Development Finance Assessment Snapshot
Malaysia
Financing the future with an integrated national financing framework

Funded by Government of China as input into the 2017 ASEAN-China-UNDP Symposium on Financing the Sustainable Development Goals in ASEAN.
Malaysia: Financing the future with an integrated national financing framework

This report was commissioned by UNDP’s Regional Bureau for Asia and the Pacific as part of the preparations for the China-UNDP ASEAN Symposium on Financing the Implementation of the SDGs in ASEAN, held in Chang Rai, Thailand in August 2017. This report also fed into a regional report on Financing the Implementation of the Sustainable Development Goals in ASEAN. All studies were overseen and supported by UNDP, with generous support from China.

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Executive summary

Across Malaysia and the ASEAN region as a whole, ambitions are high for the progress that can be achieved in the era of the Sustainable Development Goals (SDGs). Realizing these ambitions will require mobilizing the right scale and mix of financing, incorporating all resources—public and private, domestic and international. This paper forms part of a project to assess the financing challenges and opportunities that ASEAN countries face, and the policies and institutional frameworks that governments can use to address them in implementing the SDGs. It is one of 10 country studies undertaken alongside an ASEAN regional report, in order to facilitate dialogue at the country and regional levels about financing the SDGs. The Government of Malaysia has demonstrated strong political will to engage with Agenda 2030 and to implement the SDGs across the public and private sectors. This paper applies the lens of an integrated national financing framework (INFF) to examine how government policies and institutional structures are set up to respond to the financing challenges and opportunities that the country will face, and outlines the sustainable development context and current financing landscape.

**Sustainable development and financing context:** Malaysia has achieved commendable development progress in recent decades. Significant economic growth and a focus on inclusivity have contributed to reducing the rate of extreme poverty to just 0.09 percent of the population, far below the ASEAN average. As highlighted in Malaysia's Voluntary National Review (VNR) report to the High-level Political Forum (HLPP) in 2017, broad and measurable improvements have also been made in living standards, health care and education, but challenges remain in reaching rural communities to progress against targets for nutrition and food security, HIV and tuberculosis. Protecting Malaysia's natural resources and environment is now a major priority. It is critical that economic progress is not achieved to the detriment of the natural environment; despite some major progress in recent years, Malaysia still faces challenges around ocean health, biodiversity, deforestation and vulnerability to climate change.

The financing landscape in Malaysia has changed in recent years, with rapid growth in total financing and an evolution of the composition of resources (Figure 1). Domestic public revenue is relatively high compared with other ASEAN states, at US$1,799 per capita, and represents the largest share of total resources. Overall growth has been slowing since 2012 and the sources of domestic public revenue have diversified, with a steady increase in revenue generated by direct and indirect taxes beyond the formerly dominant oil and gas sector.

International public resources currently account for 11 percent of total resources, and have fluctuated in volume between 2007 and 2015. They have remained at a significantly lower level than domestic public resources and growth has not been as consistent. Official development assistance (ODA) and other official flows (OOF) specifically represent just 3 percent of international public finance, and if Malaysia meets its target of achieving high-income country status by 2020, it will no longer be eligible for ODA to support development activities. Overall, the country’s debt-to-GDP ratio has remained consistent since 2009, and below the 55 percent limit set by the government. Domestic commercial investment is also growing, rising to an estimated $40 billion in 2015, and representing 13.4 percent of GDP.

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International private resources were the least utilized type of finance in 2000 but their volume has increased significantly, if sporadically, in absolute terms to $23.4 billion in 2015. International private borrowing also broadly increased over the period. While volumes of both foreign direct investment (FDI) and remittances have also grown, they remain lower than in other countries in the region ($11 billion and $2 billion respectively against ASEAN averages of $14 billion and $7 billion).

Figure 1: The financing landscape in Malaysia

Malaysia’s Integrated National Financing Framework (INFF): An INFF is a framework of policies and institutional structures designed to take a holistic approach towards managing and mobilizing all types of financing—domestic, international, public, private—for sustainable development results. It has six building blocks, which work together to align a government’s financing strategy across all available resources. These frameworks provide a structure and a prompt for governments to assess their financing frameworks as a whole, and to guide thinking about reforms that are needed to strengthen them in order to implement a strategic, holistic, results-driven approach to financing their development objectives. Malaysia could benefit from such a framework, utilizing the INFF concept to strengthen this approach to financing the SDGs and its own national vision.

Malaysia has a strong, clear and coherent long-term vision for results, which provides a politically enabling environment for adopting the SDGs, and the government is making progress on implementing the SDGs into national policies and other sections of society. It voluntarily prepared a National Review ahead of the 2017 HLPF and has a national roadmap for the SDGs. Its plans include high-level targets and principles for public and private investment, which are ambitious but achievable. Particular emphasis has been placed on the growth of the private sector to drive national economic growth and support the SDGs.
The government has dedicated financial and human resources to support its vision. Focused investment in key economic areas has catalysed, and may continue to catalyse, development progress aligned with the national development plan. The government has also dedicated financial and human resources to ensure the effective implementation of its plans. Malaysia offers a number of examples of innovative and collaborative financing mechanisms to support action in priority areas. The government's strategies also involve an effective results monitoring system and numerous efforts to encourage public participation, build trust and accountability between actors and promote transparency.

**Private sector development:** Malaysia has a well-performing business environment. Special emphasis is placed on the private sector across the government's various development plans and in the SDG roadmap, with an ambitious annual target for private investment of RM365 billion (around US$93 billion) by 2020. Growth in the private sector is expected both to help the country achieve its development targets and relieve some of the burden placed on public finance. The government has several strategies in place to further improve the business environment. These include efforts to improve regulatory frameworks, reduce business licensing requirements and encourage the use of information technology by government agencies, as well as bolstering the contributions of small and medium-sized enterprises (SMEs) to GDP. In addition to driving economic growth, the private sector has a role to play in reducing inequalities and improving social inclusion. Awareness-building strategies to embed and operationalize the SDGs within businesses, for example, are key to mobilizing the sector's contribution to financing and implementing both the SDGs and national development plans.

**Recommendations:** In order to safeguard the long-term sustainability of its impressive social and economic gains in recent years, Malaysia will need to carefully balance its ambitions for private sector development and economic expansion with environmental policies and climate-related goals. A longer-term financing strategy that builds on existing five-year plans would allow for broader structural shifts in response to the uncertain external environment, threats from climate change and longer-term demographic changes.

Fiscal reform could also be considered to safeguard long-term growth and foster the achievement of climate-related goals. Although the volume of development expenditure increased between 2000 and 2015 (rising from $31 billion to $66 billion), its share of total expenditure steadily declined over the period, and it amounted to 14 percent of total expenditure in 2015. The government's efforts to increase that share to 18 percent by 2018 are welcome, and a further increase in this proportion would contribute to macroeconomic resilience and sustained growth for Malaysia.

Establishing a centralized monitoring framework to track the impact of financing across government outputs, financing instruments, outcomes and contributions to the long-term national vision (Transformasi Nasional 2050) might also contribute to greater efficiency in mobilizing financing for sustainable development.
1. Introduction

Across Malaysia and the ASEAN region as a whole, ambitions are high for the progress that can be achieved in the era of the Sustainable Development Goals (SDGs). Realizing these ambitions will require mobilizing the right scale and mix of financing, incorporating all resources—public and private, domestic and international. This paper forms part of a project to assess the financing challenges and opportunities that ASEAN countries face, and the policies and institutional frameworks that governments can use to address them in implementing the SDGs. It is one of 10 country studies undertaken alongside an ASEAN regional report, in order to facilitate dialogue at the country and regional levels about financing the SDGs.

Through strong planning and sustained economic growth, Malaysia has achieved commendable development progress in recent decades. Underscored by the government’s national agenda, Vision 2020, and through national development plans, it has virtually eradicated extreme poverty and has experienced broad measurable improvements in living standards, health care and education. Its current strategy, the New Economic Model (NEM), which covers the period 2011–2020, commits it to three broad development goals—high-income country status, inclusivity and sustainability—which broadly align with the economic, social and environmental pillars of the 2030 Agenda for Sustainable Development. Despite steady increases over the past 20 years, Malaysia’s central macroeconomic goal of achieving high-income country status by 2020 has been affected by a depreciation of the national currency. Attaining high-income status as per the World Bank’s classification would require an annual growth rate of around 8 percent between now and 2020; nevertheless, Malaysia is likely to reach this status in the medium term.

The country has embraced and is committed to the 2030 Agenda and the implementation of the global SDGs. The principles and objectives of its latest five-year development plan, the Eleventh Malaysia Plan (11MP), which covers the period 2016–2020, align closely with most of the SDGs. It is under the framework of the 11MP that the government intends to formally incorporate the SDGs, including through mobilizing resources to fund their implementation. In this period, coming towards the end of its Vision 2020 and focused on 2030, Malaysia faces an ambitious agenda for sustainable development, which is being implemented in a context of increasing government revenues and a dynamic private sector, but in an uncertain external environment.

Action at the country level will be key to implementing the SDGs, Financing for Development and other global agendas. The Addis Ababa Action Agenda states: “Cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks [INFFs], will be at the heart of our efforts.” The Inter-Agency Task Force on Financing for Development notes in its 2017 report that INFFs, which take into consideration all financing sources and policies, can provide coherence.

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across strategies and plans designed to implement the SDGs. An INFF is a framework of policies and institutional structures designed to take a holistic approach towards managing and mobilizing all types of financing—domestic, international, public, private—for sustainable development results. It has six building blocks, which work together to align a government’s financing strategy across all available resources. These frameworks provide a structure and a prompt for governments to assess their financing frameworks as a whole, and to guide thinking about reforms that are needed to strengthen them in order to implement a strategic, holistic, results-driven approach to financing their development objectives.

Using the concept of an INFF, the Development Finance Assessment (DFA) approach that this paper follows can help countries identify areas for strengthening their management of financing for the SDGs with Integrated Financing Solutions. A DFA helps a government to understand and adapt its policies, institutions and strategies for the financing challenges that it will face in realizing results across the economic, environmental and social dimensions of sustainable development, and supports it to establish and strengthen an INFF. It assesses two main questions:

1. What are the main financing challenges and opportunities for achieving sustainable development objectives?
2. How can the government strengthen an INFF that will address these challenges and opportunities?

The approach aggregates a wide range of existing assessments from government, international agencies and other partners that analyse specific aspects of this sustainable development, financing, and policy and institutional context. It adds value by collating these analyses, taking a ‘big picture’ perspective across them all and applying the lens of an INFF to assess the priorities for government across financing as a whole. In doing so, this paper establishes an analytical baseline for an INFF and provides recommendations about how to strengthen the policies and institutional structures that the government uses to manage its financing strategies. It also presents a roadmap outlining steps that the government and its partners can take to strengthen the INFF or leverage new flows, including follow-up discussions and analysis that may be developed in a later phase.

4 UNDP’s Bangkok Regional Hub has been developing the DFA and Integrated Financing Solutions to respond to the growing demand from countries to establish evidence and analysis, and to introduce policy and institutional reforms for managing the increasing complexity of domestic and international sources of finance for development. The DFA and Integrated Financing Solutions support governments to use the concept of the INFF to help strengthen policies and actions for mobilizing different types of finance for economic, environmental and social results into a single, coherent framework. See more at: http://www.asia-pacific.undp.org/content/rbap/en/home/ourwork/democratic-governance-and-peacebuilding/ap-def.html
More on the DFA approach can be found here: http://www.asia-pacific.undp.org/content/dam/rbap/docs/meetTheSDGs/Achieving%20the%20Sustainable%20Development%20Goals%20In%20the%202030%20of%20the%2020%20AAA%20-%20DFA%20as%20a%20tool%20for%20Linking%20Finance%20with%20Results.pdf
2. Context

This chapter outlines the key trends and outlooks against the social, economic and environmental dimensions of the 2030 Agenda and presents available information on progress to date against the SDG targets.

2.1 Sustainable development

Malaysia is an upper-middle-income country with a history of sustained economic growth, which—as identified by a World Bank report on growth\(^5\)—has experienced sustained high economic growth since the 1960s; it is one of just 13 economies to have done so. Its economy has developed from one dominated by agriculture and the production of raw natural resource materials to a diverse mixed economy incorporating manufacturing and the delivery of modern services. Such growth has supported major improvements in living standards and development progress across a number of areas.

Malaysia’s briefing note for the 2016 Human Development Report (HDR)\(^6\) provides a snapshot of its human development context and an overview of recent progress, using key indicators of human development. The report highlights the country’s improvements in the areas of life expectancy, years of schooling and income per capita. Malaysia’s calculated Human Development Index (HDI) value for 2015 (0.789) puts it into the high human development category and above most other ASEAN states (with the ASEAN average being 0.708). On this score, it is outranked by only Brunei (0.865) and Singapore (0.925).

Malaysia achieved 11 of its 21 Millennium Development Goal (MDG) targets, though progress is still needed on HIV and tuberculosis, forest cover and CO\(_2\) emissions per capita. Looking ahead, the country will face particular challenges in achieving SDG targets in a number of areas. The most recent data indicate which of these targets may be the most difficult to achieve.

Malaysia’s Voluntary National Review (VNR) on the SDGs, produced in preparation for the High-level Political Forum,\(^7\) outlines some of the associated key priorities for achieving progress against these targets. These include health-related targets, which require strategic interventions; food and hunger targets, which require reaching isolated communities and improving the resilience of the agriculture sector; climate targets, which require further investment in the renewable energy sector and catalysing green growth; and environmental targets, which require conserving and protecting natural resources and ecosystems against pressures created by economic activities (for a complete list of these, see Annex 1).

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The macroeconomic outlook in Malaysia is broadly favourable, positioning it relatively well for financing the SDGs. Economic growth has been significant in recent decades, driven by trade, and the country is noted particularly for its continued growth following the 1997 Asian financial crisis. Over the past 15 years (2000–2015), it has averaged an annual growth rate of 4.8 percent in gross domestic product (GDP). Per capita, GDP has also grown considerably since 2000, reaching US$9,051 in 2015; it increased almost annually over this period, with the exceptions of 2001 and 2009 following the global financial crisis.

Forty percent of jobs in Malaysia are connected to export activities, and the tertiary sector currently employs 60 percent of the working population. Unemployment in general is low, and has consistently remained below 4 percent over the past 20 years. Mean monthly wages, supported by exports, have also increased substantially in recent decades and dramatically so in recent years, from RM1,916 in 2012 to RM2,463 in 2016—an increase of 29 percent. Growth in median monthly wages has, however, been much slower, rising from RM1,500 in 2013 to RM1,703 in 2016, an increase of 14 percent.

In line with historic trends, gross national income (GNI) has also grown substantially since 2000, doubling from $5,026 per capita to a peak of $10,440 in 2015. Achieving high-income country status is a central goal in the national agenda, specified in various long- and medium-term strategies; the goal is supported by specific reform programmes designed to attain this status. The most significant of these is the National Transformation Programme (NTP), launched by the Prime Minister in 2010 to drive the country’s transformation to a high-income economy, and based on inclusive and sustainable economic growth. Part of the NTP is the Economic Transformation Programme (ETP), whose goal is to elevate
Malaysia to developed nation status by 2020, targeting a GNI per capita of $15,000.\textsuperscript{11}

GNI per capita has grown at an average annual rate of 5.1 percent, but if Malaysia is to achieve its high-income status target, it would have to grow by around 8 percent annually up to 2020. However, even if the target is not met by 2020, the current economic trajectory suggests that this target will be met within the medium term.

Social development

Strong economic growth and a focus on inclusivity have contributed to a continued reduction of poverty in Malaysia. Statistically, the country has almost eradicated income-based extreme poverty. The rate of extreme poverty (the proportion of the population living on less than PPP$1.90 a day) is now just 0.09 percent, far below the ASEAN average, which itself has decreased substantially in recent years. Against the national poverty line, the rate has also reduced significantly in recent years, and currently stands at 0.6 percent. The government has since focused on targeting the economic welfare of the "bottom 40" (B40), the poorest 40 percent of the population. The relative poverty rate (i.e. the percentage of people earning less than half of the median income) was 15.6 percent in 2014.\textsuperscript{12}

Figure 2.2: Extreme poverty rates

With regards to education, Malaysia has maintained a primary enrolment ratio of above 95 percent since the 1990s. Its primary completion ratio is also excellent, effectively at 100 percent since 2005. All three levels of education have an equal or greater enrolment ratio of girls compared with boys. However, at the tertiary level the proportion of women compared with men has diverged substantially from parity since 2000, reaching a ratio of 3:2 in 2015; this trend looks set to continue into the future. One in 10 of Malaysia’s parliamentary representatives is a woman; this proportion has not increased since 2001, presenting a major challenge for the associated SDG. The female share of employment in

\textsuperscript{11} A description of the Economic Transformation Programme is available at: http://etp.pemandu.gov.my/About_ETP-@-Overview_of_ETP.aspx

senior and middle management positions was 20.8 percent in 2016, down from a peak of 29.4 percent in 2010. Malaysia’s progress in reducing its score on the Gender Inequality Index (GII) has also been slow; although it has the second lowest GII score in the ASEAN region, recent data suggest a slight increase in 2015. Progress in these areas requires a holistic approach to improving equality, encouraging gender empowerment, reducing all forms of gender discrimination and reducing gender-based violence (GBV).

While Malaysia narrowly missed both MDG goals on reducing infant and under-five mortality, it has made good and sustained progress on both indicators (under-five mortality has decreased significantly, from 16.6 per 1,000 live births in 1990 to seven in 2015). Some progress has also been made in reducing the level of maternal mortality, and even better progress has been made in the number of births with skilled attendants present and subsequent antenatal care visits. Malaysia has also successfully reduced the proportion of its population with no access to basic sanitation or safe drinking water to below the MDG goal thresholds of 5 percent. Such progress in these areas puts the country in a strong position to continue to progress towards the SDG targets.

Data on malnutrition indicate that 17.2 percent of children under five suffer from stunting, and 8.0 percent from wasting. While lower than in other ASEAN countries, this presents a major challenge and puts Malaysia at a more significant distance from achieving the SDG target. In adults, the prevalence of obesity is around 16 percent for females and 11 percent for males. Future progress on nutrition to achieve the SDGs will involve supporting actions that reach isolated communities with health care interventions, reduce the incidence of obesity and ensuring food security in the face of climate change.

According to UN data, Malaysia is one of just three ASEAN countries where HIV prevalence has risen since the beginning of the 1990s. However, this rise has slowed significantly since 2000. Data also show that it is the only ASEAN country that has seen an increasing incidence and prevalence of TB. Similar to achieving progress on the nutrition SDGs, meeting targets on HIV and TB must involve reaching rural communities, promoting healthy lifestyles and financing a more cost-effective health care system.

Demographic trends

The total population of Malaysia is projected to increase by 19 percent between 2015 and 2030. While the numbers of children and youth are set to remain steady, the working-age population is expected to increase by 3.8 million over that period and the population over 60 years of age by 2.4 million. The share of the total population aged over 60 is projected to increase from 9 percent in 2015 to 14 percent in 2030, and is expected to increase further before 2050.

Such trends will require greater investments in skills development and the creation of jobs and markets to support the growing workforce. Greater investment in areas such as health care and pensions will also be required to support the ageing portion of the population.

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13 International Labour Organization.
16 World Health Organization.
17 Source: Population and Demography Statistics Division, Department of Statistics Malaysia.
Environmental vulnerability and sustainability

Malaysia is a country rich in natural resources, and economic activity based on these have contributed massively to its economic journey. Its historic economic growth patterns have, however, put immense pressure on the environment, contributing to deforestation, loss of biodiversity and degradation of the natural resource base. Protecting, conserving and preserving its natural resources and environment is now a major priority for the country. It faces specific challenges around ocean health, deforestation and biodiversity, which present major challenges as it aims also to continue its economic growth.

In recent years, Malaysia has maintained levels of forest cover and increased the area of land that is protected. The extent of marine areas that are protected has also improved in recent years. The government recognizes the need to expand marine and coastal management at both federal and state levels, and the need to strengthen monitoring, surveillance and enforcement capacities and to enhance knowledge of marine resources and their management. To achieve its SDG targets on deforestation, it also realizes that it needs to accelerate reforestation efforts, strengthen the institutional and regulatory framework for forest management, increase the capacity of related agencies and (as with the protection of marine areas) strengthen monitoring, surveillance and enforcement capacities.

Primary commodities and raw materials now constitute a much smaller part of Malaysia’s economic base, and the economy has diversified into services, production and manufacturing. However, the agriculture, mining and quarrying industries, combined with a steadily growing population, continue to degrade the environment and natural resource base and present obvious challenges, especially when ambitious economic and social targets need to be balanced with environmental objectives.

Greenhouse gas (GHG) emissions per capita are relatively high, above the levels for many other ASEAN states and on a par with Japan. As in four other ASEAN nations (Brunei, Cambodia, Indonesia and Viet Nam), CO₂ emissions per GDP unit have increased, and this represents a growing challenge to Malaysia’s sustainability commitments. Reducing GHG emissions in the simplest terms requires a shift to less carbon-intensive growth and greater investment in green growth, which is rightfully recognized by the government (see Building Block 2 in Chapter 4). Malaysia is likely to require additional external expertise and resources to support work in these areas.

While comparative indices of climate change vulnerability score Malaysia as being less vulnerable than some other ASEAN states, climate change nevertheless poses some key threats. In response, the government has taken steps to implement adaptation strategies, specifically around reducing the risk of flooding and decreasing rates of coastal erosion in certain areas, all of which require specific financing. In pursuit of the country’s economic goals and other SDGs, it is critical that economic progress is not made to the detriment of the natural environment, and that natural resources are managed sustainably.

2.2 Policy objectives

The government’s national policy objectives and priorities remain closely tied to the Vision 2020 national agenda, and are outlined in the latest medium-term national development plan, the Eleventh Malaysia

Plan 2016–2020 (11MP). These are largely framed around improving people's quality of life and include the following aims:

- surpass the $15,000 threshold on per capita income
- become both inclusive and sustainable
- improve public services
- boost domestic productivity through a continuing shift from labour-intensive to knowledge- and innovation-based economic activities
- raise the share of total income of the B40 household income group, to achieve a more equitable society
- continue to strengthen economic resilience against external challenges
- put greater emphasis on the private sector to drive growth.

Six multidimensional goals have also been identified for the 11MP:

- real GDP to expand at 5–6 percent per annum
- labour productivity to increase from RM77,100 in 2015 to RM92,300 in 2020
- GNI per capita to reach RM54,100 ($15,690) in 2020
- average monthly household income to increase from RM6,141 in 2014 to RM10,540 in 2020
- the wage share of employees to increase from 34.9 percent of GDP in 2015 to at least 40 percent in 2020
- the Malaysian Well-Being Index (MWI) to increase by 1.7 percent per annum, as an indicator of improvement in the well-being of the population.

Notably, the 11MP emphasizes inclusivity. Malaysia’s development strategy has recognized the need for inclusive development, and indeed the country has made commendable progress to date: economic growth has been largely inclusive, and inequality in income and wealth has gradually declined since the mid-1970s. Current targets include not only higher GNI per capita ($15,690 by 2020), but also an improved Gini coefficient (a target of 0.385 by 2020) and improvements in the MWI, which is used to assess the impact of economic growth on the welfare of the population (the target is for an annual increase of 1.7 percent).

While previous development plans have acknowledged the importance of natural resources and the environment, the 11MP is the first plan to specify ambitions for green growth and for sustainability and resilience, referring to the need for growth patterns to shift towards a greener trajectory and for more efficient and less damaging use of limited natural resources in pursuit of socio-economic progress. Green growth features as one of six “game changers” in the 11MP and is expected to influence decisions at all levels, including decisions on government policy, industrial production and individuals’ consumption habits.

Overall, the general goal is to address relative poverty and to achieve sustainable improvements in individual and societal well-being through inclusive growth. The more specific and sectoral objectives falling under these broader goals are closely aligned with the SDGs (Building Block 2). Malaysia’s VNR of the SDGs summarizes the remaining priorities in achieving specific SDGs (see Annex 1).

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3. The financing landscape

Malaysia is targeting sustained and inclusive economic growth and is aiming to ensure balanced social, economic and environmental development. This chapter explores current trends in the financing landscape in order to inform considerations about the policies and institutional structures required to mobilize the necessary resources. For an overview of how the data presented in this chapter were compiled, see Annex 2.

3.1 Overall financing landscape

The financing landscape in Malaysia has changed in recent years. Total financing has grown rapidly, reaching $133 billion in 2015, with increasing volumes of both public and private flows. In particular, domestic public and domestic private financing reached $1,799 and $1,276 per capita respectively in 2015. In terms of international financing per capita, Malaysia received $357 in foreign direct investment (FDI) in the same year.

Between 2010 and 2015, many resources grew in volume. International public resources increased the most rapidly as a proportion, by 136 percent, followed by domestic private resources (98 percent), domestic public resources (26 percent) and international private resources (18 percent). The increase in international public resources is due to a sharp increase in government borrowing from international sources between 2014 and 2015\(^\text{20}\) (Figure 3), while the growth in domestic private resources is likely to have been driven by a doubling of loans to micro, small and medium-sized enterprises (MSMEs) between 2011 and 2016 and, in turn, their growing contribution to national output. The finance, insurance, business and real estate sector accounts for over 40 percent of MSME loans. In terms of domestic public resources, overall government revenue increased up to 2015. This was due to increased government borrowing (from domestic sources) and to rising direct tax revenues after the introduction of the Goods and Services Tax (see Building Block 4, Chapter 4), which outweighed the losses in petroleum tax revenue caused by falling oil prices. Malaysia’s tax base has thus changed, with, for example, the share of petroleum tax revenue in total government revenues falling from 17 percent in 2012 to 6 percent in 2015.

In addition to this general growth, the composition of resources has evolved. As of 2015, domestic public finance constituted 42 percent of total resources, followed by domestic private (30 percent), international private (18 percent) and international public resources (11 percent). In other ASEAN nations domestic resources have slightly increased as a share of total resources, relative to 2000, while the opposite has occurred in Malaysia. This is because, despite growing resources from domestic sources, the recent growth of international public finance, coupled with significant long-term growth in international private resources, has outpaced the increase in domestic private investment. Specifically, government borrowing from international sources increased by 255% (almost $10 billion) between 2014 and 2015.

\(^\text{20}\) Malaysia Informative Data Centre.
3.2 Domestic public finance

Domestic public revenue is relatively high in Malaysia at $1,799 per capita (despite a low proportion of taxpayers among companies and workers\(^{21}\)), compared with an average of $734 across other ASEAN states. It is however lower than in high income ASEAN states with an average of $8,294. Non-grant government revenue has increased consistently in volume almost annually since 2000, at an average rate of 9 percent since 2005. The growth of these resources, however, has slowed since 2013, and total volumes actually decreased slightly (by 0.7 percent) between 2014 and 2015, driven by falling commodity prices.

While total revenue has increased since 2000, petroleum revenues have declined after a peak in 2012, and the government’s sources of revenue have since diversified. The petroleum tax’s share of total government revenue declined from 18.6 percent in 2006 to 5.7 percent in 2016 (Figure 3.2).

**Figure 3.1: Government revenue per person**

![Graph showing government revenue per person from 2000 to 2015.](source: DI calculations based on multiple sources)

At the same time there has been a steady increase in revenue generated by other direct and indirect taxes. Of direct taxes, corporation tax is the most significant, and has grown steadily since 2000—by 358 percent between 2000 and 2015. Tax revenue from individuals has also grown steadily, by 275 percent over the same period, affected recently by the implementation of a Goods and Services Tax in 2015 which contributed to 16.3 percent of total tax revenue that year. Of indirect taxes, revenue from import duties was the most significant in 2015 and in previous years. Indirect tax revenues from cooperatives and others have increased steadily in recent years (since 2004). Revenue from export duties, on the other hand, has been in decline since 2011.

If it were to continue to grow, Malaysia’s strong revenue base would allow for greater resources for public services and infrastructure—both integral to national development priorities (see section 2.2). The strength of direct tax structures, which can often be more progressive than indirect taxes, highlights the potential for raising revenues in line with Malaysia’s vision for the bottom 40 percent of its people.

**Figure 3.2: Government revenue**

![Bar chart showing government revenue composition from 2006 to 2015.](source: DI calculations based on Ministry of Finance, Malaysia)
In addition to revenue, government expenditure at the federal level increased from $31.2 billion in 2000 to $65.5 billion in 2012. It has since stagnated, and reached $65.6 billion in 2015. Nominal expenditure actually fell between 2014 and 2015, but the decrease was offset by the fall in the MYR/USD exchange rate occurring at that time. The share of federal expenditure that is development expenditure has been steadily declining, from around a third (34.7 percent) in 2001 to 14.4 percent in 2015. Most recently, however, this share has increased, to 16.2 percent in 2016. Looking ahead, the share of development expenditure to total expenditure is projected to increase further, to reach 18 percent in 2018.²²

Looking ahead, the volume of development expenditure is expected to increase throughout the period of the 11MP, as the government has set a development expenditure ceiling of RM260—billion over the 2016–2020 period (compared with RM230 billion over the 2011–2015 period).²³

### 3.3 Domestic private finance

Domestic commercial investment is also growing, rising to an estimated $40 billion in 2015 (Figure 3.3). As a percentage of GDP, levels fluctuated widely for most of the 2000s but have since risen sharply, to 13.4 percent of GDP in 2015.

**Figure 3.3: Commercial investment**

![Figure 3.3: Commercial investment](image)

Source: DI calculations based on multiple sources

Net financing through the banking system, non-bank financial institutions and the corporate bonds market recorded growth of 5.5 percent during 2016, though this was down from 8.2 percent in 2015. Additionally, financing through the bond market remained healthy, and was a key source of financing for the private sector, meaning that business demand for funding from the capital markets also remained consistent. New corporate bond issuances totalled RM91.1 billion in 2016, up 14 percent from RM79.9 billion in 2015.²⁴

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²² IMF Staff Reports.


The MSME sector has been expanding in recent years; this has been become apparent with the value of loans to MSMEs increasing from RM141.2 billion in 2010 to RM299.1 billion in 2016. The largest proportion of approved financing for small and medium-sized enterprises (SMEs) in 2016 was in the finance, insurance, real estate and business sector, which accounted for 42.6 percent of the total, followed by wholesale and retail trade, restaurants and hotels (17.6 percent) and construction (16.1 percent). In turn, the dynamism of the MSME sector is driving an increased contribution to GDP, up from 32 percent in 2010 to 36.3 percent in 2015. In addition, it is driving a positive growth rate in employment for these companies, averaging 8.4 percent between 2010 and 2015.

Figure 3.4: Composition of total approved financing for SMEs, 2016 (%)

![Diagram showing composition of total approved financing for SMEs, 2016 (%)](image)

Source: Bank Negara Malaysia
Note: “Other” includes transport, storage and communication; education, health and others; household sector; electricity, gas and water supply; other sector (as reported to source).

3.4 International private finance

International private resources in Malaysia represented just 8 percent of total resources in 2000 but have since increased significantly in both relative and absolute terms, to 18 percent of total resources in 2015, reaching $23.4 billion. This growth has been sporadic, but was particularly rapid from 2009, reaching $43.8 billion in 2012, or $1,484 per capita. These flows include private borrowing, portfolio equity, FDI and remittances. The most significant by far is private borrowing, which grew by $31.4 billion (880 percent) between 2000 and 2012, and in 2012 was equivalent to $1,187 per person. Since this peak Malaysia has redefined external debt, which has implications for interest payments on private borrowing. The country has recognized the “increase in the participation of non-resident investors in ringgit-denominated domestic debt securities in recent years,” and this is now included in its external debt. Under this new definition, private borrowing, and so too total international private finance, has decreased; indeed, as of 2015 FDI was the largest international private resource. FDI itself has grown steadily in recent years and amounted to $357 per person in 2015 (equal to 3.8 percent of Malaysia’s GDP), though remains lower than in a number of other ASEAN states. Remittances are comparatively low in volume, both in relation to other countries in the region and to other international private flows in Malaysia, but have increased by $1.14 billion.

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(109 percent) since 2004, to $2.2 billion in 2015. Portfolio equity was as high as $5.9 billion in 2004, but has since become obsolete.

**Figure 3.5: International private flows**

![International private flows graph]

Source: DI calculations based on multiple sources

### 3.5 International public finance

International public resources, which currently account for around 11 percent of total resources, have fluctuated in volume over the period 2007–2015 but have remained significantly lower than domestic public resources. They have not grown as consistently, and rose significantly only in 2015.

The vast majority (97 percent) of these resources consist of borrowing by the Malaysian government, and this is behind the recent increases. The remaining 3 percent includes official development assistance (ODA) and other official flows (OOF). ODA has declined gradually since 2007, while OOF have fluctuated more, outweighing ODA in most years including 2015. Most recently, OOF increased by $242 million between 2014 and 2015. This comes after a period characterized by significant decreases, from a peak of $1.4 billion in 2001.

While ODA represents a relatively small source of finance in Malaysia (equal to just 0.04 percent of GDP in 2015), the country will no longer be eligible for ODA funding if it meets its national target of achieving high-income status by 2020, reducing further the scope for ODA to support development activities.

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26 World Bank.

27 Other official flows (OOF) are defined by the OECD as transactions by the official sector which do not meet the conditions for eligibility of ODA or official aid, either because they are not primarily aimed at development, or because they have a grant element of less than 25 percent, https://stats.oecd.org/glossary/detail.asp?ID=1954
After surging in 2008 because of the global financial crisis, Malaysia’s debt-to-GDP ratio has remained relatively constant since 2009. It has increased by only 0.4 percent over this period, and in 2016 stood at 52.7 percent. This is marginally below the 55 percent limit set by the government to ensure the success of existing development strategies and to limit borrowing to development expenditures. It also suggests that the level of debt is still manageable. Available data suggest that government debt comes from predominantly domestic sources. The 11MP outlines an ambitious goal to reduce the debt-to-GDP ratio to 43.5 percent by 2020 through high economic growth and a reduction in the fiscal deficit, which has fallen, both as a proportion of GDP and in US$ terms. This is in line with the government’s objective to achieve a balanced budget by 2020.

4. The building blocks of an integrated national financing framework

Malaysia’s economic capacity offers significant resources to tackle the ambitious SDGs and its own national vision, though it must manage the balance between the economic gains and the environmental and social impacts it aims to achieve. In this context it is pertinent to examine the framework through which the government currently manages its strategies, using the diverse range of resources and financing instruments available to support such aims. The lens of an INFF provides a basis on which this ‘big picture’ perspective on financing policies and institutions can be strengthened.

4.1 Assessment of existing framework

In 2015 the Third International Conference on Financing for Development called for “cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks” to be at the heart of national efforts to finance the SDGs. The rationale behind INFFs is to support governments in implementing a strategic, holistic, results-driven approach to financing their development objectives that mobilizes all financing—domestic, international, public, private—to meet country-specific needs and priorities. In doing so, it supports governments to link finance with results and facilitates nationally led implementation of the SDGs. The INFF concept covers six building blocks and, critically, the way they interact and work together.

Figure 4 is an adaptation of the general INFF diagram, and is used to illustrate the current status of the INFF building blocks in Malaysia.

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32 For a more in-depth description of each INFF building block, as well as the diagram from which Figure 4 is adapted, see: UNDP, APDEF (2016), ‘Achieving the Sustainable Development Goals in the Era of the Addis Ababa Action Agenda: Progress on establishing integrated national financing frameworks in the Asia-Pacific region.’
Building Block 1: Leadership and institutional coherence

Malaysia has a strong history and a systematic approach to planning for national development. Its overall planning is centralized and is guided by the National Planning Council, chaired by the Prime Minister, under which is also the National Development Planning Committee (NDPC). The NDPC is responsible for the formulation, implementation, progress evaluation and revision of development plans. The Economic Planning Unit (EPU) is, however, the principal government agency responsible for managing socio-economic development. Established in 1961 as the Economic Secretariat of the Economic Committee under the Executive Council of the then Federation of Malaysia, it exists to manage development in a strategic and sustainable manner. It has four core functions: planning, resource allocation, monitoring and stakeholder facilitation. It is responsible for planning Malaysia’s development in line with Vision 2020, and it prepares the National Development Plan every five years and the Public Sector Investment
Plan every two years. The EPU also serves as the secretariat to the NDPC. Notably, the EPU is endowed with the authority and convening ability to facilitate inter-agency planning and cross-government monitoring, and its Director-General has the authority to advise, consult and receive policy directives directly from the Prime Minister.

Malaysia is also actively engaging with Agenda 2030 and is taking preparatory steps to plan for, implement and achieve the SDGs. A National SDG Council chaired by the Prime Minister leads the country’s SDG agenda and implementation, assisted by a steering committee chaired by the Director-General of the EPU. This committee is responsible for an SDG roadmap for incorporating the SDGs into national development planning and monitoring SDG planning processes. Under the steering committee sit distinct working committees, focused on inclusiveness, well-being, environment and natural resources, human capital and economic growth. Each of these includes representatives from the public sector, private sector, civil society organizations (CSOs) and academia, with the intention of encouraging broad ownership of the SDG process. The EPU acts as the link between these working committees and central government and to existing planning processes.

In addition, the different agencies of the United Nations Country Team (UNCT) are members of the Cluster Working Groups. The UNCT collaborates with the government on the SDGs, including on the development of the VNR and the SDG roadmap. The UNCT and the EPU are also working closely with the private sector, via Global Compact Network Malaysia, to develop a national “SDG pledge portal”, which will provide an online platform for the private sector, civil society, philanthropic entities, government and others to commit and track their contributions to the SDGs.

**Figure 4.1: Institutional set-up for the SDGs in Malaysia**

<table>
<thead>
<tr>
<th>UN High-level Political Forum on Sustainable Development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National SDG Council</strong></td>
</tr>
<tr>
<td>Chaired by the Prime Minister</td>
</tr>
<tr>
<td>Leads the country's SDG agenda and SDG implementation</td>
</tr>
<tr>
<td><strong>Steering Committee</strong></td>
</tr>
<tr>
<td>Chaired by the Director-General of the EPU</td>
</tr>
<tr>
<td>Responsible for SDG roadmap, incorporating the SDGs into</td>
</tr>
<tr>
<td>national development planning and monitoring SDG</td>
</tr>
<tr>
<td>planning process</td>
</tr>
<tr>
<td>Reports to the National SDG Council</td>
</tr>
</tbody>
</table>

- **Five Working Committees** responsible for developing and implementing relevant programmes
- **Inclusivity**
- **Well-being**
- **Environment and natural resources**
- **Human capital**
- **Economic growth**

Representatives from the public sector, private sector, civil society and academia

Malaysia’s SDG roadmap consists of three five-year phases running up to 2030. The first of these phases prioritizes aligning the SDGs with the 11MP as the government’s long-running Vision 2020 comes to a close. Beyond 2020, the next two phases of the roadmap are expected to incorporate SDG targets into future national development plans.

The Malaysian government has long recognized the economic value of cooperation between the public and private sectors. Following a restructuring of the EPU in 2009, public–private partnerships (PPPs) are coordinated by the Public Private Partnership Unit (3PU), which sits under the Prime Minister’s Office. The 3PU is responsible for PPP policymaking and the management of PPP projects (Chapter 5).

The public agencies, plans and policies aimed at national development and meeting the SDGs are either part of or are directly connected to the Prime Minister’s Office, giving a great deal of coherence and authority to these various efforts.

**Building Block 2: Vision for results**

The government’s approach to sustainable development has some key features which have contributed to measurable progress in recent decades, and which will play a critical role in the SDG era.

Firstly, Malaysia plans carefully for its national development. The country has a strong history of planning for sustainable development dating back to the introduction of the New Economic Policy in 1971, which was intended to restructure societal imbalances and eradicate poverty. Alongside the government’s commitment to Agenda 2030 and the SDGs, Malaysia has a long-term national development plan that sets out a clear direction and national priorities for sustainable development. Underscoring its entire systematic development planning system is a strong and shared long-term vision for results—Vision 2020, outlined in 1992, which envisions Malaysia as a fully developed country in terms of economic, political, social, spiritual, psychological and cultural dimensions. This vision has underpinned successive and cascading 10- and five-year development plans (Figure 4.2). These plans have all envisioned to some degree national development around the three pillars of sustainable development—economic, social and environmental. Today, Malaysia’s national vision, development priorities and plans align strongly with the SDGs, providing a strong political enabling environment for their implementation.
Secondly, Malaysia recognizes the multidimensionality of poverty and human development. In pursuit of high-level national targets, such as the high-income status which underscores many national strategies, it has achieved key progress in health care and education, in addition to many other sectors covered by the MDGs and now the SDGs.

Thirdly, Malaysia has made use of partnerships with the private sector, CSOs and non-governmental organizations (NGOs) to achieve development progress. The government’s long-term vision and medium-term development plans were drawn up with input from these partners and recognize their potential to contribute to national development goals. Such partnerships are essential to financing and implementing the SDGs.

The Eleventh Malaysia Plan 2016–2020 (11MP) is the latest strategic plan aimed at realizing Vision 2020. The plan reaffirms the government’s commitment to a vision of growth founded on welfare. The complementary National Transformation Policy (2011–2020) maintains the focus on people and is aimed at a sustainable and inclusive high-income economy. In the plan, the government has defined six strategic thrusts to accelerate the country’s development progress and has introduced six “game changers” to refocus the national approach to development towards a revolutionary change in growth. These are as follows:

**Strategic thrusts**

- Enhancing inclusiveness towards an equitable society
- Improving well-being for all
- Accelerating human capital development for an advanced nation
- Pursuing green growth for sustainability and resilience
- Strengthening infrastructure to support economic expansion
- Re-engineering economic growth for greater prosperity.
Game changers

- Releasing the potential for productivity
- Increasing the average income of those with lower incomes, aimed at creating a middle-class society
- Enabling industries focused on technical and vocational education and training
- Becoming committed to green growth
- Turning innovation into a source of wealth
- Investing in competitive cities.

The government’s long-term strategy reflects the principles of sustainable development, and the national objectives outlined in the 11MP broadly align with most of the SDGs. In its engagement with Agenda 2030, the government has sought to demonstrate how well it aligns with national priorities. For example, the government recently undertook an exercise to map the national strategies, action plans, initiatives and outcomes outlined in the 11MP with SDG goals, targets and indicators. This exercise revealed extensive overlaps and demonstrated the compatibility of national and international ambitions (for a breakdown of the SDGs and related national plans and policies, see Annex 1). The government is also taking steps to prepare for the technological challenges of monitoring progress against SDG indicators.

The coherence, clarity and consistency of Malaysia’s planning structure are seen as important contributors to the overall success that it has achieved in recent decades. Looking forward, the government is beginning to plan for the period beyond 2020. Transformasi Nasional 2050, or TN50, is a plan currently in development that is envisioned as a continuation of Vision 2020 and will aim to sustain the country’s development progress further into the future and transform it into a top 20 nation globally. Specific goals or targets are yet to be defined and the project is still in its early phases. The initiative is, however, already characterized by a bottom-up approach, and various government agencies have begun to engage with the public to invite inputs related to its five main themes: work and value creation, living and well-being, governance, society and lifestyle. A full TN50 policy document is expected to be launched before 2020.

Building Block 3: Financing strategy

The 11MP outlines some key investment targets for its realization. Regarding public investment, the plan anticipates mean investment of RM131 billion each year between 2016 and 2020. This is to be driven by government expenditure on development and the capital spending of non-financial public enterprises (NFPEs) in support of the infrastructure, transport and energy sectors in particular. The plan also specifies targets for increased government revenues, aiming for RM326 billion by 2020.

In addition, both the 11MP and the government’s Economic Transformation Plan (ETP) place much emphasis on the need for greater private sector contributions, with a target of an annual average investment of RM291 billion over the course of the 11MP, representing an expansion of 9.4 percent per annum.
At the broadest level, the Malaysian government puts great emphasis on the need to improve labour productivity to contribute to GDP growth and to help the country move towards a more sustainable, productivity-driven economy and away from being an input-driven economy. The 11MP features productivity as a “game changer” and targets national labour productivity growth of 3.7 percent per annum. Sector-level targets also exist, ranging from growth of 9.6 percent in the construction sector to 1.1 percent in the mining and quarrying sector. The Malaysia Productivity Blueprint, prepared by the EPU, outlines the government’s strategy for improving labour productivity and its contribution to GDP up to 2020. The blueprint includes initiatives at the national, sector and enterprise levels, to be led respectively by government ministries, industry associations and enterprise managers. The national-level initiatives led by government include a raft of interventions, such as removing remaining non-critical subsidies; realigning key grants, incentives, soft loans and other funding mechanisms with productivity outcomes; embedding productivity targets for enterprises into disbursement processes for new grants, incentives and soft loans; and removing non-tariff measures that impede business growth and which improve the efficiency of the logistics sector.

Datuk Zamani Abdul Ghani, former Deputy Governor of Bank Negara Malaysia, has outlined how medium- to long-term financing from development finance institutions (DFIs) fills a gap in the market caused by the focus of commercially driven banking institutions on the short term and the maximization of profits. DFIs are therefore concerned with under-served segments of the economy such as development projects, which “involve high potential risk and long gestation periods, [yet still] have significant long-term benefits to the overall economic development of a country”.

In Malaysia, the Development Financial Institutions Act 2002 (DFIA) ensures the financial and operational soundness of DFIs and ensures that they perform their mandated roles prudently, efficiently and effectively. The Act takes into consideration the unique objectives of each DFI and relevant provisions in the existing statutes, while making certain that DFIs’ policies and objectives are consistent with the government’s development initiatives and policy direction.

Datuk also, however, highlighted a number of challenges facing DFIs in Malaysia, such as the need to be sustainable, to be able to continuously evolve to remain relevant in a changing economic landscape and the need for clearer qualitative and quantitative non-financial key performance indicators (KPIs).

Public and private investments have grown steadily since 2010. The government’s targets for these are attainable if investment continues to grow at the same rate as it did between 2010 and 2015.

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The gap between current government revenue and the targets outlined in the 11MP requires a faster increase in revenue mobilization than has been achieved in recent years. To meet the ambitious target of RM326 billion by 2020, government revenue must increase by at least RM21 billion per year from 2015, or by an average of 7.9 percent per annum. The target would not be met if revenue continued to grow at the same rate as over the 2010–2015 period but would fall just short, by around RM313 million (a 0.09 percent gap).
Building Block 4: Financing policies

The government's medium-term plan calls for a significant increase in resource mobilization from both domestic public and private sources (both domestic and international). This section explores the policies that the government has put in place to mobilize and maximize the impact of investments from these resource flows.

Domestic public finance

Building on a recent history of steadily increasing government revenue, and with an ambitious target to raise levels substantially by 2020, the government has adopted a number of initiatives that are intended to increase tax revenue. Since the introduction of the New Economic Model in 2010, the National Economic Advisory Council (NEAC) has recommended public finance policies to be implemented by the Public Finance Reform Strategic Reform Initiative (SRI), which is aimed at sustaining the stability of public funds and has a target of achieving near budget neutrality by 2020. One initiative was the replacement of the national sales tax and service tax with a broader-based goods and services tax, from which some public essential goods and services, such as health care and education, are exempt. Another initiative stemming from these recommendations has involved improving tax compliance and administration. The Inland Revenue Board of Malaysia (IRBM) and the Royal Malaysian Customs Department (RMCD) have since strengthened their systems and have managed to collect additional revenue: in the case of the IRBM, RM2 billion over its target, and for the RMCD more than RM150 million over its target. Such increases are critical to support the government's public investment target. A decrease in revenue from petroleum has, however, introduced an element of uncertainty into the pattern of revenue growth and has affected revenue levels in recent years. Reaching public investment levels of RM131 billion will likely require both further increases in tax and revenue mobilization and the sustainable management of government borrowing.

In addition to raising public investment levels, the government is undertaking initiatives to increase the efficiency of public spending, which may release resources for development-specific activities. Initiatives under the National Blue Ocean Strategy (NBOS), for example, have reportedly saved over RM3.5 billion since 2009. Examples of savings given in Malaysia's VNR of the SDGs include those made by redeploying desk-based police officers to patrol duties and savings made by opening Urban Transformation Centres, which combine the resources of various agencies in a single hub.

The government also puts a strong emphasis on aligning projects with national targets and the SDGs, and budget allocations are made on this basis, using an outcome-based approach to budgeting. When developing potential projects, ministries are required to submit costed proposals to the EPU and the Ministry of Finance (MOF) for consideration. Potential projects are judged and funded on the basis that they align with or contribute to the strategic trusts and goals outlined in the 11MP. Projects which do demonstrate alignment are prioritized for funding. In addition, the performance of national- and ministry-level programmes is measured partially along these lines. Such efforts help push towards a results-oriented approach to financing for development and the SDGs.

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Part of the strategy for promoting green growth involves establishing sustainable financing mechanisms. This includes expanding existing economic instruments such as the ‘polluter pays’ principle and Payment for Ecosystem Services schemes, and establishing new economic instruments, using green tax, carbon tax and REDD+ (reducing emissions from deforestation and forest degradation) schemes to develop green financing systems.

Another part of the strategy for catalysing green growth involves the creation of green markets. This will include adopting mandatory government green procurement (GPP), with the aim of making 20 percent of government procurement ‘green’ by 2020, and encouraging green certification schemes for buildings, industries and products. All of this is designed to develop a domestic market for green products and services.

International public finance

Domestic revenues from petroleum taxes have decreased and government borrowing has increased in recent years, reaching $33 billion in 2015, with government debt equal to 52.7 percent of GDP as of 2016. While this is below the government’s imposed limit of 55 percent of GDP and has been described by the Prime Minister as “manageable,” it must nevertheless be managed moving forward sustainably.

With a headline target of attaining high-income country status, Malaysia is preparing for changes to the accessibility of external support such as ODA. While much smaller than other flows, ODA has in recent years supported specific interventions in the WASH sector (51 percent of ODA in 2015) with concessional loans, and in the education (18 percent) and environmental (9 percent) sectors, largely through technical assistance. NGOs, CSOs and academia have limited sources for funding. By developing better mechanisms to encourage collaboration and partnerships, potential exists to pool resources and deliver positive development outcomes. Malaysia is a participant, for example, in the Biodiversity Finance Initiative (BIOFIN), which is aimed at reducing the costs of supporting and generating revenue for biodiversity. Launched by UNDP in 2012, BIOFIN is a global partnership supported by the EU, Germany and Switzerland, managed by the UNDP Ecosystems and Biodiversity Programme and linked to the project on supporting the Convention on Biological Diversity financed by the Global Environmental Facility (GEF). As a means to finance action on biodiversity, BIOFIN’s objectives include the development and initial implementation of a national resource mobilization strategy.

Private finance

To meet the government’s target for private investment of RM365 billion in 2020, private resources must continue to grow, at the very least at a rate equal to that seen in the past five years. This is a significant challenge.

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The central strategy for mobilizing additional private investment comes from the ETP, to attract private investment in 12 National Key Economic Areas (NKEAs) and to strengthen the commercial environment with six Strategic Reform initiatives (SRIs). This focus on, and prioritization of, specific economic areas has led to expansion within them. The NKEAs are reported to account for 70 percent of GDP (as of 2016) and a majority share of GNI, contributing also to the creation of 2.26 million jobs. A specific example of this sector-led growth is the agriculture NKEA. With an input investment of around RM2.4 billion since the NTP began, the NKEA has boosted agricultural exports, facilitated technology transfer and supported SMEs to demand better pricing to boost incomes. Moving forward, the 2016 Annual NTP Report stresses the need for future agricultural strategies to better contribute to ensuring food security.

The service sector is also driving economic dynamism over the 2016–2020 period, growing by 6.9 percent per annum and contributing 56.5 percent of GDP by 2020 (from a base of 53.8 percent in 2015).

While domestic commercial investment has grown since 2000 and private borrowing from international sources has also increased since 2010, other sources of finance have remained static. FDI, portfolio equity and remittances have not grown in the same fashion. The government is aiming to increase FDI toward its private investment goal by attracting investments in higher-value-added and knowledge-intensive employment activities; adopting more regulatory and facilitative roles; improving access to financing for knowledge-intensive industries; and continuing to improve the business environment.

In addition to using the existing government budget, Malaysia is committed to exploring other avenues of financing for the 11MP and the SDGs, including through partnerships with the private sector, civil society and international partners. It has, for example, a developing culture of corporate social responsibility (CSR) amongst its businesses, encouraging larger corporations to contribute to social as well as purely economic outcomes.

CSR is encouraged by various means. The Malaysian stock exchange (Bursa Malaysia), for instance, has published a framework for CSR reporting and practices for listed companies and since 2007 has made it mandatory for listed companies to disclose and report CSR-related activities in their annual reports. In 2010 Bursa Malaysia also launched its Business Sustainability Programme, aimed at encouraging listed companies to integrate sustainability into their business strategies. The programme publishes guidance for company directors and hosts a Sustainability Knowledge Portal online. CSR is also encouraged at the governmental level: for example, tax incentives are available for businesses demonstrating good CSR. In 2014, the Securities Commission, which performs many regulatory functions and reports to the Minister of Finance, launched a Sustainable and Responsible Investment framework to facilitate and promote socially responsible financing and investment.

The volume of Zakat collected and distributed in Malaysia continues to grow, and is now approaching 0.25 percent of GDP. A recent OECD report questions whether Zakat finance could be better organized to improve its socio-economic impact and amplify its effects on poverty alleviation. Zakat is currently

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collected at the state (rather than federal) level, and redistributed in accordance with each state’s own Zakat poverty line. The OECD estimates that Zakat represented over 20 percent of public social expenditure (excluding health) in 2013, making it a significant resource. To increase the effectiveness and impact of Zakat finance, it is suggested that the amount collected could increase and that improvements could be made to the institutional governance of Zakat, specifically the targeting of its redistribution. Potential solutions include modernizing collection systems and further focusing Zakat on financing income-generating activities as opposed to simple income supplementation. The OECD report suggests that these solutions might be achieved with greater collaboration between the state-level Zakat centres responsible for its collection and redistribution. The Federal Government could further assist in reducing duplication and guiding the targeting of assistance to the poorest households.

Building Block 5: Monitoring and evaluation (M&E)

The EPU conducts mid-term reviews of the government’s medium-term plans and reviews the top-line progress of each five-year national development plan, including against the six multidimensional goals of the 11MP and the six strategic thrusts and six game changers, each of which has its selected outcome targets. The Implementation Coordination Unit (ICU), a dedicated government agency also connected to the Prime Minister’s Department, monitors and evaluates individual projects approved by the EPU and special projects of the Prime Minister. It measures the progress of projects on a monthly basis, and ensures that resources are spent in line with national development plans.

Reflecting the government’s affirmed focus on people’s welfare, socio-economic progress is monitored partially by the Malaysian Family Well-Being Index (FWI). The FWI complements more purely economic measures of progress and is based on a survey conducted every 3–5 years. The index is based on 14 components, composed of 68 indicators that cover economic well-being (such as transport, education and income) and social well-being (such as housing, public safety and health).
PEMANDU

The Performance and Management Delivery Unit (PEMANDU) has played a special and successful role in monitoring the government’s national plans. Launched in 2009 by the Prime Minister’s Department to support the design of the NTP and the Government Transformation Programme (GTP), and later the ETP, and help implement them, PEMANDU has developed an eight-step approach to achieve transformation. The steps involve wide participation in the results planning process, the monitoring of KPIs for monitoring and tracking and the public disclosure of information and results.

**PEMANDU’s eight-step process for transformation**

1. **Strategic Direction**
   - To ascertain the Strategic Direction Required

2. **Labs**
   - Establish in detail what need to be done

3. **Open Day**
   - Share lab output with people and seek their feedback

4. **Roadmap**
   - Tell the people what we are going to do

5. **KPI Targets**
   - Setting KPIs for monitoring and tracking

6. **Implementation**
   - Problem-solving on the ground implementation

7. **IPR/Audit**
   - External Validation on Results achieved

8. **Annual Report**
   - Tell the people what we have delivered

Source: PEMANDU

A key part of PEMANDU’s eight-step process in terms of M&E is the setting and monitoring of KPIs. After an open and consultative process (see, for example, the “lab approach” under Building Block 6), PEMANDU sets annual KPIs for cabinet ministers and line ministries, which act as delivery targets for eight National Key Results Areas (NKRA) and the six SRIs. These are assessed periodically to ensure that activities remain on track and to evaluate their delivery. Annual targets are also revised jointly with other government ministries, departments and agencies.

Part of PEMANDUs effectiveness lies in its position and power; it is a discrete unit at the centre of government with a specific mandate and with the authority to unblock bureaucratic and/or hierarchical obstacles. This, combined with its significant operating budget, has enabled it to play a unique role in delivering results. PEMANDU has also utilized talent and strategies from the private sector, for example adopting a competitive hiring process and having its own remuneration structure.

As of 2017, PEMANDU has begun disestablishing itself from the government and transitioning to become a private consultancy, Pemandu Associates Sdn Bhd. The company will continue to assist the government, and until 2018 will transition staff and services to the Civil Service Delivery Unit (CSDU) of the EPU.

**Building Block 6: Accountability and dialogue**

The national agenda and the government’s long- and medium-term development plans are each largely rooted in improving the quality of life for the population, and all consider citizens as stakeholders in the development process. Part of the 11MP is to increase the feeling of shared ownership of national objectives. In its various efforts, the Malaysian government has demonstrated a willingness to facilitate dialogue with different partners and with the public and to give agency to others with regards to priority setting. There are many examples of initiatives to encourage the participation of non-governmental actors and opportunities for them to provide input into various processes.
A key feature of PEMANDU’s eight-step approach to achieving transformation for the ETP and GTP of the government’s NTP is the use of “labs”. These are facilitated eight-week sessions attended by key stakeholders from government, the public sector, the private sector and NGOs to identify factors such as industry needs, initiatives to be undertaken and allocation of resources. Feedback from participants suggests that such an approach is an effective means of giving voice and agency to those in the sectors most affected by certain development issues, side-stepping hierarchical and jurisdictional divisions. Outputs from the labs are also shared with the public during open days, forums which facilitate direct dialogue between the government and the public on their needs and the relevance of the ETP. Such consultative efforts help to create stakeholder ownership and to foster a sense of unity in working towards common objectives.

In terms of accountability and transparency, PEMANDU’s KPIs for the ETP are validated by a third party (PricewaterhouseCoopers) and communicated to stakeholders and the public through annual reports. The whole of the ETP’s activities and progress are disclosed on a yearly basis in the programme’s annual report. These publications serve to communicate to the public and other stakeholders what has been delivered during a particular year, as well as to record the challenges faced in the programme’s implementation. They form part of a broader communication strategy which aims to keep stakeholders and citizens informed every step of the way and increase government accountability. PEMANDU also hosts an online dashboard for KPI tracking. This monitors the achievements of each area against the set KPI targets, and is updated weekly.

However, a 2017 World Bank report on PEMANDU states that, although the unit’s focus on transparency and accountability has had a positive effect on its performance and public image, it has also created a reporting burden. By requiring the regular reporting of KPIs, it has spawned new and time-consuming monitoring processes for government agencies, which were often already reporting on a number of indicators for existing plans and programmes. Thus, the number of performance indicators could have been further optimized: KPIs could, for example, have been based upon the existing indicators that government agencies already reported on.

There are other examples of efforts to improve transparency in the 11MP, such as the publication of information on government procurements online and public reviews of the effectiveness of public commissions, as well as ensuring the inclusion of Certified Integrity Officers within the implementation of projects; specific individuals expected to monitor transparency and prevent corruption. The EPU, along with other central agencies, is accountable to the public, partially at least, by way of its Client’s Charter—a set of seven promises against which activities are monitored regularly and from which data are published monthly online.

These measures to accommodate various stakeholders in national processes are especially important given Malaysia’s ambition to improve inclusivity and unity across society. Looking ahead, the Malaysian government has clear plans to further engage citizens and encourage their participation in the next stage of the development progress, up to 2050 with the TNS50.


5. Private sector development

The Malaysian government aims to facilitate and further the development of the private sector, as it recognizes its potential to drive further economic growth, to contribute to national development goals and to help implement the SDGs.

Special emphasis is placed on the private sector across Malaysia’s various development plans and in the SDG roadmap. In the 11MP, for example, great importance has been placed on the private sector to drive growth. According to the plan, the government will promote private consumption, as well as private investment in agriculture, manufacturing and services to spearhead economic growth. There is also an ambition to further shift the economic focus towards high-value and knowledge-intensive activities, and to move manufacturing towards producing more complex products. The ambitious headline target for private investment presented in the 11MP is an annual amount of RM365 billion by 2020.

Growth in the private sector is expected to help enable Malaysia to achieve its development targets, relieving to a degree the burden placed on public finance. Towards this and the goal of becoming a high-income nation, the central strategy of the ETP is to stimulate growth at the sector level (Building Block 4) and attract new investment. The ETP’s objectives to revitalize the private sector and catalyse private investment work towards the goal of financing investment in the NKEAs. One target is to ensure that 92 percent of investments are financed by the private sector by 2020 from 37 percent in 2008.

Malaysia does have a well-performing business environment which scores well in the World Bank’s Doing Business rankings. Its Doing Business score has remained consistently strong and compares well with that of other ASEAN states. The Doing Business index does, however, highlight some remaining challenges: for example, Malaysia has relatively low scores in the areas of starting a business, trading across borders and paying taxes, and has been affected by a number of recent reforms that have disadvantaged taxpayers.

The government intends to further improve the business environment and has a number of strategies in place for doing so. Some improvements in recent years, for example, have been fostered by a dedicated Special Task Force to Facilitate Business (PEMUDAH), which is a joint effort between the government and the private sector to improve regulatory frameworks, reduce business licensing requirements and encourage the use of information technology by government agencies. The 11MP also sets out to improve the business environment further, and aims to bolster the contributions of SMEs to GDP (which continue to grow). These plans are supported by the National SME Development Council (NSDC), which is chaired by the Prime Minister and represents the government’s top-level commitment to promoting SME development. Specifically, the NSDC aims to formulate broad policies and strategies to facilitate the overall development of SMEs. The plan, however, currently lacks comprehensive detail or a framework on how contributions from the private sector could specifically be leveraged to finance particular SDG development priorities.

While the government’s objectives for encouraging private sector development are primarily economic, the sector also has a role to play in reducing inequalities and improving social inclusivity: for example, the 11MP includes incentives for private companies to locate their business operations in areas with a majority of B40 households, along with plans to increase the provision of affordable housing. Part of the broader strategy for improving the private sector’s contribution to financing and implementing the 11MP and the SDGs is to build awareness of the SDGs amongst businesses. The strategy for doing this involves:

- embedding the SDGs into their core values
- acting in accordance with the SDGs along their business value chain
- formulating the business case for SDG implementation
- employing regulators to create a level playing field for companies to undertake less popular sustainability initiatives.

Building Block 4 also provides examples of CSR initiatives. Such efforts are absolutely critical if the government is to realize its ambitions for sustained and greener growth.

In addition to the focus on private investment as a driver of economic growth and national development, the dedicated Public Private Partnership Unit (3PU) encourages cooperation between the public and private sectors. The unit provides advisory services on PPPs at the federal and state levels, and recognizes that the sectors depend on each other to some extent.

**The Social Public–Private Partnership (PPP)**

The Social Public–Private Partnership (PPP) is another NBOS initiative, the result of a collaboration between Agensi Inovasi Malaysia (AIM) and 3PU. The initiative was launched in 2015 and is aimed at addressing social disparities by finding new ways to deliver social services at a lower cost.

The initiative is described as a new social service model, and involves the government partnering with companies to co-fund projects in key social impact areas, which are delivered with social purpose organizations (SPOs). Projects are funded based on results, and benefit from utilizing the contributory strengths of the private sector and public and NGO actors.

Examples include training people with disabilities for jobs in virtual call centres and supporting student learning through a peer tutoring programme. Other proposed projects include improving career prospects through skills training and offering technical education to underprivileged youth. The initiative links to the 11MP’s Translating Innovation into Wealth strategy, another of the six featured game changers.
6. Conclusion

6.1 Key findings

The Government of Malaysia demonstrates strong political will to engage with Agenda 2030 and to implement the SDGs across the public and private sectors. It formally recognizes the connections between the international Agenda 2030 and its own plans for national development and has taken formal steps to integrate the two. The SDGs align well with Malaysia’s development objectives, and a roadmap exists for their further integration into future plans (Building Block 1).

With regards to financial resources, Malaysia is generally in a relatively strong position to finance actions toward achieving its national vision and the SDGs. The country has a strong and growing resource base and, in line with its long-term vision, is investing in increasing the economy’s resilience to external shocks.

Underpinning its development efforts is a strong vision that has excellent buy-in (Building Block 2), and with which all other development plans and policies are consistently aligned. This includes detailed plans for social and economic objectives, and high-level investment targets to support them (Building Block 3). Malaysia offers a number of examples of innovative and collaborative financing mechanisms to support action in areas of national priority (Building Block 4). In addition, the government has dedicated financial and human resources to ensure the effective implementation of its plans and strategic interventions (Building Block 4). Authority is also granted to specific monitoring efforts to ensure progress and to hold the relevant actors accountable (Building Blocks 5 and 6). In addition, there are efforts to encourage public participation, build trust and accountability between actors and promote transparency (Building Block 6).

Malaysia places special emphasis on the private sector to drive economic growth (Building Block 3) and to support national development objectives and the SDGs by a variety of means. Focused investment in key economic areas has catalysed growth and development progress of various sorts at the sector level, aligned with the national development plan (Building Block 4).

Efforts also continue to build SDG awareness throughout society, sectors and industries, in both the public and private spheres. Incentivizing CSR (Building Block 4) and a willingness to collaborate with and utilize NGO actors are factors helping to mobilize additional human and financial capital for use towards the SDGs. Safeguards to ensure that public spending is aligned with national goals also help to build trust (Building Block 6) and ensure the efficient use of public finance (Building Block 4).

Malaysia’s focus on private sector development should be monitored closely for its impacts on the environment and natural resources, as should the government’s push to catalyse green growth and increase buy-in from the private sector on the SDG targets, including environmental and climate-related goals.

In all cases, towards 2020 and beyond Malaysia must carefully balance its ambitions for private sector
development and economic expansion with environmental priorities and climate-related goals, as recognized in the latest national plans. It is these that may affect the long-term sustainability of the impressive social and economic gains which Malaysia has witnessed in recent years.

6.2 Recommendations

Malaysia’s approach to, planning for and monitoring of development progress and success offer examples for other ASEAN states, whose governments may wish to consider the viability of introducing them to their own efforts. The outcome-based budgeting of public resources, for example, may be effective in other nations. Where a similar process does not exist, other ASEAN governments may adopt a similar approach to ensure that government expenditures contribute to broader objectives.

Moving forward and planning ahead, the Government of Malaysia could consider establishing a long-term financing strategy to operate alongside or as part of the developing long-term vision TN50. This would not only build on the experience of developing five-year plans within longer-term plans, but would allow for an even longer perspective that sets a broad direction for the country’s financing model to 2050. This would allow for the consideration of any broader structural shifts that are necessary in financing, for example in response to the uncertain external environment, increasing the financial response to threats carried by climate change, preparation for longer-term demographic changes or a fundamental shift in the economic model towards one that balances the desired economic growth with truly sustainable environmental management.

In support of this and building on the successes of PEMANDU as a delivery unit (including progress against the KPI targets it monitors) and other innovative approaches, the government could establish a centralized monitoring framework that incorporates indicators which allow it to track not only the impact of projects and interventions but also the impact of financing. Such indicators should monitor and link: 1) government outputs designed to stimulate financing; 2) levels and types of financing instruments mobilized; 3) outcomes from the investments made by that financing; and 4) the contribution of those outcomes towards the headline targets of TN50 or any cascading 10- or five-year plan. Such a framework would be conducive to even more informed results-based planning and greater efficiency in mobilizing financing for sustainable development outcomes.

Lastly, the government might consider, and might benefit from, commissioning a full Development Finance Assessment and/or an Integrated Financing Solutions process to interrogate these issues in greater depth and to determine actionable recommendations under the guidance of a government oversight team.
## Annex 1: SDG goals in Malaysia

### SDG goals and related policies and priorities

<table>
<thead>
<tr>
<th>SDG</th>
<th>Corresponding Malaysian policies and plans</th>
<th>Priorities for achieving goal</th>
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<tbody>
<tr>
<td>Goal 1: End poverty in all its forms everywhere</td>
<td>• 11MP Strategic Thrusts 1 and 3 and Game Changer “Uplifting B40 towards a middle-class society”</td>
<td>• Increasing the income and economic potential of B40 households</td>
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<td></td>
<td>• National Plan of Action for Nutrition of Malaysia III 2016–2025 (NPANIM III)</td>
<td>• Enhancing social protection system</td>
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<td>Goal 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</td>
<td>• 11MP Strategic Thrusts 1, 2 and 6</td>
<td>• Reaching pockets of remote communities that have food and health care needs</td>
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<td></td>
<td>• National Strategic Plan for Non-Communicable Diseases 2010–2014</td>
<td>• Reducing the incidence of obesity, which is a growing issue</td>
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<td>• National Strategic Plan for Tobacco Control 2015–2020</td>
<td>• Ensuring food security in the face of climate change</td>
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<td></td>
<td>• National Strategic Plan for Communicable Diseases</td>
<td>• Accelerating the adoption of sustainable agricultural practices</td>
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<td>Goal 3: Ensure healthy lives and promote well-being for all at all ages</td>
<td>• 11MP Strategic Thrust 2</td>
<td>• Reaching the pockets of communities that have health needs</td>
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<td>• National Strategic Plan for Non-Communicable Diseases 2010–2014</td>
<td>• Promoting a healthy lifestyle for Malaysians</td>
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<td>• National Strategic Plan for Tobacco Control 2015–2020</td>
<td>• Addressing health financing</td>
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<td>• National Strategic Plan for Communicable Diseases</td>
<td>• Achieving cost-effective health care system</td>
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<td>• National Strategic Plan for Ending AIDS in Malaysia (NSPEA) 2016–2030</td>
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<td></td>
<td>• National Plan of Action for Nutrition of Malaysia III 2016–2025 (NPANIM III)</td>
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<td>Goal 4: Ensure Inclusive and equitable quality education and promote lifelong learning opportunities for all</td>
<td>• 11MP Strategic Thrust 3</td>
<td>• Ensuring gender empowerment</td>
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<td></td>
<td>• Malaysian Education Blueprint 2013–2025 (MEB)</td>
<td>• Reducing all forms of gender discrimination</td>
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<td>• Malaysia Education Blueprint (Higher Education) 2015–2025</td>
<td>• Reducing gender-based violence</td>
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<td>• National Higher Education Strategic Plan</td>
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<td>Goal 5: Achieve gender equality and empower all women and girls</td>
<td>• 11MP Strategic Thrusts 1 and 3 and Game Changer “Uplifting B40 towards a middle-class society”</td>
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<td></td>
<td>• National Policy on Women 1989</td>
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<td></td>
<td>• Plan of Action for the Advancement of Women 2010–2015</td>
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<td>Goal 6: Ensure availability and sustainable management of water and sanitation for all</td>
<td>• 11MP Strategic Thrusts 1, 4 and 5</td>
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<td>• National Water Resource Policy (NWRP)</td>
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<td>Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all</td>
<td>• 11MP Strategic Thrusts 4 and 5</td>
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<td>• National Green Technology Policy 2009</td>
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<td>• National Energy Efficiency Action Plan 2015</td>
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<td>Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td>
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<td>• 11MP Strategic Thrusts 3, 4 and 6 and Game Changers “Embarking on green growth” and “Unlocking the potential of productivity”</td>
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<td>• Occupational Safety and Health Master Plan 2016–2020</td>
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<td>• SME Master Plan 2012–2020</td>
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<td>• Malaysia Productivity Blueprint</td>
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<td>Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation</td>
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<td>• 11MP Strategic Thrusts 3, 4, 5 and 6 and Game Changers “Translating innovation to wealth” and “Embarking on green growth”</td>
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<tr>
<td>• National Policy on Science, Technology and Innovation (NPSTI) 2013–2020</td>
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<td>• Strategic Information and Communications Technology (ICT) Roadmap</td>
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<td>• National eCommerce Strategic Roadmap</td>
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<tr>
<td>• Embedding elements of sustainability in the development of infrastructure and industry in pursuit of green growth</td>
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<td>• Gearing up for the “Industrial Revolution 4.0” and cutting-edge technologies</td>
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<td>• Strengthening human capital development for economic transformation</td>
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<td>• Promoting sustainable consumption and production</td>
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<td>Goal 10: Reduce inequality within and among states</td>
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<td>• 11MP Strategic Thrust 1</td>
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<td>• National Policy on Children and its Plan of Action</td>
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<td>• National Child Protection Policy and its Plan of Action</td>
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<td>• National Action Plan for Persons with Disabilities 2016–2020</td>
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<td>• Minimum Wage Policy</td>
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<td>Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable</td>
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<td>• 11MP Strategic Thrusts 1, 2, 4 and 5 and Game Changer “Investing in competitive cities”</td>
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<td>• National Physical Plan 3 (NPP3)</td>
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<td>• National Urbanization Policy 2 (NUP2)</td>
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<td>• Competitive Cities Master Plans</td>
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<td>• National Environmental Health Action Plan</td>
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<td>• National Housing Policy (DRN) 2013–2017 and DNR 2.0 2018–2022</td>
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<td>• Road Safety Plan of Malaysia 2014–2020</td>
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<td>• National Solid Waste Management Policy</td>
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<td>Goal 12: Ensure sustainable consumption and production patterns</td>
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<td>• 11MP Strategic Thrusts 4 and 6 and Game Changer “Embarking on green growth”</td>
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<td>• National Ecotourism Plan 2016–2025</td>
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<td>• National Policy for Biological Diversity 2016–2025</td>
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<td>• National Environmental Health Action Plan (NEHAP)</td>
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<td>• National Solid Waste Management Policy 2006</td>
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<td>• Solid Waste and Public Cleansing Management Corporation Strategic Plan 2014–2020</td>
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<td>• Department of National Solid Waste Management Strategic Plan 2016–2020</td>
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<td>• Construction Industry Transformation Programme (CITP) 2016–2020</td>
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<td>Goal 13: Take urgent action to combat climate change and its impact</td>
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<td>• 11MP Strategic Thrusts 2, 4 and 5</td>
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<td>• National Policy on Climate Change 2009</td>
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<td>• National Urbanization Policy 2006–2020</td>
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<td>• National Physical Plan 3</td>
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<td>• National Green Technology Policy 2009</td>
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| Goal 14: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development | • 11MP Strategic Thrust 4 and Game Changer “Embarking on green growth”  
• National Plan of Action for the Coral Triangle Initiative (NPOA-CTI) 2009  
• National Policy for Biological Diversity 2016–2025  
• National Oil Spill Contingency Plan (NOSCP)  
• National Coastal Zone Physical Plan  
• National Ocean Policy 2011–2020  
• National Plan of Action to Prevent, Deter and Eliminate IUU Fishing  
• National Plan of Action for Management of Fishing Capacity in Malaysia 2014–2018 | • Achieving holistic marine and coastal management at both federal and state levels  
• Strengthening monitoring, surveillance and enforcement capacities  
• Enhancing knowledge on marine resources  
• Minimizing impact of climate change on the marine and coastal ecosystem |
|---|---|---|
| Goal 15: Protect, restore and promote sustainable use of territorial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss | • 11MP Strategic Thrust 4 and Game Changer “Embarking on green growth”  
• National Plan of Action for the Coral Triangle Initiative (NPOA-CTI) 2009  
• National Policy for Biological Diversity 2016–2025  
• National Tiger Conservation Action Plans 2008–2020  
• Elephant Conservation Action Plans 2013–2022  
• National Forestry Policy 1992  
• National Action Plan on Peatlands 2011 | • Strengthening institutional and regulatory framework for forest management  
• Increasing capacity of related agencies  
• Strengthening monitoring, surveillance and enforcement capacities  
• Intensifying reforestation efforts nationwide  
• Strengthening partnerships with indigenous and local communities |
| Goal 16: Promote peaceful and inclusive societies for sustainable development | • 11MP Strategic Thrusts 1 and 2 and Chapter 9 on “Transforming public service for productivity”  
• National Policy on Children and its Plan of Action  
• National Child Protection Policy and its Plan of Action  
• ASEAN Regional Plan of Action on the Elimination of Violence Against Women and Children  
• Plan of Action on Child Online Protection (PTCOP) | • Achieving inclusive development at regional and international levels through partnerships  
• Pursuing closer trade networks  
• Continuing to promote and maintain global peace and security |
| Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development | • 11MP Strategic Thrust 6  
• Malaysia’s foreign policies and trade policies  
• AEC Blueprint 2025  
• ASEAN Strategic Action Plan for SME Development 2016–2025 | Source: Adapted from https://sustainabledevelopment.un.org/content/documents/15881Malaysia.pdf
Annex 2: Data notes

Analysis of financing flows has been undertaken from the country perspective, thus national data sources were preferred over international data sets, where adequate coverage and metadata were provided. Across the 10 country papers and regional report included in the project, all financing data and analysis are in constant 2015 US$ unless otherwise specified. Data from national sources reported in national currencies were converted into constant US$ using exchange rates and GDP-based deflators, following normal practice.

Domestic public finance

Domestic public finance refers to government resources that originate domestically. It covers government revenue (excluding any grants received, to avoid double counting with international resources) and government borrowing from domestic sources (i.e. domestic financing). Both series were sourced from national budget documents where available, with data from IMF Article IV Reports used to fill gaps, where needed.

Domestic private finance

Domestic private finance refers to investment by the domestic private sector in the country. Few countries produce data on domestic commercial investments directly, so gross fixed capital formation (GFCF) is used as a proxy, with capital expenditure and FDI deducted in order to obtain a figure for domestic private investment alone. GFCF data exclude certain types of investments such as land sales and purchases and all kinds of financial assets, and do not make any deductions for depreciation of fixed assets. These estimates should therefore be treated as estimates of the general trends and scale of this financing.

International public finance

International public finance includes official development assistance (ODA), other official flows (OOF) and government borrowing from international sources. ODA is sourced from OECD DAC data. OOF data are sourced from OECD DAC Table 2B for all countries, as comprehensive data on this type of finance are not readily available from national sources. Government borrowing refers to lending from bilateral and multilateral institutions and private entities received or guaranteed by the state. For consistency across country papers and to ensure that overlaps with ODA loans and OOF could be accounted for, data for this flow were also sourced from international data sets for all countries.

International private finance

International private finance includes FDI, portfolio equity, private borrowing from international sources and remittances. FDI data are based on national sources for all countries. Portfolio equity and remittances were based on national sources for countries with enough coverage, or on World Bank data otherwise. Portfolio equity data based on national sources were sourced from the liabilities line
of portfolio investments (equity component) in balance of payments (BOP) tables. Private borrowing from international sources refers to commercial debt (both long- and short-term) and is based on international data from the World Bank’s International Debt Statistics for all countries; this was done for consistency across the country papers and due to patchy coverage and availability of data on this type of finance in national sources.