

EXECUTIVE SUMMARY

TWELFTH MALAYSIA PLAN

2021-2025

A PROSPEROUS, INCLUSIVE, SUSTAINABLE MALAYSIA



“ The success in implementation and achievement of the Twelfth Plan’s objectives and goals is highly dependent on the commitment of each and everyone of us, especially our youth, based on the spirit of *Keluarga Malaysia*. ”

Foreword

The Twelfth Malaysia Plan 2021-2025 (Twelfth Plan) aims to address current issues and at the same time to restart and rejuvenate Malaysia's socioeconomic development for long-term sustainability and prosperity. It is intended to enable us, as *Keluarga Malaysia*, to move forward by restructuring the economy as the foundation in improving the wellbeing of the *rakyat*. This Plan with the objective of '**A Prosperous, Inclusive, Sustainable Malaysia**', encompasses the first half of the *Wawasan Kemakmuran Bersama 2030*.

The Twelfth Plan is a major agenda for national recovery to restore the economic stability of the *rakyat* as well as holistically regenerate and reinvigorate national economic growth. It had been formulated based on a 'bottom-up' approach where voices of all stakeholders have been given due consideration. Various engagements have been undertaken - both physically and virtually - throughout the process of preparing the Twelfth Plan. These engagements involved ministries, agencies, state governments, Members of Parliament, the private sector, academia, civil society organisations, international organisations and last but not least, the general public.

I would like to express my sincere appreciation and gratitude to each and everyone involved for their commitment in providing invaluable input and suggestions, to ensure the country continues to develop in a sustainable manner, while overcoming both the COVID-19 pandemic and economic crisis.

Resonating with the themes of the Twelfth Plan, by 2025, we aim among others to restore the wellbeing and prosperity of the *rakyat* by increasing their purchasing power, narrowing existing socioeconomic disparities and ensuring environmental sustainability. The role of the private sector as a driver of growth will be further strengthened. Despite Malaysia being in this difficult COVID-19 pandemic period, we, *Keluarga Malaysia* have an opportunity to reset the economy and together move forward.

This Twelfth Plan reflects the present Government's commitment to stay ahead of the curve and to plan our response in facing any possible situation. Although there are multiple ways of doing things, the key success factors to adapt to the new normal require that we embrace the principle of togetherness, leave our comfort zones and move forward with a clear direction. In today's unpredictable world, we need to successfully execute this Plan with regular reviews and enhanced flexibility to respond. This measure is in line with the Government's aspiration in ensuring that no one is left behind or neglected in development.

Insha-Allah, the Twelfth Plan serves as a blueprint in rebuilding a resilient economy for '**A Prosperous, Inclusive, Sustainable Malaysia**'. Ultimately, the success in implementation and achievement of the Twelfth Plan's objectives and goals is highly dependent on the commitment of each and everyone of us, especially our youth. Therefore, let us work together to achieve our national development agenda based on the spirit of *Keluarga Malaysia*.



DATO' SRI ISMAIL SABRI YAAKOB
Prime Minister of Malaysia
Putrajaya

September 2021

Preface

The Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan), a medium-term plan with the objective of '**A Prosperous, Inclusive, Sustainable Malaysia**', is the start of a new phase in Malaysia's development journey – the Shared Prosperity Vision 2030 (WKB 2030).

This Plan paves the way forward for comprehensive policy responses in facing the challenging situation brought about by the COVID-19 pandemic. Policies under this Plan are structured to achieve sustainable economic growth, with a focus on equitable wealth distribution, the wellbeing of the *rakyat* and environmental sustainability. The Twelfth Plan introduces a new transformative approach based on three themes, four catalytic policy enablers and 14 game changers. This new approach is important in providing a strong foundation for Malaysia's future, and acts as a catalyst to restore economic growth, address socioeconomic challenges, balance regional development and enhance the nation's competitiveness to be a more resilient and sustainable player on the world stage.

The three themes of the Twelfth Plan are resetting the economy; strengthening security, wellbeing and inclusivity; and advancing sustainability. The four catalytic policy enablers of the Twelfth Plan meanwhile, focus on developing future talent; accelerating technology adoption and innovation; enhancing connectivity and transport infrastructure; and strengthening the public service. The 14 game changers represent bold and innovative actions to shift mindsets and change the approach to national development.

Cumulatively, these themes, enablers and game changers will enable Malaysia to attain its objective to become a high-income nation. Key to the success of this Plan is effective implementation and strong commitment from all stakeholders. In this regard, the public and private sectors, civil society organisations and the *rakyat* need to work hand in hand in ensuring the achievement of the Twelfth Plan objectives, and ultimately WKB 2030. With determination and perseverance, God willing, we will succeed.



DATO' SRI MUSTAPA BIN MOHAMED

Minister in the Prime Minister's Department (Economy)
Putrajaya

September 2021

“ The Twelfth Plan introduces a new transformative approach based on three themes, four catalytic policy enablers and 14 game changers in providing a strong foundation for Malaysia’s future. ”





A Prosperous, Inclusive,
Sustainable Malaysia

Introduction

The Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan), is transformational. Whilst it builds on the previous plans, the Twelfth Plan injects fundamental reforms in realising the spirit of *Keluarga Malaysia* that will truly transform the development trajectory to achieve a prosperous, inclusive and sustainable Malaysia.

Various game-changing and radical initiatives will be implemented. These include programmes to alleviate the poor and uplift the standard of living of the *rakyat*. Specific focus will be given to the hardcore poor and poor in the bottom 10% household income decile group (B1). The Twelfth Plan will address the plight of all Malaysians, irrespective of gender, ethnicity, socioeconomic status and location.

Malaysia's development path over the next 10 years will be guided by the *Wawasan Kemakmuran Bersama 2030* (WKB 2030), which aims to transform Malaysia into a united, prosperous and dignified nation. The Malaysian economy registered a high growth rate at 6.2% per annum between 1971 and 2015. Although the growth rate moderated to 2.7% per annum between 2016 and 2020, Malaysia still fared better than most emerging markets and developing economies. The relatively high economic growth resulted in the improved wellbeing of the *rakyat* and narrowed income inequality.

The onset of the Coronavirus disease 2019 (COVID-19) pandemic in 2020 significantly altered business operations and the way people interact, as well as accelerated digital technology adoption. The pandemic also exacerbated socioeconomic inequalities and disparities. As a Government that cares for the people, especially in times of crisis, the 6R¹ approach was implemented to mitigate the impact of the pandemic. The National

¹ Resolve, Resilient, Restart, Recovery, Revitalise and Reform.

Recovery Plan (NRP) was introduced in June 2021 as a phased strategy to transition out from the Movement Control Order (MCO) in terms of the movement of people as well as the reopening of economic and social sectors. The transition of phases will be determined through a data-driven approach based on three main indicators, namely the daily number of new cases, bed utilisation rate in intensive care unit wards and percentage of the population that have been vaccinated. The formulation of the Twelfth Plan has taken into account the 6R approach that includes eight economic stimulus packages amounting to RM530 billion and the phased transition under the NRP.

As the first half of WKB 2030, the Twelfth Plan is critical given the current global and domestic challenges. The Plan is expected to rejuvenate and reposition Malaysia in the global economy. It will catalyse growth, ensure economic recovery and rebuild the economy to achieve prosperity, inclusivity and sustainability. Economic growth will be accompanied by more equitable wealth distribution to narrow disparities across income groups, ethnicities and geographic regions while ensuring environmental sustainability. The Twelfth Plan will also focus on upholding national security and sovereignty as well as solidifying national unity.

The Twelfth Plan is anchored on three key themes, namely resetting the economy, strengthening security, wellbeing and inclusivity as well as advancing sustainability. Four catalytic policy enablers, namely developing future talent, accelerating technology adoption and innovation, enhancing connectivity and transport infrastructure as well as strengthening the public service will support the achievement of these themes. These policy enablers will form the foundation and building blocks of Malaysia's development over the next five years and beyond. The successful implementation of the Twelfth Plan will result in shared prosperity, enhance inclusivity and pave the way for a more sustainable Malaysia for future generations. This will restore the wellbeing of *Keluarga Malaysia* in the long-term.

The national development priorities of the Twelfth Plan will continue to be aligned to the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development (2030 Agenda). The adoption of the whole-of-nation approach is essential for SDGs implementation. In line with the principle of “leaving no one behind”, localising SDGs initiatives will be intensified, and communication, education and public awareness (CEPA) will be emphasised to enhance understanding and implementation of the SDGs at the local level.

Looking Ahead to a Prosperous, Inclusive, Sustainable Malaysia

The objective of the Twelfth Plan is to achieve a prosperous, inclusive and sustainable Malaysia, in line with the WKB 2030 and the 2030 Agenda. Sustainable economic growth will be accompanied by fair, equitable and inclusive economic distribution across all income groups, ethnicities and regions in order to provide a decent standard of living for all Malaysians. In addition, the Twelfth Plan encompasses strategies and initiatives that safeguard national security and sovereignty, which are vital for sustainable socioeconomic development.

The Twelfth Plan is anchored on three key themes focusing on resetting the economy, strengthening security, wellbeing and

inclusivity as well as advancing sustainability. These themes are supported by four catalytic policy enablers focusing on developing future talent, accelerating technology adoption and innovation, enhancing connectivity and transport infrastructure as well as strengthening the public service, paving the way for a prosperous, inclusive and sustainable nation.

In line with the transformative nature of the Twelfth Plan, game changers that represent the new and innovative ideas will be introduced to shift mindsets and fundamentally change the approach of national development. These game changers will ensure Malaysia attains the objectives of WKB 2030, namely sustainable growth along with fair and equitable distribution across income groups, ethnicities, regions and supply chains. The imperatives for reform and transformation are as shown in *Exhibit 1*. It is translated as Game Changer 1 in the Twelfth Plan.

Exhibit 1

Imperatives for Reform and Transformation

Why reform and transformation are necessary?

The COVID-19 pandemic has impacted all economies around the world, and therefore maintaining the status quo will be untenable. Negative growth was recorded for four quarters of the economy following the deterioration in economic activities. The Twelfth Plan is formulated with the aim to:

- Rebuild the economy and build back better.
- Address uncertainties in the global economic landscape.
- Overcome shortcomings in development approach, governance and implementation.
- Provide hope and confidence in the future of the country, especially the youth.

How will this be achieved?

The Twelfth Plan is formulated to transform the economy. To ensure the comprehensiveness of the Plan, the transformation will incorporate the following elements:

- Transformational leadership involving all levels of Government.
- Monitoring of progress at the national level and problem-solving intervention.
- Rakyat-first policy is embedded into socioeconomic planning.
- Whole-of-nation is mobilised in pursuing national goals.
- Strengthening governance ecosystem.
- Political buy-in to ensure successful fundamental change.
- Enhancing collaboration among government agencies, private sector, academia, CSOs and the rakyat.
- Strengthening Malaysian identity, inculcating noble values and patriotism.

What will success portray?

- Achievement of the WKB 2030 and 2030 Agenda.
- Prosperous, high income, inclusive, low carbon, high-tech and sustainable nation.
- Globally competitive nation.
- United, harmonious and dignified nation.

Themes of the Twelfth Plan

The Government is committed to delivering game-changing and radical initiatives to ensure that the objectives of prosperity, inclusivity and sustainability are achieved during the Twelfth Plan. Emphasis will be on resetting the economy, strengthening security, wellbeing and inclusivity as well as advancing sustainability.

Theme 1 Resetting the Economy



Theme 1 focuses on restoring the growth momentum of key economic sectors, and propelling strategic and high impact industries as well as micro, small and medium enterprises (MSMEs) to realign growth in a sustainable trajectory as well as strengthening Malaysia's position in the global supply chain. Malaysia will move to high value-added and high-skilled economic activities, and set its sight on becoming a high-income nation driven by advanced technology. Over the next five years, concerted efforts will be undertaken to rejuvenate all the economic sectors, namely services, manufacturing, agriculture, mining and quarrying as well as construction. Meanwhile, productivity growth will be boosted, export markets will be expanded, financial intermediation ecosystem effectiveness and role of industrial estates and food production areas will be enhanced, while governance and policies will be improved. Focus will also be placed on accelerating the development of eight strategic and high impact industries and activities, namely electrical and electronics (E&E), global services (GS), aerospace, creative, tourism, halal, smart farming and biomass. In addition, efforts will be undertaken to strengthen MSMEs participation in the economy and boosting entrepreneurial capabilities.

Theme 1 outlines two game changers in resetting the economy, which are catalysing strategic and high impact industries to boost economic growth and transforming MSMEs as the new driver of growth. Game Changer II aims to enhance the contribution of the strategic and high impact industries and activities to the economy by leveraging on advanced technologies, digitalisation and niche capabilities. Private sector investments particularly with environmental, social and governance (ESG) elements will be encouraged to support green economy agenda. Whilst, Game Changer III will accelerate MSMEs development through technology and digital adoption in embracing new norms in business activities as well as enhancing the capabilities of Bumiputera entrepreneurs. In addition, focus will be given to shift MSMEs from a domestic to the global market and leveraging cooperative movement in developing entrepreneurs. These measures aim to improve competitiveness and the business ecosystem towards increasing MSMEs contribution to the economy.

Theme 2 Strengthening Security, Wellbeing and Inclusivity



Theme 2 will focus on strengthening security, wellbeing and inclusivity. In ensuring national defence and security, crime prevention efforts as well as rehabilitation and emergency preparedness will be intensified, while the welfare of the Malaysian Armed Forces and enforcement personnel will be improved. Priority will also be given in strengthening security governance. Healthcare service delivery will continue to be a focus in increasing the health status of the *rakyat*. Endeavours to improve preparedness in battling various diseases and the expansion of healthcare coverage will be continued. The supply of quality affordable housing will be increased by improving access to affordable housing and governance as well as ensuring inclusive housing development. An active lifestyle will be promoted continuously among the *rakyat* by creating a holistic sports ecosystem. Unity in diversity will be strengthened to maintain a harmonious society and prosperous nation. Addressing poverty as well as narrowing disparities among low income groups, inequitable Bumiputera socioeconomic outcomes, the low socioeconomic development of Orang Asli and social deprivation of specific target groups will be emphasised. Efforts will be intensified to accelerate the development of regions and states as well as narrow the development gap between rural and urban areas for greater inclusion. The development in Sabah and Sarawak will be further accelerated for better growth and wellbeing of the *rakyat*.

Theme 2 outlines four game changers, which are enhancing national security and unity for nation-building, revitalising healthcare system in ensuring a healthy and productive nation, transforming the approach in eradicating hardcore poverty as well as multiplying growth in less developed states especially Sabah and Sarawak to reduce development gap. Efforts in nation-building and creating a more conducive environment for economic activities as well as a safe and harmonious living for the *rakyat* will be emphasised by addressing issues on national defence and security as well as the unity. The COVID-19 pandemic has tested the strength and response of healthcare delivery systems across the world. Thus, revitalising healthcare system is critical in order to ensure the *rakyat* have equal access to healthcare services as well as be well-prepared in meeting future health crises. Addressing poverty holistically and uplifting the standard of living of the *rakyat* is one of the game changers in strengthening inclusivity and uplifting the livelihood especially of the hardcore poor, B40 and vulnerable groups. This will reduce the income disparities and uplift the standard of living of households in the different income segments and ethnic groups. The potential of less developed states will be optimised. Economic activities will be intensified while infrastructure and connectivity will be enhanced. In this regard, the rural-urban income ratio will be improved, while GDP per capita, average GDP growth and median monthly household income of the less developed states are targeted to increase further.

Theme 3 Advancing Sustainability



Theme 3 focuses on advancing green growth as well as enhancing energy sustainability and transforming the water sector. The next five years will see a nationwide shift to more sustainable economic practices and lifestyles that value natural endowments and environmental health. This shift will address the issues of climate change, unsustainable consumption and production practices, loss of biodiversity, lack of coherence in the implementation of policies and inefficient water resources management. In the Twelfth Plan, green growth will be augmented to achieve sustainability and resilience. In this regard, the need to share responsibility in moving towards a low-carbon nation will be emphasised, while more equal benefit sharing from the utilisation of natural resources will be promoted. Energy and water will be managed holistically and sustainably, taking into account the supply and demand of these resources. The energy sector will address the energy trilemma, while the water sector will focus on ensuring water security for all.

Two game changers will be implemented under Theme 3, namely embracing the circular economy and accelerating adoption of the Integrated Water Resources Management (IWRM). Transitioning to the circular economy will yield significant efficiency gains and cost-effectiveness as well as reduce pressure on the environment. It will also deliver a more innovative and competitive economy as well as create new opportunities for green growth. Accelerating the adoption of the IWRM will be the starting point in transforming the water sector. The effective execution of policies and strategies under Theme 3 will contribute to sustainable and resilient growth as well as the achievement of the 2030 Agenda.

Policy Enablers of the Twelfth Plan

The achievement of targets set under the three themes of resetting the economy, strengthening security, wellbeing and inclusivity, as well as advancing sustainability are supported by four catalytic policy enablers focused on developing future talent, accelerating technology adoption and innovation, enhancing connectivity and transport infrastructure as well as strengthening the public service. These critical enablers form the fundamental foundation and building blocks of Malaysia's development over the next five years and beyond.

Policy Enabler 1



Developing Future Talent

The growth targets of the Twelfth Plan will require the development of highly skilled talent to support the demands of a growing economy. However, there are still persistent issues in the labour market and education sector. These issues include a low percentage of compensation of employees (CE) to GDP, inefficient labour market, limited access to quality education and weaknesses in the governance of educational institutions. The COVID-19 pandemic has caused a spike in the unemployment rate and brought about new norms in the way people work and how businesses operate. Hence, the Twelfth Plan will focus on developing future talent by realigning the labour market, education and training. Among the key initiatives for realigning the labour market are promoting equitable CE and labour participation, as well as strengthening labour market support. In addition, elevating the quality of education and leveraging emerging technologies will be the key initiatives to improve the education and training system.

Improving technical and vocational education and training (TVET) ecosystem to produce future-ready talent will be introduced as a game changer that can better meet industry demand. As a key catalyst in Malaysia's socioeconomic development, a strong TVET ecosystem will allow the country to effectively address persistent issues such as dependency on foreign workers, low CE and low student outcomes. Emerging technologies such as virtual reality, augmented reality and artificial intelligence will be leveraged to complement existing hands-on teaching and learning activities as well as research and development conducted in laboratories and workshop. The implementation of all these initiatives will lead to a flexible labour market that improves the standard of living of the rakyat.

Policy Enabler 2



Accelerating Technology Adoption and Innovation

Technology adoption and innovation are fundamental enabling factors that will catalyse growth across all sectors. The digitalisation process will be accelerated and the adoption of advanced technology, particularly the Fourth Industrial Revolution (4IR) technologies, will be promoted in achieving a high technology-based economy. In doing so, Malaysia will address the issues of insufficient digital infrastructure and services, fragmented governance, widening digital divide, low research, development, commercialisation and innovation (R&D&C&I) capacity and capability, and slow adoption of technologies. The Twelfth Plan will accelerate Malaysia's adoption and application of digital and advanced technology to create and unlock new opportunities. This will maximise the potential of the digital economy as well as achieve inclusive, responsible and sustainable socioeconomic growth. The talent and skills required to drive both the digital economy and 4IR will be enhanced, while R&D&C&I will be intensified. Malaysia will also aggressively attract investment in the digital economy to become the regional leader. The focus will be on mainstreaming digitalisation for inclusive development, accelerating R&D&C&I as well as capitalising on the potential of advanced technology.

This policy enabler outlines two game changers in accelerating technology adoption and innovation, which are enhancing digital connectivity for inclusive development as well as aligning R&D towards commercialisation, wealth generation and economic growth. The successful implementation of this policy enabler, among others, will ensure 100% 4G coverage in populated areas, wider 5G coverage, 100% urban and rural households subscribing to the internet, 2.5% gross expenditure on R&D (GERD) to GDP, 10.5% contribution of eCommerce to GDP and 25.5% contribution of the digital economy to GDP. The implementation of these initiatives is expected to enhance national competitiveness and resilience, thus better preparing Malaysia to be a high technology-based economy.

Policy Enabler 3



Enhancing Connectivity & Transport Infrastructure

Transportation and logistics play a crucial role in facilitating growth across all sectors of the economy. Emphasis will be on improving first-and last-mile connectivity, increasing industry competitiveness and strengthening governance. Nevertheless, challenges in meeting the demand for seamless connectivity and reliable transport and logistics infrastructure continue to hinder efforts in addressing the growing demand.

Provision of efficient and inclusive transportation and logistics infrastructure will continue to be the focus by enhancing accessibility to public transport, improving trade facilitation as well as strengthening the institutional and regulatory framework. Measures will be taken to improve last-mile connectivity through the integration of rail and road networks between airports, ports, industrial areas and cities. The capacity of ports infrastructure and services will be increased while a multimodal cargo movement approach by the same service provider will be adopted. In addition, transforming the logistics ecosystem for greater efficiency has been identified as a game changer for the logistics sector. Initiatives will be taken to centralise planning and development of logistics hub, accelerate digital adoption, encourage mergers and acquisitions among industry players, establish a single border agency and create a national regulatory framework for warehousing and maritime economy. These efforts will support and facilitate the expansion of economic activities and contribute to the socioeconomic growth of the country.

Policy Enabler 4



Strengthening the Public Service

This policy enabler fundamentally supports all themes and other policy enablers in promoting the wellbeing of the rakyat as well as ensuring Malaysia's continuous socioeconomic development. The public sector will further intensify digitalisation, citizen-centric decision-making, project implementation as well as collaboration and coordination between the three levels of government. In recognition of the current gaps in talent, governance ecosystem and project management, the public sector will be further strengthened with emphasis on integrity and transparency. In the Twelfth Plan, priorities will be given on developing a high-performing civil service, advancing the whole-of-government approach as well as enhancing budgeting and project management.

Transforming the public service through the whole-of-government approach will be the game changer in ensuring a more efficient and effective public service delivery as well as optimising existing resources. It is essential to review and streamline the structures and functions of ministries and agencies as well as ensure a clear delineation of roles and responsibilities between Members of the Administration and civil servants. In addition, enhancing the mechanism for selection of key leaders, improving the mechanism for recruitment of the professional and managerial officers as well as accelerating digitalisation will further enhance public service delivery. The implementation of this policy enabler, among others, will improve Malaysia's performance to be among the top 30 in the Corruption Perceptions Index and top nine in the Government Efficiency sub-index of the IMD World Competitiveness Yearbook as well as ensure 80% of online Federal Government services will be available end-to-end by 2025.

Challenges and Opportunities

The next five years presents both challenges and opportunities for the Malaysian economy. The pace of economic recovery is contingent on the COVID-19 vaccination rollout and compliance with the standard operating procedures (SOPs) as well as the effectiveness of measures under the stimulus packages. The increase in the debt and fiscal deficit to finance the stimulus packages will affect fiscal sustainability unless accompanied by medium-term fiscal consolidation efforts. Sustaining growth in the medium term will also hinge on the ability to increase the pace of structural transformation and transition into the production of higher value-added products and services in all economic sectors. This will require effective policies and strategies to address skill and talent gaps, accelerating R&D&C&I and increasing preparedness to embrace new technologies arising from the 4IR.

On the social front, increasing health risks and demographic shifts pose several challenges. The increase in the incidence of non-communicable diseases (NCDs) and the need to manage the COVID-19 pandemic, including the rollout of the National COVID-19 Immunisation Programme, has placed intense pressure on the healthcare system. Malaysia has to prepare itself holistically to meet the challenges posed by an aged society by 2030. The country is also confronted with the task of addressing poverty and inequality as well as raising the standard of living of the B40 and M40 in a more targeted manner while narrowing the development gap between regions. The rapid rate of urbanisation, while bringing new economic and employment opportunities, can pose challenges in terms of infrastructure, energy and water resources.

Despite these challenges, Malaysia will capitalise on its strengths and advantages to move forward in accelerating socioeconomic development. Strong macroeconomic fundamentals, including a highly diversified economic and export structure, low and stable inflation as well as a strong and well-capitalised financial sector, remain the key underlying strengths of the Malaysian economy. Its strategic position in Asia will enable Malaysia to position itself as a hub for a number of industries.

The Government remains committed to ensure Malaysia continues to be an attractive investment destination by introducing policy and regulatory reforms as well as improving governance. The Government views the private sector as a full development partner in line with the Malaysia Incorporated Policy and will continue to play an important role in realising the WKB 2030 and 2030 Agenda. The ecosystems that support private sector participation in development will continue to be improved such as facilitating regulation as well as increasing engagement and consultation with the private sector in policy formulation. Public service delivery will be strengthened to ease business operation.

Selected Targets of the Twelfth Plan

During the Twelfth Plan, the global economy is expected to regain momentum as it recovers from the COVID-19 pandemic. World trade is expected to grow by 5.3% per annum, mainly supported by better trade performance of emerging markets and developing economies. In tandem with the global economic recovery, the Malaysian economy is expected to grow between 4.5% and 5.5% per annum, resulting in a higher GNI per capita of RM57,882 or US\$14,842 in 2025.

Efforts to accelerate productivity will continue under the Twelfth Plan, which will contribute to higher labour productivity growth. Focus will be given to gearing up for the 4IR, providing an enabling environment for the digital economy, intensifying R&D&C&I as well as developing the required talent. In addition, with better labour market conditions, Malaysia will regain full employment during the Twelfth Plan. In tandem with the focus on inclusive economic growth, salaries and wages are also projected to rise, thus contributing to higher household income. The wellbeing of the rakyat is expected to further improve, supported by both economic and social progress as well as inclusive regional development. The selected targets of the Twelfth Plan are as shown in *Exhibit 2*.

Exhibit 2

Selected Targets of the Twelfth Plan

Indicator	Eleventh Plan Performance	Twelfth Plan Target
GDP growth, per annum	2.7%	4.5%~5.5%
GNI Per Capita, end period	RM42,503	RM57,882
Labour Productivity growth, per annum	1.1%	3.6%
Compensation of Employees, end period (% of GDP)	37.2%	40.0%
Average Monthly Household Income, end period	RM7,160	RM10,065
Malaysian Wellbeing Index growth, per annum	0.5%	1.2%

Game Changers

Game Changer I: Imperatives for Reform and Transformation

The Twelfth Plan needs to be transformational to overcome global economic uncertainties, domestic structural economic challenges and shortcomings in the development approach. In this regard, among the elements to be incorporated into the Twelfth Plan are *rakyat*-first policy, whole-of-nation approach and political buy-in. These will ensure the successful implementation of the WKB 2030 and 2030 Agenda. The reform and transformation are imperative in achieving a prosperous, high-tech, inclusive and sustainable nation, thus enabling Malaysia to be united, harmonious and dignified.

Theme 1: Resetting the Economy

Game Changer II: Catalysing Strategic and High Impact Industries to Boost Economic Growth

Resetting the economy to address current and future economic challenges is centred around building resiliency and competitiveness by leveraging advanced technology adoption, digitalisation and niche capabilities. Thus, E&E, GS, aerospace, creative, tourism, halal, smart farming and biomass are identified as strategic and high impact industries and activities that will catalyse economic growth. In the Twelfth Plan, efforts will be focused on accelerating these industries to be more sophisticated by producing high value-added activities and products, attracting quality investments and expanding exports as well as contributing in green economy agenda.

Game Changer III: Transforming Micro, Small and Medium Enterprises as the New Driver of Growth

Prioritising MSME digitalisation as a national agenda is a powerful game changer for the economy. It enables MSMEs including Bumiputera entrepreneurs to transform, compete and penetrate global markets. MSMEs will be equipped with the skills to enable these enterprises to digitalise their business process by the year 2025. To enhance competitiveness, MSMEs will also be assisted to produce products and services on par with international standards. A conducive and holistic ecosystem will be created to support MSMEs. This includes giving a second chance to entrepreneurs who have tried and failed as success is very seldom achieved at the first-time attempt. A commissioner will be appointed to assist small businesses in securing payments on time and resolving payment disputes. In addition, cooperative movement will be leveraged in developing entrepreneurs.

Theme 2: Strengthening Security, Wellbeing and Inclusivity

Game Changer IV: Enhancing National Security and Unity for Nation-Building

National security and unity remain a priority in maintaining a strong and resilient nation. A holistic plan will be implemented in curbing illegal activities at the border and a new National Defence and Security Industry Policy will be introduced in ensuring a sustainable defence and security capability. In addition, wider usage of advanced technology as well as greater involvement by the community will facilitate the whole-of-nation approach in combatting crimes. Acknowledging the importance of building social interaction among the rakyat will be fostered through unity programmes, sports and religious activities. Patriotism and volunteerism will also be strengthened through the utilisation of digital and other media platforms in building social cohesion and fostering greater unity to ensure peace and harmony.

Game Changer V: Revitalising the Healthcare System in Ensuring a Healthy and Productive Nation

The COVID-19 pandemic has proven that it is critical to have a robust healthcare sector and the need to embrace the whole-of-nation approach in ensuring better management of future outbreaks and health crises. Lessons learnt from managing the pandemic will be leveraged to revitalise healthcare services. Resources and responsibilities will be consolidated and healthcare services will be redesigned through collaboration between public and private sectors as well as CSOs. In addition, a more sustainable health financing model will be introduced and healthcare services will be digitalised to accelerate delivery.

Game Changer VI: Transforming the Approach in Eradicating Hardcore Poverty

In addressing hardcore poverty, all poor Malaysians irrespective of gender, ethnicity, socioeconomic status and location will be supported. Bold and radical initiatives on a need basis will be introduced to support the hardcore poor and poor among the B1. These initiatives include establishing dedicated poverty units at the Federal and district levels as well as integrating and centralising a database on poverty. The possibility of introducing a dedicated tax to finance poverty alleviation programmes will be explored. The implementation of these initiatives will ensure that hardcore poverty is eliminated by 2025 while all Malaysians enjoy a decent standard of living.

Game Changer VII: Multiplying Growth of Less Developed States especially Sabah and Sarawak to Reduce Development Gap

Priority will be given to Kedah, Kelantan, Perlis, Sabah, Sarawak and Terengganu by allocating at least 50% of the Total Basic Development Expenditure² (Basic DE). The development of these states will be driven by key growth nodes and hotspot areas as hubs for economic activities. Rural areas will be further developed by intensifying industrialisation and diversifying economic activities through smart and cluster farming. In addition, cross-border economic activities will be promoted to accelerate border development. A number of projects for infrastructure and connectivity improvement will be implemented. The implementation of these initiatives will accelerate growth in the less developed areas as well as ensure more balanced development and greater inclusion.

² Allocation for programmes and projects to achieve the targeted objectives and strategies in the Five-Year Malaysia Plans. Examples of Basic DE projects are construction of schools, hospitals, roads, industrial areas and poverty eradication programmes.

Theme 3: Advancing Sustainability

Game Changer VIII: Embracing the Circular Economy

Acknowledging the need to address the challenge of balancing socioeconomic development and environmental sustainability, the circular economy model will be embraced. The public and private sectors will be encouraged to adopt and integrate the SDGs and ESG principles in their decision-making. Apart from creating green job opportunities and ensuring resource security, the circular economy will reduce waste generation, pollution, greenhouse gas (GHG) emissions and dependency on natural resources. To expedite the transition, an enabling ecosystem will be put in place, while more sharing economy models will be promoted. The use of recycled materials and recycling of production waste will be increased, while the responsibility of producers in managing their end-of-life products will be extended. All these initiatives will expand the green economy and facilitate the attainment of a low-carbon future.

Game Changer IX: Accelerating Adoption of Integrated Water Resources Management

The Government recognises that there is a need for a comprehensive transformation of the water sector to ensure water security and sustainability. Ineffective management of water resources, inadequate understanding and lack of awareness have created environmental and social challenges which have impacted economic growth. The Twelfth Plan will lay the foundation for a comprehensive water transformation agenda by accelerating the adoption of IWRM. The whole-of-nation approach involving all stakeholders will be adopted to instil a sense of ownership and responsibility in protecting and conserving this precious resource. Governance of water resources will be strengthened to manage water resources effectively through revising existing laws and establishing an integrated centre for water data and R&D&C&I. Financial sustainability of water service providers will be improved to enhance efficient service delivery.

Policy Enabler 1: Developing Future Talent

Game Changer X: Improving TVET Ecosystem to Produce Future-Ready Talent

The availability of skilled technical workers is essential for the successful adoption of Industry 4.0. In this regard, it is imperative that gaps in the existing TVET ecosystem are reduced. To achieve this, the attractiveness and the quality of delivery and training of TVET will be enhanced through improvement in accreditation, recognition and certification. A ranking system for TVET institutions will be introduced whereby the allocation of funds will be based on a number of components including employability, wage levels of graduates, industrial engagement and the implementation of social initiatives in the rural areas. This will prepare TVET graduates to be future-ready talent.

Policy Enabler 2: Accelerating Technology Adoption and Innovation

Game Changer XI: Enhancing Digital Connectivity for Inclusive Development

The Government's decision to introduce telecommunication services as a public utility will enhance internet connectivity, enabling the *rakyat* to have equitable access to more affordable, reliable and quality broadband services. In narrowing the digital divide, the Government will also ensure that students and vulnerable groups have access to digital devices. The implementation of the *Pelan Jalinan Digital Negara* (JENDELA) will enhance digital connectivity and achieve full 4G coverage in populated areas, as well as enable 100% households' subscription to the internet. The establishment of Digital Nasional Berhad (DNB) will further accelerate the provision of 5G coverage for a better user experience.

Game Changer XII: Aligning Research and Development towards Commercialisation, Wealth Generation and Economic Growth

The commercialisation of research plays a significant role in enhancing knowledge transfer, economic growth, job creation and entrepreneurship. During the Twelfth Plan, 50% of all Government research funding will be focused on encouraging experimental development with high commercialisation potential. This will be coordinated by the newly established Research Management Unit (RMU), under the Economic Planning Unit of the Prime Minister's Department. The goal for Malaysia is to emulate the success of economies that have graduated from middle- to high-income. These countries have invested a significant percentage of their research funds on activities that can be commercialised.

Policy Enabler 3: Enhancing Connectivity and Transport Infrastructure

Game Changer XIII: Transforming the Logistics Ecosystem for Greater Efficiency

Logistics is an indispensable sector to the growth of the nation, thus efficient logistics services are crucial in ensuring the seamless movement of goods. However, fragmentation of the industry, low technology adoption, uncoordinated planning and implementation as well as weak governance have resulted in the mediocre quality of services and relatively higher costs. In the Twelfth Plan, the Government will transform logistics services by centralising the planning and development of logistics hubs, accelerating digital adoption and encouraging mergers and acquisitions among industry players. A single border agency for trade facilitation will be created, while a national regulatory framework for warehousing and the maritime economy will be formulated. These initiatives will create resilient and competitive logistics service providers, enhance international trade competitiveness as well as improve the governance structure.

Policy Enabler 4: Strengthening the Public Service

Game Changer XIV: Transforming the Public Service through the Whole-of-Government Approach

Integrity, accountability and transparency across the civil service will be enhanced. The structures and functions of ministries and agencies will be reviewed and streamlined to establish a flatter organisation, thus reducing bureaucracy, increasing transparency as well as optimising the use of resources. A public service act will be introduced to reinforce the principle of separation of powers between the executive, legislative and judicial branches. The Government will further enhance the performance-driven culture in the civil service as well as strengthen the mechanism for the selection of key leaders. The mechanism for recruitment of the professional and managerial officers will also be improved in attracting the best talent. In addition, accelerating digitalisation and implementation of the Malaysia Digital Economy Blueprint initiatives in the public sector will further enhance the public service delivery.

Conclusion

The Twelfth Plan focuses on the strategic priorities that will transform Malaysia. It is a critical compass for Malaysia during this time of unprecedented COVID-19 pandemic and the global economic uncertainty. It is within this context that the Plan strives to bring about sustainable economic recovery as well as provide better social protection to vulnerable segments of society.

The focus over the next five years will be on the key themes of resetting the economy, strengthening security, wellbeing and inclusivity as well as advancing sustainability. These themes will be supported by the policy enablers of talent, technology, transport infrastructure and public service delivery, consistent with the objectives of achieving prosperity, inclusivity and sustainability in line with WKB 2030 and the 2030 Agenda.

