of the private sector in the restructuring objective by creating greater opportunities for its growth;
CONTINUE

• Focusing on human resource development as a fundamental requirement for achieving the objectives of growth and distribution.
NATIONAL VISION POLICY (2001-2010)

• While the NVP incorporates the key strategies of the NEP, namely, eradicating poverty irrespective of race and restructuring society, and the NDP’s balanced development, it also introduces new policy thrusts.
• NVP aims to establish a united, progressive and prosperous Bangsa Malaysia.
• It endeavours to build a resilient and competitive nation, and equitable society with the overriding objective of National Unity.
STRATEGIC THRUSTS OF NVP

• Building a resilient nation
• Promoting an equitable society
• Sustaining high economic growth
• Enhancing competitiveness
• Developing a knowledge-based economy
• Strengthening human resource development and
• Pursuing environmentally sustainable development.
SUBSTANTIAL ADDITIONS

• These new policy thrusts entail developing Malaysia into
• A knowledge-based society;
• Generating endogenously-driven growth through strengthening domestic investment and developing indigenous capacity, while continuing to attract foreign direct investment in strategic areas;
• Increasing the dynamism of the agriculture, manufacturing and services sectors through greater infusion of knowledge;
• Addressing pockets of poverty in remote areas and among Bumiputera minorities in Sabah and Sarawak as well as increasing the income and quality of life of those in the lowest 30 per cent income category;

• Achieving more effective Bumiputera participation in the economy; and reorientating human resource development to support a knowledge-based society.

• The National Vision Policy is operationalised through the Third Outline Perspective Plan.

CONTINUE
SOCIAL DEVELOPMENT PROGRAMMES

- To integrate the population into the modern economy.
- To redistribute the wealth of the nation.
- To improve the quality of life of the people, especially those in the rural areas.
NATIONAL SOCIAL POLICY

- Officially adopted by the Government in 2003, the NSP seeks to create a progressive and established Malaysian society with every member having the opportunity to develop his/her potential to the optimum in a healthy social environment based on the qualities of unity, resilience, democracy, morality, tolerance, progress, care, fairness and equity.
• The main objectives of this policy is to ensure an equitable sharing in the acquisition of resources, information, opportunities and benefits of development for men and women.
• The objectives of equality and justice must be made the essence of development policies which must be people oriented so the women, who constitute half the nation's population can contribute and realize their potentials to the optimum.
• To integrate women in all sectors of development in accordance with their capabilities and needs, in order to enhance the quality of life, eradicate poverty, ignorance and illiteracy, and ensure a peaceful and prosperous nation.

• KPWKM has also gotten the Government to agree towards achieving a minimum of a 30% representation of women in decision making positions in the public sector.
In seeking to achieve a contented and strong society for national development, the NSWP shall develop human potential to the optimum and to strengthen society to face current social challenges, create various facilities for enhancing self-development and development of the individual, and build and inculcate the spirit of mutual help and assistance to reinforce a caring culture.
NATIONAL POLICY FOR THE ELDERLY

• This policy was adopted to establish a society of the elderly who are contented, dignified, possessed of a high sense of self-worth, and optimising their potential, as well as to ensure that they enjoy all opportunities besides being given the care and protection as members of a family, society and the nation.
OTHER SOCIAL AND WORK ETHICS POLICIES IN MALAYSIA

• National Education Policy
• National Population Policy
• National Culture Policy
• National Child Policy
• Family Policy
• Look East Policy
• Bersih, Cekap, Amanah
• Kepimpinan Melalui Teladan
FACTORS AFFECTING THE SOCIAL POLICY PROCESS

- Political environment
- Administrative competence and technical expertise
- Involvement of private sector and NGOs
PRIVATISATION POLICY

• The Malaysian government was among the first in the South to voluntarily climb on the privatization bandwagon, enthusiastically endorsed and promoted by the Bretton Woods institutions.

• Less than two years after becoming Prime Minister in mid-1981, Mahathir Mohamad announced the Malaysian government’s own commitment to privatization in 1983.

•
Unlike the ‘Look East’ policy and the ‘Malaysia Incorporated’ concept — also associated with Mahathir’s administration — which faded in significance by the mid-1980s, privatization achieved new vigor, especially after the appointment of Daim Zainuddin as Finance Minister in mid-1984 and the deepening economic crisis of 1985-86.

Malaysia’s privatization program was, at least initially, widely perceived as the antithesis of the NEP’s expansion of the public sector despite official insistence that the program would contribute to NEP objectives, referring mainly to the inter-ethnic redistributive efforts.
Generally, privatization has been defined in terms of the transfer of enterprise ownership from the public to the private sector.

More generally, privatization refers to changing the status of a business, service or industry from state, government or public to private ownership or control.

The term sometimes also refers to the use of private contractors to provide services previously provided by the public sector.
CONTINUE

• Full or complete privatization would therefore mean the complete transfer of ownership and control of a government enterprise or asset to the private sector.

• In Malaysia, such privatizations are not the norm, the most prominent cases involving the North-South Highway, Kumpulan Fima and Peremba.

• The definition of ‘privatization’ in Malaysia is so broad that it includes cases where private enterprises are awarded licenses to participate in activities previously the exclusive preserve of the public sector, as in the case of television broadcasting from 1984.
RATIONALE FOR PRIVATISATION

• The Malaysian government summed up its five arguments for privatization in its Guidelines on Privatization (EPU, 1985):

1. It was supposed to reduce the ‘financial and administrative burden of the government’, particularly in undertaking and maintaining services and infrastructure.

2. It was expected to ‘promote competition, improve efficiency and increase productivity’ in the delivery of these services.

3. Privatization was expected to ‘stimulate private entrepreneurship and investment’, and thus accelerate economic growth.
4. It was expected to help reduce ‘the presence and size of the public sector, with its monopolistic tendencies and bureaucratic support’.

5. Privatization was also expected to help achieve NEP objectives, ‘especially as Bumiputera entrepreneurship and presence have improved greatly since the early days of the NEP and they are therefore capable of taking up their share of the privatized services’. In other words, privatization was supposed to accelerate growth, improve efficiency and productivity, trim the public sector, reduce the government’s financial and administrative role, and redistribute wealth to the Bumiputeras.
NATIONAL INDUSTRIAL POLICY

• Malaysia has a strong and vibrant industry.
• Since the mid-1980s, the Malaysian economy has metamorphosed from a commodity-based to a manufacturing-based economy.
• Some of the major industries in Malaysia are: rubber, textiles, basic metals, food processing, petroleum, and electronics.
CONTINUE

• The growth and structural transformation of the economy over the last three decades in Malaysia has occurred within the framework of a liberal trade and investment regime as well as the extensive use of the industrial policies.

• Much of the past and present successes of the Malaysia economy have been credited to a series of industrial policies in Malaysia since the 1960s.
CHARACTERISTICS OF POLICIES

1. Wealth redistribution industrial policy is intended at making sure of a fair distribution of wealth amongst different races in the nation.

2. Export promotion industrial policy is aimed at endorsing the development of manufacturing industries serving foreign markets.

3. Import substitution industrial policy is meant for promoting the development of manufacturing industries serving domestic markets.

4. Response to globalisation industrial policy aims at dealing with new competition from large firms in the domestic markets.
AGRICULTURE POLICY

• This policy has been formulated to ensure that the capability of the agricultural sector to play its strategic role in national development is sustained and enhanced in light of new and emerging challenges facing agricultural development.

• Towards this end, NAP3 focuses on new approaches to increase productivity and competitiveness, deepen linkages with other sectors, venture into new frontier areas as well as conserve and utilize natural resources on a sustainable basis.
3rd National Agriculture Policy

- The policy aims to set in place the enabling and supportive measures as well as a conducive environment to promote growth in the agricultural sector.
- The policies and strategies formulated continues to emphasis productivity and market driven growth.
- The implementation of the previous two National Agricultural Policies since 1984 has enabled the agricultural sector to attain a growth rate of 3.2 per cent per annum for the 1985-1995 period.
- In absolute terms, the total value-added of the sector increased from RM11.9 billion in 1985 to RM16.2 billion in 1995.
The relative contribution of the sector to employment generation and export earnings, however, declined from 31.3 per cent and 36.7 per cent in 1985 to 18 per cent and 19.2 per cent in 1995 respectively.

Oil palm, saw logs and fisheries remained as the major contributors to the sector's growth.

The share agricultural industrial commodities to total agricultural value-added declined from 72.1 per cent in 1985 to 71.0 per cent in 1995 while that of food commodities increased from 25.3 percent to 26.2 per cent for the same period.
Structural changes in the economy have brought forth new issues and challenges in the agricultural sector in particular acute labour shortage, limited availability of suitable land and increasing cost of production arising from inter-sector competition for resources as well as intense competition in the global market resulting from trade liberalization.

The further growth of the agricultural sector requires the nation to address the challenge of efficient and optimal utilization of existing resources in order to further improve competitiveness.
Resource constraints and rapid changes in the global trading and investment environment necessitate the development of a resilient agricultural sector and the enhancement of its global competitiveness. In addition, the concern over the availability and stability of food supply requires the nation to enhance its competitive capabilities in food production.

These challenges require new strategic approaches and policy thrusts to enhance the economic contribution and growth of the agricultural sector.
OBJECTIVES OF NAP3

1. To enhance food security.
2. To increase productivity and competitiveness of the sector.
3. To deepen linkages with other sectors.
4. To create new sources of growth for the sector.
5. To conserve and utilize natural resources on a sustainable basis.
NAP3 STRATEGIC THRUSTS

1. Meeting national food requirements: Domestic food production will be enhanced through large-scale food production by the private sector.

2. Enhancing competitiveness and profitability in agriculture and forestry: development of a world competitive outlook within the sector and an export culture with commitment to provide what the market wants at competitive prices - enhanced through productivity improvement, developing and strengthening markets, removal of market and trade distorting protective measures, formulation and implementation of high quality and safety standards etc.
4. Strengthening requisite economic foundation: A strong requisite economic foundation is necessary to support and sustain the development of existing core agricultural and forestry industries and initiate the growth of new ones. These include continuous upgrading the quality of human resources, development of indigenous R&D capability and technology including information technology, adequate and modern physical infrastructure, efficient business support services, financing and incentives and an enabling institutional framework.
4. Adopting sustainable development: Sustainable management and utilization of resources will be the guiding principle in pursuing agricultural and forestry development. Rules, regulations and incentives will be strengthened to encourage environment-friendly agricultural and forestry practices and minimize the negative impact of these activities on the environment. Research and application of appropriate technologies and innovations for this purpose will be emphasized.
LOOK EAST POLICY

“"In the early 1980s, the Western nations appeared to have lost their drive. They were enmeshed in an oil crisis and seemingly unable to overcome economic stagnation at a time when vibrant new economic energy was virtually exploding in Japan, South Korea and Taiwan. For me, it was a natural conclusion that if we were to emulate the success of foreign nations, the most valuable role models were no longer in Europe or the U.S., but rather in our own backyard. We had to look East.”” - Mahathir wrote in his book “A New Deal for Asia”.

SA’ODAH AHMAD/FEM3106/JPMPK/FEM
RATIONALE

- Upon achieving independence, Malaysia’s trade relations with the Japanese increased, whereby the first Japanese investment in Malaysia was the joint-venture of a textile manufacturing project undertaken in 1957.

- As the years passed by, the number of joint projects with Japan increased to over 45 projects by 1970s.

- By 1980, Japan was Malaysia’s main trading partner with a total trade of USD 4 billion.
• Another reason that encouraged the Look East Policy was a Malaysian government-supported agency, Permodal Nasional Berhad (National Investment Board) managed to take over a British-owned plantation group, Guthrie in 1981.

• Guthrie was listed on the London Stock Exchange during the early 1980s.

• Following the change of ownership, the London authorities tightened London Stock Exchange rules, making it harder for “future takeover raids” [Welsh ed. 320].
In Mahathir’s view, this was a form of retaliation towards Malaysia’s control over Guthrie and an example of the practice of double standards by the West [Welsh ed. 320].

Mahathir believed that if the British had done a similar take over in a non-white country, it would have been praised in the British media instead of being implied as a stealthy move.

As a counter attack, Mahathir launched the “Buy British Last” campaign.
• Seeing that Japan had managed to sustain a high economic growth from after the Second World War and became the second largest economy in 1981, the whole world were by then awed at Japan’s economic success.

• Singapore too initiated a “Learn from Japan” campaign in 1978, it was only time before Malaysia decided to learn from the Japanese as well.
LOOK EAST POLICY

• The policy, introduced in February 1982, aims to emulate Japan's work ethic and business skills and to acquire Japanese technological knowhow. It was the brainchild of then Prime Minister Mahathir Mohamad.

• The policy did not just focus on Japan, but South Korea and Taiwan as well.

• Looking East also did not mean following all Eastern habits blindly or trading solely with these countries, it was learning the good values of the East, particularly their work ethics and their technological skills.
LOOK EAST POLICY

The one that decides to look toward another direction.

SA’ODAH AHMAD/FEM3106/JPMPK/FEM
Yes!! I knew we could do it!!

What? Another one?

Yes, boss!

... the national car.

One model was followed by another.

Wow! This is better than I expected.

Now, Malaysia has a fleet of cars of various makes.
"The Look East Policy has been instrumental in the industrialization of the Malaysian economy, made possible by Japanese investors and companies operating in Malaysia," Malaysian Prime Minister Najib Abdul Razak said in a message to Prime Minister Yoshihiko Noda on Tuesday 28/8/12.

"The policy made it possible for Malaysia to establish its own automobile industry. The automotive industry is now considered one of the most important and strategic industries in Malaysia's manufacturing sector," he said.
LEADERSHIP BY EXAMPLE

- Introduced on 19 March 1993.
- Urges leaders to walk their talk and live their words.
- The idea behind the policy: to plant and cultivate the seeds of effective leadership values to be observed, understood and emulated by the civil service at large.
CLEAN, EFFICIENT AND TRUSTWORTHY CAMPAIGN

- Introduced in April 1982.
- Establishing work ethics and new work attitude in order to increase work quality and productivity.
- Efficient and free from corruption.
FOREIGN POLICIES

- Under the leadership of Prime Minister Tunku Abdul Rahman (up to 1970), Malaysia pursued a strongly pro-Commonwealth anti-communist foreign policy.

- Nonetheless, Malaysia was active in the opposition to apartheid that saw South Africa quit the Commonwealth in 1961, and was a founding member of the Association of Southeast Asia Nations (ASEAN) in 1967 and the Organisation of Islamic Country (OIC) in 1969, with Tunku as its first Secretary-General in 1971.
• Under Prime Ministers Tun Abdul Razak and Tun Hussein Onn, Malaysia shifted its policy towards non-alignment and neutrality.

• Malaysia's foreign policy is officially based on the principle of neutrality and maintaining peaceful relations with all countries, regardless of their ideology or political system, and to further develop relations with other countries in the region.

• In 1971, ASEAN issued its neutralist and anti-nuclear Zone of Peace, Freedom and Neutrality (ZOPFAN) Declaration. In the same year, Malaysia joined the Non-Alignment Movement. Consistent with this policy Malaysia established diplomatic relations with the People’s Republic of China in 1974.
This policy shift was continued and strengthened by Prime Minister Mahathir Mohamed, who pursued a regionalist and pro-South policy with at times strident anti-Western rhetoric.

He long sought to establish an East Asian Economic Group as an alternative to APEC, excluding Australia, New Zealand and the Americas, and during his premiership Malaysia signed up to an ASEAN Free Trade Area (AFTA) and ASEAN+3, a regional forum with China, Japan and South Korea.
• A strong tenant of Malaysia's policy is national sovereignty and the right of a country to control its domestic affairs.

• Malaysia views regional cooperation as the cornerstone of its foreign policy.

• It attaches a high priority to the security and stability of South East Asia, and has tried to strengthen relations with other Islamic states.
• Malaysia was a leading advocate of expanding ASEAN's membership to include Laos, Vietnam and Burma, arguing that constructive engagement with these countries, will help bring political and economic changes.

• Malaysia is also a member of G-15 and G-77 economic groupings.
CONTINUE

- Malaysia has never recognised the state of Israel and has no diplomatic ties with the state.
- It has remained a strong supporter of the State of palestine and has called for Israel to be taken to the International Criminal Court over the gaza Flotilla raid.
- Malaysian peacekeeping forces are present in Lebanon and has contributed to many other United Nation peacekeeping missions.
CONCLUSION

- Policy serves as blueprint of the government.
- Laws and legislations strengthened the policies’ strategies and approaches.
- Various parties, be it the public sector, the private sector or even individual have their own role in ensuring the successful implementation of policies.
REFLECTION ...

1. Major Policy Evolution
2. Socio Economic Dimensions
3. Development Record and Prospects
MAJOR IMPROVEMENTS BASED ON KEY ECONOMIC INDICATORS . . .

<table>
<thead>
<tr>
<th>Year</th>
<th>GNP per capita (RM)</th>
<th>GNP per capita (USD)</th>
<th>GNP per capita (USD in PPP)</th>
<th>Unemployment (%)</th>
<th>Fed. Govt. account (% to GDP)</th>
<th>Fed. Govt. account (% to GNP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>1,132</td>
<td>368</td>
<td>1,247</td>
<td>7.4</td>
<td>-4.0</td>
<td>0.2</td>
</tr>
<tr>
<td>1980</td>
<td>3,737</td>
<td>1,717</td>
<td>4,487</td>
<td>5.6</td>
<td>-13.5</td>
<td>-1.2</td>
</tr>
<tr>
<td>1990</td>
<td>6,299</td>
<td>2,329</td>
<td>5,284</td>
<td>5.1</td>
<td>-2.9</td>
<td>-2.1</td>
</tr>
<tr>
<td>2000</td>
<td>13,333</td>
<td>3,509</td>
<td>8,360</td>
<td>3.1</td>
<td>-5.8</td>
<td>9.4</td>
</tr>
<tr>
<td>2005</td>
<td>17,682</td>
<td>4,690</td>
<td>10,300</td>
<td>3.5</td>
<td>-3.8</td>
<td>16.4</td>
</tr>
<tr>
<td>2006</td>
<td>19.739</td>
<td>5,235</td>
<td>11,100</td>
<td>3.5</td>
<td>-3.5</td>
<td>17.2</td>
</tr>
</tbody>
</table>
## POPULATION SIZE AND STRUCTURE, 2000 and 2010

<table>
<thead>
<tr>
<th>Total Population (million persons)</th>
<th>2000</th>
<th>% to Total</th>
<th>2010</th>
<th>% to Total</th>
<th>% growth 2001-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bumiputera</td>
<td>14.6</td>
<td>66.1</td>
<td>18.7</td>
<td>68.3</td>
<td>2.5</td>
</tr>
<tr>
<td>• Chinese</td>
<td>5.6</td>
<td>25.3</td>
<td>6.5</td>
<td>23.8</td>
<td>1.5</td>
</tr>
<tr>
<td>• Indian</td>
<td>1.6</td>
<td>7.4</td>
<td>1.9</td>
<td>7.1</td>
<td>1.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Structure (years)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• 0 – 14</td>
<td>7.7</td>
<td>33.1</td>
<td>8.6</td>
<td>29.7</td>
<td>1.1</td>
</tr>
<tr>
<td>• 15 – 64</td>
<td>14.6</td>
<td>62.9</td>
<td>19.0</td>
<td>65.8</td>
<td>2.6</td>
</tr>
<tr>
<td>• 65+</td>
<td>0.9</td>
<td>4.0</td>
<td>1.3</td>
<td>4.5</td>
<td>3.4</td>
</tr>
</tbody>
</table>

| Dependency Ratio (%)              | 59.1  |            | 52.2  |            |                  |
| Median age (years)                | 23.9  |            | 26.7  |            |                  |
CONSULTATIVE PROCESS

Consultations with Civil Society

Inter Agency Planning Groups (IAPGs)

Consultations with the private sector

MOF Budget Dialogue Technical Working Groups (TWGs)

Through Government - private sector dialogues

⇔ EPU dialogue
⇔ MOF budget dialogue
⇔ Bank Negara dialogue
⇔ MITI dialogue
PLANNING HORIZON

1. OUTLINE PERSPECTIVE PLAN
   (Long term plan)
   * OPP1 (1971 - 1990)
   * OPP3 (2001-2010)

2. FIVE-YEAR PLAN (Medium term)

3. MID-TERM REVIEW (MTR) OF THE FIVE-YEAR PLAN

4. ANNUAL BUDGET (Short term)
MAJOR ECONOMIC POLICIES

The National Mission 2006-2020

- National Vision Policy (NVP)
- National Development Policy (NDP)
- New Economic Policy (NEP)

Vision 2020

- Total Development
  - Enhancing Nation’s Capability ~ competitiveness, unity
  - Building a Resilient & Competitive Nation

Balanced Development:
- Growth with Equity
  - To eradicate poverty & restructure of society

Growth with Equity

Post-independence 1957-70
- Laissez-faire / export-oriented
- Economic and rural development

OPP1 (1971-1990)
- OPP3 (2001-2010)
## Development Expenditure Gives Priority to Economic and Social Sectors (% to Total)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2MP</th>
<th>3MP</th>
<th>4MP</th>
<th>5MP</th>
<th>6MP</th>
<th>7MP</th>
<th>8MP</th>
<th>9MP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>'71-'75</td>
<td>'76-'80</td>
<td>'80-'85</td>
<td>'86-'90</td>
<td>'91-'95</td>
<td>'96-'00</td>
<td>'01-'05</td>
<td>'06-'10</td>
</tr>
<tr>
<td>Economic</td>
<td>50.6</td>
<td>54.4</td>
<td>60.5</td>
<td>64.8</td>
<td>50.6</td>
<td>47.6</td>
<td>38.5</td>
<td>44.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>18.3</td>
<td>18.7</td>
<td>16.3</td>
<td>20.8</td>
<td>11.6</td>
<td>8.2</td>
<td>4.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Industry</td>
<td>14.6</td>
<td>13.0</td>
<td>13.6</td>
<td>11.3</td>
<td>7.4</td>
<td>11.4</td>
<td>6.0</td>
<td>9.9</td>
</tr>
<tr>
<td>Social</td>
<td>13.1</td>
<td>14.6</td>
<td>21.5</td>
<td>24.8</td>
<td>24.8</td>
<td>31.6</td>
<td>40.8</td>
<td>37.5</td>
</tr>
<tr>
<td>Education</td>
<td>7.1</td>
<td>6.2</td>
<td>10.1</td>
<td>16.1</td>
<td>13.4</td>
<td>19.9</td>
<td>25.7</td>
<td>20.6</td>
</tr>
<tr>
<td>Health</td>
<td>1.9</td>
<td>1.2</td>
<td>1.6</td>
<td>2.6</td>
<td>4.4</td>
<td>3.8</td>
<td>5.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Housing</td>
<td>1.5</td>
<td>1.9</td>
<td>1.8</td>
<td>3.2</td>
<td>4.5</td>
<td>9.0</td>
<td>7.7</td>
<td>5.0</td>
</tr>
<tr>
<td>Security</td>
<td>10.4</td>
<td>14.2</td>
<td>16.2</td>
<td>7.2</td>
<td>20.1</td>
<td>11.8</td>
<td>13.0</td>
<td>10.6</td>
</tr>
<tr>
<td>Administration</td>
<td>1.5</td>
<td>1.9</td>
<td>1.8</td>
<td>3.2</td>
<td>4.5</td>
<td>9.0</td>
<td>7.7</td>
<td>6.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>RM billion</strong></td>
<td>9.8</td>
<td>24.9</td>
<td>46.3</td>
<td>35.3</td>
<td>54.7</td>
<td>99.0</td>
<td>170.0</td>
<td>200.0</td>
</tr>
</tbody>
</table>
Socio-economic dimensions . . .

Malaysia had achieved most of the UN Millennium Development Goals

- Eradicate poverty & hunger
- Achieve universal primary education
- Promote gender equality & empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria & other diseases
- Ensure environment sustainability
- Develop a global partnership for development
MAJOR SUCCESS IN ERADICATING POVERTY

Poverty Line Income (PLI) revised methodology for 2004 was RM661 per month in Peninsular Malaysia (household size 4.4); RM888 in Sabah (household size 5.2); & RM765 in Sarawak (household size 4.6). Hardcore poverty is estimated using half of PLI.

a/ Poverty Line Income (PLI) revised methodology for 2004 was RM661 per month in Peninsular Malaysia (household size 4.4); RM888 in Sabah (household size 5.2); & RM765 in Sarawak (household size 4.6). Hardcore poverty is estimated using half of PLI.
POVERTY ERADICATION PROGRAMMES.

- Focused on human resource development and quality of life improvements
- Emphasize income-generating projects and not on welfare handouts
- Major programmes:
  - Rural development
    - New land and in-situ development
    - Drainage and irrigation
    - Agriculture support services
    - Village/small industries
    - Upgrade rural infrastructure - roads, electricity, water
    - Upgrade schools & health facilities
  - Other programmes (hard-core poor)
    - Direct assistance ~ old folks home / the aged, the handicapped
    - food supplements and scholarships
    - interest free loans
Better Quality of Life . . .

Malaysian Quality of Life Index . . .

<table>
<thead>
<tr>
<th>Area</th>
<th>% Change 1990/2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working life</td>
<td>22.1</td>
</tr>
<tr>
<td>Culture &amp; leisure</td>
<td>21.2</td>
</tr>
<tr>
<td>Transport &amp; comm.</td>
<td>18.1</td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Social participation</td>
<td>15.9</td>
</tr>
<tr>
<td>Environment</td>
<td>6.6</td>
</tr>
<tr>
<td>Public safety</td>
<td></td>
</tr>
<tr>
<td>MQLI</td>
<td>-0.3</td>
</tr>
</tbody>
</table>

The Malaysian Quality of Life Index (MQLI) is an aggregate measure of the quality of life using forty-two indicators, representing eleven components of life.
## SELECTED INDICATORS OF QUALITY OF LIFE... REACHING THE LEVEL ENJOYED IN ADVANCED ECONOMIES

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1970</th>
<th>1990</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy (in years):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>65.6</td>
<td>73.5</td>
<td>76.2</td>
</tr>
<tr>
<td>Infant mortality rate / 1000</td>
<td>39.4</td>
<td>13.1</td>
<td>5.9</td>
</tr>
<tr>
<td>Population / Doctor ratio</td>
<td>4,302</td>
<td>2,533</td>
<td>1,387</td>
</tr>
<tr>
<td>Telephones / 1000 population (^1)</td>
<td>17</td>
<td>131</td>
<td>907</td>
</tr>
<tr>
<td>Utilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipe water (% of population)</td>
<td>48</td>
<td>80</td>
<td>95</td>
</tr>
<tr>
<td>Electricity (% of households)</td>
<td>44</td>
<td>80</td>
<td>98</td>
</tr>
</tbody>
</table>

Note: 1/ Include mobile phones  
2/ Universal coverage in urban areas
TRANSFORMATION FROM AN AGRO-BASED TO AN INDUSTRIAL-BASED ECONOMY . . .

(GDP in RM billion at 1987 prices / Percentage to Total in italics)
DIVERSIFICATION OF EXPORTS PRODUCTS . . .
(% TO TOTAL EXPORTS)

1970
RM 5,163 million

2005
RM 533,790 million
Revenue must cover operating expenditure and development expenditure must be financed through non-inflationary methods.
Prospects During The 9th Malaysia Plan, 2006-2010

<table>
<thead>
<tr>
<th>9MP Target</th>
<th>6.0</th>
<th>23,573</th>
<th>6,273</th>
<th>13,878</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>low</td>
<td>3.5</td>
<td>13.4</td>
<td>-24.3</td>
</tr>
<tr>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Real GDP growth (% p.a.)
- Per capita GNP (RM) *
- Per capita GNP (US$)*
- PPP Per capita GNP (US$)*
- Inflation (% p.a.)
- Unemployment rate (%) *
- Current a/c of BOP (% GNP)*
- Fed. Govt. account (RM bil.)*
- Pub. Sector account (RM bil.)*
- External reserve (months of retained imports)*
### GROSS DOMESTIC PRODUCT, 2000-2010 (% PER ANNUM)

<table>
<thead>
<tr>
<th></th>
<th>% growth per annum</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Achieved 8MP</td>
<td>Target 9MP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (real)</td>
<td>4.5</td>
<td>6.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.0</td>
<td>5.0</td>
<td></td>
<td>8.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Mining</td>
<td>2.6</td>
<td>3.4</td>
<td></td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6.7</td>
<td>5.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.1</td>
<td>6.7</td>
<td></td>
<td>31.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>31.4</td>
<td>32.4</td>
</tr>
<tr>
<td>Construction</td>
<td>0.5</td>
<td>3.5</td>
<td></td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Services</td>
<td>6.1</td>
<td>6.5</td>
<td></td>
<td>53.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>58.1</td>
<td>59.2</td>
</tr>
<tr>
<td>Govt. Services</td>
<td>6.7</td>
<td>4.5</td>
<td></td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Bus. &amp; Non-Govt. Svs.</td>
<td>6.0</td>
<td>6.7</td>
<td></td>
<td>47.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>50.5</td>
<td>52.2</td>
</tr>
<tr>
<td>• Utilities</td>
<td>5.6</td>
<td>5.9</td>
<td></td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>• Transport etc</td>
<td>6.6</td>
<td>6.7</td>
<td></td>
<td>8.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8.8</td>
<td>9.1</td>
</tr>
<tr>
<td>• Trade etc</td>
<td>4.3</td>
<td>6.8</td>
<td></td>
<td>14.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>14.7</td>
<td>15.2</td>
</tr>
<tr>
<td>• Finance etc</td>
<td>8.1</td>
<td>7.0</td>
<td></td>
<td>12.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>15.1</td>
<td>15.8</td>
</tr>
<tr>
<td>• Other Services</td>
<td>4.8</td>
<td>6.6</td>
<td></td>
<td>7.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7.8</td>
<td>8.0</td>
</tr>
</tbody>
</table>

|                      |                  |                  |                  |                  |
|                      |                  |                  | 100.0            |                  |
|                      |                  |                  | 8.2              | 7.8              |
|                      |                  |                  | 6.7              | 5.9              |
|                      |                  |                  | 31.4             | 32.4             |
|                      |                  |                  | 58.1             | 59.2             |
|                      |                  |                  | 7.6              | 7.0              |
|                      |                  |                  | 50.5             | 52.2             |
|                      |                  |                  | 4.1              | 4.1              |
|                      |                  |                  | 8.8              | 9.1              |
|                      |                  |                  | 14.7             | 15.2             |
|                      |                  |                  | 15.1             | 15.8             |
|                      |                  |                  | 7.8              | 8.0              |