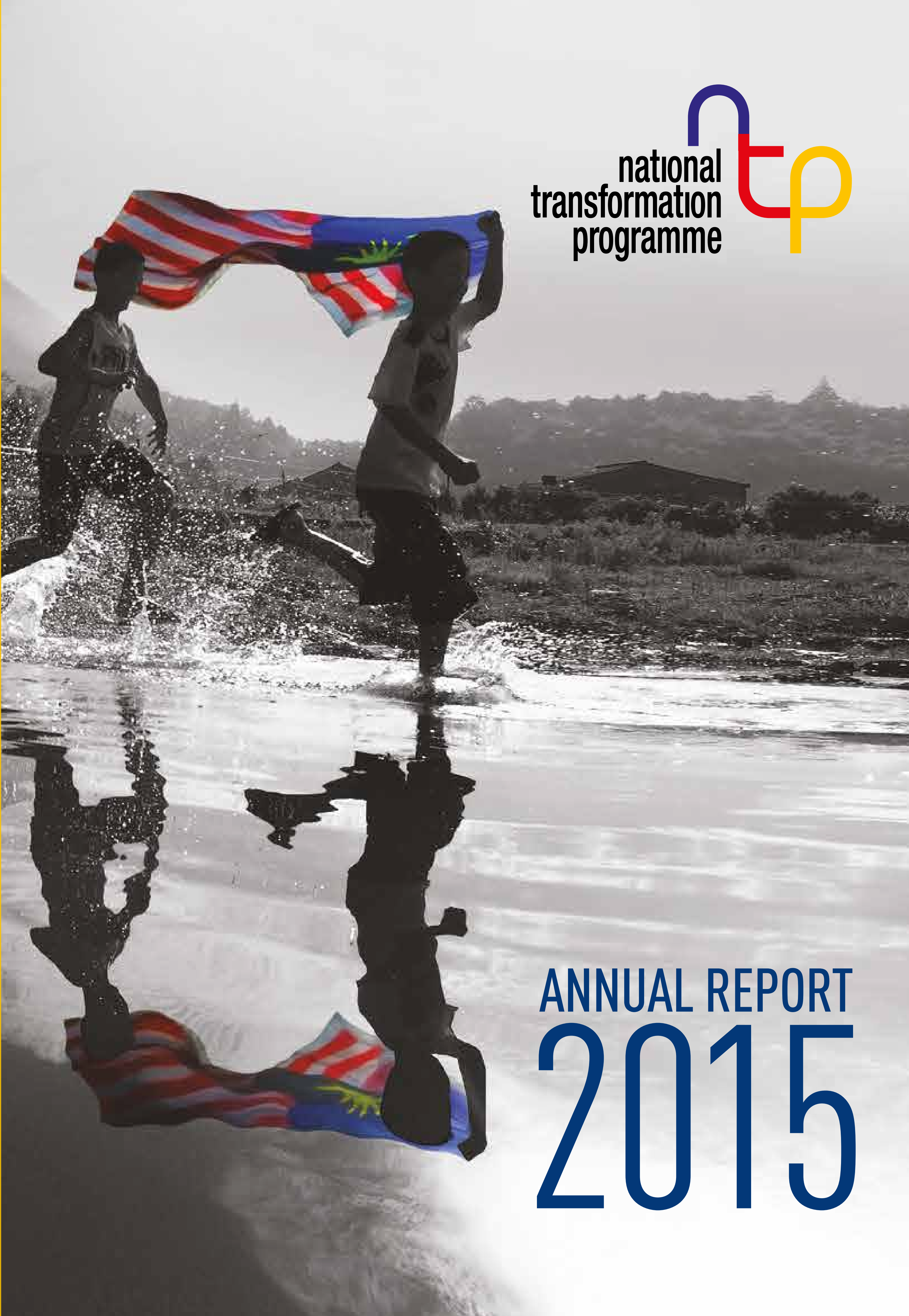
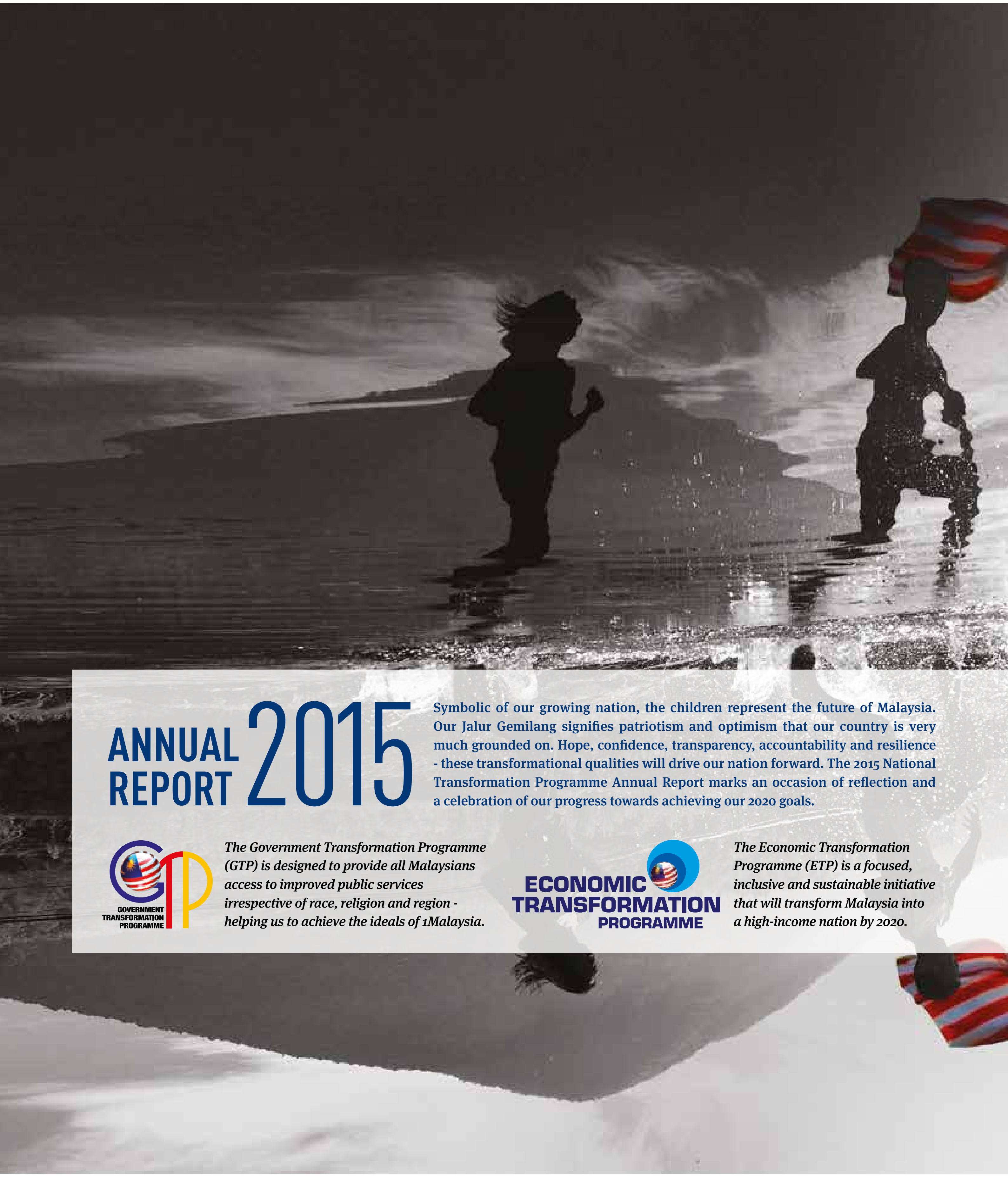


national transformation programme

ANNUAL REPORT 2015



ANNUAL REPORT 2015

Symbolic of our growing nation, the children represent the future of Malaysia. Our Jalur Gemilang signifies patriotism and optimism that our country is very much grounded on. Hope, confidence, transparency, accountability and resilience - these transformational qualities will drive our nation forward. The 2015 National Transformation Programme Annual Report marks an occasion of reflection and a celebration of our progress towards achieving our 2020 goals.

GOVERNMENT TRANSFORMATION PROGRAMME

The Government Transformation Programme (GTP) is designed to provide all Malaysians access to improved public services irrespective of race, religion and region - helping us to achieve the ideals of 1Malaysia.

ECONOMIC TRANSFORMATION PROGRAMME

The Economic Transformation Programme (ETP) is a focused, inclusive and sustainable initiative that will transform Malaysia into a high-income nation by 2020.

CONTENT

BUILDING SOCIO-ECONOMIC RESILIENCE AND SUSTAINABILITY

> *Reflecting on the last six years, it is clear the NTP has been an instrumental catalyst in improving public service delivery through the GTP and reshaping the dynamics of public-private sector collaborations through the ETP.*

Each year since the National Transformation Programme (NTP) was launched in 2010, the Government has released two Annual Reports – the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP).

To present a more cohesive national transformation story to the nation, as well as to demonstrate the synergies between the GTP and ETP, I am pleased to present the NTP Annual Report 2015. This year's report combines both the GTP and ETP's achievements and challenges in 2015, whilst also highlighting the impact of the various initiatives under the NTP since it started six years ago.

When we launched NTP in 2010, I recall the sense of exhilaration and excitement many of us felt. We felt hopeful that a much-needed programme to jumpstart Malaysia's growth potential was about to unfold. Faced with a gargantuan task of delivering a country into the high income bracket by 2020, my foremost concern was whether we had the mettle to see through the implementation of these goals.

Reflecting on the last six years, it is clear the NTP has been an instrumental catalyst in improving public service delivery through the GTP and reshaping the dynamics of public-private sector collaborations through the ETP.

Thanks to concerted efforts from all parties, the Malaysian economy fared well since 2010, registering favourable economic growth on the back of rising private investments, structural reforms and the creation of new economic opportunities in the country.

In 2015, we learnt that some challenges are just beyond our control. Like us, many countries - both developed and developing - are in a state of flux, adjusting to the new normal of dropping consumer demand and fragile investor confidence against the challenging backdrop created by uncertainties in large global economies, low commodity prices and trade competition.

Facing a perfect storm of both external and internal pressures that impacted the value of the ringgit, putting a strain on investor confidence, for Malaysia, it was a test of the effectiveness of the transformation work done in the last six years.

Astute policy-making and disciplined implementation are necessary considerations in these challenging times. And in that regard, the NTP has served Malaysia well in shoring up resilience to deal with the current challenges.

Leveraging upon measures both inclusive and sustainable, programmes under the NTP are in various stages of progress towards the realisation of goals required to deliver us at the doorstep of our 2020 deadline.

The GTP, aimed at transforming the civil service, is no easy feat to begin with. Having set ambitious targets for the GTP 2.0 in 2012 (upon conclusion of the GTP 1.0 horizon from 2010 to 2012), I am pleased to report that we have delivered big fast results over the past three years, as evidenced in the NTP Country Report 2010-2015 within this publication.

Likewise, the ETP continues to deliver on the promise of spurring private sector participation in the economy through the 12 National Key Economic Areas (NKEAs) and Strategic Reform Initiatives (SRI) to create a favourable business environment to facilitate business growth. The public sector, working hand in hand with private sector players continue to push the envelope to deliver on committed targets through intense monitoring of key performance indicators (KPIs) and a recursive problem solving approach.

Registering a gross domestic product (GDP) growth of 5 percent for 2015, private sector continued to be a key driver through consumption and investment. This is very much in line with the aspirations of the ETP, to create an environment that encourages the private sector to take up a key role in driving the economy forward.

2015 was a watershed year for the long-mulled Goods and Services Tax (GST) that was finally implemented in April to introduce a fairer taxation system in the country. The introduction of GST proved to be timely in creating financial buffers for the country as we grappled with dramatically dropping oil prices that affected national coffers.

The Human Capital Development SRI also landed an important policy win in 2015 with the establishment of the National Human Capital Development Council, tasked to spearhead policies and initiatives that will facilitate the creation of a globally savvy workforce in Malaysia.

In Malaysia's journey up the value-chain, the Government is cognisant of the struggles of the *rakyat* to cope with rising cost of living. In this regard, the Cost of Living NKRA employs two approaches in accomplishing its objective of providing relief to the *rakyat*. Targeted cash assistance is delivered through programmes such as BR1M (Bantuan Rakyat 1 Malaysia), BB1M (Baucar Buku 1Malaysia), 1Malaysia Book Voucher Programme and BKAP1M (Bantuan Khas Awal Persekolahan 1Malaysia). The Government also prioritises making affordable basic necessities such as K1M (Klinik 1Malaysia), KR1M (Kedai Rakyat 1Malaysia) and MR1M (Menu Rakyat 1Malaysia) available and accessible.

These achievements do not mean we can rest on our laurels. We must accept that the race for the best investments and an insatiable appetite for growth exists in most if not all countries. With constantly changing rules and new trade forces such as the Trans-Pacific Partnership Agreement coming into play, the next five years will be an uphill battle, but a battle I am convinced can be won on the back of the very same effort and dedication that has taken us through the last six years.

As always, I wish to thank the civil service that has been tireless in their efforts to move the needle in driving transformation, the private sector for taking up the challenge to continue to collaborate with us in Government as well as the *rakyat* for your support towards programmes under the NTP.

Based on achievements so far, I can say with confidence that come 2020, we will be exactly where we envisioned ourselves to be - a truly developed country.

YAB DATO' SRI MOHD NAJIB TUN HJ. ABDUL RAZAK
PRIME MINISTER OF MALAYSIA

UNITY IS MALAYSIA'S FOUNDATION FOR THE FUTURE

Moving forward into 2016, I am confident that the NTP will continue in its trajectory with conviction to deliver changes that touch and uplift the lives of Malaysians across all walks of life.

National transformation is about embracing an impossible endeavour. It requires courage and steely determination to accomplish. Moving into the last five years towards our 2020 aspiration of joining the ranks of developed nations, the Government stands resolute in making it to the finishing line.

Through the National Transformation Programme (NTP), we have delivered impactful initiatives in sustainable and inclusive ways to ensure nobody gets left behind in our country's pursuit towards high income status.

There are initiatives aimed at benefitting the *rakyat* and there are certain aspects of our work, such as reforms in public finance that appears difficult to stomach but are critical towards our competitiveness and sustenance as a nation in the grander scheme of things.

The Honourable Prime Minister and I as his deputy have pledged our commitment towards staying the course of transformation, taking into consideration the concerns voiced by all Malaysians.

The demand for better public service delivery is ever growing and the Government has been responsive to these calls to achieve stellar service levels and deliver transformational impact for the people.

As the chair of the Government Transformation Programme (GTP) as well as my portfolio with the Ministry of Home Affairs, I will ensure that we will continue to institutionalise and embrace transformation in totality across areas relating to improved public service delivery and keeping peace in the nation.

This will bode well for Malaysia. In addition to creating peace of mind amongst citizens, it will enhance our appeal to tourists and foreign investors, opening opportunities for job creation and better standards of living.

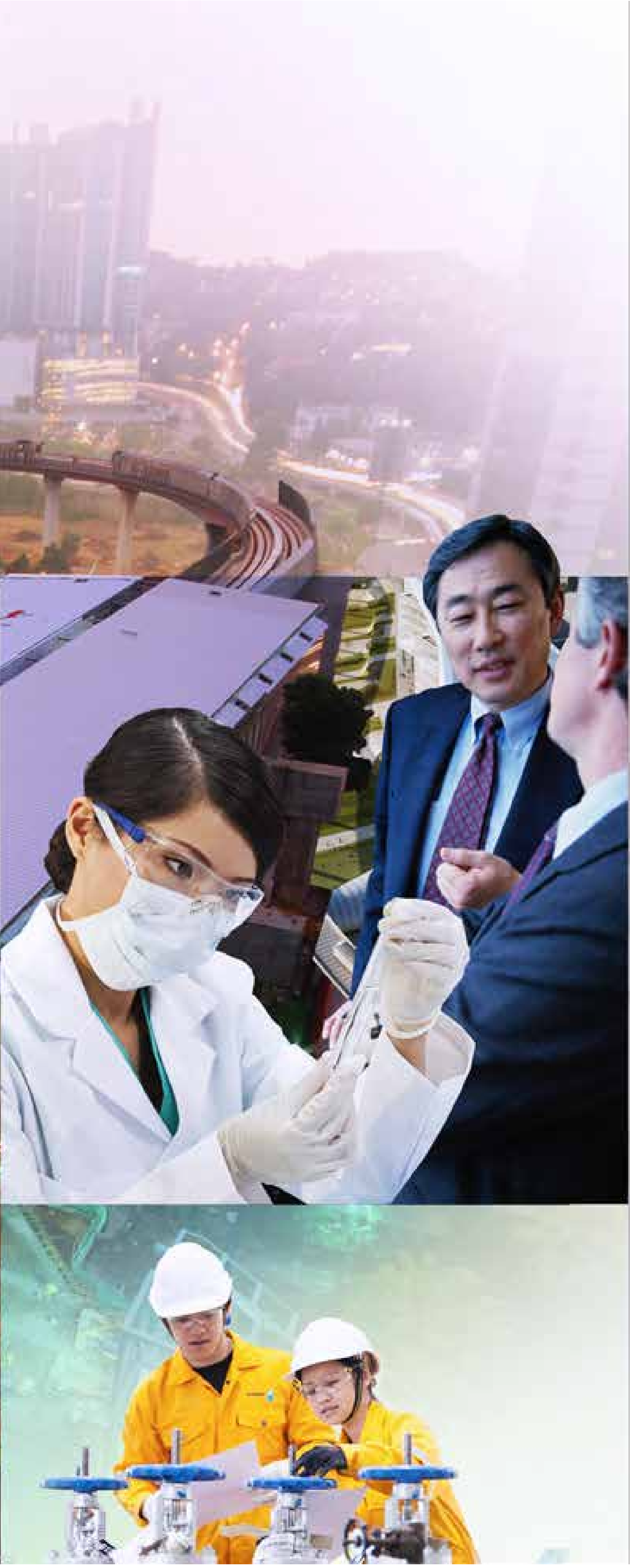
Initiatives under the Reducing Crime NKRA have been implemented, contributing to a significant decrease in Malaysia's Crime Index by an average of 6.6 percent since 2010. However, incidences of crime persist within the fabric of our communities, contributing to public scepticism on the effectiveness of the Government's crime-fighting measures.

When it comes to feeling a sense of security, we too believe in the need to uphold ourselves to the ideals of a crime-free society, a goal more utopian than practical but one that we must aspire to achieve. The *rakyat* have my pledge that the relevant agencies will work to this end.

My hope for all Malaysians is that we continue to come together as a united country, celebrating unity in diversity and strengthen it further to preserve the harmony in our nation. We must safeguard the solid foundations upon which our nation has been built against everything that threatens our way of life.

Moving forward into 2016, I am confident that the NTP will continue in its trajectory with conviction to deliver changes that touch and uplift the lives of Malaysians across all walks of life. Despite the many challenges, I am confident that we are on track towards achieving this national aspiration of attaining developed and high income status by 2020.

YAB DATO' SERI DR. AHMAD ZAHID HAMIDI
DEPUTY PRIME MINISTER OF MALAYSIA



GETTING OUR GROOVE BACK

MALAYSIA: FIVE YEARS INTO THE NATIONAL TRANSFORMATION PROGRAMME

DATO' SRI ABDUL WAHID OMAR
MINISTER IN THE PRIME MINISTER'S DEPARTMENT
ECONOMIC PLANNING UNIT

Only mid-way into the 10-year NTP, Malaysia is evidently demonstrating signs of a successful turnaround.

Research commissioned by the staff of the World Bank Group through the Competitive Industries and Innovation Programme (CIIP) titled "Doing, Learning, Being: A Study of Malaysia's Transformation Programme"[1] confirmed that transformative results are being reaped as a result of methodologies used to implement the National Transformation Programme (NTP).

With a series of labs and roadmaps outlining key targets, enthusiastic stakeholders comprising public and private sector individuals as well as civil groups stood ready to implement intricate 'three-feet' plans drawn up in a series of labs designed to identify and problem-solve prioritised national 'pain-points'.

Multilateral agencies such as the International Monetary Fund and the World Bank, as well as international ratings agencies such as Standard & Poor's, Moody's and Fitch have commended the Government's commitment to introduce structural reforms that are able to boost the country's economic resilience.

Overall, the true north target of the NTP is aligned to the goals of Malaysia's New Economic Model (NEM) to enable the country to attain high income economy status by 2020 through sustainable and inclusive measures. Under the NTP, the Government Transformation Programme (GTP) was aimed at improving public service delivery and strengthening public institutions, whilst the Economic Transformation Programme (ETP) was designed to create a more diversified, resilient economy capable of weathering volatile global economic patterns.

2015 presents the opportunity to look back on the halfway mark of the NTP and takes stock of progress achieved thus far.

Strategically located between giants such as India and China, history reminds us that the Straits of Malacca once anchored bustling ports that received people from all over the world plying the spice route and trading merchandise in Malaysia.

Resource rich and capitalising on increasing industrialisation as opposed to a predominantly agriculture based economy in the past, Malaysia enjoyed steady growth as a highly open upper-middle-income nation with per capita income rising 8.0 percent per year between 1970 and 2010, reaching US$8,636 per capita.

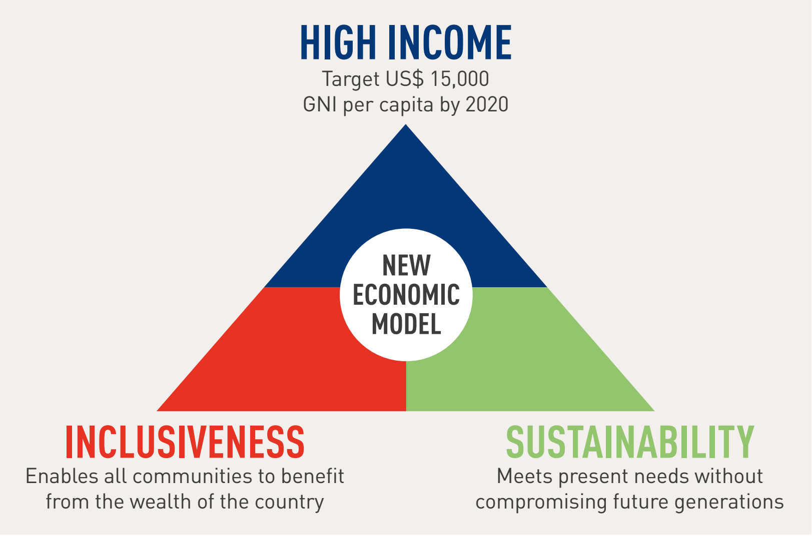
It is no surprise that under those circumstances, the nation was able to provide for its people amply, thus entrenching the practice of blanket subsidies to ease citizen's cost of living, without having to overly tax a large base of the population.

The Asian Financial Crisis in 1998 was a sobering reminder that without sound fundamentals, continous high growth and exuberance is not sustainable. The nature of the downturn was swift and debilitating, requiring the Government to dig deep into its coffers and reserves to combat shocks and keep the economy afloat through pump-priming.

Against the backdrop of the Global Financial Crisis (GFC) in 2009, Malaysia's GDP shrank 1.5 percent for the first time since 1998's 7.4 percent GDP contraction.

Saddled with an overhang of debt and deficit from the 1998 recession, rising subsidy expenditure and weighed down by challenges such as gaps in productivity and competitiveness, a diagnosis that Malaysia was stuck within the middle-income trap ensued, painting a desperate outlook of the country's future.

The New Economic Model



[1] Doing, Learning, Being: A Study of Malaysia's Transformation Programme by Professor Charles Sabel, Professor of Law and Social Science, Columbia Law School and Luke Jordan, a former World Bank development specialist, January 2015 (Source: https://www.theciip.org/sites/ciip/files/documents/PEMANDU%20Study%20--Final.pdf)

Rising Like a Phoenix

Thus formed the impetus to craft Malaysia's comeback strategy. The New Economic Model unveiled by the Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak in 2009 set the stage for plans that would turn Malaysia into a globally competitive, high income nation by 2020.

Released at a time when the world was grappling with the effects of the GFC tipped by the subprime meltdown in the US and further exacerbated by unsustainable models in developed economies that hinged upon funding growth through debt, the Malaysian Government chose a path that would depart from that practice in securing the country's future.

Malaysia's new growth model would focus on a few key areas:

- Fiscal consolidation through progressively creating manoeuvring room by reducing our debt and deficit levels
- Mitigating the risk of overdependence on Government income from oil and gas by diversifying and restructuring the economy to encourage innovation and productivity in key sectors and encourage the private sector to invest in the top 12 areas of the economy in order to drive economic growth. The Government could become a facilitator by creating a favourable environment for businesses to thrive in this country through reforms and business reengineering process

Prime Minister YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak delivering a speech during the launch of the Government Transformation Programme Roadmap in January 2010.
Photo courtesy of BERNAMA Images

- In turn, the Government would be able to prioritise its resources in delivering better living standards and safety nets to ensure that all Malaysians regardless of stature are able to benefit, and in so doing, improve the entire public service delivery mechanism and align it to standards worthy of a developed high income nation

To implement the above stakeholders from Government, the private sector, civil society and members of the public were brought together in 2010, into a series of labs that would pinpoint the problem areas and identify solutions with clear three feet plans on how to implement and move the nation closer towards its high income target.

These detailed plans were assigned as key performance indicators (KPIs) to relevant Government agencies who would lead on implementing them, working in collaboration with fellow lab stakeholders to ensure success. Out of these labs emerged the GTP and ETP.

> *"...the Government would be able to prioritise its resources in delivering better living standards and safety nets to ensure that all Malaysians regardless of stature are able to benefit, and in so doing, improve the entire public service delivery mechanism and align it to standards worthy of a developed high income nation.*

The GTP comprised six National Key Result Areas (NKRAs) tackling areas with social underpinnings namely, Reducing Crime, Fighting Corruption, Assuring Quality Education, Raising Living Standards of Low Income Households, Improving Rural Development, and Improving Urban Public Transport. A seventh NKRA was added a year later, Addressing Rising Cost of Living and in 2014, Public Service Delivery Transformation, which previously resided as one of the Strategic Reform Initiatives (SRIs) under the ETP become the eighth NKRA.

To prioritise top sectors of the economy that Malaysia had comparative advantages in and turn these into 'hotspots' for investment, the ETP featured 12 National Key Economic Areas (NKEAs) namely Oil, Gas and Energy (OGE), Financial Services, Palm Oil and Rubber (POR), Wholesale and Retail (W&R), Agriculture, Tourism, Electronics & Electrical, Communications Content and Infrastructure, Healthcare, Business Services and Education. The Greater Kuala Lumpur/ Klang Valley NKEA, is not a sector per se, but as the main economic hub of the nation holds plenty of potential to be explored.

Governance structures were set-up within each key result area to ensure effective and efficient problem-solving, swift decision-making and win-win relationships between Government and the private sector.

In bringing about reforms to increase ease of doing business and creating a more competitive environment for companies to thrive, the ETP initially introduced six SRIs in 2011 namely, Public Finance Reforms, Competition, Standards and Liberalisation, Human Capital Development, Narrowing Disparity, Reducing Government's Role in Businesses (Reducing GRiB)[2] and Public Service Delivery[3].

Formulated from 37 policy measures recommended by the National Economic Advisory Council (NEAC), the SRIs were the result of consultations held in six labs involving 500 public and private sectors representatives in 2011.

In this report, we share observations in key areas where the transformation ecosystem has yielded positive results, demonstrating that change for the better has in fact occurred with positive outcomes delivered for all involved.

"Governance structures were set-up within each key result area to ensure effective and efficient problem-solving, swift decision-making and win-win relationships between Government and the private sector.

[2] In 2015, PEMANDU was tasked to review and recalibrate key performance indicators (KPIs) for the Reducing GRiB SRI, as divestment had been completed by the 33 companies that had committed to do so at the launch of the SRIs in 2011. Furthermore, as reported in the Economic Transformation Report 2014, "Government and state-owned companies have moved to institutionalise the process of divesting non-strategic assets in their operating models. Moving forward, any divestment programme will be driven solely by their respective governance processes."

[3] In 2014, Public Service Delivery SRI was reassigned to the GTP as Public Service Delivery Transformation to allow for greater focus and integration to effect faster delivery

Sustainability and Resilience Critical to Growth

Topping the list of macroeconomic concerns for the Government in 2010 was how vulnerable our economy was to global shocks due to the high amount of trade occurring with the rest of the world. Global markets are naturally beyond Government control, but more resilience could be built into the domestic environment.

One of the most crucial areas to address would be the twin challenges of mounting debt and deficit, which would lead Government finances into an untenable situation if nothing was done. The Government was also painfully aware that the success of the NTP and the ability to maintain high income status thereafter hinged upon getting its finances in order.

Historically, some countries pursuing high-income status tended to overlook debt management whilst pursuing growth, but this leaves the Government with little fiscal room to manoeuvre.

The Government chose to be prudent and avoid over-borrowing to finance short-term growth and instead adopt a balanced debt-to-equity model to stimulate economic growth and reduce deficits.

Furthermore, Malaysia has a check and balance in the form of a debt ceiling at 55 percent of GDP under the Government Funding Act 1983 and the Loan (Local) (Amendment) Act 2005.

Well aware of the difficult dilemmas ahead, tough policy decisions were made and Malaysia's fiscal consolidation was rolled out in the last five years.

Two very important measures rolled out in that period were the rationalisation exercise to dismantle blanket subsidies and create targeted safety nets as part of an effort to streamline Government expenditure, and the implementation Goods and Services Tax at 6 percent on 1 April 2015 as a broader-based, more effective and fairer tax collection mechanism that is ultimately meant to benefit Malaysians.

In its assessment of where Malaysia stands, the IMF highlighted in its 2015 Article IV Mission to Malaysia[4] that "the authorities have been able to maintain macroeconomic and financial stability, while making significant progress in improving the foundations for sustained economic growth over the medium term." The article also commended the implementation of GST, and subsidy rationalisation as measures that helped the country weather economic shocks since late 2014.

Likewise, ratings agencies such as Fitch, Moody's and Standard and Poor's – all who were critical of Malaysia's fiscal position prior to 2013 – have commended these reforms, as well as efforts to reduce reliance on oil and gas revenue through diversification into other economic sectors.

Malaysia has in the last five years been able to meet its fiscal deficit target year on year (Exhibit 1) whilst also keeping a lid on debt below 55 percent (54.5 percent of GDP in 2015).

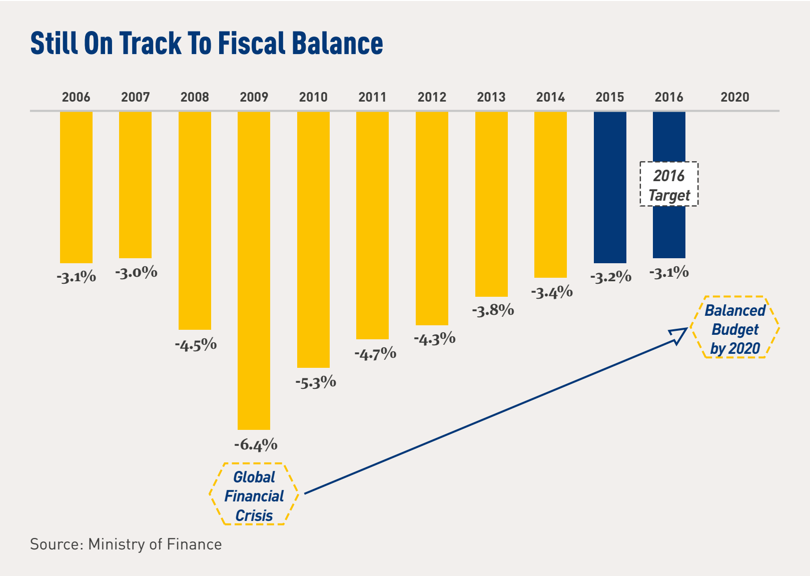


Exhibit 1: On track to Fiscal Balance by 2020

[4] International Monetary Fund, 2015 Article IV Mission to Malaysia, 2016 https://www.imf.org/external/np/sec/pr/2016/pr1621.htm

Catalysing the Economy

Pengerang Independant Terminals Sdn Bhd deepwater terminal, a private-public partnership between Dialog Group Berhad, Holland's Royal Vopak N.V. and the Johor State Government commenced operations in 2014 and was fully leased out within months

Simultaneously with creating macroeconomic stability, emphasis was placed in enabling the private sector to build stronger foundations to support the nation's efforts towards achieving high-income status.

The 12 National Key Economic Areas (NKEAs) comprised selected sectors of economic opportunity for the private sector which will drive Malaysia towards high-income status. While Malaysia already has a competitive advantage in some sectors and the potential to carve a niche in others, the NKEAs underscore Malaysia's targeted approach to achieving sustainable economic growth.

Theses NKEAs receive prioritised Government support due to their potential to enhance Gross National Income (GNI).

To realise private sector-driven growth, each NKEA offers private sector involvement and investment opportunities through Entry Point Projects (EPPs). To-date, 149 EPPs have been announced, guiding the development of the industry or sector and were formulated through public and private sector consultations during labs held in 2010.

These EPPs, time and again have shown good measure of resilience in showcasing economic exuberance especially in recent challenging times.

Under the ETP's OGE NKEA, developments in Pengerang deliver hope that the Government has been right to focus on growing the downstream industry. Despite a challenging economic outlook, the continuation of projects such as the Refinery and Petrochemical Integrated Development (RAPID) within the Pengerang Integrated Petroleum Complex (PIPC) demonstrates the private sector's confidence in this move. Dialog Group Bhd's deepwater storage facility was fully leased out within months after it was first launched as a result of low oil prices, and the company continues to expand by developing the Pengerang Terminal Phase 2 Project.

It is also important to note that this downstream foray does more than just offer a leg-up to generate greater value and investments from the oil and gas sector. It also acts as a natural hedge against volatilities that can be more challenging for the upstream industry.

The Palm Oil and Rubber NKEA also witnessed a push to grow downstream segment. A strong focus on finished segments including oleo derivatives and selected food and health based products has enabled key local oleochemical companies to increase their revenue share. This led to a CAGR of 9.2 percent for oleo derivatives exports from RM1.5 billion in 2008 to RM2.8 billion in 2014.

To date, there are 18 projects under EPP6: Developing Oleo-Derivatives. With a focus to shift national production from basic oleo-chemicals to higher value oleo derivatives from 1 percent share in 2009 to forecasted 40 percent by 2020, it aims to capture 14 percent of global demand for five key products (agrochemicals, surfactants, bio lubricants, bio polyols and glycerol derivatives), creating and impact of RM5.8 billion in GNI and 5,900 local jobs.

Among other initiatives, the Business Services NKEA is also creating more value by attracting aerospace original equipment manufacturers (OEMs) to catalyse this advanced manufacturing industry in Malaysia. This subsector has significant multipliers in terms of high value job creation and technology transfer through research & development (R&D) initiatives.

Over the past five years, EPP7: Making Malaysia The Hub For Aerospace OEMs In South East Asia has seen landmark deals including an RM830 million investment agreement between Rolls Royce and UMW. The 25-year agreement will see UMW M&E Sdn Bhd and subsidiary UMW Aerospace Sdn Bhd making fan cases for Rolls-Royce's Trent 1000 engines which power the Boeing 787 Dreamliner.

Large corporations are not the only one benefiting from the high transactional activity boom that leads to a higher income. Small traders' revenues under the Agriculture NKEA benefited from the transformation and integration of various small, randomly situated outdoor markets into dedicated community markets - recognised colloquially as Pasar Komuniti (PAKAR) - with improved facilities that encourage higher hygiene standards and a comfortable shopping environment.

Starting out in 2012 with just one PAKAR in Manjung, Perak with total sales of RM384,081, this initiative has recorded encouraging growth over the years. As of 31 December 2015, there are 10 PAKARs located in the states of Kedah, Negeri Sembilan, Pahang, Johor, Sabah and Sarawak, having generated total sales of RM76.6 million and created 2738 jobs. Between 2012 and 2015, the Government invested RM52 million into this initiative.

Meanwhile, in the Wholesale and Retail NKEA, 2216 mom-and-pop stores underwent improvement EPP2: Small retailer transformation programme (TUKAR) from 2011 till 2015. A TNS Study in 2013 revealed that 77 percent of TUKAR participants experienced higher revenues post transformation.

Overall, efforts to streamline these economic sectors and attract more investments into these areas have yielded positive results.

Realised investments have clearly accelerated post-ETP as the period between 2011 and 2015 records a 8.3 percent compounded annual growth rate compared to 5.3 percent between 2006 and 2010 (Exhibit 2).

Additionally, over the last five years, we have seen the gap between public and private investment widen as the private sector increasingly takes the lead in total investments into the economy (Exhibit 3), in line with the nation's aspirations to see private sector own up to 92 percent of total investments by 2020.

More importantly, the Government has been able to reduce its dependence on oil and gas revenue over the last five years (Exhibit 4) by focusing on developing other sectors of the economy.

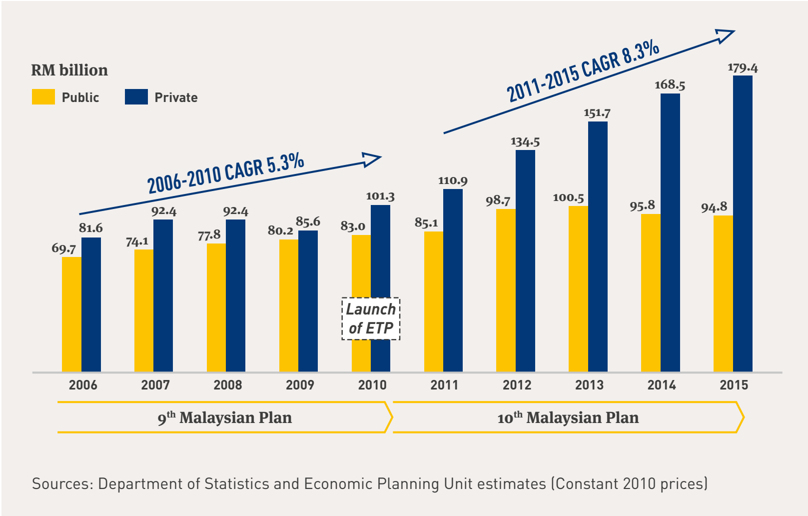


Exhibit 2: Realised private investment accelerated post-ETP

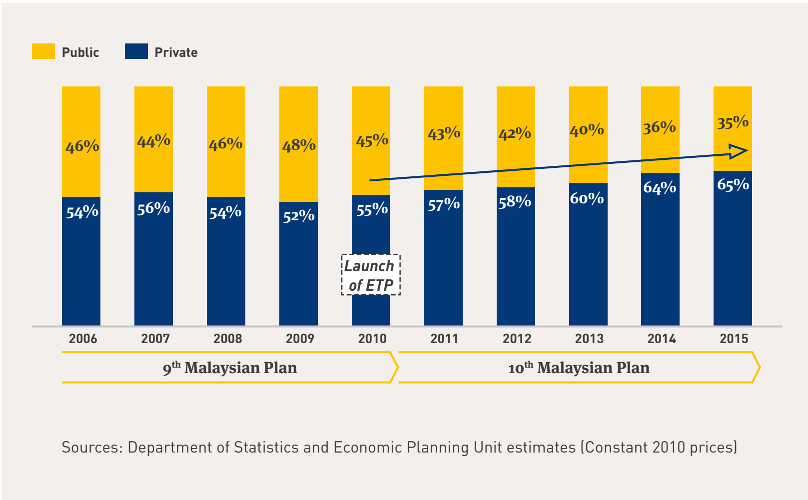


Exhibit 3: Private sector dominates investment ratio

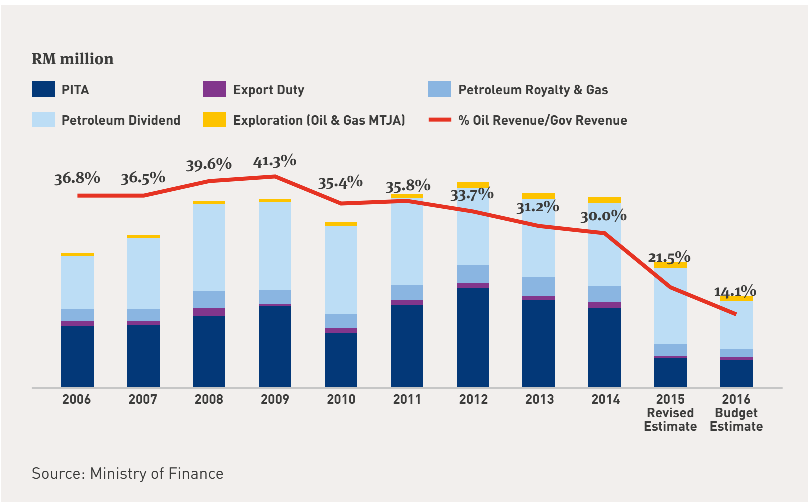


Exhibit 4: Government is less dependent on oil revenue

People First, Performance Now


Photo courtesy of BERNAMA Images

The introduction of the NTP has transformed how civil service approaches its work. Adopting more dynamic, responsive and robust problem solving methodologies, there has been a vast improvement in how the public service connects and responds to the needs of the *rakyat*. Much of this culture is embodied in the work that we see being done through NKRAs Anti-Corruption, Crime and Public Service Delivery Transformation (PSDT).

In 2015, Malaysia jumped seven points in the World Bank's Open Budget Survey due to strengthened oversight of the Auditor General (AuG)'s Office, and the tabling of the AuG Report to three times a year – both major initiatives under the Anti-Corruption NKRA. Malaysia achieved a score of 46 out of 100 on the overall Open Budget Index, slightly above the global average of 45, aligned with the likes of India and the Ukraine, and ahead of Thailand, Vietnam and China. Malaysia's score has been gradually improving over time, from 35 in 2008 to 39 in 2010 and 2012.

The Auditor General's Office's Follow-Up Audit Division (BSA) plays three major roles in overseeing Government departments that have been identified as having issues in the AuG Report.

BSA manages the AuG's Dashboard which displays the latest actions taken by auditees to the major issues outlined in the Report, acts as the secretariat for the AuG Report's Action Committee (JTLKAN) and as a secretariat to the Putrajaya Inquisition for audit issues that go unresolved for more than a year.

Among other things the agency monitors all feedback from the auditees on a quarterly basis and if necessary, engages with them to resolve issues that are still pending.

Further, as testament to the Government's commitment to plug leakages in Government contracts by putting in place preventive measures to curb corruption in the public sector, up to 2014, NKRA Anti-Corruption saw 574,592 Integrity Pacts pledged under the initiative to implement comprehensive integrity pacts for public-private partnerships (PPP) projects. This initiative is designed based on a similar model by Transparency International in recognising the need to adopt an international standard to strengthen public confidence on the governance of public spending. As of 2015, all companies involved with PPPs have signed integrity pledges with the Public-Private Partnership Unit (UKAS).

As one of the many key crime reduction initiatives, NKRA Crime introduced the Omnipresence/ Residential Patrols initiative to increase police visibility on the streets and combat break-ins. Benchmarked against both of Seattle Police Department and Michigan Police Department's Motorcycle Patrolling Units, over the last five years, the initiative resulted in the arrest of 2,111 suspects by the Urban Residential Patrol units.

Taking a leaf out of the Police Performance Assessment League Table in England and Wales, the Balai League Table initiative also under NKRA Reducing Crime promotes a performance-based culture in the police force, and also further encourages local police stations to reach out to local communities.

With an investment of between RM 900,000 to RM1.1 million, 788 police stations are annually ranked into five categories based on percentage achieved in crime reduction and community outreach. As of 2014, the evaluation is jointly conducted by Royal Police Malaysia (PDRM) and the Malaysian Crime Prevention Foundation (NGO).

Last year, the Muar Police Station emerged tops in the list followed by Sungai Besi Police Station as the runner-up. For all five categories, the winners received cash incentives, certificates of appreciation, the BLT Trophy Cup and a Study Visit for the Category A champions sponsored by the Malaysian Crime Prevention Foundation.

With the rapid pace of urbanisation, it is imperative that our nation's healthcare facilities deliver services more effectively and efficiently. Efforts under NKRA PSDT to optimise patient flow and improve patient waiting times through Healthcare PSDT initiatives have been largely successful.

With a total investment worth RM191,000 at Hospital Sultan Ismail Johor Bahru (HSIJB), the waiting time for treatment at the Orthopaedic Specialist Clinic and Oncology Treatment Centre have seen significant reductions. Head and neck cancer treatment waiting time was significantly reduced from 120 days to 30 days, adopting the World Health Organisation's standard. This has also allowed the number of patients treated at the centre to increase by 60 percent, from 30 patients to 48 per day. Besides that, waiting time at the Orthopaedic Specialist Clinic has also seen a significant reduction from 115 minutes to 62 minutes.

Meanwhile, with total investments worth RM1.29 million at Hospital Tengku Ampuan Rahimah Klang (HTAR), patient flow at the Emergency Department has been improved, raising by threefold the number of Green Zone (non-critical) patients that are treated and discharged in less than two hours from 18 percent to 70 percent.

In addition, the medical ward discharge process was improved allowing 100 percent of patients to be discharged within four hours compared to 72 percent previously and the medical ward bed capacity was increased by 42 percent, a testament of the improved services and facilities at HTAR.

Towards 2020, NKRA PSDT aims to roll-out Healthcare PSDT initiatives to all 133 Ministry of Health hospitals.

"...the waiting time for various treatments have seen significant reductions. Cancer treatment waiting time has been significantly reduced from 120 days to 30 days, adopting the World Health Organisation's standard. This has also allowed the number of patients treated by the clinic to increase by 60 percent, from 30 patients to 48 per day.

Creating a Business-Friendly Environment

The true measure of competitiveness and maturity of a nation's economy really lies its ability to be trade openly in a liberalised environment. Malaysia has over the years undertaken a policy of progressive liberalisation. The liberalisation process is co-ordinated, monitored and guided by the Malaysian Services Development Council (MSDC), chaired by the Minister of International Trade and Industry.

A robust range of policy measures designed to create the conditions for competition has built a foundation for lasting growth. This is to facilitate the creation of a more efficient, competitive and business-friendly environment in Malaysia that will allow world-class, local champions to thrive and attract valuable foreign investment.

A key development under the Competition, Standards and Liberalisation SRI has been the enactment of the Competition Act 2010. The Malaysia Competition Commission (MyCC) was set up in April 2011 to enforce the Competition Act beginning 1 January, 2012 and its responsibilities include receiving and investigating complaints, issuing decisions and undertaking market reviews to assess the nature and level of competition within industries and sectors.

The initiative has gained much traction as reflected in the number of complaints received by MyCC, which grew from 8 in 2012 to 232 in 2015.

The standards ecosystem in Malaysia has also been shaped to ensure Malaysian businesses are able to maintain their competitive edge through the adoption of standards in their products and services. As of 2015, a total of 6,204 Malaysian Standards were developed by Standards Development Agencies (SDAs) that have been appointed by Standards Malaysia. Of these, 3,622 standards are on par with international standards. To further boost standards compliance in Malaysia, the National Standards Compliance Programme (NSCP) was launched in 2014 by Standards Malaysia.

The true measure of competitiveness and maturity of a nation's economy really lies its ability to be trade openly in a liberalised environment. For Services, Malaysia has over the years undertaken a policy of progressive liberalisation. The liberalisation process is co-ordinated, monitored and guided by the Malaysian Services Development Council (MSDC), chaired by the Minister of International Trade and Industry.

18 sub-sectors were liberalised in 2012, where the implementation process of these initiatives was done in stages. 15 out of the 18 services sub-sectors were liberalised in 2013. The following year saw the liberalisation of the remaining three sub-sectors as well as the removal of regulatory burden in sectors such as construction, healthcare, professional services and tertiary education.

In taking liberalisation further, Malaysia is now a member country in the Trans-Pacific Partnership Agreement (TPPA). Consistent with national interests, the TPPA will further enhance the competitiveness of the country in regional and global markets.

The Narrowing Disparity SRI - designed to further step-up capacity building for Bumiputera entrepreneurs to result in improved representation in market equity, high value-added occupations, and management positions has also been successful in the last five years.

Between 2010 and 2015, the Government's Bumiputra Agenda Steering Unit (TERAJU) has provided RM63.39 billion worth of business opportunities, financing and human capital development through 23 programmes and initiatives for Bumiputera entrepreneurs.

Potential Bumiputera companies have been provided facilitation and assistance for Bursa Malaysia listings. These companies were given guidance to develop their respective IPO plan by TERAJU and Ekuinas to expedite new Bumiputera listings on Bursa Malaysia, as part of the Skim Jejak Jaya Bumiputera (SJJB) programme. To date, 11 companies have been listed, growing total market capitalisation of Bumiputera companies from RM1.93 billion to RM5.62 billion as of December 2015.

Sowing Seeds for Future Talent

The Government has taken great strides to enhance our labour pool since the inception of the NTP in 2010. Efforts under NKRA Education, NKEA Education, and SRI Human Capital Development have borne fruits, and will continue to do so.

NKRA Education saw 132 High Performing Schools (HPS) in a span of five years, exceeding their target of 100 schools under the GTP Roadmap 2.0, and in the process changing the lives of many students.

With the focus now set on ensuring that existing HPS continue to maintain their standards and quality, the Ministry of Education will continue to handhold other potential schools to achieve "HPS" status. In aspiring towards 2020, we aspire for these schools to be the role model for other schools, painting a vision whereby other schools can strive to be similar to these world-class schools, as well as setting an international benchmark.

What started as the Literacy and Numeracy Screening (LINUS) programme 1.0 which only included Bahasa Malaysia in 2010 has seen the inclusion of English in 2013, beginning LINUS 2.0. In ensuring that exiting Primary 3 students are competent in the components of English, Bahasa Malaysia and numeracy as its objective, the year 2015 saw 94.1 percent of English literate students, 98.6 percent of Bahasa Malaysia literate students and 99.1 percent being numerate.

A LINUS taskforce continuously monitors and tracks the performance and students down to the individual levels. Students are screened twice a year to detect if any one is falling behind, upon which they will be supported through targeted training in remedial classes, allowing them to catch up with other students in the mainstream classes.

Poor quality of English among school students has been a matter of national concern for a long time and after many careful deliberations, a major breakthrough was achieved in 2015.

Upon the conclusion of a Ministry of Education sponsored English Lab facilitated by the Education Performance and Delivery Unit (PADU) and PEMANDU introduced the Highly Immersive Programme (HIP) and Dual Language Programme (DLP) for schools under the existing Upholding Bahasa Malaysia and Strengthening the English Language (MBMMBI) policy.

Given the polarities that had to be managed in implementing solutions to this problem, the Government chose a 'middle ground' approach and instead decentralised decision-making on adoption of these policies and empowered schools and parents to decide on whether to implement these programmes. It is believed that this would be the best decision to move forward as the Government focuses on ensuring a conducive learning environment.

The decentralisation of decision-making, giving power to schools and parents to decide on the best solutions for students is a heartening move that could be a precursor to more exciting developments in reforming Malaysia's education system and aligning to become world-class.

Inclusiveness

As we strive towards high-income status, there will inevitably be clusters in society that will struggle to keep up. In a span of five years, the NKRA teams Crime, Cost of Living, Low Income Households and Rural Development have implemented various to reduce disparity, and bridging the divide between the economically well-off and the disadvantaged.

Over the last five years the 1AZAM Programme has helped many families escape the hardships of poverty. Through six 1AZAM Programmes such as AZAM Tani, AZAM Niaga, AZAM Kerja, AZAM Khidmat, AZAM Bandar as well as 1AZAM Sabah and 1AZAM Sarawak, which provide the means of generating sustainable income, financial assistance, skills training as well as motivation, the poverty rate fell from 3.8 percent in 2009 to less than 1 percent today.

As testament to the tremendous efforts reaching out to the needy to ascertain how they can be helped and then meting out assistance, the e-Kasih database (which captures the details of the households that require assistance) received the United Nations Public Service Award in 2012.

In May 2013, the Asian Development Bank (ADB) acknowledged that Malaysia has the biggest reduction amongst other ASEAN countries on the percentage of population below the poverty income line, recording a 55.3 percent reduction.

The World Bank Report's Economic Monitor 2014 calls Malaysia "a success story in shared prosperity", to mean all households experience income growth, but growth is higher for those households at the bottom of the distribution, a pattern that leads to lower inequality. In the report, the World Bank commended Malaysia for drawing on its natural resources over the last 40 years to nearly eradicate absolute poverty, from 49 percent in 1970 to 1 percent in 2014.

Sustainable development required that growth enablers must be delivered to all citizens whether they live in urban or rural settings. On that note, NKRA Rural Development has been hard at work in the far reaches of the nation to deliver an equitable standard of living for all Malaysians.

Efforts under GTP 2.0 have resulted in 345,665 households nationwide now having access to clean and treated water, and 143,899 households having 24-hour electricity as of December 2015, under both the Water Delivery and Electricity Delivery initiatives. Both initiatives hope to cater to 99 percent of Malaysian households by 2020.

In striving to remove the stigma associated with rehabilitated inmates and to reduce the rate of recidivism, NKRA Crime launched the Industrial Prison Programme in 2013, at the inception of GTP 2.0. As of December 2015, 1,757 inmates have completed certified skills training under Sijil Kemahiran Malaysia (SKM-SLDN), Sijil Kecekapan Kemahiran (SKK-CIDB) and Program Pemanduan Kenderaan Perdagangan (Metro). Aimed at upskilling inmates to increase their chances of finding employment after their release, prisons are set up with "in-house" bakery facilities with training provided. This initiative has also introduced an element of self-sufficiency, in which the bakery produces is own bread to the prisoners.

This initiative emulates other prison programmes around the world such as the Prison Industry Enhancement Certification Program in the United States, Prison Industries in Australia, and Prisons Industries Unit in the United Kingdom.

In aspiring towards 2020, this initiative hopes to see a greater percentage drop in recidivism, a greater percentage increase in inmates employed after release, and an increase in the number of bakery facilities set up as well as prisons that are self-sufficient for food.

In efforts to cushion the effects of the rising costs of living, NKRA Cost of Living launched the Kedai Rakyat 1Malaysia (KR1M) initiative to provide alternative grocery items of a more affordable nature, compounded by a high quality.

With RM 86 million invested in this initiative to date since 2011, items are sold under the brand of Produk Rakyat 1Malaysia in KR1M and non-KR1M participating stores or outlets.

A total 185 KR1M[5] stores have been established nationwide.

Meanwhile, the Klinik 1Malaysia (K1M) initiative was also launched, giving the *rakyat* access to RM1 for medical consultation or treatment. There are 334 K1M[6] operating nationwide.

Kuala Lumpur: Liveable City 2020

As the nation's main economic hub, it is important to ensure that liveability in Kuala Lumpur is aligned with that of other world-class cities. The Greater Kuala Lumpur/ Klang Valley NKEA aspires to be among the top economic and liveable cities in the world by 2020.

The Economist Intelligence Unit (EIU)'s 2015 Global Liveability Ranking places Kuala Lumpur in the 73rd spot amongst 140 cities, up five places from its 2010 ranking.

Given that the city is expected to be home to 10 million people in 2020 from 6 million in 2010 creates the need for a comprehensive and sustainable development plan that can adequately address the challenges of rapid urbanisation.

In taking a leaf from cities such as Singapore and Taipei which are characterised by their robust Mass Rapid Transits (MRT), Malaysia undertook its biggest infrastructure project to date with the construction of our very own MRT system under the Greater Kuala Lumpur/ Klang Valley NKEA.

Recognising the need to enhance the reach of urban rail in the Klang Valley, the Government invested RM 32 billion into constructing the MRT Line 1 project which extends from Sungai Buloh to Kajang. Service will commence end 2016 and it will serve a corridor of up to 1.2 million people.

Construction of MRT Line 2 sees the existing Sungai Buloh station pass through Serdang and Putrajaya and is expected to serve a corridor of 2 million people. Construction will commence soon with completion targeted for the second quarter of 2022.

Both lines will significantly improve mobility in the GKL/KV area.

With rail as the backbone of our integrated public transport network, efforts under NKRA Urban Public Transport have also further increased connectivity through initiatives such as the KTM Komuter, LRT Kelana Jaya and the LRT Extension Project (LEP).

The KTM Komuter saw investments worth RM1.98 billion injecting 38 six-car sets into its service in March 2012, increasing its daily ridership by 46 percent compared to 2012. Frequency has improved to 15 minutes from one hour, as well as increasing train capacity, now catering 1,100 passengers per train set.

[5] [6] As at December 2015

Meanwhile, LRT Kelana Jaya saw RM1.65 billion worth in investments launch 35 sets of LRT Kelana Jaya's four-car train in March 2010, increasing its daily ridership to 19 percent compared to 2011. Frequency has since been improved to 2.5 minutes during peak hour.

The backbone of our public transport network is of course not without its support, and bus initiatives have continued to reinforce this. The year 2015 saw Malaysia's first ever Bus Rapid Transit, the BRT Sunway operating with its intent of benefitting a population of 500,000 with 5.4km in Subang Jaya, taking a leaf from densely-populated cities such as Curitiba and Colombia.

As a learning from cities such as Adelaide, Perth and Christchurch, the NKRA Urban Public Transport also launched the free city bus initiative, GO-KL. With its zero-fare rate and 15-20 minutes frequency, 40,000 passengers in a city of 1.7 million people enjoy its free service daily.

Sustaining Socio-Economic Development Efforts

The remaining five years, as we make the dash towards the 2020 deadline will be a crucial stretch that will require much effort from all factions including the private sector.

One of the reasons that Malaysia was left behind in the race towards high income by countries that started off on the same footing as us, South Korea for example was that Malaysia has not been able to hit the right markers in increasing productivity growth. There was not enough impetus for innovation or drive amongst local companies to win it big in the global market like what brands such as Samsung and Hyundai have achieved.

Malaysian businesses must become more globally competitive so there will be no need to quarrel in a small market like ours. Companies must realise that the Government can only facilitate a competitive environment but it cannot be the driver of innovation. This has to happen at companies, driven by executives and employees alike over the next five years.

As markets liberalise and with the Trans-Pacific Partnership kicking into action, local businesses must to find ways to build top notch products and services that can stand the test of competition with the best. On its part, the Government will continue to facilitate and create a conducive environment for businesses to thrive.

Another challenge involves putting in place a good framework to govern political funding in Malaysia as part of efforts to ensure a level-playing field in Malaysian politics. Although recommendations have been made as early as 2010, this initiative has not gained enough traction as politicians from both side of the divide do not see the impetus to push for this reform. The setting up of the National Consultative Committee on Political Funding in August 2015 provides some assurance but more work has to be done, and support to be won to push for better regulation of political funding. This effort continues.

> ***“Malaysian businesses must become more globally competitive so there will be no need to quarrel in a small market like ours. Companies must realise that the Government can only facilitate a competitive environment but it cannot be the driver of innovation. This has to happen at companies, driven by executives and employees alike over the next five years.***

Staying the Course

The NTP is certainly yielding positive results five years into the programme, and Malaysians can be confident that the country is on the right track towards high income status. Whilst taking comfort in the outcomes of the work done in the last five years, it is crucial that all parties stay the course to complete commitments made through the GTP and ETP roadmaps.

On its part, the Government is committed to see through the implementation of the NTP to ensure relevance, sustainability and inclusiveness for all.

Ultimately, at the end of it all when the programme reaches its 2020 deadline, Malaysians will be able to proclaim proudly that between 2010 and 2020, the nation collectively came together and united to support national transformation so that a better Malaysia could be delivered to future generations.

GROWTH, CONFIDENCE AND RESILIENCE

DATO' SRI IDRIS JALA
CHIEF EXECUTIVE OFFICER, PERFORMANCE MANAGEMENT AND DELIVERY UNIT

"Knowing that no journey is without its challenges, we step into 2016 from a position of strength, holding our heads high and determined as ever to keep going till we reach 2020 when we will become a high-income nation.

We began our transformational journey by taking an interventionist approach, tackling challenges needing big, fast results. Today, we have shifted gears to sustain and institutionalise the changes. Since its launch in 2010, our transformation initiatives have progressed well according to plan, on the back of steady economic growth year after year.

As Chief Executive Officer of the Performance Monitoring and Delivery Unit (PEMANDU), I have been tasked to oversee the progress of the Government Transformation Programme (GTP) and Economic Transformation Programme (ETP). Together with the civil service, private sector and our fellow Malaysians, we have concluded our sixth year of national transformation.

For 2015, I would like to share a holistic overview of how these two programmes have impacted Malaysia. The 2015 edition of PEMANDU's Annual Report illustrates Malaysia's story of growth, confidence and resilience brought forth by transformation.

This report is a testament of the commitment of the civil service, private sector and many Malaysians, who have tirelessly contributed to the goal of taking the country to become a high-income and developed nation in 2020.

The report highlights a five-year view of progress; a broad and insightful perspective of transformation, featuring the good work done within that period and its resultant impact on the *rakyat*.

The report also presents the annual developments of the GTP and the ETP in 2015, staying true to our intent to be accountable to the public for the commitments that have been made when we launched our GTP and ETP Roadmaps in 2010.

Sustainable Growth

The story of Malaysia has been consistently anchored on growth. This includes progress in Government, progress in the economy and progress in society as a whole.

The Government today is better positioned to deliver public services effectively, and it has continually sustained the work of building better standards of living for all. Contained within our annual updates that follow in this report are stories of changed lives brought forth by the shared commitment to transformation.

I am heartened and privileged to hear stories of hope and determination from some of our fellow Malaysians, who witnessed to the remarkable social and economic transformation in their midst.

Chik Azmily from Kelantan is one of them. A salary of RM500 a month as a daily labourer was not cutting it for him, as it just wasn't enough to support his family. Through the 1AZAM Tani initiative, as implemented by the good people from the Malaysian Agricultural Research and Development Institute (MARDI), the 31-year-old managed to increase his monthly income by an astounding ten times to RM5,000, solidly boosting his family out of hard-core poverty.

From individual stories of transformation, we also have remarkable stories of infrastructural changes. One that really stands out is the thousands of Malaysians coming together to bring the first phase of the Klang Valley MRT Sungai Buloh–Kajang (SBK) line into reality. Those dwelling in the city can testify to the initial adjustments brought forth by an infrastructure project of such an unprecedented scale in Malaysia. But today, we are at a concluding phase of Line 1 and very soon, the nation will be able to feel the impact of such an ambitious project.

These stories of progress highlighted throughout this report will stand up to any amount of scrutiny, proving that the Government is serious about improving outcomes for all Malaysians.

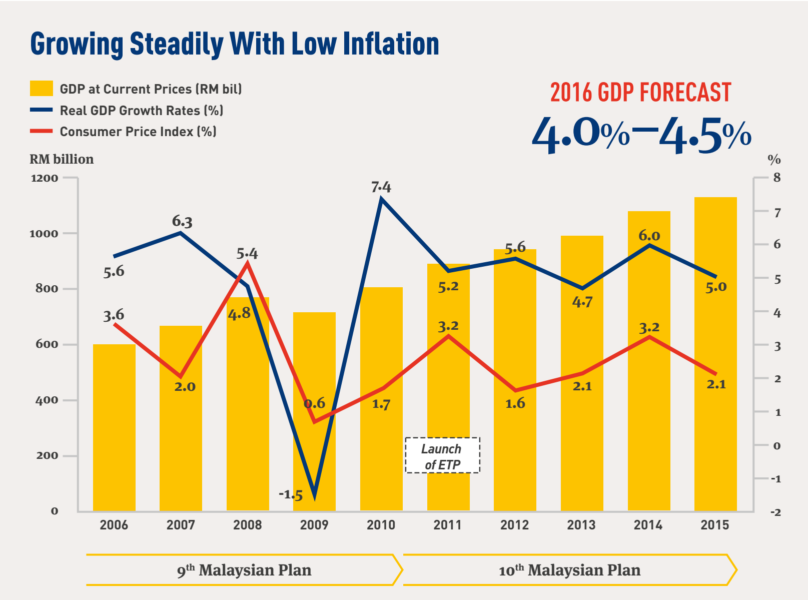
All of them come under the banner of sustained economic growth that is private-sector-led. Coming in well above global growth of 2.4 percent in 2015, Malaysia achieved a healthy Gross Domestic Product (GDP) growth of 5 percent. Between 2010 and 2015, GDP grew 30 percent from RM797.3 billion to RM 1.13 trillion (Exhibit 5).

It is encouraging to note this growth was fuelled by continued investment and consumption from the private sector, in line with the aspirations of the ETP to see increased participation of the private sector in driving the economy forward.

In addition to growth, I would like to point out that despite the introduction of measures such as the Goods and Services Tax (GST) and the effects of subsidy rationalisation, inflation remained in check, with the Consumer Price Index (CPI) registering 2.1 percent in 2015 compared to 3.2 percent in 2014.

When we prioritised growth in the economy, we worked hard to ensure that we had – and will always – take a mildly expansionary approach. This measured and prudent strategy has built our capability to attain growth outcomes which have surpassed estimates.

It is clear that the measures taken by Malaysia between 2010 and 2015 to be more fiscally resilient are bearing results.



Source: Department of Statistics Malaysia, using current Prices

Exhibit 5

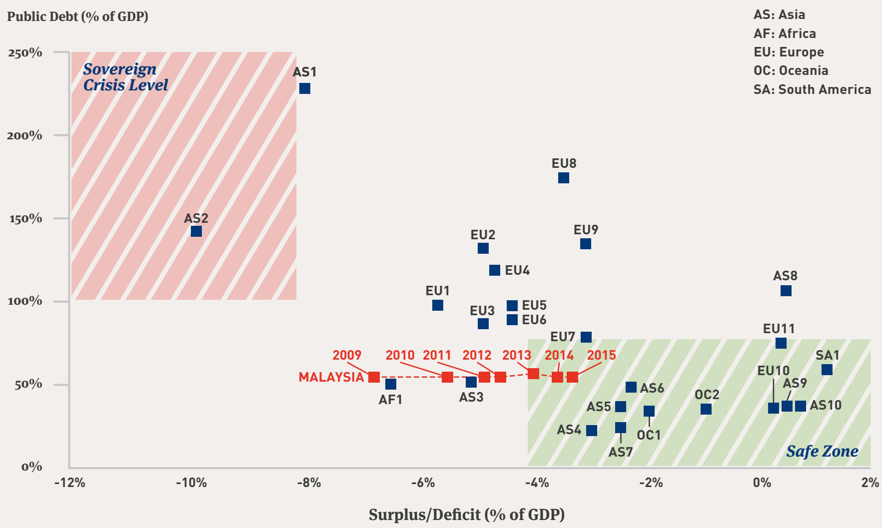
Since 2013, Malaysia has remained in the fiscal "Safe Zone". The "Safe Zone" indicates the fiscal health of economies, requiring that public debt be below 75 percent of GDP while deficit is kept at four percent of GDP or below (Exhibit 6).

In 2015, fiscal deficit continued to be reduced according to target, at 3.2 percent of GDP compared to 5.4 percent in 2010.

Meanwhile, Malaysia's public debt stood at 54.5 percent of GDP, remaining below the legislated debt ceiling of 55 percent of GDP. Debt guaranteed by Federal Government was at 15.3 percent of GDP in 2015. Hence, even with all guaranteed debt consolidated, the Government debt is below 70 percent, fulfilling the requirements for the "Safe Zone".

Many governments aspire to achieve this situation; but to get into this "Safe Zone", tough and unpopular policy decisions had to be made. In the past year, we continued to develop greater fiscal resilience by keeping on track with subsidy rationalisation and reducing non-critical spending on supplies and services and asset purchases. In April 2015, the GST was implemented, helping to create a buffer for Government revenue in the low-oil-price environment.

Malaysia In The "Safe Zone"



Note: All figures are as of 2015 est.
Countries markers are masked and coded for confidentiality
Source: MOF; BNM; CIA World Factbook; PEMANDU Analysis

Exhibit 6

Confidence and Validation

In a recent note[1], Standard & Poor's Ratings Services (S&P) acknowledged that Malaysia will remain on a steady growth path, indicating that, "exports of manufactured goods and growth in private consumption and investment are likely to drive this expansion".

The recent private-sector performance in the economy can lend evidence to this expected trajectory. We have confidence that the private sector will continue to play its role in driving consumption, which in turn, is one of the factors contributing to economic growth.

In 2015, private consumption, at 52.4 percent of GDP, was four times more than public consumption at 13.5 percent (Exhibit 7). Consumption as a whole now accounts for 65.9 percent of the GDP. This trend, which has persisted for the last five years, is supported by a flourishing private sector, increased investments, stable labour market conditions, and wage growth.

Over the last five years of economic transformation, the private sector has also grown to own a significantly larger portion of the investment ratio. In 2015, it contributed 65 percent of the total investments in the country, with the remainder contributed by the public sector (Exhibit 8).

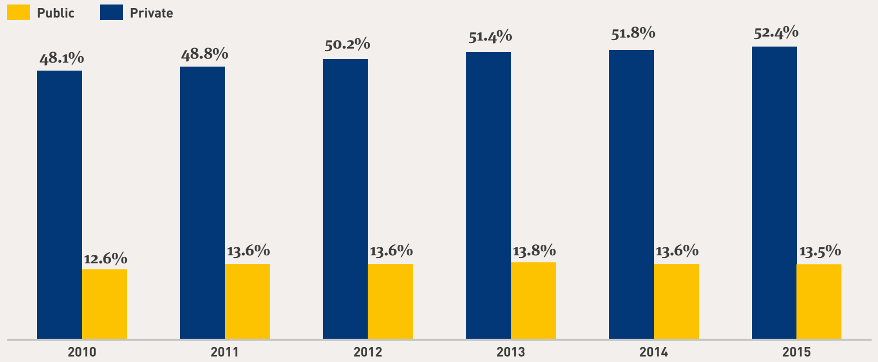
Realised investments accelerated between 2011 and 2015 at a compound annual growth rate (CAGR) of 8.3 percent, against 5.3 percent between 2006 and 2010. This space, too, is dominated by the private sector, following the implementation of the ETP in September 2010 (Exhibit 9).

This is an excellent lead-up to the aspiration of getting private-sector players to own the lion's share of the investments, targeted at 92 percent of total investments by 2020.

It is absolutely necessary we do this, in the interest of pursuing sustainable

[1] S&P Affirms Malaysia's Foreign And Local Currency Ratings. Source: http://www.bernama.com/bernama/v8/bu/newsbusiness.php?id=1229527

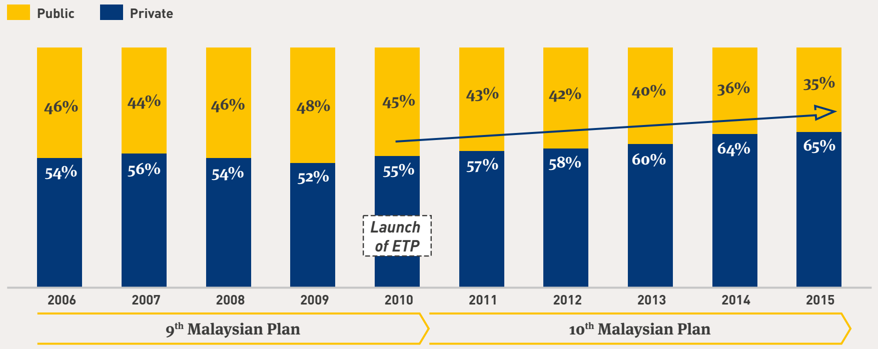
Private Consumption Increasingly Drives GDP Growth



Note: Figures used are in constant prices
Source: BNM

Exhibit 7

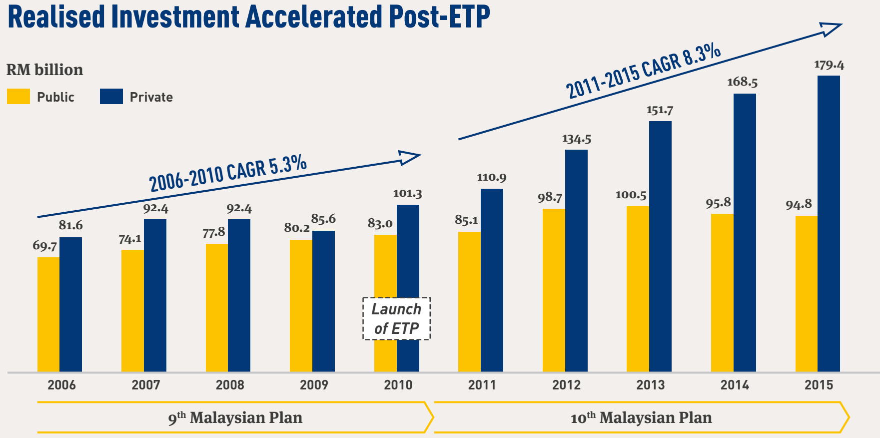
Private Sector Dominates Investment Ratio



Sources: Department of Statistics and Economic Planning Unit estimates (Constant 2010 prices)

Exhibit 8

Realised Investment Accelerated Post-ETP



Sources: Department of Statistics and Economic Planning Unit estimates (Constant 2010 prices)

Exhibit 9

and responsible growth for Malaysia. If the private sector can take the lead in attracting investments into the country, the Government can instead focus on developing a conducive and business friendly environment to enable sectoral growth, whilst continuing to improve quality of life, the welfare of the *rakyat* and strengthening our institutions.

Many initiatives are now visibly in place to enhance confidence in our public sector institutions. We have charted some progress in the Anti-Corruption NKRA, which expanded the Corporate Integrity Pledge into the Corporate Integrity System Malaysia, as well as introduced reforms into the way the Auditor-General's Reports are tabled and acted upon, while educating the younger generation about the consequences of condoning corrupt practices.

We also have strengthened the Reducing Crime NKRA which focuses on reducing index crime, especially street crime. The scope of the NKRA has been reviewed to reinforce the prevention of vehicle theft, house break-ins and address the issue of criminal recidivism through the upskilling of inmates. All this is done to ensure that the *rakyat* feel safe and secure in their own country.

The Public Service Delivery Transformation (PSDT) NKRA has also been continually building on the capabilities of the civil service, so that it can deliver high-quality services efficiently and effectively to the people, as well as to build public confidence and trust of the *rakyat* when they witness such progress.

Partnerships have been formed with various ministries, and their key workflows have been examined and appraised. We have been recording early successes in many such transformational initiatives.

Malaysia's Position in Competitiveness Rankings

World Bank Ease of Doing Business Report	IMD World Competitiveness Yearbook	WEF Global Competitiveness Report
THE WORLD BANK IBRD • IDA | WORLD BANK GROUP	IMD REAL WORLD. REAL LEARNING	WORLD ECONOMIC FORUM
18/189	14/61	18/140
2016	2016	2015

Exhibit 10

During the Gym1Malaysia transformation, for instance, the pilot project recorded a six-fold improvement in the number of visitors. In the 'DBKL lift breakdown' transformation project, the pilot managed to decrease breakdown times by 50 percent.

These efficiency-improving pilot projects were commenced with the intention of scaling them up nationally. One of them is Healthcare PSDT, an effort to reduce patient waiting times and improve patient experience in Government hospitals under the Ministry of Health. Dedicated healthcare officers have successfully reduced waiting times in 16 hospitals and plans are underway to scale this successful project to all hospitals nationwide.

With well-placed policies, effective programmes and progressive economic transformation, the story of Malaysia has been the focus of various international studies and evaluation, a clear indication of confidence and the country's gradual foray into the world's economy as a global player of influence. In September 2015, the World Economic Forum ranked Malaysia among the 20 most competitive countries in the world in its Global Competitiveness Report 2015-2016. At 18th position, Malaysia's obtained its highest ranking since 2005, apart from also being the highest-ranked developing Asian economy (Exhibit 10).

The World Bank's Ease of Doing Business 2015 Report was also positive in its assessment of Malaysia, noting an improved business environment over the past year, placing the country among the top 20 global economies, and first among emerging East Asian economies on the ease of doing business.

2015 represented another first in the transformation calendar as Malaysia played host to the inaugural Global Transformation Forum. Over 3,000 delegates from 70 countries comprising iconic transformational leaders and individuals from both public and private sector shared their transformational experiences from personal, organisational and national perspectives.

Malaysia's ability to compete globally is a result of our capabilities to respond proactively to economic consequences brought forth by global volatility. Geopolitical tensions, and currency and commodity price fluctuations, have been said to have dampened global economic recovery. But the Malaysian story of growth and confidence offers an alternative and assuring perspective of how resilient the nation can be.

Building Resilience for the Future

It is without a doubt that 2015 was a hotbed of challenges. The value of the ringgit was affected, just like many other global currencies, from the ill effects of the dramatic drop in oil prices and shifts in global demand patterns, as larger economies like the US, the Eurozone and China worked on strengthening their own economies.

As a result of underlying global economic trends, we expect the high income threshold, as calculated based on the World Bank Atlas Method, to decline in 2015 because of significant depreciation of the Euro and Yen vis-à-vis the US$. From US$12,735 in 2014, we estimate the threshold to be reduced to US$12,303[2].

In addition, like many other countries with depreciating currencies versus the US dollar, Malaysia is not unique in being impacted by this externality. In 2015, our Gross National Income (GNI) per capita as calculated using the Atlas method, is estimated to drop to US$10,110 in 2015, compared to US$10,760 in 2014. This was due to the average exchange rate in 2015 that also factored in the currency devaluation against the US dollar in the second half of the year.

[2] PEMANDU estimate based on World Bank's GNI per capita calculation using the Atlas Method

Notwithstanding, as the ringgit continues to strengthen and reflect its true fundamentals in the coming months, and as Malaysia's economic transformation continues to deliver results, we remain confident that our high-income target will be achieved by 2020.

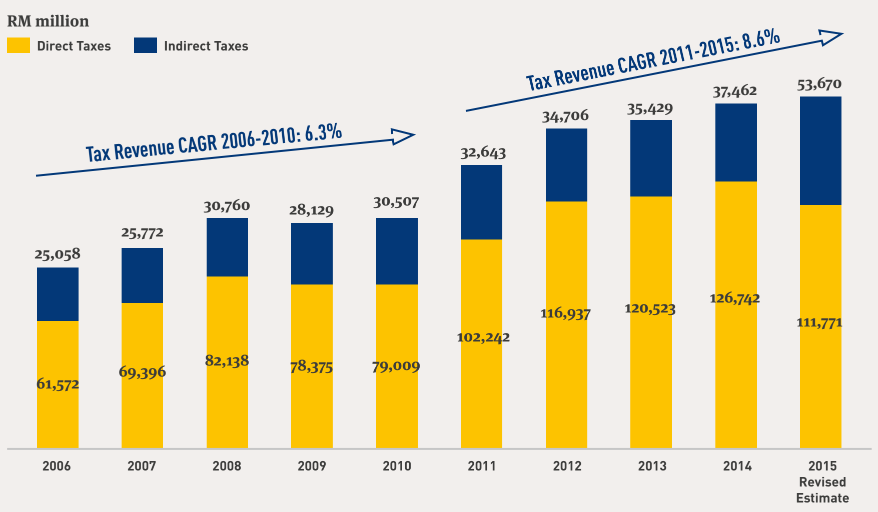
On top of market corrections and improving external conditions, we also have seen growth in Government revenue. Rising to RM165.4 billion for 2015, 0.8 percent higher than collection in 2014, the increase is attributed to GST collection, estimated to be at RM27 billion in 2015, thus buffering Government coffers from being overly affected by lower oil royalties and taxes due to the severe drop in Dated Brent Crude from US$100 per barrel to US$50 per barrel.

Analysis also reveals the CAGR for tax revenue between 2011 and 2015 expanded 8.6 percent compared to 6.3 percent between 2006 to 2010, a positive sign that the Government is on the right track with consolidation measures to further strengthen our fiscal resilience (Exhibit 11).

Greater diversification in NKEA sectors has also tremendously decreased the Government's dependence on oil revenue. In 2015, Malaysia's oil revenue dropped to an estimated 21.5 percent as oil prices plummeted drastically to below US$50 per barrel for Dated Brent Crude, a far cry from what the Government used to receive prior to 2010 (Exhibit 12).

Had we not carried out the ETP to further develop and attract investments into the economic sectors in which Malaysia had competitive strengths, this would be an alarming situation. However, as can be seen from (Exhibit 13), Malaysia's GNI structure is well-diversified, with contributions coming in from other NKEAs to offset the hit taken from low oil prices.

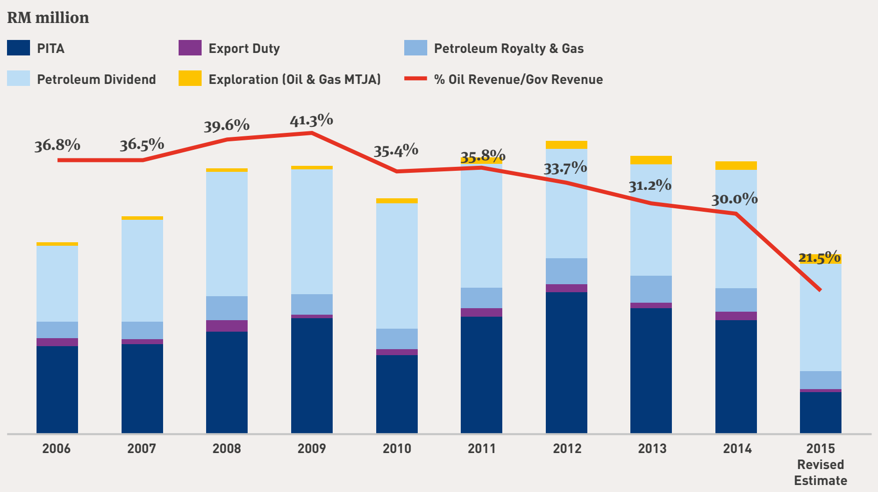
Government Revenue Increasing



Source: Ministry of Finance

Exhibit 11

Government is Less Dependent on Oil Revenue



Source: Ministry of Finance

Exhibit 12

> ***"Malaysia's ability to compete globally is a result of our capabilities to respond proactively to economic consequences brought forth by global volatility.***

NKEA SECTOR	GNI Value at current prices (RM billion)
Agriculture	64.5
Palm Oil/Rubber	61.0
Oil, Gas & Energy	171.1
Electric & Electronic	53.0
Wholesale & Retail	168.6
Education	9.0
Healthcare	9.8
Communication Content & Infrastructure	51.0
Tourism	67.1
Financial Services	62.7
Business Services	46.2
Other Industries	360.8
TOTAL GNI	**1,124.7**

Exhibit 13

It is important to note that despite the need to review the country's Budget 2016 and take precautions to buffer ourselves against the possibility of a global recession, the Government is not cutting back on capital development projects and will continue to stay the course in this regard.

Some of the larger projects in the country, such as the MRT development and the Pengerang Integrated Petroleum Complex, continue unhindered even in the face of a slowing economy.

The Government also remains committed to ensure that the Malaysia story of growth, confidence and resilience will also be a narrative that is inclusive. Priority for people living in the rural areas and low-income households remains paramount, in our efforts to ensure that they enjoy in our nation's development and economic bounty, and that the rising costs of living do not unduly burden the *rakyat*, especially the bottom 40 percent of the income pyramid (B40).

Our transformation journey has worked towards a commitment for a more targeted and coordinated social benefits system. Towards this end, BR1M, a targeted direct cash assistance for households earning less than RM4,000 per month, has been assisting those who are in need.

Over 7.1 million Malaysians have received Bantuan Rakyat 1Malaysia (BR1M) assistance in 2015, of which approximately 4.6 million households have been receiving BR1M in 2014 and 2015. BR1M has been increased on an annual basis from its introduction at RM500 per household (with a monthly income of RM3,000 and below) to RM950 as of 2015.

By channelling lesser resources towards more targeted groups, we were able to channel resources to create greater impact and at the same time making our subsidy bill more efficient. This is to ensure that nobody gets left behind in our national transformation journey towards high income.

Keeping Focus and Staying on Track

There is no doubt that 2016 will be a challenging year for our country due to the challenging global economy. Like all other nations, Malaysia will be affected but we can take comfort that even in these trying times, instead of experiencing a contraction, Malaysia's economy registered a modest growth of 5 percent in 2015, with external agencies such as World Bank, IMF, Moody's and others commending the Government for having taken the right measures to diversify the economy and build fiscal resilience.

The hard work carried out and tough decisions taken in these last few years since the beginning of the NTP is yielding positive results. We can sustain growth. We continue to command confidence. We are resilient in the face of global challenges.

The work does not stop here. With four more years left to the reach the NTP's finishing line by 2020, the Government, together with the private sector, must remain resolute, stay the course and remain committed to seeing this programme to its completion in 2020.

One of the areas of priority in these next few years would be to nurture more 'Malaysian champions'. Local companies must continue to step up innovation to be able to thrive in global markets with competitive, world-class products and services. The public sector must not waver in its pursuit of refining and improving on the quality of service delivery, whilst being accountable and transparent in their delivery.

I cannot stress enough the importance of maintaining the momentum that has been built in the last six years in order for us to attain high-income status in inclusive and sustainable ways.

Knowing that no journey is without its challenges, we step into 2016 from a position of strength, will to succeed and determination to keep going till we reach 2020 when we will become a high-income nation.

> ***"The work does not stop here. With four more years left to the reach the NTP's finishing line by 2020, the Government, together with the private sector, must remain resolute, stay the course and remain committed to seeing this programme to its completion in 2020.***


KLINIK 1 MALAYSIA

THE NTP

NATIONAL KEY RESULTS AREAS (NKRAs)

NATIONAL KEY ECONOMIC AREAS (NKEAs)

STRATEGIC REFORM INITIATIVES (SRIs)

DEVELOPING BETTER AND FOCUSED SOCIAL SAFETY NETS IS KEY

DATO' SERI DR. AHMAD ZAHID HAMIDI

DEPUTY PRIME MINISTER OF MALAYSIA

Addressing the Rising Cost of Living (COL) NKRA continues to be a priority area for the Government; namely, by alleviating the economic burden of a society adjusting to the nation's transition towards high-income status by 2020.

The COL NKRA is notably distinct from the other six NKRAs. It addresses the concerns of the *rakyat* through continual reactive measures – social safety net initiatives delivered on a needs-basis in response to market conditions – to safeguard the welfare of Malaysians, in particular the bottom 40 percent (B40) in economic terms. Through this NKRA, short-term and immediate relief is delivered to vulnerable segments of society, helping them cope with the rising cost of living and better managing their households' expenditures.

Reflecting on 2015, a few important milestones were achieved to help the government arrive at a more efficient and less burdensome public expenditure model for our safety nets. In a bid to dismantle inefficient blanket subsidies, and create a more targeted system to benefit those most in genuine need, subsidy rationalisations were carried out. In addition, the introduction of the 6 percent Goods and Services Tax (GST) in April – a more effective and broad-based tax – channels more funds to the government to help alleviate the *rakyat's* cost burdens.

The introduction of GST and subsidy rationalisation activities, while important, have indirectly contributed to the increase in prices for goods and services, which places additional pressure on the *rakyat*. Acknowledging the importance of these measures in strengthening the country's long-term financial resilience, the government will continue to mitigate such price impacts and stay focused in rolling out COL NKRA initiatives to support Malaysians in need for as long as necessary.

> *"BB1M helps to somewhat reduce my financial burden as a student, since I prefer to purchase original, first-hand textbooks where possible.*
>
> **— Rachel Ruran Leong**
> Universiti Malaysia Sarawak student

Through the NTP, the Government has introduced a number of targeted initiatives to cushion the B40 group against economic uncertainties and to support them to become more financially resilient.

The COL NKRA takes two approaches in accomplishing its objective of providing immediate relief to the rakyat. Firstly, by providing targeted direct cash assistance through programmes such as BR1M (Bantuan Rakyat 1Malaysia), BB1M (Baucar Buku 1Malaysia) and BKAP1M (Bantuan Khas Awal Persekolahan 1Malaysia). Secondly, through the increase of the availability of (and accessibility to) affordable basic necessities and services such as K1M (Klinik 1Malaysia), KR1M (Kedai Rakyat 1Malaysia) and MR1M (Menu Rakyat 1 Malaysia).

INSIDE THIS NKRA

1 Direct Assistance to Those in Need

Through programmes such as BR1M, BB1M and BKAP1M, targeted groups of Malaysians are provided with direct cash assistance, enabling them to better manage the costs of basic and educational necessities.

The BR1M initiative is a targeted direct cash assistance for households earning less than RM4,000 per month. The amount of BR1M provided has been increased on an annual basis from its introduction at RM500 per household (with a monthly income of RM3,000 and below) to RM950 as of 2015. In 2015, under the **BR1M initiative**, a total of 7.1 million Malaysians (including households and individuals) received BR1M assistance, of which approximately 4.6 million households have been receiving BR1M in 2014 and 2015.

The **BKAP1M** initiative aims to ease the burden of parents preparing for their children's schooling expenses. In 2015, a total of 5.13 million students have benefited from this initiative. Since 2014, an amount of RM100 has been provided to all Malaysian students from Primary One to Form Five in both public and private schools.

To ease the burden of education expenses of purchasing books, a total of 1.3 million tertiary education students (including those in Form Six) have received RM250 in book vouchers under the **BB1M** programme. Introduced in 2013, this initiative also aims to foster interest in reading among Malaysians.

NUMBER OF STUDENTS RECEIVING BKAP1M

2015	5,127,222
2014	5,153,811
2013	5,202,778

PARENT APPRECIATES BKAP1M ASSISTANCE

Alliene Ong with her daughter, Aina Kamalia

As a beneficiary of the BKAP1M initiative, mother Alliene Ong is quite appreciative of the Government's efforts to cushion the impact of school necessities on her budget. "I have a daughter who is 16 years old this year. She is in Form Four, and has been receiving the BKAP1M assistance for the past three years now. The RM100 that the Government hands out at the start of every year has been quite helpful in terms of preparing for her studies," she elaborates.

Alliene uses the RM100 from BKAP1M to buy her daughter's school stationeries. "With my limited monthly household income and other expenses to budget for, BKAP1M has helped to somewhat reduce the financial stress during the beginning of the year caused by all the school expenses," she says. "However, with the rising cost of goods presently, for its true impact to be really felt, I suggest that the aid amount per student should be raised to RM300 per year. Still, any aid is better than none, and I am not personally aware of any other country that has such an initiative in place, so I gratefully accept the BKAP1M aid, and am thankful that the government provides such assistance to the people who need it most."

Alliene believes that the government's move in giving this aid to the rakyat, as well as other COL NKRA initiatives, demonstrates its commitment to lighten the rakyat's burden. "Although the KR1M, for example, is out of my way so I do not shop there so frequently, the concept is still a good one," she explains.

UNIVERSITY STUDENTS BENEFIT FROM BB1M PROGRAMME

Daniel Darnas
Swinburne University of Technology Sarawak

Rachel Ruran Leong
Universiti Malaysia Sarawak student

Universiti Malaysia Sarawak student Rachel Ruran Leong is in her final year of a four-year programme, and has been a beneficiary of BB1M for the past three years since she started her course. She believes that she is one of the few who use it for its intended purpose of purchasing textbooks, although she's heard of others using it to buy stationery, hard disks or even shoes, the latter two especially during the first few years it was introduced.

"I'm a very old-fashioned person; I like using physical books, and my university mostly uses international textbooks from Pearson, Cambridge and the like, which can be expensive. BB1M helps to somewhat reduce my financial burden as a student, since I prefer to purchase original, first-hand textbooks where possible, and each textbook can cost RM200-RM300," Rachel explains.

Daniel Darnas, who was on a study loan which covered his tuition and allowances at Swinburne University of Technology Sarawak, shared that BB1M helped cushion his savings. "By using the BB1M to buy textbooks and stationery, for instance, I was able to buy other things that helped with my courses that I otherwise could not have."

Both Rachel and Daniel agree that the amount of the BB1M vouchers should not be increased. Rachel believes that trying to help all students purchase brand-new books for the entire year would not be the most efficient use of the funds required. Daniel in turn feels that this initiative is supposed to be supplementary aid, not full-fledged financial assistance.

"Though I feel there could be a rebalancing of the amount of distribution over two semesters in a year, RM125 for each half, for example. Having the voucher valid for three months only forces students to finish the whole RM250 in a single semester. It does not encourage good planning and budgeting amongst students," he adds.

Nevertheless, Rachel likes BB1M. "It is a very good start, and I am happy with the BB1M initiative as it stands," she explains. She is also very happy with yet another COL NKRA initiative, the KR1M. "While on campus, I find that certain name brands are slightly cheaper in the KR1M, but when I'm back visiting my kampong (village), the KR1M means that we no longer have to travel all the way to town to purchase our daily necessities."

Daniel, meanwhile, thinks that the existing initiatives are helpful. He believes that the Government should amplify their communications on these initiatives so that more people can benefit from them.

> *By using the BB1M to buy textbooks and stationery, for instance, I was able to buy other things that helped with my courses that I otherwise could not have.*
>
> **— Daniel Darnas**

2 Increasing Accessibility to Basic Amenities

A key focus of the COL NKRA is to ensure that people in less-developed areas, as well as the urban poor, have access to lower-cost basic amenities, necessities and healthcare. Through initiatives such as **K1M**, **KR1M** and **MR1M**, the **COL NKRA** aims to deliver essential goods and services such as groceries, healthcare and food at prices that are affordable to all layers of the *rakyat*, thus helping the *rakyat* retain more of their disposable income.

185 **KR1M stores** nationwide provide Malaysians the option of purchasing basic household products at lower prices. Available in all **KR1M stores**, **Produk Rakyat 1Malaysia** brands locally-produced and generically-branded grocery goods are usually sold at 15 percent-30 percent lower than similar premium-brand goods. Spanning a total of 234 types of goods, **Produk Rakyat 1Malaysia** brands are now more accessible to the general public, as they are stocked by 569 other stores. In 2015, the set-up of KR1M outlets fell short of its target, due to implementation challenges such as the inability to secure strategic business locations at a reasonable cost in terms of rental, logistics and infrastructure.

Through the 334 **K1M** clinics nationwide, Malaysians are provided access to affordable basic medical services at just RM1 per visit (senior citizens are exempted from any payment). With qualified nurses and medical assistants sporting at least five years of experience, K1M clinics are able to carry out minor surgeries, stitching, wound cleaning and dressing, as well as treating illnesses like cough, flu, fever, diabetes and hypertension. Strategically located in various housing areas, there are between three and four **K1M clinics** available across each state. Since its inception in 2010, K1M clinics have carried out more than 21.87 million basic treatments.

(Top left) Services provided at K1M are no longer confined to outpatient care. Selected K1M now offers Maternal and Child Health. **(Right)** A food stall serving MR1M dishes located at a Rest and Recreation area (R & R) in Rawang. Photo courtesy of BERNAMA Images. **(Bottom left)** KR1M outlet operates on a mini market format that offers various basic necessities under the Kedai Rakyat 1 Malaysia (KR1M) label and sold up to 50 percent cheaper compared to other brands in the market

MOVING FORWARD

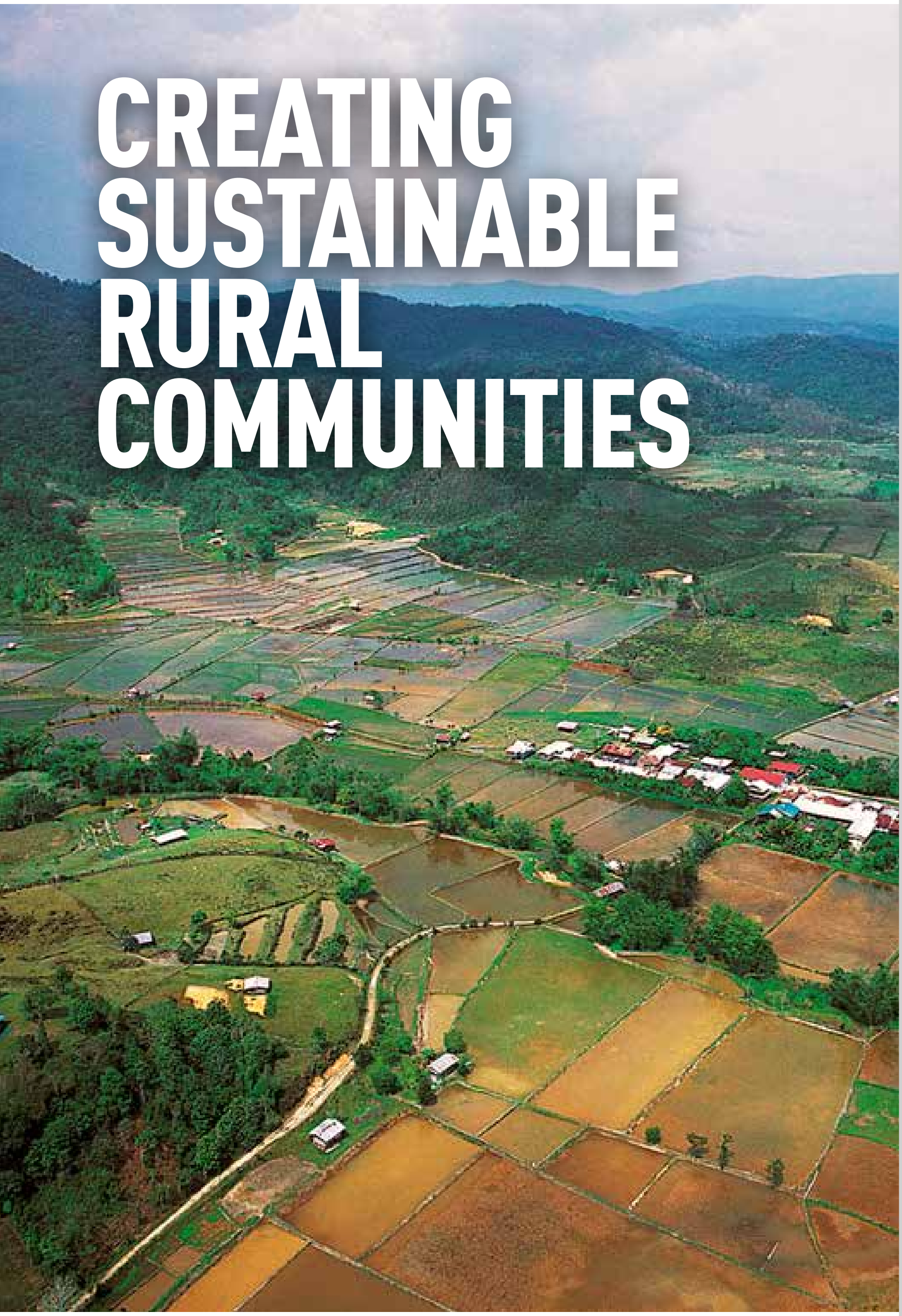
In 2015, the Malaysian economy faced economic volatilities from the external environment, which saw the decrease in oil-based revenues to the government and the Malaysian ringgit's slide in value. These, amongst other factors such as demand for imported goods and services and the strengthening US dollar, reduced the strength of our currency and affected our purchasing power, particularly of imported goods.

In achieving greater fiscal discipline, the Government has also been required to make the difficult decision to restructure the country's subsidy models; in particular by rationalising how subsidies are distributed. The removal of fuel subsidies - whilst adding pressure on transport and logistics costs - was an essential move to ensure products & services reflect their actual production costs and remain competitive in the long run.

The implementation of the GST, while important in transforming the taxation system to be more efficient, has indirectly increased the cost of some goods and services. The Government has ensured that basic necessities such as rice, sugar and cooking oil are zero-rated (untaxed), and that hospital services are exempted from GST. This is to ensure that the needy will not be burdened by the impact of the GST.

Noting such challenges, the COL NKRA has been cognisant of the *rakyat*'s pressing needs, especially for vulnerable households that lack the financial capacity to weather the impact of such challenging economic times. As such the government maintains its commitment in sustaining initiatives within this NKRA to ensure that assistance reaches those most in need.

CREATING SUSTAINABLE RURAL COMMUNITIES



DATO' SRI ISMAIL SABRI YAAKOB

MINISTER OF RURAL AND REGIONAL DEVELOPMENT

In our journey towards becoming a developed and high-income nation, our national development has continued to emphasise being inclusive to address the needs of the *rakyat* in urban *and* rural areas.

The concerns of our fellow Malaysians living in the rural parts of Malaysia continue to be a priority. Since we started the NTP journey in 2010, our focus has been to enhance and equip the rural areas with the provision of basic amenities, and to transform rural areas into thriving and sustainable centres of commerce.

Over the past 6 years, the initiatives under the Improving Rural Development NKRA (RD NKRA) have impacted the lives of over 5.567 million Malaysians in the rural areas, through the delivery of roads, clean/treated water, housing and 24-hour electricity to improve standards of living. From 2010 to 2015, the RD NKRA targeted 139,061 houses to be supplied with 24-hour electricity, but by the end of 2015, 3.5 percent more than the target (143,899 houses) had been supplied with such.

This ensures that no one is left behind in the fast changing world of national transformation. If the villages have all the facilities of modern infrastructure, we will be able to reverse the trend of rural-to-urban movement. The rural landscape can then support more high-value economic activities. With better job prospects & opportunities in their villages, people who moved out to the cities may consider returning to revitalise their communities.

"Over 5.567 million more Malaysians living in rural areas today enjoy the same access to basic utilities like water, electricity, and road connectivity as those in the cities.

Inclusive development to create successful and sustainable rural communities has been the aspiration of the RD NKRA since the beginning of Malaysia's transformation journey. First established as the Rural Basic Infrastructure (RBI) NKRA in 2010, its main purpose was to ensure Malaysians in rural areas were provided with basic infrastructure such as roads, water, electricity and housing. Today, the majority of rural areas have access to basic infrastructure, through initiatives that bring development in rural areas, for the *rakyat* to enjoy amenities that are readily available in urban areas.

Sustainability beyond the provision of basic amenities was the premise of the RD NKRA's 21st Century Village (21CV) programme that came into being in 2012. Since then, initiatives such as eco-tourism and premium fruit farming have enabled various economic activities to be innovated, further empowering entrepreneurs to be more independent, as well as provide better access to markets and business opportunities. Malaysians in these communities have since been encouraged to remain in their villages and still be part of the nation's growth and successes.

INSIDE THIS NKRA

1 Providing Universal Access to Basic Amenities Through Inclusive Development

2 Building Rural Economies

1 Providing Universal Access to Basic Amenities Through Inclusive Development

Road maintenance works at Jalan Madrasah Lebai Che Will, Wakaf Bharu, Kelantan

As compared to 2010, over 5.567 million more Malaysians living in rural areas today enjoy the same access to basic utilities like water, electricity, and road connectivity as those in the cities, proving that Malaysia's transformation journey can be less lopsided and city-centric. In this manner, the rural-urban migration can be reduced. It is hoped that through this, population density can be kept at a more comfortable level. People can then live and work where they were born and bred, supported by (and supporting) their families, friends and neighbours.

There has been tremendous sustainable growth in rural villages from 2010 to 2015. 2.71 million Malaysians now have access to new and improved roads (5,286.25km as of December 2015). During the same time, approximately 1.73 million more Malaysians now have running water, with 345,665 households covered throughout East and West Malaysia. 143,899 additional households now get 24-hour access to electricity. Under the Program Bantuan Rumah (PBR) housing initiative, over 82,472 households were built and restored for families that could not afford them.

Solar hybrid systems, using both solar panels and a diesel generator backup, were introduced in Semporna, Sabah in 2015. The success in Semporna as well as in Bario, Sarawak, was a key factor in deciding to bring the solar hybrid systems into other rural areas. Their usage is expected to cover most remote areas in Sabah and Sarawak next year. This will help increase business activities, foster economic growth and also provide villagers with information technology.

In terms of improved road connectivity, some highlights in 2015 include areas such as Batang Padang, Perak, where an 11km road development has helped improve the economy of the villages around the regions that the road connects, contributing to the increase in property value among the villages and neighbouring areas. This stretch of infrastructure has also enabled broader access to markets for rural palm oil farmers/producers in the *kampung* (village). In Kulim, Kedah, a 3km road has opened access to several new residential areas around. This has broadened and improved the relationships and network between the neighbouring villages.

From 2010 – 2015, a total of 24,004 households have been relocated in newly-built housing, while 57,645 households benefitted from the refurbishment of their houses within the same time period.

These improvements came about after overcoming several challenges in 2015. Malaysians living in rural areas are mostly not accustomed to having to pay for these basic amenities. Some of this is due to habit and lack of education (e.g. on the health benefits of clean running water). Others prefer to maintain a simpler lifestyle without them. In this regard, early and frequent engagements with the local stakeholders helped to smooth out matters, making them aware of what was to happen within their vicinity and addressing their concerns. Infrastructural development challenges, such as building roads deep in rural areas, often face climate and geographical constraints. There are also land entitlement issues; hence, all land issues are now ironed out prior to the tendering process by identifying and resolving the land with issues.

2

Building Rural Economies

(Left) One of the attractions in Kampung Semelor, Perak is the village jetty under the Desa Lestari initiative
(Right) Cabin chalets constructed at some of the 10 villages under the Desa Lestari programme to encourage ecotourism

Major projects within the 21st Century Villages (21CV) programme were the main focus of the RD NKRA since 2012. Their successes have increased confidence that building successful rural economies in Malaysia is an attainable goal. Residents in Desa Lestari villages under the 21CV programme are enjoying higher incomes and economic growth. Additionally, Rural Business Challenge (RBC) winners are beginning to set precedence for Malaysia's youth in reversing urban migration. All of this is part of the effort to narrow disparities by building sustained, high-income, and value-added rural economies.

The 21CV programme was designed to boost rural economies and make them more attractive to the youth in the community. Desa Lestari, part of the 21CV programme, aims to promote village communities to take up high-value industries, create skilled occupations and promote 'green' tourism. This way, the villages can position themselves to be more sustainable, as well as serve to be unique tourist destinations that do not harm the future of Malaysia's resources.

Programmes under 21CV have successfully transformed rural areas into vibrant and attractive places to live, work and visit. The 'Large Scale Fruit/Vegetable Farms' Entry Point Project is one of the initiatives under 21CV that offers job opportunities to the rural people. Farms of over 200 acres in size are planted with different kinds of premium export-quality fruits. Tonnes of pineapples, bananas, papayas and melons are marketed within the country and abroad, reaching as far as Korea and Japan.

Under the implementation of Desa Lestari, two iconic projects have been introduced; namely, stingless bee farming project and the construction of cabin chalets to spur the development of homestay programmes. A total of 28 villages ventured in the stingless bee farming project, achieving yearly incomes between RM10,000 and RM19,000. Meanwhile, 10 villages have participated in the construction of cabin chalets as part of ecotourism activities that generate between RM18,000 and RM54,000 per annum.

Ecotourism activities have improved the livelihood of the rural people at Kampung Lonek, Negeri Sembilan

Kampung Bukit Bulat in Melaka and Kampung Lonek in Negeri Sembilan are frontrunners of this initiative. Kampung Bukit Bulat villagers boast expertise in dealing with stingless bee farming and crop farming. The villagers also generate additional income by packaging tourist activities (nature tourism) with honey-hunting expeditions, as well as promoting honey products as organic, by virtue of zero chemicals used during harvesting.

Both Kampung Bukit Bulat and Kampung Lonek generate about RM40,000 a year, with consistent year-on-year increases in revenues. These establishments also provide homestay chalets, tour-vans, commercial activities, and traditional games/activities packages for tourists.

The RBC is also a key component of the 21CV Programme. The RBC is aimed at encouraging rural youth entrepreneurship. Over the years, RBC winners have set up the 'Persatuan Usahawan RBC Malaysia' (Malaysian RBC Entrepreneurs Association). It caters exclusively to RBC programme winners, so that they can help each other further develop their ventures and diversify into other business opportunities. The association aims to kick-start its long-term goals of having at least one RBC Mart and RBC Bistro in every state commencing 2016.

Since 2012, RBC has awarded RM59.07 million worth of grants to 77 aspiring young entrepreneurs who were running their businesses in the rural areas. 2012 and 2013 winners (31 of them) have provided 213 job opportunities and created 180 new entrepreneurs. The average increase of income for 2012 winners in 2014 was 171 percent; for 2013 winners in 2015, the average increase was 106 percent.

For instance, Hazleen (one of the winners of the RBC) returned back to her home in Sungai Petani immediately after graduation to start up her own venture. According to her, this was due to the abundance of business opportunities available in Kedah. She started her own chocolate-making business that has since seen her brand "Hazleen Chocolate" expand nationwide with offices in Sungai Petani, Klang and Kuantan.

> ***"Their successes have increased confidence that building successful rural economies in Malaysia is an attainable goal.***

Another iconic Desa Lestari project - stingless bee farming

TRANSFORMING BUSINESSES THROUGH THE RURAL BUSINESS CHALLENGE

One of the Rural Business Challenge (RBC) participants in 2013, 36-year-old Syuhaini Abdul Rahman attributes her success in winning the Challenge to her meticulous preparations throughout the entire year, as well as closely sticking to the requirements of the Challenge of developing rural areas and bringing benefits to the rural community.

Syuhaini operates FBC Resources, a factory producing bakery goods, pies and cakes. "Prior to winning the RBC, my business was making RM960,000 in revenues yearly. I was renting the upper floor of a shophouse, I was operating small-scale machines, and the product packaging was pretty plain," she elaborates.

She came to know about the RBC via the Malaysia Agriculture, Horticulture and Agrotourism International Exhibition (MAHA) 2012, and decided to enter the Challenge. "Winning the RBC has changed my business tremendously," she said. Using the RBC grant, she has been able to start construction on a 10,000 square-foot factory, and apply for HACCP and halal certification. She has also been able to scale up her production operations with larger-size machines and equipment, expand the number of sales and marketing channels, and design her packaging technology. "Today, thanks to the RBC, I have increased my annual gross income to RM1.5 million," she discloses.

According to Syuhaini, most rural entrepreneurs focus on production, and not so much on marketing or developing their sales channels. However, this means that their products were not getting the necessary exposure. "It would be good if the government provided support to rural businesses on their sales and marketing strategies; that way, they can keep on focusing on what they do best in terms of production," she suggests.

As for people in the rural community who would like to go into business for themselves, Syuhaini advises them to look at the resources available out-of-town, and use them as a start to their business. "There is a demand for countryside products in towns and urban centres, so they should consider selling and marketing those goods," she clarifies.

HARNESSING RURAL TREASURES

The RD NKRA's various initiatives are aimed at improving the economic prospects of rural communities, and demonstrating that high-income opportunities are available to them, if they are willing to take the chances and put in the effort. Mohd. Ridzwan Ishak from Bujang Valley in Kedah is a sterling example of such a man, whose hard work and perseverance has paid off handsomely.

A born-and-bred resident of Kampung Sungai Batu Besi, which is situated along Sungai Merbok, the 45-year-old Ridzwan is the owner-operator of an oyster farm (of which there are only 10 in Peninsular Malaysia). Despite its remote location and limited accessibility, the farm nonetheless receives anywhere between 60-100 tourists a year. He cultures up to 60,000 oysters, harvesting 1,000-3,000 every month.

However, Ridzwan was not always an aquaculture aficionado. A former fisherman by trade, his oyster farm has been the result of a knowledge transfer process courtesy of Universiti Sains Malaysia's (USM) Associate Professor Dr. Aileen Tan Shau Hwai from the School of Biological Sciences. The university, together with Ministry of Science, Technology and Innovation (MOSTI) and Ministry of Higher Education (MOHE), provided research funding to both operate the knowledge transfer, as well as open an oyster hatchery in Balik Pulau, Penang. One of two such hatcheries in Southeast Asia, this hatchery is the source of Ridzwan's oysters.

The oyster farm, which cultivates only food oysters (as opposed to the pearl oysters cultivated by most farmers in Sabah, for instance), also plays host to a steady inflow of conservation volunteers (many of whom are regulars) who wish to see how clean aquaculture works. According to Ridzwan in an interview with the English daily publication The Star, these volunteers help him with agitating oyster cages, cleaning the cages and sorting the oysters by size, amongst other chores.

Ultimately, Ridzwan believes that it is possible for the ecotourism potential to be economically rewarding for a villager like him.

REALISING DREAMS THROUGH OPPORTUNITIES

At 27 years of age, Sharol Hafizi Jamaludin of Agro Highlands Enterprise is very grateful to the RD NKRA and the Ministry of Rural and Regional Development for their efforts in growing the rural economy via the Rural Business Challenge (RBC).

Sharol's Cameron Highlands business focuses on growing strawberries and providing chalet accommodation for agro-tourism. Prior to winning the RBC, he could only provide eight room units; sufficient for 40 people. "My revenues then were about RM10,000-RM15,000 a month. I could only hire two to three employees – a small scale operation by any measure."

Sharol believes that he won the Challenge in 2013 due to three major factors; providence, the project itself nicely fitting the requirements of the Challenge, and support from family and friends.

With a grant of RM2 million, Sharol has transformed his business to one that is still moving with an upward trajectory. "I now have 32 room units in the midst of a strawberry field, catering for up to 100 people, complete with seminar/meeting room and a dining hall. I now earn revenues of between RM30,000-RM60,000 a month.

Sharol currently hires 11 employees and provides steady business to three entrepreneurs. "For example, the dining hall has an external caterer running it. I also have online sales agents who get paid a commission, as well as external tour guides which I source for his guests. So basically, there is an economic multiplier effect due to the increase in size and capabilities of my business."

Sharol believes RBC is a great platform to reduce or eliminate rural-urban migration by the youth. "Mostly, this migration is due to low income jobs/ opportunities. But through business, you can earn similar figures as urban jobs; thus, the youth will do this if there is support for rural businesses. They only need space and opportunity, which RBC and similar initiatives can provide.

"I am thankful to the Ministry of Rural and Regional Development for the RBC. It has changed my life – my vision, which was only a dream, has become a reality. Without RBC, all my achievements would still be unrealised dreams."

Tiered strawberry fertigation above the Agro Highlands chalets

MOVING FORWARD

Moving forward, Malaysia's rural economy will continue to play an increasing role in the overall country's development. The results of the RD NKRA must include the benefits from growth being equitably distributed, decent job opportunities being made available to everyone, and natural resources being sustainably managed. On a macroeconomic scale, agricultural productivity must increase sustainably, strengthening agricultural markets that contribute to food security and proper nutrition for all.

While higher targets for current initiatives, as well as improved quality of supply (e.g. cleaner water, better roads) have been set, the RD NKRA is now focused on developing improved and more forward-looking goals to fulfil these aspirations. The outcome of the projects under the Communications Content and Infrastructure (CCI) National Key Economic Area (NKEA) – and their benefits – must be brought into the rural areas as well as the suburban ones.

Better broadband penetration and quality (via the High Speed Broadband 2 and Sub-Urban Broadband projects), as well as multi-modal connectivity with urban centres, are not solely aimed at making country living even more attractive, but also to provide rural Malaysians the facilities to increase their economic output and choice of business opportunities, while staying right where they are. By doing so, they, too, can become part of Malaysia's next-generation people economy.

MAKING PUBLIC TRANSPORTATION A CHOICE

DATO' SRI LIOW TIONG LAI

MINISTER OF TRANSPORT

Enhancing and developing our urban public transport system is all the more necessary, given that Malaysia is in a crucial phase of transition, particularly in the urban transportation ecosystem as one of the seven National Key Results Areas (NKRAs) under the Government Transformation Programme (GTP).

We are committed to deliver efficient, cost-effective, reliable, comfortable and safe public transportation services to the people especially within high-density locations like the Greater Kuala Lumpur/Klang Valley (GKL/KV) area.

We are on track to establish a world-class urban public transport system with heightened convenience and reliability. Vision 2020 demands nothing less than a city fully equipped with an efficient and accessible public transport system.

The introduction of the LRT Line Extension Project (LEP) Phase 1 and the Sunway Bus Rapid Transit (BRT) in 2015 are the latest chapters in our transformation journey.

Daily ridership and customer satisfaction continues to record tremendous improvements from our 2010 baseline. More so as we move forward with the completion of larger transportation projects like the LEP and Monorail that are currently in progress, with the KL-Klang BRT being planned.

We are very pleased to announce the launch of the completed LEP in 2016 – Kelana Jaya and Sri Petaling to Putra Heights – will have a significant impact on the urban landscape and become an avenue for the *rakyat* to rely on urban public transport.

Certainly, there will be challenges in achieving this noble aspiration. What is of utmost priority is that all Government and non-governmental bodies involved in the transportation ecosystem collaborate with more cohesiveness and focus for the benefit of the *rakyat*.

"*We are on track to establish a world-class UPT system with heightened convenience and reliability.*"

Having public transport become the preferred choice for GKL/KV commuters underlines the efforts to transform the city's transport system. The Improving Urban Public Transport (UPT) NKRA aims to create a reputable, reliable service that enables one to easily reach all city destinations. Work is being done to improve connectivity and accessibility, with a focus on public transport demand and customer satisfaction, as well as overcoming some rather unique obstacles in project implementation.

The GKL/KV region covers the business and administrative capitals of Malaysia. It is expected to reach a population of 10 million people by 2020. Catering to the transportation needs of that magnitude requires a significant upgrade of the region's public transportation infrastructure.

INSIDE THIS NKRA

1 Improving Connectivity and Accessibility

2 Customer Satisfaction is a Critical Success Factor

3 Adoption of Public Transport Key for Rapid Urbanisation

Large-scale infrastructure projects have been carried out to add capacity to the public transportation network. Initiatives also focused on improving the efficiency and reliability of existing services. Ultimately, making public transport more attractive is the ultimate goal, so as to further reduce overall traffic congestion in the built-up areas of GKL/KV.

1 Improving Connectivity and Accessibility

Newly completed Awan Besar Station of the LRT Ampang Line Extension Project (LEP)

Significant amounts of investment, time and effort have been spent to ensure the successful implementation of high-impact public transport projects in the Greater KL/ Klang Valley area. These projects, which promote improvements in terms of connectivity and accessibility of public transport modes, are part of Malaysia's economic and sustainable development objectives.

Reforming Greater KL's transportation network is a top-priority to meet the need of Malaysians to travel to their desired destinations with ease and convenience. All commuters want to save on travel time and to feel safe and comfortable during their commute; through the delivery of high-impact projects, the UPT NKRA aspires to alleviate the burden of Malaysians who drive in and out of Greater KL every day, facing traffic woes (especially during peak hours).

Malaysia's first **Bus Rapid Transit (BRT)** system was completed and launched in June 2015. The 5.4km-long Sunway BRT is strategically located throughout the busy suburbs of Sunway and Subang Jaya, serving a population of approximately 500,000. The BRT enjoys convenience features similar to those of a light rail transit (LRT) system, with the usage of dedicated lanes, environmentally-friendly buses as well as customer-friendly infrastructure. Currently incorporating seven stations and one Park & Ride facility, the Sunway BRT also has terminal stations that serve as interchange stations, connecting the service to both the KTM Komuter and the future Kelana Jaya LRT lines. Unlike traditional stage bus services that have to compete with normal traffic, the BRT frequency is predictable; commuters can expect a bus every four minutes during peak hours, and eight during off-peak hours. With this service, commuters can pre-plan their journey and arrive at their desired destinations on time.

Phase 1 of the LRT Ampang **Line Extension Project (LEP)** began operations in 31 October 2015, with the opening of four stations in Awan Besar, Muhibbah, Alam Sutera and Kinrara BK5. The Ampang LEP benefits residents of Bukit Jalil, Projek Perumahan Rakyat Muhibbah, and Bandar Kinrara in Puchong, increasing the Ampang Line daily ridership to 196,000 and providing them with comfortable access to the LRT, and by extension, the rest of the integrated public transport network.

The **Klang Valley Stage Bus Network Revamp** project that kicked-off in December 2015 was targeted at upgrading bus services that were previously inconsistent due to unpredictable frequency and at times, unannounced no-shows, especially in low demand areas. This initiative aims to serve a total of 241 routes compared to 182 routes before its implementation. Commuters will enjoy wider coverage and accessibility to stage bus services. The streamlining exercise will also introduce a bus route numbering system that is standardised across all operators. This system aims to help passengers familiarise themselves with the destination routes of each bus service by reading its number alone. Still in the early stage of implementation, the Land Public Transport (SPAD) is currently refining the implementation plan of the streamlining exercise and improving the communications of its plans to the public.

FIRST BUS RAPID TRANSIT IN MALAYSIA COMMENCES SERVICE

Shamsul Rizal
COO, BRT Sunway

While the full benefits of the BRT Sunway line have not been realised yet, it has shown positive signs while being actively trialled during its first two months. However, BRT Sunway's Chief Operating Officer Shamsul Rizal reckons its true impact will only be felt once various other projects come online. "Aside from the full phase of the LEP (scheduled for mid-2016), mixed and commercial developments such as Sunway Geo and the expansion of the Medical Centre will also contribute to making the BRT a preferred mode of transport," he adds.

With a population of 500,000 served by three major highways (NPE, LDP, KESAS), the busy township of Sunway faces massive congestion in the morning, as it also hosts several tourist attractions. "The BRT aims to help alleviate congestion and enable Sunway residents to commute beyond Sunway safely, conveniently and comfortably, through connectivity with the rest of the public transportation network (LRT, KTM Komuter and bus)," Shamsul explains.

The decision to adopt the BRT system, which is relatively new to Malaysia, was mostly due to its cost-efficiency. "Building a fully-elevated guideway was expensive, but it was more affordable than rail, as it is merely a normal road with no track, electrification, or signalling, and uses standard buses as 'rolling stock'. The BRT would work equally well at-grade (on ground level), which would reduce the costs tremendously." The use of all-electric buses also helped cut costs, as they run very quietly and did not require the construction of noise barriers or soundproofing.

Shamsul highlights that capacity could be easily increased via the usage of articulated buses or running buses more frequently (or both). Currently, at peak hour, the BRT can already transport 1,000 passengers per hour per direction.

Shamsul sees the BRT as going through the inevitable teething problems of any new operation. However, the existing ridership can be improved through better dissemination of information with regards to its benefits, including the ability to plan one's travel and fare discounts. "I was speaking to a woman who said she had to catch the bus at six in the morning, because if she caught it any later, the traffic jams would make her run late. When I told her that the buses on the BRT run every four minutes at peak, and that they could make the full loop in 32 minutes, I never saw her that early again," he laughs.

DEVELOPING A TRULY INTEGRATED PUBLIC TRANSPORTATION NETWORK

Mohd. Azharuddin Mat Sah
CEO, Land Public Transport Commission (SPAD)

With the UPT NKRA's aim to drive up the modal share of public transportation within GKL/KV to 40 percent of all commutes by 2030, it is necessary that the public transportation network is integrated, convenient, accessible, easy to use and affordable when compared to driving.

Within GKL/KV, the public transportation master plan states that rail service is the backbone of such an integrated network. Throughout 2015, the UPT NKRA has seen both the addition of much-needed capacity to existing rail services, as well as the construction of large-scale rail infrastructural projects. These are starting to come online, with the first Klang Valley MRT line scheduled to begin operations by the end of 2016, and the full LEP to begin in mid-2016.

As Prasarana Rail and Infrastructure Projects Sdn. Bhd. (PRAISE) CEO Dato' Ir. Zohari Sulaiman points out, the LEP is an all-encompassing upgrade of the existing Ampang (LRT1) and Kelana Jaya (LRT2) Lines, and when fully completed, will provide for end-to-end connectivity for both lines via the Putra Heights interchange station. "We are also taking the opportunity to upgrade our existing infrastructure, rolling stock, signalling systems and everything else, especially on the Ampang line, which has been in existence for 20 years," he elaborated.

Already, the first phase of the LEP has seen an average daily ridership of 4,000 since it opened in end-October 2015. "Our Park 'n' Ride facilities are constantly full, taking around 2,000 cars off the roads," Dato' Zohari enthuses, pointing out that such a response from the residents of the surrounding areas implies they found the LRT more convenient than driving.

The Klang Valley MRT promises to be equally advantageous to residents of Klang Valley, initially offering a comfortable, state-of-the-art journey from Sungai Buloh to Kajang in 88 minutes. Already, the MRT is having positive economic impacts on areas like Balakong and Sungai Buloh (for more information, refer to the *KVMRT – All Set To Go* sidebar under the GKL/KV NKEA chapter).

Meanwhile, SPAD is also looking into improving all other modes of public transportation for first- and last-mile connectivity, including bus and taxi services.

The Bus Network Revamp (BNR) is one such initiative put in place in December 2015. Its objectives are to increase bus area coverage by up to 17 percent (including previously under-served routes), increase frequencies, as well as enhance operator performance and bus network efficiency.

"We've allocated specific routes to each operator, with a view to improve their services, and we intend to monitor them better," SPAD CEO Mohd. Azharuddin Mat Sah explained.

According to him, operators can concentrate their efforts and expenditures on more buses, reduce waiting time and provide better service quality to the *rakyat* through dedicated routes. "We hope that over time, the bus operators will up their game and make buses a good choice for first- and last-mile connectivity between rail and other public transport hubs, and for direct services within GKL/KV where the rail services don't reach," he added.

Similarly, taxis play a big role in defining first impressions of how good an urban public transport system is. SPAD envisions the taxi services provided within GKL/KV to be best-in-class within ASEAN. "The business model for the taxi industry needs to be transformed," Azharuddin said. Current and upcoming technologies, consumer preferences and legislative issues present a strong impetus for the industry to embrace new service paradigms.

For Azharuddin, it is no longer business as usual for taxis. "The industry has to evolve more cohesively, with streamlined services, clear guidelines and regulations to govern them," he said.

With this in mind, SPAD commissioned a taxi lab in December 2015, which focused on strategically realigning the industry to meet today's demands. These included discovering the optimal business model for the industry, increasing service availability during peak times and other low-supply situations, improving driver competency and behaviour, ensuring vehicles are in top condition and encouraging the uptake of technological innovations.

"Competition needs to be seen as a stepping stone and not a stumbling block to allow the best services to be enjoyed by the rakyat. We are deliberating the various factors including elements of innovation and competition in this matter in the interest of all parties," he added.

> *"Throughout 2015, the UPT NKRA has seen both the addition of much-needed capacity to existing rail services, as well as the construction of large-scale rail infrastructural projects.*

2 Customer Satisfaction is a Critical Success Factor

Improving commuters' confidence by providing a reliable and regular public transport system is a key component of the UPT NKRA from the beginning. On-time performance is one of the major factors that affect customers' satisfaction; this has continued to improve despite challenges faced by public transport operators. The Customer Satisfaction Survey for public transport is conducted yearly to reflect this demand and captures public feedback.

The Customer Satisfaction Survey results, conducted by SPAD in 2015, have seen an increase in the satisfaction index from 48 percent (2010) to 74 percent (2015). According to the survey, the commuters are most satisfied with rail services i.e. LRT, KTM and ERL. The feedback shows that improvements in rail services in becoming more reliable and efficient are appreciated on the ground. Rail services today are the cheaper alternative to private transportation as well as offering enhanced safety and comfort. Another major contributing factor to commuters' satisfaction is the convenient interchange and interconnecting system between different rail services, incorporating a standardised ticketing system (i.e. LRT, Monorail and ERL). Meanwhile, the Automated Fare Collection (AFC) system for KTM Komuter is currently being upgraded and targeted for completion by end Q2 2016.

Public transport demand has improved tremendously after the injection of 38 new six-car trains to the KTM Komuter service since March 2012, improvements to the peak frequency of the LRT since 2014, and provision of additional capacity through the KL Monorail Capacity Expansion project which is currently on-going. Commuters enjoy the increased frequency from 30-45 minutes (before 2012) to every 15 minutes (as of 2015) on the KTM Komuter, with a 95 percent morning peak on-time performance, and reliable service for the LRT with a three-minute frequency during peak hours. The improved efficiency of rail services has strongly contributed to the rising Customer Satisfaction Survey results every year.

Stage buses and budget taxis which serve as supporting services to the rail system are also important in addressing the demand and satisfaction for public transport. These initiatives have room for further improvements and are currently being addressed. Utilisation of stage buses in GKL/KV ensures that effort is focussed on addressing the increase in public transport demand, better connectivity to rail services, and improved efficiency of bus services for commuters.

This demonstrates the amount of work that has gone into the UPT NKRA. It also shows that the commuters notice and appreciate the myriad improvements to urban public transportation.

The new monorail four car set train, which doubles the capacity, and of which five have been in service as of end December 2015

3 Adoption of Public Transport Key for Rapid Urbanisation

KTM Komuter six-car-set train

The UPT NKRA, through its concerted efforts over the years, has always been focused on transforming public transport into an attractive alternative mode of travel for urban commuters. The modal share of urban public transport has risen from 10 percent in 2009 to 20 percent by the end of 2015, despite facing various implementation challenges along the way. Evidently, these figures indicate that a higher percentage of the public has been opting to use public transport during the peak-time morning commute, a "public transport mind-set" that is anticipated to expand even further upon the launch of MRT Line 1 in 2017.

As with most other industries, public transportation is both supply-driven and demand-driven. Aside from addressing the supply side of the equation, the UPT NKRA also has provisions to look into the demand side. A combination of both 'pull' and 'push' strategies is essential in ensuring the people embark on the paradigm shift towards embracing public transport as a way of life. 'Pull' strategies revolve around making public transport options more attractive and viable for the public. Meanwhile, 'push' strategies are designed to make private vehicle usage a less attractive form of transport into the city.

On the supply side, major infrastructural improvements have been achieved towards boosting the carrying capacity especially during peak times via the delivery of **38 new six-car sets** for the KTM Komuter service, **35 four-car sets** for the LRT Kelana Jaya Line and an additional 14 new car sets to support the LRT Line Extension Project for Kelana Jaya Line to be delivered soon. The **free GoKL bus service** has also been introduced for four routes within the Central Business District (CBD).

Station interchange facilities have been built to provide seamless transfers between separate rail lines. Several **Park 'n' Ride** facilities in various locations provide up to 10,000 parking bays and fulfil the objective to facilitate first-mile connectivity. Instead of driving all the way into the CBD, commuters can opt to drive to these facilities and park their cars safely instead, relying on the public transportation network to bring them the rest of the way without hassle.

Furthermore, passengers can now transfer smoothly from the Kuala Lumpur Sentral Monorail station to Stesen Sentral Kuala Lumpur via a covered link-bridge through the Nu Sentral Shopping Centre. Another significant milestone that has been accomplished is the approval for the delayed **Integrated Transport Terminal (ITT) Gombak** to commence construction in June 2016. This terminal will cater for express buses servicing the Eastern Corridor. More than 400 buses will be removed from entering the CBD after ITT Gombak is operational.

CREATING GREATER ACCESS TO AN INTEGRATED TRANSPORT NETWORK

> *One of our key initiatives under the UPT NKRA is to ensure the rakyat benefit from better connectivity and greater convenience.*

The long-awaited Gombak Integrated Transport Terminal, or ITT Gombak, is well on its way to become a reality. According to Veejendran Ramdas, Head of the UPT NKRA at the Ministry of Transport (MOT), construction is scheduled to start mid-year 2016. “We estimate it will take about two years to complete; after which we should be able to move 400 East Coast buses from the Hentian Pudu and Pekeliling terminals to ITT Gombak,” he said.

The ITTs were the outcome of a UPT lab held in 2009, with the aim of decongesting the CBD from express buses coming in from other parts of West Malaysia. “We are looking at Puduraya as our model, because Puduraya is central in the town, and it is also connected with the monorail. It also caters to taxis, and the KTM Komuter is not far from it, so that model was used to spur the development or construction of more terminals,” Veejendran points out.

ITT Gombak will be the second of three planned ITTs, with the first one which caters to Southern buses having started operations in Bandar Tasik Selatan, and known as Terminal Bersepadu Selatan (TBS) in 2011. The site for ITT Gombak was chosen based on its easy multi-modal accessibility, especially to the LRT Gombak station. “We don’t want to merely create a terminal for buses; people must have access to other modes of transportation as well. They should have taxis, buses, rail services,” Veejendran asserted. Another ITT is being planned at Sungai Buloh, which will cater to Northern buses.

“One of our key initiatives under the UPT NKRA is to ensure the rakyat benefit from better connectivity and greater convenience," Veejendran said.

MOVING FORWARD

In 2016, the UPT NKRA aims to deliver other high-impact public transport infrastructure projects that are currently ongoing in order to improve public transport coverage, capacity, connectivity and accessibility. Completion of the full-phase LEP is targeted to be completed in July 2016 with 25 new stations, servicing new areas such as Bandar Kinrara, Puchong, Subang Jaya, USJ and Putra Heights. As part of the Greater KL/KV NKEA under the Economic Transformation Programme, the first phase of Line 1 (Sungai Buloh – Semantan) for the Mass Rapid Transit (MRT) network will be completed by Dec 2016, with full completion by July 2017. MRT Line 2, which was approved by the Government in October 2015, will further transform the public transport network. The KL Monorail capacity expansion is slated to add greater capacity to the current service by introducing 12 sets of four-car trains; five of which have been commissioned.

Many issues are on the table to be resolved in 2016 onwards. Currently in progress, the UPT NKRA will focus on fully commissioning and completing delayed projects such as the KL Monorail capacity expansion, implementation of the 34km-long KL-Klang BRT from Pasar Seni to Bandar Klang via Federal Highway for wider coverage, better connectivity and higher public transport capacity along the corridor; and semi-overhaul of KTM Komuter Class 83 for higher railway capacity.

The Integrated Cashless Payment System (ICPS), a common payment system for urban rail and bus networks, is also targeted to be operational by January 2018. Under ICPS, all relevant operators' ticketing systems will be integrated with a central back-end system which allows passengers to enjoy an uninterrupted journey across all lines. The current paper ticketing system used by KTM is not able to be integrated with other lines, thus completion of the KTM Automated Fare Collection System is important to ensure that it will be able to be integrated with ICPS.

For better monitoring of public transport performance, critical areas include the completion of the Performance Monitoring Hub System (PMhS) and Centralised Taxi Support System (CTSS) that will serve as a platform to monitor all stage buses and taxi services in the GKL/KV area. The Journey Planner App that is currently ongoing development will better enhance the passengers' experience by allowing public transport users to have access to real-time information on arrival times, exact positioning of vehicles and service disruption information. These projects are targeted to be fully operational by the end of 2016.

To address the first-mile connectivity to most KTM Komuter stations, the Parkway Dropzone project, currently in progress at the Kg. Dato' Harun Petaling Jaya, Serdang and Batu 3 Shah Alam Komuter stations, is scheduled to launch in the middle of 2017. Finally, the fundamental issues faced by the taxi industry are currently under focus by SPAD, which has conducted labs to see how taxi services can be improved. The outcomes of the Taxi Transformation Lab are to be tabled to the Government for approval, with the expectation to roll out implementation by 2016.

These are exciting times for urban public transport. With large-scale investments being put in place to encourage more citizens to switch to using public transport, we look forward to the day when we can realise our target of 40 percent modal share for urban public transport, hence resulting in less congestion on urban roads and improved mobility and quality of life.

ALLEVIATING POVERTY PART OF INCLUSIVE PROGRAMME

Participants at the 1AZAM Training Centre, Kuching

DATO' SRI ROHANI ABDUL KARIM

MINISTER OF WOMEN, FAMILY AND COMMUNITY DEVELOPMENT

In transforming Malaysia into a high-income developed nation by 2020, we will not leave the most vulnerable groups behind, through our efforts that are both socially responsible and targeted to Malaysians living below the poverty line. Over the last six years, the national poverty level has been steadily dropping; from 3.8 percent in 2009 to 0.6 percent in 2014. This accomplishment is the result of the combined initiatives from both private and public sectors.

These efforts should not be underestimate because the reality is that it has not been the easiest road to travel. Some of our lowest-income households live in the most remote parts of Malaysia, requiring the use of waterborne and airborne transport to get to them. Prior to our inclusive NTP work, many Malaysians lived in areas without basic utilities like running water, electricity, and roads. I applaud and respect the dedication of our civil servants, as well as NGO personnel and volunteers who have changed this landscape for good. They selflessly risk their lives, making long, dangerous journeys to deliver food, dental and medical services to these locations anyway.

The multi-pronged 1AZAM (Akhiri Zaman Miskin) programme, delivered in tandem with NGOs that know the ground better, continues to eradicate poverty by addressing the different requirements to do this sustainably, as we have learnt that there is no 'one-size-fits-all' model. In 2015 alone, over 193,390 people have benefitted from it, contributing to the total of 85,866 people who have increased their income by at least RM600. I commend the implementing ministries, agencies and local government offices and their NGO and corporate partners, as well as the people themselves who have seized this opportunity to better their lot in life.

“Prior to our inclusive NTP work, many Malaysians lived in areas without basic utilities like running water, electricity, and roads.

As the nation transitions towards high income status, policies and initiatives that provide safety nets for vulnerable Malaysians, particularly low income groups, are an imperative.

This NKRA focuses on lending these truly-needy low-income households a helping hand by empowering them to become self-sustaining. That way, they can lift *themselves* up out from poverty. Our objective is to reduce a reliance on direct cash assistance by instead embracing the value of “teaching them how to fish”. Over the years, there have been many cases of those who have made it out of poverty, who in turn reach out and help to mentor others to do the same. Ultimately, these are sustainable programmes to help eradicate absolute poverty in Malaysia for good.

INSIDE THIS NKRA

As a first step, the Implementation and Coordination Unit (ICU) established the e-Kasih database that hosts the details of all low-income households in the country. This database is the key driver for all the other initiatives that aim to raise the living standards of the registered individuals. One of the initiatives is the 1AZAM programme, which is designed to be flexible to cater to all the different groups, and hence is divided into several focus areas.

Winning the fight against poverty is best done in a holistic fashion and in collaboration with other parties who are similarly involved. Therefore, the government has enlisted and welcomed the participation of non-governmental organisations (NGOs) and private sector partners to help fund and support programmes that relieve poverty. These programmes are partner-driven; the NKRA implementation teams, with the necessary support, are there to set up governance and reporting frameworks.

1 Optimal Resource Allocation

Connecting with the bottom 40 percent, and going down on the ground to understand the many different circumstances that are all categorised under poverty, plays a big role in ensuring optimal resource allocation. Civil servants that go down on the ground to accomplish this have for many years risked their lives in the process. The information they gather is crucial in identifying the needs of these targeted and vulnerable groups.

To get to low-income families located in deep, remote areas in Sarawak, for instance, would take a journey through Bario and Pa'tik to reach the destination in two days. Once these families are connected with, meeting their differing needs would include the use of direct cash assistance, provision for equipment or resources. This process has been documented through the e-Kasih database, which houses all the information of low-income households nationwide, reporting that the dynamics of each family or individual are different, and it takes an officer who is on the ground to understand and identify their needs.

Nonetheless it is this vital information that is shared that enhances the effectiveness of initiatives that, when implemented, ensure the biggest impact for their participants.

2 Economic Empowerment

AZAM Tani focuses on agricultural and agro-based activities by providing training, farming equipment, and financial assistance to aspiring farmers or livestock breeders

Meeting the NKRA's main objectives means properly equipping low-income households so that they can earn a good living while contributing productively to the economy. To implement the initiatives effectively, the appropriate initiatives must be properly channelled to their intended recipients. Since its inception in 2011, e-Kasih has connected its beneficiaries with the right 1AZAM focus areas. Aside from government agency programmes, 1AZAM also features projects from NGOs. Once 1AZAM recipients have found their feet, the Beyond 1AZAM programme kicks in for selected high-achieving individuals to further enhance their capabilities and increase their earning potential.

AZAM Tani focuses on agricultural and agro-based activities by providing training, farming equipment, and financial assistance to aspiring farmers or livestock breeders. AZAM Niaga provides support for potential entrepreneurs with business coaching and micro-lending. AZAM Kerja helps with job matching and placement, as well as teaching applicants how to better present themselves to appeal to hiring managers for their desired jobs. AZAM Khidmat gives training for the services industry and the self-employed, as well as microloans and equipment. AZAM Bandar concentrates on activities which benefit the urban poor.

In East Malaysia, 1AZAM Sabah and 1AZAM Sarawak are separately operated by their respective autonomous state governments. They are the ones responsible for implementing all the other AZAM channels listed above.

The 1AZAM Programme has moved to the Beyond 1AZAM programme, as its aspiration is to have all 1AZAM participants enter into a sustainable programme via microfinancing opportunities. 1AZAM participants who have received material assistance and training, and have successfully moved out of poverty into the lower-middle-income group, will be further assisted through this programme. In this phase, material aid is no longer needed. However, participants are still given all the support they need in terms of training, mentorship, coaching and other such help to ensure they obtain a minimum 50 percent increase in their income from existing 1AZAM projects for three months or more.

SUSTAINABLE LIVELIHOOD THROUGH 1AZAM

1AZAM initiatives have impacted the lives of many low-income families, especially those in less-developed areas. For example, 31-year-old (as of 2015) Chik Azmily Che Abdul Aziz, who hails from Kampung Beoh Gunong in Kelantan, was earning RM500 a month as a daily labourer hired to look after the home gardens of others, as well as harvest oil palm fruits.

Through the 1AZAM Tani initiative as implemented by the Malaysian Agricultural Research and Development Institute (MARDI), which Che Azmily participated in from 2013, he was provided agricultural equipment and inputs (seeds, fertiliser and herbicides/insecticides). Meanwhile, his wife was provided sewing machines to help her with her tailoring work. This enabled him to plant short-term seasonal cash crops such as cucumbers, tubers, leafy vegetables and watermelons, which he then sells to wholesalers. Meanwhile, his wife has been awarded a contract to tailor batik shirts from the owner of a batik factory.

Che Azmily had managed to increase his monthly income by an astounding 1,000 percent (or 10 times) to RM5,000, solidly boosting his family out of hardcore poverty. 1AZAM Tani has allowed him to start constructing a house using materials he bought with the proceeds from his farming, as well as start farming kelulut/stingless bees for their honey. He intends to expand his agricultural activities by renting abandoned/unused plots of land. He also plans to sell the produce on his own in nearby farmers' markets, rather than go through the wholesalers.

1AZAM Tani has also benefitted Tiu Hock Tong of Kg. Pasir Parit, also in Kelantan, who joined the initiative in 2012. The 64-year-old Tiu was similarly assisted with agricultural equipment and inputs, which he put to full use on a 1-acre piece of land. In addition, Tiu has gone into kelulut farming as well. This has enabled him to double his monthly income from RM500 to RM1,000, despite the fact that the crops are not harvested round-the-year.

Chik Azmily **(top)** and Tiu Hock Tong **(bottom)** experience an increase in monthly incomes with assistance from 1AZAM Tani

Tim has been a participant in the 1AZAM Niaga channel since 2014, before which, he was using his house as an ad hoc sundry shop. Following his participation, he was able to obtain a proper business licence and expand his retail space. This has in turn enabled him to rearrange his products in a more ordered fashion.

LIH NKRA initiatives, particularly the 1AZAM programmes, are especially appreciated in East Malaysia, where they are run by the autonomous state Governments of Sabah and Sarawak. The proportion of low-income households is higher in various groups there, and they benefit more from these initiatives.

One such beneficiary is Sidi Tuba from Sungai Liuk, Mukah in Sarawak. Prior to 2010, when he joined the 1AZAM Tani channel, Sidi's total household income was RM450. Under the Department of Agriculture Sarawak (Jabatan Pertanian Sarawak), Sidi started planting corn and other vegetables on his 3.6-hectare plot of land. The harvest is then sold at the Mukah market and all around the village. His income has increased by a staggering twenty-fold to over RM9,000 a month, well over the median income for all Malaysians, an achievement that he and his family can smile proudly about.

The Department has also assisted Tim Kawen of Kampung Rejoi in Siburan, Sarawak. Tim has been a participant in the 1AZAM Niaga channel since 2014, before which, he was using his house as an ad hoc sundry shop. Following his participation, he was able to obtain a proper business licence and expand his retail space. This has in turn enabled him to rearrange his products in a more ordered fashion. He has since more than quadrupled his income from RM600 to RM2,800 a month. He has also been able to provide his family a more comfortable home, and with his sundry shop operations, his fellow villagers are able to purchase their daily supplies without going down to town.

3 Initiating Rural Transformation

In 2013, as part of GTP 2.0, 1AZAM expanded to include other vulnerable groups. 1AZAM has also partnered with NGOs and the private sector to expand its range and funding of initiatives, thus creating enabling environments for other programmes. The 1AZAM projects in collaboration with NGOs and the corporate sector have consistently achieved their year-on-year KPIs, and the willingness of NGOs to collaborate with government agencies in delivering the 1AZAM programme have been most beneficial. NGOs have come to realise the value and the impact of the programme to their recipients even though the selection is very strict by the implementing agencies.

Some low-income households, especially those in remote areas or from communities facing high levels of poverty, benefit from non-1AZAM initiatives such as the food basket programme that enables households to save on basic commodities. Other forms of direct cash assistance, as well as basic access to healthcare and dental service, improved connectivity and access to basic utilities, and childcare services for their children, are part of the effort to provide them with economic enablers.

NGO listings consist of beneficiary groups so that resources can be allocated efficiently when delivering this assistance. Working together to eradicate poverty at the lowest level where the NGO operates has seen some good results. From 2014 to end-2015, the Government, NGOs and private sector companies have successfully collaborated on 80 projects.

Since 2014, 123 community or group-based programmes have been implemented to benefit those not registered in e-Kasih. These are groups or communities who live in unique areas that require more immediate and robust forms of programmes focused on their specific demographics. These programmes have received good cooperation in rural areas as compared to urban areas due to their nature of being relevant to the targeted groups.

(Left) Build capacity through training - sewing skills to generate income **(Right)** KPWKM's visit to Tasputra, a centre for handicapped children

MOVING FORWARD

While the overall incidence of poverty has dropped, the Orang Asli in Peninsular Malaysia and Bumiputeras in Sabah and Sarawak still face relatively high poverty rates, especially in rural and remote areas. Given the limited budget for 2016, the NKRA will therefore move forward by aligning itself with all poverty eradication programmes under the 11th Malaysia Plan, which focuses on further improving the people economy while ensuring the capital economy continues to flourish.

In this instance, the people economy is *rakyat*-oriented, covering the top priorities and interests of the *rakyat*, such as the rising cost of living, household incomes, education and employment opportunities, entrepreneurship, as well as an adequate social safety net. NKRA initiatives in line with the people economy include provision of financial debt management services for the poor, accelerating the adoption of Information and Communications Technology (ICT), and enhancing programme delivery systems that reach out to the bottom 40 percent (B40) households in Malaysia.

The NKRA will collaborate with Bank Negara's Credit Counselling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit) in order to introduce financial debt management services to B40 households, which tend to take out personal loans to support their daily expenses. As at 2014, households earning RM3,000 a month and below had an indebtedness level of seven times their annual household income.

The adoption of ICT will be accelerated, increasing access to information in various fields, and expanding business and income-earning opportunities. The eRezeki programme, launched in June 2015, aimed to raise the B40 households' average income. This programme will be further expanded by providing basic ICT training before matching participants with relevant jobs such as data entry, price monitoring and document translation. These micro-tasks can be accomplished from home or the Pusat eRezeki centres.

Meanwhile, existing 1AZAM recipients will benefit from being able to register themselves under a local crowdsourcing portal (orang.e.com) set up by the Ministry of Urban Wellbeing, Housing and Local Government (KPKT). The free-for-life portal increases the visibility and supply of Malaysian talent, and provides 1AZAM recipients to expand into new markets for their products.

By complementing the Poverty Line Income (PLI) measurement with the Multidimensional Poverty Index (MPI), additional insights into the true nature of poverty in the country will be gained, and the NKRA can better streamline the support that B40 households get, thus enhancing the delivery of the appropriate programmes to the appropriate people. Amongst other things, this means that the current collaboration with the private sector will continue, by tapping on CSR programmes to reach out to eKasih participants and ensuring that assistance is given to the right target groups.

RAISING QUALITY THROUGH PERFORMANCE-DRIVEN CULTURE

DATO' SERI MAHDZIR KHALID

MINISTER OF EDUCATION

In a world that is becoming smaller through greater accessibility and connectivity, we have to ensure the Malaysian education system provides our children with the foundation to be globally competitive and prepared for the challenges of the future. To this end, we have focused on initiatives that raise the quality of our educational system and have over the last six years moved towards putting a performance-oriented culture of learning and academia in place.

Our National Transformation Programme (NTP) initiatives are a subset of the Malaysia Education Blueprint (MEB), which provides guidelines on how to improve Malaysia's educational system in support of our nation's goals. Our objective here is to lay a robust foundation to deliver quality education to our children and ensure the sustainability of its delivery over time.

In the long run, our objective is to have a holistic and flexible education system that takes into consideration every student's specific needs. This will ensure that the nation is equipped with a high-quality skilled and productive workforce, able to contribute immensely to the country economically, scientifically and culturally.

"Delivering quality education to students requires the four parties of principals, teachers, parents and students to work together and make their schools great.

The Assuring Quality Education National Key Results Area (EDU NKRA) has focused on improving the quality of education delivered to students by our educational system. Ad hoc measures are neither enough to fix systemic issues, nor set the proper foundations for sustainable improvements in student learning environments. Hence, thorough planning and multi-dimensional implementation on all fronts was required. This resulted in initiatives that sought to instil a performance-driven academic culture. They included programmes that were designed to ensure students are provided with the proper head start with access to quality education at an early age, raise school standards and provide effective learning environments, and enhance the prestige of teachers, as well as support them, so that teaching becomes a profession of choice.

INSIDE THIS NKRA

1. Access to Early Education
2. Raising the Bar to Meet Learning Standards
3. Raising the Prestige of a Humble Profession

A solid foundation provides the impetus to develop skills for future employability

To do this, a number of challenges had to be tackled. All students in both urban and rural areas, must have equal opportunities and equitable access to high-quality early education. School principals and teachers must be upskilled and re-motivated to provide a consistent delivery of education that will be of high standards. The teaching ecosystem had to be enhanced; high-performing graduates have to see teaching as an attractive career option. At the same time, students from pre-school all the way to secondary and higher education must have similar levels of educational support, regardless of which schools they attend.

Several notable achievements have been made. More children have access to pre-school education and childcare, and financial assistance has been given to those who cannot afford it. The benchmarks set by our High Performing Schools (HPS) have made them exemplars for others to follow. Almost all of the lowest-performing schools in the country have leveraged themselves upward.

However, there remain challenges to be addressed. A high-income developed nation needs a steady supply of skilled labour, and an educated workforce, so that local recruits can fill the country's needs. Employers and Human Resources recruiters have said that Malaysian graduates don't always have the skillsets that employers look for. Proficiency in the English language, still the world's *lingua franca* and language of science, and the development of critical thinking and problem-solving skills, are areas which the NKRA aims to prioritise. The introduction of the Dual Language Programme (DLP) and Highly Immersive Programme (HIP), to be implemented in 2016, has proved that the Government is serious in tackling the shortcomings in English proficiency amongst our students.

But education is not solely focused on employability of the graduates. Malaysian youth have to be equipped to become productive and contributing members of the society to which they belong. This is why many non-governmental organisations (NGOs) and the private sector see education as a social good that everyone can contribute to. Some of the initiatives by the NGOs include the Malaysia Collective Impact Initiative and the introduction of crowdfunding platforms such as give.my and 100% Project.

Ensuring that everybody has equal opportunities to become successful is the reason why the NKRA also has a special focus on students with special education needs.

These and other initiatives will continue into 2016, which is the start of Wave 2 of the MEB. The theme for Wave 2 is "Accelerate system improvement", which will build on Wave 1 programmes and take them to the next level. Wave 2 will see the rolling out of new school curricula, further improvement in English proficiency amongst Malaysian students, strengthening the teaching and learning of Science, Technology, Engineering and Mathematics (STEM) subjects, and other structural changes to improve the delivery of education.

Building future generations of Malaysians with a performance-driven and outcome-based culture will require a holistic education system that ranks amongst the top third globally, comprehensively covers all levels and types of education, and remains accessible to all regardless of age, gender or economic status.

1 Access to Early Education

Pre-school initiatives, which aim to improve access to good quality early education for all Malaysians, have seen an increase in enrolments into pre-schools, with more geographical locations benefitting from them. Early childhood education is essential to children's academic development in their later years. The EDU NKRA follows global best practices guidelines in having this as a focus area. Hence, it has focused on providing financial assistance to students, and also to the pre-school operators to help them open up new centres. It has also enforced and enhanced the regulatory framework governing pre-schools, as well as monitor students' progress as they move through to primary education.

It is heartening to note that pre-school enrolments have increased to 84.63 percent in 2015 (from 67 percent in 2009). 32,772 students have received fee assistance to encourage continued access to education at the earliest ages, especially for those from low-income households. Meanwhile, much work has been done to address the lack of pre-schools in the country. 417 new private pre-schools have opened nationwide in 2015, of which 252 new private pre-schools received launching grants to help them on their way. In total, 555 public and private pre-schools have been opened to improve access to pre-school education.


Lifelong learning begins with the proper training at the very foundational stages

But high accessibility alone is not enough. The education the children receive must be of good quality as well. An enhanced Standard Kualiti Prasekolah Kebangsaan (National Pre-school Quality Standard) has been created in the form of an online instrument to assess the quality of pre-schools. Subsequently, pre-schools that are below-par can be provided support for continual improvement. There is also a national benchmarking framework put in place. Once the students move into primary education, the revamped Literacy and Numeracy Screening programme, LINUS 2.0, aims to ensure 100 percent of Primary Three students have basic mastery in Bahasa Malaysia (BM) and English literacy. LINUS 2.0 also targets 100 percent achievement in numeracy by that age as well. At the moment, 94.1 percent of Primary Three students are English-literate, 98.6 percent are BM-literate and 99.1 percent are numerate. This goes to show that LINUS 2.0 has made great strides to ensure that by the end of Primary Three, a higher percentage of students are literate and numerate. More efforts will be undertaken by the Ministry of Education (MOE) to ensure that all students are literate by the end of Primary Three.

2

Raising the Bar to Meet Learning Standards

In increasing and converging the standards and quality of schools across the nation, previously low-standard schools have been challenged to become more performance-driven. In the past, student outcomes have varied to some degree between states, districts, even individual schools. Parents in more affluent communities could see to it that their children attended better schools, as compared to those in lower-income communities. Hence, programmes that encouraged and supported good schools to become better, as well as seeing to the improvement of underperforming ones, were put in place. This is a part of the effort to ensure more equal opportunities and improve student outcomes.

This was accomplished firstly through the High Performing Schools (HPS) programme. A total of 132 HPS have been identified to date. The programme aims to elevate the quality of Malaysia's best schools. These schools are expected to perform well at the international level. HPS push the boundaries of student excellence by creating an environment that facilitates learning. The programme not only looks at academic excellence, but at the school culture and attitudes of both students and teachers. By doing so, it raises the bar for other schools in the system. HPS-identified schools receive various incentives to help maintain their standing. In return, they have been working on bringing surrounding schools upwards in ranking, through teacher coaching and networking.

Meanwhile, the School Improvement Programme (SIP) supports all schools, especially the lower-performing ones. One of the key thrusts of the SIP is to raise all schools out of the lowest bands (Bands 6 and 7), while having more schools in Bands 1 and 2. Remarkable progress has been made on both ends. The percentage of schools in Bands 6 and 7 has dropped from 6.98 percent in 2010 to 0.95 percent (95 out of 10,010 schools nationwide). 36.8 percent of all schools are now in Bands 1 and 2, up from 19.4 percent in 2010 and 31 percent from 2014. The SIP allows MOE to focus efforts and resources towards underperforming schools. These schools can then start closing their performance gap with their higher-performing counterparts. With the SIP in place, schools now are more aware of their performance, making them more driven to climb up the ranks.

The complete and ongoing turnaround and transformation of SK Lemoi is a SIP success story that merits mention. A rural school in the deep jungles of Pahang, SK Lemoi caters exclusively to the indigenous

A conducive learning environment plays a key role in determining student performance

Orang Asli. It was in the lowest school band in 2010 and only 8 percent of the students passed their UPSR. With the support of MOE, private foundations and the community, coupled with strong school leadership, the SIP was able to work a minor miracle there. In a short three years, the school climbed up three bands to Band 4 and achieved a 92 percent pass rate from an abysmal 0 percent in the UPSR English subject. The school also achieved an overall 60 percent pass rate in the UPSR examinations.

At the same time, schools with Special Education Needs (SEN) students and facilities are seeing changes to how their needs are being met. Several pilot programmes under the SEN segment have been successfully implemented under the Public-Private Partnership (PPP) model along with NGO support. The SEN Employment Transition Programme saw its implementation in five schools across East and West Malaysia. Out of 129 students who participated in the industrial attachment component, 56 of them (43.4 percent) went on to full-time employment. In Sabah, the programme was carried out as a consortium with 17 other schools in collaboration with Kumpulan BTC, a local catering company. The programme is now undergoing the process for nationwide implementation. Another programme, the Buddy Club initiative, sees SEN students integrating with their mainstream students from pre-school all the way through to college. The pilot programme debuted with the use of football and tandem cycling as the unifying platforms, and has succeeded in bringing students from both streams together. In 2015, 800 students from 18 schools were involved in the Buddy Club initiative. The programme will expand to another 30 schools in 2016.

DEVELOPING SKILLS FOR BRIGHTER PROSPECTS

The Employment Transition Programme, part of the Special Education Needs (SEN) initiative, has experienced some success in the short time it has been operating. Sekolah Menengah Kebangsaan (SMK) Jalan Reko, one of the schools taking part in the programme, has had a SEN class running since 1995, and in terms of physical accessibility, has installed ramps and ensured that SEN classrooms are on the ground floor. SEN students here include those with both physical as well as learning disabilities, and the school assesses their specific requirements before putting them in the appropriate levels.

The school's principal, Wan Roslan Wan Yaakob, believes that SEN students should be capable of becoming self-sufficient and living independently of their parents. In order to provide these students with the opportunities to do so, SMK Jalan Reko works with the Kagumas Culinary Arts College, Tesco Kajang and various restaurants in Bangi to provide skills and on-the-job training. Once they have turned 16 or older, the school also discusses the students' prospects with their parents, who may be able to connect the school with other business owners.

One of the beneficiaries of this programme is Ahmad Hudzeir Mohamadiah. An alumnus of SMK Jalan Reko, Ahmad is a barista who also prepares food at Aneka Selera Restaurant at Bandar Baru Bangi. The school had arranged for him to undergo training at Kagumas Culinary Arts College in culinary and hospitality skills.

His employer, restaurant owner Zul Azwan, commends Ahmad as one of his top employees, despite his shyness and lack of social and communication skills. He makes up for it with his skillfulness in food presentation. Zul has been hiring workers with disabilities for 11 years, and believes that with prior training before entering the workforce, and a great deal of patience when teaching them the ropes, they can become dedicated, reliable and competent employees.

GROUNDING WORLD CLASS EDUCATION ASPIRATIONS WITH PERFORMANCE

The EDU NKRA's efforts to foster schools of international quality has been paying off over time. In 2012, SABK Imtiaz Yayasan Terengganu Besut (Imtiaz) became part of Cohort Two of the High Performing Schools (HPS) initiative. Since then, this Terengganu-based religious school has become one of the best schools in the state – and indeed, the country.

The brainchild of Dato' Sri Idris Jusoh (now Minister of Higher Education), Imtiaz started out as a privately-funded institution, with an initial intake of seven students in 1999. At present, it has over 2,000 students across seven campuses throughout Terengganu. Imtiaz derives from the Arabic word for 'excellence'; hence its vision of being a best-in-class Islamic school.

According to its principal, Haji Abdul Wahab bin Mohd. Arshad, Imtiaz has excelled in many international competitions, including becoming gold and silver medallists at the Kaohsiung International Invention and Design EXPO 2015. It has also been collaborating with Cambridge University since 2013, enabling its students to sit for the International General Certificate of Secondary Education (IGCSE). For both the Form Three PT3 assessment and the SPM, it was the best-scoring school in the state.

Imtiaz blended studies from multiple syllabi, and was the first (and thus far only) smart religious school in Malaysia. Aside from a thorough religious grounding, the students were encouraged to be holistic in their studies; to take up the soft skills that the country needs, to be multi-lingual, and to be multidisciplinary, as well as to build their character. "We also took on the MOE's Virtual Learning Environment initiative (1BestariNet) and made it part of the school ethos," Abdul Wahab explained.

Imtiaz also inculcated higher-order thinking skills as well as problem-solving skills in the students, using current world affairs as a teaching aid. "We want our students to have encyclopaedic knowledge as well, so that they can compete at a global level."

Having become a government school in 2007, Imtiaz is open to students across Malaysia, with only 60 percent enrolment from Terengganu, to increase students' exposure to the rest of the nation. Students come from all socioeconomic backgrounds, although poor students are given priority.

Abdul Wahab is very thankful for the MOE's initiatives aimed at improving both students and school. "Every new development or initiative that MOE comes up with, I try to take up and adapt for use in the school. For example, we use the School Improvement Partners (SIP+), which we find to be quite useful, and School Improvement Specialist Coaches (SISC+) as well. We're currently implementing the DLP, which is designed to improve student proficiency in English."

"I'm glad to have the opportunity to introduce the school to a wider audience, and we hope to make this the best school in Malaysia. We're planning to further develop the Imtiaz brand into higher education; hopefully, in 2020, we will have Imtiaz colleges and universities as well."

3

Raising the Prestige of a Humble Profession

Both school leaders and teachers have access to new performance-linked career and remuneration packages, in an effort to ensure that teaching is viewed as a high-status, well-paying profession. This is in line with UNESCO's statement[1] that quality teachers are the most important factor in student learning. Ensuring that the teaching profession attracts excellent and high-quality candidates is key towards improved educational levels, and therefore, boosting productivity and prosperity.

Despite its importance in shaping and nurturing generations of students who will become future leaders and the workforce of the nation, the teaching profession faces unfair perception challenges. This is a worldwide phenomenon; a 2006 study by the New Zealand (NZ) MoE[2] pointed out that teachers in NZ were not respected as a group, nor seen as high-status professionals, as did a 2014 poll[3] in the USA, which had respondents report a decline in trust and respect between teachers and students. The perception gap must be addressed to ensure that teachers are motivated to deliver quality education to Malaysian students.

The EDU NKRA, therefore, is focused on turning around this system and mindset. This is to be done by supporting teachers and focusing on their core skills. The MEB has even loftier goals. By 2025, teaching is envisioned to become a profession of choice, open only to the top 30 percent of school leavers. Teachers will be provided with continuous professional development (CPD) opportunities throughout a career that is both exciting and fulfilling. In 2015, 69,530 SPM leavers applied to join Teacher Training Institutes (Institut Pendidikan Guru), of which 2,924 were accepted after the screening and interview processes. The selected candidates were from the top 30 percent of the SPM leavers.

This starts with a look at the remuneration and compensation packages for both school teachers and leaders. Principals and head teachers are covered under the New Deals initiative. New Deals reward high-performing (and improving) school leaders with financial and career incentives. In addition, a revised career package for principals has been created. Processes have also been put in place to streamline succession planning for school leaders approaching retirement.

Teachers can also look forward to greater attention on their career development. Previously, five different performance evaluations were in use. In 2015, a single Unified Instrument (UI) to evaluate both teachers and principals were rolled out (as part of a pre-implementation testing process) among 410,000 teachers. Implementation shortcomings were identified and remedied in preparation for the full nationwide roll-out in 2016.

In 2016, the UI will be used to assess teachers' performance in place of the Laporan Penilaian Prestasi Tahunan (Annual Performance Assessment Report). High-performing teachers can expect to be fast-tracked and achieve their full potential sooner. Underperforming ones will be given remedial training, coaching and mentoring. If they do not improve, they will be redeployed into non-teaching roles that may suit them better. Educators can also freely move between various career choices; whether as teacher, leader or subject matter specialist.

If English proficiency is important for students, it is even more important for their English teachers. The Professional Upskilling for English Language Teachers (ProELT) is a large-scale teacher proficiency improvement programme. By the end of 2015, three English teacher cohorts (a total of 15,502) have attended this programme. For Cohort Two, 87 percent of B1 (Intermediate) teachers have improved at least to B2, while 43 percent of B2 (Upper Intermediate) teachers have improved to at least C1. With the upskilling of the English teachers' proficiency in the language, the teaching and learning of English in the classroom are expected to improve significantly.

> *By 2025, teaching is envisioned to become a profession of choice, open only to the top 30 percent of school leavers. Teachers will be provided with continuous professional development (CPD) opportunities throughout a career that is both exciting and fulfilling.*

[1] http://unesdoc.unesco.org/images/0023/002347/234755E.pdf
[2] http://www.educationcounts.govt.nz/publications/ECE/2535/5971
[3] http://www.theatlantic.com/education/archive/2014/01/poll-teachers-dont-get-no-respect/283318/

TEACHERS PLAY A CRITICAL ROLE

Fadzli Mohd Saleh
BM Teacher, Sekolah Kebangsaan Bandar Utama Damansara (4)

Cikgu Fadzli Mohd Saleh, Year Six Coordinator and BM teacher at Sekolah Kebangsaan Bandar Utama Damansara (4), has always felt that teaching was his vocation. "I was the one educating and taking care of my younger siblings, because both my parents were working," he explains.

Even as a younger teacher in an urban area, Fadzli was still regarded highly. Teachers were assumed to be all-capable, so he was called in as a community exemplar whenever there were larger-scale events happening. "I thought that as I get older, and move to different places, that would change – but even 20 years later, the community's respect for me has not dimmed; still I'm called 'Teacher' instead of by name."

While appreciation for the teaching profession may have declined, Fadzli believes it depends on the individual teachers and how they play their role in the community. "If the teacher can fulfil the high expectations that the community places on him or her, then respect will be accorded."

Fadzli also feels that today's students still respect teachers, if somewhat differently. "They think of teachers more as their peers, rather than as their elders. This is something each teacher has to be clever in handling. Parents also play an important role in determining how their children treat teachers," he elaborates.

Furthermore, Fadzli believes that teaching is becoming a profession of choice. "From my experience in this school, many if not most teachers enter the profession because they wanted to. Some are using it as a stepping-stone towards other careers in the profession (such as becoming a lecturer or a subject-matter expert); others want to continue as school teachers."

However, there is a need to make people perceive being a school teacher as seemingly reputable as private-sector jobs such as becoming a doctor or an architect. "More and more, teachers are being called upon to be educators as well. This also entails disciplining the students, so that they become proper members of society, and not just feeding them facts. Parents and the community at large should realise this."

Cikgu Zakaria bin Muhammad, headmaster of the school, agrees. "Teachers play a critical role and carry an amazing responsibility; our efforts and achievements should be appreciated by the society. This is why those who want to become teachers must have a true vocation or calling. Without it, they will find it difficult to cope with the challenges we face on a daily basis."

But it is all worth it in the end. "As a Muslim, the teaching profession is an extremely honourable one. Worldly riches cannot compare to the gratitude, blessings and well-wishes of my students because I have taught them well," Fadzli notes.

Fadzli appreciates the MOE's initiatives to develop more highly-skilled teachers and increase the appeal of the profession. "These initiatives – increasing the various District Education Offices' (Pejabat

Pendidikan Daerah, PPD) autonomy, the SISC+ programme, CPD and so forth – are extremely beneficial for teachers. Of course, we have to avail ourselves of all these opportunities to improve our own careers."

Zakaria is amongst the many quality school headmasters who are in line to benefit under the New Deals initiative, which provides high-calibre school leaders and teachers with various incentives. He notes that such leaders usually demonstrate their capabilities through the high performance of the schools under their care, further incentivising principals and headmasters like him to improve their schools' performance, which is also good for the schools.

"This adds to the motivation of the schools to improve themselves. This school, for instance, has shown continuous improvement in the UPSR results for three years running, and we're confident we will reach HPS status in the next few years to come."

Both Cikgu Fadzli and Headmaster Cikgu Zakaria take pride in the achievements of their students, and can recall many occasions where their students call out to them in the marketplace or other public areas. "The percentage of students who do this may not be very high, but having just one who remembers and appreciates what we did is enough for us because we have impacted the lives of our students," Zakaria says.

> **"Teachers play a critical role and carry an amazing responsibility; our efforts and achievements should be appreciated by the society**

BUILDING TALENT CAPACITY WITH GREATER LANGUAGE PROFICIENCY

Both High Immersion Porgramme (HIP) and Dual Language Programme (DLP) are optional programmes under the *Memartabatkan Bahasa Malaysia & Memperkukuh Bahasa Inggeris* (Uphold Bahasa Malaysia & Strengthen the English Language) policy, which is meant to improve students' English proficiency. These programmes are initiatives introduced as a result of an English Lab held by MOE, and are optional for schools.

HIP aims to codify best practices of school leaders and scale them up to all schools via sharing, learning and support. Through HIP, schools will be provided a toolkit including a self-assessment tool and a best practices guidebook on how to improve the English proficiency of students through increased language immersion and usage. HIP aims to create a peer learning and sharing environment within schools, between schools and with the community.

This involves the principal in leading the initiative; the teachers to support it through the creation of events, activities, English programmes, teaching and learning; the students to take charge of their own personal development and learning; and also the parents and the community to provide additional support such as financial aid, corporate social responsibility (CSR) activity implementation and expertise.

HIP will be rolled out in phases to all primary and secondary schools in Malaysia by 2018. It will begin with approximately 94 schools in February 2016 and expand to a total of 1,200 schools by end 2016.

Meanwhile, there will be approximately 300 schools piloting the DLP in 2016. DLP will see Science, Technology, Engineering and Mathematics (STEM) subjects in these schools being taught in English. DLP will begin for Primary One, Primary Four, and Form One, beginning with Mathematics and Science subjects.

These qualifying schools were selected on the basis of four different criteria: (1) the readiness of the school leadership to implement DLP, (2) resource readiness in terms of teaching capacity and capability to teach Mathematics and Science in English, (3) parental agreement (parents have to sign a consent form should they want their children to learn Mathematics and Science in English) and finally, (4) for the school to meet or exceed the national average pass rate for BM. For the first DLP cohort in 2016, schools are benchmarked against the 2014 UPSR BM Comprehension and Writing national average of 1.85 for primary schools or the 2014 SPM BM national average of 4.55 for secondary schools.

Once a school qualifies as a DLP school, it must have a minimum of 15 students to have a class implementing the teaching and learning of Mathematics and Science in English. This must be verified with the written and signed consent of parents. This flexible approach will empower schools, district and state education offices to customise the needs of students according to the wishes of parents. With DLP, a bottom-up approach is introduced with the element of "choice"

for schools and parents, in accordance with Shift Nine of the MEB.

There is no need for all schools to participate in DLP, as DLP is an optional programme to prepare and ready ALL Malaysian school children to have the ability to master a second or third language besides BM. For schools which did not meet the criteria set out by MOE, schools can write to the Ministry for it to make preparations to be evaluated as a DLP school in the following year. However, these potential schools can begin with the implementation of HIP first.

By using English as an alternative medium of instruction for these specific subjects, and by increasing the amount of extracurricular time spent conversing in English, it is hoped that students are exposed to English for more than 20 percent of the time while at school. "International research indicates that students cannot achieve operational proficiency through the 15-20 percent English hours that are currently offered in classrooms," Parent Action Group for Education chairman Datin Noor Azimah Abdul Rahim points out.

It has been acknowledged that English proficiency is critical, especially in the 21st Century and in the face of both the Asean Economic Community (AEC) and the Trans-Pacific Partnership Agreement (TPPA), further exposing Malaysia into the larger regional and global markets.

Human Resource (HR) specialists in particular are clear about the need for fresh graduates to be fluent in English. Anthony Raja Devadoss, Asia Pacific Vice President of Kelly Outsourcing & Consulting, points out that employers are looking for language proficiency skills.

"The business language today is still English," he explains. "Are you able to demonstrate your skills – something as simple as delivering an elevator pitch? Probably only 30 percent of all workers can do that. If everyone has the same skillsets, all things being equal, the one who can articulate best has the highest chance of being hired."

Rasidah Kasim, Group Chief Human Resource Officer at Affin Hwang Capital, shares the same opinion. "In my 25 years of experience in HR, I've conducted many job interviews with graduates who, on paper, were incredibly bright. CGPAs of 4.0, made the Dean's List, you name it – but when it came to analysing case studies or even just answering standard questions during the interview, in English especially, they were unable to give voice to their ideas."

Eventually, it is hoped that both the HIP and the DLP will ensure that students become fluently bilingual in both Bahasa Malaysia (BM) and English. The Minister of Higher Education, Dato' Seri Idris bin Jusoh, is confident of Malaysians' capabilities along those lines.

"I have met a number of people from Timor Leste (East Timor) who spoke five languages. I don't see why Malaysians can't do something similar. So I believe there is no problem: it is just a question of making ourselves used to the idea of being multi-lingual."

MOVING FORWARD

Many of the forthcoming initiatives under the EDU NKRA are positioned to implement the MEB Wave Two's policies spanning the years from 2016 to 2020, which are designed to carry out structural changes aimed at accelerating the pace of change in the education system.

The EDU NKRA will intensify its focus on increasing English proficiency throughout Malaysia. It will also work to further empower school leaders, teachers, parents and students alike in formulating an optimal educational strategy that works to everybody's best interests. Also on the agenda are the revised curricula for primary and secondary education in 2017, as well as revamping student assessments to emphasise Higher Order Thinking Skills (HOTS) such as critical thinking and problem solving.

Enhanced English proficiency is a top priority for the government, as English remains the global business language, as well as the language of the scientific community internationally. Students who are highly proficient in English will find it easier to find employment, communicate with international business partners better and have greater access to knowledge and academic resources. Malaysia will also benefit; it will be easier to conduct business and more foreign investments will likely be the result.

At the same time, MOE will work to ensure that new teachers exit training with the minimum standard required for English proficiency and that current teachers undergo training to improve their current standing.

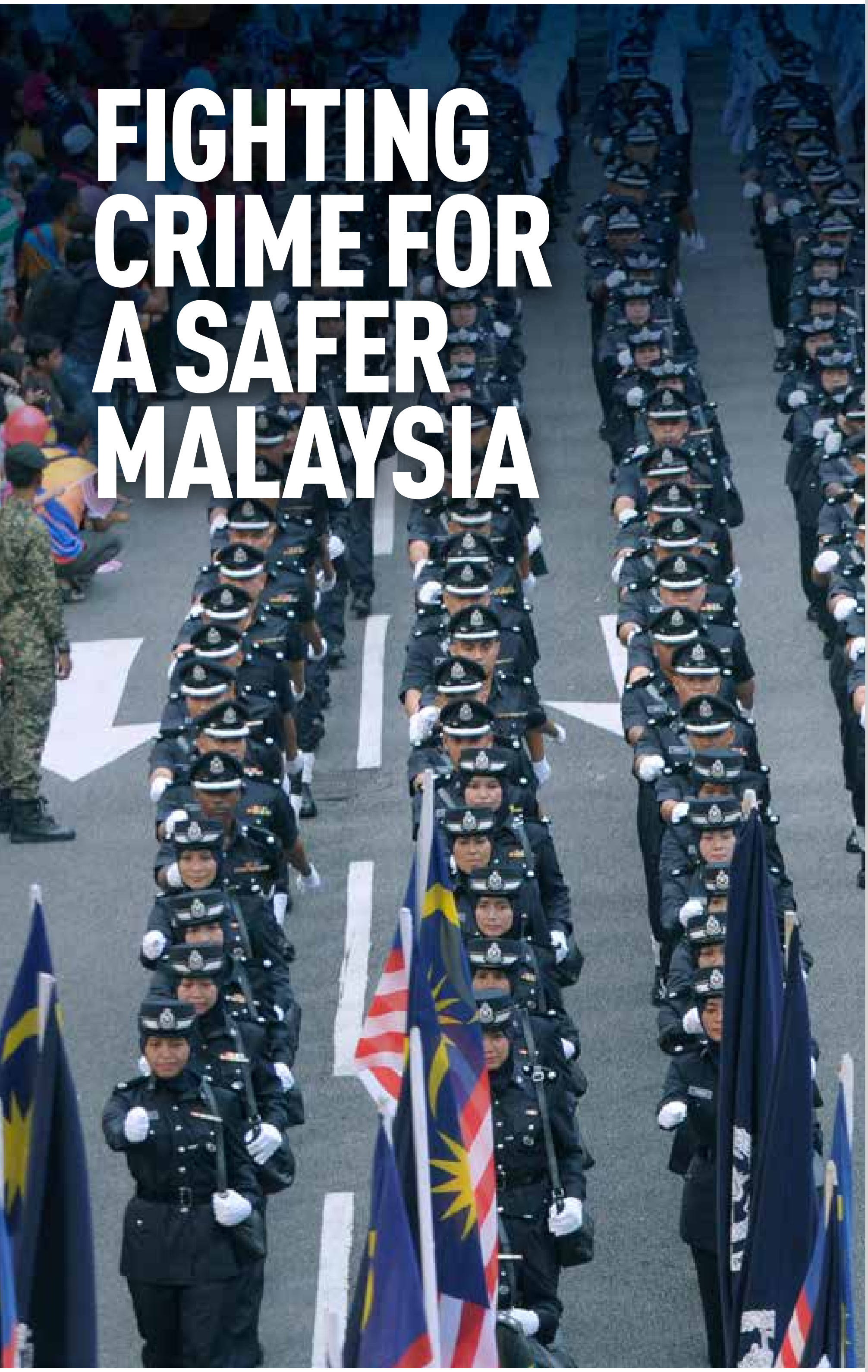
The revision of the primary school curriculum, and the introduction of a new secondary curriculum, are to prepare students with the knowledge, skills and values needed in the global economy of the future. Rolling out in 2017, these new and revised curricula will have non-priority content removed, while skills and competencies identified as critical for success will be fully embedded in it. Aside from allowing the schools some flexibility in terms of timetables (as long as the learning and content outcomes are achieved), accelerated learning pathways will also be explored to allow high-performing students to complete their schooling faster.

In overhauling the curricula for both primary and secondary schools, more emphasis will be given to the STEM-type subjects. In particular, the provision of ICT infrastructure will be critical in providing students with first-hand experience of an always-connected world, as well as to empower the delivery of online educational sessions and classes. Teachers and educators will also be provided the necessary training in order to familiarise and immerse themselves in the digital age as well.

Indeed, the integration of ICT into the schools' pedagogical and instructional methods is essential in ensuring that students are able to pick up HOTS, as questions requiring the development of such skills will be increased progressively in the national assessments.

These initiatives are examples of how delivering quality education to students requires the four parties of principals, teachers, parents and students to work together and make their schools great. 2016 will therefore see greater decentralisation of decision-making and empowerment of schools and parents, extending from work already carried out in 2015. MOE and PADU, together with PEMANDU, will continue to monitor the education system closely to solve problems, as well as uncover new ways and means to continue enhancing it, in alignment with Wave Two of the MEB.

"These initiatives are examples of how delivering quality education to students requires the four parties of principals, teachers, parents and students to work together and make their schools great. 2016 will therefore see greater decentralisation of decision-making and empowerment of schools and parents, extending from work already carried out in 2015.



FIGHTING CRIME FOR A SAFER MALAYSIA

DATO' SERI DR. AHMAD ZAHID HAMIDI

DEPUTY PRIME MINISTER OF MALAYSIA AND MINISTER OF HOME AFFAIRS

While Malaysia's Index Crime has been consistently trending downward since the beginning of our NKRA initiatives in 2010, the larger picture concerns the right of every Malaysian to be safe and to *feel* safe, whether he is in his own home or walking along the streets of his neighbourhood.

With a focus on ensuring the former, we also sought to strengthen the latter by introducing the Perception of Crime Indicator (PCI) in partnership with Universiti Sains Malaysia (USM) in 2015. The PCI would measure how safe Malaysians feel today and to understand the factors that drives a person's fear of crime. The results reminded us that efforts in communicating and building trust with the *rakyat* must continue in tandem with other initiatives in reducing overall crime today.

We are determined to continue the initiatives that have contributed to the overall decrease in Index Crime since 2009, whilst also introducing the Modern Policing initiative to transform Royal Malaysia Police (PDRM) via four enablers - Service, Technology, Empowerment and Process (STEP) - in our aspirations to become a world class policing force by 2020.

Policing is everyone's shared responsibility and the communities know best on how to carry out crime prevention activities in their areas. More *"Talk to Us"* programmes will be organised with local communities at all police stations. We encourage you to take part actively in making your neighbourhood and our nation safe and secure.

Ensuring our critical infrastructure's resilience is vital to Malaysia's security landscape. We are working with private sector and government partners at all levels to develop an effective, holistic, critical infrastructure protection and resiliency plan that centres on continued investments in business, technology, civil society, government, and education.

The government will continue to invest in the nation's most pressing short- and long-term security needs, including modernising our 209-year-old police force, strengthening security along our borders and allocating critical resources to address the threats of terrorism.

The threats to the public safety and security of Malaysians today are real. We must be ever-vigilant and strive towards responsible, dedicated and effective crime prevention and policing.

> *"Modern Policing is critical in our efforts to transform PDRM into becoming a world-class policing force by 2020.*
>
> **— Dato' Asri bin Yusuff**
> Deputy Commissioner of Police (DCP)

Both *actual* crime rates, as well as the *rakyat*'s perception of crime rates, have to be addressed and improved in order to fully achieve a higher standard of living by 2020. All levels of Malaysian society have to be fully engaged in this move towards curbing crime, just as the relevant government departments and agencies have also been working and coordinating to achieve through various crime reduction initiatives since 2010.

Initiatives such as the Safe City Programme (built on Crime Prevention Through Environmental Design or CPTED principles), the Omnipresence programme (especially at crime 'hot spots'), and the Community Policing Programme have significantly reduced Index Crime by 45 percent from 2010-2015. Incidents of car theft have also further decreased by 10 percent in 2015, following a major 20 percent reduction in 2014 as a result of a focused move to cripple major car theft syndicates, which broke a 5 year rising trend (2009 - 2013) – proving that it is possible to achieve what was previously unthinkable.

INSIDE THIS NKRA

The *rakyat's* expectations of PDRM's service delivery to keep improving and for law enforcement officers to be more customer-oriented, are increasing. Hence, NKRA initiatives have also evolved to meet those expectations; from purely focusing on crime reduction, improvement of the criminal justice system, and increasing the public's satisfaction with frontline police services in GTP 1.0 between 2010 to 2012, to the 2012 to 2015 initiatives under GTP 2.0 that include strategies to become a community-oriented force, and carrying out intensive communication efforts to change the rakyat's disbelief of its safety on the streets.

Today, the rakyat's perception of its personal safety plays an integral role in its level of acceptance on whether the crime situation has improved or worsened. The formulation of the Perception of Crime Indicator (PCI) to gauge the factors causing the rakyat's fear of crime is a start towards identifying potential solutions. PDRM had previously been engaging with the public throughout the GTP via the International Liaison Unit (ILU), a special unit that looks after expats and tourists, and open days at the local police stations/district police headquarters. These public engagement initiatives assisted in providing greater public confidence towards the work PDRM is doing.

1 Modern Policing Initiative Designed to Transform PDRM into a World Class Police Force by 2020


PDRM's Talk to Us initiative at Jalan Berhala, Brickfield

2015 saw the introduction of the Modern Policing initiative, which the aspires to transform PDRM through the STEP enablers that will transform PDRM's command-and-control culture to a more service-and community-oriented force, and ultimately building greater trust with the *rakyat* to feel safe under its watch.

Phase One of the Modern Policing Initiative involved the Balai Transformation project which was piloted at three police stations – Brickfields (KL), TTDI (KL), Trolak (Perak). These pilot police stations were selected, based on their localities, to represent a good cross-section of the Malaysian community's demographics, from the typical urban residential area to the typical rural residential area.

The pilot project of six months aimed to review existing process flows in these stations, identifying gaps or weaknesses to be improved. As a result, a series of reporting process improvements under the Police Reporting System (PRS) was implemented

PDRM's Talk to Us program will be rolled out nationwide at all police stations in 2016

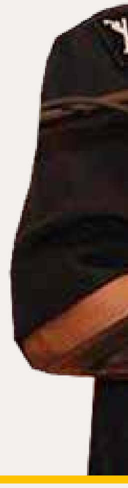
- From a nine-step reporting process to a five-step reporting process
- Auto feeding personal info at the PRS entry page via linkage to the National Registration Department (JPN)
- Symplifying incident reporting in the PRS
- Aligning the PRS workflow by dispensing with manual documentation and record-keeping to online tracking

Process improvements recorded during Phase 1 of Modern Policing

By eliminating redundancies, this will ensure a speedier and better reporting experience for crime victims, with the intention of increasing *rakyat* satisfaction towards police and boosting productivity amongst the police station personnel.

To build trust with the public, and in line with the foundations of a community-oriented Modern Policing, the *"Talk to Us"* pilot programme was also launched at Balai TTDI and Balai Brickfields to enhance public service satisfaction. These engagements have elicited valuable feedback from the public on how the police can improve performance for the community, such as suggestions to patrol certain areas more often at night, and other unconventional ones such as improving their friendliness and approachability. With such a positive outcome, the *"Talk to Us"* programme will be rolled out nationwide at all police stations in 2016.

TRANSFORMING ROYAL MALAYSIAN POLICE INTO A WORLD-CLASS FORCE



While the incidence of Index Crimes has dropped by 45 percent since the beginning of the GTP in 2010, the public's perception of crime rates has not improved. Between 90 percent (based on a Frost & Sullivan study conducted in 2013) and 96 percent (based on a USM study conducted in 2015) of Malaysians surveyed believe that crime rates have not dropped.

Deputy Commissioner of Police (DCP) Dato' Asri bin Yusuff, who is PDRM's Deputy Director of Management (Service/Personnel) at Bukit Aman, believes that this is in large part due to the disengagement between the community and the police force who serve and protect them. He aims to have this, along with other systemic issues, addressed by the Modern Policing initiative. "Modern Policing is critical in our efforts to transform PDRM into becoming a world-class policing force by 2020. It is the only way we can make ourselves flexible enough to address the ever-increasing security demands of the 21st Century."

S.K.K. Naidu, from the Brickfields Residents' Association, agrees that a sense of distance between police and the communities they serve makes law enforcement more difficult, pointing out that when both parties work together, they can take advantage of synergistic effects in curbing crime through Community Policing. "When we held 'Talk to Us' sessions at our local pasar malams (night markets), the community was incredibly supportive and provided PDRM with a great deal of information. The same thing is true of our joint patrols with PDRM, because residents can point out various spots of concern to them," Naidu explained, adding that while there is a lot that still needs to be done, he believes that the transformation of PDRM via Modern Policing will have a profound effect on the ground.

Modern Policing starts off with the revamping of police stations (or balais) under the Balai Transformation project. DCP Asri believes that the first step in this process is to strengthen the underlying STEP enablers. "This entails changing the mindset of the police from being law enforcers to being community-and service-oriented; equipping the officers with the latest in mobile and ICT technologies to help them fight crime more effectively; devolving authority to the balais and giving them greater autonomy in decision making; and simplifying both, public facing and backend processes to improve efficiency and make the experience of visiting the balai more pleasant," he explains.

The pilot project is designed to showcase an example of the modern frontline PDRM as a proof-of-concept that the Balai Transformation project works to better fulfil the needs of the rakyat, as well as to act as a benchmark for the full rollout nationwide in the near future. DCP Asri also hopes that the pilot project's success will serve to create a blueprint or model for future stations.

Modern Policing will further see more police in specific roles moved down from the district headquarters to the stations. In particular, the

Dato' Asri bin Yusuff
Deputy Director of Management
(Service/Personnel),
PDRM, Bukit Aman

> *Modern Policing is critical in our efforts to transform PDRM into becoming a world-class policing force by 2020. It is the only way we can make ourselves flexible enough to address the ever-increasing security demands of the 21st Century.*

investigating officers of crime and traffic incidents will be placed in the stations. "Previously, these officers were located at the district HQ, which meant that even after you've made your report, you would still have to wait for the investigating officer. With Modern Policing, they will be right there in the balai, making the whole process more comfortable for the rakyat," DCP Asri elaborates.

In the long run, DCP Asri sees PDRM itself being transformed from being a force that polices the public to one that facilitates public policing. "We will engage the community more closely, encouraging them to create their own Police Volunteer Reserve forces; also, we will support developers of new residential projects to create auxiliary police forces where possible. Both forces will be provided on-duty uniforms, and will have full police powers when they are on duty."

Naidu agrees that having an increased uniformed presence on the streets has a significant crime deterrent impact, sending a message to potential criminals to sheer away. "There is a balance that has to be struck; too much police presence sends a different kind of message, but no doubt PDRM will know how to get it just right."

Both DCP Asri and Naidu are of the opinion that such a fundamental transformation of PDRM will entail a significant amount of effort. "It requires the IGP and our top cops to push the initiatives through, as well as for the new generation of police officers to be trained into the proper mindset," Naidu opines.

"While this is a big and heavy task, we have to do it to meet the expectations of the rakyat," DCP Asri says.

2 Maintaining Vital Police Logistics to Improve Efficiencies

Prisons Department - Industrial program where inmates received practical training and technical skillsets in order for them to find employment upon release

Initiatives geared at reducing Violent and Property Crimes have shown themselves to be effective over time. These initiatives not only target the actual incidence of such crimes, but also some of the causes behind these crimes (e.g. drug addiction). Gang robberies, street crimes, house break-ins, and car theft have been reducing at a steady pace. This has largely been due to intensive and targeted PDRM operations to cripple criminal syndicates. The number of criminal re-offenders have also dropped, thanks to concerted efforts to up-skill ex-convicts and increase job opportunities upon release from prison. Upon completion of rehabilitation programs, drug addicts are further monitored and supported to ensure they 'stay on the wagon'.

PDRM has recorded a drop of 10.1 percent for Index Crime against a KPI target of 5 percent annually. A big part of this reduction is the decline in car theft (a reduction of 1,358 cases). This is the 2nd consecutive year that such decline has been recorded. Additionally, 14,450 crackdowns on car theft syndicates via Ops Lejang were carried out this year. This has resulted in 5,857 arrests and the charging of 17.4 percent/1,022 suspects (Jan – Oct 2015).

PDRM has also reported a drop in house break-ins of 6.3 percent, though not achieving its KPI target of 10 percent. Despite this, 10,848 house break-in operations (Ops Pintu) were conducted nationwide with 3,527 arrests. Another special house break-in initiative is the Motorcycle Patrol Unit (URB). Nationwide, the URB has 2,000 PDRM personnel mounting motorcycle patrols daily, with over 200,000 suspicious individuals questioned and 260,119 residential houses visited annually. This has resulted in another 2,111 arrests nationwide in 2015.

Street Crime numbers are still being tracked, well beyond the GTP 1.0 timeframe. While the index demonstrated a significant drop in the number of incidents reported during the early years of KPI implementation, there is a need to remain vigilant. Resources are still being deployed to ensure that this decreasing trend continues. In fact, 2015 resulted in a drop in street crime of 16.9 percent, which was an improvement over the KPI target of 15 percent.

Under the Omnipresence programme, personnel were redeployed at street crime hotspots, i.e. popular shopping streets and tourist havens. Beyond that, under the Safe City Programme, the local councils (such as DBKL) carried out 'rejuvenation' activities using the CPTED principles at black spot locations.

Maintaining vital police logistics – especially their vehicles — is critical towards ensuring police response and crime-fighting activities can be carried out effectively and efficiently. An internal budget reallocation exercise was carried out in 2015 to assist the PDRM in this respect. As a result, the PDRM managed to replace 1,200 MPVs out of the 3,541 which have reached their 8-year lifespan. Another 500 are expected to be replaced in 2016 and the eventual replacement of all vehicles by 2020.

Although the prison recidivism rate in Malaysia is one of the lowest in South East Asia (8.7 percent), agencies such as the Agensi Anti-Dadah Kebangsaan (AADK) and the Prisons Department continue to perform a crucial function in rehabilitating ex addicts and former inmates. Most street crime perpetrators are addicts looking for easy money hence the involvement of AADK under this NKRA. After a major revamp of their internal criteria measurement of 'staying clean', AADK introduced a new KPI in 2015 to measure the percentage of Orang Kena Pengawasan (OKP) who are rehabilitated drug addicts who have stayed clean for a minimum of one year. As of December 2015, the agency has achieved 37 percent against their KPI target of 57 percent which is still quite a substantial achievement of 5,980 OKPs remaining clean for a year.

As for the Prisons Department, inmates are given practical training and technical skillsets to find gainful employment which in turn will reduce the likelihood of going back to a life of crime. As of December 2015, 1758 inmates have completed certified skills training under Sijil Kemahiran Malaysia (SKM-SLDN), Sijil Kecekapan Kemahiran (SKK-CIDB) and Program Pemanduan Kenderaan Perdagangan (Metro).

Following the establishment of a bakery-cum-training facility in Kajang Prison in 2012, an additional facility was commissioned in Kluang Prison last year. The completion of the second bakery decreased the training time for inmates, ensured more prisons are self-sufficient in producing their own bread as a cost cutting measure as well as provided a commercial return by supplying bread at local bakeries and grocery stores.

THREE-PHASE CRIMINAL REHABILITATION PROGRAMME

The Malaysian Prisons Department has put in place a three-phase criminal rehabilitation programme (Pelan Pembangunan Ihsan) aimed at minimising recidivism, or ex-convicts re-entering a life of crime after serving their sentence. Where Phase One is a disciplining programme, and Phase Two involves character building, Phase Three provides properly-repentant prisoners with skills training.

ACP Hj. Wan Ramzan, head of this particular NKRA initiative, points out that since 2012, the Prisons Department has provided skills training in 47 fields (including high-tech areas). "As audited by PwC, we have achieved our KPI target of 1,500 prisoners undergoing skills training," he pointed out.

Two of the courses that the Prisons Department has focused on include the baking skills and commercial driving. Baking skills are taught in three institutions; Kajang, Tapah and Kluang. As a six-month certificate course, when prisoners are released, they can either become an entrepreneur or work in bakeries. "The prisons are now self-sufficient in bread throughout Peninsular Malaysia, and from North and Central regions alone, the costs savings is RM1.2 million annually," Wan Ramzan highlights. Meanwhile, two batches have graduated the commercial vehicle (bus) driving courses; 23 in the first, and 40 in the second (completed in December 2015).

While data is not available for all 1,500 prisoners across all training courses, recidivism has been reduced by 100 percent in those who have undergone the two focused courses as of 2015. In fact, the first batch of bus-driving course-takers are fully employed, while 80 percent of the second batch are also fully employed with Maju Express Bhd, earning between RM2,000 – RM4,000.

"With nationally-accepted certifications assessed by DSD, we see that the stigma of accepting ex-convicts as employees is gradually shrinking; the companies involved in inmates' practical training have seen the results, and are happy to hire them. Therefore, when prisoners come out from prison, they are not only equipped with the skills they need to improve their lives, but sometimes also with a job offer in hand. Their parents are happy, because their children are working proper jobs and even sending money (up to RM1,500 a month) back to them. The prisoners themselves appreciate this initiative to improve themselves and their employability," Wan Ramzan discloses.

3 PCI: Bridging Perception and Reality

In 2015, the Perception of Crime Indicator (PCI) was developed using the four indicators of 'signals', 'my space', 'amplifiers' and 'service'. Based on the PCI baseline results in Dec 2015, Malaysians still don't feel safe and the level of their fear of crime is quite high, at around 80 percent.

The formulation of the PCI is aimed at providing clearer insights into the causes of the rakyat's fear of crime and clarifying the gap between reported and perceived crime rates that exists today. The PCI will also aid in formulating the actions needed to be undertaken in order to improve the public's understanding of the true crime situation in Malaysia such as:

- Cleaning up the negative environmental and human signs i.e. drug addicts, Mat Rempits (motorcycle hooligans), poor/ broken lighting, dirty streets
- Educating Malaysians to stop the '*Tidak Apa* Attitude' (Doesn't Matter Attitude)when witnessing a crime
- Empowering PDRM to ensure optimal response time to crime incidents
- Intensifying communications on crime reduction efforts and successes as well as continual reminders to not share unauthenticated crime incidents, and
- Simplifying the reporting process and ensuring a customer oriented experience at police stations through the Modern Policing initiative.

Improving these indicators is a shared, collaborative effort involving all parties. For example, fixing broken streetlights requires that the relevant authorities such as the local council to be informed that they were broken. Neighbourhood watches, organised by the various Rukun Tetangga and Residents' Associations are yet another thing the public should do / continue to do.

The engagement approach in 2015 to improve public perception was focused on opening the conversation on crime. The conversation took place via monthly crime opinions published in newspapers on topics ranging from car theft to crime prevention and quarterly radio features on BFM and Lite FM featuring local crime fighting NGO, MARAH and top PDRM brass discussing on Modern Policing, Amanita and the Tidak Apa Attitude of Malaysians. In addition, a Crime Roundtable Session officiated by YAB Deputy Prime Minister, Dato' Seri Dr. Ahmad Zahid Hamidi in collaboration with the Malaysia Crime Prevention Foundation was held in November 2015 to have an open and constructive discussion on issues of crime and security under the United Against Crime banner. Leveraging on MCPF's long history as one of the most active crime prevention NGO in the country, a series of Crime Roundtable sessions will be held nationwide in 2016 to maintain the initiative of obtaining valuable and honest feedback from the *rakyat*. The NKRA also collaborated with Safer Malaysia, a committee under the Bar Council established to become a focal point for the communities to share solutions on fighting crime and specifically on educating children that crime does not pay. Finally, in partnership with Astro Radio, a series of public service announcements on crime prevention and safety tips were aired across three major radio stations (Lite FM, MY FM, Sinar FM).

By taking the above actions to address these indicators in 2016 and continuing the conversation on crime, the NKRA aims to see better public perception as a result.

MCPF's Roundtable on Crime Prevention "Towards a Safer Malaysia" held at the Sime Darby Convention Centre on 3 Nov 2015

MOVING FORWARD

Crime today is no longer an issue with purely local implications. It has taken on national security aspects, including the threats of domestic terrorism, transnational criminal activities and cyber-crime as well. Some of the consequences of physical/blue-collar crimes pale in comparison to what white-collar and digital crimes could cause. Borderless crimes of this nature also affect Malaysians locally, especially the threat of ISIS recruiting people domestically and the setting up of home-grown terror cells.

In addition to retaining the successful crime prevention initiatives from 2010, this NKRA will have its scope expanded to include border security and the Eastern Sabah Security Zone (ESSZONE), as well as cybersecurity and terrorism. The first phase of this expansion programme will be to review all measures concerning border security with a lab which will be conducted in March 2016 with the aim of strengthening our borders.

Phase Two of Modern Policing will commence in early 2016 with a focus on processes, technology, introducing a "ruler" to determine the manpower requirements at a station and also addressing the equipment needs of the personnel at the station.

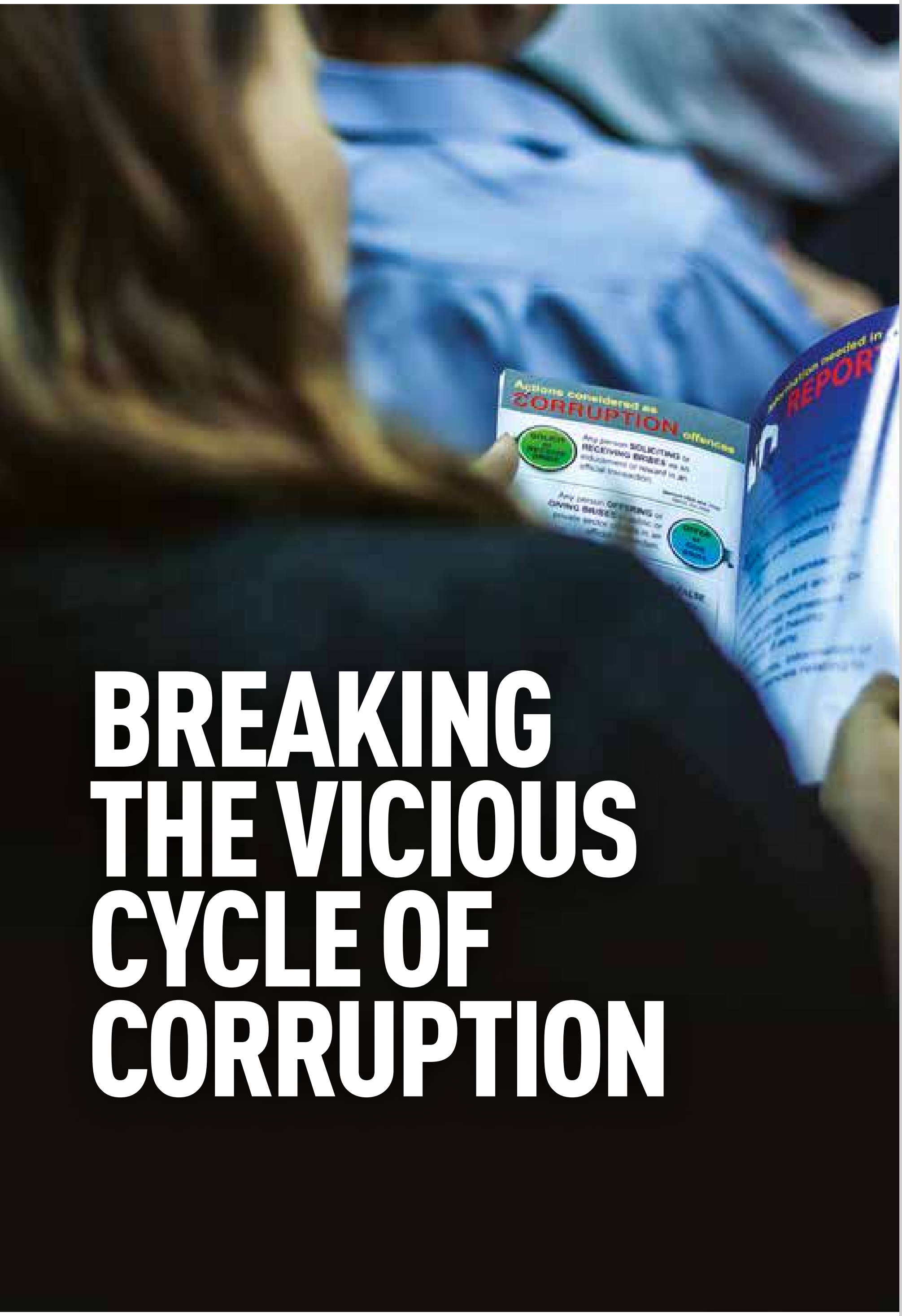
The processes which will be looked at will be the criminal investigation, traffic investigation and also forensic processes. The objective is to improve the efficiency of the relevant investigation personnel and to support them with technology.

Among the technological improvements under Phase Two to look out for include the introduction of an integrated control centre at police stations for quicker response. This will be complemented by police personnel equipped with body-worn cameras. Other technological tools to be introduced are a resource management system (which will allocate resources according to needs and crime rates), and also a mobile system for ease of making on-the-spot police reports.

The introduction of the body worn cameras (which has been implemented in other countries such as Singapore, Australia, UK, etc) also assist in evidence-gathering and serves as a check-and-balance mechanism.

In addition, concerted efforts will be made to communicate Modern Policing within the force itself and externally to the *rakyat*. In order for PDRM's over 100,000- strong men and women personnel to get on board, the Modern Policing message needs to be tailored according to their interests and demographics. Externally, PDRM will also be looking at ways to project its image externally to the public. This will also include obtaining the support and participation of the public as this is vital to ensure the success of this initiative via intensive community engagements.

Transforming the force to achieve world class policing status by 2020 will be a challenging journey, but with full support and commitment from both the government and *rakyat*, PDRM can transition from traditional policing to a thoroughly modern police force, ready to tackle 21st-century crime.



BREAKING THE VICIOUS CYCLE OF CORRUPTION

DATUK PAUL LOW SENG KUAN

MINISTER IN THE PRIME MINISTER'S DEPARTMENT

The Government remains committed to fight corruption under the National Key Results Area (NKRA).

For a country like Malaysia that is on a firm path towards high income status, corruption is like a malignant cancer that undermines optimum decisions, supports abuses and denies opportunities for healthy growth. It is a regressive practice that robs society of the standards of living that we should be aspiring towards.

Amongst the NKRAs, corruption is one of the toughest problems to tackle because it involves breaking long-entrenched practices that exist across many levels within businesses, Government and society.

A fundamental problem with corruption lies in the fact that as long as there is a giver, there will be a taker and vice versa. The culture of tolerance towards corruption needs to be reversed, while each and every one must take ownership of the fight against corruption by making a definite stand that "we are the solution and not the problem."

Combating corruption, and upholding good governance and integrity must be made through effective law enforcement as well as preventive measures. Many of our initiatives under this NKRA are aimed at strengthening and institutionalising anti-corruption mechanisms within every Ministry and agency; establishing ownership and accountability starting from the Minister-in-charge and the Chief Executive.

This has led to the establishment of the Governance and Integrity Division (BITU) in the Prime Minister's Office under my purview, which is taking the lead in implementing all NKRA initiatives through a national framework formed under the Integrity and Governance Committee (JITU).

JITU is represented by Secretary Generals, integrity units, and top officials from the Malaysian Anti-Corruption Commission (MACC) and Auditor General's (AuG's) Office. Covering both federal and state agencies, its primary purpose is to create a culture of transparency, honesty, and integrity within the civil service. The integrity units were established to monitor compliance to integrity standards by high-value projects and border control security agencies.

Furthermore, changes in the way the AuG's Report is presented and used have directly resulted in the early detection and subsequent reduction of blatant corruption incidents. Auditors conduct audits on a real time basis during the implementation of each major project to improve early detection of fraud and corruption. We have also taken steps to ensure Government procurement processes become more transparent to the rakyat.

> *Fighting corruption remains at the forefront of the Government's priorities, and the relevant parties are continuing to work in a holistic and integrated fashion in order to see that Malaysians can live in a culture that embraces integrity in every sphere.*

Malaysia is ranked 54th in the 2015 Corruption Perception Index (CPI) with a score of 50 out of 100, highlighting the need for all parties to 'walk the talk' and expedite adoption of anti-corruption reforms that have been proposed by the Government since 2010. Our current ranking is not one that we are proud of, and we must strive harder to improve our standing especially when foreign investors judge us based on CPI.

One of the most significant initiatives, improving the political financing framework, is now being undertaken by the National Consultative Committee on Political Funding. In relation to the private sector, we are still working towards incorporating the Corporate Liability Provision into the MACC Act and encouraging corporate entities to strengthen their own internal anti-corruption processes and guidelines.

Willingness to report corruption is increasing significantly, but convictions can only follow with clear evidence. We have to build reliability and trust into the system, and recognise that there is a lot more work to be done. For example, the channel for whistleblowing is currently under review for improvement – ensuring strict compliance to accountability and confidentiality.

In the end, one of the strongest weapons our country has against corruption is the rakyat standing up and speaking out about the injustices seen. One has to decide to be neither a giver nor a taker to make fighting corruption work. It is everyone's business to stop the vicious cycle of corruption if we want a better future for Malaysia.

Efforts to fight corruption are at the forefront of national reform agendas all over the world. They are among the highest national priorities in order to establish a good and trust-worthy governance structure. Curbing corruption in a holistic manner requires systemic elimination of both the givers and takers, which is why the NKRA initiatives target both the public and private sector.

The transformation of the AuG Report tablines process in Parliament has been one of the biggest achievements in GTP 2.0, and it continues to produce positive outcomes in reducing leakages and wastages in government procurement procedures. We have also seen an increase in private sector participation, from signing the Corporate Identity Pledge (CIP) to implementing measures in conjunction with the Corporate Integrity Systems Malaysia (CISM) framework.

The establishment of Integrity Units (IUs) in all government and public agencies can be seen as an effort to curb corruption at the source. Its core functions – amongst others – are to strengthen internal controls in managing governance and integrity issues within organisations, and ensure that proper identification and verification of offences are being conducted in a timely manner, and also implement of follow-up actions including reporting to the relevant enforcement agencies.

BITU, under the PM's Department, is headed by Minister Senator Datuk Paul Low Seng Kuan. It oversees and coordinates programmes across different ministries and agencies to ensure successful implementation. In 2015, the National Conference for JITU was held three times (February, May and December) as a platform to gather inputs from Integrity Officers at all levels and propose remedial actions.

Realising the importance to sensitise young Malaysians towards integrity and accountability, the commencement of a new anti-corruption syllabus in primary and secondary school textbooks is underway after multi-stakeholders engagements started a few years ago. In addition, effort to engage with students has been renewed; for instance, BITU has been associating with the Youth for Integrity movement under the Empowering Youth Endeavours NGO.

INSIDE THIS NKRA

1 Institutionalising Anti-Corruption Measures

Changes made in the frequency of the AuG Report being tabled at Parliament, coupled with the convening of the Report's Action Committee, the AuG Online Dashboard revamp, as well as the Putrajaya Inquisition, are efforts to tackle the leakages and wastages in government procurement. Enhancements made to the MyProcurement portal have also increased transparency into governmental procurement details. Public Private Partnership Unit (UKAS) has also issued circular to made signing of Integrity Pacts mandatory for all public-private partnership projects.

Since 2014, in line with government's commitment to increase transparency and accountability, each tabling of AuG's Report was followed by a media briefing by the Chief Secretary to the Government and related ministries' Secretary-Generals. In addition to highlighting remedial actions taken, statistics on punitive actions taken against corrupt officials were also shared during these media engagement sessions to raise overall awareness of the Government's effort to weed out corrupt practices.

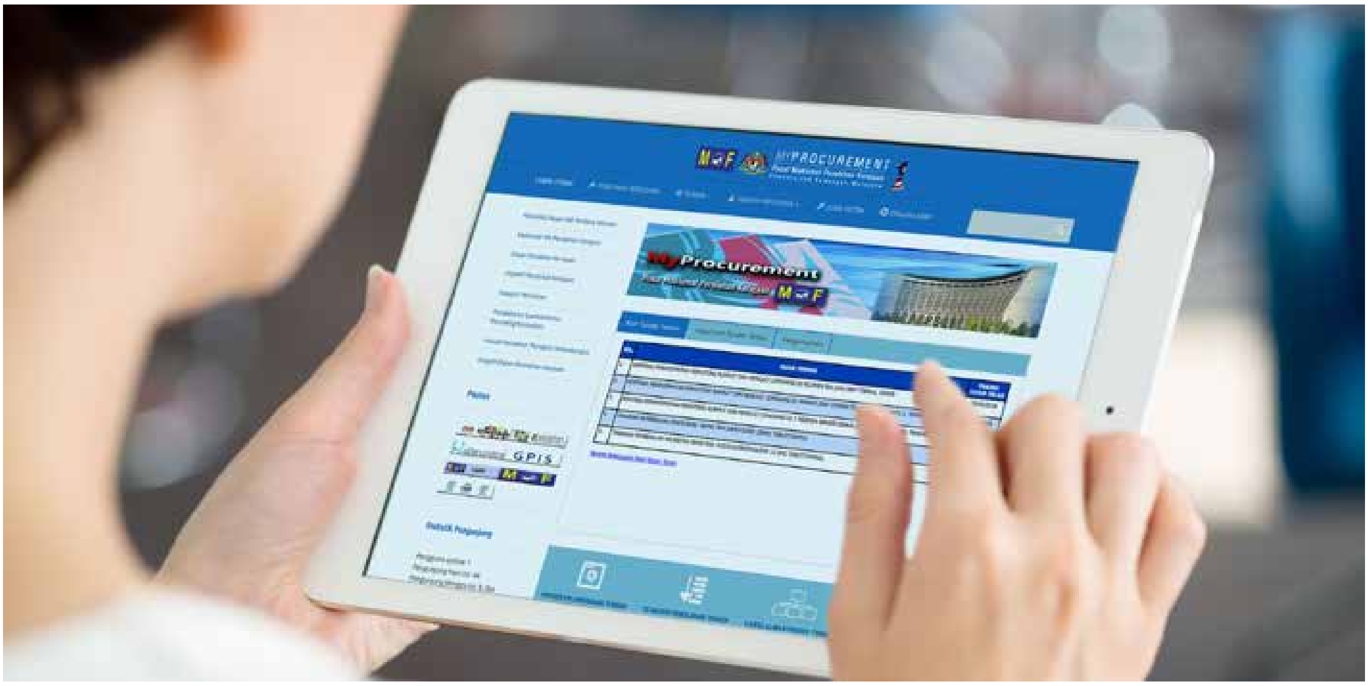
Version 2.0 of the AuG's Online Dashboard was launched on 26 March 2015. The revamped Dashboard provides an enhanced online channel for the rakyat to access the AuG's Report in a timely manner. It is hoped that it would help promote transparency, add pressure to expedite taking effective action to resolve issues, and also to improve public perception of actions resulting from the AuG's report. In addition, it serves as an information-sharing platform with Action Committee members (Auditor General's Office (AuGO), MACC, Attorney General's Chamber (AGC), Royal Malaysian Police (PDRM), JPA and MoF) enabling them to take the appropriate actions against wrongdoers quickly, for example to expedite action for cases of abuse of power, fraud, mismanagement of funds and negligence.

Initiatives were also put in place to make government procurement exercises more transparent. The MyProcurement portal was upgraded to allow for publishing the results of direct negotiation deals and other government procurement details. Quotations and tender-related documents were made available to the public in the interest of transparency.

Since the inception of GTP 2.0, the NKRA team has iterated on various occasions the need to institutionalise a more transparent political financing system to tackle the problem of grand corruption head-on. The governance framework would have included three mandatory elements; donations to be made in the party's name, all donations to be immediately receipted, and records of all sources of funding to be audited externally.

Over the last three years, despite exploring several possible options including a proposal to amend the Societies Act, this initiative has so far failed to gain traction due to entrenched political resistance. In August 2015, against the backdrop of sensational issues on political financing, the PM announced the formation of the National Consultative Committee on Political Funding to propose a regulation structure for political financing within a year.

The committee is expected to make some headway into building momentum in addressing political financing. The secretariat has been meeting local stakeholders, political parties, civil society groups like Majlis Belia Malaysia, Solidariti Anak Muda Malaysia, and members of the Youth Parliament to obtain their views and support on the initiative.



IMPROVING BUDGET TRANSPARENCY SCORE FOR MALAYSIA

Datuk Juhari Haron
Director,
Follow-Up Audit Division (BSA)

The strengthened oversight of the AuG's Office, and the increased tabling of the AuG Report to three times a year – both major initiatives under the Anti-Corruption NKRA - were primary contributors to Malaysia's 7-point jump in the World Bank's Open Budget Survey. The survey measures how central governments provide adequate public access to national budget information and opportunities to participate in the budget process and is aimed at aimed at assessing and promoting more open and accountable budgeting,

A total of 102 countries worldwide were ranked based on the degree of their respective governments' budget transparency, public participation and oversight. In 2015, Malaysia achieved a score of 46 out of 100 on the overall Open Budget Index, an improvement from 35 in 2008 and 39 in 2010 and 2012. This is slightly above the global average of 45, aligned with the likes of India and the Ukraine, and ahead of Thailand, Vietnam and China.

The Follow-Up Audit Division (BSA) of the AuG's Office is the main source of that strengthened oversight, and is tasked with handling issues that have been brought up by the AuG Report.

Datuk Juhari Haron, the Director of the BSA, explains that it plays three major roles in overseeing government departments that have been identified as having issues in the AuG Report. "Firstly, the BSA manages the AuG's Dashboard, which displays the latest actions taken by auditees to the major issues outlined in the Report. Every quarter, the BSA will monitor all feedback from the auditees and if necessary, engage with them to resolve issues that are still pending (with yellow or red statuses).

"Secondly, it acts as the secretariat for the AuG Report's Action Committee (JTLKAN). The BSA identifies issues that require punitive action by the relevant enforcement authorities, so that the JTLKAN can deliberate over them and make the final decisions.

"Thirdly, it also acts as the secretariat for the Putrajaya Inquisition, if there are any audit issues that have gone unresolved for more than a year. Following a review and engaging with the auditees to identify and resolve the bottleneck, if the matters are still unable to be resolved, the cases will be brought before the Inquisition."

Already, the BSA has seen a significant amount of progress in the way audit issues are being handled. "Most government bodies are now more proactive in providing regular status updates, and to ensure that their KPIs in terms of resolving audit issues in the AuG Report are achieved," Datuk Juhari points out. He also said that these government bodies were more co-operative and open to meet together with BSA to resolve any outstanding issues.

Nevertheless, BSA is preparing a proposal for the AuG to expand its scope and allow it to conduct forensic audits. "Various government bodies have formed Internal Audit units, which monitor the feedback given by auditees and report them back to BSA to ensure checks-and-balances in status updates," Datuk Juhari says. "This proposal will allow us to directly perform forensic audits on government bodies that are red-flagged, based on the analysis of JTLKAN issues.

Statistik Status Tindakan Susulan Laporan Ketua Audit Negara Tahun 2014

STATUS	BILANGAN PENEMUAN			
	SIRI 1	SIRI 2	SIRI 3	JUMLAH
TIADA TINDAKAN	0	1	14	15
DALAM TINDAKAN	59	111	308	478
SELESAI	254	523	386	1163
Jumlah	313	635	708	1656

The AuG Dashboard is accessible online at https://agdashboard.audit.gov.my/#/

PROMOTING INTEGRITY TO FOSTER PUBLIC CONFIDENCE

Dato' Sri Mustafar Haji Ali,
Deputy Chief Commissioner (Prevention), Malaysian Anti-Corruption Commission

According to Dato' Sri Mustafar Haji Ali, Deputy Chief Commissioner (Prevention) of MACC, the CISM is a best practice to nurture a framework of integrity in the private sector. By adopting the CISM, Dato' Sri Mustafar says, private-sector companies can proactively show their interest in fostering a corporate culture that shuns corruption. "All sectors benefit from the CISM, though organisations that rely on investments from the public in terms of deposits or shares (i.e. listed companies and financial institutions) may benefit more, since the implementation of CISM is a confidence-builder," he added.

At the moment, CISM implementation is based on the good-will of the signatories and driven by their self-regulation. There are no statutes or other compliance measures that require CISM signatories to abide to any proposal or recommendation from MACC. This is set to change with the inclusion of the CLP into the MACC Act.

"CLP will examine the legal responsibility of a corporation for criminal actions (or inaction, in some cases) performed by the company's employees. If such were done for the benefit of the company, or were the result of negligence, or if they occurred due to irresponsible management, the corporation itself can be prosecuted and punished or sanctioned. It will be used to determine the extent to which a corporation as a legal person is liable for the acts and omissions of the natural persons it employs," Dato' Sri Mustafar explains.

With the CLP in place, MACC hopes to see a more competitive market and more responsibility by private companies towards their customers and stakeholders. "By having a competitive market, we should see government tenders providing maximum benefits at optimal cost to the taxpayers, while the companies' shareholders can look forward to more effective and efficient management of resources; hence, more profit," Dato' Sri Mustafar points out.

He is also confident that the CLP will be beneficial to the public in general. "Currently, the issue of integrity has been the focus of various debates among the rakyat; thus, the successful implementation of CIP, CISM and CLP will increase public confidence in the government and our economy as a whole. By taking this positive and proactive approach, investor confidence will also be bolstered."

> *"All sectors benefit from the CISM, though organisations that rely on investments from the public in terms of deposits or shares may benefit more, since the implementation of CISM is a confidence-builder.*

2 Private Sector Must Eliminate Opportunities for Corruption

The CIP and CISM have been taken up by many private companies interested in weeding out corrupt practices within their organisations. While benchmarking exercise and stakeholders engagements have been conducted, passing the Corporate Liability Provision (CLP) into the MACC Act is still in progress.

For GTP 1.0 and in the wake of various scandals, corporate entities in the private sector were invited to voluntarily sign a CIP. In addition, the formation of the recently established CISM Framework empowers companies who have signed the CIP to operationalise it as part of their everyday routine. It is the only NKRA initiative currently implemented which relies solely on the private sector. This initiative will complement the CLP.

The CLP itself is the stick that suppose to explicitly empowers the MACC to prosecute companies engaged in corrupt practices and hold them accountable as legal entities in their own right. In 2015, a draft was prepared by the MACC based on benchmarking on both the US's Foreign Corrupt Practices Act and the UK's Anti-Bribery Act 2010. The NKRA will now move forward by engaging with the new AuG on the next steps to be taken, and set a new target date for CLP insertion.

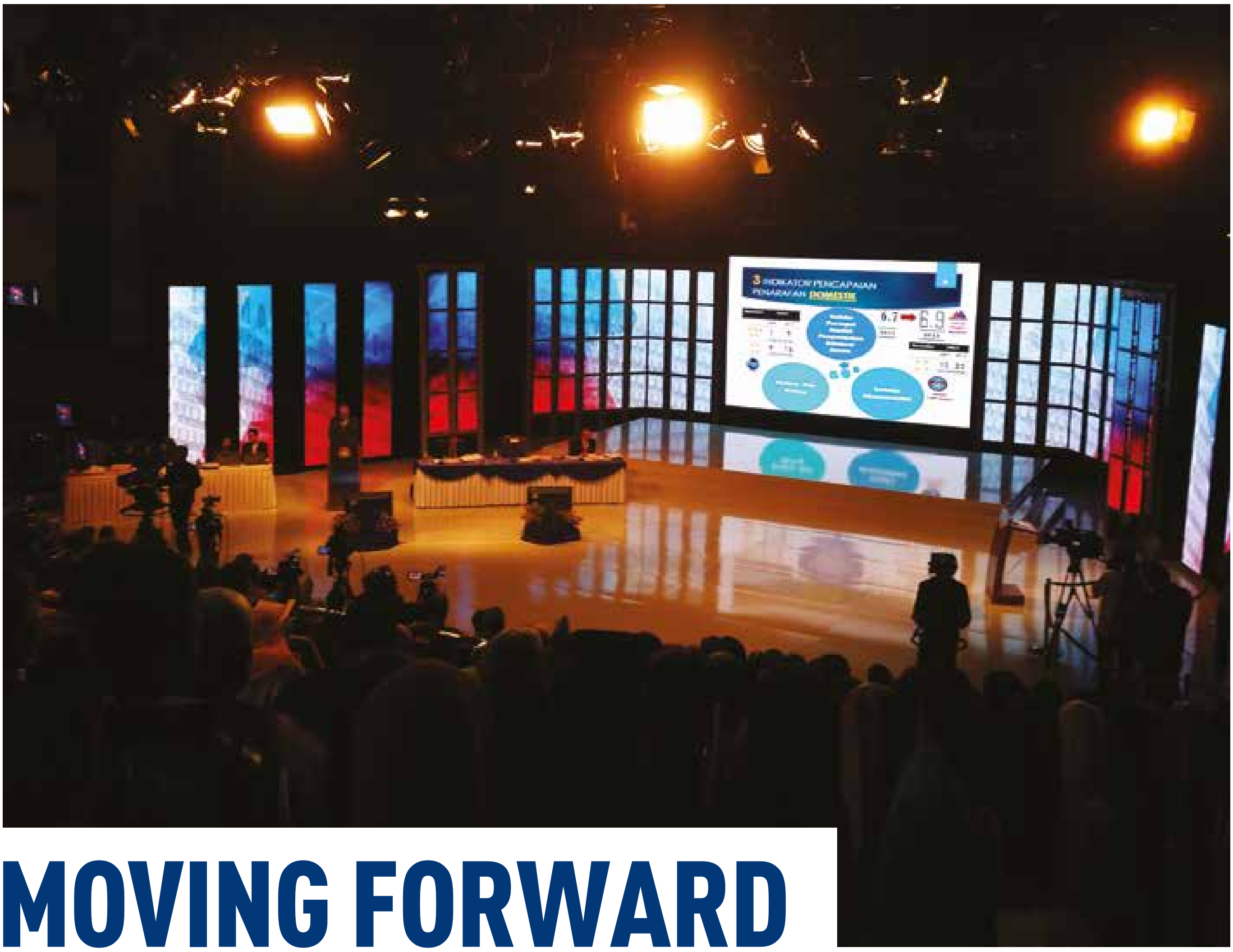
3 Building the Foundation for Integrity

Much work has been done to establish greater communication on the principles of integrity to combat business-as-usual practices that may involve corruption without intent.

A total of 140 individual MPs have participated in nine various engagement sessions over the course of two years.

The insertion of an anti-corruption syllabus into primary and secondary school textbooks will take effect in 2016 to instil moral responsibility at an early age. This was an initiative to combat the fact that 67 percent of university students confessed they would bribe in order to obtain desired outcomes. Engagement with stakeholders in education institutions have also been guided by the 27 anti-corruption secretariats that have been established in teachers' training institutions since 2009.

In 2015, a total of 15,136 new recruits into the PDRM undergone an integrity test before being accepted to first a round of interviews. Effectively, this has enforced a culture of trustworthiness and honesty within PDRM to serve the public.



MOVING FORWARD

Moving forward, closer working relationships with PDRM and AGC, as well as NGOs will drive continual implementation of this GTP initiative, thereby bringing forth the transparency of Government procurement as well as institutionalising integrity measures within the public service. New KPIs will be introduced to track the progress of draft legislation to regulate political financing and reporting as a follow up from the establishment of the National Consultative Committee on Political Funding.

The Committee is slated to propose said regulatory framework and draft legislature by August 2016.

In terms of the MACC's incorporation of the CLP into the MACC Act, matters are progressing with the new AuG to cement the next steps to be taken to make this a reality, and to establish a proper timeline for the private sector to prepare towards. The mooting of the CLP in Parliament needs to be expedited, as legislation is key in institutionalising integrity within the private sector. In order to get the provision passed under the MACC Act as soon as possible, engagement with relevant stakeholders in this matter is essential.

Fighting corruption remains at the forefront of the Government's priorities, and the relevant parties are continuing to work in a holistic and integrated fashion in order to see that Malaysians can live in a culture that embraces integrity in every sphere.

CHAMPIONING PUBLIC SERVICE DELIVERY AS EXEMPLARS OF EXCELLENCE

TAN SRI DR. ALI HAMSA

CHIEF SECRETARY TO THE GOVERNMENT

Public Service Delivery Transformation (PSDT) projects benefit from the fact that they begin as agile initiatives that are *rakyat*-centric. The projects are generally highly-focused, process-driven improvements that are able to yield big, fast results.

Many successes have been achieved in the short time frame since the PSDT NKRA commenced in late 2013. A total of 21 projects have been completed; 10 having been closed in 2015. These successes serve as proofs-of-concept that the successful implementation of PSDT projects will see a marked improvement in the efficiency and effectiveness of public services for the rakyat. Following from these early successes the PSDT's primary aim moving on is scalability.

There were 57 on-going projects throughout 2015, with 45 having been initiated during the year itself. Of the 16 ministries that have participated in the PSDT NKRA so far, 50 percent have opened more PSDT projects upon completion of their first pilot project.

For example, the Ministry of Health is implementing a portfolio of PSDT projects across both primary and secondary healthcare.

As we move into 2016, the situation with the economy is challenging, as the government is being extra prudent. This presents ample opportunity for the public service to look for avenues to optimise costs while extending high quality services to the rakyat.

We look to continually strengthen the delivery of public services to the rakyat whilst addressing emerging needs resulting from Malaysia's transformation into a high-income economy.

> *KPIs were instituted so that, progress was objectively measurable and therefore we could see the improvements.*
>
> **— Datin Dr. Nor Akma binti Yusuf,**
> Deputy Director of Hospital Management Services Unit

The Public Service Delivery Transformation (PSDT) NKRA aims to accelerate the Government's efforts to become more efficient and facilitative in providing public services. It also aims to transform the country's 1.3 million civil servants into a motivated, high-performing workforce. This area of focus taps on individual projects within a particular ministry's public service to focus on process and quality improvements.

A total of 21 small-scale initiatives have yielded positive results and emphasis is being placed to expand these process and quality improvements on a larger and systemic level. However, many successes have been achieved in this short time frame. Therefore, these pilot initiatives are likely to expand beyond their original trials and pilot status.

The expansion of these pilot projects – and the innovations they have driven – leverages the vast expertise and experience of the civil service, thus increasing the likelihood of their success on the nationwide level. Through the wide-scale adoption of PSDT projects, the government agencies involved will be better able to meet the ever-increasing expectations of the rakyat in terms of both service quality and quantity.

INSIDE THIS NKRA

1 Improving Efficiency, Expediting Client-Oriented Services Delivery

Efficiency improvements in public service delivery aims to eliminate waste, save time and cost, and improve government services to the rakyat. Given the successful implementation of the **Healthcare PSDT** as a pioneering initiative in 2014 at Hospital Tengku Ampuan Rahimah and Hospital Sultan Ismail, Johor, the Ministry of Health (MOH) decided to roll this out in all 133 government hospitals nationwide.

As part of the PSDT NKRA, MOH focused on improving service delivery, by thoroughly examining existing processes and eliminating redundancies to improve work processes.

In 2015, a batch of 15 hospitals saw a transformation in patient flow and work processes at their Emergency Department (ED) and medical wards. These included the 12 General Hospitals from all states and federal territories excluding Perlis, as well as Hospital Putrajaya, Hospital Sungai Buloh and Hospital Selayang.

Altogether, in 2015, the EDs of these hospitals treated 44 percent more patients due to improved patient flow, thus saving an estimated RM5.3 million per annum. The medical wards, meanwhile, had increased their bed capacity by 5 percent through ward levelling and an improved discharge process, avoided around RM235 million.

Under this initiative, processes have been streamlined and made more efficient. Issues which may cause delays were identified and worked around or eliminated where possible. The target outcome was to see more efficient and effective use

SUCCESSFULLY REDUCING WAITING TIMES IN 16 HOSPITALS NATIONWIDE

Datin Dr. Nor Akma binti Yusuf, Deputy Director of Hospital Management Services Unit under MOH's Medical Development Division

The main impetus behind any PSDT NKRA pilot project is to demonstrate its 'proof of concept' and iron out the bugs before the implementing Ministries and/or government agencies go ahead with a larger-scale project. The Healthcare PSDT programme, an effort to reduce patient waiting times and improve patient experience in government hospitals under MOH, is a sterling example of how PSDT NKRA projects have transitioned from pilot projects to nationwide implementation.

But initially, when deciding which processes within MOH should be transformed, hospital services were not the top items on the agenda. As Datin Dr. Nor Akma binti Yusuf, Deputy Director of Hospital Management Services Unit under MOH's Medical Development Division describes it, the decision to move forward with Healthcare PSDT was mutually arrived at after a period of intense brainstorming and discussion with the PSDT NKRA team.

"The very first LEAN pilot project was at Hospital Sultan Ismail (HSI) in JB. While it was located quite far from Putrajaya, the hospital director was very positive about it, and the consultants who were called in were based in JB," Dr. Nor Akma recalls.

This pilot project in HSI became a learning experience for all involved. MOH gave HSI full discretion to choose the areas of improvement based on its prevailing patient demand and challenges. HSI opted for the pilot to be implemented in the Orthopaedic Specialist Clinic and Oncology Treatment Centre. The improvement in waiting times for both areas had a significant impact, and all the stakeholders were happy with the outcome. Following the success at HSI, the Minister of Health, Dato' Sri Dr. S. Subramaniam, requested his Ministry and the PSDT NKRA team to see if similar improvements can be made at the Emergency Department (ED) in Hospital Tengku Ampuan Rahimah (HTAR), Klang.

"The ED of any hospital is its frontline, and subsequently, the patients are mostly sent to the medical wards if their condition is deemed to warrant admission," Dr. Nor Akma explained. Hence, the expanded pilot moved on to deal with waiting times in the ED Green Zone and medical wards at HTAR.

Dr. Nor Akma explains that along with the LEAN principles, KPIs were also instituted; with that, progress was actually measurable – it was objective, not subjective – and therefore you could see the improvements. "There was nothing really massive or budget-of resources to achieve the desired or optimum quality of delivery while meeting stakeholder expectations; in this case, improving waiting times and expediting patient flow.

Improving Bantuan Orang Tua (BOT) 'application-to-notification' waiting times is a new 2015 pilot initiative from the Ministry of Women, Family and Community Development. Administered by Jabatan Kebajikan Masyarakat (JKM), BOT provides RM300 per month to senior citizens age 60 and over who have no other sources of income. The original waiting time between applying for BOT and being informed whether the application went through was 30 working days.

Senior citizens are amongst those feeling a positive impact from PSDT projects. The BOT transformation project means their application is processed and approved within just 1 day

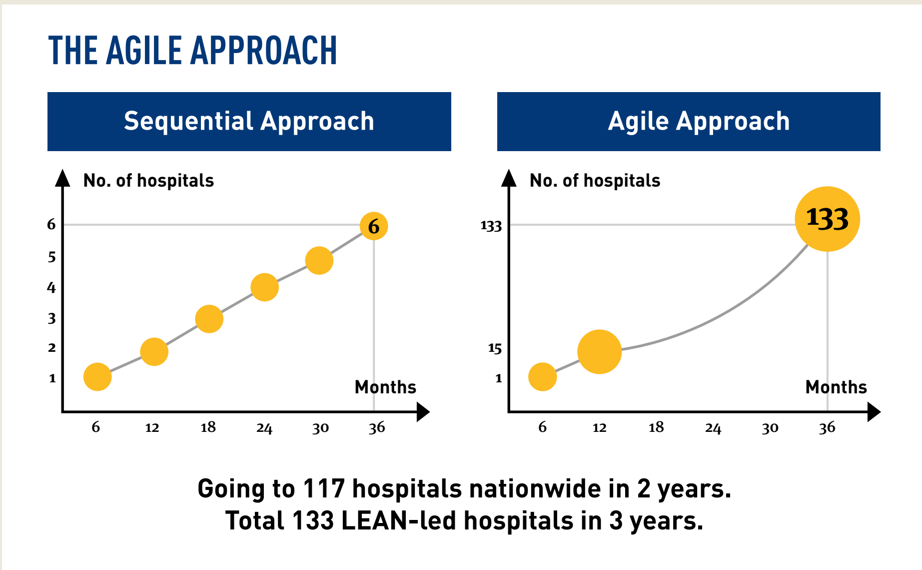
intensive happening; mostly it was small improvements to existing processes, but they all added up," she adds. The results were soon apparent – and so were the benefits. Patients benefitted the most – waiting times had decreased, and they got beds faster – but because the work became more efficient, medical staff were also happier.

MOH's approach in its nationwide deployment is predicated upon using the 'Agile' method of deployment introduced by the PSDT NKRA team, starting with HTAR. With the lessons learnt and appropriate procedures/guidelines formulated as a result of LEAN implementation in HTAR's ED and medical wards, the ministry then went into 12 state hospitals and three major hospitals within Klang Valley. The learnings from these 16 hospitals, including HTAR, will be subsequently used to rollout LEAN to the remaining 117 hospitals in batches of 20 hospitals.

LEAN, and the philosophy behind the 'Agile' approach, has seen tremendous uptake in the hospitals involved. HSI, for instance, on its own initiative, has started training up other departments to implement LEAN, and these other departments are beginning to show improvement. "It's not just a project, but a form of knowledge transfer, in that the teams who are already familiar with the LEAN principles can go on and train other teams, and spread the 'seed' that way."

As these hospitals internalise LEAN within their EDs and medical wards, it is hoped that when MOH deploys it to all government hospitals, as it has begun to do, the initial 16 hospitals can be mentors to the other hospitals within their respective states. Ophthalmology and Orthopaedics specialist clinics are the next two areas earmarked to be rolled out nationwide using the 'Agile' approach.

"The Healthcare PSDT concept focuses on improving efficiency, and it is vital that everybody is on the same page. When we first started, nobody knew what 'LEAN' meant; today, everybody understands the tool," Dr. Nor Akma points out.



The objective to reduce this to 5 working days and this was achieved by the pilot project.

The JKM Melaka Tengah office was chosen as the pilot site. The project involved several government agencies within the Ministry aside than JKM, such as Institut Sosial Malaysia (ISM), Department for Women's Development (JPW), National Population and Family Development Board (LPPKN), NAM Institute for the Empowerment of Women (NIEW), and representatives from the Ministry as well as the Central Malacca District Social Welfare Office (PKMDMT). Over several discussions and workshops, the project team revisited the current BOT workflow using process mapping. It identified bottlenecks and their root causes, and brainstormed potential solutions for the issues identified.

A key opportunity for transformation identified in this project included the review of BOT applications only once every 24 months, upon which the continuation of the aid would only be either approved or rejected. The roles of staff and officers involved in the BOT applications were restructured. Authority to approve applications was granted to the deputy head of the district office whenever the head was absent. The project further introduced a cut-off window for certain work processes performed during day-to-day operations.

Through these and other measures, the target was successfully met. This resulted in potential savings of RM126,000 per annum from this pilot phase alone, and the increased availability of 26 staff (saving 14,976 man hours per year, or RM112,320 per annum of lost productivity). The savings from a nationwide rollout to all JKM branches would therefore be quite substantial. Meanwhile, the shorter times led to increased customer satisfaction.

2 Continuous Innovation Key for Effective Public Service Delivery

The IAQ level in Melaka Hospital (chosen as piloted site as a PSDT project) has improved with bacteria, fungus and volatile organic compounds having been eliminated after the spraying of TiO2 nano solution

Efficiency is half the picture when it comes to improving public services delivery. Effectiveness is the other half. Processes cannot simply be fast and automatically efficient. They also have to work and be seen to work by the rakyat. Improving the effectiveness of various government initiatives is the key thrust of the projects outlined below.

IMPROVING EFFECTIVENESS OF KNOWLEDGE TRANSFER PROGRAMMES

Under the auspices of MOHE, two **Knowledge Transfer Programme (KTP)** pilot projects were initiated. These KTPs were, firstly, the use of eco-friendly photo-catalyst technology to produce good indoor air quality (IAQ) in Malacca General Hospital, and secondly, the recycling of municipal organic waste via vermicomposting at Melaka Sentral.

The first KTP project aimed primarily at protecting IAQ; in this case, at the Malacca GH pilot site.

This was done via the use of nano titanium dioxide (Nano-TiO_2). Its secondary objectives were to create awareness regarding IAQ, monitor and teach best practices to control IAQ, formulate a model that can be easily replicated in other states, and facilitate the technology transfer of Nano-TiO_2 use.

Essentially, the Nano-TiO_2 solution was sprayed on walls, floors & ceilings. Through catalytic oxidisation reactions, the compound has been proven to kill bacteria & inhibit viral infection, eliminate volatile organic compounds (VOCs), self-sanitise itself and prevent odours. Measurements of IAQ at six different locations in Malacca GH were made by an expert. It was then discovered IAQ in most of the locations were within the acceptable range. This indicated Nano-TiO_2's excellent photo-catalytic efficacy against indoor pollutants.

The second KTP project was the use of worms to speed up the creation of compost (vermicompost) from organic waste. This waste was collected from the Pasar Besar wet market at Melaka Sentral. Based on this pilot project, it was estimated that 70 percent of waste on average was converted to mature compost in three rounds of harvesting. Each round lasted a month. Depending on the conversion yield, the economic value created was calculated to be between RM168 and RM321 per tonne of waste.

EFFECTIVE USAGE OF PUBLIC GYMS

Meanwhile, the Ministry of Youth & Sports (KBS) has been busy with its **Gym1Malaysia** transformation project. This initiative sought to transform both hard and soft infrastructures. The hard infrastructure transformation was of the gym's physical infrastructure through renovation, whilst the soft infrastructure was to put in place better gym management at the pilot site; namely, the Kompleks Rakan Muda Larut Matang & Selama in Taiping, Perak. By redesigning the site layout and equipment based on user feedback, as well as developing improved policy and maintenance guidelines, this initiative was able to bring in over six times the original number of visitors every month. This demonstrates the need to listen to the rakyat in order to optimise effective delivery of public services.

Gym 1Malaysia at the Youth and Sports Ministry building at Putrajaya. Photo sourced from Gymnasium Rakyat KBS Facebook page

EFFECTIVE DATA MANAGEMENT FOR PUBLIC HEALTHCARE SERVICES

Services at dental and health clinics will soon get a boost, thanks to a collaborative effort between MOSTI & MOH. They are developing a unified Teleprimary Care and Oral Health Clinical Information System (TPC-OHCIS) application using MIMOS's Open Innovation Platforms. The TPC-OHCIS will ease patients' registration and appointment processes, enable patients' personal and medical records to be securely and privately shared across all connected clinics, and empower patients to self-monitor certain critical illnesses like hypertension and diabetes. MOH can use the system for real-time data mining & intelligence analysis during critical emergencies like dengue outbreaks.

Through TPC-OHCIS, MOH stands to gain major cost savings in terms of system development, deployment and maintenance. This is because the system uses fully-local technology and is vendor-neutral. Average administrative time per patient has been shown to come down from 16 mins to less than three mins, an 81 percent improvement. The system passed User Acceptance Testing (UAT) in August 2015. Its basic dental features were successfully showcased at Klinik Pergigian Mantin (Mantin Dental Clinic) in November.

TRANSFERING KNOWLEDGE FROM ACADEMIA TO IMPROVE PEOPLES' LIVES

The KTP - Vermicomposting project at the Melaka Sentral wet market is one of the more successful pilots under PSDT NKRA. Not only has it resulted in reduced organic solid waste, it is also economically beneficial

The purpose of the Knowledge Transfer Programme (KTP) is to take new research ideas and knowledge from institutions of higher learning (via MOHE) and use it to solve pressing national issues for the benefit of the Malaysian society. In other words, KTP aims to put academic research ideas to work in the real world. Once the initial ideas have been proven to be of practical value, the next step would be to commercialise them for the benefit of the *rakyat*. In the case of the KTP – Vermicomposting project, the pilot beneficiary was the Malacca City Council (MBMB).

KTP projects are selected based on their potential for success, their positive impact to beneficiaries and their surroundings, and their alignment to national interests. These projects usually last about two years, with initial funding provided by the Government. With vermicomposting, there is very little needed in the way of facilities or infrastructure; the input is literally rubbish (organic waste from fruits and vegetables), and it can easily be scaled up from a single bin.

Vermicomposting has been used elsewhere as a form of solid waste management. According to Senior Professor Dr. Azni Idris of the Department of Chemical and Environmental Engineering in University Putra Malaysia, the lead implementer of this KTP project, solid waste is a much-discussed issue to this day.

"Traditionally, we the *rakyat* is used to letting the local councils handle waste management issue; this is to be expected, but as waste generators, we must do our part as well. The government recently announced that RM2 billion is spent every year on waste management," Dr. Azni highlights. "As it is, this is unsustainable over the long term."

Separation of waste at source is already a reality in various states; however, reduction of waste at source remains an issue for households due to human habits. "It is much easier to change the way businesses manage solid waste at source. Hence, we targeted businesses, and wet markets (and other grocery shops) generate tonnes of waste every day," Dr. Azni points out. In total, fruit and vegetable waste comprise 20 percent of solid waste heading to the landfill.

Hence, the use of vermicomposting to reduce organic waste from fruits and vegetables matter. "Vermicomposting is more convenient and cost-effective compared to bacterial composting, as it produces little to no odour, and the compost produced is very high in fertiliser content. It is also a sustainable activity, since the worms reproduce themselves, and there is no shortage of inputs."

Ismail bin Che Din, Landscape Architect and Senior Assistant Agricultural Officer at MBMB, was involved in implementing this initiative at the Pasar Besar in Melaka Sentral. "I've always had an interest in organic technology, and I love nature. Also, MBMB has already been producing our own compost from tree-pruning waste, having won the Malacca State Government Innovation Award (Non-ICT Category) in 2013."

Much of the challenge encountered during the trial project was simply coping with the vagaries of human nature, and had very little to do with the technical aspects of it. "It was quite difficult to educate the public at the market not to simply throw away their organic waste. Separation of organic and non-organic waste also remains an issue; people tended to throw everything in the one compartment, and we had to segregate the organic waste out for the worms. And then, when the waste was separated out, irresponsible people came and "stole" the organic waste to feed their chickens. In a way, it's a good problem, but it does mean that occasionally, there is a shortage of food supply for the worms. Before this, people just didn't bother about the waste at all," he recounts.

Ismail agrees with Dr. Azni that vermicomposting is a good project. "It is very easy to do, a convenient way of reducing organic waste and if very beneficial economically as well as environmentally. I also find it a very educative one, and I would like to suggest this project be started up in primary schools; and from there, to every household or public community. Since there are quite a number of "garden communities" under MBMB jurisdiction as a result of the NBOS programme, this kind of vermicomposting project should not be a problem to start up at any time."

While the project is still around a year away from its formal handover to MBMB, Dr. Azni reiterates that given its success to date, it is ready to be expanded to other markets in Malacca. "From this one market alone, our calculations suggest that if the full amount of organic waste (five tonnes a day) is turned into compost, MBMB will realise up to RM800,000 a year in economic benefits. Imagine what the benefits would be like if it was taken state- wide," he adds.

Ismail believes that the project has also helped to educate the public to care for the environment. "I think people are more sensitive to what they throw to the rubbish bin; they are more aware now that even waste has value," he explains.

PORTAL REVAMP FOR JOBSMALAYSIA

The Ministry of Human Resources (MOHR)'s efforts to revamp the JobsMalaysia 2.0 job portal are still ongoing. The current portal is outdated, having been introduced more than 14 years ago. The portal's pages are too cluttered & lengthy. It exhibits slow & erratic performance – loading time per page takes more than three seconds. The portal revamp would therefore deal with these issues and more. This will make it more efficient for both employers and employees to use. The original plan called for it to be ready in 2015. However, the revamp will only complete in Q3 2016.

IMPROVING THE RELIABILITY OF LIFTS IN PUBLIC HOUSING

DBKL continues its efforts to improve lift maintenance in its public housing developments. Last year's successful pilot project at PPR Batu Muda managed to improve response times to within 30 minutes and reduce customer complaints by half. DBKL has since decided to roll out to five of the top 10 public housing developments, which were chosen because half of DBKL's total lift maintenance costs covering 53 public housing development were spent on them. Despite the financial and coordination challenges involved, DBKL was still able to reduce the lift breakdown time by 60 percent, easily meeting its KPI targets for 2015.

Photo courtesy of BERNAMA Images

3 Piloting Projects for Effectiveness

PSDT projects usually start out small. They are first tried out in one (or at most a few) pilot test sites or cases. Once they have been proven successful to achieve their stated aims, they are then rolled out in stages. They will gradually expand to cover the entire area under the responsible party's jurisdiction.

We have seen this with Healthcare PSDT and such is also the case with the DBKL Road Maintenance Transformation programme.

Given the positive results from Healthcare PSDT, MOH will now implement it in all 133 government hospitals nationwide. The findings from all 16 hospitals (including HTAR) have been collated and studied. From this, MOH has designed 'ideal' templates for both ED and medical wards.

This template will be rolled out to all the other hospitals in batches of 20. As each batch adopts and adapts the templates, their experiences will be used to update the templates. The next batch of 20 hospitals will in turn adapt the updated templates. Their experiences will then be incorporated into the templates, and so on, until all 117 remaining hospitals have adopted Healthcare PSDT.

Last year's DBKL Road Maintenance Transformation pilot involved improving turnaround times on road repairs to MRR1. For small potholes measuring three meter squared, they were repaired within two hours. For larger potholes, the repair time was within two days. Because of the success it had with MRR1 repair times, DBKL decided to expand it in 2015 to over 20 main and protocol roads. It used the same KPIs as before, and was able to achieve 100 percent of its targets. This in turn benefitted approximately 2.1 million motorists using those roads.

DBKL's Road Maintenance Transformation programme in 2015 saw it expand beyond the MRR1 to 20 main and protocol roads, while still achieving 100 percent of its repair time targets carried over from before

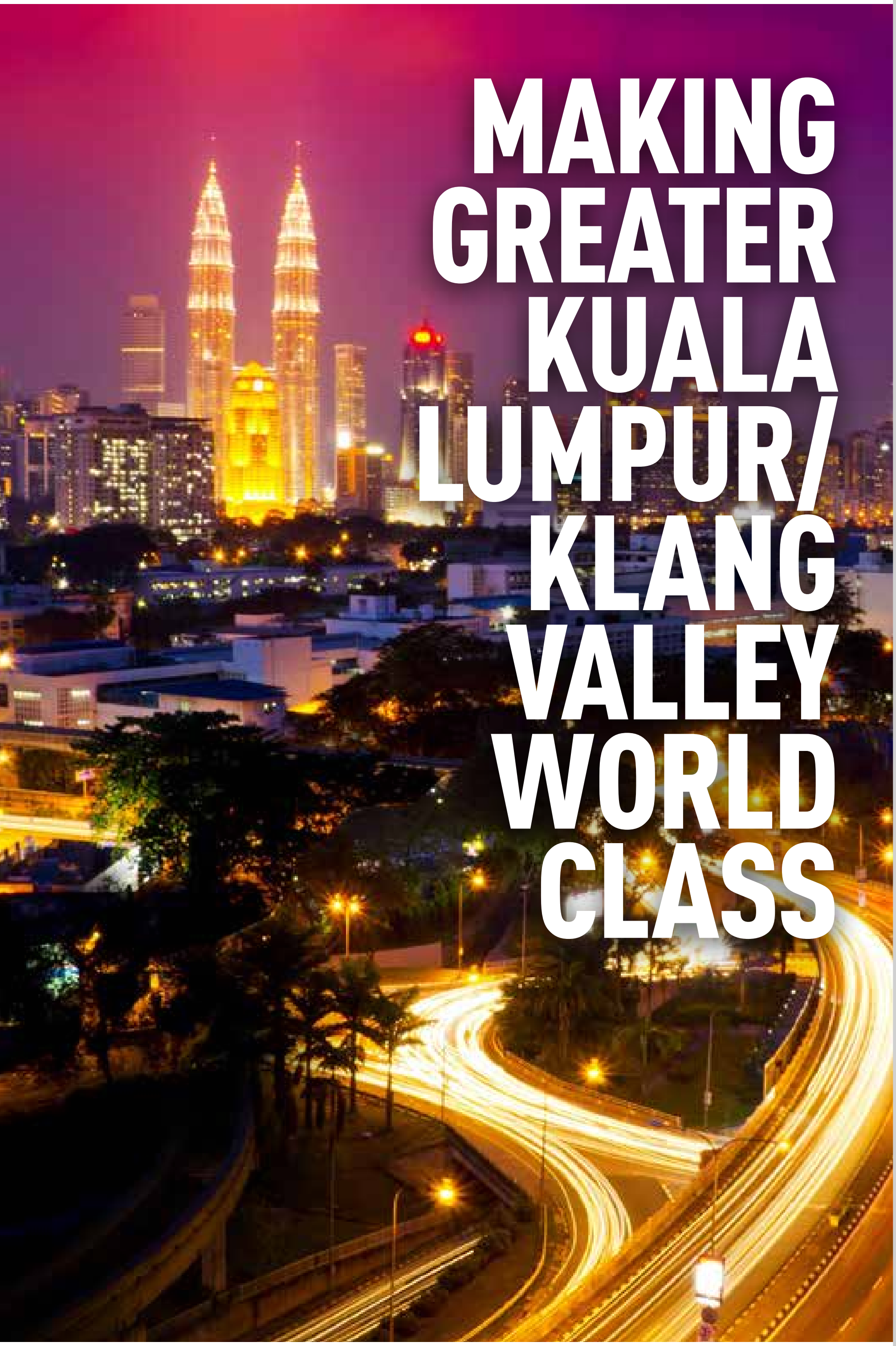
"PSDT projects usually start out small. They are first tried out in one (or at most a few) pilot test sites or cases. Once they have been proven successful to achieve their stated aims, they are then rolled out in stages. They will gradually expand to cover the entire area under the responsible party's jurisdiction.

MOVING FORWARD

In 2016, Healthcare PSDT will focus on moving the EDs and medical wards at more hospitals to be graded as 'efficient'. The initiative will also seek to shift hospitals already considered 'efficient' to have even better service management and people engagement to meet the *rakyat*'s perceptions and expectations.

The next step for the TPC-OHCIS application is its full pilot introduction at 12 clinics in Negri Sembilan. Eight are combined health and dental clinics; the other four are split evenly between standalone health and dental clinics. The datacentre will be located at MAMPU's main office in Putrajaya.

By the end of 2016, DBKL will have fully rolled out its improved lift maintenance programme to 64,000 residents in 14,494 units of the top 10 public housing developments. It will also reapply for increased funding to ensure its 2016 road maintenance improvements targets are met. Additionally, it will reconsider the scope of the project to fit within the currently-approved funding levels.



MAKING GREATER KUALA LUMPUR/ KLANG VALLEY WORLD CLASS

DATUK SERI UTAMA TENGKU ADNAN TENGKU MANSOR

MINISTER OF FEDERAL TERRITORIES

The Greater Kuala Lumpur transformation journey towards becoming a world class city has just reached its midway point. We are still very much on course towards achieving our aspirations to transform Greater Kuala Lumpur into a truly world class urban setting that citizens can be proud to call "home" by 2020.

Assessing the many achievements and challenges from our current vantage point since we began our journey in 2010, our collective vision for Greater Kuala Lumpur is coming into clearer focus with each passing year. We have been resolute in implementing our initiatives and I strongly believe we are well on our way to achieve our twin goals of becoming one of the top economic and liveable cities by the year 2020.

2015, on reflection, has indeed been a successful year for the Greater Kuala Lumpur/Klang Valley (Greater KL/KV) NKEA.

With the impending completion of the first phase of Malaysia's first ever Mass Rapid

Transit line in December 2016, strong interest from around the globe for the launch of a High Speed Rail connection between Kuala Lumpur and Singapore, and our continuing efforts to transform the Klang and Gombak rivers into a glittering attraction for Kuala Lumpur, we stand on the brink of some of the biggest game changers this city has seen.

Enhancing liveability for all citizens in the form of quality living, well maintained recreational parks and accessibility to amenities are all part of our continued efforts to make Greater Kuala Lumpur both an attractive hub for residence as well as business and investment within the burgeoning ASEAN region.

The tremendous momentum gained so far is a result of collective efforts between various Government agencies and private sector companies working hand in hand to deliver targets. I look forward to working with you to achieve all that we can in taking our capital city and her citizens towards greater heights.

"As the country's main growth centre, this region is critical for the nation, and requires a comprehensive and sustainable development plan that can adequately address the challenges of rapid urbanisation.

Greater Kuala Lumpur/Klang Valley (KL/KV) aspires to be a competitive world-class metropolis, boasting top standards in business infrastructure and liveability.

NKEA Greater KL/KV initiatives are geared to ensure that identified Entry Point Projects play an integral role in transforming Malaysia into a high income nation by 2020, with a targeted GNI impact of RM391.6 billion and creation of 553,000 jobs.

Efforts have reaped results, as Kuala Lumpur is ranked 73rd amongst 140 cities in the Economist Intelligence Unit (EIU)'s 2015 Global Liveability Ranking. The city is up five places from its 2010 ranking. In the World Bank Group's Ease of Doing Business Report, Kuala Lumpur also moved up five spots from 2010 to rank 18th in 2015.

The Greater Kuala Lumpur metropolitan area encompasses 10 municipalities, including the city of Kuala Lumpur itself.

As the country's main growth centre, this region is critical for the nation, and requires a comprehensive and sustainable development plan that can adequately address the challenges of rapid urbanisation.

INSIDE THIS NKEA

1 On Track Towards Game Changing, World-Class Infrastructure

Seven stations will be constructed along the 9.5km underground allignment of the MRT Sungai Buloh-Kajang line, starting from KL Sentral. Above is the last underground MRT station at Maluri. Photo courtesy of Mass Rapid Transit Corporation Sdn Bhd

In 2015, the combined population of Kuala Lumpur and Selangor was 7.87 million, entailing 25 percent of the country's population of 31.1 million residents.

This, along with the concentration of businesses and commercial activities in the city, presents the need to improve connectivity on a large scale to ensure the city does not end up grinding to a halt as a result of overcrowding and poor connectivity.

Living pressures due to the high cost of urban living must be alleviated, and there needs to be good recreational facilities within the city. At the same time, these solutions must be sustainable and help to improve long-term city livability.

INTEGRATED URBAN MASS RAPID TRANSIT SYSTEM

The Mass Rapid Transit (MRT) system is a game-changer in the ongoing effort to increase mobility, productivity and quality of life. It was proposed to ease congestion and provide commuters to the city centre with an efficient and environmentally sustainable mode of transportation.

For 2015, KPIs under the MRT construction are on track, within timeline and without cost overrun. At the Sungai Buloh Depot, 24 trains were delivered and tested on schedule, exceeding its original target of delivering merely 15 trains. Besides that, progress for the handing over of tunnels and station trackway to the System Works Contractor was regularly reviewed. The works required to ensure timely completion were constantly discussed and agreed with the contractor.

There were some challenges in meeting the completion of structural work for 12 stations and tracks laid for Phase 1 of the project. As some sections of the viaduct and station were experiencing delays, labour and resources were increased on site to mitigate this. This has resulted in all train tracks for Phase 1 to be successfully laid out in good time.

In terms of the Accident Frequency Rate, the Project Delivery Partner has increased site supervision teams, carrying out weekly site safety and environment inspections. Work Package Contractors (WPCs) have also been more responsive to safety initiatives.

The first phase of the MRT Line 1 (Sungai Buloh – Semantan) is expected to be operational by end December 2016, while the full line (Sungai Buloh – Kajang) is expected to be operational by July 2017.

Trains along the 51km of MRT Line 1 with 31 stations, are expected to run at an interval of 3.5 minutes during peak hours. Each train will have four coaches, with a capacity of 1,200 passengers, and the daily ridership is projected to reach 400,000 passengers. The line will also be integrated with the existing KTM Komuter, LRT and ERL rail systems at various locations e.g. Sungai Buloh, KL Sentral, Kajang, Pasar Seni and Maluri.

As for the MRT Line 2 (Sungai Buloh - Serdang - Putrajaya), announced by the Prime Minister during the tabling of the 2015 Budget, Government approval was obtained in October 2015 to proceed and the first call for tenders will begin in January 2016. MRT Line 2 (Sungai Buloh - Serdang - Putrajaya) will further transform the public transportation network in Greater KL/KV.

REVITALISING KL'S RIVERS

The River of Life (ROL) project is aimed at revitalising the Klang and Gombak rivers to open up economic opportunities leveraging on our heritage and culture, whilst enhancing liveability in the heart of Greater Kuala Lumpur. The river water will have to be safe for recreational use, whilst the river banks will undergo a major transformation. The year 2015 has not only seen the completion of various infrastructure as several pivotal projects kicked-off bringing us closer to the project's goal.

- River cleaning initiatives are divided into 67 packages (45 are completed and 22 are on-going) which are pioneered by the Department of Irrigation and Drainage (DID) and are targeted at lifting water quality of the Klang and Gombak rivers from the current Class III – V (unfit for contact) to Class IIb (safe for recreational activities) by 2020. These projects range from water treatment plants and sewage treatment plants to the installation of devices that trap rubbish and waste flowing into our rivers (see River Cleaning Progress for 2015).
- River Beautification works along the Klang and Gombak rivers will take place along a 10.7km stretch that flows through the city centre from Gombak to Brickfields. This is led by Kuala Lumpur City Hall. In the year 2015, works can be seen in the vicinity of St Mary's Cathedral, Panggung Bandaraya, Masjid Jamek, Leboh Pasar Besar, Bangunan Sultan Abdul Samad, Central Market, Dayabumi and Pasar Seni LRT. (see River Beautification Progress for 2015)
- The third component of the River of Life project involves recouping returns from the RM4.4 billion investment into the River of Life project through land development projects in the vicinity of these rivers. (See Land Development Progress for 2015)

Upon completion of the ROL project in 2020, Kuala Lumpur will be on par with other global cities like Singapore and Seoul that have also undertaken similar projects to clean their rivers and develop their water fronts.

RIVER CLEANING PROGRESS FOR 2015

- Completion of the Waste Water Treatment Plant (WWTP) at the Pasar Borong Selayang – the largest for Kuala Lumpur, with a capacity of 1,300 cubic meters per day
- Commencement of construction for the Bunus and Jinjang Kepong regional sewage treatment plants, expected to be completed by 2018 with the capacity to treat 750,000 population equivalent (PE)[1] of sewage respectively
- A flood mitigation pond and other treatment facilities have been built and installed at Kolam Seri Segambut and Kolam Kampung Benteng with 46 gross pollutant traps[2], two automatic trash rakes and two static screens[3]
- Under the Drainage and Stormwater Management Master Plan, the DID installed 52 gross pollutant traps[2], one trash rake, one log boom and one river water treatment plant to mitigate water quality and flow issues for Gombak River. A total of 32 gross pollutant traps[2], two trash rakes, and one automatic trash rake were installed at the Kerayong River that flows from Pandan Indah to Pantai Baru
- To prevent food waste from ending up in the river, DBKL installed 44 communal grease traps[4] in 10 public food courts around Kuala Lumpur
- The first phase of the interceptor drainage system began construction in 2015 along the Klang River that flows through Kuala Lumpur's Heritage Quarter that is in the Masjid Jamek vicinity. The interceptor system has four plants and will be able to clean 200 litres/second (treatment capacity) volume of water and will manage 24 combined sewerage outlets (CSOs). This is to ensure water quality of the Klang River that flows through the city centre maintains Class IIb standard that is safe for recreational use. Construction is at 40 percent and will be completed in the second quarter of 2016
- Another component of the River Cleaning initiative entails the public outreach program to create awareness on river conservation. In 2015, two programmes were held at Keramat and Chow Kit Areas. Spearheaded by DID, the outreach programme is expected to impact thousands of residents along the Bunus and Upper Klang River basins

Pasar Borong Kuala Lumpur WWTP cleans water discharge from the wet market into class IIB

[1] Population equivalent (PE) refers to the equivalent in terms of a fixed population of a varying or transient population or other activity, for example industrial or commercial contributing to flow to the sewerage treatment system

[2] A total of 528 gross pollutant traps have been installed since 2011

[3] Key Initiative 5 Package 1 and 2: Benteng Flood Retention Pond (Kolam Takungan Banjir Benteng)

[4] A total of 98 communal grease traps have been installed since 2012 by DBKL

HIGH SPEED RAIL

The next big milestone for the Kuala Lumpur-Singapore High Speed Rail Project (HSR) is the signing of a Bilateral Agreement between the Governments of Malaysia and Singapore. The signing of the agreement continues to reinforce the strong commitment by both Governments, and is expected to capture key decisions of the project, as it advances into the construction phase.

Both Governments have continued to work on identifying and defining the technical, commercial, security and regulatory characteristics of the project, leveraging on the experiences of HSR projects globally while adapting to the Malaysian and Singaporean requirements.

The Governments had in 2015, consulted the market through a Request for Information (RFI) exercise to seek views on project viability, commercial structure, procurement approach and regulatory support considerations. The exercise received overwhelming interest and the feedback has been incorporated into the bilateral discussions.

Domestically, the Malaysian Government established a special purpose vehicle, MyHSR Corporation Sdn Bhd (MyHSR) to be responsible for project delivery. Its scope of work entails project development from the current design stage up to project operations.

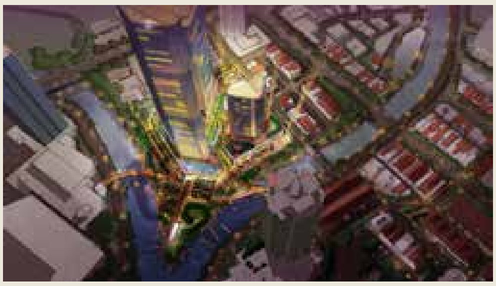
MyHSR, working closely with the relevant State Governments, has since confirmed and finalised almost 50% of the project's alignment on the 330km corridor along the west coast of the Peninsular Malaysia between Kuala Lumpur and Nusajaya. This enabled the commencement of the subsequent set of activities namely detailed environmental impact assessment and social impact assessment. These assessments are important to ensure that the social and environmental impact arising from the project are properly monitored and managed.

RIVER BEAUTIFICATION PROGRESS FOR 2015

- Phase 1 of construction had commenced in 2014 and is focused in Precinct 7 or the Heritage Quarter - a location which encompasses important historical landmarks of Kuala Lumpur. Though construction work is expected to be fully completed at the end of 2016, progress has been slower than expected as construction was hampered by utility infrastructure. Construction progress was 36.5 percent versus the targeted 50 percent
- Additionally, there were also interface issues with the Light Rail Transit (LRT) lines that run along one side of the river as well as unanticipated interface risk in the construction site of the Countdown Clock. Significant delays in the construction and completion of the Countdown Clock have also caused a five month delay in the river beautification works at the Pitcher Plant area near St. Mary's Cathedral

A community wall stensiled with The River Of Life

LAND DEVELOPMENT PROGRESS FOR 2015



Artist impression of Putra World Trade Centre and its surrounding areas at night

- In 2012, the Government had frozen many parcels of land situated along the Klang River that flows through the Federal Territory of Kuala Lumpur with the plan to recoup project development cost through the future development of these land parcels at higher expected valuations
- In 2015, DBKL concluded a Market Study to seek the most feasible development model to generate capital from the 108 parcels of Government-owned land along the 10.7km riverfront corridor

2

Enhancing City Liveability

Initiatives under this NKEA adopt a holistic approach towards urban development by factoring in environmental impact and the well-being of KL-ites to improve liveability. These efforts include the revitalisation of iconic landmarks, such as the Gombak and Klang Rivers that run through the city, to increase community interest in heritage sites as well as to ensure public amenities are able to cope with the increase in population.

A GREENER KUALA LUMPUR

DBKL's Department of Landscape and Recreation Development aims to increase green space in the city to soften the city-scape and improve liveability.

As of 31 December 2015, 171,097 trees have been planted in the past four years by the local authority, public and private sector under this initiative[6].

Arcadis's Sustainable Cities Index 2015 - which benchmarks cities according to people, planet and profit - ranks Kuala Lumpur at number 26 out of 50 cities. This points to a need for more efforts to be geared at improving scores in the areas of people and planet in enhancing city liveability.

For 2016 to 2020, the Greener KL EPP is leaning towards mobilising the private sector and NGOs to drive greening initiatives in the city by adopting more idle spaces as green parks as well as planting and maintaining more trees.

LAND DEVELOPMENT PROGRESS FOR 2015

Trees planted have been tagged using global positioning system (GPS) technology which will enable DBKL to easily identify the location of these trees for future maintenance. A total of 84,938[5] trees were tagged since 2014 and the aim is to ensure the trees that are planted survive beyond 2020, contributing towards improving the city's long-term environmental climate and beautification efforts.

Volunteers doing their bit by planting trees at the parks of Kuala Lumpur

[5] NKEA Trees = 45,566
Non-NKEA Trees = 39,372

[6] EPP 6 Greener KL

SHOWCASING KL'S RICH HERITAGE SITES

In a bid to modernise Kuala Lumpur and bringing it up to par with other global cities, there is a need to preserve historical and iconic landmarks. Under the Greater Kuala Lumpur/Klang Valley NKEA of EPP7: Iconic Places, a network of heritage trails were developed along the corridors of famous landmarks and walkways of KL.

Three heritage trails have been developed since 2011. Heritage Trail 1 starts at Masjid Negara passing through Jalan Hishammuddin and Dataran Merdeka, and ends at Medan Pasar.

Heritage Trail 2 begins at the junction of Jalan Tun Perak and Jalan Melaka heading towards Jalan Gereja to arrive at Bukit Nenas.

Finally Heritage Trail 3 starts from Medan Pasar through a portion of Jalan Hang Kasturi then turning into Jalan Petaling and Lebuh Pudu. The bus stop in front of Bangkok Bank has been closed and the area has been upgraded with a café in the center of the square.

Infrastructure and roads along these routes have been upgraded or refurbished to feature the significance of these buildings and roads that have stood through years of development.

Extensive renovations had been made in the Medan Pasar area to make it another centre of urban activity in the heritage core of the city centre. Several events including a "Raja Band Competition", "KL Street Jam", "Buy Nothing Day" and a "Malam Wayang" have been staged at the venue, making it a centre of attraction for tourists and citizens alike. Businesses have responded well to these developments, taking a keen interest to be based at the area, driving Medan Pasar to surpass its target of two new businesses for 2015 to achieve seven by end year.

Medan Pasar has been extensively renovated

With the Heritage Trail 5 phase 1 plan approved, a contractor has been appointed in December 2015 and civil works are scheduled to be carried out in 2016. Heritage Trail 5 starts from Bulatan Dato Onn and connects to Jalan Parlimen heading to the Parliament building.

Some areas with room for improvement include the 2020 Countdown Clock (CDC). The CDC, which will feature a digital clock projected onto a water curtain, is located at the junction of Jalan Raja Laut and Jalan Parlimen. The project was scheduled for launch on 31st August 2015 but missed the deadline due to several technical hurdles on site. The project's progress as 31 December 2015 was at 87 percent and members of the public can look forward to the CDC finally being completed in 2016.

Moving forward, a pipeline of new heritage trails have been proposed and plans are underway to increase the visibility of these trails to encourage the public to discover and explore them.

A COMPREHENSIVE NETWORK OF PEDESTRIAN WALKWAYS

The upgrading and improving of 48.87km of pedestrian walkways in Kuala Lumpur has enhanced city connectivity.

Over 80 percent of pedestrian walkway users who participated in a survey by the Malaysian Institute of Transport (MITRANS) reported high satisfaction levels. Key contributing factors include the installation of anti-climb fences across a majority of the pedestrian walkways and the levelling of uneven walkways that were unsafe. Pedestrians felt a sense of increased comfort level and agreed that this could lead to KL becoming a walkable city.

The second phase of pedestrian walkway upgrades in Kuala Lumpur is planned to start after the completion of KL's Pedestrian walkway Master Plan in 2018.

SANITATION AND SOLID WASTE MANAGEMENT

As the economic hub for the nation, Greater KL will continue to experience rapid urbanisation and population growth. This phenomenally increases public demand for basic services and amenities, including sanitation and solid waste management.

Under the Greater KL / KV – Sewerage Non-River programme, a total of RM 3.3 billion has been approved to improve the sewerage infrastructure. This funding is to provide necessary capital for the construction of regional sewage treatment plants (STPs), sewer networks and refurbishment / upgrading of the existing sewerage facilities.

These programmes are deemed vital to make good and enhance the functional performance and effectiveness of sewage treatment processes and related facilities. Once completed, the five regional STPs in Kajang, Southern Klang, Langat, and Upper Kerayong[7] will be equipped with future capacity to serve up to 1,369,000 population equivalent (PE)[8] - in line with projected population growth.

The Sewerage Services Department has been successful in managing the implementation and delivery of the packages under the Sewerage Non-River Programme. As of 2015, two out of five regional STPs have been completed while a total of 43 STPs were successfully decommissioned and another 31 STPs were upgraded to ensure effluent compliance to Standard A as stipulated in the Environmental Quality (Sewage) Regulations 2009. At the same time 99 km of new pipelines have been constructed to divert sewage to regional STPs. For the year 2015, Jabatan Pengurusan Sisa Pepejal Negara (JPSPN), the agency responsible for solid waste management in this country was tasked to design a Leachate Treatment System in Taman Beringin. The system will address the issue of leachate outbreak from a nearby closed landfill by preventing it from flowing into the nearby water body.

A dedicated wastewater treatment plant at Jalan Kelang Lama wet market

[7] There will be two STPs for Upper Kerayong

[8] Population equivalent (PE) refers to the equivalent in terms of a fixed population of a varying or transient population or other activity, for example industrial or commercial contributing to flow to the sewerage treatment system

Leachate holding pond, part of the Taman Beringin Leachate Treatment Plant. **(Inset)** Leachate sump

> *As the economic hub for the nation, Greater KL will continue to experience rapid urbanisation and population growth. This will increase public demand for basic services and amenities, including sanitation and solid waste management.*

Additionally, in ensuring a holistic approach in managing solid waste issues in the country, a lab was held from 27 May till 17 June 2015 focusing on:

- Improving the execution and implementation of waste management (3R, Recovery, Treatment and Disposal) in Malaysia
- Addressing governance issues in relation to solid waste management
- Proposing structural and policy adjustments including enablers that will ensure longer term viability of solid waste management and public cleansing initiatives
- Recommending options to alleviate the Government's financial burden in ensuring sustainable solid waste management and public cleansing activities

The lab outcomes will be implemented nationwide and with a clear intent of achieving the national target of 40 percent waste diversion from landfills, as well as 22 percent recycling rate by the year 2020. Following the lab, a Separation At Source programme to promote the separation of garbage from households was launched in September 2015 in all states adopting Act 672 including Kuala Lumpur, Putrajaya, Pahang, Negeri Sembilan, Melaka, Johor, Kedah and Perlis.

In the pipeline, a Delivery Management Office (DMO) will be set up to monitor and implement lab outcomes. More emphasis will be given towards the inclusion of industry players into the solid waste management framework such as the establishment of the National Food Waste Plan and a framework for the Catchment Area Needs Statement (CANS), which will assist efforts to facilitate more private sector investments in the solid waste management industry.

3

Greater KL: Business and Investment Hub of the Region

Sitting in the heart of the fast-growing ASEAN region, with access to a 630 million population and a rapidly growing regional economy makes Greater KL a strategic business and investment hub. Its ongoing transformation into a world class city provides for an even more compelling case to market the city as a hub within the region.

INVESTMENTS CONTINUE TO BE CHANNELED INTO THE GREATER KL/KV REGION

According to the Economist Intelligence Unit's (EIU) report, *Hot spots 2025: Benchmarking the Future Competitiveness of Cities*, Greater Kuala Lumpur is ranked against 120 other cities as the second most competitive global city in Southeast Asia. Greater KL is also ranked second in the emerging Market Cities and fourth in its Business Friendliness according to the Financial Times (UK)'s Foreign Direct Investment report 2014.

Greater KL has clearly emerged as a favorite to multinational companies; with an increasingly mature support ecosystem, an efficient cost structure, large pool of high skill talent and an ever increasing ease of doing business.

For 2015, InvestKL was successful in attracting 10 multinational corporations (MNC) to Greater KL, meeting its set target. These MNCs will be setting up regional headquarters, regional centres of excellences and principal hub operations.

With a total of 51 MNCs that have set up regional offices in Greater KL since inception in 2011, 24 are European, 16 are from the Americas and the remaining 11 are from the Asia-Pacific region.

Main sectors include engineering services, business services, oil and gas services, global commodities trading and the supply chains of aerospace, logistics and industrial products multinationals.

GETTING OUR TALENT STRATEGY RIGHT

In order for Malaysia to maintain its attractiveness as a regional business and investment hub, Talent Corporation Malaysia (TalentCorp) has been partnering leading companies to address the issue of talent availability in key sectors driving Malaysia's economic growth. Towards this end, a wide-range of initiatives have been introduced to enhance the employability of Malaysian graduates, engage global Malaysians to return or contribute from abroad, facilitate top foreign talent, particularly in areas of skill shortages and optimise on home-grown Malaysian professionals including promoting diversity and inclusion.

To enhance graduate employability, TalentCorp continued to provide tax incentives on expenses incurred by companies in hosting 17,967 undergraduates for structured internships; and co-funded training programmes with the industry to upskill 7,153 fresh graduates to meet industry requirements in 2015. Under the Scholarship Talent Attraction & Retention (STAR) initiative, 1,019 Government-funded scholars, including engineering, science and accounting students, graduating from both local and overseas universities such as from the UK, US, Germany and Japan served their bond of service by working with private sector employers.

The World Bank in a June 2015 report concluded that the Returning Expert Programme (REP) has succeeded in attracting overseas Malaysians with the skills that Malaysia needs. In 2015, 616 experienced Malaysian professionals working abroad were approved for the REP incentives. In line with the World Bank's report recommendations, TalentCorp has increasingly worked with employers to connect experienced Malaysians abroad with job opportunities in Malaysia.

TalentCorp continues to enhance the ease of entry for highly skilled expatriates, particularly in areas of skill shortages in Malaysia. The Immigration Department and TalentCorp's newly opened Malaysia Expatriate Talent Service Centre (MYXpats Centre) achieved a 71.5 percent success rate in 2015 of processing employment passes within its five-day client charter.

The Residence Pass-Talent (RP-T), an initiative by TalentCorp and the Immigration Department, was assessed by the World Bank in 2015 to be an effective tool in retaining top foreign talent in areas of skills gaps. In 2015, 1,113 expatriates were approved the RP-T.

In 2015, TalentCorp also worked closely with 20 leading employers to adopt flexible work arrangement as a key strategy to retain women in the workforce and helped 256 women return to the workforce under the Career Comeback programme launched last year.

INVESTKL SPOTLIGHT

Between 2011 and 2015, InvestKL has attracted 51 MNCs with approved / committed investments totalling more than RM5.9 billion and regional jobs totalling more than 7,100. Out of this, RM 1.9 billion of investment has been realised and more than 4,700 regional jobs are on payroll.

These investments have also generated a multiplier effect in the office space rental sector with the MNCs taking up over 570,000 square feet of office space, and generating an annual rental of RM40 million. This initiative is on track to reach its target of attracting top 100 MNCs by 2020.

Also encouraging is increased investments by MNCs who have already made Greater KL their regional base such as Schlumberger, International SOS, Service Source and Linde as they experienced the advantages of operating from Malaysia.

KL Mayor with Ambassadors

MOVING FORWARD

Taking stock of the progress recorded last year, 2016 is set to be both an exciting and challenging one for the Greater KL/KV NKEA, as several major projects record important milestones this year in realising our vision of becoming a world class city. Even so, more needs to be done to assure momentum amidst the backdrop of global economic headwinds.

All trackwork installation works for the Sungai Buloh – Kajang MRT Line will be completed, and the first phase of the MRT Line 1 (Sungai Buloh – Semantan), will be operational by end 2016.

For the High Speed Rail, project structure discussions are still ongoing. Both governments are still in the process of negotiating a bilateral agreement to govern the construction and operations of the project, with both Prime Ministers being fully committed in ensuring that the project will come to fruition. SPAD is spearheading this project on the Malaysian end and will be the lead in formulating the Terms of Reference for the Bilateral Committee to be set up by end 2016.

The river cleaning component of the River of Life initiative will continue to progress. Some highlights are the commencement of construction of the Jinjang-Kepong Regional Sewage Treatment Plant in 2016. 11 percent of construction is expected to be completed in the same year. The construction of the Bunus Regional Sewage Treatment Plant that is currently progressing ahead of schedule will be 60 percent completed by end of 2016.

The remaining seven beautification work packages for the 10.7km stretch along the Gombak and Klang Rivers that flow through Kuala Lumpur will be awarded in 2016, with construction expected to reach an overall target of 20 percent within that year.

With the establishment of a DMO to monitor and ensure implementation of measures to move the Solid Waste Management lab outcomes forward, it is expected that the Taman Beringin pre-treatment system and upgrading of the Leachate Treatment System will be completed. This would prevent leachate outbreak into nearby water bodies and prevent the foul smell of leachate from affecting the residents living close to the landfill.

Overall, the Government is confident that with initiatives yielding delivery being implemented according to plan, Greater KL/KV is well on track towards achieving its world-class city aspirations by 2020, if not sooner.

Marcus Karakashian
Project Director,
MRT Sungai Buloh-Kajang Line,
MRT Corp

Dato' Haji Haris Fadzilah Hassan
Commercial and Land Management Director,
MRT Corp

ALL SET TO GO

First Phase of MRT Line 1 on schedule for commencement of service end 2016

When the first phase of the Klang Valley MRT Sungai Buloh – Kajang (SBK) line begins operation at the end of 2016, residents of Klang Valley who are constantly at the mercy of traffic jams can expect a game-changing transportation experience in the Greater Kuala Lumpur/Klang Valley area.

The public can look forward to a clean, modern, fast and comfortable transportation system that allows them to travel from Sungai Buloh to Kajang in 88 minutes. Also, the luxury of predictability with trains arriving every 3.5 minutes during peak hours people to plan their travels more effectively.

According to Mass Rapid Transit Corporation Sdn Bhd (MRT Corp)'s Project Director for the MRT Sungai Buloh-Kajang Line Marcus Karakashian, this efficient train system will be supported by a regular feeder bus service that plies residential and commercial areas, providing first to last mile connectivity to commuters.

The Klang Valley MRT is one of the very few mega projects that is being completed according to schedule, and the reasons for this include its efficient working relationship with the Project Delivery Partner (PDP) MMC-Gamuda KVMRT Sdn Bhd, both extensive and consistent engagement with its stakeholders as well as the strict governance system executed by the MRT Executive Committee, chaired by the Chief Secretary to the Government, Tan Sri Dr Ali Hamsa.

MMC-Gamuda is entrusted to ensure the delivery is on time and within cost, failing which a penalty will be imposed. Hence, it is in the PDP's interest to push for timely delivery within cost.

The MRT Exco, which comprises representatives from ministries, government agencies including State Governments is a platform where all inter-agency issues are discussed. "Since it is chaired by the Chief Secretary to the Government of Malaysia, Tan Sri Dr Ali Hamsa and represented by senior officials,

most issues are resolved quickly," Karakashian said, adding that the mandate from the top to support the project has also helped expedite project delivery.

Stakeholder engagement, an initiative that has been a priority since the beginning of the project in 2011, is another reason why the MRT project, which had faced quite a bit of public opposition in the beginning, managed to garner considerable support.

According to Karakashian, MRT Corp's philosophy is anchored on the fact that MRT work should not inconvenience others and there was a need for a strong stakeholder engagement team. The team constantly meets residents and residents' associations to build relations by creating awareness, seeking compromises and finding solutions.

"We take into account all complaints and whenever possible we accommodate requests by residents. For example, we had an individual who wanted us to reduce the noise during welding works as she had a wedding function at home that day, and we did it. In cases where we had the right to acquire the land, the company instead opted for a mutual agreement to develop the land."

He added that with the help of the PDP, contractors are held to high standards. They are expected to respond to complaints within 48 hours and with these complaints being copied to the senior management from MRT Corp, compliance was not an issue.

The extensive stakeholder engagement efforts as well as the complaint and response mechanism has to a large extent helped MRT Corp win over its detractors. "In the beginning, we had strong opposition from many who refused to have the MRT lines in their neighbourhood and now we have lots more people wanting the MRT near their homes," Karakashian said.

According to MRT's Commercial and Land Management Director, Dato' Haji Haris Fadzilah Hassan, many are beginning to see the bounty that MRT brings including the increase in real estate value, new businesses and development projects.

"We have witnessed the economic rejuvenation of a number of areas like Balakong, Sungai Buloh, Sungai Buloh's Kampung Selamat, which are attracting the new investments via development projects and new businesses," he said, adding that though the project is within Klang Valley, the multiplier effects extends beyond city boundaries.

Doreen Ho
Manager Planning and Design, MRT Corp

ENGINEER RETURNS HOME TO SUPPORT NATIONAL TRANSFORMATION

After more than 10 years of living and working as an engineer in Auckland, Kuala Lumpur-born Doreen Ho decided that it was time to head back to Asia where the tempo was picking up in terms of infrastructure development.

"I came to know about a job opportunity in Kuala Lumpur via a friend and applied for it. After a telephone interview, I was offered a position in an international consultancy, which I later found out was working on the River of Life Project," said Doreen, who started working with US-based consultancy firm AECOM as a Senior Engineer in 2012.

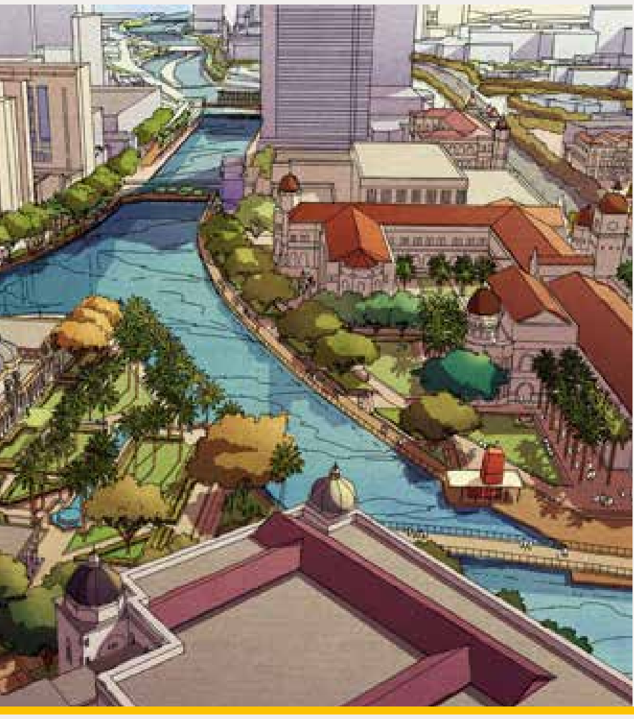
AECOM was the consultancy engaged to spearhead the RM1 billion River Beautification project and transformation of 10.7km of the Klang and Gombak Rivers.

"I was even more excited to discover that the River of Life project was part of the Greater KL/KV put in place to transform the Klang River into a vibrant and liveable water front with high economic value, which also contributes to elevating Kuala Lumpur into one of the top liveable cities in the world, like Melbourne and Singapore, by the year 2020."

"It was also a project which initially drew quite a bit of scepticism and negativity; to some the idea of turning what they thought was a huge monsoon drain into something beautiful was incredulous."

She, however, pointed out that as the project progressed, people began to see the big picture, that it was indeed possible to transform the once forgotten river into a space worthy of celebration.

The engineering graduate who worked in two international consultancies in Auckland and came back home under TalentCorp's Returning Expert Programme, found the transition from working life in New Zealand to Malaysia much harder than she had anticipated.



"I would say that the first six months were really tough - having to adjust with a new working culture and lifestyle, whilst being a part of a high profile project with a short delivery deadline."

"I may have been born here but being away for years and with the big changes that had taken place in Kuala Lumpur, it was no longer the place I once related to. Hence, for me the transition was not a smooth ride. However, it was good to have support in the form of friends and work colleagues who had similar experiences of returning home to work. A word of advice to all returning Malaysians is that you have to set a realistic expectation about what you're going to be walking back into, before moving home."

Doreen was part of the pioneering team in AECOM for the River of Life project and was involved in the beautification work in Precinct 7, the first of eleven Precincts of the overall River of Life works to beautify and reactivate the Heritage Quarter of Kuala Lumpur, whilst conserving the heritage values of the area. "It was a challenging project as being in the oldest part of the city, we were working with numerous stakeholders and public landowners on land matters and utility providers on managing works around a web of old and unknown underground utilities and drainage systems. Additionally, the project's KPI also included raising the bar of current standards to produce a high quality design and specifications in an industry that is only currently catching up with international standards."

After three and a half years at AECOM, Doreen took up a new challenge at Mass Rapid Transit Corporation Sdn. Bhd. (MRT Corp). She is presently Manager of Planning and Design (Civil and Structural) for the Line 2 underground team.

"As our CEO mentioned in the New Straits Times on 23 February 2016, the MRT development is currently the country's largest infrastructure project and the biggest work package tendered out for Line 2 is for the underground portion. The excitement of delivering an MRT project that is going to further improve the traffic congestion of Kuala Lumpur keeps the team on our toes in achieving this EPP project."

Doreen takes great pride in the work she is doing to support national transformation and has no regrets coming back to Malaysia for it was a move that provided her opportunities to work on large scale projects of great impact.

RIVER OF LIFE PUBLIC OUTREACH PROGRAMME (ROL-POP)

As part of the key initiatives for Entry Point Project 5 (EPP5) River of Life, the River of Life Public Outreach Programme (ROL-POP) aims to address river water pollution through non-structural measures by educating the public on the need to collectively care for the river and its water quality. The initiative also promotes a sense of ownership towards the river, and creates a long-term and sustainable behavioural change in the public towards preserving the rivers.

The Department of Irrigation and Drainage (DID) initiated this project with the involvement of 26 government agencies and departments across four Ministries, two states and three municipalities which are the Ministry of Federal Territories, Ministry of Natural Resources and Environment (MoNRE), Ministry of Urban Well-being, Housing and Local Government (KPKT) followed by the states of Selangor and the Federal Territory of Kuala Lumpur and finally, the municipalities Dewan Bandaraya Kuala Lumpur (DBKL), Majlis Perbandaran Selayang (MPS) and Majlis Perbandaran Ampang Jaya (MPAJ). Despite this, the ROL-POP programme is heavily geared towards the active participation of the local communities.

As a civil science programme, at the initial stage, it consists of creating awareness. At the implementation stage, it focuses on imparting knowledge and skills to the community. Finally, the actions of the community are driven in line with basin community needs.

The ROL-POP achieves its objective via three streams. The ROL-POP campaign and talks which make up the first stream, brings the local community closer through direct participation so they can have a better understanding of the programme and its aims. Via indirect methods, there is media coverage to allow for a wider audience to be reached.

The second stream, training and workshops is carried at different community levels to enhance their skills and knowledge in managing river water quality.

The third stream maintains momentum for on-going programmes and activities to sustain stakeholder commitment via ROL outreach programmes.

CONNECTING PEOPLE TO THE RIVER OF LIFE

Working hand in hand with DID on one of the ROL-POP initiatives is Dr K Kalithasan, coordinator of the RIVER Care Programme for the Global Environment Centre (GEC) who affirms that river rehabilitation will not work if the human factor is not addressed effectively.

"People are both the source of the problem as well as the solution, and unless there is a change in mind set and behaviour, a permanent solution remains elusive."

Dr. Kali asserts that the first move in mobilising people to care for the river is to reconnect people with the river and make them realise that they are both part of the river basin and the beneficiaries of the river, especially those who are living within its immediate vicinity.

"Once they are connected to the river, ownership and responsibility come naturally. This bottom-up or/and 'heart' approach (soft approach) works more effectively in changing behaviours and mind-sets than the hard approach or/and top-down instructions to take care of the river."

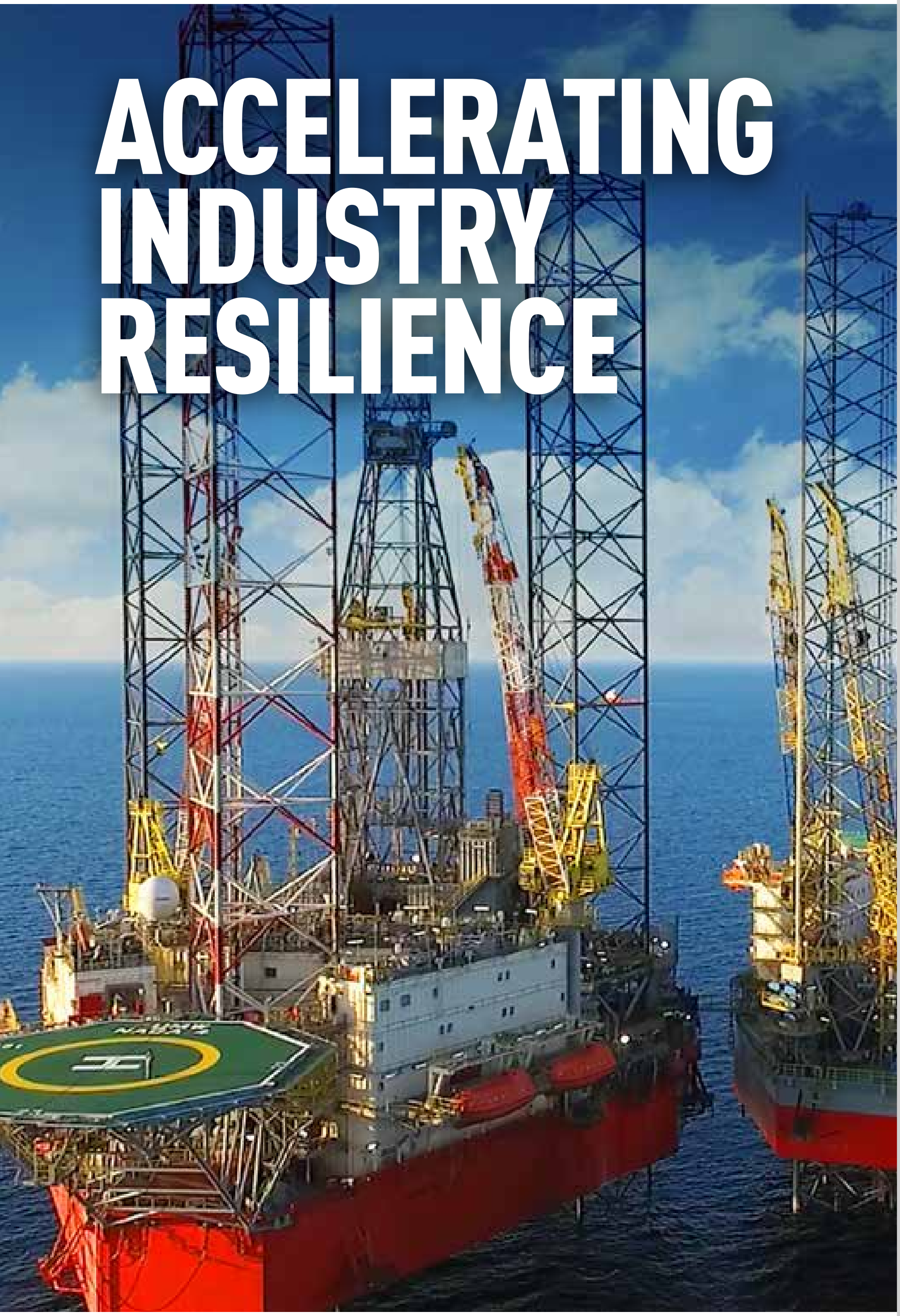
"In 20 years of doing outreach programmes, our greatest achievement is the shift in the way people looked at river and river basin and re-connect, which I term as adopting the right picture of the river and river basin."

Via ROL-POP, he shares that communities have started adopting river reserves and monitoring water quality. Some have transformed river reserves into vegetable and herb gardens as seen in AU2 with the support of the Department of Irrigation and Drainage (DID) Malaysia, and community river centres in the Melawati Area and Taman AU3 community are planning to set up parks.

Overall, the ROL-POP shows that public participation is vital and should be the key element in future efforts for sustainable river basin management in Malaysia, he says.

All photos courtesy of Dr K Kalithasan and the Global Environment Centre

People are both the source of the problem as well as the solution and unless there is a change in mindset and behaviour, a permanent solution remains elusive.



ACCELERATING INDUSTRY RESILIENCE

Photo courtesy of UMW Oil & Gas Corp Bhd

DATUK SERI PANGLIMA DR. MAXIMUS ONGKILI

MINISTER OF ENERGY, GREEN TECHNOLOGY AND WATER

The Oil, Gas & Energy (OGE) National Key Economic Area (NKEA) is designed to be robust over various business cycles. The current low oil price scenario creates an opportunity for industry rebalancing and evolution to ensure best possible returns on capital invested, as opposed to merely surviving the downturn.

With oil majors adjusting to this 'new normal' and a shrinking pie in terms of work within the industry, competition has naturally intensified.

Thus, Malaysian Oil & Gas Services and Equipment (OGSE) companies must consider exploring consolidation opportunities within the fraternity to increase their competitiveness and place the industry in good stead when the global oil market recovers.

I believe that local OGSE companies must increase their competitive advantage by investing and working to become owners of technologies, rather than agents of technologies.

In the energy sector, the Government continues to introduce policies geared towards ensuring energy security, efficiency and accessibility whilst encouraging the use of cleaner energy sources. However, the current low oil and coal price might be a challenge to these efforts.

Nonetheless, in our efforts to mitigate climate change and global warming, we must continue to decarbonise our economic growth by shifting away from conventional fossil fuel and increasing our use of renewable resources.

"...the industry and the players are better positioned to face uncertainties, having built competency and capacity over the years.

Malaysia's push towards high income status by 2020 continues to place the Oil, Gas and Energy (OGE) sectors in critical light to propel the economy forward.

As a net energy producer, the Oil & Gas (O&G) industry has consistently contributed about one third of Government revenue. Although the Government continues to reduce its income dependence on this sector by developing other economic areas, world class competency and capabilities developed over the years through national oil company Petroliam Nasional Bhd (PETRONAS) should not be dismissed. There remains much value to be gained in maintaining competitive advantage as we forge ahead.

In 2015, OGE sectors contributed 17 percent to the country's Gross Domestic Product (GDP). Revenue contribution to Government was at 21.5 percent (MOF Budget Estimate-2015).

INSIDE THIS NKEA

For upstream ventures, this is a time for correction. With oil prices predicted to drop to a record low in 2016 on the back of a global supply glut, now is a time for deep introspection and action to set right excesses and prepare for the upcycle once it occurs.

It is also important that we diversify Malaysia's energy mix to mitigate dependence on non-renewables such as oil and gas, and coal among others. The Government's move to implement Net Energy Metering and Large Scale Solar as announced in 2015 this year, will be good catalysts in encouraging the take-up of renewables in the country.

An equally encouraging development in the energy policy space has been the adoption of the fuel standard in the form of Euro 4M RON97 nationwide in September. This kick-starts a series of game-changing reforms in fuel-standards to reduce the negative impact of low standard fuel on the environment. Seeding from this development, oil companies had also started to introduce the Euro 5 diesel in selected stations in the Klang Valley as well as in Southern Johor.

Fuelled by the need to ensure relevance of the OGE sectors against the backdrop of shifting industry dynamics, we highlight below the key areas where OGE NKEA's efforts were directed in 2015.

1 Maintaining the Sustainability of Domestic O&G Production

Continuous volatility in crude oil price impacted the industry in different forms and led to changes in the landscape in many ways. As part of good business and commercial practice, PETRONAS and other International Oil Companies (IOCs) operating in Malaysia increased scrutiny on their projects and staffing levels.

It appears that the era of "easy oil" is now over. With dipping oil prices, some O&G projects ceased to be lucrative, or even commercially viable. Higher technologies and investments are required to extract oil from less-than-favourable field conditions.

The prolonged low oil price environment inevitably caused some projects to be shelved while those that do go through are expected to rake in lower margins.

In anticipation, oil majors in and outside Malaysia have announced various measures to trim their capital expenditure and jobs.

2015 IN REFLECTION:

- MPRC, along with Malaysia External Trade Development Corp (MATRADE), intensified efforts to bridge business opportunities in key ASEAN markets in the run up to the ASEAN Economic Community (AEC) which took effect at end-2015. A total of 33 Malaysian OGSE companies were led on three Specialised Marketing Missions (SMMs) to Indonesia, Myanmar and Vietnam
- MPRC also actively assisted MATRADE on five other SMMs – to Azerbaijan and Kazakhstan, Kuwait, Brazil, Abu Dhabi, and Saudi Arabia
- MPRC hosted its second Oil & Gas Financial Forum (OGFF) in June 2015 to improve local OGSE firms' access to funds. The OGFF connected oil and gas services and equipment (OGSE) companies with key players in Malaysia's financial services landscape namely Bank Negara Malaysia, RHB Bank, SME Bank and Societe Generale, among others – to explore financing for the OGSE firms as well as to raise awareness on the OGSE landscape in Malaysia
- As part of the technology development agenda for local OGSE companies in the 11th Malaysia Plan, MPRC has entered three memorandums of understanding with Universiti Malaya, Universiti Teknologi Malaysia and Universiti Teknologi Petronas. These collaborations pave the way to the establishment of three research and development clusters to form industry-academia partnerships that will support the growth of Malaysian technologies and talents in OGSE sector

The three clusters, also known as Oil & Gas Innovation and Technology Clusters (OGITeC) will be advancing innovations and technology development in the following areas: Subsurface Technology (UM), Marine Systems (UTM), and Topside Process Engineering (UTP).

Dato' Sri Idris Jala delivering a keynote address at MPRC Oil & Gas Financial Forum 2015 (OGFF 2015). The OGFF convened influential leaders from the financial and O&G sectors for a day of networking and exciting conversation on trends and development in the Oil and Gas Services and Equipment (OGSE) industry, and financing strategies for OGSE companies in the current market downturn

Moving forward, as the pie in this industry shrinks and domestic jobs plateau, domestic competition will intensify. Malaysian OGSE companies should start exploring opportunities to enhance competitiveness and prepare for the next upcycle upon recovery.

The current changing landscape and challenges have the potential to act as a catalyst for OGSE companies to explore opportunities for consolidation within the fraternity and step up on investing and working towards becoming owners of technologies, rather than merely agents of technologies, to increase their competitive advantage.

Current trends focus on three technology clusters namely subsurface, marine and topside. Apart from these are system integration and challenges in extending the life of existing assets which cut across all three clusters. These areas provide high technical content and high value added work, skills and competence. Nudging local players to become competent in these areas will also bode well in shaping Malaysia to become a regional O&G hub capable of meeting the needs of investors.

There are many existing facilities to encourage technology development. MPRC advocates and facilitates increased participation in oil and gas technology development between Government agencies and industry players and will continue to work with PETRONAS to identify incentives to encourage consolidation among OGSE companies in the market.

2 Malaysia: Asian Hub for Oilfield Services

Since 2011, Malaysia has set out on a journey to become the hub for Oil and Gas Services and Equipment (OGSE) activities.

With our extensive experience in the O&G market compared with other countries in Asia-Pacific, we are well-placed to achieve this vision.

However, in order for Malaysia to become a thriving hub, OGSE firms in Malaysia need to be more competitive.

OGSE firms in Malaysia are also now competing in a smaller and more challenging market due to low oil prices and market liberalisation.

To address this, MPRC, along with relevant Government agencies, have been toiling to ensure the implementation of initiatives that will help local OGSE companies compete and survive in this tough environment.

MPRC actively promotes the development of O&G focused training and development centres within the country. Internationally recognised institutions such as Aberdeen Drilling School, UMW-INSTEP Drilling Academy, Harness Energy, The Welding Institute and OPITO BOSIET Training centres have been established in Malaysia.

There was increased interest among MNCs in 2015 to set up a regional base in Malaysia. These included companies like engineering procurement firm McDermott, oil services firm Hilong Holdings and O&G exploration and production (E&P) training firm Harness Energy.

These investors are primarily guided by long-term considerations on the global O&G landscape. Establishing a base at the heart of the world's fastest growing economic region – Asia, will put them in a well-positioned spot to take advantage of the future rebound in oil prices and resulting OGSE activities. It is necessary for Malaysia to develop the right environment for this to thrive.

(Top) MPRC team at the Aberdeen Drilling's Malaysian Well Control Training Centre launch. **(Bottom)** MPRC team with key players at the grand opening of the new Hi-Force Malaysia premise on 29 October 2015

3 Oil Price Contango Spurs Storage Demand

In 2015, the glut in oil supply pushed oil prices into a contango, where front-month contracts were at a discount to longer-dated futures contracts. The wide price discount enabled customers and traders to purchase oil today and sell futures at a higher price.

In turn, the contango spurred storage demand globally. Similar trends were seen at the oil and liquefied natural gas (LNG) storage facilities in Malaysia. The committed capacity for both oil and LNG reached 1.25 million cubic metres, far exceeding the 2015 target of 0.83 million cubic metres. Dialog Group Bhd, the lead joint venture partner in the Pengerang Independent Deepwater Petroleum Terminal (PIDPT), also saw a surge in demand for storage. Total planned storage capacity at PIDPT is for five million cubic metres by 2020.

4 The Road to Energy-Efficiency

RENEWABLE ENERGY

To diversify and increase the nation's Renewable Energy (RE) capacity, the Government aims to implement Net Energy Metering (NEM) and Large Scale Solar (LSS).

Additional initiatives will be implemented to complement existing initiatives, such as the Feed-In Tariff (FiT) mechanism, to improve utilisation of indigenous RE resources. The goal of these initiatives is to ensure national electricity supply security and sustainable socio-economic development.

Malaysia's FiT mechanism, introduced in 2011, has to date resulted approximately 350MW additional installed RE capacity connected to the grid, falling below the original target of 985MW by 2015. The lag is brought about by the inability to kick-off non-PV resources due to issues concerning feedstock, grid-connection, permitting and finance. Although PV is by far the most easily executable mechanism, further quota expansion is impeded by high FiT rates for PV which would be likely to drain the RE Fund.

INCREASING SHARE OF RENEWABLES IN THE ENERGY MIX

The Government has announced plans to implement Net Energy Metering (NEM) and Large Scale Solar (LSS) in Malaysia.

The Sustainable Energy Development Authority Malaysia (SEDA Malaysia) working in collaboration with various agencies including KeTTHA, the Energy Commission (ST) and power utilities such as Tenaga Nasional Bhd (TNB) and Sabah Electricity Sdn Bhd (SESB) as well as, the photovoltaic (PV) industry are presently developing frameworks to facilitate the implementation of these initiatives.

NEM allows electricity generated from solar PV systems to be consumed in situ (self-consumption) thus reducing the purchase of electricity from the grid.

In Malaysia, where peak electricity demand coincides with the electricity generated by solar PV systems, the widespread deployment of net energy metering for residential and commercial buildings will help utilities to reduce generating peak electricity which is expensive.

Additionally, the LSS will also provide a formidable alternative for power generation. Traditionally confined to smaller capacities, the trend of LSS continue to gain traction.

Over the long term, introducing more renewables into the energy mix is expected to reduce reliance on imported fuels and boost energy security in the country. Additionally, given that these are clean energy generators, the NEM and LSS will also bode well in mitigating climate change concerns.

Kumpulan Melaka Berhad's 5 Mw solar farm

Funding source for the FiT is limited to the surcharge imposed on the bills of electricity end-users, currently at 1.6 percent. The quota cap is essential to ensure adequate RE Funds for FiT payments to RE generators.

The introduction of both NEM and LSS will help improve the overall contribution of RE to the energy industry moving forward. The Ministry of Energy, Green Technology and Water (KeTTHA) had announced the implementation of NEM and LSS in 2015.

HIGHER FUEL STANDARDS

In 2014, the Government announced the roadmap for the implementation of higher retail fuel standards nationwide – the Euro 4M RON97 is to be introduced in September 2015, Euro 4M RON95 in October 2018, Euro 5 Diesel in September 2020, and Euro 5 RON95 and RON97 in September 2025.

Adoption of these global standards will ensure that fuel sold in Malaysia contain lower benzene and sulphur – in short, greener fuel producing less emissions and pollutants into the environment.

On target, the Euro 4M RON97 standard was successfully implemented in September 2015 by all oil companies in Malaysia.

Preparations to implement the Euro4M RON95 has started, with key stakeholders –such as the Economic Planning Unit (EPU), Ministry of Finance (MOF), Ministry of Natural Resources and Environment (NRE), and Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK) – looking at different areas of readiness such as standards and pricing.

On 1 December 2015, the NRE approved and gazetted the new Euro 5 fuel standards in the Environmental Quality (Control of Petrol and Diesel Properties) (Amendment) Regulations 2015 to be implemented in Malaysia. With the regulation now in place, oil companies are obliged to supply fuel in the Malaysian market by using standards imposed by NRE as a guideline, moving towards the implementation of Euro 5 fuel standards starting with Diesel in September 2020, as scheduled.

MOVING FORWARD

Looking ahead, it is clear that 2016 will be one marked with challenges for the O&G industry, with a slower progress in the upstream sector. And yet, this industry is no stranger to trying conditions, having gone through a similar cycle when oil prices went down below USD10 per barrel back in 1998. The difference this time around is that the industry and the players are better positioned to face uncertainties, having built competency and capacity over the years.

As an upside, the current situation creates a stronger impetus for O&G players to take measures that will inevitably strengthen their operations and help them create resilience against volatilities and unexpected industry developments. We must remember never to downplay the breadth and experiences of our local firms and leverage on all these to create competitive differentiation in the industry.

Amidst various challenges, in 2016, the Government, in partnership with the private sector must ensure Malaysia's energy infrastructure remains robust.

Efforts to diversify the country's sources of energy and the move towards a market-based pricing for energy continues to shape the agenda of what we want to achieve in this space.

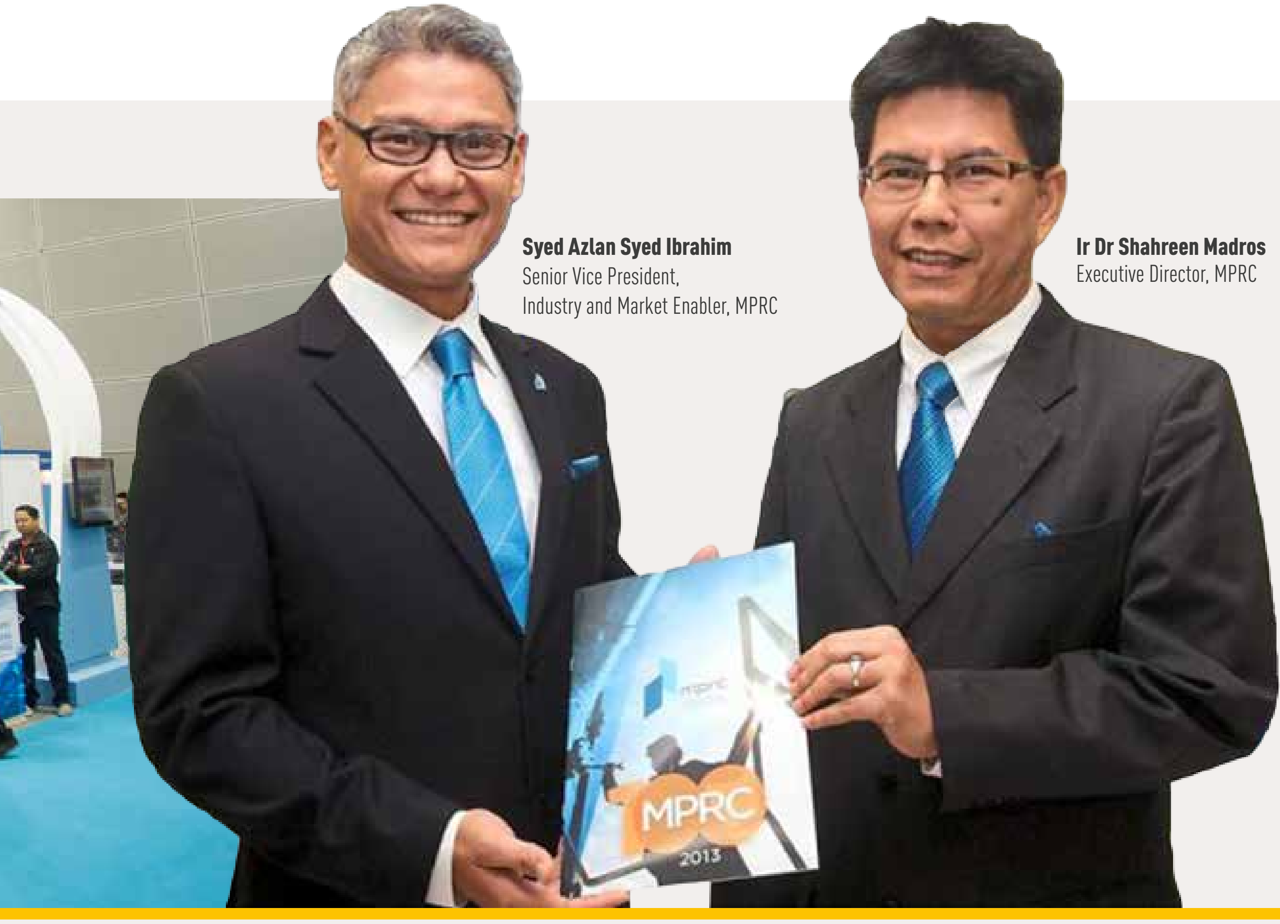
The Government will be focusing on getting the necessary framework in place for Third Party Access (TPA) as well as pushing for rationalisation and subsequently deregulation of gas prices. TPA will pave the way for the liberalisation of the gas market in Peninsular Malaysia. The advent of market liberalisation will facilitate the entry of new industry players, encourage more efficient utilisation, and benefit consumers by enabling competitive gas pricing. At the same time the TPA will contribute towards stronger foundations for the country's energy security fostering greater economic security, prosperity and well-being.

At the COP 15 in Copenhagen, our Prime Minister announced that Malaysia would voluntarily reduce its greenhouse gas emissions intensity of Gross Domestic Product (GDP) by up to 40 percent based on 2005 levels, by 2020, conditional on technology transfer and financial assistance by developed countries. Energy efficiency and green technology will also be focus areas for 2016.

PROMOTING INFORMATION TRANSPARENCY THROUGH MPRC100 TO SPUR OGSE INDUSTRY DEVELOPMENT

There are currently 3,613 local Oil and Gas Services and Equipment (OGSE) companies operating in Malaysia registered with state oil company PETRONAS. Thus, when the Malaysian Petroleum Resources Corporation (MPRC) introduced the MPRC100 in June last year, the report was very much welcomed by investors, bankers and industry players alike, says MPRC's executive director Dr Shahreen Madros.

The MPRC100 is a list of the Top 100 Oil and Gas Services and Equipment (OGSE) companies in Malaysia ranked based on their revenue. It maps industry segments where the MPRC100 companies are operating in, and provides industry commentary featuring an aggregated view of the OGSE industry in Malaysia, and supplemental analysis.



Syed Azlan Syed Ibrahim
Senior Vice President,
Industry and Market Enabler, MPRC

Ir Dr Shahreen Madros
Executive Director, MPRC

Madros adds that the report was produced in line with MPRC's stance to promote information transparency as part of its mandate to develop and promote Malaysia's O&G services industry.

"We see information transparency as a market enabler and believe in maintaining a very transparent and systematic process so that all information can be verified."

Having such information and value-added analysis neatly packaged is undeniably useful to many stakeholders, given that information on non-listed companies can be notoriously hard to uncover, he says.

MPRC100 has proven to be useful to investors in identifying the industry's potential and risks of the companies featured, bankers in gauging how the industry is performing overall, trade agencies in promoting Malaysian companies abroad, and industry players in their strategic alliance.

In preparing the report, he explains that MPRC started with the database of companies registered with PETRONAS and procured financial information (based on audited accounts) from the Registrar of Companies (ROC). The 2012 and 2013 data were published in the first half of 2015 and with 2014 data published in January 2016.

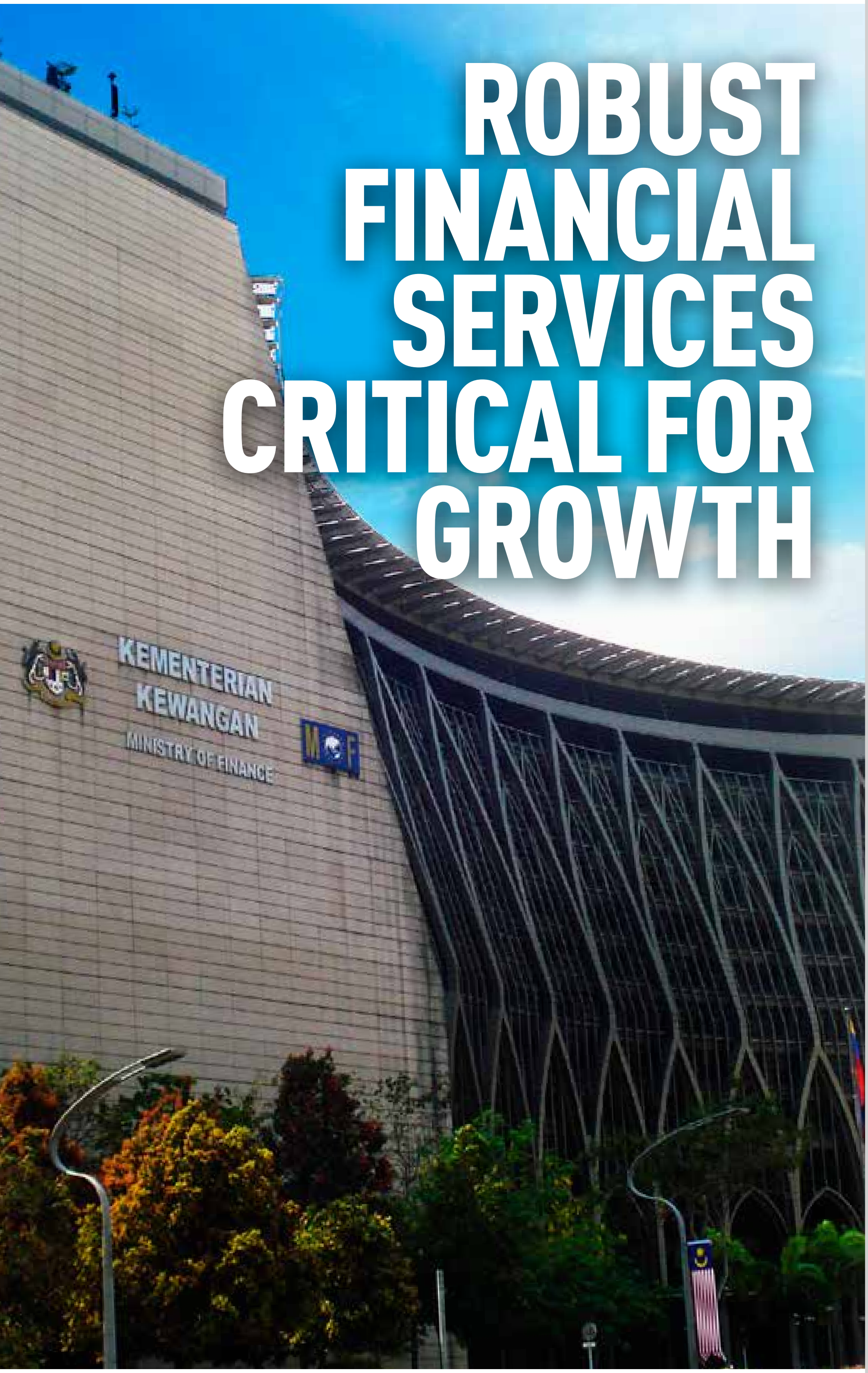
Other than the MPRC100, MPRC published two other documents - Malaysia OGSE Catalogue (the 2016 edition features 154 companies) and Malaysia Oil and Gas R&D Catalogue.

Essentially, through these reports, the agency aims to generate more interest, analysis and discussions to build capacity and further uplift Malaysia's OGSE sector, in line with the Government's goal to see Malaysia become the OGSE hub of Asia Pacific.

MPRC recognises the need for more thought leadership documents to help the industry grow and achieve as well as maintain its position as a regional OGSE hub and foresees publishing more such documents in the near future.

> *We see information transparency as a market enabler and believe in maintaining a very transparent and systematic process so that all information can be verified.*

ROBUST FINANCIAL SERVICES CRITICAL FOR GROWTH



DATO' SERI AHMAD HUSNI MOHAMAD HANADZLAH

MINISTER OF FINANCE II

The global economy faced numerous challenges in 2015. Among the main challenges were uncertainties from the impending monetary policy normalisation in the United States, the ripple effects of China's economic rebalancing, sharp and prolonged decline in commodity prices and shaky investor confidence owing to an uncertain domestic political climate.

Despite the challenges, I am pleased to report that the Financial Services National Key Economic Area (NKEA)'s KPIs for the year have been met, thanks to the collective efforts across the various agencies involved.

With the ASEAN Economic Community (AEC) gaining headway in facilitating trade between member nations, the ASEAN banking integration framework was concluded and announced by the region's Central Bankers and Finance Ministers in 2015. This brings us closer towards realising the goal of becoming a formidable economic block trading with the rest of the world once the AEC picks up full momentum.

Funding remains a significant challenge holding smaller businesses back from realising their full growth potential. As part of efforts to offer alternative sources of funding for small businesses and entrepreneurs, Securities Commission Malaysia launched the Equity Crowdfunding (MyECF) framework in 2015 and eventually approved six equity crowdfunding operators out of 27 applications for the year.

In improving and strengthening the Islamic financial market, several Islamic Finance industry players jointly established the Investment Account Platform (IAP) which was launched in February 2016. IAP is a centralised multi-bank platform that aims to facilitate investors investing in viable ventures or projects including SMEs.

With oil prices hitting record lows in January and prompting the Prime Minister to announce a Budget Recalibration to adjust, it is to be expected that some sectors will be affected, creating a ripple effect on the financial services sector.

Nevertheless, with the sound fundamentals put in place by the Government to strengthen the resilience of our economy and banking system over the last few years, I am confident we will face these challenges from a position of strength and continue to put in place safeguards that can take us through these challenging times.

> *"Moving into 2016, the focus of the Financial Services NKEA will be to further enhance the resilience of our financial systems, domestic economy and ensuring continuous sustainability of financial services industry.*

2015 was a daunting year for the global financial industry and Malaysia was not spared. Bracing against a series of external and internal challenges, our country's macroeconomic management in 2015 focused on strengthening the resilience of the economy, managing the impact of external vulnerabilities and safeguarding the well-being of the rakyat.

The shifting dynamics of global economic conditions have given rise to increased uncertainty for economies, particularly in two aspects - growth and financial stability.

Given that the Malaysian economy and financial system are highly open, uncertainties from the impending monetary policy normalisation in the United States, faster than expected slowdown in some emerging economies, sharp and prolonged decline in commodity prices, as well as increasing volatility in financial markets were the main near-term downside risks.

INSIDE THIS NKEA

Some emerging economies including Malaysia experienced slower growth as advanced economies began recovery. This is in addition to the global oil supply glut coupled with the overall weakening of global demand that took its toll on commodity prices.

During the first eight months of 2015, regional currencies including the ringgit had depreciated by 16.5 percent as the US dollar strengthened on improving economic activities and expectations of an interest rate hike. This led to significant portfolio outflows from emerging and regional financial markets, impacting the performance of regional bourses including Bursa Malaysia.

Internally, the economy was tested by a barrage of negative investor sentiments primarily caused by tensions in Malaysian politics prompting an exit of hot-funds investors reacting to short-term concerns. As of August 2015, foreign funds have pulled a net 11.7 billion ringgit (USD3 billion) of the nation's shares.

In spite of heightened volatility in global financial markets, the domestic financial system remains resilient and continues to have ample liquidity to support real sector activities. The banking system remains sound and well capitalized with the key capital ratios well above the required regulatory minimum levels.

1 Islamic Finance Remains on Solid Footing

Malaysia has remained a key marketplace for global sukuk issuance with 52.6 percent market share (USD34.8 billion issued by Malaysia out of total USD66.1 billion). Malaysia's market share of global sukuk outstanding stood at 54.3 percent (USD174.41 billion out of total USD321.15 billion). With its fourth issuance of a US dollar denominated sovereign global sukuk amounting to USD1.5 billion in April 2015, Malaysia reinforced its position as a global leader.

Established expertise in the sukuk market offers opportunities for domestic financial players and professional service firms to profile and enhance their global capabilities in providing Islamic financial advisory and services at the international level. Leveraging its role as the lead issuer in sukuk, Malaysia remains well placed to make further strides in Islamic Finance.

Bursa Malaysia won 'Best Islamic Exchange 2015' for Bursa Suq Al-Sila' performance at The Global Islamic Finance Awards in Bahrain

2 Strengthening Development Financial Institutions

Amendments to the Development Financial Institutions Act 2002 (DFIA), aimed at enhancing the regulatory and supervisory framework for the prescribed Development Financial Institutions (DFIs) was successfully completed in 2015.

The review was essential to ensure that DFIs will be well positioned and able to withstand challenges given the changing financial and operating environment, with focus to further enhance capacity and capability in providing continued financial services to strategic economic sectors. The review not only focused on comprehensiveness of the regulatory and supervisory framework but also the distinctive and unique characteristics and mandated roles of each DFI.

The draft Bill was tabled and approved by Dewan Rakyat and Dewan Negara on 17 June 2015 and 1 July 2015, respectively. The smooth progression of the amended Act was attributed to the strong support and commitment given by all key stakeholders and backbenchers of the Parliament during the engagement sessions held. This includes supportive feedback during public consultation with various levels of key stakeholders in finalising the draft Bill.

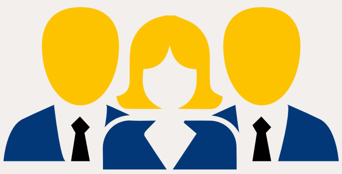
As of 31 December 2015 the following achievements were recorded by the six DFIs under BNM's purview:

Of the total financing outstanding above, lending to **businesses accounted** for **41 percent or RM55.74 million of which 26.6 percent** or **RM14.8 million** were given to approximately **93,000 SMEs**, with almost 80 percent benefitting 80 percent micro entrepreneurs

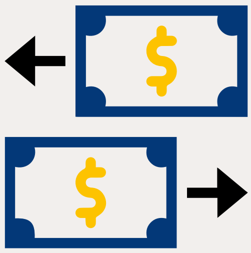
Overall financing outstanding stood at **RM135.58 million** (representing 2.73 million accounts)

The total deposits amounted to **RM117.25 million**

As of 31 December 2015, three DFIs (namely Bank Simpanan, Agrobank and Bank Rakyat) offer agent banking services and recorded the following outcomes since the introduction of the services in 2012:



The current total of **6,452 DFI Agents** make up 93.5 percent of total agents



Transaction volume:

- **62 million or 98.7 percent** of total transactions conducted via agents
- **RM4.55 million or 79 percent** of total agent banking transactions (RM5.7 million)

3 Creating Sustainable Funding Platforms to Support Growth

Malaysian businesses are the cogs that keep the wheels of the economy well-oiled and turning. When the economy is in turmoil, depending on the assets and reserves accumulated many businesses get cut at the knees and struggle to survive.

Amid current challenging economic scenarios, the Government is committed to ensure that businesses with sound plans have continued access to funding options so they are able to pursue growth.

A centralised multi-bank platform has been established to operate IAP and and was launched on 17 February 2016.

LAUNCH OF THE EQUITY CROWDFUNDING PLATFORM BY SECURITIES COMMISSION MALAYSIA

Following the development of a conceptual regulatory framework for Equity Crowdfunding (ECF) and the issuance of a public consultation paper in 2014, Securities Commission Malaysia (SC) had on 10 February 2015 published Guidelines on Regulation of Markets under Section 34 of the Capital Markets and Services Act 2007 (CMSA) to introduce requirements for the registration of ECF platform operators and the governance arrangements for such operators, including requiring the operator's board of directors to be fit and proper and have the ability to operate an orderly, fair and transparent market. The Guidelines on the Regulation of Market has since been superceded with the release of Guidelines on Recognised Markets Operator issued on 11 December 2015 and effective 15 December 2015 to operationalise their platforms by the first quarter of 2016.

Consequently, on 10 April 2015, SC invited prospective operators interested in establishing and operating ECF platforms to submit their application by 11 May 2015. A total of 27 applications were received. On 11 June 2015, SC announced and granted six equity crowdfunding platform operators Recognised Market Operator (RMO) status to operationalise their platforms by the first quarter 2016.

INTRODUCING ALTERNATIVE FUNDING PLATFORMS TO SUPPORT ENTREPRENEURSHIP AND GROWTH OF MALAYSIAN BUSINESSES

SC Chairman Dato' Seri Ranjit Ajit Singh (third from left) with the six ECF operators

Malaysia became the first ASEAN country to legislate Equity Crowdfunding (ECF) when the Capital Market and Services Act 2007 legislative amendments to facilitate ECF came into force on 15 September 2015.

Two ECF platforms have officially launched to date: CrowdPlus. Asia platform was launched by Propellar Crowd+ on 13 November 2015 and Crowdo was launched on 11 January 2016.

Besides ECF, Securities Commission Malaysia (SC) is keen to facilitate development of Financial technology (FinTech) within the Malaysian capital market.

FinTech has significant potential to disrupt the business model of incumbents and appeal to a wider audience by promising user-friendly services that transcend demographic, geographical and infrastructure barriers. Recognising this, and the crucial need to guard against the potential risks, the SC launched the Alliance of FinTech Community or aFINity@SC at the World Capital Markets Symposium 2015 in September, to catalyse the development of FinTech in the country.

With the aFINity@SC, the regulator seeks to drive a network of FinTech stakeholders to accelerate growth and innovation in this industry. In September 2015, the SC released a call for participation to generate response and expressions of interest from relevant stakeholders, including innovators, entrepreneurs, established businesses, investors and other authorities to chart the FinTech agenda together for Malaysia.

aFINity@SC aims to provide regulatory clarity by facilitating discussions between FinTech businesses and relevant authorities to ensure that potential regulatory and risk concerns are appropriately taken into consideration.

The SC has indicated that it will introduce a framework for Peer-to-Peer (P2P) lending in 2016, in line with growing interest in this area. P2P lending has grown significantly in big markets such as the United States, China, the United Kingdom and India.

4 The Private Retirement Scheme as a Wealth Creation Platform Gains Encouraging Traction

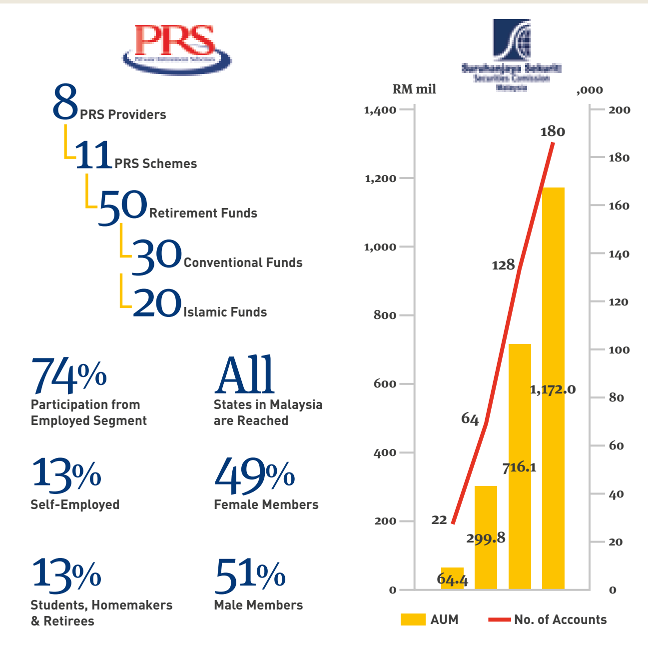
The SC has created a safeguarded environment to ensure that the interests' of Private Retirement Scheme (PRS) members remain at the fore. In implementing the private retirement framework, the SC has applied internationally renowned principles to uphold the quality of PRS providers.

The PRS was first introduced in November 2012 under the leadership of Securities Commission Malaysia (SC). Though still at its nascent stage of growth, the PRS has in the past two and a half years shown a promising and strong start both in terms of Asset Under Management (AUM) and number of members.

As at 31 December 2015, it has 180,651 members (40.1 percent growth from 2014) and RM1,171.97 million AUM (63.7 percent growth from 2014).

There are currently a total of 11 Schemes with 50 retirement funds under eight PRS providers. Islamic PRS funds account for 32 percent of the total AUM.

PRIVATE RETIREMENT SCHEME INDUSTRY'S AUM HIT THE RM1 BILLION LANDMARK



As Malaysia transforms from an emerging economy into a developed nation, the need for a comprehensive multi-pillar pension system becomes increasingly essential. Global institutions like the World Bank acknowledges the importance of a multi-pillar pension system which serves to support the retirement needs of a country's population. In this context, the PRS complements Malaysia's mandatory pillar.

The function of the PRS is one of utmost importance at a time where the adequacy of retirement savings is neither sufficient nor sustainable in an environment where rising living standards and higher age expectancies continue to prevail. Keeping the nation's needs and aspirations in mind, this voluntary pillar is a critical platform for all Malaysians to supplement their retirement savings in order to ensure a level of sustainability and security for their future.

As the PRS embodies inclusiveness, individuals are given sufficient opportunities to share in wealth creation through an additional avenue provided by the capital market. The PRS has been designed to be accessible, affordable and sustainable whilst empowering all members of the Malaysian public to achieve financial security based on what they can afford. In this regard, one of the key features of the PRS is its flexibility.

TOTAL ASSET UNDER MANAGEMENT (AUM) AND NUMBER OF MEMBERS SINCE INCEPTION

The increased participation in PRS can be attributable to early efforts focused on investor education. Since the launch of PRS, the SC and PRS administrator, Private Pension Administrator Malaysia (PPA) have been proactively embarking on a series of education and public engagement campaigns to embed a higher level of awareness on the need for secure retirement planning.

Specifically, the PPA together with all PRS Providers contributed towards the RM5 million Industry Development Fund (IDF) to launch the PRS awareness campaign. The IDF is a three year commitment by PPA and the PRS Providers to raise awareness for PRS. The IDF will also be used to intensify education and public engagement campaigns across the country.

The role of tax incentives has been critical in driving the development of PRS. In the 2012 Budget, the Government announced a tax relief of RM3,000 for contributions made by individuals to PRS approved by the SC. This tax relief will be provided for a period of 10 years, from 2012 to 2021. Employers will also be given tax deductions on contributions to PRS made on behalf of their employees up to 19 percent of the employees' remuneration. To cultivate a retirement savings culture amongst the younger demographic, the Government in the 2014 Budget announced a one-off PRS incentive of RM500 to contributors aged between 20 and 30 who participate in the PRS scheme with a minimum cumulative investment of RM1,000 within a year. This incentive is valid from 1 January 2014 for a period of five years.

5

Supporting Regional Economic Integration Through the Asean Banking Integration Framework

As the ASEAN Economic Committee (AEC) comes into fruition, the conclusion of the ASEAN Banking Integration Framework (ABIF) which was endorsed by the ASEAN Central Bank Governors represents a critical milestone for ASEAN towards achieving greater financial and economic integration.

The immediate objective of ABIF is to achieve a more integrated banking market, spearheaded by Qualified ASEAN Banks (QABs) that now have the potential for a meaningful presence across ASEAN countries. The ABIF accords priority to the outcome of promoting financial development and higher regional economic growth, and is anchored in principles that emphasise inclusiveness, transparency and reciprocity.

With the finalisation of the Framework by all ASEAN central bank governors, any two ASEAN countries may enter into reciprocal bilateral agreements to provide QABs with greater market access, and operational flexibilities consistent with those of domestic banks in the respective host countries. The implementation of the Framework will be accompanied by the strengthening of home-host regulatory and supervisory cooperation arrangements to support the effective surveillance and supervision of QABs. As ASEAN moves closer to the realisation of the AEC, ABIF will strengthen the other initiatives under the ASEAN Financial Integration Framework to provide an important enabling mechanism for ASEAN countries to accelerate the pace of regional financial integration, increase cross border trade and investment flows and thus harness the growth potential of the region.

The ASEAN CAP 10 CEO Summit provided CEOs with actionable parts to prosperity as ASEAN moves to becoming a single market place

MARKET INDICATORS

MALAYSIA MARKET GROWTH FROM JANUARY 2009 THROUGH 31 DECEMBER 2015				
FBM KLCI	Market Capitalisation	ADV	Market Foreign Shareholdings	Foreign Outflow 2014 - to date
+93%	+155%	+76%	+1.4 Percentage Points	RM26.0 bil 2010 to 2013 Total Foreign Net Inflow: RM34.2 bil

MALAYSIA MARKET GROWTH FROM YTD 31 DECEMBER 2015				
FBM KLCI	Market Capitalisation	ADV	Market Foreign Shareholdings	Foreign Outflow 2014 - to date
-4%	+3%	-3%	-2.0 Percentage Points	RM19.7 bil

2015 BURSA MALAYSIA'S MARKET PERFORMANCE

SECURITIES MARKET

Apart from the increase in geopolitical tensions of Russia-Ukraine, the Islamic State crisis in the Middle East and more recently North Korea's nuclear push and the Turkey-Russia political tension, the overall 2015 market condition was challenging due to other external factors. Global and regional factors including China's economy slowdown, depressed global oil and commodity prices and uncertainty surrounding the USD interest rate have contributed to the challenging market condition. On the domestic front, the weakening Ringgit and implementation of the GST have also shaped market conditions.

Against this landscape, the local securities market has remained resilient for the year. The FBM KLCI saw a steady upward trend which began at the start of the year, however some ground was lost in the second half of the year as sentiments were dampened by the external and domestic concerns. Market downtrends were somewhat mitigated by Malaysia's continued strong economic fundamentals and diversification of the economic sectors represented on the Exchange.

The FBM KLCI started at 1,761.25, reached its highest closing level for 2015 at 1,862.80 on 21 April 2015 and finished the year at 1,692.51 points, posting a marginal erosion of 3.9 percent year-on-year. In terms of trading activity, average daily market transacted volume and average market transacted value decreased by 4.8 percent and 2.9 percent year-on-year, respectively. Market capitalisation saw positive movement with RM1,695.17 billion posted as at 31 December 2015, an increase of 2.7 percent compared to RM1,651.17 billion at the end of 2014. The year saw a total net foreign outflow of RM19.7 billion, however this was supported by the net inflow of RM23.8 billion from domestic institutions.

In the more volatile market, there was a reduction in the total funds raised which decreased from RM24 billion in 2014 to RM21 billion in 2015. The number of IPOs were 14 in 2014 as compared to 10 in 2015 which corresponded in a lower level of funds raised at RM3.9 billion in 2015 compared to RM5.9 billion in 2014. Meanwhile, fund raising activity in the secondary market remained robust with a total of RM17.1 billion raised in 2015, a slightly lower level than in 2014 at RM18.4 billion. The robust secondary market was driven by major corporate exercises, including rights issues, special issues and private placement by our PLCs.

DERIVATIVES MARKET

In 2015, higher volatility in commodity prices and the FBMKLCI continued to benefit the Derivatives Market. During the year, the total volume of contracts traded registered a 12.8 percent growth from 2014 volume with an average daily contract traded of 57,157 contracts in 2015 compared to 50,654 in 2014. Notably, the growth in volume was attributed by the increased in FCPO and FKLI contracts due to higher volatility in Crude Palm Oil (CPO) prices and the FBMKLCI.

ISLAMIC MARKET

For the Islamic Capital Market, the average daily value of Bursa Suq Al-Sila' (BSAS) rose 120.8 percent to RM15.2 billion in 2015 compared to RM6.9 billion in 2014. Strong growth in BSAS trading was driven by the conversion of Murabaha deposits and growing interest in tenor based pricing.

MOVING FORWARD

Challenges confronting the economy in 2015 are expected to persist in 2016. In particular, heightened volatility in financial markets, declining commodity prices, strengthening of the US dollars, and the slowdown in China, are anticipated to have direct and indirect impact on the Malaysian economy, primarily through trade and financial channels. A strong impetus will have to be forged to safeguard the Malaysian financial services industry which forms a backbone supporting the nation's economic growth.

Moving into 2016, the focus of the Financial Services NKEA will be to further enhance the resilience of our financial systems, domestic economy and ensuring continuous sustainability of financial services industry.

This will include working with DFIs to ensure they continue serving their mandates whilst at the same time improving their banking system in compliance with the latest BASEL requirements.

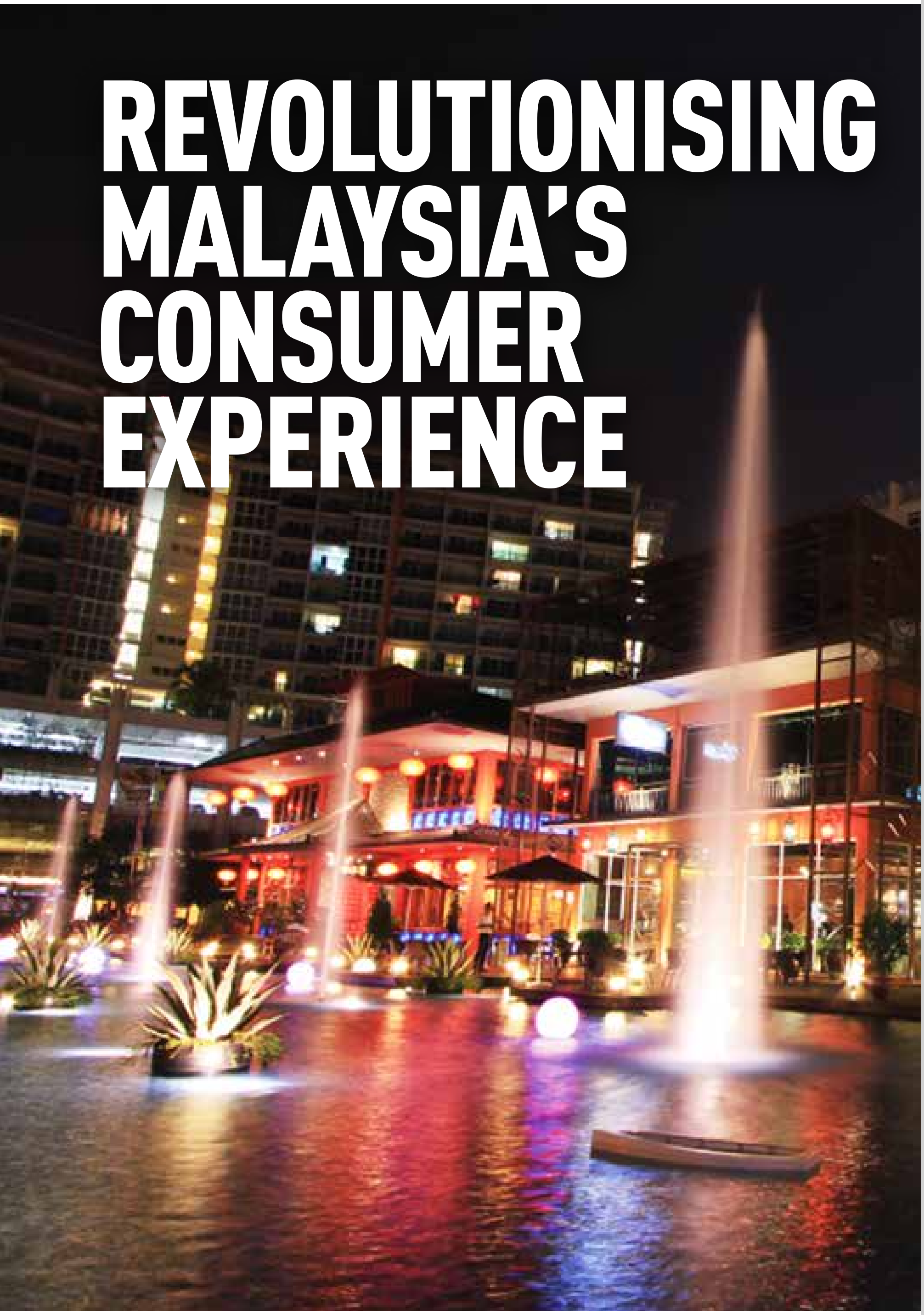
On the regulatory front, in 2016, BNM will continue to facilitate transitional arrangements to allow for an orderly conversion of convert Composite Insurance and Takaful Licenses into a single licence under pursuant to the Financial Services Act 2013 and Islamic Financial Services Finance Act 2013. This will be done in a course of three years up to 2018. Under this initiative, life and general businesses of insurers, and family and general business of Takaful operators will have to be carried out under separate entities due to the different risk characteristics and nature of these businesses. The exercise is being carried out to strengthen the institutional structure of financial institutions to ensure adequate safeguards for insurance policyholders and Takaful participants against contagion risks and excessive leverage. This initiative will be completed by 30 June 2018.

The SC is currently also developing a comprehensive Blueprint for Malaysia's Islamic Fund and Wealth Management industry. The Blueprint, targeted to be ready by end 2016 will chart the medium and long-term strategic direction for the industry as well as map out strategies and recommendations to strengthen the country's competitive edge.

The Financial Services NKEA is also dedicated to exploring and pushing for more innovative and creative solutions for the financial sector to enhance and improve consumers' experience in the long term.

2016 is not going to be any less challenging for the Malaysian financial services industry compared to last year. Our financial system will be stress-tested against the full brunt of an unfolding global economic uncertainty.

REVOLUTIONISING MALAYSIA'S CONSUMER EXPERIENCE



DATO' SERI HAMZAH ZAINUDIN

MINISTRY OF DOMESTIC TRADE, CO-OPERATIVES AND CONSUMERISM

For the past five years we have been breaking new grounds in retail concepts to enhance Malaysia's consumer experience through several initiatives in the wholesale and retail sector. The sector has grown 5.9 percent in 2015 compared to 2014, contributing close to 13.8 percent to the overall country's GDP.

Malaysia's rank in the AT Kearney Global Retail Development Index rose from 17 in 2010 to 9 in 2015 proves steady ground for retail investment in the country.

Whilst working at modernising, globalising and revolutionising this sector, we strive to ensure that no one gets left behind, by providing even small retailers the competitive edge through assistance and training.

Apart from determining opportunities to amplify the programme moving forward, we will also clarify sporadic criticisms towards the TUKAR programme. Some participants have complained of significant losses and inability to settle their loans, with these stories being sensationalised in the media. Regardless, the programme has seen many success stories, with participants having reported a rise in income and growth in business post-transformation.

Wholesale and retail is an important contributor to the nation's economy. Capitalising on rising purchasing power in the Asian region, the more players are equipped to compete in meeting the demands of this sector, the closer we get to provide a heightened consumer experience.

Malaysia sits in a region that is a hotbed of retail activity and competes with other cities such as Singapore, Jakarta, Bangkok and Hong Kong to become one of the preferred shopping experiences. We must run this race to rise above and shine in this space to capture consumers' imaginations and encourage greater spending.

The retail landscape in Malaysia has undergone tremendous transformation over the past few years. Retailers are increasingly positioning shopping as an intrinsic part of a desired consumer lifestyle and as such, have been aligning their businesses to match consumer expectations. There has also been a significant rise in the presence of online stores with the same lifestyle appeal.

With a focus on pushing mall retailers up the value chain, making virtual malls the new high street, and breaking new grounds through innovative retail concepts, the wholesale and retail sector has continued to grow through the support of the National Key Economic Areas (NKEA) initiatives.

As a result, over the course of the last six years, the wholesale and retail sector has reversed a slump and turned around to achieve RM1007 bil of sales value in 2015, a significant rise from RM622 billion in 2009.

The baseline volume index of wholesale trade from 99.8 points at the end of 2009 had risen to 146.2 points at the end of 2015, while retail trade grew from 103.6 points to 133.6 points over the same period. This growth, albeit pressured by neighbouring competition, as well as the challenging global and domestic economic landscape, which saw a decline in the number of tourists and the tightening of household lending credits, is attributed to the focused initiatives in the wholesale and retail sector.

Further demonstrating resilience, the sector rose above weakened consumer sentiment in 2015 and contributed 13.8 percent to the country's GDP in 2015.

AT Kearney ranked Malaysia 9th in its 2014 Global Retail Development Index, up four places from 2013 and its highest ranking since 2007, before the NTP. The Malaysian market was also described as strong and stable due to its high income per capita and young population. The country's ranking puts it among the 10 most attractive countries for retailers and makes it the only other country in Asia Pacific, apart from China, in the top 10.

This sector is expected to continue contributing significantly to the Malaysian economy in serving domestic demand, whilst also encouraging tourist spend with the country recognised as a top shopping destination globally.

INSIDE THIS NKEA

1 Meeting Consumer Needs by Striking a Balance Between Large Format Stores and Small Retailers

2 Making Virtual Malls the New High Street

3 Breaking New Grounds Through Innovative Retail Concepts

1 Meeting Consumer Needs by Striking a Balance Between Large Format Stores and Small Retailers

A refurbished interior of a small format store under the TUKAR initiative

The Malaysian retail market has seen significant growth of hypermarkets, superstores and departmental stores since the large format retail sub-sector was liberalised in 1995. The presence of these large format stores bring quality, product availability, choice, cost reduction, new retailing technology and skills to the sector.

However, even with the rise of hypermarkets and superstores, the NKEA works at striking a balance between promoting large format stores and equipping small format stores with the skills and technology necessary to compete.

Large format stores need large consumer bases to sustain their business and as such cannot operate everywhere. They are further limited by the need for heavy infrastructure and large funding. This creates a need for smaller stores to service the gaps left by hypermarkets.

LARGE FORMAT STORES ON GROWTH TREND

Six new hypermarkets and nine superstores were set up throughout Malaysia by foreign and local players as a result of efforts under Entry Point Project (EPP) 1. There are now 36 hypermarkets and 44 superstores as of 2015. These include stores such as Giant, Mydin, Econsave and The Store run by local players, as well as Tesco, Carrefour and AEON from the foreign front.

Abu Dhabi based retailer Lulu Group is scheduled to set up 10 hypermarkets across Malaysia with an initial investment of RM885 million (US$200 million) in the first five years from 2016. The group will be partnering with FELDA and aims to capture 20 percent of the retail market share.

PUSHING SMALL RETAILERS UP THE VALUE CHAIN

TUKAR or the Small Retailer Transformation Programme (*Transformasi Kedai Runcit*) initiative under EPP 2 was formulated to help smaller retailers modernise and turn around their businesses by implementing critical changes in areas such as human capital, equipment, expertise, standard operating procedures, product display and inventory tracking.

The transformative effect of TUKAR not only provided store owners a lease of life but also a fighting chance against superstores and hypermarkets, by helping them to evolve in order meet current consumer needs.

Retail advisors for this programme include big players like Mydin, Carrefour, Malaysian Cooperative Commission, Tesco, Giant (GCH Retail Sdn Bhd), Aeon, Econsave and Cash & Carry.

302 small time retailers have been transformed, bringing the total number of stores transformed by the TUKAR programme to 2016 since it was launched in 2011.

A sum of RM30 million has been allocated under this programme and for those who take up the TUKAR offer, Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) provides loans between RM20,000 and RM80,000, with an annual interest of three percent based on a reducing balance.

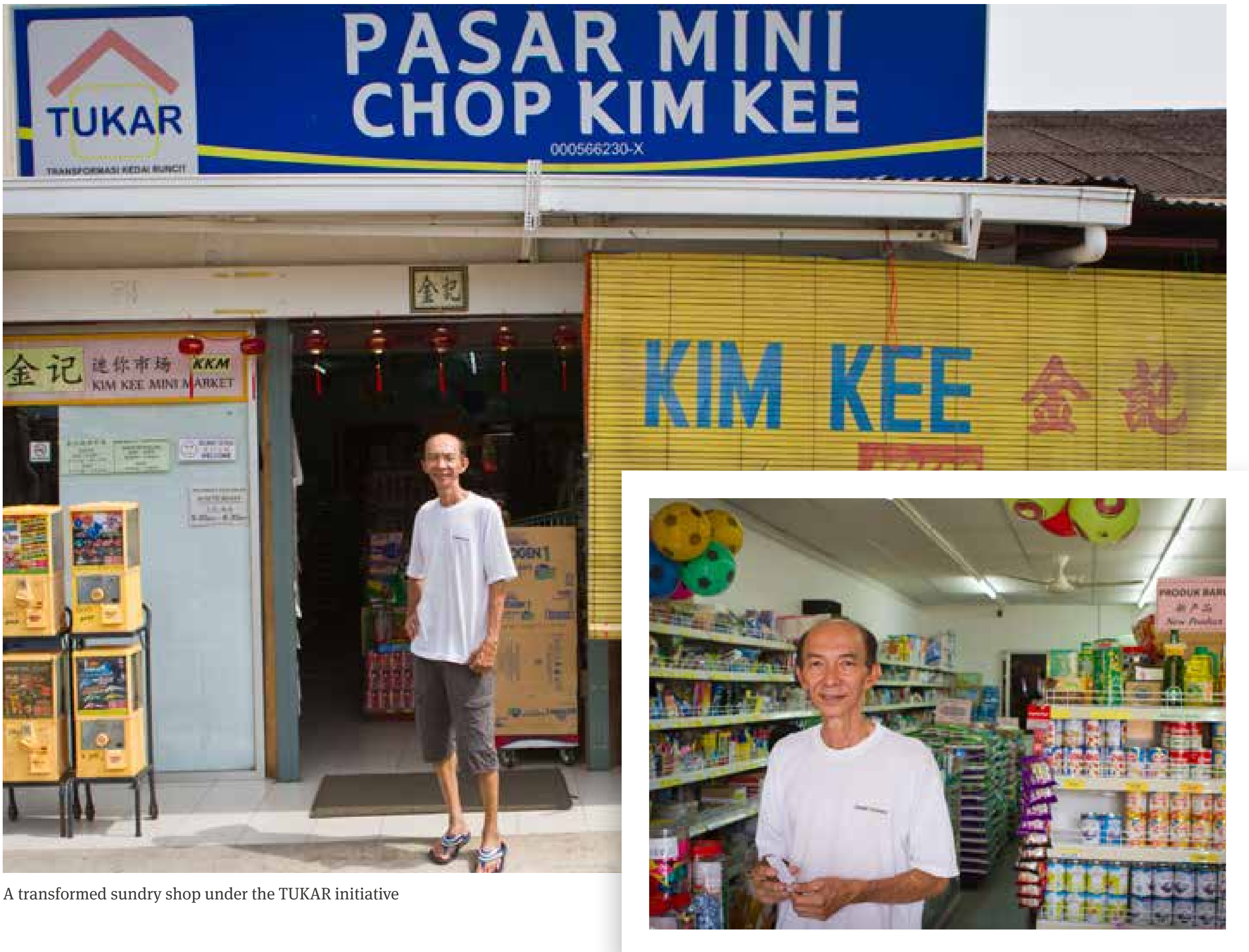
In the past year, the Steering Committee has also agreed to allow further financing for successful TUKAR participants to either expand their existing stores or open new branches.

With the introduction of GST in 2015, various efforts were put in place to ensure that the sustainability of a TUKAR participant - including GST-focused training and business refresher courses.

The TUKAR programme remains at heart an entrepreneurship programme that requires participants themselves to take an active role in ensuring the viability and success of their own businesses. Innovation plays a key role in ensuring the sustainability of TUKAR participants. It is therefore vital that shopkeepers remain savvy and responsive to consumer needs to achieve business growth.

Another transformation programme which has made a positive impact on small time players is the Transforming Automotive Workshop (ATOM) under EPP4 which aided in the transformation of 188 automotive workshops all over Malaysia in 2015. This brought the total number of stores transformed by the ATOM programme to 764 since it was launched in 2011.

The programme provides funding for tools and equipment to enable workshops to improve the quality of their services as well as expand their range of expertise and services in repair and maintenance.



A transformed sundry shop under the TUKAR initiative

2 Making Virtual Malls the New High Street

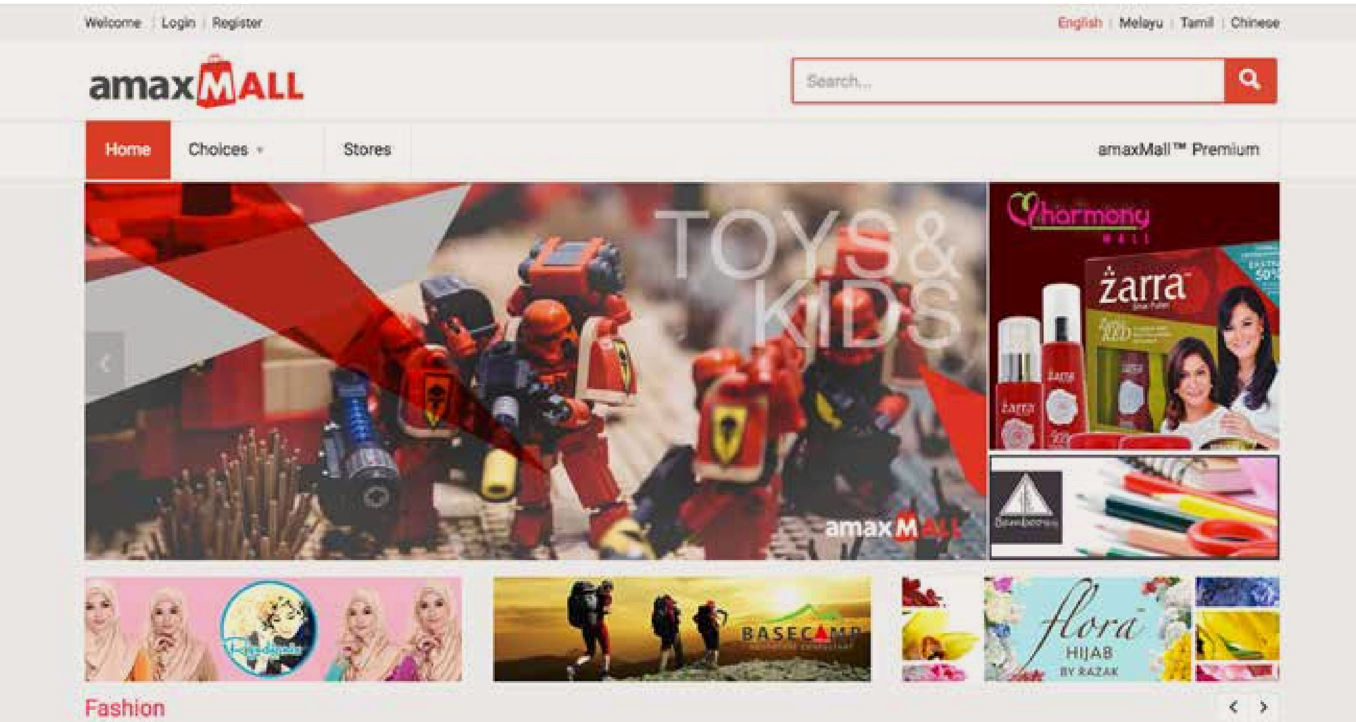
The online shopping segment is growing at an exponential rate in Malaysia, with almost all products and services ranging from travel, apparels, books to grocery shopping being sold virtually.

This segment has produced successful Malaysian based e-commerce platforms like Lazada, Zalora and Lelong, and has also drawn in traditional retailers like Tesco, Presto and MPH. With the ongoing rollout of high speed broadband as well as the extreme popularity of smartphones and other mobile devices, this number is expected to increase further.

According to Euromonitor, Malaysia and Singapore represent the largest e-commerce markets in Southeast Asia, generating almost half of total online retail sales in this region. Retail E-commerce has been acknowledged as the fastest growing segment in this sector, with traditional hyper-marts such as Tesco by having an online shopping platform. The e-commerce market size in Malaysia is estimated to be at RM7 billion for both products and services. With the increasing penetration of smartphones and other mobile devices, this number is expected to rise at an exponential rate.

The setting up of a virtual malls under EPP 7 of the wholesale and retail NKEA will allow for a wide range of products to be carried. Virtual malls such as AmaxMall are an online replication of brick and mortar hypermarkets, primarily serving as an online presence for local small- and medium-sized retailers and to draw in customers. In its inaugural year of operation, AmaxMall has attracted 212 small and medium online retailers on its e-commerce platform to offer their goods and services. There is growth to be had in this segment, with total internet sales projected to reach RM12 billion by 2020, enhancing this sector's appeal to attract more online entrepreneurs.

While encouraging the setting up of virtual malls, the Government is exploring ways to ensure that consumer interest, such as e-transaction safety is protected so as to not impede on the growth of online retail.



AmaxMall has attracted 212 small and medium online retailers on its e-commerce platform to offer their goods and services

3

Breaking New Grounds through Innovative Retail Concepts

Failure to innovate is fatal in the retail industry. Innovation very often results in concepts that enthral and draw consumers who are always on the lookout for new experiences.

The Oasis Damansara Big Box Boulevard developed by Sime Darby - Brunsfield, is an example of an innovative retail space promising a novel shopping experience. The integrated retail development located in Ara-Damansara is fashioned after similar outlets that have been successful in Europe and United States. It will be anchored by numerous category stores including hypermarkets, furniture superstores, digital products and electronics equipment malls as well as toy and sporting goods stores, large automotive showrooms, textile centres, garden and hardware superstores.

The retail areas – spanning 26 hectares - will also feature food and beverage outlets, convenience stores, and liquor and tobacco retailers.

As of 2015, the partly completed Big Box Boulevard comprises the already operational Oasis Square Makan Bazaar and a Tesco hypermarket. Construction of other components such as the Auto City, (a large shopping area for automobiles) remain on track, with an LRT extension to service the area underway.

Also in the pipeline, are linkages from the LRT to various components of the development and surrounding areas. Covered walkways and walking bridges are designed to provide comfort and accessibility.

The Makan Bazaar is a innovative concept, leveraging upon the how we enjoy the diverse choices of Malaysian food. The mission is to create iconic food outlets that combine the best hawkers at one large premium food centre supported by other established eateries such as family restaurants, quick-service restaurants, cafes, bars and fine dining restaurants.

The food centre will also provide attractions like sensory gardens, games and an arena for events and playgrounds, as well as retail outlets like convenience stores and news agents.

The Makan Bazaar is designed to be approximately 9,000 square metres in size, catering for 3,500 people.

Apart from Oasis Square, another operational Makan Baazars is located at the Medini Mall in Nusajaya.

A total of 10 Makan Bazaar outlets will be built by 2020 in major cities in Malaysia.

The Oasis Square Makan Bazaar has proven to be a successful idea. It has expanded past the dedicated space of 9,104 sq metres to more than 27,871 sq metres of F&B space, offering a wide array of food from famous local cuisine to international cuisine.

(Top) Oasis Square Makan Baazar at Ara-Damansara **(Bottom)** Tesco is one of the players under the Large Format Stores initiative

OASIS PIAZZA: MAKAN BAZAAR GOES PREMIUM

Smack in the middle of Oasis Damansara, the Oasis Piazza is indeed a little food oasis developed with the Makan Bazaar concept, which is aimed at creating iconic food and beverage (F&B) destinations. It has become a defining feature of Oasis Square, as an integrated commercial campus which is co-created by Sime Darby Property & Brunsfield International Group.

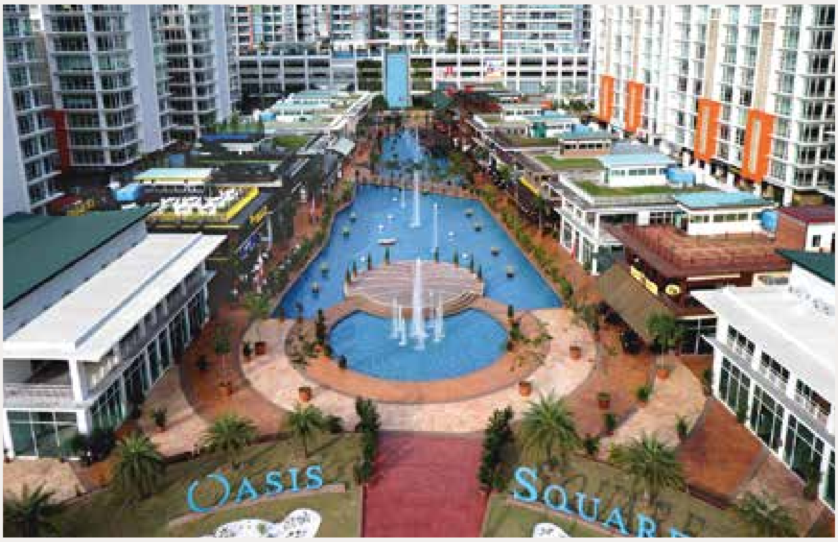
Offering a wide array of Malaysian and international cuisine, the 27,900 sq metres enclave has created a buzz in Kuala Lumpur's food and beverage (F&B) scene, not only because of its food but also the attractive cozy ambience, featuring the water fountains, shimmering pools and lights, making it a visually attractive dining destination, especially in the evenings after sunset.

Brunsfield International Group, Executive Director, Mohamad Hassan Zakaria says that Oasis Piazza is a premium F&B destination developed to attract not only locals but also to draw in multinationals and expatriates to set up offices and homes in Oasis Square. "We wanted to create a commercial hub which cohesively integrates a safe and healthy living environment, a bustling business centre, a lively entertainment hub and a place of leisure - where people feel safe to congregate and enjoy themselves with family and friends."

According to Mohamad Hassan, the existence of an attractive and exciting food hub in Oasis Damansara has not only brought in the crowd but also doubled property value. All units of the serviced apartments are sold out and office spaces are occupied by local and multinational companies such as PR1MA Corporation, Hilti (America), BDA Architect (Australia), Malindo Airways and many other organisations.

The Oasis Piazza has huge potential in becoming a revenue generator hub to both the Selangor State and the Federal Government while providing business and employment opportunities to all Malaysians. As Oasis Square is also beginning to become a tourist hot spot and we are committed to doing more to support tourism and retail industry growth. Oasis Square is increasingly also attracting tourists and we are committed to further encourage this trend in supporting tourism and retail industry growth.

Moving forward, Sime Darby Brunsfield Group is also expanding this F&B retail hub to include a food court, which offers hawker fares in a comfortable and hygienic environment. "Besides that, while attracting a multiple range of premier tenants both locally and internationally and providing a greater opportunity to small medium enterprises (SMEs), it will generate healthy returns to the community and the stakeholders towards establishing quality standard of living and contemporary lifestyles," he explained.



(Left) Mohamad Hassan Zakaria, Executive Director of Brunsfield International Group
(Right) The Oasis Piazza at Oasis Damansara, surrounded by residential and commercial high-rise buildings

MOVING FORWARD

With five years to go before 2020, an impact study will be conducted to ascertain the effectiveness of the TUKAR and ATOM programmes and what can be done to further improve on outcomes. This will enable us to review effectiveness of the programme, retailers, changing trends of consumers and to safeguard possible contractions within the marketplace. All these components will assure sustainability of these programmes.

Renewed emphasis will be placed on awareness and education on the TUKAR programme to ensure retailers are aware of requirements. Outreach initiatives to create greater awareness and understanding will also be aimed at youth entrepreneurs to encourage participation in TUKAR programme.

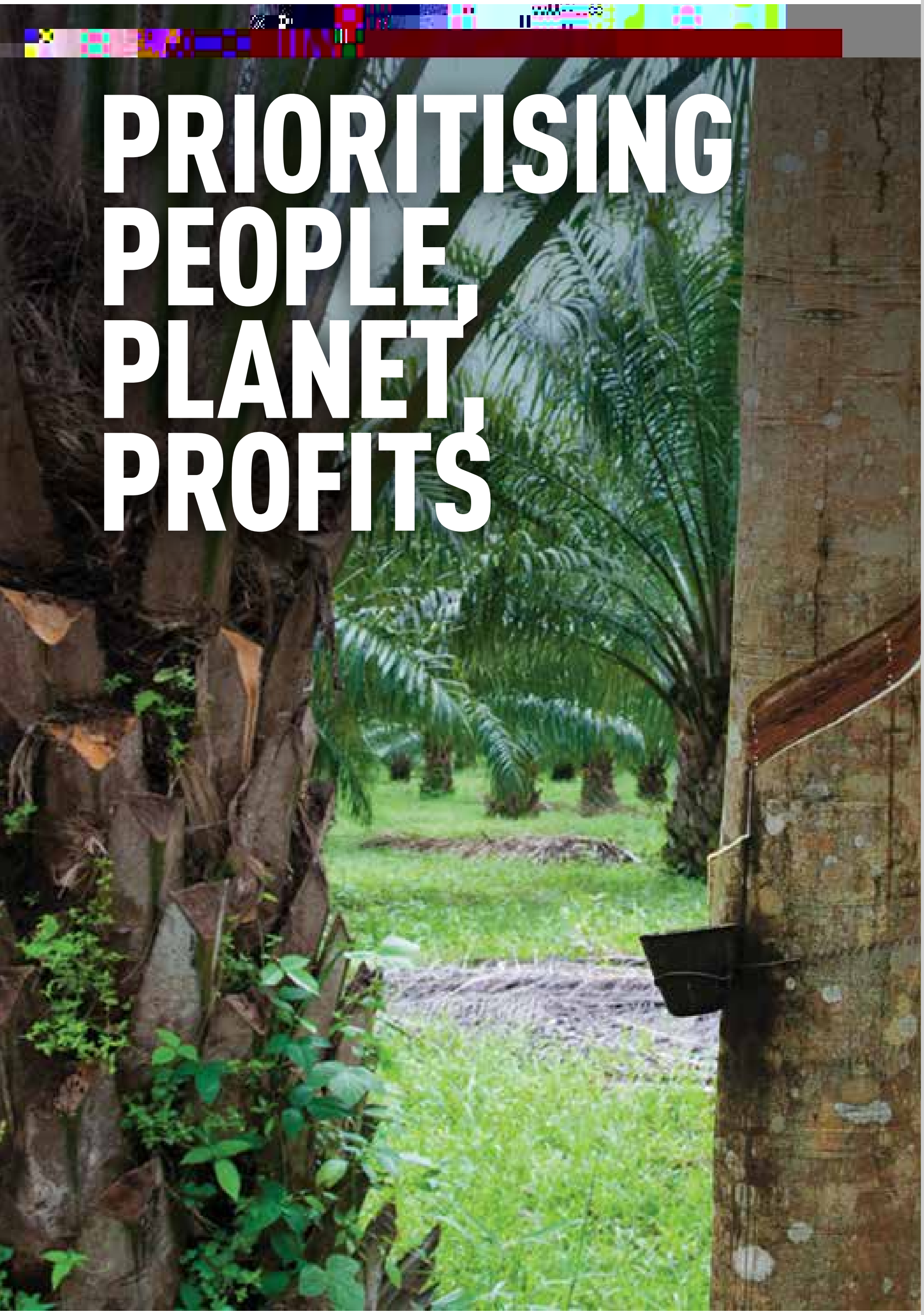
To further develop internet based retail marketing, work under this EPP7 will also be focused on expanding the current seller base for existing Virtual Malls.

Also in the pipeline is a plan to consolidate the Unified Malaysia Sales with Malaysian Mega Sale by Ministry of Tourism and Culture (MoTAC) for even greater retail impact. In light of increasing diversity within Malaysia's retail market, The Ministry of Domestic Trade Cooperative and Consumerism will also be working closely with Ministry of Tourism and Culture to provide additional marketing value to the consolidated sales event.

The 1Malaysia Mall initiative under EPP6 and EPP8, which was aimed at assisting local businesses to acquire stakes in foreign retail businesses have stalled due to external factors such as the soft economic climate and the weakening ringgit, companies are less inclined to venture overseas to establish such projects. Additionally, due to the locale abroad, facilitation efforts and intervention by the Government will be severely limited.

For EPP8, local companies have been less inclined to acquire interest in foreign companies preferring instead to choose licensing agreements, which have lesser risks and lower cost. Since 2011, only three foreign brands have been acquired by local companies – Parkson's acquisition of PT Tozy Sentosa and Odel Plc as well as Bonia's acquisition of JECO Pte Ltd – prompting for an internal review and subsequent termination of this initiative.

The wholesale and retail sector treads into 2016 being cognisant of challenges presented by a slowing economy on the back external headwinds. Domestic consumption is expected to moderate amid a rise in cost of living and a more challenging operating environment for businesses. Regardless, the government will work with the wholesale and retail industry to continue featuring innovative and attractive value propositions to spur domestic consumption given the integral role it plays in driving economic growth.



PRIORITISING PEOPLE, PLANET, PROFITS

DATO' SRI AMAR DOUGLAS UGGAH EMBAS

MINISTER OF PLANTATION INDUSTRIES AND COMMODITIES

In 2015, we continued the strategic measures introduced to further develop downstream activities and also boost productivity upstream. Our mission here is to strengthen the earning power of these sectors by creating long-term recurring income for both the nation and bottom 40 percent involved in these sectors.

By developing a strong chain of downstream activities and a sustainable supply upstream, we also strengthen these sectors' resilience to the current economic upheaval.

All our measures to increase resilience and revenue are anchored on sustainability. This is to ensure that at all times, profit does not override the interest of the society and the environment.

The Palm Oil and Rubber National Key Economic Area has been key in maintaining the sustainability of the upstream sector while accelerating the move towards downstream since its inception. It ensures a smoother transfer in economic focus from upstream to the downstream sector via the strategic and deliberate allocation of resources coupled with other forms of necessary assistance extended towards downstream players.

> *"A more robust downstream integration has helped the sectors weathered through the ongoing volatility of palm oil prices and low natural rubber prices that would have otherwise caused major setbacks in the plantation industry.*

The Palm Oil & Rubber NKEA aims to hit the triple bottom line which encapsulates the theme of People, Planet and Profit. It is underscored by the need to balance progressive growth and sustainability in pursuing people-centric initiatives.

Bright sparks have emerged despite the ongoing challenges in the palm oil and rubber sectors. These challenges prompted both sectors to begin unlocking new value dimensions through intensifying downstream efforts as well as improving upstream production efficiency.

Malaysian palm oil has experienced a high degree of instability of late, ranging from its peak of approximately RM3,800 in 2011 to its trough of around RM1,800 in August 2015 (BEPI website). The year 2015 saw a mixed performance of the Malaysian oil palm industry. Compared to 2014, oil palm planted area, crude palm oil (CPO) production, import, export and closing stocks increased, while that of prices and export revenue declined. Average CPO price was down by 9.6 percent to RM2,153.50 compared to RM2,383.50 in 2014. Major price swings were caused by lower demand from its major importers which resulted in higher inventory, reaching a peak of 2.7 million MT in August 2015, due to weaker demand coupled with higher levels of production.

INSIDE THIS NKEA

Total exports of oil palm products increased marginally in volume by 1.0 percent to 25.33 million MT but declined by 5.5 percent in terms of export revenue in 2015. In 2015, among the top three importers of palm oil, China recorded a decline of 16.2 percent from 2.8 million MT. However, India and European Union recorded an increase in volume of 13.6 percent and 0.9 percent respectively.

Natural rubber prices, similar to palm oil, have also been drifting lower amidst the fear of slowing economy and lower demand from major consumer markets such as China. This spurred the invention of specialty rubber such as the epoxidised natural rubber (Ekoprena) and deproteinised natural rubber (Pureprena) that can be used in green tyres and high-performance engineering product respectively.

Such innovation and impetus to move downstream has also been seen in the palm oil sector. Value-added products including oleo derivatives and phytonutrients for foods and supplements, continued into 2015. A more robust downstream integration has helped the sectors weathered through the ongoing volatility of palm oil prices and low natural rubber prices that would have otherwise caused major setbacks in the plantation industry.

This is one of the steps taken by both the palm oil and rubber sectors in diversifying their respective activities, strengthening resilience by departing from a deep reliance on the commodity market. The shift in focus towards the downstream sector, along with the various public and private initiatives which were introduced to smoothen the transition process, continue to be built upon the Triple Ps as the underlying foundation.

1 PEOPLE: Creating Recurring Revenue Streams to Uplift Communities and Industry Players as a Whole

The Palm Oil and Rubber NKEA involves a number of Entry Point Projects (EPPs), which includes replanting and new planting programmes for the smallholders, the development of new and high value phytonutrients, and efforts to improve upstream productivity.

Efforts are focused to support the replanting of palm oil and rubber trees to revitalise the upstream production pipeline through replanting and new planting.

In the last five years a total of 97,421 hectares of palm oil has been newly planted or replanted by independent smallholders, which is 85 percent of the total 2020 target of 115,000ha.

This effort initiated under EPP1: Accelerating the Replanting and New Planting of Oil Palm, was achieved despite Malaysian Palm Oil Board having only 300 field staff to implement this EPP. New processes were introduced, such as mobilising the staff of Sarawak Agricultural Department to assist MPOB with land verification, which made a marked difference in the implementation of this scheme in Sarawak. With this, MPOB is on track to achieve its original 2020 target of planting 115,000 ha despite facing major challenges such as land issues, primarily in Sarawak.

The government-led scheme under this EPP is a proactive initiative pushing for optimum production by replacing aged palms that are 25 years and older with younger high yielding palms by farmers and independent small holders. The scheme which also includes replanting of oil palm in private land ensures a sustainable supply of the commodity to downstream palm oil operators within and outside the region.

A sum of RM1b has been allocated under the scheme via RMK-10 and will be continuously disbursed to applicants until 2017 when the final batch of 2015 completes its three-year phase. Monetary assistance is provided for the clearing of land, the supply of high quality seedlings as well as farm maintenance for two years.

As part of an ongoing effort to increase revenue stream of smallholders in the palm oil sector, efforts under EPP1 will be extended to include non-palm oil revenue through crop integration which includes more than eight types of crops such as pepper and banana, whereas for livestock integration, cattle and goats are covered. Although both methods of integration are not new concepts, they are being introduced as a palm oil sector KPI for the first time.

A plantation worker collecting Fresh Fruit Bunch (FFB) at an oil palm plantation

IDENTIFYING HEALTHY SEEDLINGS

To further boost productivity and strengthen revenue of smallholder, Suresawit kits were distributed to assist with the efforts to filter out of low yielding clones, so that production targets are met.

The underlying aim is to provide smallholders with early income in the first three years of replanting/new planting while they are waiting for their palm oil plants to fully mature.

Among the efforts under EPP2: Improving Fresh Fruit Bunch Yield is to create clusters of independent smallholders, which allow them to achieve economy of scale, strengthening their bargaining power in terms of pricing for their produce.

This is done through cooperatives, which have become an efficient platform to raise awareness on better farming methods and harvesting technologies to raise national average yields.

Since the start of this NKEA, 30 cooperatives with a membership of 29,000 smallholders have been established with the help of MPOB and this has allowed smallholders to enjoy a bulk discount in procuring agricultural inputs and receive better pricing for their produce sold to palm oil mills. Fifteen of these cooperatives are currently operating nationwide. Continuous efforts under the EPP includes identifying initiatives for these cooperatives to remain relevant and boost business performances. Targeted total FFB sold to mills by all coops in 2015 was 26,800MT, with achievement of 39,330.38MT (146.8 percent). Targeted number of new coops to commence selling of FFB to mills in 2015 is five, which was achieved.

For rubber, the aim of EPP9.1: Ensuring Sustainability of the Upstream Rubber Industry, is to reverse the declining rubber plantation area in Malaysia to ensure that there is sufficient production upstream that is able to support domestic downstream activities. In 2000, the total rubber plantation area in Malaysia was 1.4 million hectares, which reduced drastically to 1.02 hectares in 2010.

Efforts under this EPP is aimed at maintaining planted areas at 1.2 million hectares, of which one million hectares are harvested. With yields expected to reach 2,000kg/ha, Malaysia is likely to produce two million metric tonnes of rubber to support domestic downstream activities.

The government has encouraged the replanting and new planting efforts by farmers through implementing agencies such as Rubber Industry Smallholders Development Authority (RISDA), Lembaga Industri Getah Sabah (LIGS), Department of Agriculture Sarawak (DoA), Federal Land Development Authority (FELDA) and Federal Land Consolidation and Rehabilitation Authority (FELCRA).

In 2015, the Government continued to provide grants for the replanting of old and unproductive trees by smallholders. For the period to 2012-2015, a total allocation of RM830.5 million has been provided for replanting and new planting of 196,891 hectares of rubber planted area.

Efforts under this EPP also includes the use of high yielding clones in the replanting and new planting programme, with the potential to increase production to 2,000kg a year per hectare, also increasing the income of smallholders.

2 PLANET: Pushing for Sustainability Through Innovative Solutions and Meaningful Investments

EFB Mulching to control weeds, maintain moisture and prevent soil erosion

The NKEA's approach to the development of both palm oil and natural rubber sector is a holistic one with sustainability at its core.

Responsibly cultivated palm oil not only benefits the planet but also has the power to push past the numerous allegations of environmental destruction that clouds over the abundant benefits of palm oil.

Currently, one of greatest challenge in the upstream segment of this sector is to push for sustainability especially among small holders, many whom do not have the financial means to meet the sustainability criteria for certification. The growing demand for sustainability when sourcing for supplies especially among major palm oil users such as Unilever, P&G, Starbucks and Dunkin Donuts creates a greater need for certified sustainable palm oil (CSPO).

In August 2015, RM53 million was allocated to assist oil palm smallholders in obtaining the newly implemented Malaysian Sustainable Palm Oil (MSPO) certification within the next five years. The MPSO provides small holders a fighting change in the highly competitive palm oil market as well as the opportunity to increase revenue.

Efforts under EPP2: Improving Fresh Fruit Bunch Yield has resulted in the growing certification of the 5.6 million hectares of palm oil plantation land in Malaysia, of which about 1.4 million hectares of plantation land owned by smallholder farms and plantation companies have been certified. In 2015 alone, 486,775 hectares were certified against the target of 220,000 hectares, achieving 194.7 percent.

A by-product of palm oil production is Methane and EPP5: Developing Biogas Facilities at Palm Oil Mills is seeking to utilise the gas as an alternative source of energy, with the potential to create RM3.3 billion in yearly revenue on a sustainable basis (assuming the bioCNG is valued at RM40/MMBTU (one million British Thermal Units) and about 2,000 jobs by 2020.

Palm oil mill effluent (POME) is the waste water discharged from the sterilization process, crude oil clarification process and cracked mixture separation process. POME produced huge amount of methane gas from its anaerobic process and has 21 times Global Warming Potential (GWP) compared to the other gases. However, there is a solution to this.

This by-product can be utilized as fuel for power generation and cogeneration and presents a value-adding opportunity, as methane is a huge source of renewable energy. This has the potential to create a viable revenue stream for the mills through energy production, while addressing environmental and regulatory concerns.

Compressed biogas would enable mill owners to fully monetise the potential of biogas as every single flow of biogas will be quantified and scaled to price per MMBTU basis. End users of bio-Compressed Natural Gas (bioCNG) not only benefit in terms of cost when compared with fuels such as diesel, medium fuel oil, light fuel oil and liquid petroleum gas but can also leverage on the sustainability labelling of green fuel when marketing products overseas.

The original 2020 target under EPP5 was to have 500 mills with biogas facilities. However, following a feasibility test, it was discovered that this was not possible due to structural challenges and the need to set in place a proper incentive scheme to encourage mills to take up the initiative. Following this discovery, a bucketing exercise was done between MPOB-TNB for mills in Peninsular Malaysia whereby different action steps would be tailored for each depending on their capacity, progress and geographical location. Action steps include installing biogas facilities, connecting mills with existing biogas facilities to the grid, installing a pilot Bio-CNG plant, applying gas for internal use and the biogas avoidance route, with trapping and flaring as the minimum option.

As of 2015, 83 bio gas facilities have been constructed, nine are under construction and 145 more are under the planning stage.

In October 2015, Minister of Ministry of Plantation Industries and Commodities (MPIC) Datuk Amar Douglas Uggah Embas officiated the launch of the world's first Bio-CNG commercial production plant at FELDA Sungai Tengi palm oil mill in Selangor - a joint venture effort between Malaysia Palm Oil Board (MPOB), Felda Palm Industries Sdn Bhd and Sime Darby Offshore Engineering Sdn Bhd. This commercial Bio-CNG plant is expected to produce 80,000m³/year of CNG for industrial users, with some off-take agreements already signed.

The development and promotion of bio-gas as an alternative fuel source will also be an emphasis moving forward. This includes efforts to facilitate the connection to the power grid. This will be done through targeting specific mills in Malaysia, following a prioritization exercise.

For the natural rubber sector, initiatives under EPP11.1: Commercialising Ekoprena and Pureprena in working towards a preferential shift among consumers from synthetics to renewable natural rubber also presents commercial potentials worth capitalizing on.

The emphasis on sustainability has helped the Malaysia to capitalise on the growing number of environmentally conscious consumers who have moved from synthetic to natural and renewable material by pioneering the development on specialty green rubber Ekoprena (epoxidised natural rubber) and Pureprena (deproteinised natural rubber). Both can be used in green tyre and high performance engineering products.

A pilot biogas plant capable of supplying compressed natural gas to commercial entities began at the Sungai Tengi mill, which belongs to Felda Global Group, in Q4 2015. This mill is the pioneer in Malaysia to install a commercial scale bioCnG facility. BioCNG is a more viable and lucrative alternative to feeding the electricity converted from methane to the national grid, which proves to be a challenge for mills located further away from power stations

Though Ekoprena was developed some years ago, commercialisation has yet to take place in a big way.

To accelerate the journey towards commercialisation, at the initial stages, collaborative trials with private and public sector parties will be conducted, with the Malaysian Rubber Board acting as the facilitator. The purpose of these trials is to ensure that sufficient data is collected which can then be translated into a strong value proposition for the product. Collaborative research activities will cover products such as tyres, retreads, shoe soles for boots, auto parts, industrial hoses and other non-automotive products.

Among the efforts which started in 2014 is initiating a trial project with Prasarana Bhd to test the Ekoprena tyres on Rapid buses in the Klang Valley.

In August 2015, Prasarana Malaysia Bhd (Prasarana) signed a memorandum of understanding with Malaysian Rubber Board (LGM) to use Ekoprena tyres on its RapidKL buses in a RM 1.7 million trial project, funded by the Ministry of Plantation Industries and Commodities.

Ekoprena tyres will be used on the buses plying six regional routes within Klang Valley. In the first phase, tyres will be used on 10 buses, in the second phase - 30 buses, and the final phase - 80 buses. Eight hundred Ekoprena types will be used in the project. Following the trial project with Prasarana Bhd to test the Ekoprena Tyres, 10 RapidKL buses on the Cheras Selatan route have begun using these tyres since August 2015.

Felda is planning to use them for their fleet of transport from January 2016. For the commercial trial with Felda Transport Services Sdn Bhd (FTSB), 16 vehicles will be used across a total of four trials, covering the Pahang and Johor areas.

There is also the intention to promote Ekoprena via other creative means such as collaborations with renowned car makers or through sponsorship platforms.

3 PROFITS: Going Downstream Improves Sectoral Resilience and Sustains Growth

Research on downstream processing has intensified in Malaysia since the launch of the ETP

Malaysia's palm oil and rubber sector is working to realise the full potential of existing downstream opportunities. The future of these sectors lie in the strengthening of downstream activities, thus reducing its vulnerability to uncertain market and fluctuating prices.

Downstream production provides a more lucrative per unit revenue at about 50 percent higher than the output from the upstream sector. The move downstream is part of the Eleventh Malaysia Plan (11th MP) from 2016 to 2020, as a follow-on from the Tenth Malaysia Plan (10th MP).

During the 10th MP, RM504 million worth of grants was committed in the downstream sector, with RM3.16 billion worth investment committed by local palm oil players in the production of high-value oleo-chemicals and palm-based phyto-nutrients. Under the 11th MP, a further RM280 million is allocated to continue supporting the initiative.

From the laboratory to commercialisation, downstream processing requires significant capital input. Towards this end, EPP8 commercialisation grants are available for the private sector to promote more downstream ventures

Efforts under the NKEA to promote downstream are two Entry Point Projects (EPPs):

Firstly, the development of Oleo Derivatives, efforts under EPP6: Developing High Value Oleo Derivatives and Bio-Based Chemicals have been successful in spurring high-value downstream activities which continued through 2015. This resulted in continued diversification and growing sphere of value addition through both Government grants and investments by plantation companies. RM2.5 billion worth of investments has been committed by EPP6 grant recipients, with 55 percent realised to date.

In 2015, Lipidchem Sdn Bhd became the first SME company to receive a grant from the NKEA POR EPP6 Developing Oleo-derivatives project fund. It will be setting up its plant in Masai, Johor to produce medium chain triglyceride (MCT) powder and powdered stearic acid, which are used in functional foods, supplements and pharmaceutical products. Its processes will comply with Current Good Manufacturing Practice (CGMP), which will enable it to export to more countries with stricter regulations such as Europe and Japan.

In order to boost activities in the downstream segment of palm oil-based food and health-products, the government has committed RM157.2 million worth of grants under EPP8: Expediting Growth in Food and Health-Based Segment. To date, this has brought in realised investment worth RRM179 million, which is 23 percent of total investment valued at RM789 million.

EPP8 has a two-prong focus. First, to push for commercialisation projects and at the same time provide support towards R&D work via providing grants towards clinical trials. The commercialisation arm allows for commercialising of palm-based phytonutrients by providing financial support to companies for the acquisition of technology and plant construction.

A successful recipient of the EPP8 commercialisation grant includes Carotino, which completed building its plant at Pasir Gudang, Johor in early 2013 and had since then started commercialising its products, carotene and tocotrienols.

Also, 11 out of 14 clinical trial projects are ongoing and at the analysis stage. Recently approved 2015 projects includes a study on Age-Related Macular Degeneration which will be conducted at Harvard Medical School, and a study investigating the effects of mixed tocotrienols which will be conducted at University Sains Malaysia (USM). At the close of year 2015, grants drawn down stood at 36.5 percent of the RM52 million committed.

The push to develop value-added product downstream in the rubber sector is an effort under EPP9.2: Increase World Market Share of Latex Gloves to 65 percent by 2020. Among its key effort is scaling up Malaysia's market share of the global natural rubber gloves market to 65 percent by 2020, by ensuring an annual growth rate of 13 percent to maintain dominance as the world's leading rubber gloves producer.

Malaysia is home to the world's leading rubber glove producers who collectively are a key employer and revenue generator in the country.

The Ringgit has depreciated by 22.8 percent in 2015 as compared to 2014 on an annualised basis, contributing positively towards increased revenue and profit for latex product exporting companies. Total export revenue of Malaysian latex products, of which latex gloves is a major contributor, was recorded at RM14.5 billion for the year, exceeding the annual target of RM13 billion.

> *"In order to boost activities in the downstream segment of palm oil-based food and health-products, the government has committed RM157.2m worth of grants under EPP8: Expediting Growth in Food and Health-Based Segment. To date, this has brought in realised investment worth RM179m, which is 23 percent of total investment valued at RM789 million.*

THE TOCOTRIENOL ADVANTAGE

Palm oil is also one of the most abundant natural sources of tocotrienol, which has unique neuro protective properties. It is also one of the richest sources of natural carotenoids, which is converted into vitamin A in our bodies. Other nutrients include palm phenolics, phytosterols, squalene and Coenzyme Q.

A growing number of researches are pointing towards to the role of palm oil's naturally-occurring tocotrienol in protecting brain cells during stroke. Tocotrienol is an antioxidant. In the case of ischemic stroke, tocotrienol protects the neurons from dying by modulating the chemical signals, making a marked difference in the outcome and recovery process.

These findings have intensified the commercialisation effort especially in developing high value nutraceutical products as well as fortifying existing products with palm oil derived nutrients.

Efforts to create widespread awareness of tocotrienol and its significant pharmaceutical and nutraceutical benefits are being done to break the perception barrier created by palm oil detractors. There are increasing studies being published on the advantages of consuming tocotrienol, ranging from its skin-enhancing properties, anti-aging properties, anti-cancer and anti-diabetes abilities, to liver protection from drug-induced injury.

MOVING FORWARD

With the projection of an El Nino phenomenon on the way and reduction in the stockpile, there is a lot of optimism over the local palm oil industry.

According to Minister of MPIC, Dato' Sri Amar Douglas Uggah Embas, Malaysia must continue to have an effective mechanism to reduce the stockpile domestically with measures within its own control. The best mechanism for this lies with the Palm Oil NKEA initiatives through the downstream diversification.

For the rubber sector, the Malaysian Rubber Board has expressed confidence that rubber prices may show incremental improvements on an increase in demand for tyres from Japan, the United States and Europe. There has also been a growing diversification of activities in the industry, moving from rubber product manufacturing such as gloves towards the production of Ekoprena and Pureprena.

Moving forward, the initiatives under this NKEA which encompasses the entire value chains of palm oil and rubber will remain holistically centred on People, Planet and Profits.

Ripirian buffer zones (pic, left of river) are important for conserving freshwater ecosystems and provide habitat for land-based animals

THE COOPERATIVE WAY TO GREATER INCOME

Haji Sharif Azib
Chairman,
Koperasi Penanam Sawit Mampan Termeloh (KPSMT)

> *People need to see that we are different from previous cooperatives and I believe that we are already making inroads because we have an increasing number of non-members selling their produce to our palm oil collection centre.*

Haji Sharif Azib's greatest challenge is to prove to smallholders in Termeloh, that collective actions through cooperatives have greater potential in increasing income than working in silos.

The 57-year-old chairman of the Koperasi Penanam Sawit Mampan Termeloh (KPSMT), has been facing an uphill battle to win over smallholders who are disillusioned by numerous failed cooperatives in the past. Nevertheless, he is unfazed as he believes that the eventual success of KPSMT will dispel the apprehension over cooperatives.

KPSMT, which was established in September 2011, is open to all smallholders with palm oil plantation of 100 acres and below in the district of Termeloh. It currently has 64 members owning a total of 400 acres.

"The numbers may be small but these are dedicated members who truly believe that we can make a difference," said Haji Sharif, who pointed out that transparency and effective management are very important when running a cooperative.

"People need to see that we are different from previous cooperatives and I believe that we are already making inroads because we have an increasing number of non-members selling their produce to our palm oil collection centre."

He said the KPSMT cooperative collection centre not only allows smallholder to save transportations costs to the mills but also buys their produce at market rate. "As opposed to other independent collection centres, we only take 18 percent for cooperative profit, which will be channelled back to members as dividends and incentives. We also ensure that everything is above board and transparent."

KPSMT also encourages small holders to adopt better farming methods and harvesting technology to raise yield and produce better quality fruits with higher oil extraction rate. According to Haji Sharif, unlike older cooperatives dominated by much older members, KPSMT embraces young farmers who are more open to new ideas in farming and management.

"Apart from having young blood on board, we are also supervised by MPOB who constantly advises us on the best methods," he said.

MOVING TOWARDS GREATER YIELD

Lia Ah Kau
Smallholder

It would have taken us a much longer to replant without such assistance, and cost us more than RM7,500 per hectare including seedlings, fertiliser, pesticides, the rental for tractor and labour.

Lia Ah Kau 39, would have needed to save for more than two years to replace his 40-year- old oil palm trees if it were not for the government assistance, which included the provision of high yielding seeds and financial assistance for clearing and replanting efforts.

This assistance is part of the Government scheme under EPP1 pushing for the replacement of aged palms that are 25 years and older with younger high yielding trees by farmers and independent smallholders to ensure a sustainable supply of the commodity to downstream palm oil operators within and outside the region.

It has been a year now since replanting and there is another year to go before he can expect a harvest of at least 30 percent more than previously.

"It would have taken us a much longer to replant without such assistance, and cost us more than RM7,500 per hectare including seedlings, fertiliser, pesticides, the rental for tractor and labour," said Lia who owns a total of 20 hectares of oil palm plantation.

He said the older the trees produces lesser fruits and because these trees are very much taller than younger ones, harvesting becomes a problem. "We need skilled harvesters to do this and there aren't many around."

He also pointed out that government assistance enabled him to mechanise his clearing and replanting efforts which took him a month for two plantations of 10 hectares each. Without mechanisation, this labour intensive effort would have taken him almost a year to complete.

Of all his siblings, Lia was the only one who was willing to take over his father's plantations. "It is a job with countless challenges and my siblings preferred more comfortable jobs in bigger towns."

Due to the demand for palm oil, it is a job that provides good income said Lia, however, he is concerned that that his children may not be interested in taking over from him. "Despite the assistance and encouragement from the government, it is not a vocation many young people are interested in pursuing."

According to him, the biggest challenge facing plantation owners both big and small are skilled workers especially fruit harvesters. "Harvesting is a highly skilled job, you must know how to harvest without damaging the fruits. The local young labour force is not interested in learning this skill as they prefer to leave to bigger towns for other jobs."

"Unlike what is commonly perceived, working in the oil palm plantation is not so hard; most times I work half a day only and I make a decent living. Young people prefer bigger town because there is more entertainment there. Here in Termeloh, there is nothing to do at night."

Malaysia Tourism Transformation Plan (MTTP) have been instrumental in driving towards our ambitious targets of achieving 36 million tourists and RM168 billion tourism receipts by 2020. Given that we are now at the halfway mark of the programme, it is timely to review and enhance the implementation of some of the existing initiatives, and encompass any new ideas and potential game-changers. With these ongoing efforts, I am confident that the tourism sector will continue to achieve greater heights going forward.

"Despite various challenges, tourism remains a resilient sector, and it is one of the economic pillars that can assist Malaysia's economic recovery.

Tourism is an important economic sector in Malaysia and remains pivotal to the nation's economic transformation. Despite global economic and sectoral challenges, the tourism sector improved its position from fifth in 2014 to third highest Gross National Income (GNI) contributor for 2015. In terms of tourist receipts, it decreased by 4.0 percent from RM72 billion to RM69.1 billion in 2015. Tourist arrivals recorded a decline of 6.3 percent from 27.4 million in 2014 to 25.7 million in 2015. The drop in tourist arrivals and receipts can be attributed to the global economic slowdown and challenges such as the worst floods in 30 years which affected several states in Malaysia in early 2015 and earthquakes in Ranau, Sabah in June 2015, regional travel advisory for the coastal areas of Southeastern Coast of Sabah as well as the lingering effects of the MH370 and MH17 incidents.

INSIDE THIS NKEA

Malaysia's competitiveness as a leading tourism destination in the region was recognised via numerous awards in 2015 with India's leading luxury and travel magazine 'Travel + Leisure' crowning Malaysia as the "Best International Destination – Food and Drinks 2014" in April 2015. The country's attractiveness as a shopping haven continued to increase and it was ranked the second most popular shopping city in the world for Muslim tourists by the Muslim Travel Shopping Index (MTSI) 2015.

Malaysia became the ever to win the Best Golf Destination in Asia two years in a row at the World Golf Awards. The country also continued to gain momentum in the high-yielding Meetings, Incentives, Conventions and Exhibitions (MICE) category, moving up five places to 30th in the world in the 2015 International Congress and Convention Association (ICCA) rankings for the full year of 2014.

In spite of the negative impact due to the year-end floods in 2014 , and Sabah's devastating earthquake in June 2015, a total of 755,399 visitors visited the Malaysia Mega Biodiversity Hub (MMBH) sites in 2015. This achievement is highly commendable given that full repair and recovery of the infrastructure at the sites concerned has yet to be completed, particularly at Kinabalu Park where only part of the trek was reopened in September 2015.

The industry remained resilient with notable developments, particularly from the private sector. One significant highlight is the opening of the largest outlet mall in Southeast Asia in May 2015, namely the Mitsui Outlet Park KLIA Sepang housing 127 brands. It managed to attract over one million visitors since its opening up to the end of 2015. Malaysia undoubtedly remains poised to identify further initiatives and improvements in its efforts to stay ahead of the game to attract more tourists.

1 Malaysia's Tourism Grows via Private Sector Endeavours and Collaborations

Minister of Tourism and Culture YB Dato' Seri Mohamed Nazri giving the welcome address at the Malaysia 19th Tourism Awards 2014/2015 which serves to acknowledge industry and media partners for their efforts throughout 2014 and 2015 in enhancing Malaysia's image as a premier destination in the world

Tourist spend on shopping picked up momentum in 2015, with total spend on shopping rising by 0.2 percent to RM21.63 million and shopping representing 31.3 percent of the total tourist spend in Malaysia. The Shopping Secretariat Malaysia (SSM) also stepped up efforts to engage with the retail industry and held multiple sessions during the year. The Government promoted smart partnerships via collaboration with various private sector players, including shopping malls, shopping associations and retailers.

Outlet centres for premium items continue to grow in popularity. Malaysia became the first country to have a Mitsui outlet outside of Japan in 2015 and home to the largest Mitsui outlet to-date. Mitsui Outlet Park KLIA Sepang (MOP KLIA) is unique in that it offers amenities tailored to transit travelers such as free shuttle buses to KLIA and KLIA2, baggage storage facilities and flight information boards. The strategic location and customer-friendly services have

Quantum of the Seas during its maiden call on 14 June 2015 alongside two other concurrent cruise calls at Bousted Cruise Center (BCC), Port Klang. This Royal Carribean International vessel is the largest cruise ship to call at any Malaysian port, berthing at both BCC and Swettenham Pier, Penang in 2015

appealed to shoppers as evidenced by the encouraging footfalls with sales exceeding expectations.

In 2016, SSM will work to ensure its efforts abroad will yield the targeted Return on Investment (ROI), which may be a combination of the value from packages sold and also any PR value from the campaigns. From a tactical perspective, campaigns will also put more emphasis on the experiential element of shopping in Malaysia. SSM will also be looking to spread the BBKLCC Tourism Association model by encouraging other shopping precincts in the country to form their own associations.

Following the endorsement of two new integrated developments in Melaka and Rawang in the form of the Melaka Gateway and Project TWO, efforts in 2015 were focused on facilitating the progress of these projects. The first phase of the Melaka Gateway project experienced some delays as the developer KAJ Sdn. Bhd. opted to postpone the completion of the Malaysia Eye by several months to focus on land amalgamation. The Malaysia Eye is expected to be completed in 2016, and the International Cruise Jetty is on track for completion by end 2017.

The Malaysian cruise industry continued its upward growth trajectory in 2015 with a marked 50 percent increase in total cruise passengers to 523,272 passengers from 352,322 passengers in 2014. A total of 487 calls were made in 2015 compared to 356 in 2014. Almost all the key call ports in Malaysia saw growth, in spite of Star Cruises's commercial decision to capitalize on the rapidly growing Chinese market and reposition the 1,480 passenger Superstar Libra, which previously home berthed in Penang to the Chinese market.

The cruise industry saw a number of prominent developments in 2015. One key highlight is the maiden calls of the Quantum of the Seas at Swettenham Pier, Penang, and Boustead Cruise Center (BCC), Port Klang. This 4,180 passenger vessel is the largest Royal Caribbean Vessel to be deployed in Southeast Asia. The Mein Schiff by Tui ships also gave BCC its first overnight call. Growth looks set to continue in 2016 with a focus on improving destination coordination, particularly for high-value calls.

A major new Dedicated Entertainment Zone (DEZ) – TREC KL - opened in 2015 in Kuala Lumpur with Zouk KL, Asia's largest super club, as its anchor tenant. Zouk offers 10 new rooms across 106,000 sq. ft. and was named one of the world's Top 100 Clubs by the international DJ Magazine publication. The club continues to offer free entry to tourists via its special designated lane and this is expected to be a boost to Malaysia's tourism landscape. Apart from Zouk, TREC also has the Electric Boulevard, an eclectic international selection of lifestyle outlets which is aimed at attracting both locals and foreigners.

The successful opening of TREC is a culmination of both private sector investment and Government facilitation. It was endorsed as an EPP project in 2014 involving private investments of about RM130 million.

2

Tourism Industry Growth Supported by Strategic Government Initiatives

Government incentives and programmes continue to play a major role in developing the tourism industry. Coupled with the relevant supporting policies and facilitation, the Government has endeavoured to ensure a conducive environment for the industry to grow.

The Investment Tax Allowance encouraged the opening of more 4- and 5-star hotels in 2015, including the luxury Kempinski-branded 5-star hotel by the KSK Group in Kuala Lumpur which will commence construction in 2016. Notable completed new hotels include The Light Hotel and G-Hotel Kelawai in Penang, The Waterfront Hotel in Kuching and Sipadan Mangrove Resort in Sabah. The total number of new completed 4- and 5-star hotel rooms in 2015 was 4,597 rooms, bringing the total to 19,823 new 4- and 5- star hotel rooms since the start of the Economic Transformation Programme in 2010.

Efforts by the Government together with the Centers of Excellence (COEs) were stepped up to rebrand the spa industry. With these efforts, 255 local spa therapists were trained in 2015 by the COEs. The total number of spa therapists trained since the commencement of the Spa Therapist Training Programme in 2011 is 820. Following the successful completion of the course, these therapists will be placed in 3-5 star rated spa establishments for 18 months.

Two new COEs - Geomatika University College and YTL Academy – were added to the existing four COEs further boosting capacity to meet industry demand. The COEs are carefully selected and must be registered with the Skills Development Department to conduct the National Occupational Skills Standard (NOSS) Level 3 for Spa Therapists using the National Dual Training System. COEs are required to submit reports to MOTAC on a regular basis pertaining to training schedules, the progress of students, curriculum updates and placement of students at spa establishments upon graduation. They are required to have student placement pre-arrangements with potential employers.

Malaysia Convention & Exhibition Bureau (MyCEB) and the Malaysian Association of Convention & Exhibition Organisers & Suppliers (MACEOS) held the 2nd edition of the rAWr Awards, in an effort to provide recognition to excellence within the Business Events Industry.

MOTAC has also continued efforts to regulate the spa industry and as part of these efforts, 240 spas nationwide have been rated. Up to end 2015, 91 of these spas were rated 3-star, 66 spas rated 4-star, and 32 spas were rated 5-star.

As part of efforts to create a more structured and systematic aviation industry, the Government established a Malaysian Aviation Commission in July 2015. The Commission will undertake policy and planning functions to manage capacity and competition via licensing, route allocation and streamlining of airports according to hierarchy.

The Malaysia Convention & Exhibition Bureau (MyCEB) continued to serve as an effective platform for growth in the hosting of world-class events. MyCEB's Malaysia Major Events (MME) unit and the Business Events (BE) unit contributed towards a vibrant events calendar with 245 events supported throughout the year.

Highlights in terms of major events include Ironman 70.3 Putrajaya 2015 with 2,272 participants and the Jon Bon Jovi "Because We Can: The Tour" concert which attracted 18,168 attendees. These efforts enabled MME to record a total number of 67,400 international tourists at supported events.

On the MICE front, Malaysia hosted the Congress of the Asia Pacific Society of Respirology 2015, and the 18th ASEAN Federation of Endocrine Societies (AFES 2015), both of which had more than 2,000 delegates in attendance. Major bids secured in 2015 include the ISI World Statistics Congress (ISI) 2019, General Assembly of the International Co-operative Alliance (ICA 2017) and the Congress of the Asian-Australian Association of Animal Production Societies (AAAP) 2018.

MOVING FORWARD

The Government remains steadfast in achieving its ambitious targets of 36 million tourists and RM168 billion tourist receipts by 2020. Given that 2015 represents a halfway mark for the Economic Transformation Programme and to take on board the dynamic landscape of the tourism sector, MOTAC has decided that it was timely to review the existing initiatives and identify new product offerings including incorporating the recommendations of the recent studies embarked by the Ministry. This would be done by way of an NKEA Tourism and Culture Lab. The recommendations of the Lab will be geared towards propelling the tourism sector towards greater heights.

REDEFINING THE FACTORY OUTLET SHOPPING MALL BUSINESS IN MALAYSIA

With an estimated 250 outlets by year 2021, Mitsui Outlet Park KLIA Sepang (MOP KLIA) has the potential to be the largest factory outlet in South East Asia. For the first seven months of 2015 that the outlet mall has been in operation, MOP KLIA has also managed to exceed its projected sales targets.

MOP KLIA is part of The KLIA Aeropolis development which aims to transform the KLIA area into a multimodal and multifunctional enterprise and which will eventually become a diversified Airport City promoting employment, shopping, trading, exhibition, logistics facilities, business and leisure.

“Malaysia and Kuala Lumpur has been recognised globally as a shoppers’ haven hence, the factory outlet concept will further strengthen and provide a larger spectrum of choices for locals as well as foreigners alike while complementing the development of an airport city,” said MOP KLIA Deputy Managing Director TJ Cheah.

Mitsui Fudosan is a major real estate developer in Japan and holds a 70 percent stake in MOP KLIA with Malaysia Airports holding the rest. The airport operator helped in terms of facilitation and communication with local authorities as well as providing market intelligence on local expectations.

“While Mitsui Fudosan fuels the Mitsui Outlet Park KLIA Sepang with global operational expertise, Malaysia Airports is the backbone that facilitates with the local needs. Together, we intend to redefine the factory outlet shopping mall business in Malaysia,” said Cheah.

Several other government agencies were also instrumental in making MOP KLIA Sepang a success said Cheah, such as the Ministry of Culture and Tourism, Ministry of Domestic Trade, Co-operatives and Consumerism Malaysia, PEMANDU and the Ministry of Works. Local authorities such as the Sepang Municipal Council and BOMBA were also involved in the success of MOP KLIA.

T.J. Cheah,
Deputy Managing Director,
Mitsui Outlet Park KLIA

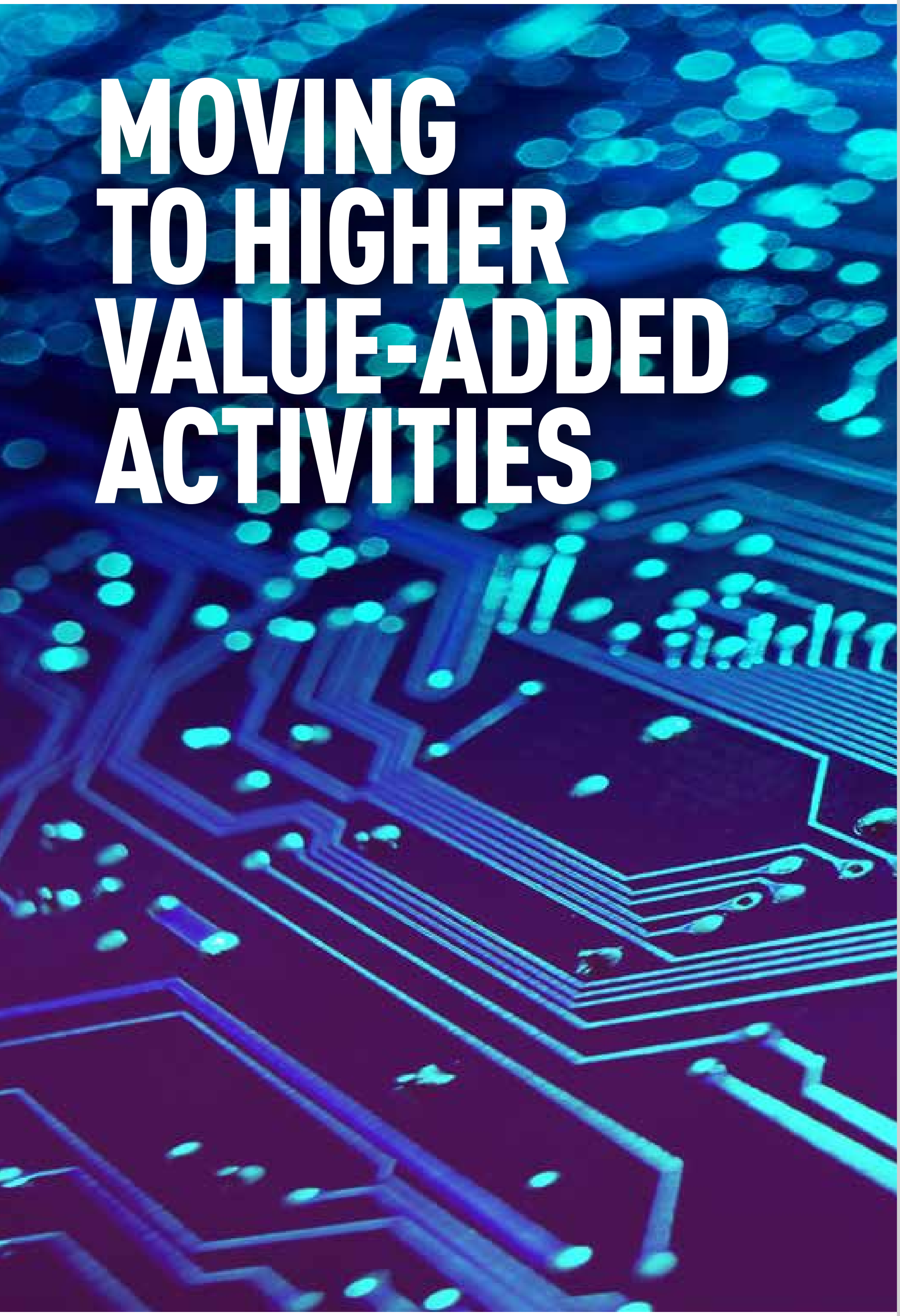
> ***Malaysia and Kuala Lumpur has been recognised globally as a shoppers' haven hence, the factory outlet concept will further strengthen and provide a larger spectrum of choices for locals as well as foreigners alike while complementing the development of an airport city.***

"These agencies and authority bodies supported in terms of rendering business advice, facilitation and providing tax incentives," said Cheah. "The authorities had internalised our business model and rendered the necessary support to ensure our aspirations were delivered as scheduled."

MOP KLIA boasts many facilities for airline transit passengers such as airline check-in kiosks and free baggage storage facilities. Cheah said that while numbers for passengers on transit are increasing steadily, most patrons to MOP KLIA are shoppers from within Klang Valley.

There were 128 outlets in MOP KLIA at the end of 2015, spanning across a commercial space of 24,000 sq m. Future expansion of the outlet park has been planned for Phase 2 and Phase 3, which are scheduled to start operations by 2018 and 2021 respectively. By year 2021, commercial space in MOP KLIA will increase to over 44,000 sq m.

MOVING TO HIGHER VALUE-ADDED ACTIVITIES



DATO' SRI MUSTAPA MOHAMED

MINISTER OF INTERNATIONAL TRADE AND INDUSTRY

The Electric and Electronics (E&E) industry continues to be a key driver of Malaysia's industrial development and contributes significantly to GDP growth, export earnings, investment, and employment. In 2015, 93 E&E projects with investments worth RM8.9 billion were approved, exceeding our annual target of RM6.0 billion. Of this, 26 projects were new projects with investments of RM2.1 billion while 67 were expansion/diversification projects with investments amounting to RM6.8 billion. Foreign investments continued to dominate overall investment, accounting for RM8.2 billion (92 percent) of total investments as compared to RM0.7 billion (8 percent) of domestic investments. Overall, a total of 455 projects, valued at RM45 billion have been approved for the period of 2011 to 2014, where 78 percent or 356 projects valued at RM35 billion have been realised thus far.

Exports of E&E products rose by 8.5 percent to RM277.92 billion in 2015 versus RM256.14 billion in 2014, the highest export value since 2007 and accounted for 35.6 percent of total exports. This was driven by continued demand for new applications of internet of things (IoT) for wireless communications and wearable devices. Major E&E export destinations with significant increase (exceeding RM1 billion) for 2015 include Singapore, USA, Thailand, Republic of Korea, Germany, Japan and India.

Since inception, the NKEA E&E has achieved 78 percent of its Roadmap's target at end-2015, and is on track to meet its overall targets by 2020.

The signing of the Trans Pacific Partnership Agreement (TPPA) on 4th February 2016 is expected to benefit the E&E industry as a whole, as it will provide Malaysian companies, particularly SMEs, the opportunities to export their products to TPPA member countries, which collectively account for 40 percent of global GDP.

YB DATUK SERI PANGLIMA MADIUS TANGAU

MINISTER OF SCIENCE, TECHNOLOGY AND INNOVATION

The E&E industry has remained as Malaysia's economic mainstay since the 1970s . The Ministry, together with its agencies such as MIMOS, SIRIM and NanoMalaysia Bhd have been playing an active role in re-energising this sector.

In 2015, MIMOS undertook the task to train more than 500 E&E engineers and students. As a result, more than 150 companies directly benefited from the programmes offered through its Advanced Shared Facilities.

The Nanotechnology Semiconductor Technology Centre (NSTC) at MIMOS, launched in July 2015, provides complete E&E ecosystem support in the areas of nanoelectronics, graphene and semiconductor microelectronics.

The Ministry is fully committed in supporting the adoption of nanotechnology in Malaysia, as it is a game-changing innovative technology with amazing potential to energise the growth of our industries through the creation of more high-value local products and solutions.

NanoMalaysia's commercialisation frameworks, namely iNanovation and National Graphene Action Plan 2020, leverage on and maximise utilisation of existing infrastructure and talent, further strengthening the public private partnerships.

During the year, we also launched the National Internet of Things (IoT) Strategic Roadmap. The main objective of this roadmap is to create a national ecosystem that enables the proliferation of use and the industrialisation of IoT as a new source of economic growth.

In 2015, Malaysia's total export for E&E products was RM277.92 billion. With new breakthrough discoveries in nanotechnology and the rise of IoT, we have the potential to increase our export by 2020.

Electrical and electronics (E&E) is the leading and the most liberalised industry in Malaysia's manufacturing sector. Since the establishment of the first semiconductor plant in Penang in 1972, Malaysia has become a major global manufacturing hub for the E&E industry. Four decades on, Malaysia continues to be a preferred E&E investment destination.

E&E products have been the largest traded items for Malaysia for several decades since the industry inception in the 1960s. The industry evolution until today has turned Malaysia as one of the leading points in the global E&E value chain.

As Malaysia moves forward, the E&E segment is focused on deepening and strengthening the three major ecosystems of semiconductors, solar and Light emitting diode (LED) technologies.

Semiconductors are expected to continue spearheading the growth of the E&E industry in Malaysia and will continue to benefit from growing global demand in the usage of mobile devices (smartphones, tablets), storage devices (cloud computing, data centres, personal data drives), optoelectronics (photonics, fibre optics, LEDs) and embedded technology (integrated circuits, PCBs, LEDs).

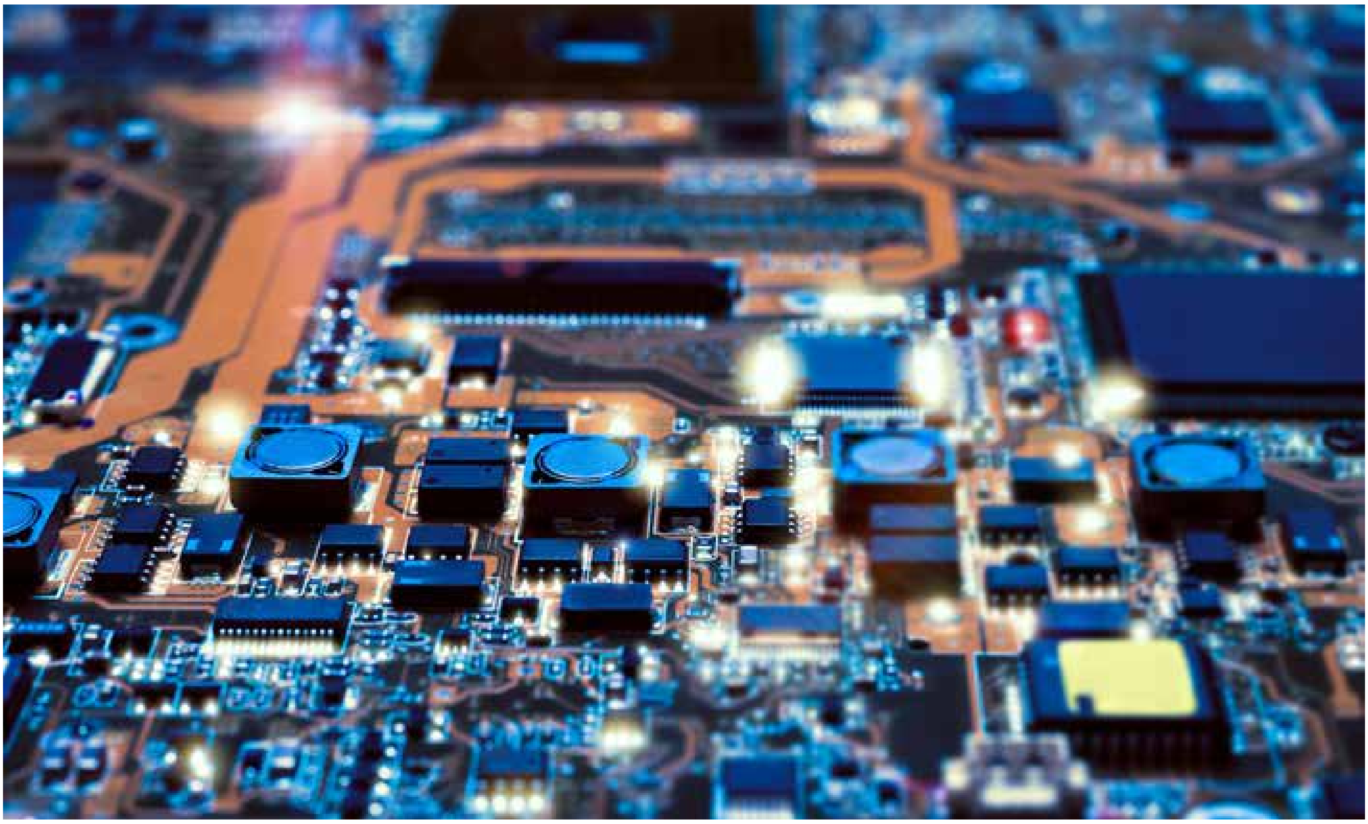
The growth trends achieved during the year reflect a concerted, industry-wide effort to shift from low value-added activities to high-value operations to remain competitive in a globalised economy.

INSIDE THIS NKEA

1 Delving into Downstream Industries

Strong expansion in downstream industries boosted the E&E Gross National Income (GNI) to RM53 billion in 2015 versus RM46.5 billion in 2014.

In 2015, the Malaysia Investment Development Authority (MIDA) has already approved total E&E investments of RM8.9 billion, exceeding the full-year target of RM6.0 billion. The bulk of investment was from foreign investors. They include a RM2 billion investment by an American company to manufacture multi-sensor and heat-assisted magnetic recording devices; a new project by a wholly Malaysian-owned company with investment of RM71 million to undertake the activities of die preparation at wafer level for photonics integrated circuits (IC); and two new solar cell and module manufacturing plants owned by Chinese firms worth RM600 million.



Of the cumulative RM45 billion worth of investments approved in 2011-2014, RM35.2 billion or 78 percent was realised. This exceeded the target of 65 percent.

In 2015, MIDA approved 11 high impact projects in the NKEA, under–

- EPP1: Semiconductor fabrication plant (1)
- EPP2: Advanced packaging (2)
- EPP3: Integrated circuit (IC) design firms (1)
- EPP4: Substrates manufacturer (2)
- EPP6: Wafer and cell producers (1)
- EPP7: Solar module manufacturers (1)
- EPP14: Transmission and distribution (T&D) equipment manufacturers (1)
- EPP17: Mobile devices companies (1)
- Business opportunity (BO) 5: Network storage solution technology hub (1).

On 25 June 2015, the Electrical and Electronics Strategic Council (EESC) was set up with the aim of providing strategies to raise the nation's E&E industry to the next level of capabilities and competitiveness. The EESC, chaired by the Minister of International Trade and Industry, will act as an advisory platform for the E&E industry over the next five years.

The timing of introducing the EESC could not be better as it will identify the gaps in the E&E ecosystem and establish sub-working groups to address specific needs for the industry to move forward in the next five years. Over the years, local companies have been impacted by the rising cost of doing business, such as the implementation of the goods and services tax (GST), impact of a weak ringgit on import costs, lack of local talent and stiff competition from lower-cost competitors in China. All these have further capped the growth of local E&E companies.

2

Turning on LEDs

Malaysia is now gaining prominence as a production hub for LED manufacturers. The development and production of LED clusters in the country cover semiconductor devices for LED, wafer fabrication, lighting products and solutions. LED applications include vehicle lighting, backlights and displays.

Osram Opto Semiconductors is investing €1 billion (RM4.67 billion) to construct a new LED chip plant in Kulim, Kedah. Construction will likely kick off in the first quarter of 2016. The plant is set to be the largest and latest six-inch LED chip production site in the world. It is part of the group's €3 billion new investment that will transform it into a global semiconductor player.

This project will be beneficial to Malaysia in terms of jobs creation and further strengthens the value chain of other local players in the LED industry. In addition, it will complete the LED ecosystem in Malaysia, and make the country more conducive for the deployment of high-technology projects.

Whilst the industry has had a good run in 2015, there are some new challenges especially for the local LED manufacturers. LED lamp testing is costly and takes a long time (6,000 hours) due to new standards (MS 62722-2-1) imposed by Europe and the US. This has delayed the penetration of newly certified LED products into international markets.

P-Plus Sdn. Bhd., a company under the Green LED/SSL Programme showcasing Malaysian made LED/SSL products at SME Corp Malaysia's closed door business linkages event

3 Harnessing the Power of the Sun

First Solar launched its TetraSun technology-based production line at its PV manufacturing complex in Kulim Hi-Tech Park, Malaysia

As at December 2015, Malaysia is home to a total of 16 solar manufacturing plants, with a production capacity of 2.6GW of cells and 5GW of modules per year.

During the year, the Northern Corridor Economic Region (NCER) welcomed two new solar panel players, JA Solar Holdings Co Ltd and JinkoSolar Holdings, to Penang. JA Solar Holdings Co Ltd, one of the world's largest manufacturer of high performance solar power products, invested RM300 million in October 2015, to establish its first manufacturing facility outside China. This factory's output would represent 10 percent of the company's total production capacity globally.

Meanwhile, JinkoSolar's solar cell and module manufacturing facility commenced production of highly-efficient cells and multi-crystalline modules in May 2015, providing the company with an additional capacity of 500MW for solar PV cells and 500MW for modules annually.

While the growth of the solar panel industry is evident, it is not without its challenges. In May 2015, the European Union (EU) launched an investigation into Taiwanese and Malaysian solar panel manufacturers after Chinese exporters were accused of evading anti-dumping levies by shipping solar panels to the EU respectively through Taiwan and Malaysia. Anti-circumvention duties of 53.4 percent and anti-subsidy duties of 11.5 percent now apply to Chinese solar PV panels and cells shipped from Taiwan and Malaysia to the EU. To mitigate the impact of this on the local industry, the Ministry of International Trade and Industry (MITI) is putting in place measures in the approval of Chinese companies setting up manufacturing facilities in Malaysia to ensure high value activities are conducted in Malaysia and local companies are part of the supply chain.

4 Expanding the Electrical & Electronics Industry

High value Research and Development activities are crucial as the nation moves up the value chain within the E&E industry.

During the year, Penchem Technologies Sdn Bhd developed graphene conductive inks that have conductivity levels suitable for printed electronic applications. This is significant as printed electronics is crucial in many downstream applications such as wearable devices and flexible electronics, as well as key enablers of various Internet of Nano-Things (IoNT) solutions. To date, Penchem has signed agreements with various partners to use the developed graphene inks for application development, namely in radio-frequency identification (RFID), sensors and printed electronics.

The prototyping of an electric bus and lithium-ion (Li-ion) batteries for electric and hybrid vehicles – a collaboration between the Malaysia Automotive Institute (MAI), University of Wollongong and University Technology Sydney, AutoCRC Ltd and Swinburne University – were also completed during the year. The prototype e-bus was revealed at the ASEAN Auto Show 2015. Commercialisation and mass production are expected to start in the second half of 2016.

The Malaysian Green Technology Corp (GreenTech Malaysia), a government agency under the purview of the Energy, Green Technology and Water Ministry, is pushing for electric-powered mobility. They aim to install 300 charging stations nationwide by 2016 with more than 70 already installed in the Klang Valley, Malacca, Pahang, Penang and Sarawak. Among the parties GreenTech Malaysia is working with is Eclimo Sdn Bhd, a Malaysian-owned electric vehicle company manufacturing electric motorcycles and lithium ion battery packs. Eclimo has supplied 450 electric scooters to the Women Peace Police Squad (Amanita), KFC, Penang council, Penang Island City Council, Penang Botanic Gardens and the state of Melaka.

In addition, Universiti Teknologi PETRONAS (UTP), in collaboration with local LED/ Solid State Lighting (SSL) designer Hans System Design Sdn Bhd, developed a copper-carbon nanotube (Cu-CNT) nanocomposite substrate for thermal management in LED applications that improves lighting performance. During the year, the company upscaled and commercialised the technology in LED lighting application. This technology has various other electronics applications that can be adapted and licensed to players in various industries.

MIMOS'S SHARED SERVICES FACILITIES USEFUL FOR MARKET PLAYERS

MIMOS Nano-Semiconductor Technology (NST) provides analytical shared services and facilities, with the aim of becoming a major catalyst for the development of electrical and electronics (E&E) sectors in Malaysia and the region by offering a flexible engagement model, short turnaround time and integrated value-added services at competitive prices. Among the services offered are failure analysis/material analysis, reliability testing, wafer and integrated circuit (IC) testing, IC design, wafer prototyping, and hands-on industrial upskilling programme.

Software and testing tools are expensive. As such, MIMOS' facilities had become invaluable to companies that do not have their own facilities or tools. Fintexs Technologies Sdn Bhd, for example, relies on these shared services and facilities – they have become part of its processes, and a channel to market its products, provide demonstrations and introduce new technologies. The facilities also enable its engineers to acquire hands-on experience and develop new techniques. The facilities had indeed helped Fintexs innovate and evolve to meet its customer demands.

Fintexs is a trading company that provide sales as well as after-sales support including installation, training, application support, and commissioning. Over the years, it has also specialised in turnkey projects for Infineon China, Silterra, X-FAB, etc to set up failure analysis and reliability testing. The people behind Fintexs have 20 years of experience in providing technical services to manufacturers in a wide range of industries, including consumer electronics and information technology equipment. Prior to the setting up of MIMOS' shared services and facilities, Fintexs had sometimes used some of its customers' facilities but these came with many constraints. Using MIMOS' facilities had helped Fintexs save time and costs by up to 30 to 40 percent, on average.

Having benefited from MIMOS' shared services and facilities, Fintexs now actively markets them to its customers as well.

MOVING FORWARD

Innovation is the key in achieving the national agenda of moving up the value chain as the nation progresses from a middle-income economy to a high-income one. In sustaining Malaysia's economic growth and enhancing its competitiveness, it is crucial that the Government focuses not just on the investments' absolute value but also the quality.

The Government has adopted an ecosystem approach to attract and generate quality investments that are of high technology, high value-add, knowledge- and skills-intensive, export oriented, capital-intensive, and design- and R&D-intensive. The goal is to have projects with high GNI impact and strong linkages with domestic industries. MIDA is also striving to rebrand the country as the hub for high technology activities, particularly in research and development (R&D) and design and development (D&D), and is encouraging the setting up of more technical support centres and Centres of Excellence (COEs).

In the 11th Malaysia Plan (2016-2020), MIMOS will champion a common integrated circuit (IC) design platform to enable both local IC design firms and universities realise as well as commercialised their ICs designs into various E&E applications. What is required now is a sustainability model to ensure that local IC design firms, and indeed all local E&E firms, can stand up on their own feet without full funding from Government agencies. Further studies need to be done on what it takes to move into that phase.

It is believed that once the Trans-Pacific Partnership Agreement (TPPA) comes into effect, Malaysian exporters will gain competitive advantage over regional competitors in exporting products, such as our electrical and electronics sector. This will be advantageous to the entire E&E value chain from the aspect of GNI, jobs as well as investments by giving us better access as it eliminates or reduces tariff and non-tariff barriers between its member countries.

BUSINESS SERVICES SECTOR TAKES OFF

DATO' SRI RICHARD RIOT ANAK JAEM

MINISTER OF HUMAN RESOURCE

I am very pleased to see the continued growth of the Business Services NKEA, as it is a critical component of our transformation journey. The NKEA helps Malaysia move up the services value chain by attracting higher value investments that enhance the knowledge economy, have a global outlook, and create skilled jobs for Malaysians.

The continued growth of business services means that more and more high skilled employees will be required. Witnessing the shared services and outsourcing industry creating over 16,000 jobs this year is indeed assuring and illustrates that the programme is on the right track.

We will continue to work with companies and educational institutions to ensure Malaysia produces the best industry-ready graduates.

The governance of the Business Services NKEA will transition from the Ministry of Human Resources (MOHR) to the Ministry of International Trade and Industry (MITI) in 2016. I strongly believe that this move aligns very well with MITI's agenda to develop the services industry. I am confident that through close collaboration between various government ministries and agencies, the industry will achieve its 2020 target Gross National Income (GNI) of RM78.7 billion and creating 43,000 jobs.

The business services sector continued its expansion in 2015, generating RM46.2 billion in GNI. This represents a 9.7 percent growth over 2014, and Business Services remains one of the fastest growing NKEAs. This also means that Business Services is on track to achieve the 2020 target of RM78.7 billion in GNI.

Malaysia is a regional leader in the business services sector and is well positioned to move up the value chain and increase its export of services. The aim is to be globally competitive and ultimately transition Malaysia to a knowledge-based economy supported by a deep and diverse range of high-value services. The country is now a key global player in the fields of shared services and outsourcing (SSO) and aviation maintenance, repair and overhaul (MRO), and is also experiencing significant growth in the data centre, green technology and pure-play engineering fields.

Notable developments this year include the opening of another global support centre by Schlumberger, a landmark deal for UMW to manufacture aero-engine fan cases for Rolls-Royce and the creation of a one-stop solution centre for engineering design and prototyping by Malaysian engineering firm DreamEDGE.

Competition for investment, however, remains stiff and the uncertain global economic climate has given cause for many potential business outsourcing clients to hold back. Technology also continues to evolve, necessitating the need to constantly review policies to ensure the country can take advantage of the latest developments.

In 2016, this NKEA will move from under the purview of MOHR since 2010 to MITI, leveraging on existing governance platforms such as the Malaysia Services Development Council (MSDC) and the newly revived Malaysian Aerospace Council (MAC). The implementation of individual Entry Point Projects (EPPs) however will continue to be led by their respective agencies and ministries such as Ministry of Energy Green Technology and Water (KeTTHA), Multimedia Development Corporation (MDeC) and Malaysian Industry-Government Group for High Technology (MIGHT).

INSIDE THIS NKEA

1 Sustained Growth Acceleration of Strategic Services Sectors

2 Developing Future Growth Segments

1 Sustained Growth Acceleration of Strategic Services Sectors

The launch of the Malaysia Aerospace Industry Blueprint 2030 by YAB Prime Minister

MAKING MALAYSIA AN AEROSPACE HUB

The aerospace industry, which is one of the priority sectors in the 11th Malaysian Plan, hit several notable milestones this year. There was the launch of the Malaysian Aerospace Industry Blueprint 2030, the revival of the Malaysian Aerospace Council, and the establishment of a dedicated National Aerospace Industry Coordinating Office (NAICO) under MITI.

In terms of investments, a landmark RM830 million deal was signed between Rolls-Royce and UMW. Under the deal, UMW will manufacture and assemble aero-engine fan cases for Rolls-Royce's Trent 1000 engines which power the Boeing 787 Dreamliner. This agreement signifies the confidence that world-renowned companies have in Malaysia's capabilities, and opens the door for even more opportunities to be realised in technology transfer, human capital development and SME development.

In addition, Airbus officially launched its customer service centre in October 2015. The centre has employed 70 people and is one of only five such Airbus locations around the world, providing major aircraft engineering and repair design services to customers globally.

A new EPP8 was also launched to develop SMEs in the global aerospace manufacturing industry. This project, led by SME Corp, will further enhance Malaysia's attractiveness as an investment destination for leading aerospace multinationals, as well as help upskill the talent pool within Malaysia.

POSITIONING MALAYSIA AS A WORLD CLASS DATA CENTRE HUB

The new state-of-the-art Sedenak Iskandar Data Hub was officially announced during the year. The 700-acre site in the Iskandar Region will be equipped with advanced infrastructure, high-capacity power and reliable connectivity, and has been earmarked for local and global data centre companies.

This hub, together with key data centre investments by leading companies such as Huawei and VADS Bhd (a TM subsidiary), further establishes Johor as Malaysia's second location for data centres after Cyberjaya.

Nevertheless, the slowdown in the global market impacted the confidence of buyers towards outsourcing their data centre activities. This led to EPP3 revenues falling just short of the 2015 target, and this trend is expected to continue into 2016, as customers delay their sourcing decisions due to economic uncertainty.

Challenges in the cost of doing business were even more pronounced this year. Connectivity costs remain uncompetitive, and while power rates are still low relative to the rest of the region, they face upward pressures from impending tariff revisions. A more strategic review must be done to further catalyse Malaysia's digital economy, particularly as it generates an increasingly larger share of the country's Gross Domestic Product (GDP).

Shifting technology trends are also straining current regulatory structures, particularly involving cloud-based services and data analytics. To cater for these shifts, regulators will need to review old policies, while service providers will have to strengthen data security measures to retain customer confidence.

VADS's new US$130 million data centre in Iskandar Puteri, Johor

2 Developing Future Growth Segments

JUMP-STARTING THE GREEN TECHNOLOGY INDUSTRY

In the green technology space, solid waste management remains a national challenge, particularly when it comes to the current over-reliance on landfills. More must be done to build sustainable ecosystems. Nevertheless, KPI achievement for 2015 was at 106 percent of the target, reflecting the continued growth of the green technology industry.

In line with this, the Green Tech Financing Scheme (GTFS) has been extended to 31 December 2017 with a fund of RM1.2 billion. It allows eligible companies to obtain a two percent government subsidy on the loan interest and a 60 percent guarantee on the risk of the loan via Credit Guarantee Corporation.

DEVELOPING SMEs IN THE GLOBAL AEROSPACE MANUFACTURING INDUSTRY

The aerospace industry in Malaysia began with the establishment of MRO operations in the 1970s, and has progressed into the manufacture of aerospace parts and components and assembly of light aircrafts.

As the Asia Pacific region is set to be the largest market for new commercial aircraft, with orders expected to reach almost 13,000 units by 2032, demand for MRO services and manufacturing of aerospace parts and components is also expected to increase.

To map out Malaysia's aspirations for this industry, the Malaysian Aerospace Industry Blueprint 2015-2030 was launched at the Langkawi International Maritime and Aerospace Exhibition (LIMA). In conjunction with this launch, a new EPP8 was also launched to develop small and medium enterprises (SMEs) in the global aerospace manufacturing industry. This project, led by SME Corp, is targeted to contribute RM258 million in GNI, 4,108 jobs and RM88 million in investments by 2020.

In 2015, five SMEs were assessed and approved within SME Corp's Business Accelerator Programme. This programme enables SMEs to be assisted through an integrated approach with guidance, including strengthening their core business, building capacity and capability, and facilitating access to financing. Applicants will receive business and technical advisory services aimed at enhancing their business potential.

To further support this EPP, the state of Perak announced the 81-hectare Green Asia Aerospace Technology Park in Seri Iskandar, as part of the state's five year Perak Development Plan. The project will be led by local aircraft composite parts company Admanco, and will also house US-based materials firm Hexcel, Singapore Aerospace Manufacturing and Malaysian precision tooling company All Star Fortress. Upon full maturity, the park is targeted to house up to 135 companies and create 10,000 new jobs.

The aerospace industry requires high upfront capital investment, as well as numerous certifications and approvals. Therefore, SMEs require constant support and assistance in building capabilities and capacity, especially at the early stages.

It is clear that for these aerospace SMEs to thrive, collaborations with those commanding industry expertise must be enhanced to develop a more holistic SME development programme, one that includes benchmarking, training, consultation, marketing and business matching activities. This will be done by leveraging on NAICO's governance platforms (e.g. Malaysian Aerospace Council, Technical Working Groups) to ensure continuous integration with all levels of the supply chain.

MOVING FORWARD

Moving into 2016, within all the aerospace related EPPs, there will be increased coordination between all these EPPs and initiatives through NAICO. This office looks to consolidate representation of all private-and public-sector stakeholders. Ultimately, inter-agency alignment and public-private collaboration is crucial, as Malaysia remains a relatively small player on the global stage. It is imperative that the industry tap the broader base of expertise available in the country.

The coming year will also see the continued implementation of the Sedenak Iskandar Data Hub, and an increased focus on developing Sarawak as a data centre location, as the state contains some natural advantages such as its large available land mass, abundant hydroelectric supply and low risk of natural disasters.

Dato' Yasmin Mahmood,
MDeC CEO

BUILDING GLOBALLY COMPETITIVE SHARED SERVICES AND OUTSOURCERS

The Shared Services and Outsourcing (SSO) sector has been one of the standouts of Malaysia's economic story over the years. Not only has Malaysia been consistently ranked as one of the top three most attractive destinations for business shared services and outsourcing by global management consulting firm AT Kearney, but the sector has outperformed job creation targets as well.

Describing this sector as "Malaysia's jewel in the crown", MDeC CEO Dato' Yasmin Mahmood reflected that "the cluster formerly known as SSO has recently been renamed Global Business Services (GBS) to better reflect the changing nature of the global outsourcing market, and the strengths Malaysia can play to."

A key highlight, Yasmin said, was that the target for new job creations for 2020 was met in 2015. "And these are high income jobs too," Yasmin noted. "It's not just about the number of jobs, it's also about the value of the jobs."

The industry veteran said that while the ICT industry's average monthly salary in Malaysia is about RM3,500 per month, the GBS industry average salary in Malaysia is about RM6,400. And salaries at the higher end of the GBS value chain, i.e. Knowledge Process Outsourcing (KPO), are even higher at about RM8,400 per month.

Yasmin said a major factor in the success of the sector was government commitment. This commitment helped gain the trust of investors in Malaysia as a top GBS location.

"By elevating this specific EPP2 to a national ETP level, we have told the world that the whole of Malaysia is committed to delivering this trust to the world," said Yasmin. "That we have access to the very highest powers in the country, that we have the mandates to help them grow, and that we will make the required changes at a national level to support them when required."

She stressed that this commitment at the highest level was of enormous value to global investors.

"It builds mega trust banks," said the MDeC CEO.

She added that an agency like MDeC was also important for investor confidence.

"Investors appreciate that there is an agency to support them so that their businesses are successful and can thrive in Malaysia," said Yasmin.

Moving forward, new policies and amendments to existing policies, as well as regulatory reforms, may be needed to ensure Malaysia's competitiveness.

"There are global changes happening, specifically in the legal, healthcare, and Islamic financial areas, which may call for some changes," said Yasmin. "MDeC looks forward to working with the relevant authorities to make these changes when required."

> *"By elevating this specific EPP2 to a national ETP level, we have told the world that the whole of Malaysia is committed to delivering this trust to the world.*

TALENT DRIVES GROWTH IN AEROSPACE VENTURE

Malaysia's emergence as a regional aerospace hub is crucial for the nation's ambitions to be a high-income economy by 2020. Zulfikri Osman, Chief Operating Officer (COO) of M-AeroTech said that the growth of the aerospace sector represents our transition as a country to a high-income economy.

"As an industry, aerospace is high-value and focuses heavily on human capital development," he said. "It is important to diversify the nation's economy, making it less reliant on traditional sectors such as the oil and gas sector, especially in the current economic climate."

Zulfikri added that Malaysia must recognise the importance of developing its most important resource: its people.

M-AeroTech was set up by Majlis Amanah Rakyat (MARA) in 2014 to lead its ventures into aerospace. It is also

Zulfikri Osman,
COO, M-AeroTech

As an industry, aerospace is high value and focuses heavily on human capital development. It is important to diversify the nation's economy, making it less reliant on traditional sectors such as the oil and gas sector, especially in the current economic climate.

championing the Business Services EPP7 - Making Malaysia a Hub for Aerospace OEMs in Southeast Asia.

Zulfikri said that the push into aerospace has yielded great benefits and innovations in human capital development to MARA, which supplies 30 percent of the nation's workforce.

"This will pave the way to a Malaysian workforce which is ready for the challenges of modern high-value industry," he said.

The COO noted that M-AeroTech's involvement in the aerospace industry, and its working together with PEMANDU to implement the Economic Transformation Programme, have given it invaluable experience on how to participate in a high-value industry and in high-quality human capital development.

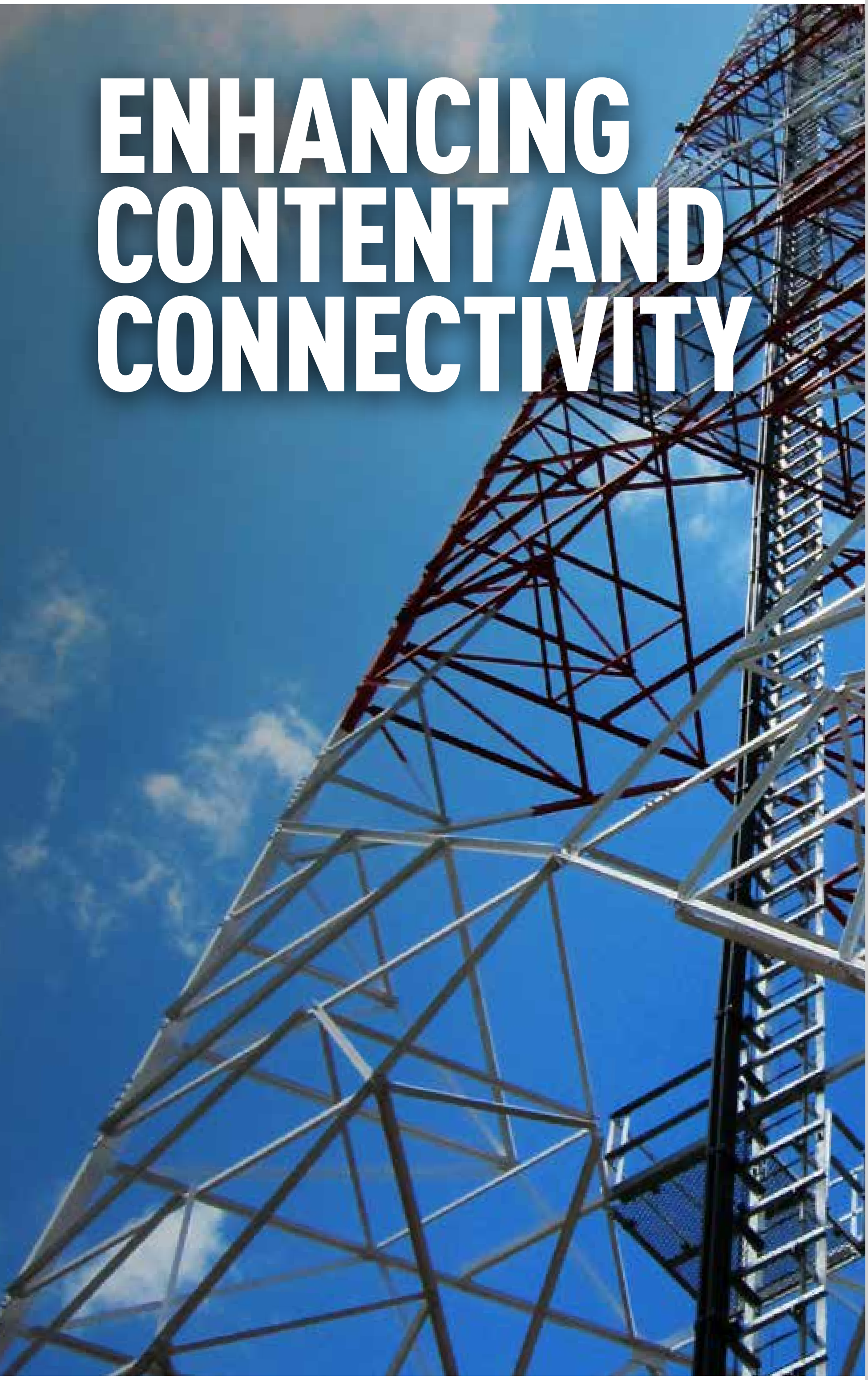
"This helps us fulfill ETP goals such as high-value job creation," said Zulfikri. "With a unified plan, and unified goals under the ETP, we are able to synergise better, and have better connectivity and coordination with other stakeholders in the Government."

Moving forward, Zulfikri said that there needs to be enhanced human capital development led by the industry itself. He said M-AeroTech will continue to play a pivotal role in this area, by engaging industry to enhance the human capital development capabilities in MARA.

He added that SMEs need to be further developed so that they are capable of entering the aerospace industry.

"This is important for completing the supply chain, and to ensure the country gains the maximum benefits from the growth of aerospace," said Zulfikri.

ENHANCING CONTENT AND CONNECTIVITY



DATUK SERI PANGLIMA DR. MOHD SALLEH TUN SAID KERUAK

MINISTER OF COMMUNICATIONS AND MULTIMEDIA

2015 was another exciting year for the Communication Content & Infrastructure NKEA, as it continued to build on the momentum of existing projects and refine initiatives.

One such initiative, The Film In Malaysia Incentive or FIMI experienced a phenomenal growth in 2015. We saw a 40 percent increase in terms of production investment worth over RM457 million. Of this amount, 98 percent was foreign led, and this means we should continue to promote Malaysia as a global film location and to faciliate the ease of making films here.

Another initiative, the Content Malaysia Pitching Centre launched in 2015 provides the creative industry a platform to produce world class content to compete in the global market. It was a missing cog in the industry wheel, as well as a game changer at large, as it caters to both budding movie making entrepreneurs such as producers and seasoned script writers, hair and make up stylists, visual effects teams, directors amongst others.

We also made continued progress in high impact projects to deliver high speed broadband and expand coverage to rural areas. This is part of our promise of better service delivery and seamless connectivity for all in a bid to make broadband access inclusive.

I remain optimistic of 2016 and will ensure that we continue to grow this sector, with focus on developing the creative industry human capital , creative content, as well as to enhance our marketing and communications infrastructure.

"The Film In Malaysia Incentive experienced a phenomenal growth in 2015, seeing a 40% increase in terms of production investment worth over RM457 million."

— **Datuk Seri Panglima Dr. Mohd Salleh Tun Said Keruak,**
Minister of Communications and Multimedia

The Communications Content and Infrastructure (CCI) sector spans a wide ecosystem covering creative content, network applications, services and devices. The growth of the CCI industry is key to other National Key Economic Areas (NKEAs) such as Electrical and Electronics (E&E), Financial Services, Tourism, Healthcare, Business Services and even Education, which rely on communication infrastructure to further boost economic potential.

As we head towards 2020, the sector is undergoing a paradigm shift from providing infrastructure and access for Malaysians to providing applications and content that will enable a knowledge-based economy. This is the critical and catalytic role the CCI NKEA will play in the development and sustainability of a high-income economy.

Within this sector, Malaysia's creative content ecosystem is shaping up to become a core function and it is expected to become a significant economic contributor, with continued support and participation. Malaysia is making a name for herself as a quality destination for filming. This confidence is mirrored by interest from global and established film producers such as Marco Polo Productions Asia Sdn Bhd, Netflix, The Weinstein Company and production companies.

INSIDE THIS NKEA

Additionally, it is evidenced with the opening of the renowned Pinewood studios in Iskandar Johor which is the location of productions by Fremantle Asia, Turner Broadcasting System Asia Pacific amongst others.

In addition, attractive financial incentives drew nearly half a billion ringgit in film spending just last year, with 98 percent of it from abroad. This in turn also stimulated local demand for supporting goods and services such as catering, transportation, clothing, construction and carpentry.

A critical piece of this NKEA looks at expanding the adoption of the latest technology into Government services. This is to improve the various services accessed by the general public. Successful implementation will result in 90 percent of transactions being completed online with only 10 percent completed with face to face engagements. Within the government system, there has been an ongoing effort to go paperless by 2020 and this will ensure less incidents of documents going astray, easy retrieval of documents and proper records being kept

The right to Internet, otherwise referred to as the right to broadband, has been declared by the Human Rights Council of the United Nations as a basic human right to enable people to exercise and enjoy their rights to freedom of expression as well as to facilitate economic development. In addition, with the advancement of technology, there is a bigger data in the system and with that comes the need for better connectivity. This is because businesses are accessing data and information, consumers are using apps, online portals and social media. Essentially with more and more Malaysians going online, ubiquitous connectivity is a necessity.

1 Catalysing Growth in the Content Industry

The Licensing Expo 2015 in Las Vegas - the meeting place for the global licensing industry where companies will be able spot trends, build strategic partnerships or secure promotional tie-ins through finding the right partners or opportunities to expand their businesses

The Content Malaysia Pitching Centre launched in 2015 will connect the creative industry to funding and buyers. Its main purview is to review commercial viability, vet pipelines of eligible content and to maintain accountability of funds. Additionally, the centre provides the industry with a physical facility where they can gather to attend workshops and master classes, participate in industry and community events, and interact with the right buyers and distributors of their content. Since April 2015, 72 projects have been approved to receive funding from various pitches during the year.

Currently, both local and foreign productions in Malaysia enjoy a 30 percent rebate on production spending in Malaysia through the Film In Malaysia Incentive (FIMI). As a result of FIMI, a total of 16 companies, comprising of 13 foreign and 3 local companies qualified for this policy over the course of 2015. Collectively, these have contributed the sum of RM457

Marché du Film de Cannes attracts an estimated 10,000 participants who uses this event to debut and discover almost 4,000 films and projects in 34 screening rooms. Creative Content Association Malaysia, an industry-led and government-supported association of leading content creators in Malaysia participated in Marché du Film 2015 to assist in promoting various local films

million in production investments. Amongst these productions are Indian Summer Series 2, Asia's Got Talent, Lost in the Pacific and the animated feature, Supa Strikas.

In addition to competitive incentives (FIMI) and production facilitation, the opening of Pinewood Iskandar Malaysia Studio with its state of the art facilities also reinforced Malaysia's position as an attractive destination for filming. The top two highest production investments at Pinewood Iskandar were Marco Polo Season 2 estimated at RM194 million followed by Indian Summers Season 2 estimated at RM47 million.

Apart from encouraging skills and knowledge transfer to locals working within a production crew, FIMI also stimulates local economies by creating a demand for goods and services such as catering services to prop making services to car rental services in order to fulfill the production requirements. FIMI brought in RM893 million of production investment into Malaysia which translates to a Return on Investment (ROI) of 3.27 times. In addition, the total spending on Malaysian good and services by these companies on rental & leasing; construction and carpentry; accommodation; food and beverage, etc. was RM406.2 million.

FIMI-supported production has also generated RM156.2 million in employee compensation in Malaysia, including MYR82.8m of direct employee compensation (i.e., Malaysian cast and crew) and RM73.4 million of multiplier effects on employee compensation in supplier industries. Finally, FIMI-supported production has generated 5,679 Full-time Equivalent (FTEs) of employment in Malaysia, including 2,542 FTEs of direct employment of Malaysian cast and crew and 3,137 FTEs of multiplier effect employment in supplier industries.

With a thriving and growing creative industry, there is now a greater demand for production talents and extras. This increase in demand has enabled good scriptwriters to earn in excess of RM15,000 per month, while an extra could command a fee of RM4,500. All this simply augurs well for the industry and the people that work within. In addition, there is the Creative Industry Lifelong Progamme (CILLP) that aims to develop and up skill creative talents from script writers to directors to any Malaysian with an interest in the creative industry. They would have to be accepted to a recognised programme in an institution and apply for funding through the CMPC. To-date, 310 Malaysians have received funds and are undergoing courses in local or international institutions.

2 Pushing Boundaries in e-Government

E-Government is the use of CCI technology to enhance the access to and delivery of Government services to the rakyat and businesses. E-Government will foster a better business environment, strengthen good governance, broaden public participation and improve the productivity and efficiency of Government agencies.

One of the main initiatives in pushing the e-Government agenda in Malaysia is the Digital Document Management System. This is a cloud-based system that is designed to manage the creation and maintenance of electronically created documents of the Malaysian public sector agencies.

Some 31 ministries and agencies adopted the Digital Document Management System (DDMS) as of last year, a number which far exceeds the target number of 18. The encouraging adoption rate by the Government was prompted by the need for a solution based approach towards minimising waste and to operationalize the government's stance of reducing the country's carbon footprint. In turn, DDMS is seen by the agencies to improve the convenience, efficiency and transparency of their services to the rakyat and is also convenient for trade facilitation.

The DDMS fulfils the objective of getting the Malaysian government to go paperless. Spearheaded by MAMPU, DDMS also aims to increase the accessibility, speed, and transparency of Government services.

School children utilising the Pusat Internet 1 Malaysia facilities after school hours for information seeking and educational purposes

3 Enhancing the Foundation and Access to Connectivity

An ideal nationwide premise to provide connectivity to all Malaysians is on-going. To deliver this ambitious plan, a focused approach is deployed to ensure that both accessibility and connectivity meets the expectations of the users.

To enable that and cater for these demands, there is a committed budget and clear priority on infrastructure development. In 2015, 611 villages around Malaysia were able to access the internet through the Kampung Tanpa Wayar 1Malaysia initiative. This initiative provides free wireless access to selected villages across the country. In addition, 99 Pusat Internet 1Malaysia were established in 2015 to allow local communities in underserved areas to attain basic Internet access and ICT training. Furthermore, 51 Communications Towers were also established and this allows communities mobile phone coverage in their local area. These towers are built by the various telecommunication companies in Malaysia to ensure their customers have access anytime, anywhere in Malaysia.

In December 2015, Telekom Malaysia also announced the signing of two public private partnership (PPP) agreements with the Government of Malaysia for the implementation of the High Speed Broadband Project Phase 2 (HSBB 2) and the Sub-Urban Broadband Project (SUBB). Both projects will see TM roll out a last mile access network to homes and businesses utilising fibre-to-the-home (FTTH), Ethernet-to-the-home (ETTH) and VDSL2 technologies.

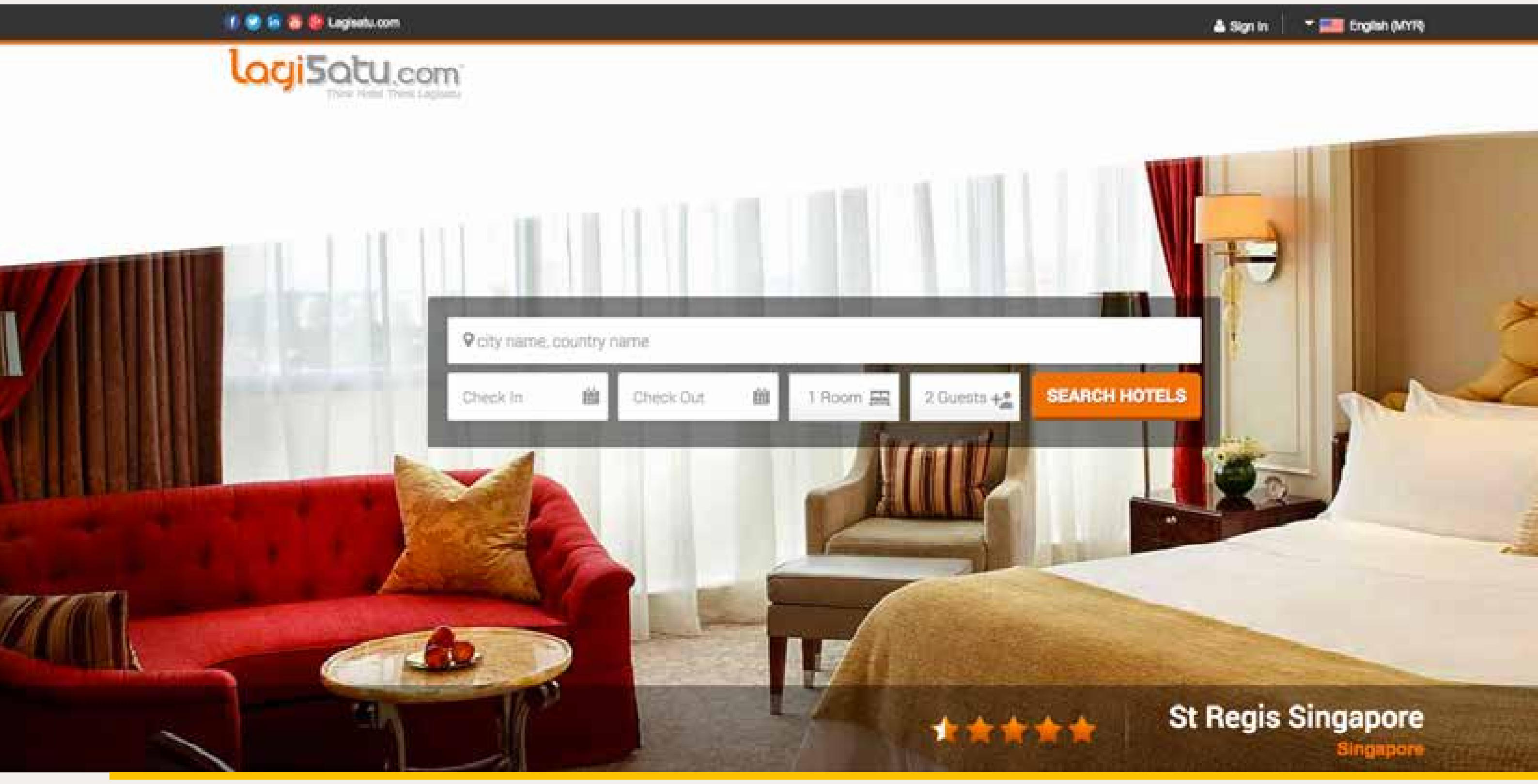
Under this project, 95 additional exchanges will be made HSBB ready, providing access to 390,000 premises in priority economic areas including state capitals and selected major towns by 2017. In addition, some 420,000 premises in sub urban and rural areas will benefit from the SUBB project by 2019. Ultimately more Malaysians will have better and greater access to broadband, come 2020.

MOVING FORWARD

In 2016, the focus of this NKEA will be to review and challenge the KPIs of projects that were significantly overachieved in 2015. This is to encourage effort by project owners to go above and beyond and realise purposeful results. In addition, we intend to work closely with stakeholders and project owners on their budget expenditure. This close monitoring of spending will ensure optimal use of funds available in a challenging economic climate.

We will also work towards increased engagement with technical-savvy stakeholders to enhance knowledge and understanding on technical projects to ensure faster turnaround time in problem solving and delivery.

Finally, in the coming year, we will work to ensure that there is a continuity of government policies and implementation such as the High Speed Broadband 2 and Suburban Broadband Film in Malaysia Incentive (FIMI). This is to ensure that everything that has been set out in the roadmap is managed effectively, implemented and achieved come 2020.



CHECKING IN WITH LAGISATU

The Malaysia-based app LagiSatu aims to tap into the Muslim travel market by offering a search engine for hotels that cater to those looking for Muslim-friendly hotels.

"We love travelling, but at the same time we do not want to compromise our beliefs and customs while doing so," said LagiSatu's Co-Founder Faeez Fadhillah. LagiSatu differentiates itself from other solutions in the market in that its hotels have a Muslim-friendly rating and all of its tours and activities are suitable for Muslim travellers.

Faeez said that at the beginning, not many people thought that he and his team could succeed. "We worked during the day on our own platform and technology and during the night on freelance jobs to fund our business in the early stages," said Faeez.

Support from various parties and stakeholders including hotel chains, national tourism organizations and government institutions was also crucial. Faeez noted that the Malaysian government currently has many initiatives for start-ups and business owners. LagiSatu also benefits from being an MSC status company which gives it access to education programmes and funding initiatives.

"Being part of such initiatives brings a certain structure to your business, which helps especially in the beginning stages of starting a company," said Faeez.

The app's users have so far consisted of both Malaysians and non-Malaysians, with the majority coming from Southeast Asia, the MENA (Middle East and North Africa) and Europe.

"To our surprise we also receive many bookings from non-Muslims, which shows that it does not have to be an exclusivity criteria to offer Muslim-friendly products," said Faeez.

LagiSatu's revenue has increased rapidly since the launch of the app

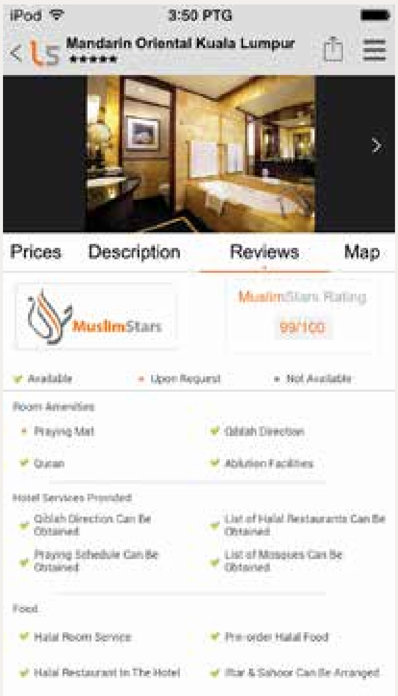
Faeez Fadhillah
Co-founder Lagisatu

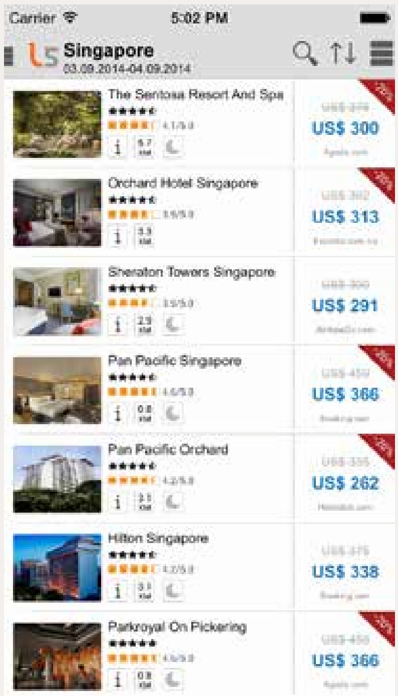
> *To sell travel products to people is a privilege, since it is usually the best time and most longed for in a year for every person and we take this promise to offer the best holiday products to our users very seriously.*

and it also enjoys a high month-on-month growth. Faeez said that it was also even more important that LagiSatu continues to improve its services to its users on a regular basis and to measure its success on the quality of products and services.

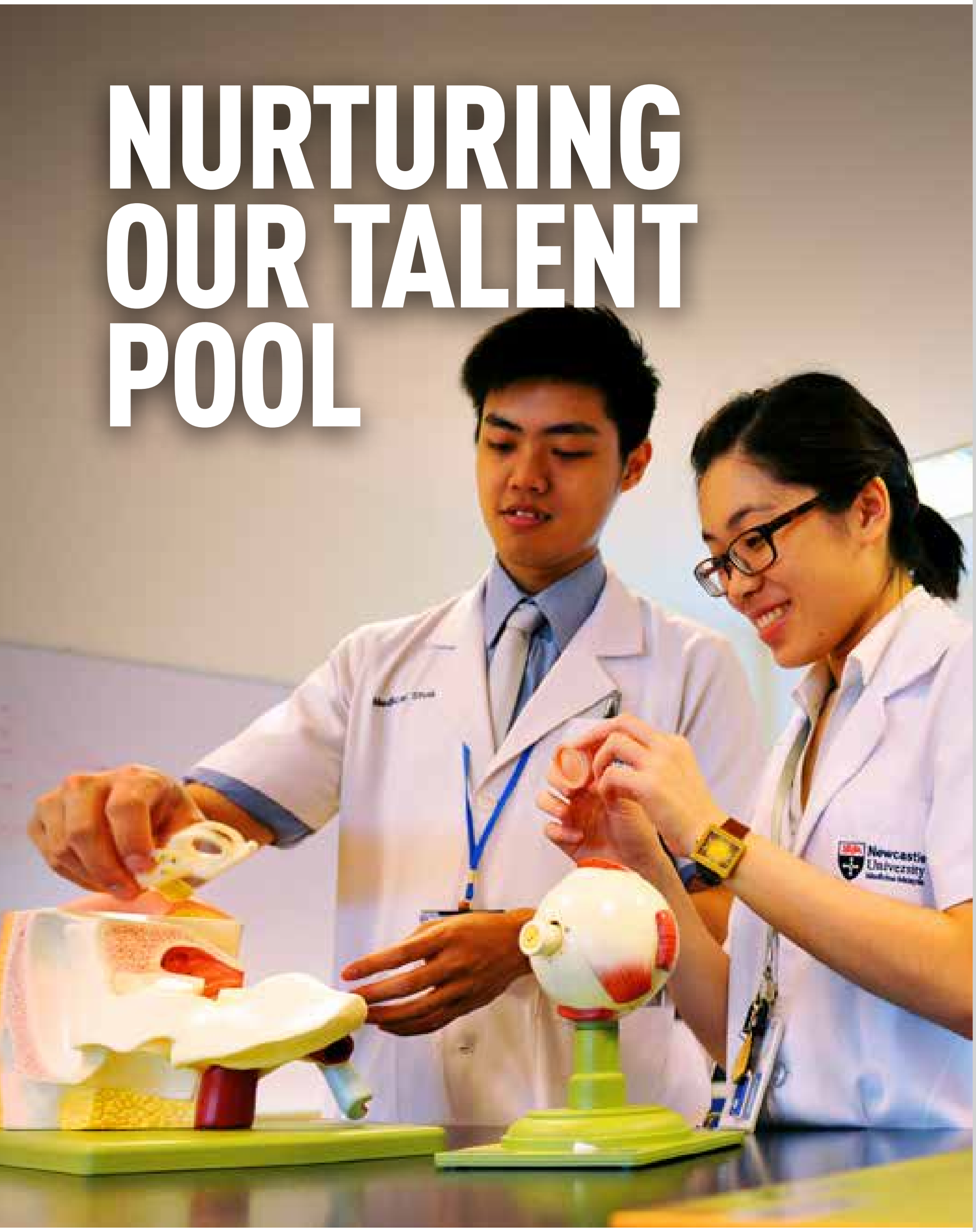
"To sell travel products to people is a privilege, since it is usually the best time and most longed for in a year for every person and we take this promise to offer the best holiday products to our users very seriously," he said.

LagiSatu was founded in 2013 and currently has over 350,000 hotels in its database. Their website can be accessed at www.tripfez.com.





NURTURING OUR TALENT POOL



DATO' SERI IDRIS JUSOH

MINISTER OF HIGHER EDUCATION

Public-Private Partnerships (PPP) have become a crucial tool in helping to increase the employability of graduates. Leveraging on the private sector's expertise, the Government is able to inject new experiences, methodologies and resources into the Malaysian education system, creating a highly marketable pool of talents in line with the Malaysia Education Blueprint 2015-2025 (Higher Education). Excellent talent within higher education will also enable Malaysia to continue improving its education offerings and strengthen its position as a regional education hub and an attractive education destination.

DATO' SERI MAHDZIR KHALID

MINISTER OF EDUCATION

The private sector remains the key contributor to the quality and accessibility of pre-school education for our children. The Ministry will strengthen its collaborative efforts with the private sector in developing high quality pre-school education that lays a strong foundation for the creation of a highly capable talent pool. This includes enhancing the skills and qualification of educators in this sector.

Public-Private Partnerships will also be used to push for support for initiatives like the promotion of the English language and Special Education Needs (SEN). For SEN initiatives, private higher learning institutions, industry players and the government have come together to provide more opportunities for youths with special needs.

> *"The main driver of the Education NKEA is undoubtedly Public-Private Partnerships (PPPs) as both the Government and the private sector are natural partners in human capital development.*

The quality and capacity of talent pool is a critical component in Malaysia's transformation effort, more so when the economy shifts towards high value-added manufacturing and services, in which technology and innovation play a huge part.

Hence, efforts to create a pool of quality talent to match the demand generated by economic transformation continue to be the focus in 2015 and beyond.

For this purpose, the Ministry of Higher Education (MoHE) has been working closely with the Ministry of Education (MoE) and other ministries to improve the quality and enhance the national human capital pool. The Ministry is also working closely with the private sector to reduce the mismatch between talent and jobs.

The Education NKEA will continue driving the growth of our education industry as well as ensuring that our education offerings meet the needs of a high-income and globally competitive economy. It is also the enabler that feeds talent into the rest of the NKEAs to ensure that we have sufficient human capital in place to sustain the growth and development of our Malaysian economy.

INSIDE THIS NKEA

1. Malaysia Continues to Focus Efforts on Becoming an Education Hub of Choice
2. Public-Private Partnerships for Capacity Building
3. Focusing on Clusters to Elevate the Quality of Malaysian Education Offerings

1 Malaysia Continues to Focus Efforts on Becoming an Education Hub of Choice

The Education NKEA covers the entire spectrum of education in the country ranging from early childhood care and education (ECCE) to professional skills training. Leveraging on Malaysia's strategic location and accessibility throughout Southeast Asia, initiatives under the NKEA also seek to position the country as a regional education hub, to optimise revenue generation potential for this sector.

The International Student Taskforce chaired by the Minister of Higher Education is one of the many platforms that promotes consultative process with relevant parties in the public and private sectors in a move to strengthen Malaysia's position as a successful education hub.

Ongoing efforts in creating a hub has resulted in more international students coming to Malaysia not only for tertiary education but also for basic education and programs on technical and vocational training. In 2015, a total of 140,420[1] international students were admitted into the country for numerous courses in public and private higher learning institutions (HLI), skills training institutions as well as private and international schools, surpassing the target set for the year by 3.1 percent.

Education Malaysia Global Services (EMGS), a company incorporated under MoHE, is the key entity in not only marketing the Malaysian Education Brand but also managing applications, processing and renewals of international student visas to HLIs, skills training institutions, language centres and eventually to private and international schools.

EMGS, an initiative under (Entry Point Project) EPP12, continues its enhancements as a one-stop centre for international students in order to create a pleasant and welcoming experience for the students and has stepped up its marketing efforts to attract more international students to study in Malaysia.

In 2015, there were over 140,420[1] international students, of which 113,711 were in higher learning institutions, 26,709 in private and international schools. ETP's target is to achieve an enrolment of 200,000 international students by 2020.

EduCity, an initiative under EPP11, is a unique concept of a self-contained, multi-varsity education hub that enables students to study, live and play within a single geographical location. In 2015, the student enrolment in EduCity institutions saw 43 percent increase, from 2,822 students in 2014 to 4,022 students in 2015.

There are ongoing efforts by EduCity to continuously improve service delivery through multiparty-partnerships. A taskforce was set up in the first quarter of 2015, comprising EduCity management and the institutions within EduCity with the MoHE as a facilitator. This taskforce ensures that shortcomings and challenges that arise within EduCity are addressed as a collective responsibility by its members. This was also a move to strengthen the partnership among the stakeholders in the effort to drive and fully maximise EduCity's growth potential as an international education hub. The education institutions continuously problem solve and collaborate to ensure that students get top quality education and an excellent student experience during their time at EduCity.


More international students are coming to Malaysia for basic and tertiary education and programs on technical, vocational education and training

[1] Based on data verified by PwC in the Agreed Upon Procedures (AUP). Refer to the "Agreed Upon Procedures by PwC" chapter on the AUP process.

Heriot-Watt University is a new state-of-the-art campus strategically located in the modern city of Putrajaya

This EPP aims to be a human capital feeder to Malaysia's industries as well as becoming a key contributor to Iskandar Malaysia and the national economy's growth.

As a result of efforts under EPP15, Malaysia now has the largest number of branch campuses in the world. This EPP capitalises Malaysia's attractiveness as a destination for business and education to draw the establishment of branch campuses of foreign universities.

In the past couple of years, four world-class branch campuses have set up in Malaysia under the Education NKEA initiative, namely Heriot-Watt University Malaysia (HWUM), Newcastle University of Medicine Malaysia (NUMed), the University of Reading Malaysia (UoRM) and the University of Southampton Malaysia (USMC). In addition, Xiamen University from China has also set up its branch campus in Malaysia, with its first intake expected in February 2016. Some of the programmes to be offered by Xiamen University Malaysia include Bachelor of Arts in Chinese Studies and Traditional Chinese Medicine.

These branch campuses have been working endlessly to offer new courses and programmes for students as well as ramping up its marketing efforts to recruit students not only from Malaysia but from all over the globe.

In the case of HWUM, with the same programmes offered at the Edinburgh, Dubai and Malaysia campuses, students have the opportunity to transfer between campuses and benefit from the international experience. In 2015, 30 Edinburgh students transferred to Malaysia for one year of study, and 15 Malaysia students transferred to Edinburgh for one to two years of studies. The Malaysian government will continue to encourage student mobility and transfers between the main campus and its branch. To this end, the government has relaxed the medical screening requirements for mobility/transfer students coming from the main campus to study in the branch campus in Malaysia.

HWUM is highly regarded for the professional relevance of its degrees and the employability of its graduates. From 2014 to 2015, the university launched 24 new courses in its Malaysian campus for the undergraduate and postgraduate degrees in fields such as Engineering, Actuarial Science, Construction, Accounting and Business Management.

These are key areas of importance to the Malaysian economy and supports the ETP's initiative to transform Malaysia to be a high-income nation. With these new additions, HWUM now has 25 courses and is looking at increasing the number to 28 by 2020. Its student population is targeted to grow to 4,000 by 2020, with a staff force of 300. As of 2015, HWUM has 1,010 students, of which 20 percent are international students and a staff force of 150.

HWUM also works with industry partners to produce graduates with well-developed career related skills and a real competitive edge; optimising their employability in their chosen field, be it in Malaysia or abroad. The university's current industry partners include Shell, Schlumberger, Loh & Loh, YTL Corporation, MNRB Holdings, Malaysian Rubber Export Promotion Council and Great Eastern, thus creating potential employment opportunities for graduates.

The establishment of these branch campuses would allow students to receive the same quality education in Malaysia as in the main campus at a lower fee. This would assist Malaysian students that want to attain world-class education at a fraction of the cost and furthermore increase Malaysia's attractiveness as an education hub due to the lower cost to study in Malaysia.

MoHE regularly receives a number of applications for the establishment of branch campuses, however with the existing moratorium on the establishment of new private higher education institutions (PHEI), this EPP will see little traction for the next couple of years. The purpose of the moratorium is to prevent an oversupply of seats and programmes and at the same time, allow PHEIs to focus on rationalization and consolidation of the private education sector. This will also enable PHEIs to improve the delivery and quality of programmes offered.

There are a total of 140 international schools in the country as of 2015, as compared to 57 in 2010, surpassing the Government's initial target of 87 schools by 2020. The number of students enrolled in international schools for 2015 is 50,581[2]. Of this number, 28,797[2] are local students and 21,784[2] are international students.

Enrolment for international schools are expected to increase to 75,000 in 2020, and to cater to this rise, the initiatives under EPP3, include the up-grading and expansion of existing international schools and attracting new international school operators to Malaysia.

The International School of Kuala Lumpur soon to be constructed RM350 million state-of-the-art campus, is aimed at attracting 2,500 international and returning Malaysian students. The new campus in Ampang Hilir, Kuala Lumpur, will incorporate environmentally sustainable concepts, cutting-edge technology and world-class science, language, humanities, sports, theatre, music and art facilities.

Schools such as this will enable Malaysia to compete successfully with neighbouring Association of Southeast Asian Nations (ASEAN) nations and attract multinational companies to establish and grow their regional base in Malaysia. This new campus is expected to create a GNI impact of RM14.2 million by 2020.

The National Association of Private Educational Institutions (NAPEI) together with the Private Education Division in MoE have held marketing and promotional activities in key targeted countries, including Vietnam and Indonesia, to attract more international students to Malaysia.

The establishment of these schools are usually done via partnership with local property developers. Examples include Tropicana Group Berhad and St Joseph's Institution International School, SP Setia Berhad Group and Tenby Schools Group, Perdana ParkCity Sdn Bhd and Brighton Education Group as well as the recently announced collaboration between YTL Berhad and the British Council to set up a new international school in Sentul West.

The International School of Kuala Lumpur soon to be constructed RM350 million state-of-the-art campus will incorporate environmentally sustainable concepts, cutting-edge technology, world-class science, language, humanities, sports, theatre, music and art facilities

[2] Based on data verified by PwC in the Agreed Upon Procedures (AUP). Refer to the "Agreed Upon Procedures by PwC" chapter on the AUP process.

Mohd Yazid Abd Hamid
Chief Executive Officer,
Education Malaysia Global
Services (EMGS)

CREATING A GLOBAL EDUCATION HUB IN MALAYSIA

Malaysia currently ranks as the 12th preferred higher education destination, by international students and Kuala Lumpur ranks as the number one most affordable city in the world for students. Despite the favourable rankings, due to the growing competition in the region, it is critical for Malaysia to enhance her presence and relevance as an international education hub, said Mohd Yazid Abd Hamid, Chief Executive Officer, Education Malaysia Global Services (EMGS).

"EMGS, is not only entrusted to create a global presence for the Malaysian Education brand but also provide holistic international students' services."

"Malaysia needs to constantly stay ahead of her regional competitors and for this purpose, we have intensified our international marketing and promotional initiatives, as well as global industry engagements."

In 2015, EMGS ran 34 international promotional events across 22 countries. Events included international education exhibitions, Education Malaysia solo roadshows as well as cluster engagement initiatives with student recruitment agents and international student sponsors. EMGS also collaborated with higher education institutions to initiate and promote student mobility programmes.

"In 2015, we had advertising campaigns run across 12 countries to support our marketing initiatives, and apart from expanding presence in our key markets such as Asia, South East Asia, Middle East and Africa, we have also reached out to new markets, namely, Brazil, Turkey, Morocco, " said Yazid.

He added that aggressive campaigns by EMGS have resulted in a steady year on year increase in the number of international student enrolment. 2015 saw the total enrolment of 151,979[3] international students, in both institutions of higher learning (IHL) and international schools. This marks a 12 percent increase from 135,502 students enrolled in 2014. Out of the 151,979[3] students, 80.3 percent of them enrolled in IHL with 41 percent in degree programmes, 40 percent in diploma programmes and nine percent in postgraduate programmes. "The ratio of international to local students in 2015 is 12:100 as opposed to 5:100 in 2002."

Towards enhancing international student safety and security, EMGS together with the Ministry of Home Affairs and the Immigration Department introduced the i-kad, an identity card for international students in 2014. With this, students no longer needed to carry their passports around, reducing the risks of passports getting misplaced, lost or stolen. In 2015, EMGS introduced a mobile app, making it easy for law enforcement officers in the field to verify the validity of the students' i-kad, via a smartphone.

According to Yazid, moving forward, EMGS is looking at building greater presence in the Middle East, Asia, South America, South Korea and Japan.

"We will continue our efforts on B2B platform, and G2G initiatives for government-sponsored students, as well as focus on greater international student engagements in Malaysia, be it through social or Corporate Social Responsibility (CSR) projects. This would invoke a sense of belonging and help international students assimilate with the local multicultural society."

In 2016, EMGS hopes to open International Student Centres at entry points, namely Kuala Lumpur International Airport (KLIA) and KLIA2. "Through these centres, we would be able to welcome students more effectively as well as provide first timers relevant briefings to help them navigate their stay and studies in Malaysia."

[3] Final international students enrolment obtained only after AuP exercise by PwC was completed

Professor Bob Craik
Provost and Chief Executive Officer of Heriot-Watt University Malaysia (HWUM)

CREATING TALENTS TO MATCH DEMAND

Employers these days are looking beyond academic qualifications for graduates with good communication, analytical and problem-solving skills as well as the ability to work in teams.

"Employers come with all sorts of different needs. Some are only interested in graduates who can be productive on day one without considering the skills necessary to adapt as business needs change. Other companies, particularly multi-national companies, focus more on skills that are useful in the long term and provide support for graduates at the start of their career."

"A university education that does not impart these general skills along with sound technical knowledge will not create talented graduates who are successful in the global market," said Professor Bob Craik, Provost and Chief Executive Officer of Heriot-Watt University Malaysia (HWUM).

HWUM, which was established in Putrajaya in September 2012, is a branch campus of the almost 200- year-old Heriot-Watt University based in Edinburgh in the United Kingdom (UK).

According to Craik, the UK and Australian universities in Malaysia have adopted a style of learning that has less emphasis on the learning of facts and more emphasis on using knowledge to analyse and solve problems which are skills required by employers.

The Higher Education sector is well developed in Malaysia and there is a wide range of good universities, said Craik. However, many institutions still tend to focus on traditional learning, which values facts and knowledge, so not all graduates are prepared for global employment.

As information becomes freely available on the internet, the focus is now moving towards helping students to apply knowledge and skills when solving a problem. All universities are moving in this direction but some are slower than others. These changes take time and benefit from similar changes to be taking place in schools," Craik added.

The presence of well-ranked foreign universities in Malaysia, such as HWUM, allows Malaysian students to experience high quality UK education without leaving the country. As a university that operates globally, HWUM produces graduates with the same knowledge and skills irrespective of the location in the world. Employers who tend to be large multi-national companies know and trust the graduates from Heriot-Watt.

"Foreign universities are also attractive to foreign students and help establish Malaysia as an international hub for higher education." said Craik

HWUM currently offers foundation, undergraduate and postgraduate courses in Engineering (Chemical, Petroleum, Mechanical, Electrical and Civil Engineering), Quantity Surveying Construction, Business, Accounting, Actuarial Science and Psychology. The university, which started operations in 2013, presently has approximately 1,000 students and plans to grow to some 6,000 students in the longer term under Phase 2.

HWUM recently launched Go Global which is a new initiative to encourage students to transfer between campuses. There are currently 15 Malaysian students who are spending 2015 in the UK and 30 UK students who are currently at the Malaysian campus. These numbers are expected to grow as students spread the word about the exciting opportunities of studying overseas without the problems associated with changing institutions.

"Ongoing improvement include the review of curriculum to incorporate new teaching methods and the use of technology to support learning. In Phase 2 of our expansion, we will be building extensive research facilities as well as extending the portfolio of programmes."

2

Public-Private Partnerships for Capacity Building

The main driver of the Education NKEA is undoubtedly Public-Private Partnerships (PPPs) as both the Government and the private sector are natural partners in human capital development. Leveraging on the expertise of private sector, the Government is able to inject new experiences, methodologies as well as resources into the Malaysian public school system, therefore, increasing access to quality education for students nationwide.

Towards bolstering the country's global reputation as an education hub, the Ministry continues with its effort to push for PPPs in improving education offerings and drawing in more investments, both locally and internationally.

PPPs have been an on-going effort since 2011 and examples include fee assistance for pre-school children from lower income group and the training for 21,000 private pre-school teachers from 2010 to 2011, to upgrade the quality of pre-school teachers. In 2015, MoE rolled out a revised PPP framework to guide private sector players in establishing partnerships with the Government.

Under the Langkawi Tourism Blueprint launched in 2011, a successful PPP collaboration between the Langkawi Community College and Taylor's University was forged where the Community College underwent a transformation in terms of curriculum development, lecturers' upskilling, upgrading of infrastructure and partnership with industry players. 85 students from the first cohort, since the PPP was initiated, had graduated in October 2015. To continue this initiative, RM80 million has been committed to establish a Tourism Academy in Kota Kinabalu. The initiative under the Tourism Blueprint is aimed at building a world-class workforce for the tourism industry in Sabah.

Getting a head-start in education has been proven to have a significant long term impact on students, leading to higher achievements in school, better quality human capital, and earning power. Hence, ramping up ECCE under EPP1 would benefit Malaysia socially and economically, while providing an opportunity to attract private sector participation.

There is a huge business opportunity in Malaysia for high quality ECCE due to the rapidly growing demand for high quality preschools. 426,246 students aged four and five have enrolled in private pre-schools thus far, which contributes to 50.75 percent of total pre-school enrolment in the country. It is a market with opportunities, with the national enrolment rate currently at 84.63 percent against a target of 97 percent by 2020 and ECCE has the potential of creating a GNI impact of RM 2.4 billion and 78,000 jobs by 2020.

The public sector's role in further developing ECCE is capped by limited resources, hence the private sector has been urged to play a greater role so that the 97 percent national enrolment target for pre-school and 25 percent national enrolment target for childcare for 2020 can be achieved.

417 new private pre-schools and 222 new private childcare centres were established in 2015, bringing the total number of private preschools to 7,157 and private child care centres to 3,286. The year also saw the rollout of the enhanced online self-assessment system for public and private pre-schoolers by tailoring its scoring system to be relevant and balanced for both public and private pre-schools.

The emphasis for the year has been on improving the quality of pre-schools, through the development of a more robust self-assessment tool and increasing the participation of pre-schools in the self-assessment programmes. It is hoped that these improved tools and training will sufficiently guide under-performing schools to meet the necessary standards.

To ensure that all children have access to quality preschool education, the government will continue the fee assistance programme for children from low to middle income families. The Government is also pushing for the regulation of unregistered pre-schools by urging them to register with MoE and contribute towards the growth of the sector.

PPPs are also being used to boost the quality of the educators who specialise in ECCE - an initiative under EPP2. A lack of accredited teachers in private ECCE institutions remains a concern. The absence of a regulatory requirement for formal qualifications is one of the major causes for ECCE educators not to pursue the higher Diploma certification.

In an effort to address this issue, the MoE studied extensively the possibility of introducing a new policy on the minimum qualifications requirement for preschool teachers. This involves engagement sessions with various Ministries, agencies and the private sector. A Cabinet decision is expected to be reached in 2016.

In an effort to increase the number of qualified ECCE professionals, an ECCE hub, a PPP initiative with the SEGi Education Group is currently being developed. When completed, the integrated ECCE hub in Kota Kemuning, Selangor will house all the necessary facilities to provide necessary education and training for ECCE professionals.

Among the more significant achievement in the PPP initiatives is the effort to develop and promote Technical and Vocational Education and Training (TVET) for students who are less inclined towards academic education as well as for students with special needs.

The participation of the private sector in TVET is not only to complement the Government's effort to enhance the quality and quantity of TVET programs offered but to ensure that there is industry training to equip these TVET students with the skills and competency demanded by the industry.

Vocational training, which was once considered an option of last resort, is now highly sought after. A strong TVET workforce with high-value and specialised skills will improve innovation and productivity of industries and this is integral to Malaysia's transformation into a high-income nation by 2020.

There has been considerable growth in the TVET sector in the past years. As of 2015, there are a total of 102,045 students enrolled in the skill-based programs, of which, 2,539 are international students. The 2020 target for international student enrolment in TVET is 16,000, through efforts of the Government, the private skills training institutions and EMGS.

There are also ongoing efforts to strengthen linkages between public and private TVET institutions with companies to promote industry oriented workplace training under the National Dual Training System. This would involve work-based learning programmes in actual industry setting and efforts such as this would increase the employability of graduates, allowing them to receive better employment options, higher compensation and improve their career mobility.

As for local students, the target is to increase participation from 39,153 in 2015 to 70,000 by 2020 especially in the Malaysia Skills Certificate (Sijil Kemahiran Malaysia, SKM) 1 and 2, capturing larger proportion of underserved segments and increasing proportion of students taking higher level SKM. For this purpose, the Government has allocated more than RM1.17 billion from 2011 to 2015 to the Skills Development Fund or Perbadanan Tabung Pembangunan Kemahiran (PTPK).

In the efforts to develop students with SEN, 40 seats were secured at the Berjaya University College of Hospitality in KL and Asian Tourism International (ATI) College in Sabah, to conduct training programmes in Hospitality. These programmes have been lauded by both parents and industry partners as a positive move that have resulted in placement of students with SEN in employment with Starbucks, Krispy Kreme, Deli France, KFC among others.

(Left) Under EPP5, the Government has allocated more than RM1.17 billion from 2011 to 2015 to the Skills Development Fund **(Right)** Technical and Vocational Education and Training students learning basic skills that meet industry needs and are able to contribute effectively to society

3 Focusing On Clusters to Elevate the Quality of Malaysian Education Offerings

International Islamic University Malaysia (IIUM) President, Tan Sri Dr Rais Yatim (left) sharing a light moment with participants after officiating the International Council of Islamic Finance Educators (ICIFE) 2nd Annual General Meeting. Also present were IIUM Rector, Prof Datuk Seri Dr Zaleha Kamaruddin (second, right) and ICIFE Founding President, Professor Dr Khaliq Ahmad (right). Photo courtesy of BERNAMA Images

The Education NKEA is also developed around discipline clusters which shape the ETP's human capital needs in accordance with global industry requirements and trends. These clusters include Islamic finance and business (EPP7), health sciences (EPP8), hospitality and tourism (EPP9), game development (EPP15) and accounting (EPP17). The development of these clusters is also part of an on-going ETP effort to create regional and global education hubs in these specialised areas.

A notable achievement in the Islamic finance and business education clusters was the establishment of the International Council of Islamic Finance Educators (ICIFE), a globally-recognised professional association for Islamic finance educators. Launched a year ago, ICIFE's objective is to standardise the quality of Islamic finance education worldwide and is supported by Bank Negara Malaysia, MoHE and all local higher education institutions.

EPP7's main aim was to develop Malaysia into one of world's leading Islamic finance and business education hubs. Despite being positioned as a leading centre for Islamic finance, Malaysia lags behind as a provider of Islamic finance and business education, primarily due to the lack of consensus on standard education curriculum for Islamic finance.

This EPP also aims to increase student enrolment in Islamic finance education to 54,000 students by 2020. In 2015, 16,293 Islamic finance students were enrolled, an increase of approximately 19 percent from the previous year. GNI impact targeted by 2020 is RM1.2 billion, along with the creation of 4,300 jobs.

EPP8's Health Science Education Discipline Cluster is gaining traction again with the construction of the UCSI University Teaching Hospital in Bandar Springhill, Port Dickson.

Dato' P. Kamalanathan, Deputy Education Minister I (left) officiating the launch of Politeknik Merlimau as MyCenTHE and fifth cluster leader while Dato' Peter Ng, founder of UCSI University and champion of EPP10 (most right) and YB Datuk Wira Hj. Yunos bin Husin, State Exco for Education, Higher Education, Science and Technology, Green Technology and Innovation (middle) look on

The 1,000-bed teaching hospital will push new paradigms in the training and practice of medicine, elevating the quality of healthcare in Malaysia. It will be the first private teaching hospital in Malaysia, with a public wing.

The UCSI University Teaching Hospital is exploring collaborations with some of the world's best in medicine. These partnerships will also act as a catalyst in the development of the health science education cluster. The UCSI hospital is expected to lead many ground breaking initiatives including the establishment of a hospital-linked retirement village.

Apart from the discussions to set up a centre for precision medicine, there are also cross border global research initiatives in the pipeline in the following areas:

- Epidemiologic Transition in low and middle income countries to be supported by research funding
- Blood Pressure Control research with London School of Hygiene and Tropical Medicine funded by the Newton Ungku Omar Fund
- The Effects of the Haze on Human Health research project with several leading Universities
- Indigenous Health Matters research project with a consortium involving Australia, New Zealand, Canada and Malaysia governments.

The total planned investment for Phase 1 (130 beds) is RM285.9 million and the total investment for the whole project is expected to be RM773.9 million.

The focus of EPP10's Hospitality and Tourism Cluster is to accelerate the development in the Tourism NKEA by addressing matters pertaining to human capital development, such as low wages, low skills and the influx of low-skilled foreign labour.

Led by the Malaysia Centre for Tourism and Hospitality Education (MyCenTHE) working in partnership with the Malaysian Association of Hotels (MAH), this EPP focuses on the growth of hospitality and tourism education. The aim is to increase the share of graduates with diplomas and degrees from 13 percent of the number of people employed in the industry as of 2010 to 50 percent by 2020.

The aspiration of this EPP is to support the elevation of service levels within the tourism industry. This will do more in retaining existing customers and attracting new ones as opposed to resorting to price war of hotels and organisations (employers) at the expense of wages and salaries of employees. The move in this direction is more in line with the nation's aspiration of becoming a premier tourism destination.

There is a positive spill-over effect from tourist spending from both new and returning tourists to Malaysia that will benefit businesses in the country and therefore, Malaysia must be at the forefront of the service industry to ensure the growth of the tourism sector. With better qualified graduates in the industry, there are more upward opportunities for talent which will also improve the job attractiveness in this industry.

The work-based-learning (WBL) model promoted by MyCenTHE involves industry placements and real-time industry learning experience, to enhance student education and the graduate's employability. Efforts under the EPP are expected to be intensified to ensure that the annual output of tourism graduates would hit the 50,000 per annum target by 2020 as compared to 20,000 in 2009.

The global games market is estimated to jump from US$$83.6 (RM367.7[4]) billion in 2014 to US$$91.5 (RM402.4[4])billion in 2015, according to the 2015 Global Games Market Report released by research firm Newzoo. While South East Asia video games market represents only approximately 4 percent of global consumption, it is the fastest growing market of any geographical region and expected to grow at a CAGR of 30 percent between 2015 and 2018.

The growth here is also driven by the rapid rise in internet access and ownership of ICT devices. Malaysia, sitting in the heart of South East Asia, has a potential to grow its involvement in the game development industry but there is a need to overcome the perception barrier regarding this industry. Game development, despite it being a lucrative source of income is perceived more as a hobby than a career path, especially among educators, school guidance counsellors and parents.

This mindset is what MyGameDev, an initiative under EPP14, seeks to change. Launched in 2012, MyGameDev's main mission is to nurture talent for this fast growing field among students in public secondary schools, universities post-graduates student, while creating awareness on Malaysia's own game development industry, which is on par with global standards. The EPP, with a group of cluster members consisting of private and public HLIs, government agencies and the private sector, aims to produce top-calibre video game creators by creating a sustainable eco-system for the industry to thrive.

MyGameDev has intensified efforts on its outreach programme in schools, following the success of events such as TableTop2014, which promoted board game design among students aged 15 to 17 years, as well as other initiatives to win over educators and parents.

(Top) 3D Character Modeling by Andrejo Chong Carreon **(Bottom)** MyGameDev Table Top Board Game Competition with students from various High Schools in Melaka posing with the Industry judges and teachers. This event was hosted at University Teknikal Melaka (UTeM) in collaboration with MyGameDev and KDU

[4] Based on exchange rate of US$$1 = RM 4.39

The newly launched MyGameDev's Game Development Online portal, has created a platform that brings together investors, game developers, universities and enthusiasts. This portal is expected to play an important role in establishing Malaysia as a regional provider of game development talent to international studios, while creating a much-needed visibility for its future initiatives.

Under this EPP, efforts to encourage private investments were also intensified in 2015. Drawing in investments into this cluster is crucial, as it has the potential to create numerous revenue streams as well as high value job opportunities in line with the Malaysia's aspiration of becoming a high income nation.

Target for 2020 is RM500 million in revenue generation, RM150 million in intellectual property, and 4,000 game related new job opportunities.

Creating an accountancy hub under EPP17 is one of the vital measures in the effort to boost foreign direct investment and lure multinationals to use Malaysia as a base to expand regionally. The availability of a strong ecosystem of professional support services like accountancy will provide a much needed value to the country's position as a regional operational hub.

Furthermore, market deregulation and the convergence in financial reporting standards worldwide have created opportunities in which accountancy has become a service that can be exported. Therefore, creating an urgent need to increase the number of qualified accountants and quality of accountants, as well as to the development of specialised skill sets in areas such as international taxation, forensic accounting and carbon accounting to tap future growth areas.

In an effort to increase the number of professional accountants, a collaboration between Sunway TES Sdn Bhd and local universities has created an avenue for students to pursue professional qualifications while completing their degree - a much quicker way to becoming a qualified accountant.

To increase the number of bumiputra accountants, scholarships are also being offered by Yayasan Peneraju Pendidikan Bumiputera (Peneraju) to encourage and support bumiputera students in pursuit of professional qualifications for accountancy.

In 2015, 480 graduates with professional accounting qualifications were produced by Sunway TES, which is leading this EPP. By 2020, this EPP is expected to produce 7,000 new professional accountants via several professional education providers in this cluster.

Creating an accountancy hub under EPP17 is one of the vital measures in the effort to boost foreign direct investment and lure multinationals to use Malaysia as a base to expand regionally

MOVING FORWARD

As the nation's transformation goals approach a crucial midway point, it is imperative that the Education NKEA continues to deliver on its targets and contributes to the overall objective of the National Transformation Programme.

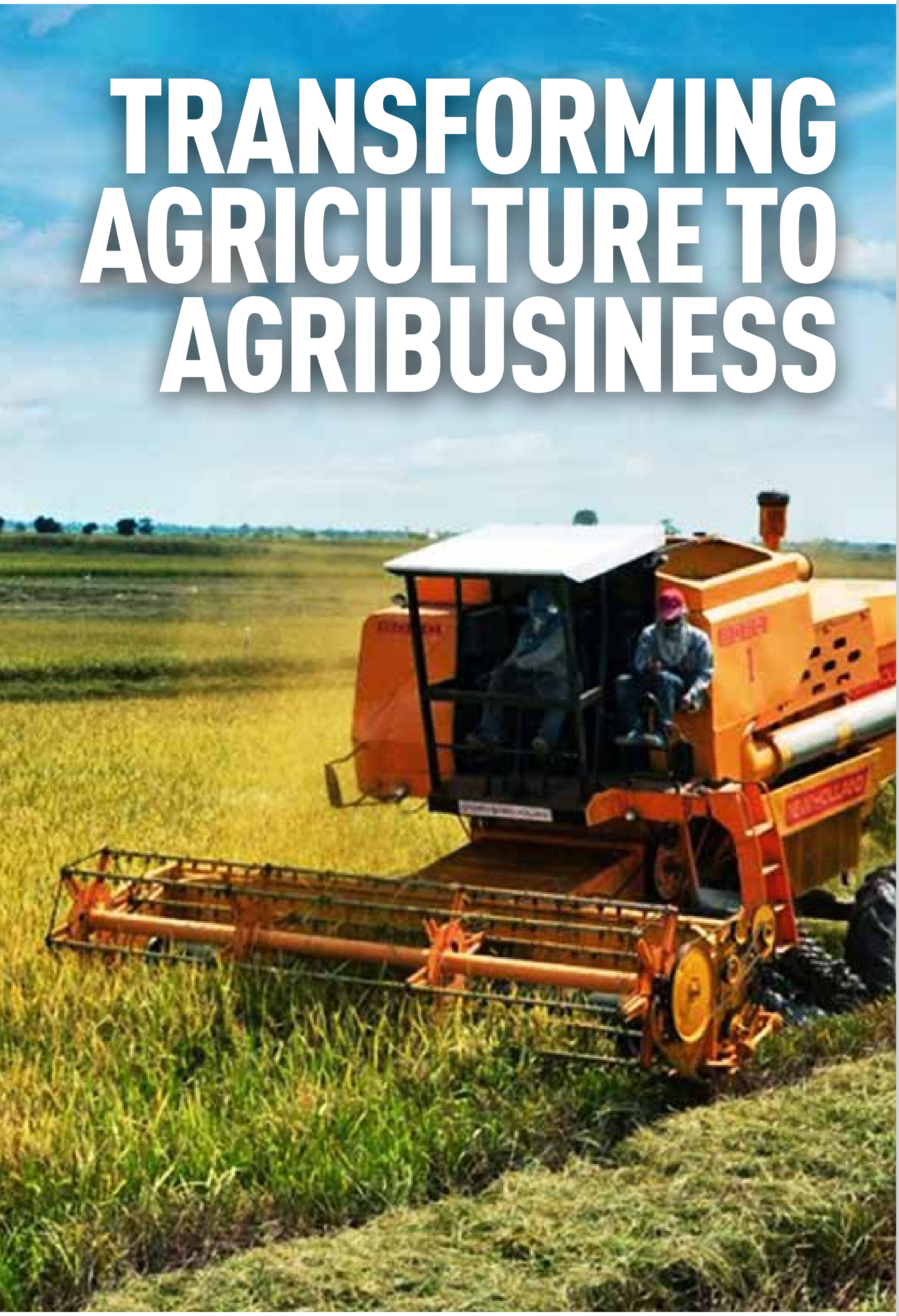
Moving forward, TVET, identified as a key growth area and integral to the country's aspiration to become a high-income nation, continues being the focus of the NKEA. Under the 11MP, TVET has been recognised as the most important avenue for increasing Malaysia's skilled human capital base and much emphasis has been placed on supporting the growth of TVET institutions and streamlining the sector to achieve focused growth.

The branding and promotion of TVET will be stepped up, including advocating for skills training and skills-based careers to be accepted by society as the career of choice, which promises brighter prospects.

Efforts for TVET is not only aimed at producing both quantitative and qualitative results. To create quality graduates, efforts under EPP13, will also include the promotion of work-based learning programmes in actual industry setting via strong linkages between skills training institutions, HLIs and companies. Efforts such as this would increase the employability of graduates, allowing them to receive better employment options, higher compensation and improve their career mobility.

Both MoE and MoHE will be working closely in addressing issues with project owners to ensure strong economic growth and development within Malaysia's Education sector. Both MoE and MoHE are now holding joint Steering Committee (SC) meetings to ensure proper management of stakeholders and to prevent silos in the implementation and management of initiatives.

TRANSFORMING AGRICULTURE TO AGRIBUSINESS



DATO' SRI AHMAD SHABERY CHEEK

MINISTER OF AGRICULTURE & AGRO-BASED INDUSTRY (MOA)

The agrofood sector plays an important role in Malaysia's economic development, providing employment and uplifting incomes. Because of the large number of people dependent on it, the sector also has a social importance.

The growing global demand for agricultural products provides great potential to expand the sector's contribution to GNI. Our aim is to transform agriculture into agribusiness, moving towards a model which is inclusive but simultaneously anchored on market-centricity, economies of scale, and value chain integration.

Beyond that, the sector contributes to the security and sovereignty of the nation by ensuring self-sufficiency of one of the most strategic resources, namely food. History has proven, in times of war or peace, the sovereignty of a nation could be easily crippled by its over-dependency on foreign or imported sources of food.

This is especially true in times of economic uncertainties which affect the value of ringgit and our buying power. The increasing deficit in Malaysia's balance of trade in the agro-food sector, from RM11 billion in 2009 to RM17 billion in 2014, is of concern.

Moving forward, the Ministry will look into institutionalising the export-centric mind-set in its policy and strategy to improve our trade balance. This will put the sector in a more strategic position to contribute to the diversification of Malaysian economy and ensure stability of Ringgit.

The Agriculture NKEA focuses on transforming the nation's traditionally small-scale production-based sector into a large-scale agribusiness industry that contributes to economic growth and sustainability. Under the 11th Malaysia Plan, agro-food gross domestic product (GDP) is projected to achieve RM36.2 billion in 2015 and the figure is estimated to reach RM46 billion in the year 2020, which translates to 42.4 percent of total Malaysian GDP in 2020.

16 Entry Point Projects (EPPs) have been identified to spur growth in this sector and help achieve the National Agro Food Policy's targets such as food security, high value agricultural development, and private investment as a catalyst for the transformation of modern agriculture. To date, the NKEA has recorded RM9.224 billion in committed GNI, 28,645 additional jobs and RM7.7 billion in committed investment.

To further boost the sector's productivity and rise up the value chain, Malaysia has been exploring the use of Internet of Things (IoT) technologies within the industry. In fact, Malaysia is leading the region in the use of IoT in agriculture.

The Government has identified IoT as one of the key technology areas to enhance productivity in key sectors under the 11th Malaysia Plan (2016-2020) and agriculture is among the four key sectors chosen to pilot the use of sensors.

Various stakeholders have come together to develop IoT pilot projects and there are ongoing R&D efforts by the research institutions that work closely with the private sector and government agencies to bring products and services to market within Malaysia and to other countries.

MIMOS has created several solutions that cater to agricultural development. For example, its Mi-MSCAN TpH sensor has multisensory capabilities to collect environmental data, such as soil nutrient. MIMOS has also developed an agricultural framework that links agricultural producers, traders and suppliers together in a unified system powered by IoT.

MIMOS believes that when IoT is fully integrated in the agriculture sector, production could rise to US$319 million by 2020.

INSIDE THIS NKEA

1 Capitalising Malaysia's Competitive Advantages

High-value herbal products unlock a tremendous value dimension in the agricultural sector. The Herbal Cluster Programme, like the one pictured above in Negeri Sembilan, is one of the initiatives championed by the Department of Agriculture and Herbal Development Division to encourage more players to get involved and capitalise on this growing market

The high-value herbal products EPP is on track to meet its end-2020 target of producing 10 nutraceuticals and cosmeceuticals products derived from 18 identified herbs, amongst which are Tongkat Ali, Kacip Fatimah, Misai Kucing, Dukung Anak, and Hempedu Bumi. As at December 2015, there were 27 such herbal products in the product development stage – 10 in clinical trials, 17 in pre-clinical trials.

During the year, the herbal cluster projects accumulatively generated RM3.85 million in sales. The sales CAGR for herbal products rose to 6 percent during the period of 2012-2013, compared to 5.4 percent over 2008-2012.

Since the inception of this EPP, prices of herbal materials have increased, benefiting the local farmers. For instance, fresh tongkat ali was sold for as low as RM 2/kg in 2014. In 2015. it increased to RM 5/kg.

This EPP has the potential to produce better results focusing on the 18 identified high-value herbs. But as for now, given that the nutraceutical products are still in the development process, there is little demand for these premium herbs. Therefore, the farmers are not motivated to plant all these 18 herbs but are more inclined to only plant herbs that are in demand, including several lower-value herbs.

Moving forward, the DoA will streamline the planting of the identified herbs, once the products have completed clinical trials and are ready for the market.

FIRST MALAYSIAN HERBAL PRODUCT HEPAR-P UNDERGOES CLINICAL TRIAL

Nova Laboratories Sdn Bhd's Hepar-P Capsule is the first Malaysian herbal product to undergo clinical trials under EPP1. The first clinical trial was completed in January 2015, involving 50 subjects (25 on Hepar-P and 25 on a placebo). The trial was a multi-centre (eight hospitals nationwide), randomised, double-bind, placebo-controlled trial to determine the efficacy and safety of Hepar-P for the treatment of non-alcoholic fatty liver disease (NAFLD). Nova now awaits the green light from the NKEA to start the second clinical trial.

The Hepar-P contains standardised extract derived from a local plant known as Phyllanthus niruri or dukung anak, mainly used as a liver protection agent. It is approved as a traditional product by the Ministry of Health and has been in the market since 2005. Successful clinical trials proving the efficacy and safety of Hepar-P would enable Nova to market it as a botanical drug with therapeutic claims rather than an "herbal" or "traditional" product. This would boost the product's market value by a whooping tenfold! Having valid scientific claims backing the product will also make it more marketable globally.

Clinical trials are very expensive and can sometimes be beyond the means of the local companies. The first trial for Hepar-P, for example, came up to around RM2.2 million.

With the EPP providing dedicated funding for R&D and clinical trials, Nova hopes that many of the challenges facing the local herbal industry today would eventually be overcome, allowing Malaysia to manufacture and export high-quality nutraceuticals and botanical drugs.

Nova, established on 17 March 1989, is a research-based company that discovers, develops, manufactures, and markets novel phytopharmaceuticals derived from local botanical plants for the prevention and treatment of human diseases. It has more than 45 types of products ranging from functional foods, herbal products, and health supplements mainly distributed in pharmacies, clinics and its own retail outlets under the Nova brand.

Nova Natural Supplements & Skin Care Retail Outlet

2 Tapping Premium Markets

During the year, total production of premium fruits and vegetables under EPP7 (i.e. papaya, starfruit, rock melon, jackfruit, banana, pineapple, capsicum, lettuce and tomato) was 54,489 mt, valued at RM70.8 million.

It has been reported that the monthly net income of the 278 NKEA Permanent Food Production Zones (Taman Kekal Pengeluaran Makanan, TKPM) participants exceeded RM3,000 while 194 others achieved net income of RM1,000-RM2,999. As a comparison, in 2014, 171 TKPM participants generated monthly net income of RM3,000 and above. This is very encouraging for the farmers and motivates them for the coming year too.

However, the year was not without challenges. This outstanding achievement would have been stronger had it not been for a series of natural disasters during the year. For example, adverse weather conditions affected the highland vegetable production areas in Cameron Highlands and Kundasang, Sabah. The earthquake in Sabah affected the construction of the Masilau TKPM in Kundasang. Similarly, heavy flooding in the east coast of Peninsular Malaysia early in the year affected the production of fruit and vegetables there.

Traders selling fresh fruits at PAKAR Jengka

3 Ensuring Food Security Objectives are Consistent with Increasing GNI

The Ministry of Agriculture and Agro-based Industry (MOA) is very committed to address the trade balance deficit of RM17 billion recorded and lessen the country's dependency on food imports. The ministry is developing various plans to increase the export of premium agricultural products and also increase local production to tip the scale and reduce our trade deficit. In line with this, the country is making strong strides in reducing its dependency on imported rice.

The nation's self-sufficiency level (SSL) for rice jumped from 63.1 percent in 2010 to 71.4 percent in 2015. During the same period, its milk SSL also rose from 8.5 percent (2010) to 13 percent (2015). The nation is on track to meet its SSL targets of 85 percent for rice and 13.6 percent for milk by 2020.

Farm operations in MUDA granaries

During the year, total paddy production was at 230,793 mt in Muda, Kedah under EPP10 and 103,604 mt in other granaries under EPP11. A total of 14,214 farmers benefitted from the MADA Land Amalgamation programme under EPP10 over the period of 2011 to 2015.

Muda Agricultural Development Authority (MADA), the EPP owner for EPP10, will continue its promotional programmes to attract more participants and to ensure that the current participants will stay involved in the EPP after the end of their contract period (10 planting seasons).

Meanwhile, the domestic supply chain for dairy products has strengthened, with the layers of middle man reduced, and the delivery time from milk producer to processing plant (numbers of days) shortened. The use of modern technology, coupled with effective training programmes by the anchor companies, has improved local milk production, and the safety and quality of milk and dairy products. Following the introduction of new machineries at the dairy processing plants, locally-produced dairy products now have longer shelf lives.

In 2015, total high-quality fresh milk production from the three anchor companies and EPP13 clusters farms was 19 million litres.

(Top left) Dairy cattle feeding at Evergreen Livestock Sdn. Bhd Dairy farm in Keningau, Sabah **(Right)** Milk Packaging Facility at Evergreen Livestock Sdn Bhd processing plant in Sabah under EPP13 **(Bottom left)** Mr. Loi of The Holstein Milk Company at Mawai Dairy Farm, Kota Tinggi, Johor under the Dairy Cluster EPP

HOLSTEIN'S SUCCESS STORY

The fast-track rise of Farm Fresh to the top of the nation's fresh milk category is nothing short of spectacular. A new kid on the block only four years ago, the local brand now leads this competitive market with 38.3 percent share (source: Nielson, September 2015).

Farm Fresh producer, The Holstein Milk Company Sdn Bhd, attributed its rather unexpected success to the Dairy Clusters EPP (EPP13). A member of the Holstein group, Allied Dairy Sdn Bhd, was appointed an anchor company of the EPP13 in 2012 and Holstein itself was appointed an anchor company to EPP13 in 2014.

The success of Holstein, the country's only integrated fresh milk producer, in penetrating and now leading the market hitherto dominated by foreign companies for the past 20 years is a testament of a good business plan and solid execution of an EPP in creating a local champion.

The Malaysian dairy industry had prior to the EPP languished for over two decades. The foreign players have little reason to help develop local farmers as imported milk powder cost only 50 percent the price of fresh milk. What little fresh milk they sourced locally, they paid based on the world commodity price of milk powder. As such, local farmers had found it hard to maintain a sustainable business.

The EPP, led by Department of Veterinary Services (DVS), gave RM11 million worth of grants that went to the purchase of pregnant cows, milking equipment, and chiller tanks – these were given to farmers selected by Allied Dairy, which in turn purchases raw milk from them at a fair price.

While Holstein has two farms of its own, some 40 percent of its raw milk needs are sourced by Allied Dairy from about 40 contract farmers, located in Johor and Negeri Sembilan. These farmers are paid RM2.50 per litre, a big jump from the RM1.50 they used to get, significantly boosting their income and sustainability.

Farm Fresh products that is available in major supermarkets

MOVING FORWARD

2016 will see a renewed focus on implementation and monitoring. This is because the overarching issues and challenges surrounding the performance of the Agriculture NKEA revolves around the discipline of implementation and monitoring. A more targeted and purposeful approach needs to be institutionalised.

This would include establishing technical standard operating procedures for each EPP that will address issues of implementation, monitoring and technical evaluation that is outside of the current scope. This will help close the gap in implementation and delivery.

Moving forward and towards 2020, it would be important to strengthen working relationships with the various State EXCO for Agriculture. This will definitely help during any implementation issues within the states. In addition, it would be imperative to take into account weather-induced delays into the 2016 implementation plan, budget requests and KPI trajectory as contingency planning during execution.

Ultimately, in Malaysia, agriculture is still a key factor for economic growth, with rising demands for local and export market particularly in the agro-food sector. There is a lucrative export market for a wide range of agricultural products for ASEAN and halal market. With its huge potential and prospects, the outlook looks positive for business in agriculture.

FAST FORWARDING MALAYSIA'S HEALTHCARE INDUSTRY

DATUK SERI DR. S. SUBRAMANIAM

MINISTER OF HEALTH

A country's healthcare system has significant social impact, both direct and indirect. Malaysia's healthcare sector has seen robust growth in the past decade, and continues to be one of the nation's highest economic multiplier.

Implementation of the healthcare EPPs has catalysed new growth areas. Since its inception in 2011, the NKEA has attracted some RM2.44 billion of investment into the country, and created some 8,100 higher-value jobs. Infrastructure has either been built or upgraded, and both specialist skill-sets and technology have been harnessed to improve the quality of care for patients.

The Private Aged Healthcare Facilities and Services Bill is targeted to be tabled in Parliament second quarter of 2016. While we are excited in anticipation for the flourishment of the aged care industry, we are fully aware that this industry is still in its infancy state in Malaysia. The challenge now is to provide a favourable ecosystem for the stakeholders and industrial players. To achieve on that, the Government is working hard not only on the legislation part as mentioned, but also working hard to ensure that the physical planning guideline for Senior Living facilities will be available for usage by the local council.

2016 will not be without challenges for the NKEA Healthcare. The volatility of the local and global economy is likely to impact somewhat growth in the medical tourism industry, investments by various EPP owners as well as the exports of the pharmaceuticals and medical devices. The Ministry of Health (MoH) remains resolute and will work closely with the Malaysian Healthcare Travel Council (MHTC), the Malaysian Investment Development Authority (MIDA) and the Ministry of International Trade and Industry (MITI) to counter the effect of the economic slowdown. The liberalisation of the travel visa for Chinese visitors will be look as a booster for us to open up the China's market for medical tourism.

The healthcare industry in Malaysia is in a vibrant growth phase which makes the constant re-assessment of the EPPs a necessity. To ensure that the NKEA remains dynamic and relevant, the list of EPPS will be streamlined in 2016 and new EPPs will be introduced following syndication with major players. Challenges faced in 2015 requires the Ministry to relook into two EPPs and work on possible modifications to ensure they will continue to play the role of game changers in this industry.

> *"In the interest of creating the necessary conditions for the private healthcare industry to thrive as a key economic sector, the government has been lending its weight to expedite growth.*

From the onset of the Economic Transformation Programme (ETP), the healthcare sector has been deemed as a high-potential wealth creator. Leveraging on organic growth in services, pharmaceuticals and medical devices, new horizons have begun to be explored in services, clinical research, health travel, and generics pharmaceuticals manufacturing.

Two new projects were announced during the year under the pharmaceutical exports EPP to be championed by Pharmaniaga Sdn Bhd and Auscustom Pharma. Both projects are expected to generate RM13.1 million in GNI, RM50.8 million in investment, and 116 jobs.

Collectively, the 40 healthcare projects announced under Healthcare NKEA to date are projected to create 26,966 jobs and generate an income of RM6.59 billion, as well as RM4.96 billion in new investments by 2020.

INSIDE THIS NKEA

1 Promoting and Positioning Malaysia's Healthcare Services

2 Manufacturing at the Core of Healthcare Industry

3 Facilitating Local Manufacturing Export

4 Upholding Quality of Medical Devices Through Regulation and Standards

5 Developing the Senior Living Market

Through 2015, Malaysia generated RM588.6 million in healthcare travel revenue for the period January to September 2015 at an average response rate of 79 percent, while the target set for the full year is RM854 million (Re-baseline 2014: RM777 million). Health tourist revenue for the three quarters reached RM353.2 million of the full year target of RM516 million (Re-baseline 2014: RM449 million). Year-to-date results forecast total healthcare travel numbers for 2015 to achieve above 90 percent of full year targets.

Malaysian pharmaceutical exports as of October amounted to RM516.09 million in 2015, lower than the RM505 million during the same period in 2014. Challenges this sector faced during the year included depreciation of the ringgit against the US$, increased cost of Active Pharmaceutical Ingredient (API) and packaging materials, non-tariff barriers imposed by other countries (e.g. Indonesia and Thailand), and competition from ASEAN state members. Consequently, the export growth target for pharmaceutical products for the year was revised from RM671.78 million to RM641.24 million.

While the local healthcare industry has long been dominated by the public sector, growth in private healthcare services has been exponential over the past decade. In the interest of creating the necessary conditions for the private healthcare industry to thrive as a key economic sector, the government has been lending its weight to expedite growth.

1 Promoting and Positioning Malaysia's Healthcare Services

Malaysia Healthcare Week 2015 by MHTC in Bangladesh

There are over 250 private hospitals in Malaysia. However, only hospitals that are well-equipped and catered to receive and handle medical tourism are approved and registered to be a participating medical tourism provider in Malaysia. In July, the Malaysian Healthcare Travel Council (MHTC) introduced the Elite Partners programme to highlight and effectively promote healthcare institutions of excellence that also cater to the needs of international patients. There are currently 22 selected hospitals and ambulatory care service providers on this list.

During the year, MHTC established two additional representative offices, in Ho Chi Minh City and Yangon to supplement operations of its existing offices in Jakarta, Dhaka and Hong Kong. These five offices function as MHTC's promotional and intelligence centres, and provide end-

(Top) Official launching of MHTC Representative Office in Yangon, Myanmar. **(Bottom)** MHTC Representative Office in Ho Chi Minh City, Vietnam

to-end services to potential healthcare travellers to Malaysia – from treatment enquiry and quotation to visa arrangements and logistics.

To facilitate greater healthcare mobility and in the effort to foster collaborations in MHTC's key markets, MHTC ventured into health insurance portability agreements with insurance and third-party administrator partners in Bangladesh, Vietnam and Indonesia, and several key hospitals in Malaysia throughout 2015. These agreements allow policyholders to seek healthcare treatments in partnering hospitals in Malaysia under their existing insurance schemes.

Together with the private hospitals, MHTC is leading government-to-government cooperation between Malaysia and the rest of the world, especially Middle Eastern and Commonwealth of Independent States (CIS) countries, with patient referrals, visiting specialists programmes and training support.

Malaysia Healthcare's strongest markets are Indonesia, constituting 62 percent of total healthcare revenue numbers, followed by the Middle East (7.4 percent), India (3 percent), China (2.6 percent), Japan (2.6 percent), Australia and New Zealand (2.5 percent) and the UK (2.5 percent).

Emerging markets such as China, Central Asia and the greater ASEAN region will continue to be an active contributor to our Healthcare sector. Projected growth in terms of healthcare traveller arrivals in 2016 is expected to come from the Middle East, Australia, New Zealand, Bangladesh, Vietnam and Myanmar. The weaker ringgit also presents renewed opportunities from Singapore.

Indonesia remains Malaysia Healthcare's leading market (61.7 percent in 2015). MHTC will continue to expand promotional activities into Indonesia's second and third tiers cities, as well as to develop Malaysia Healthcare's overseas presence and brand positioning in the other focus countries, working closely with Tourism Malaysia, Malaysia External Trade Development Corp (MATRADE) and the Ministry of Foreign Affairs.

In addition to Malaysia's medical excellence in cardiology, orthopaedics, oncology, neurology and dentistry, there have been growing demands for its superiority in infertility treatments, particularly for IVF treatments, with Malaysia's leading fertility hospital reporting IVF success rates of 66 percent in 2013 against the global average of 50 percent, alongside increasing demands for treatments in cosmetics surgery and rehabilitation.

2 Manufacturing at the Core of Healthcare Industry

Surgical sutures manufactured by Vigilenz Medical Devices Sdn. Bhd

At the core of Malaysia's healthcare industry is an up-and-coming manufacturing sector with a focus on pharmaceuticals and medical devices. These are high-tech high-value ventures that will bring in top dollar investments and quality jobs. This is done through building capacity and capability in the pharmaceutical sub-sector and supporting the growth of medical devices sector.

One of the project champions under EPP3: Malaysian Pharmaceuticals, Biocon's US$250 million biopharmaceutical R&D and manufacturing facility, became operational in mid-2015. The manufacturing and scaling up of activities for two products – recombinant human insulin and insulin analog – are slated for completion in early 2016. This facility, located in Nusajaya Johor, employs more than 300 Malaysian Science/Engineering graduates.

Meanwhile, AJ Biologics Sdn Bhd continues to make strides towards its aim of becoming Malaysia's first fully accredited vaccine manufacturing facility. Site works related to the construction of its vaccine manufacturing facility commenced on 31 July 2015. Concurrently, the company expanded its senior management team and signed a partnership agreement with a European vaccine manufacturer. AJ Biologics is also in detailed discussions, nearing finalisation, on a number of other partnership agreements with several reputed vaccine manufacturers globally.

Two new projects were announced during the year under EPP3:

- First, Auscustom Pharma Sdn Bhd's integrated GMP research and manufacturing facility. The company plans to establish an R&D and manufacturing facility to produce small batches of orphan drugs and unmet medications needs for Malaysia and the region. The products include sterile injectables, non-sterile medications, and solutions for diabetic retinopathy, chronic diseases and integrative oncology. The project is estimated to generate RM10.7 million in GNI, RM14.4 million in investment, and 95 jobs.
- Second, Pharmaniaga Bhd's manufacturing of high-value freeze dried pharmaceutical products. Pharmaniaga proposed an extension and modification of its existing manufacturing facility to establish a lyophilisation manufacturing suite to enable the production of high-value freeze-dried pharmaceutical products. The project is expected to generate RM2.4 million in GNI, RM20.9 million in Investment, and 21 jobs. Tapping an already developed

manufacturing ecosystem, medical devices is a promising new growth sector which has seen fresh and fruitful strides taken by players in the eight Medical Devices EPPs over the year.

Bionexus-status company Olipro Biotechnology is manufacturing World Health Organisation (WHO) standard test kits in Malaysia under EPP7: Upscale Malaysia's in-vitro diagnostic (IVD) industry. The two test kits are the Olipro HIV 1/2 Rapid Test Kit which screens and detects HIV 1 & 2 and the Olipro BloodChek LF Kit which detects transfusion transmissible infection (TTI) during blood donation or screening.

Meanwhile, Medical Innovation Ventures Sdn Bhd (Mediven), was to spearhead this EPP through its IVD project. The project will provide the foundation for the upscaling of Malaysia's IVD industry and help to raise the country's IVD profile globally, starting with developing countries. It was recently identified as one of the leading companies in the upcoming 2016 Malaysia Best Practice Award by Frost & Sullivan. To date, MEDIVEN CE-marked products have gained local and international recognition. MEDIVEN has sold its products to major hospitals in Malaysia.

Surgical products manufacturer Vigilenz Medical Devices Sdn Bhd and Karl Mueller Scientific are to lead local medical device manufacturers under EPP8: Build a Malaysian showcase on next generation of core single-use device (SUD) products in positioning Malaysia as the preferred supplier of high-quality contract manufacturing for SUDs.

Four EPP champions under EPP9: Become the hub for high-value medical devices contract manufacturing – ABio Orthapaedics Sdn Bhd, SteriPack Asia Sdn Bhd, Medical Devices Corporation Sdn Bhd (MDC) and Straits Orthopaedics (Mfg) Sdn Bhd – are leading developments in this field by expanding their manufacturing activities to spur greater participation from Malaysian entrepreneurs.

ABio plans to expand contract manufacturing of orthopaedic devices in Malaysia by including advanced machining, titanium anodising, forging, coating and casting. Meanwhile, Malaysia will be the sole manufacturer for Smith & Nephew's severe burns wound dressing when SteriPack begins operations in the country.

Vigilenz Medical Devices Sdn. Bhd., Bukit Minyak, Penang

Examination tables manufactured by LKL Advance Metaltech Sdn. Bhd

In its initial stage, EPP10: Malaysian clinical device champions is focused on preparing three potential project owners to launch projects related to the orthopaedic implant manufacturing industry.

Manufacturer UWC Holdings, which caters to the medical and healthcare industry among others, leads EPP11: Medical equipment supply chain orchestration through its investment in a medical equipment manufacturing facility in Bukit Minyak, Penang. The 80,000 square feet facility will manufacture equipment including hospital beds, trolleys, stretchers, immobilisers and prefilled humidifiers. Toshiba Medical System Malaysia manufactures ultrasound systems, transducers and printed wire boards other medical devices in Malaysia for export under EPP12: High-value medical devices manufacturing. Its Pulau Pinang facility spanning a total of 7,800 m2 floor space commenced production in December 2014.

EPP13: Building a medical hardware and furniture cluster is led by LKL Advance Metaltech Sdn Bhd, a medical furniture manufacturer specialising in medical equipment including hospital beds, patient transport trolleys, birth-care tables, medical treatment carts and peripheral support equipment, and the fabrication of steel and wooden products.

EPP14: Renal products covers both the provision of services as well as the manufacturing of medical products involved in the treatment of end-stage renal disease (ESRD). These services include innovative treatment methods such as home treatment modality with integrated telemedicine systems. Products manufactured include automated PD cyclers, HD machines, dialysis solutions, and bags and filters for HD machines.

2015 saw the completion of clinical trials on Lucenxia (M) Sdn Bhd's INTELLIS, an intelligent automated peritoneal dialysis (APD) cycler designed for chronic kidney disease patients. The pilot study concluded that the system was safe and efficacious. As such, Lucenxia's INTELLIS APD system is now ready for commercialisation. The product was officially launched by YB Minister of Health, Datuk Seri S. Subramaniam in January 2016.

Fresenius Medical Care, a global supplier of renal solutions and a major player in hemodialysis (HD) and peritoneal dialysis (PD) products, successfully increased the production output of HD concentrates in 2014 and added a new production line for PD concentrates in its manufacturing facility in Bandar Enstek, Nilai, Negeri Sembilan.

With SuisseMed Technologies of France as technology partner, Proligen has been given exclusive rights to represent SuisseMed Technologies SA in ASEAN to product high grade blood filtration filters in Malaysia.

The dialyser manufactured will not only cater for local demands but for export market as well. This will help reduce the cost of treatment for patients and create job opportunities for Malaysians. Commercial production is expected to start in 2017.

Official launching of Intellis of Lucenxia (M) Sdn Bhd by Health Minister Datuk Seri Dr. S Subramaniam

3

Facilitating Local Manufacturing Export

MOH signed two OTAs in 2015 with local drug manufacturer Kotra Pharma (M) Sdn Bhd for the supply of Diamicron MR 60mg **(left)** and Vastarel MR 35mg **(right)**

The introduction of the OTA scheme under EPP3, part of an effort to position Malaysia as a regional export hub for generics, has generated much interest from both MNCs and local pharmaceutical companies. OTAs are a direct negotiation between the government and a local manufacturer for three years. A two year extension may be given should a local manufacturer able to export their products overseas.

Given the highly competitive global pharmaceutical landscape, the government aims to act as a springboard to boost the marketability of Malaysian-made generics through the provision of OTAs and by expediting the registration of locally manufactured generics. The OTA initiative provides market access for the products via public sector purchase and in doing so, attests to the products' safety and efficacy, thereby providing confidence to potential export markets as well.

MOH signed two OTAs in 2015 with local drug manufacturer Kotra Pharma (M) Sdn Bhd in joint venture with French multinational pharmaceutical company Servier for the manufacturing of the latter's patented drugs Vasterel MR 35mg and Diamicron MR 60mg.

Subsequently, Servier obtained regulatory approval for the registration of its Malaysian-manufactured Vasterel MR 35mg in Brunei, Singapore, Philippines, Myanmar, Hong Kong and Thailand.

4

Upholding Quality of Medical Devices Through Regulation and Standards

The Medical Device Authority (MDA) is a statutory body under the Ministry of Health Malaysia established under the Medical Device Authority Act 2012 (Act 738) to control, regulate medical device, its industry and activities as well as to enforce medical device law under the Medical Device Act 2012 (Act 737).

In order to better regulate and address industry concerns, the authority has decided to alleviate and remove all obstacles in the implementation of the Medical Device Act 2012 (Act 737).

All medical devices used in the country are to be registered by July 2016, an extension from the previous deadline in July. The registration is meant to assure quality control and the safety of the medical devices produced, and that these devices are in accordance with the global standard. The extension of the deadline is to ensure all the involved companies have adequate amount of time to complete the necessary preparations for the registration of their products.

In July, additional post-marketing guidelines were introduced in Malaysia, covering complaint handling and field corrective action (FCA). These documents are designed to guide the industry in complying with the Medical Device Act and related laws.

The US, Europe and Australian markets require that the medical devices used within their borders are Good Laboratory Practice (GLP) certified. Malaysia has accredited testing facilities but none are GLP-compliant. Most of Malaysian manufactured products are tested in Singapore, US, Australia and Europe. This expensive but necessary activity, costing at about RM300,000 per product, has hindered local manufacturers from exporting.

MDA has given out a grant worth RM22 million to MyBioScienceLab Sdn Bhd, formed with the purpose to establish a comprehensive-integrated one-stop-centre public-private owned OECD-GLP certified non-clinical CRO Test Facility for pharmaceuticals, cosmetics, nutraceuticals, agrochemicals and medical device to support local and global industries.

Construction of the lab is more than 90 percent completed and is expected to receive GLP certification by 2016. Grant applications for another GLP lab is currently being processed. Decision is expected to be made this year.

Menara Prisma MDA

5 Developing the Senior Living Market

Aged care services provided by Econ Healthcare Group

Malaysia's aged care industry is still in its infancy with a fledgling ecosystem. But with the awareness raised in recent years, interest in the industry is rising. Various parties – including hospitals, property developers, insurers and trade groups – have indicated strong interest in this field. To prepare for the growth of this industry, an ecosystem must be put in place.

Firstly, a physical planning guideline for Senior Living facilities were set up. In 2012, the Town and Council Planning Department (JPBD) started developing a seniors living facilities guideline for adoption by the local councils. The guideline covers planning principles, general planning, specific planning, and design guidelines for the development of new and existing houses that adopt ageing-in-place concept, retirement villages, and care centres for the elderly.

The guideline was approved by the Cabinet on 1 July 2015 and is awaiting tabling at the next meeting of the National Council for Local Government (MNKT) scheduled in early 2016. After the MNKT, the guideline will be presented at the State Planning Committee (SPC) meeting of all the states in Peninsular Malaysia. Once approved by the SPCs, the guideline will be adopted and used by the local councils in the respective states.

Secondly, legislation were established and regulations were strengthened. Two existing Acts – Care Centre Act 1993 (Act 506), and Private Healthcare Facilities and Services Act 1998 (Act 586) – currently govern the care of an older person under the purview of two separate Ministries, MoH and Ministry of Women, Family and Community Development (KPWKM). KPWKM's Social Welfare Department governs the old folk homes, which target those in the lower income group with no next of kin, while those who can afford it go to private nursing homes governed by MoH.

There are currently only 16 private nursing homes registered with MoH, which is grossly insufficient. The Department of Statistics estimates that in 2015, the proportion of the Malaysian population aged 60 years and older is 9.1 percent. Based on the current projections, Malaysia is expected to reach ageing population status by the year 2035, at which point 15 percent of the total population will be 60 years and older.

The two existing legislations will not be able to meet future requirements. Moreover, the current old folk's homes need to be transformed into proper aged care facilities. The Private Aged Healthcare Facilities and Services Bill combines the relevant sections from both Acts and will better govern the provision of services and facilities for the aged care industry in a progressive economy.

The Bill has been submitted to the Attorney General of Chambers (AGC) for vetting. Prior to that, various syndications and consultations were conducted – 11 sessions across the country involving 112 care centre operators (registered under KPWKM) and about 450 participants.

In the meantime, the ministry has started to draft the regulations for the Bill. Five workshops and seven meetings/discussions were conducted with the stakeholders to gather their views and opinions on the Regulations. The first draft of the Regulations will be ready upon the finalisation of the Bill by the Cabinet. The Bill is scheduled to be tabled in Parliament in the second quarter of 2016.

EDEN-ON-THE-PARK BRINGS A GREATER DIMENSION TO THE RETIREMENT VILLAGE INDUSTRY

One of the project champions under the Retirement Village EPP, Eden-on-the-Park is the first Integrated Senior Lifestyle and Care Residence Resort facility in Malaysia. It features the "3R" concept of Rest, Recreation and Rejuvenation, and is built around the "5S" principles of Security, Safety, Support, Service and Sustainability.

The project's Care Residence has been completed and a temporary occupation permit for it has been granted by the council. The company will apply for a Care Licence from the Department of Social Welfare and a licence from the MoH to operate the facility as a Nursing Home.

Construction of the project's Active Living Apartment tower is well underway – 7 of the 14 storeys have been completed. The target date of completion is December 2016. Construction works on the villas have also started and some units are already at roof beam level.

In preparation for the opening of its Care Residence, Eden started its home care business as part of its training and running-in process, as well as to get some marketing exposure. During the year, this business had held steady and its services continued to be popular.

Recruitment and training is on track and the company is ready for opening as soon as official licensing is granted by the Department of Social Welfare. As at December 2015, the recruitment of caregivers had reached some 26 excluding maintenance and administration staff.

(Left) Current site progression of the Active Retirement Living area of Eden-on-the-Park. **(Right)** Nursing room at Eden-on-the-Park

MOVING FORWARD

EPPs in the Healthcare NKEA are regularly evaluated on their ability to remain as game changers in the healthcare industry. In 2015, two EPPs were reassessed and their scope revised.

The first, EPP5: Creating a diagnostic services nexus. The Ministry of Health has decided not to continue on the current business model of the project which primarily relies on the outsourcing of radiological services in MOH hospitals. The scope of this project will be revised and a new project champion will be identified.

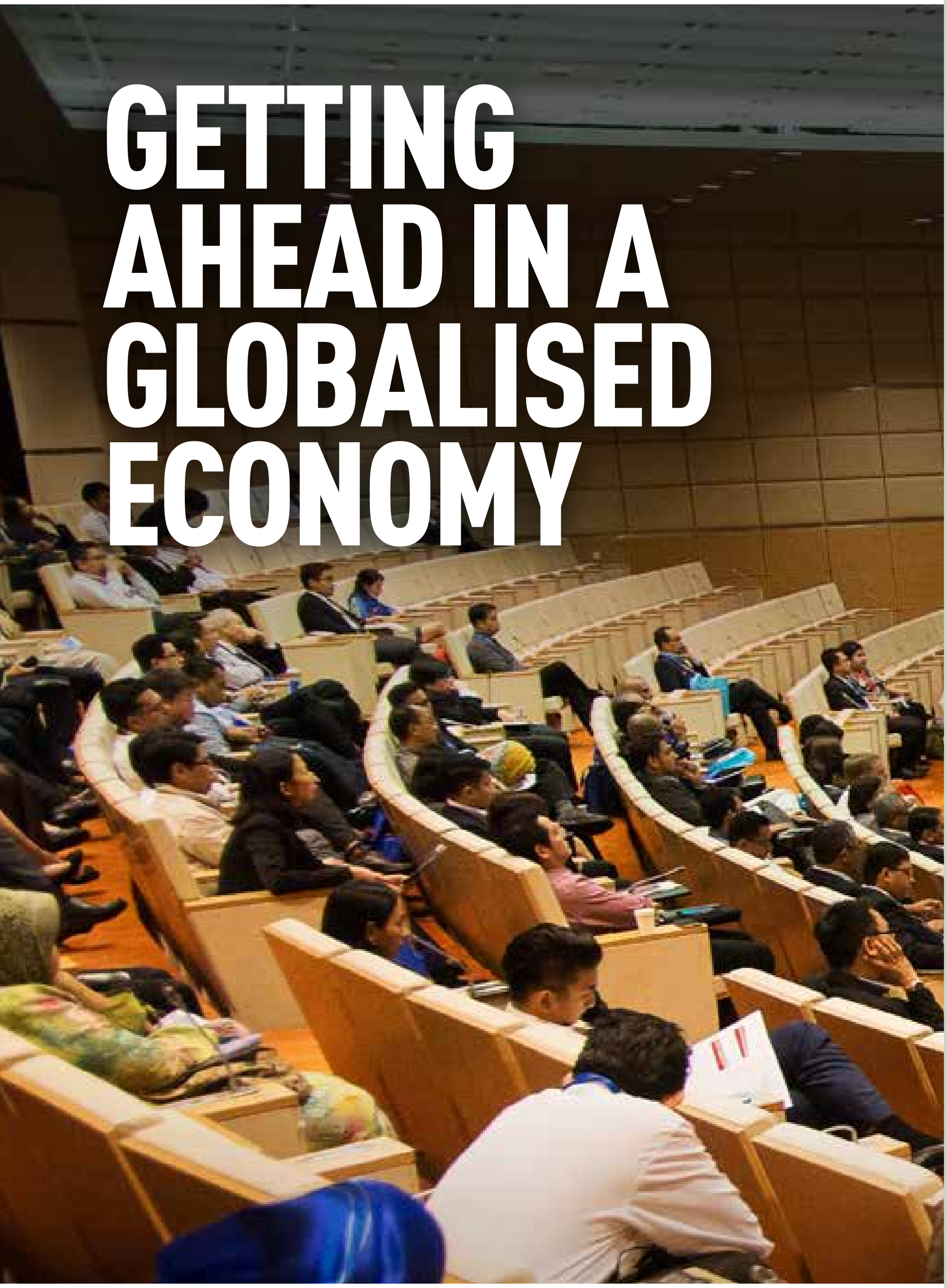
Secondly, EPP6: UM Health Metropolis. As the consequential delay of Planning Approval from the Petaling Jaya City Council (MBPJ) affected the progress of the project, UM Holdings decided to rescale the project scope. The team will work closely with UM Holdings to explore the various options available, which include the possibility of relocating the project site to the campus site under the jurisdiction of the Kuala Lumpur City Hall.

Moving forward, emphasis will be allocated towards upbringing EPPs 15, 16 and 17 in order to develop the Seniors Living industry. The Private Aged Healthcare Facilities and Services Bill is to be tabled in Parliament in Q2 2016.

Plans are also underway to integrate the "Physical Planning Guidelines for Senior Living Facilities" developed by the Town and Council Planning Department (JPBD) into the Regulations of Private Aged Healthcare Facilities and Services Bill as well as the adoption of such guideline by various local councils.

In addition to the continued emphasis on the pharmaceutical and medical devices sub-sectors, new EPPs may be a possibility coming from ongoing and upcoming discussions and consultations with the major players in the industry.

GETTING AHEAD IN A GLOBALISED ECONOMY



DATO' SERI HAMZAH ZAINUDIN

MINISTER OF DOMESTIC TRADE, CO-OPERATIVES AND CONSUMERISM

We have strived to promote a competitive business environment that encourages efficiency, innovation and entrepreneurship through persistent enforcement of the Competition Act 2010 (CA 2010) by Malaysia Competition Commission (MyCC). Businesses that are pushed to compete in their home-ground would be equipped to compete at a global level.

With the formation of the ASEAN Economic Community (AEC) and Malaysia becoming one of the member countries under the Trans-Pacific Partnership Agreement (TPPA), liberalisation is at our doorsteps and we must challenge ourselves to compete. We cannot aspire to become a high income and developed nation without laying the foundation to become competitive. Businesses must shape up and innovate in order to take advantage of the vast market opportunity liberalisation brings.

DATUK SERI PANGLIMA MADIUS TANGAU

MINISTER OF SCIENCE, TECHNOLOGY AND INNOVATION

Standards can break barriers by guaranteeing the quality and efficiency that is needed to improve market access and increase exports. This is something businesses in Malaysia especially, the SMEs need to understand. Although SMEs make up more than 98 percent of Malaysian businesses, their contribution to the country's GDP was just 32 percent in the year 2012. Standards should be used as catalyst to raise SMEs contribution to the GDP to 41 percent by 2020.

The success stories of companies that comply with standards should be highlighted to inspire more Malaysian manufacturers and consumers alike, to adopt and embrace a culture of quality, thus contributing to national competitiveness. I strongly believe that standards, which are synonymous with quality are a critical component for us to achieve a developed nation status.

Having developed our own standards are well and good, but we must also be conscious that there are some best practices or processes deployed and utilised by many other businesses or countries that we can adopt. We must be nimble to learn from others and to adapt as that would make us more efficient.

DATO' SRI MUSTAPA MOHAMED

MINISTER OF INTERNATIONAL TRADE AND INDUSTRY

The Services Sector Blueprint launched in March 2015 provides valuable policy direction for the development of Malaysia's services sector. The recommendations outlined under the Blueprint have been incorporated into the 11th Malaysia Plan. As the secretariat to the Malaysia Services Development Council (MSDC), MITI assumes a vital role in closely monitoring the execution of the Blueprint strategies and consistently reporting on the progress made to the Special Committee on Services Sector chaired by our own YAB Prime Minister.

INSIDE THIS SRI

With globalisation, an efficient and conducive business environment has to be nurtured and sustained to increase Malaysia's competitiveness as a preferred investment destination. There is huge potential to be tapped with the AEC and the various bilateral and regional trade agreements including the TPPA and the Regional Comprehensive Economic Partnership Agreement (RCEP).

In line with this, Competition, Standards and Liberalisation under the Strategic Reform Initiatives (CSL-SRI) play a vital role to develop an efficient and competitive business environment and culture that support Malaysia's goal of becoming a high-income nation by 2020. CSL-SRI also focuses on reinforcing economic reforms that were undertaken during the 10th Malaysia Plan.

These reforms aim to position the private sector as the core engine of the economy by modernising business regulation, liberalising the services sector, removing market distortions, improving the interface between Government and businesses, introducing competition legislation and increasing the quality of goods and services through standards compliance.

1 Competition Act 2010: Creating a Level Playing Field

The implementation of the CA 2010 and its enforcement by MyCC has helped strengthen the regulatory framework to promote a more competitive business environment in Malaysia.

Established under the Ministry of Domestic Trade, Co-operatives and Consumerism, MyCC is an independent statutory body tasked with strengthening competition in the local business landscape. It enforces, investigates and adjudicates infringements under the CA 2010.

The implementation of the CA 2010 was identified as one of the SRIs under the Economic Transformation Programme (ETP), intended to foster healthy and thriving competition in the Malaysian economy.

The Act, which came into force in 2012, promotes economic development by promoting and protecting the process of competition. By doing so, a business environment that encourages efficiency, innovation and entrepreneurship can flourish. This, in turn, promotes competitive prices, improvement in the quality of products and services; providing consumers a wider choice at fair prices.

In 2015, MyCC continued its efforts to engage with stakeholders from both the public and private sector in its advocacy work to raise awareness of CA 2010, while striving to increase the number of cases solved. During the year, MyCC conducted 48 advocacy programmes throughout Malaysia. The increase in the number of complaints received by MyCC from 8 complaints in 2012 to 232 complaints in 2015 is testimony to an increased level of awareness among consumers and business owners and bodes well for the efforts made by MyCC.

MyCC has also strived to increase the number of cases resolved. In 2015, the Commission made 6 findings of competition infringements under the CA 2010 and completed two proposed decisions. There were also two cases pending appeal.


An Advocacy Programme was held in October 2015 for SMEs on *Competition Act: How can SMEs Benefit*

2 Rising Up the Competitiveness Ranks

Malaysia's position as one of the top 18 most competitive countries among 140 economies globally, in the World Economic Forum's Global Competitiveness Report 2014-2015 is a validation of the effectiveness of the economic reforms being undertaken by the country. It advanced two spots from the previous year, consolidating its position as the world's top 20 most competitive economies, the country's highest ranking since 2005.

Additionally, Malaysia also improved its ranking in the World Bank's Ease of Doing Business Report 2015 to the 18th spot from the 20th spot in 2014, ahead of economies such as Taiwan, Switzerland, Thailand, the Netherlands and Japan. In Asia, Malaysia ranked 4th after Singapore, Hong Kong and South Korea.

According to the Report, Malaysia's distance to frontier score advanced from 76.84 in 2014 to 78.83 in 2015, as a result of improvements in five of the indicators, namely starting a business, dealing with construction permits, getting electricity, registering property and resolving insolvency.

The Report noted that the improvements in ranking reflected the initiatives undertaken by the Government through both administrative and ETP as well as the efforts undertaken by the joint public-private sector task force to facilitate business.

3 Accelerating Revenue, Improving Market Access Through Standards

Compliance to standards is key to quality, a solution to push products and services beyond market boundaries as well as to build customer loyalty.

To ensure the competitiveness of Malaysian products and services, measures have been put in place to improve the ecosystem of standards development and utilisation. Steps have already been taken to streamline and reduce the time taken for the development and adoption of standards.

As of 2015, a total of 6,204 Malaysian Standards were developed by Standards Development Agencies (SDAs) that have been appointed by Standards Malaysia. Of these, 3,622 standards are aligned with international standards.

In an effort to increase standards compliance and bridge initiatives offered by the various Government agencies, the National Standards Compliance Programme (NSCP) was launched in 2014 by Standards Malaysia.

NSCP was designed based on the NSCP Study in 2013, benchmarked on approaches of selected countries with greater standards compliance. These countries include Singapore, Germany, South Korea, Thailand, Indonesia and the European Union. NSCP is crucial to address the lack of concerted effort among Government agencies and private sectors to inculcate standards and compliance in products and services.

Standards Malaysia collaborated with a number of agencies including SME Corporation (SME Corp), CyberSecurity Malaysia (CSM), Majlis Amanah Rakyat (MARA), Malaysian Green Technology Corporation (MGTC), Malaysian External Trade Development Corporation (MATRADE) and the Ministry of Health (MoH) to carry out several capacity building and awareness programmes on the importance of standards among industries to increase the demand for standards compliance.

Despite this, challenges remain especially among SMEs who perceive standards compliance and certification as cost instead of investment for future returns. As standards certification is voluntary, this remains a persistent issue.

In order to gain a deeper perspective of current perception of standards compliance, Standards Malaysia convened a study on the economic impact of standards compliance in the marketability of products and services. The study also looked into areas regarding efficiency and productivity at selected companies from the electrical and electronics, food and beverages and agriculture sectors. The findings of this study will be used to intensify promotion on the use of standards and will be shared with central agencies and Ministries to formulate relevant policies to increase use of standards.

Stakeholder engagements, including a mini-lab with Certification Bodies as well as dialogue sessions with Government agencies, Trade Associations and Multinational Companies (MNCs) were held throughout the year to increase standards compliance among the industries.

Standards Malaysia also signed a Memorandum of Understanding with Steinbeis Foundation Malaysia (STMY) in June 2015 to conduct a Technology Audit and gap analysis on standards compliance for 30 selected companies as an effort to handhold the companies to obtain certification.

In line with initiatives to increase standards utilisation, Standards Malaysia will accredit more Conformity Assessment Bodies (CABs) to ensure a credible testing and certification process. Products will need to undergo conformity assessment procedures which include laboratory testing to obtain certification. Towards this end, existing test facilities may need to be upgraded to improve the testing infrastructure for products in Malaysia.

This will not only help the manufacturing industry become more competitive, but also promote the country's services industry and help make Malaysia a testing hub.

(Top) A Standards Utilisation Workshop was held in September 2015 with Ministries and Central Agencies
(Bottom) A Capacity Building Programme for MS 9001 Quality Management System was held in August 2015 for SMEs

4

Pushing for Best Practices in Agriculture

MyGAP produce being sold at Pasar Tani Putrajaya

2015 saw a 21 percent increase in the number of farms being certified, pushing the total number of certified farms to 4,414 farms. This increase in the number of certified farms is largely attributed to the outreach and capacity building programmes by the implementing agencies, namely Department of Agriculture (DoA), Department of Fisheries (DoF) and the Department of Veterinary Services (DVS).

The development and usage of standards for the Agriculture NKEA focus on benchmarking Malaysia's agricultural practices against international standards such as Good Agricultural Practice (GAP).

MoA has consolidated a number of certification schemes for agriculture under myGAP (with the tagline "Producing More, Improving Lives") which now represents a comprehensive certification scheme for the fruit & vegetables, aquaculture and livestock sectors.

MyGAP is benchmarked with international GAP certification schemes such as ASEAN GAP and is now in the process of being harmonised with Global GAP. MyGAP certified products will thus benefit from this exercise by gaining better market recognition and acceptance.

Since the inclusion of implementation of standards and certification as one of SRIs in 2010, the Departments under MoA namely DoA, DoF and DVS have registered a compound annual growth rate (CAGR) of 40 percent, 40 percent, and 37 percent respectively in the number of farm certifications. As of 2015, the DoA has 1,600 farms certified, while DoF has 173 farms certified and DVS has 2,251 of farms certified.

The increase in the number of certified farms has largely been due to the ongoing outreach and capacity building programmes by the implementing agencies DoA, DoF and DVS. Additionally, myGAP certification is currently free for those who are able to fulfil its requirements.

In 2015 a total of 41 capacity building programmes were carried out involving approximately 1,740 farmers during which information on the requirements of myGAP was disseminated, including consultation on the certification process.

Promotional programmes for myGAP also included reaching out to consumers on the benefits of myGAP certified products by collaborating with farmers and traders participating in the programme. In 2015, 14 awareness programmes were held throughout the country during the state-level and the national-level Farmers, Breeders and Fishermen's Day (HPPNK) 2015.

Despite the strides made, a number of challenges remain. For instance, the current myGAP certification is a lengthy process and coupled with the absence of price differentiation for certified products in the domestic market, it has deterred many farms from obtaining the certification as farmers seek immediate benefits from myGAP certification. Also, there is lack of awareness among consumers on the health benefits of myGAP products which are in line with its tagline of "Improving Lives".

Hence, there is a need to streamline and reduce the time required for the certification process. Farmers also need to be encouraged to carry out self-assessment on their readiness prior to submission for certification.

While efforts to get all farms certified should continue, emphasis will need to be made on larger establishments, which are looking beyond the domestic market. Currently focus is on farms that come forward for audit, of which a majority are small farms.

5 Fortifying Systems for Greater Data Security

Cyber risk is currently at the top of the international agenda as high-profile breaches raise fears that hack attacks and other security failures could endanger the global economy. Cybercrime costs the global economy over US$400 billion per year, according to estimates by the Center for Strategic and International Studies.

The Global Risks 2015 report by the World Economic Forum (WEF) clearly points out that 90 percent of companies worldwide recognise they are insufficiently prepared to protect themselves against cyber-attack. The ever increasing reliance on easily hackable smart devices makes us even more vulnerable.

In Malaysia, Critical National Information Infrastructure (CNIIs) such as banks, telecommunication, and transportation services are constantly exposed to vulnerability that can lead to major disruptions. An attack on a CNII can be devastating on both the nation and its citizens.

Cyber security has been identified by the Government of Malaysia as a new source of growth for the Digital Economy. To date, 48 products has been evaluated and certified under the Malaysian Common Criteria Scheme, based on the ISO 15408 standard. Continuous effort is being undertaken to increase awareness among CNIIs on the importance of product certification to enhance security assurance within their organisations. Programs undertaken in 2015 include Common Criteria training for Information and Communication Technology (ICT) product developers.

In 2010, Information Security Management Systems (ISO/IEC 27001) or better known as ISMS, was introduced to manage sensitive information so that it remained secure by applying risk management processes.

The National Security Council (NSC) was tasked to oversee the implementation of ISMS standards and its compliance by CNIIs. Since NSC took helm, the number of CNIIs certified increased from 20 in 2012 to 146 out of 201 CNIIs in 2015.

The increase in ISMS compliance has also resulted in a spill over effect for other Information Security Industry such as ISMS compliance services, cyber security consultancy services, increase in procurement of cyber security related hardware and software including enhanced interest in Common Criteria Certified Products and Vulnerability Assessment Services to name a few.

Malaysia Cyber Security Awards Presentation Ceremony 2015

6 Facilitating Greater Access to Markets

MeSTI certification awarded to Safiah Satay by the Ministry of Health in conjunction with World Health Day in August 2015

Standards bear an intrinsic value in today's demand for quality and safe products. More so now, with regulators and consumers being increasingly concerned about the quality and safety of food. They are taking unprecedented interest in the way food is produced, processed, and marketed and demand greater quality and safety assurances.

FOOD STANDARDS

In 2015, the Ministry of Health certified 1,152 new food establishments bringing a total of 2,401 premises certified under the Makanan Selamat Tanggunjawab Industri (MeSTI) programme. This constitutes 30.9 percent of all food establishments that are registered with Food Safety Information System of Malaysia for Domestic (FOSIM) under category P1 - Food premises that are involved in food manufacturing.

The objective of MeSTI is to put in place a system for the maintenance of food hygiene and process control which includes food safety assurance and food traceability. Since the implementation of MeSTI under this SRI in 2012, certification grew by 40 percent (CAGR growth), primarily due to the capacity building programmes for food establishments, resulting in greater appreciation for the value of MeSTI.

MeSTI compliance also serves as a building block for micro and SMEs in Malaysia to be a major producer and exporter of food products via food safety and quality compliance. This programme also acts as a stepping stone for companies to obtain certification under Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Point (HACCP). For example, Fatihah Frozen Sdn Bhd. was able to obtain GMP within 7 months after MeSTI certification, as opposed to the usual time frame of 1-2 years.

One of the challenges being faced in the MeSTI registration and certification is the lack of auditors which has resulted in a backlog. Whilst temporary auditors have been hired, they are under a short term contract. The rehiring of temporary auditors requires the need for constant training.

GREEN TECHNOLOGY

The MyHIJAU Directory is a comprehensive guide to a wide range of green products and services, systematically categorised with detailed information and description for consumer reference. Products or services that carry MyHIJAU Logo are entitled to enjoy tariff schemes like the Green Income Tax Allowance (GITA) and Green Income Tax Exemption (GITE) as announced in the National Budget 2014. MyHIJAU registered products will also get the opportunity participate in the Government Green Procurement (GGP).

A Government Green Procurement (GGP) Action Plan Workshop was held in December 2015

In 2015, a total of 1,439 products and services obtained certification under MyHIJAU, an increase of 307.6 percent (353 products) from 2014. This was mainly spurred by the mandatory requirements of Minimum Energy Performance Standards (MEPS) for 5 domestic electrical products (Air Conditioners, Refrigerators, Televisions, Domestic Fans and Lighting) under the Electricity Regulations 1994 (Electricity Supply Act 1990) which came into force on 3 May 2015. Under MEPS, appliances that satisfy the safety and performance requirements (Energy Efficiency Factor) must be issued with a Certificate of Approval (COA) by the Energy Commission Malaysia. Prior to MEPS, a Voluntary Energy Efficient Appliances and Equipment standards and labelling programme was in place.

The Ministry of Energy, Green Technology and Water (KeTTHA) through its agency, MGTC also conducted 14 workshops nationwide as part of the MyHIJAU SME & Entrepreneur Development Programme in 2015. These workshops were aimed at encouraging SMEs to implement green technology applications and adopt green practices as well as facilitate the registration of MyHIJAU mark for businesses producing green products and services.

In 2015, continuous development of business structure and support activities for MyHIJAU has increased the total number of Certification Bodies for MyHIJAU from 3 to 8. The 5 additional MyHIJAU Certification Bodies registered with MGTC are the Malaysian Timber Certification Council (MTCC), Global GreenTAG Sdn Bhd, GREENBUILDINGINDEX Sdn Bhd, BSI Services Malaysia Sdn Bhd and DQS Certification (M) Sdn Bhd.

Despite the increase in registration, demand and awareness of green products remains low in the domestic market. As an effort to counter that, KeTTHA through MGTC embarked on an awareness campaign on GGP for all Ministries and Agencies. The Ministry of Education, Ministry of Health, KeTTHA, Ministry of Home Affairs and the Economic Planning Unit have been selected as pilot implementers in this project.

KeTTHA targets to expand the GGP implementation in 2016 with the expansion to 12 products that have been identified under GGP i.e. cleaning services, ICT equipment, paint/coating, fibre cement and EE Lighting, building facilities, green data centre, multipurpose printing device, air-conditioning, apparel and furniture.

In 2016, GGP will also be expanded to the Ministry of Works, Ministry of National Resources and Environment, Ministry of Federal Territories, Ministry of Transport, Ministry of Urban Wellbeing, Housing and Local Government; and Ministry of Rural and Regional Development.

7

Liberalising Our Markets for Greater Competitiveness

Lifting market barriers to allow foreign investments and businesses brings in new ideas and technologies which may act as catalysts for greater and more sustainable growth; not just in Malaysia but also within the ASEAN region. In its efforts towards creating a more liberalising and fair global trading environment, Malaysia continues to pursue regional and bilateral trading arrangements to complement the multilateral approach to trade liberalisation. The national services liberalisation process is co-ordinated by MSDC chaired by Minister of International Trade and Industry.

As of 2015, Malaysia has concluded and signed a total of seven bilateral Free Trade Agreements (FTAs) of which five has services chapters. These five FTAs are with Japan, Pakistan, Australia, New Zealand and India. At the regional level, services sectors have been fairly liberalised through the implementation of the ASEAN Framework Agreement on Services (AFAS) Agreement.

Currently, ASEAN has signed the 9th Package of AFAS with average offer of 100 sub-sectors. In addition services liberalisation is also part of the ASEAN + 1 Free Trade Agreements namely with China, Korea, India, Australia and New Zealand. Besides FTAs, to attract more foreign investment in services, Malaysia has also undertaken autonomous liberalisation for 45 services sub-sectors announced by the Government in 2009 and 2011.

After more than five years of intensive negotiations, on October 5, 2015, Ministers of the 12 Trans-Pacific Partnership (TPP) countries – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam – announced conclusion of their negotiations. The partnership is expected to support jobs, drive sustainable growth, foster inclusive development, and promote innovation across the Asia-Pacific region.

To ensure effectiveness of the initiatives and to reap the benefits from liberalisation, trade facilitative regulations and regulatory reforms have been put in place to create a conducive business environment. Specific policy measures have been undertaken to reduce regulatory costs of doing business to improve the business climate and support economic growth.

Heads of States stand for a family photo before their East Asia Summit (EAS) meeting in Kuala Lumpur in November 2015

8

Strategic Policy Direction to Further Develop the Services Sector

The Government has formulated the Services Sector Blueprint to strengthen the services sector. YAB Prime Minister launched the Services Sector Blueprint on 16 March 2015.

The Blueprint identifies key challenges in further developing the services sector and provides a set of horizontal strategies and action plan items for implementation.

A total of 29 action plan items were recommended for implementation under four policy levers:

- Internationalisation - to significantly increase the number of service providers in Malaysia
- Investment Incentives - to enhance effectiveness of incentives
- Human Capital Development - to produce, attract and retain skilled talent
- Sector Governance Reform - to cultivate an efficient, facilitative policy environment and machinery

The Services Blueprint will be implemented from 2015 to 2020 in tandem with the 11th Malaysian Plan.

Services Sector Blueprint Launch by YAB Prime Minister Dato' Seri Mohd Najib Razak in March 2015. Photo courtesy of BERNAMA Images

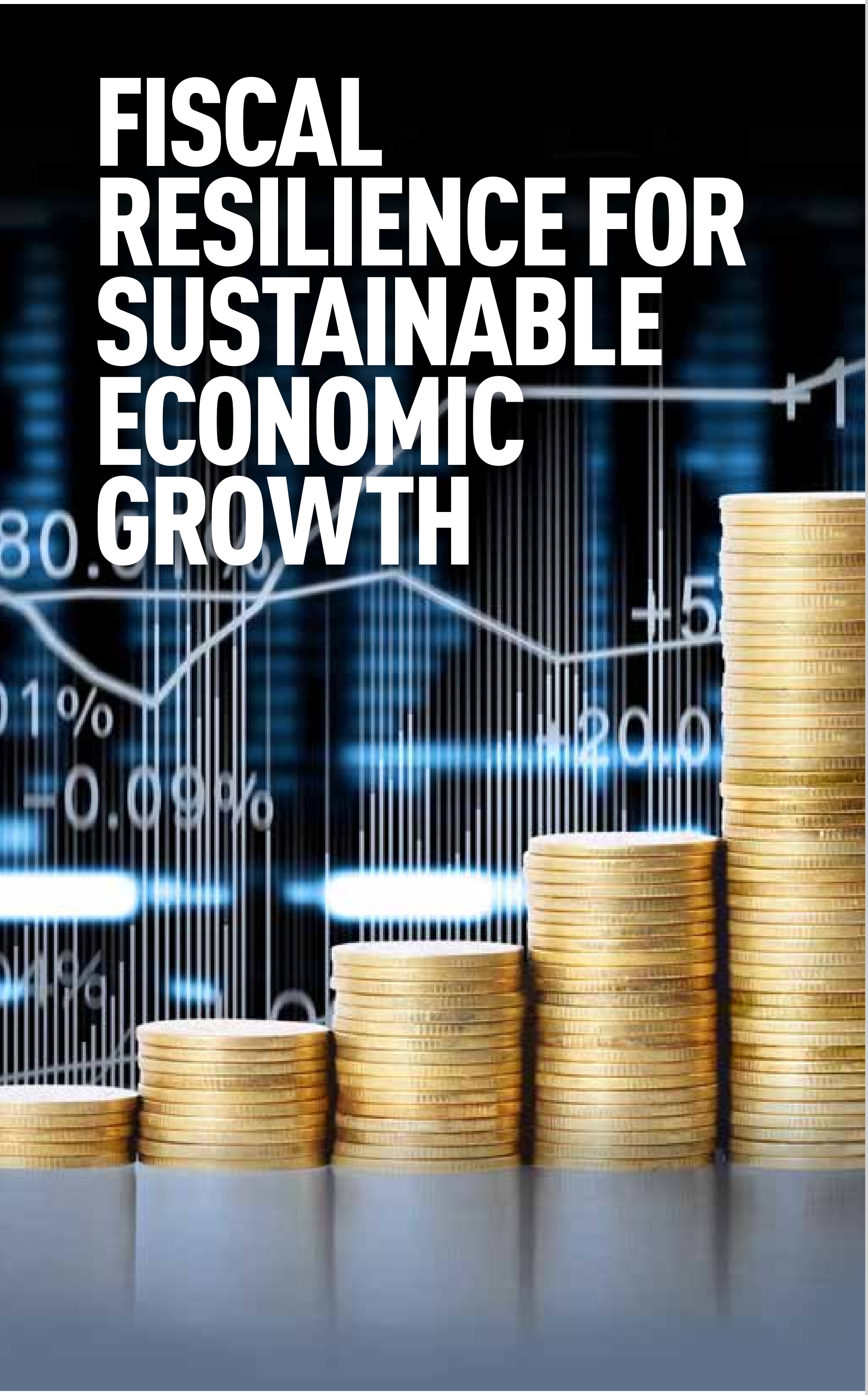
MOVING FORWARD

In 2016, there will be continuous push to encourage the private sector to implement standards in their products and services. Standards and certification are part of the equation for companies to grow big and emphasis should be made towards industry development to focus on the requirements and needs across the entire value chain.

Certification processes will be streamlined and testing facilities will be improved to encourage more companies to obtain certification. Once certified, MATRADE will be able to assist the companies in improving market access especially in the priority sectors of LED and Medical Devices.

The focus on the services sector will be on the rigorous implementation of the Services Sector Blueprint and to ensure it its deliverables. There will be need to have effective monitoring of the progress and to ensure any impediments are adequately addressed.

Overall, progress of this SRI has laid the perspectives and policy initiatives needed to face today's economic opportunities and challenges. On-going movements towards a more open market necessitates a continuous strategic response to sustain and improve the competitive position of the Malaysian economy.



FISCAL RESILIENCE FOR SUSTAINABLE ECONOMIC GROWTH

DATO' SERI AHMAD HUSNI MOHAMAD HANADZLAH

MINISTER OF FINANCE II

2015 was in some ways a watershed year for the Malaysian economy. Battered at the tail end of 2015 by a series of challenges, both from the external environment as well as conservative investor confidence, our ringgit like most economies in this region, was in a flux against the US dollar alongside oil prices, which took a beating due to a supply glut.

Having embarked on the National Transformation Programme in 2010, our economy is in a more resilient shape to take the challenges we were subjected to in 2015. With the target of reducing our fiscal deficit at 6.5 percent in 2009 of the GDP and keeping a lid on Central Government debt at maximum amount of 55 percent of annual Gross Domestic Product (GDP), we had to embark on a series of disciplined public finance reforms to get government finance in check.

Under this SRI in 2015, we saw successful implementation of the Goods and Services Tax (GST) after almost 30 years of building the case to introduce the broad-based consumption tax in the country. GST collection proved to be an important buffer against the challenges of lesser revenue contribution from the oil and gas industry.

Additionally, the move to remove subsidies for fuel at the end of 2014, resulted in cost savings of an estimated RM10.7 billion in 2015, enabling this savings to be channelled back as part of social safety net programmes for deserving Malaysians.

As part of the discipline in transitioning towards a high income nation, in 2015, the Government was able to reduce our deficit to 3.2 percent of GDP as targeted. Malaysia's borrowings as of end of 2015 was at 54.5 percent to GDP, which is still below the 55 percent self-regulated debt ceiling.

Since 2010, the Government has also been able to reduce dependence on oil revenue by driving contributions from other sectors and areas. This is essential to ensure that other sectors are able to buffer the impact of sharp volatilities oil prices. For example, in 2015, oil revenue dropped to 19.6 percent on the back of low oil prices compared to 30 percent in 2014. Regardless, contributions from other areas such as GST, and savings from subsidy rationalisation, as well as the development of other economic sectors under the Economic Transformation programme have helped mitigate this effect somewhat.

We head into 2016 knowing that it will be a rough year from an economic standpoint, but also taking comfort in the fact that forward looking and prudent measures have been taken to create buffers that will enable us to face this situation with some degree of confidence. It will be a test of the resilience enhancing measures we have worked so hard to put in place.

INSIDE THIS SRI

2015 was a year of challenges. The rapidly declining crude oil prices along with the value of the ringgit against the US dollar, came in as an unexpected shock, placing considerable strain on the economy and demonstrating what we had always known – the need to reduce our reliance on oil-based revenue.

The fact that Malaysia has been able to reduce its dependency on oil and gas (O&G) revenue from 41 percent in 2009 to 21.5 percent of total Government revenue, places us in a much better position than countries whose revenues crashed with the plunge in crude oil prices.

Our relatively more diversified sources of revenue, the implementation of Goods and Service Tax (GST), and rationalisation of subsidies have provided a certain amount of cushioning from the plunge in oil prices. Additionally, the final private consumption expenditure which registered a 4.9 percent growth in 2015, coupled with increased investments by the private sector had also helped us in weathering the storm.

The initiatives of SRI PFR mainly focused on the taxation system with the Ministry of Finance (MOF) being the sole driver for this initiative, supported by its agencies namely Inland Revenue Board of Malaysia (IRBM), the Royal Malaysian Customs Department (RMCD) and the Accountant General's Department (AGD).

THESE INITIATIVES INCLUDE:

- Enhancement of tax administration and compliance – direct tax
- Enhancement of tax administration and compliance – indirect tax
- Implementation of Accrual Accounting system
- Implementation of Goods and Services Tax (GST)

1 Enhancing Taxation Systems for Better Revenue Collection

Additional collection of revenue from indirect taxes through specific audits made by RMCD significantly exceeded targets from RM159.6 million in 2014 to RM222 million in 2015 (148 percent of target) due to improved efficiency of auditing and collection by RMCD. There was a boost in numbers of contract officers as well as changes made in audit approach in 2015.

The same applies for IRBM which managed to achieve an additional collection of RM2.04 billion in 2015 compared with RM1.99 billion in 2014 on the back of changes in their audit approach which sees improvement in taxpayers' compliance as well. Both initiatives contributes to the increase in the overall government revenue.

2 Implementation of Accrual Accounting to Strengthen Fiscal Management Efficiency and Effectiveness

The implementation of accrual accounting is in-line with practices of developed countries. Accrual accounting will add depth to the accountability and transparency of the management of public sector resources and it will facilitate the costing of resources, which is essential to increase the effectiveness of Outcome Based Budgeting in promoting the sustainability of fiscal policies.

The delivery of the new system was delayed due to common issues in system development. The milestone of the delivery was stretched to December 2016 and the Government is confident of achieving the launch and usage of the system in 2017 making the transition from cash based accounting to the accrual based accounting system in 6 years' since it started in 2011.

SUMMARY OF COMPARATIVE USEFULNESS OF CASH AND ACCRUAL ACCOUNTING IN GOVERNMENT

Criteria	Cash Accounting	Accrual Accounting
Ease of understanding	Simpler, but unfamiliar	Greater complexity, but familiar to more people
Ease of manipulation	Relatively easy to manipulate, but the issuance of the Cash Basis International Public Sector Accounting Standards (IPSAS) is a step forward	Ease of manipulation depends upon accounting and auditing standards
Comprehensiveness	Cash information only	Includes cash information together with other information
Usefulness for managing liquidity	Provides only basic information	Provides cash information and commitment information (e.g., payment arrears)
Non-financial asset management	No information provided	Provides information on asset use
Comparability	Countries use a range of cash accounting bases, policies are generally not explained well	Countries use different accrual accounting standards. Seek compliance with IPSAS
Measuring sustainability of fiscal policy/considering intergenerational equity	Very limited usefulness	Useful, but needs to be supplemented with additional information (e.g., demographic profiles)
Credibility	Limited	Credit rating agencies, lenders and the media are more familiar with accrual financial statements. Can lead to lower borrowing costs
Basis for determining fiscal strategy	Limited	Good, in conjunction with cash information
Accountability	Limited	Provides information on accountability for resources (e.g., fixed assets)
Basis for product/ service pricing	Limited	Good
Disincentives for fraud and corruption	Limited	Better than cash, but depends on the internal control environment (among other things)
Implementation	Information system costs can be higher (because of customization and limited availability)	Although information system costs may be lower, additional efforts are required to identify and value assets (among other things)
Ongoing operation	Ongoing information system costs can be higher because the systems are generally customized. Cash accounting systems generally require more personnel to operate them. However, fewer qualified accountants are necessary	Ongoing operation of systems is more sustainable because (i) it is easier to attract and retain skilled staff; and (ii) subsidiary records are integrated (e.g., payables, receivables and asset registers)

3 Goods and Services Tax

GST, which was implemented in April 2015, proved to be a forward looking policy as revenue gained through its implementation has helped cushion the shortfall in revenue from the petroleum sector. Total consumption taxes of Sales Tax, Service Tax and GST provided an estimated revenue of RM34.6 billion as of December 2015 and collection is set to increase to RM39 billion in 2016.

This is in contrast with the contributions from Petronas and oil-related sectors which are anticipated to decline to RM31.8 billion in 2016 from RM43.6 billion in 2015 and the percentage of oil-related revenue to government's overall revenue was expected to decline further to 14.1 percent in 2016 from an estimated 19.6 percent in 2015. The reduction is due to a decrease in Petronas's dividend payout by RM10 billion apart from the low crude oil price.

Although GST imposes a 6 percent tax compared to the now abolised Sales and Service Tax (SST) at 10 percent and Service Tax at 6 percent, in the longer term the former is envisaged to yield a higher revenue collection.

Having been implemented in more than 160 countries, GST is acknowledged as a fairer, more efficient tax system given its broad-based approach, with taxation occurring at the point of consumption. Having zero-rated many of the essentials such as food and controlled medicine to ensure that the low and middle income families are not overly burdened by the tax, those who consume more, particularly the wealthy bear a heavier tax burden through this system.

The Sales Tax and Service Tax (SST) is also a consumption tax but the main difference is that the coverage of GST is for the whole supply chain whereas SST is limited to certain part of supply chain. GST is also claimable for input products and services meaning it is separate from business cost while SST is treated as part of the cost for businesses.

GST
MEMBANGUN DAN MAJU BERSAMA

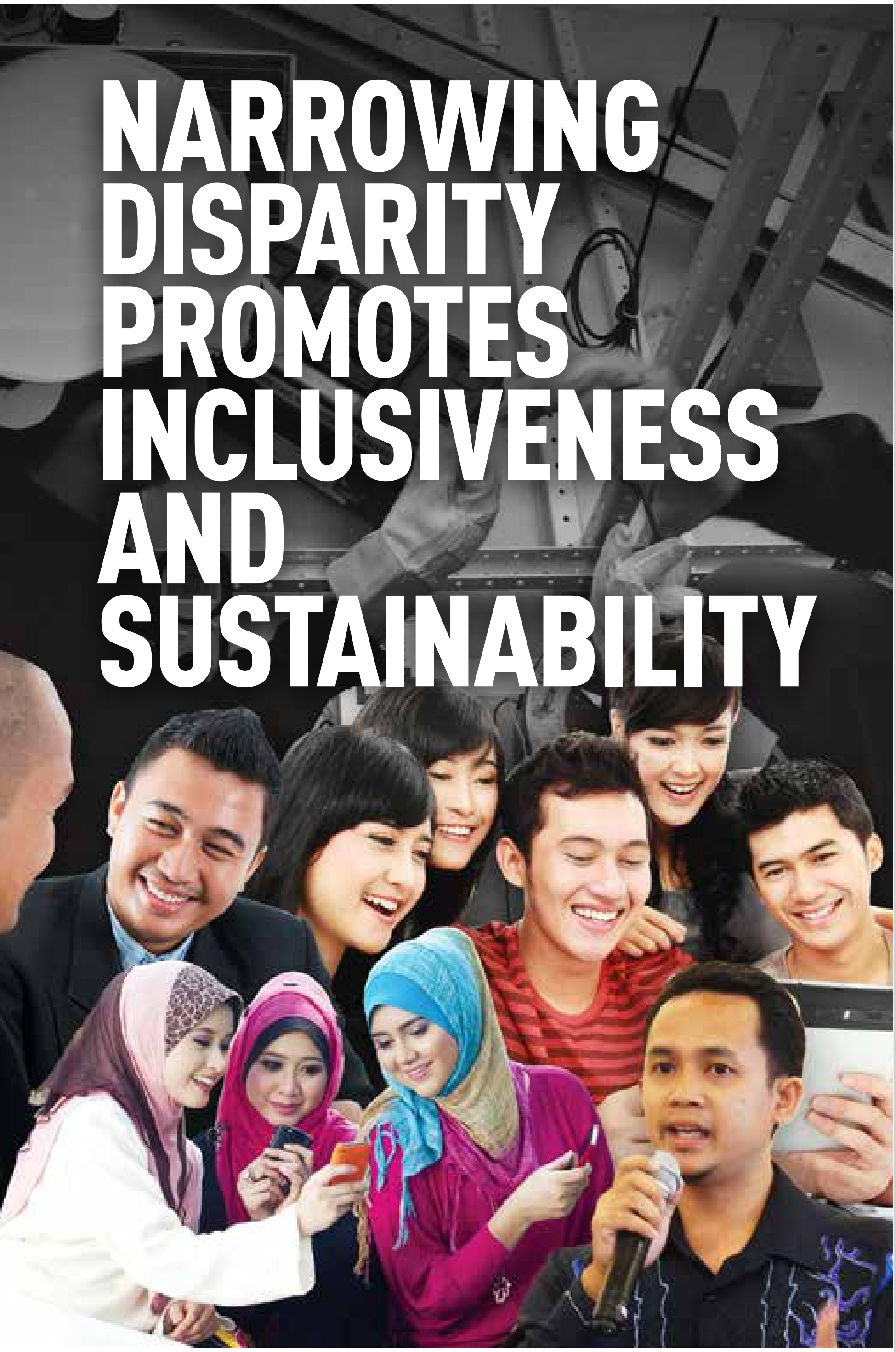
MOVING FORWARD

Moving forward, the main challenge is to ensure that the Government's target of achieving a balanced budget in 2020 is met. As part of the initiative, the Government will continue reducing subsidies that distort the market and implement efforts to tighten leakages of revenue with tax control elements specifically in the areas of used car imports, the shipping industry and SME corporate income tax incentives.

It should also be noted that the goal of public finance reform is to utilise Government funds more efficiently in areas such as social safety nets for the deserving, healthcare, education and other critical infrastructure for the rakyat.

We will also see the implementation of the accrual accounting system in 2017, replacing the current cash based system.

NARROWING DISPARITY PROMOTES INCLUSIVENESS AND SUSTAINABILITY



DATO' SRI ABDUL WAHID OMAR

MINISTER IN THE PRIME MINISTER'S DEPARTMENT

The Narrowing Disparity Strategic Reform Initiative (SRI) has surpassed its Key Performance Indicator (KPI) targets set for the year and this encompasses the increase of RM3.69 billion in market capitalisation by 11 Skim Jejak Jaya Bumiputera (SJJB) companies, with two companies breaching the RM1 billion mark.

Various initiatives spearheaded by TERAJU have resulted in RM63.4 billion of business opportunities for Bumiputera companies via its key programmes, notably the Carve Out and Compete Programme, High Performing Bumiputera Companies Programme (TeraS), Bumiputera Entrepreneurs Start-up Scheme (SUPERB) and Skim Jejak Jaya Bumiputera (SJJB).

Given the challenging economic climate in 2015, TERAJU has placed greater focus on enhancing and broadening its initiatives in order to build a more resilient and competitive pool of Bumiputera companies. This has led to the development of strategic initiatives, new enablers, schemes and collaborations to enhance Bumiputera participation in the National Key Economic Area (NKEA) Entry Point Projects (EPP).

The forthcoming market liberalisation and expansion under the ASEAN Economic Community (AEC) and Trans-Pacific Partnership Agreement (TPPA) presents both opportunities and challenges for Bumiputera companies. There is therefore a greater need to enhance their capacity to compete in an open and liberalised economy. In order to ensure that the implemented efforts will not be derailed by liberalisation, effective new programmes focusing on human capital development, sustainable wealth ownership and entrepreneurship will be developed, as recommended in the 11th Malaysia Plan.

TERAJU will intensify its efforts by forging effective collaborations to upscale Bumiputera companies to compete in the market.

> *“TERAJU’s most imminent challenge would be to prepare Bumiputera businesses for the forthcoming removal of trade barriers under the Trans-Pacific Partnership Agreement (TPPA).*

The Narrowing Disparity Strategic Reform Initiative (SRI) was devised to address inequality between the Bumiputera share of the economy in relation to its population and other groups. It is aimed at helping Bumiputera companies to develop and enhance capacity, and improve competitiveness and reduce reliance on Government contracts, and improve Bumiputera representation in market equity, high value-added occupations and management positions.

These initiatives are spearheaded by Unit Peneraju Agenda Bumiputera (TERAJU) which has been mandated to lead, coordinate and drive Bumiputera economic participation. The initiatives under this SRI are built around the Bumiputera Economic Transformation Roadmap which was launched in November 2011. Five areas for a game-changing development of the Bumiputera economy were brought into focus – education, employment, income levels, wealth creation and the overall performance of Bumiputera companies.

INSIDE THIS SRI

1 Facilitating Growth for High Performing Companies

2 Leveraging on Collaborative Capacity-Building

1 Facilitating Growth for High Performing Companies

TERAJU identifies high performing Bumiputera companies and creates programmes and initiatives to address economic challenges so that these companies can thrive in a conducive environment that levels the playing field. This is the cornerstone of the TeraS programme, which currently comprising 991 Bumiputera Small-Medium Enterprises (SMEs) from various sectors and industries. The objective of this programme is to allow Bumiputera SMEs to drive the SME sector and eventually contribute towards the economy by 2020.

Since 2011, TERAJU has continued to create opportunities and enhance value for Bumiputera companies through the introduction of various programmes and initiatives from the start-up stage, up to potential listing in Bursa Malaysia.

As of 2015, RM36.06 billion worth of business opportunities were created for Bumiputera companies under its Carve-Out & Compete Programme, through collaborations with various public and private institutions as the mega-project owners. This provides a platform for Bumiputera contractors to compete among themselves with contracts awarded based on merits, with the aim to support and encourage the entry of Bumiputera contractors into large projects like the Mass Rapid Transit (MRT) Line 1 and 2.

To further develop and support the growth of Bumiputera companies, the year also saw the continuance of programmes that improved Bumiputera access to financing and markets, such as the TeraS Fund, Facilitation Fund, Halal Fund, Skim Jejak Jaya Bumiputera (SJJB) and export programmes. These capacity development and financing programmes were created in collaboration with both public and private financial and non-financial institutions.

The year also saw collaborations with Yayasan Waqaf Malaysia, which includes several areas under corporate waqaf such as the development of Malay-reserve lands and endowment lands. The newly established Perbadanan Wakaf Nasional Berhad (PWNB) is tasked to spearhead and implement these initiatives.

The newly established Perbadanan Wakaf Nasional Berhad (PWNB) is tasked to spearhead and implement corporate Waqaf initiatives

2 Leveraging on Collaborative Capacity-Building

The cooperative sector is also one of the focus areas as the majority of the cooperatives in Malaysia are owned by Bumiputeras. In ensuring that the capability of these cooperatives are enhanced and strengthened, TERAJU has collaborated with Suruhanjaya Koperasi Malaysia (SKM) in 2015 to scale up 20 high performing Bumiputera cooperatives to move them to the next level.

Towards the effort to empower small, medium and micro-enterprises, TERAJU also collaborates with the respective Economic Corridor Authorities to provide Bumiputera entrepreneurs within their region with specialized funding schemes, training and other capacity building initiatives.

Institut Keusahawanan Negara (INSKEN), being a unit under TERAJU, is tasked to identify and implement capacity building initiatives with the objective of equipping Bumiputera entrepreneurs with tools and knowledge relevant to the industry. This effort is aimed at developing and identifying potential as well as effective training mechanisms to achieve the national entrepreneurship development aspirations.

At present, 7,871 underprivileged students have benefited from the capacity building initiatives under Yayasan Peneraju Pendidikan Bumiputera which range from academic and technical as well as professional education.

Institut Keusahawanan Negara (INSKEN) and Yayasan Peneraju Pendidikan Bumiputera are part of Bumiputera Economic Transformation Roadmap initiatives.

DENTISTRY WITH A DIFFERENCE

Patang Saharing
Dentist

For many of us, visits to the dentist often invoke feelings of extreme anxiety. To make a difference, Patang Saharing decided to establish a dental practice that incorporates an atmosphere of relaxation. "Dental Spa was created to push for a culture of dental care as well as to remove the stigma of trauma and fear associated with dental clinics. More often than not, this is due to the rather clinical atmosphere of most clinics and at times, the rudimentary setting of rural clinics."

"When patients are calmer, it becomes easier to administer treatment, making their visits to the dentist more therapeutic."

The positive image of dental practice spearheaded by Dental Spa has been a resounding success, evident in the increasing number of patients in his clinic. Hence, Patang plans to develop a chain of Dental Spa in Sabah and eventually, the whole of Malaysia.

"Tawau currently has only eight dental clinics including government clinics, servicing a population of more than 400,000 people and we are not able to meet the growing demand for dental care."

"For Dental Spa itself, every day we are forced to turn away up to nine patients because we are not just not able to cope."

Patang attributes his success to TERAJU's SUPERB programme, which provided valuable experience and introduced him to like-minded innovative entrepreneurs, trainers and mentors who inspired him.

"SUPERB not only helped me to prepare for opportunities out there but also to be more discerning. The emphasis placed on quality in self, service and products offered has helped create the extremely confident entrepreneur that I am today."

In 2015, as a result of increasing demand and market prominence, Patang moved Dental Spa to a much bigger premise and upgraded its equipment and machines, as part of his expansion plan. "I am looking to creating a more conducive environment for my staff to enable them to face challenges that come with the expansion of this business.

ALL GEARED UP FOR LIBERALISATION

Dato' Husni Salleh
TERAJU Chief Executive Officer

TERAJU's main agenda has always been to ensure that Bumiputera companies are able to compete and excel in a liberalised economy. In spearheading the National Bumiputera Empowerment Agenda, most of TERAJU's initiatives focus on upskilling and preparing Bumiputera businesses for both TPPA and AEC together with ensuring the objectives of Bumiputera development as stated in RMKe-11 are achieved, said its Chief Executive Officer Dato' Husni Salleh.

The Narrowing Disparity Labs began when Malaysia started participating in the TPPA negotiations, and at the time, TERAJU was already receiving constant feedback on what to expect once the agreement is signed.

"As a result, liberalisation is something that we take into serious consideration when designing many of our programmes. We wanted to ensure that Bumiputera companies are able to compete in an intensely competitive environment, alongside being well-equipped and poised to take advantage of the new market opportunities brought about by liberalisation."

Furthermore, he felt that many Bumiputera companies were extremely confined to the domestic market, relying heavily on government contacts and concessions. For a majority of these companies, their biggest clients compose of either the Government or Government-linked companies, seeing very few tap into the international market.

While the battle to shift the dependency mindset has been challenging, one of the institutions under TERAJU, INSKEN has played a huge part in pushing companies to spread their wings and venture into new markets.

According to Dato' Husni, they have been upfront with TeraS companies on the need to compete given that there are no guaranteed contracts from either the Government or TERAJU. While being recognised as a TeraS company has numerous advantages, including the opportunities for funding and capacity development, it does not preclude one from competing with other TeraS companies as well as non-TeraS Bumiputera companies

Through its Carve-Out and Compete Initiative, Bumiputera companies are provided opportunities to participate in mega government projects such as KVMRT Line 1, Menara Warisan Merdeka, development projects by EMKAY Group and the construction of the Malaysia International Trade and Exhibition Centre (MITEC), all valued at a total of RM36.06 billion.

The early success of the TeraS programme is evident from the interim performance review of the MRT project, which is the first project to be subjected to the Carve-Out & Compete Programme.

Firstly, as of 2015, 47 percent of the contracts awarded by MRT Corporation were to Bumiputera contractors, which is higher than the minimum Carve-Out and Compete threshold of 42 percent. Secondly, the interim review also revealed that out of the three top performing contractors in the MRT project, two of them were TeraS companies.

In 2015, TERAJU created more than RM60 billion worth in investments, business, financing and human capital development opportunities. Moving on, TERAJU will continue to focus on upskilling and empowering more Bumiputera companies to become global players.

MOVING FORWARD

TERAJU's most imminent challenge would be to prepare Bumiputera businesses for the upcoming removal of trade barriers under the Trans-Pacific Partnership Agreement (TPPA). This could affect Bumiputera companies which tend to be domestically driven by Government policies and assistance programmes.

The growth of Bumiputera companies may be challenged by tougher competition especially with free trade agreements such as the ASEAN Free Trade Area, ASEAN Economic Community and TPPA. Hence, to intensify the growth and competitiveness of Bumiputera companies to face the TPPA and towards achieving RMK11 goals of creating 30 national Champions, 10 regional Champions and five international Champions, new programmes will be developed to enhance the Bumiputera Economic Community (BEC) which will focus on the following areas:

- Empowering Bumiputera human capital
- Increasing Bumiputera effective control and sustainable corporate ownership
- Enlarging the share of Bumiputera wealth ownership
- Empowering the Bumiputera Economic Community
- Strengthening the delivery effectiveness of Bumiputera-oriented programmes

The implementation of new programmes will include participation from qualified companies under the TeraS programme.

In view of this, TERAJU will also be working on some of the key recommendations made in the Study on Potential Economic Impact of TPPA on the Malaysian Economy and Selected Key Economic Sectors, which includes pushing for trade adjustment assistance. The 2015 study commissioned by the Ministry of International Trade and Industry (MITI) and TERAJU also called for an increased engagement of Bumiputera SMEs in global supply chains through the assistance of Government-linked companies (GLCs), large companies as well as Multinational Corporations (MNCs). This would facilitate the scaling up of Bumiputera SMEs, which would place them in a better position to compete in open markets.

Efforts are also being undertaken to increase the value of Skim Jejak Jaya Bumiputera (SJJB) Public-Listed Companies (PLCs) by an additional RM1 billion by the end of 2016. The target for the coming year would be to chart a 10 percent increase in Growth, Employment and Turnover (GET) for 60 percent of the micro and small companies participating in the INSKEN 500 programme.

A HIGH-INCOME ECONOMY NEEDS A WORLD-CLASS WORKFORCE

DATO' SRI RICHARD RIOT ANAK JAEM

MINISTER OF HUMAN RESOURCE

“Human capital development (HCD) is integral in ensuring that Malaysia is able to achieve its high-income aspirations by 2020. Additionally, an efficient and effective labour market is necessary to attract investments into Malaysia and enable everyone to participate in and enjoy the benefits of economic growth.

In championing HCD, I wish to highlight the emphasis the Government has placed on skills development in the 11th Malaysia Plan (11MP) which comes into force in 2016. This is necessary because 60 percent of the 1.5 million newly created jobs under 11MP will require skills from Technical Vocational Education and Training (TVET). It is crucial that the Malaysian workforce is upskilled to compete in the more liberalised economy of the future.

In terms of achievements for 2015, the Human Capital Development Strategic Reform Initiative (HCD-SRI) successfully met most of its KPIs on the back of enhanced collaboration across numerous ministries due to the wide scope of human capital development.

One particularly game-changing development is the green light received from the Economic Council in November 2015 for the setting up of the National Human Capital Development Council to spearhead relevant policies and initiatives in creating globally competitive talent right here in Malaysia.

In pushing for women in leadership positions, it is encouraging to note the increase in the number of women decision-makers in public companies in 2015. The year saw an increase of 15.6 percent in public companies and 10.7 percent in public listed companies, as reported by the Companies Commission of Malaysia and BURSA respectively.

Capacity building and upskilling programmes such as MyProcert and TVET were ongoing in 2015 and expected to continue to gain momentum as we move into 2016.

We stand today at a very important juncture for human capital development in this country. The foundation of our education system is being improved through the Education NKRA and NKEA. As we step up towards high-income status and with liberalisation knocking at our doors, the need to upskill our current workforce and become globally relevant is of utmost importance.

The Government is committed in fostering a conducive landscape for the best talents to thrive.

"Efforts under the HCD-SRI initiative have been geared towards creating more inclusive and progressive labour policies, improving workers skills and pushing for greater diversity in the workforce.

The HCD–SRI, which oversees the wide area of human capital development is tasked with the upskilling of Malaysian workforce to meet the demands of a nation in transition towards high income status.

It is also meant to prepare the Malaysian work force for a more liberalised economy with implementation of the Association of Southeast Asian Nations (ASEAN) Economic Community (AEC) and Trans-Pacific Partnership Agreement (TPPA). Liberalisation under AEC and TPPA will increase competition in the workforce due to the greater mobility of skilled workers from other ASEAN countries and beyond.

Since the inception of the National Transformation Programme (NTP) in 2010, efforts under HCD-SRI have been geared towards creating more inclusive and progressive labour policies, improving workers skills and pushing for greater diversity in the workforce.

INSIDE THIS SRI

Some of the notable achievements include the improvement to labour laws, the implementation of Minimum Wage and Minimum Retirement Age, an increase in upskilling initiatives to move towards fulfilling the target of a 35 percent high skilled workforce by 2020 and the creation of more facilitative environment within the Malaysian workforce to attract and retain talent.

1 Strengthening Leadership and Policy Efficacy

To drive the human capital development agenda under the 11MP, a high-powered National Human Capital Development Council (NHCDC) has been established to define overall human capital development policy direction and determine initiative priorities.

The set-up of the NHCDC championed by the Economic Planning Unit was endorsed by the Economic Council in November 2015. Comprising key representatives from relevant Government Ministries and agencies, as well as major private sector players and industry representatives, the agency will facilitate accelerated industry-led programme delivery and streamline standards across Ministries. These efforts will be guided by the need to ensure that academic and Technical Vocational Education and Training (TVET) institutions produce quality graduates whose skills match industry requirements.

In the management of labour market information and data, efforts to improve content and presentation continued in 2015.

The Institute for Labour Market Information and Analysis (ILMIA) is now strengthening its portal and dashboard which were developed in 2013, with additional labour indicators from the Department of Statistics and data from research studies for selected sectors and economic corridors. With the enhancement of the Labour Market Integrated Data Warehouse (LMIDW) scheduled to be launched in the first half of 2016, ILMIA is able to provide labour and supply data according to sectors and competencies.

The Labour Market portal will be beneficial for all stakeholders namely Ministries and agencies for their policy interventions and supply planning, and industry players to obtain information on labour data as well as provide inputs on workforce requirements.

2 Building Capabilities Through Skills Training

The priority initiatives under the HCD-SRI are accelerating the development of skilled workforce, so that employees are able to keep up with the skills demands of a dynamic economy. Efforts here also prevent skills gaps from widening to ensure that companies can be confident of having the pipeline of workers they need.

Malaysia's skilled workers represent 28 percent of the total workforce as of 2015, and the target is to reach 35 percent by 2020.

MYPROCERT AND INDUSTRY – ACADEMIC COLLABORATION

The MyProCert programme was developed in collaboration with Multimedia Development Corp (MDeC) to produce more professionals with internationally recognised technical and ICT certifications.

Through the programme, 3,169 employees are trained for upskilling and reskilling in various knowledge areas like project management, big data analytics, embedded system, enterprise architecture and others.

2015 saw strengthened academia industry linkages in certification delivery with the collaboration of more than 55 institutes of higher learning including polytechnics. This collaboration helped develop 707 faculty members as well as trained 6,016 students in the various knowledge areas.

TECHNICAL VOCATIONAL EDUCATION AND TRAINING

Given the crucial role of TVET as a platform to upskill low and medium skilled workers, the Ministry of Youth and Sports struck up a partnership with ITE Singapore in 2015 (see Figure 1), to collaborate on a series of master trainers' courses to equip Malaysian TVET trainers with skills essential to teach TVET courses more effectively.

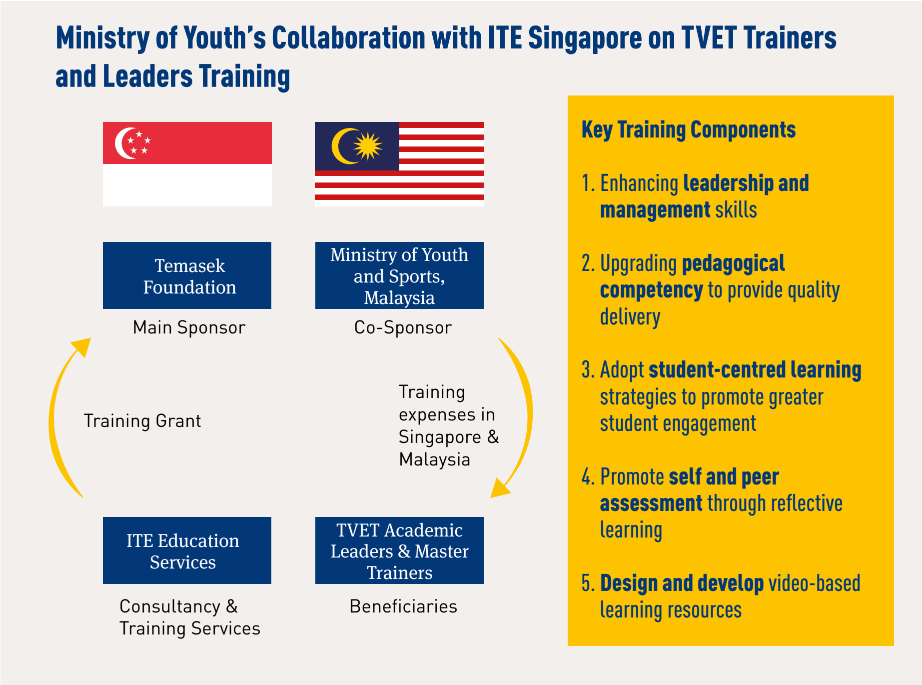


Figure 1: Ministry of Youth collaborates with ITE Singapore on TVET Trainers and Leaders Training

The 11th Malaysia Plan's (11MP) recommendation on human capital development takes into account the urgent need to upskill the local workforce so that they will be able to compete both locally and regionally. This is due to the fact that 60 percent of the 1.5 million newly created jobs under the 11MP will require TVET skills.

In view of this, Malaysia's TVET enrolment for the country has to be increased from 164,000 in 2013 to 225,000 students by 2020 and ensure that the graduates will meet employers' future requirements.

The allocation of RM1 billion for the Skill Development Fund under the 11MP in the next five years reflects the seriousness of the government in this area. The fund is envisaged to benefit the incoming younger workforce, enabling them to receive skills and vocational education.

Additionally, RM1.2 billion will be allocated to the Ministry of Education for the Vocational and Technical Transformation Plan and RM30 million to TalentCorp for the Industry Academia Collaboration Programme.

There is also an urgent need to coordinate TVET programmes across various Ministries to ensure private and public TVET institutions produce quality graduates to meet industry demands.

There are currently seven ministries and agencies involved in providing TVET, including Ministries of Education, Higher Education, Human Resources and Development, and Youth and Sports. In addition, there are a great number of state service providers as well as public and private institutions in Malaysia.

Also, under the 11MP there will be a fundamental shift in how the TVET system operates. The programme will shift from being government-driven to one that enables industry-led programmes and interventions.

In line with this, EPU will work with Malaysian Qualifications Agency (MQA) and Department of Skills Development (DSD) towards streamlining a single qualification and rating system to enhance industry-based linkages and ensure that there are more apprenticeship programmes, thus elevating TVET as a pathway of choice for students.

TalentCorp focuses on enhancing local graduate employability by providing industry exposure for 17,967 undergraduates through structured internships; and collaborated with industry to upskill 7,153 fresh graduates in line with industry requirements in 2015.

Malaysian Contingent for the World Skills Competition before departing for Sao Paulo, Brazil

RETAINING WOMEN IN THE WORKFORCE

Johan Mahmood Merican
TalentCorp Malaysia's Chief Executive Officer

According to the 2015 statistics by Towers Watson's Global Norm Database, women make up merely 27 percent of managers globally. In Malaysia, women consist of merely 31 percent of the workforce in a managerial capacity which is a small chunk, with 36 percent likely to leave their employer within the next two years.

The importance of gender diversity in the workplace and measures to improve has been emphasised in the 10th Malaysia Plan and the most recent effort to promote diversity is the launch of the 30% Club in Malaysia, which aims to increase the representation of women on corporate boards.

Creating gender diversity in the workforce is more of an economic imperative than a gender issue as it involves retaining and attracting talents that are valuable to economic growth. McKinsey's Women Matter: An Asian Perspective, 2012 highlighted how the increasing participation of women in the workforce could potentially increase Malaysia's GDP between RM6 billion to RM9 billion.

According to PricewaterhouseCoopers' (PwC) annual CEO survey for 2015, out of the two-thirds of Chief Executives whose companies have a formal diversity and inclusiveness strategy, 85 percent believed that diversity has actually helped improve the bottom line and 56 percent admitted that it has helped them compete in new industries or geographies.

TalentCorp Malaysia's Chief Executive Officer Johan Mahmood Merican said the continuous efforts towards this at numerous levels have shown results with female labour force participation rising from 46.8 percent in 2010 to 53.6 percent in 2014.

"We may rank below Vietnam in terms of overall participation by women but with this increase, we are looking at an additional 600, 000 women in the workforce as well as an impact of 0.3 percent on the GDP according to the World Bank."

Key measures taken by the Government to increase female labour force participation rate include encouraging more employers to adopt flexible work arrangements, promoting childcare facilities, career comeback programme for women and supporting the development of women entrepreneurs.

According to Johan, though two-third of graduates are women, a significant percentage of women tend to drop off the workforce in their late 20s or early 30s, mainly due to work-life balance issues.

A 2012 World Bank report attributes this to many women being caught in a "double-burden syndrome" of taking on the added responsibilities of managing their home, caring for their children or the elderly.

"Once these women leave the workforce, they do not return to the workforce as compared to other South East Asian countries such as Japan and Korea which exhibits women returning to the workforce in their late thirties onwards."

The greatest challenge is to persuade companies to adopt more flexible hiring and balanced work-life policies to ensure that valuable talents are not lost due to the lack of work-life balance, said Johan. "When approached on this matter, the standard response by companies include – why should we do it and can we trust our employees."

In July - August 2015, TalentCorp and PwC Malaysia conducted a Diversity in the Workplace Survey to better understand the current diversity landscape in public listed companies, with the support of Bursa Malaysia. The survey obtained responses from 130 listed companies, encompassing 1,094 members of the board and 464,092 employees in Malaysian public-listed companies.

The survey also included 67 of Top 100 listed companies, representing 70 percent of Bursa's total market capitalisation.

According to the survey, 31 percent of companies surveyed have introduced flexi-work arrangements, 28 percent have staggered hours, 18 percent allowed telecommuting, 15 percent allowed for reduced or part-time work and 10 percent allowed for a compressed work week.

Johan pointed out that more companies need to wake up to the fact that unlike in the 80s, there are substantially more women in universities and as a result, the female workforce has increased exponentially. Hence, it makes good business sense to put in place the necessary support for women talents to retain valuable human capital.

"Women today do not have the support of extended families and working mothers struggle to juggle their roles as nurturers and workplace professionals. When the juggling act becomes impossible, many leave the workplace.

"Simple flexi-arrangement like staggered hours makes a lot of difference in retaining talents."

In the case of trusting employees, companies can introduce it gradually, said Johan who added that PwC introduced a flexi-hours arrangement based on merits, where priority was given to a worker with above average performance.

"PwC's approach was successful because it was not regarded as an entitlement but a privilege. EcoWorld, for example, piloted for flexi-work arrangement during school holidays so that parents can look after their children.

"It was discovered that even employees who do not use the flexi-work arrangement are happy because they know that the option is available to them.

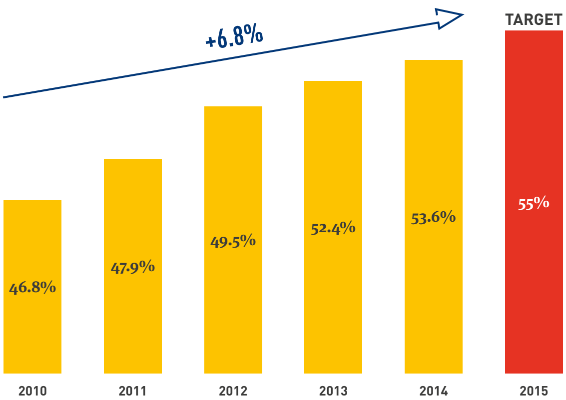
On career comeback, examples include companies like Petronas and IHS that have implemented programmes that promote the hiring of women professionals who took a career break due to various reasons as well as facilitate their transition back to the workforce.

"International Business Machines Corporation (IBM) for example, allows its employees to take a leave of absence without the fear of losing their job. In fact, Chong Chye Neo, IBM Malaysia's first woman Managing Director, took two leaves of absence during her career in IBM and if that option were not available for her, IBM Malaysia would have lost a female talent of Chong's calibre."

Over the years, more companies in Malaysia have introduced flexi-work arrangement, Family Life Benefits and Work-life Benefits including Maybank, Nestle, Kimberly-Clark, IBM, DHL and Standard Chartered.

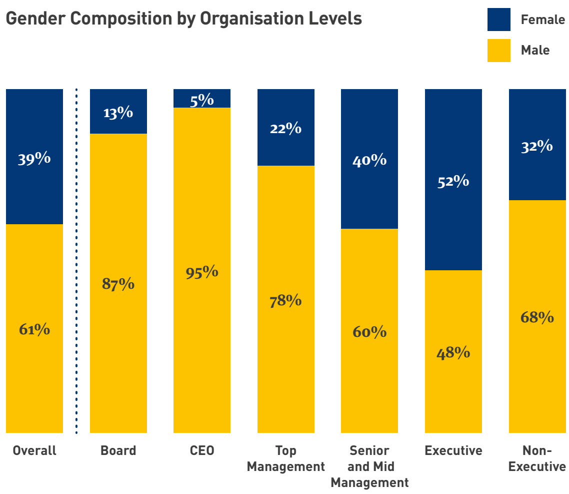
Women Labour Force Participation In Malaysia

Female Labour Force Participation Rate in Malaysia from 2010-2014



Source: Department of Statistics Malaysia, 2014

Gender Composition by Organisation Levels



Source: Diversity in the Workplace Survey of Malaysian PLCs by TalentCorp & PwC Malaysia, 2015

3

Inclusiveness in the Workplace Increases Productivity, Improves Motivation And Talent Retention

An inclusive workplace facilitates the creation of an environment where everyone is treated with dignity and respect, where the talents and skills of different groups are valued, resulting in higher productivity because the workforce is happier and more motivated.

ATTRACTING AND RETAINING WOMEN IN THE WORKFORCE THROUGH INNOVATIVE WORK PLACE SOLUTIONS

Women dominate public university intakes, making up 63 percent of enrolment, with most entering into the job market upon graduation. However, many end up having to leave the workforce in the midst of climbing the corporate ladder, due to family commitments.

Initiatives under this SRI aims to increase the participation of women in the labour market to 59 percent by 2019 and increase women participation in decision making positions for corporate sectors to 30 percent by 2016.

Efforts here have seen the participation of Malaysian women in the workforce rise to 53.6 percent in 2014 from 49.5 percent in 2012. Despite this, the percentage of working age women in the workforce is relatively low when compared to other ASEAN countries.

Key measures taken by the Government to increase the rate of participation of the female labour include encouraging employers to implement Flexible Work Arrangements (FWA) promoting Childcare Facilities, Career Comeback Programme for women to return to work and supporting entrepreneurship.

FWA, while promoting convenience for employees, will require maturity and accountability to ensure efficacy within the organisation. Changes in the workplaces including flexiwork arrangements and childcare facilities, were among the factor that drew an increased number of women into the workforce. Provision for childcare is an important factor as it allows women to work guilt free.

Therefore, there is a need for more proactive measures such as funding in the form of fee assistance for childcare, grants for the setup of new childcare centres, tax exemptions for childcare centres and double tax deductions for employers who provide employees with childcare facilities.

On flexiwork initiatives, TalentCorp's flexWorkLife.my aims to build a network of employers and talents to optimise work-life integration with the intent of retaining women at work and encourage women to return to work. In addition to the repository of best practices on FWA and guidelines, the online portal also features case studies from employers who have in place FWA, work-life benefits and family friendly facilities.

In 2015, TalentCorp supported 20 leading employers to implement and enhance FWA at their organisations as a key strategy to retain women in the workforce. In addition, TalentCorp helped 256 women return to the workforce after a career break under the Career Comeback programme launched in March 2015.

Panel discussion during Lead the Change event to encourage greater diversity in Malaysia's workforce in 2015

Over 700 attendees consisting of Chairmen, CEOs, Directors, and various distinguished guests in decision making positions were present during the launch of Lead the Change event in 2015

ADDRESSING THE GENDER GAP IN LEADERSHIP: WOMEN ON BOARD – LEAD THE CHANGE

To encourage greater diversity in Malaysia's workforce, the government hopes to achieve 30 percent women in decision-making positions in the corporate sector by 2020. In conjunction with this, the 'Lead the Change' event, held in May 2015, was launched by YAB Prime Minister and was well attended by Chairmen, Boards and senior management of corporate Malaysia. This event was organised by Ministry of Women, Family and Community Development together with PEMANDU, in collaboration with BURSA and TalentCorp.

Noting that the goal of women making up 30 percent of company boards was still some way off, the Prime Minister urged business leaders to "take the next step, break those glass ceilings and install women on your boards."

In pursuit of this goal, two new measures were announced by the Prime Minister:

- Through policy requirements, GLCs will allow their executives to serve on the boards of other listed companies as long as there is no conflict of interest
- Listed companies will be required to disclose the composition and diversity of their boards and top management in terms of gender, ethnicity and age moving forward

During the event, the Malaysian chapter of the 30% Club was launched with 3 Founding Chairs namely Tan Sri Megat Zaharuddin, Tan Sri Jeffrey Cheah and Tan Sri Zarinah Anwar. The 30% Club is a global network of business advocates who champion diversity on boards, most notably in the UK and the US, where the majority of advocates are top business leaders and investors. In the UK, where the 30% Club was founded, tremendous success has been recorded. The number of women in UK Boards has risen from 12.6 percent in 2010 to 26.1 percent by October 2015.

A total 197 of pledges were signed by Chairmen and CEOs of public-listed companies during the launch of 30% Club Malaysia's "Lead the Change" event, paving a way to increase the number of women in decision making positions. This is because gender diversity creates an effective boardroom, therefore is good for business.

Through these initiatives, an additional 40 placements have been made for women in the boardroom as of 2015 since the start of the Women Directors Programme in 2013.

Challenges remain in efforts to change mind-sets of traditional business leaders and much of 2015 has been centred on educating business leaders on the growing global significance of this agenda. There were also operational challenges in creating vacancies for more women on board such as finding mechanisms to refresh board composition and enabling the matching of companies with available competencies and experience.

It must be noted that this endeavour extends beyond just being inclusive, it is also about according board seats based on merits.

FIGHTING FOR DIVERSITY IN THE BOARDROOM

Dato' Aziz Bakar
Former Chief Executive Officer of Malaysian Directors Academy (MINDA) and Co-founder of the 30% Club Malaysia

By 2016, women are supposed to fill 30 percent or more of the decision-making positions in corporate Malaysia. This was the aspirational target announced by the government in 2011.

In his Budget 2012 speech, YAB Prime Minister Dato' Sri Najib Tun Razak said that Government will organise advanced management programmes for women with potential to become board members, intensify advocacy activities for greater participation of women in the corporate sector and develop a database of potential women directors.

The 30 percent aspiration is also emphasised in the 11th Malaysia Plan. Creating diversity at the top would most definitely pave way for greater diversity in other parts of the organisation, said Anne Abraham, the Chief Executive Officer of LeadWomen Sdn Bhd and co-founder of the 30% Club Malaysia.

She however pointed out that gender diversity in Corporate Malaysia cannot solely be a government-driven agenda because, without the involvement of the corporate sector, there would not be much traction.

From 2008 to 2014, women representation in senior roles in companies grew just by 2.7 percent, to tip the scale at a mere 10.7 percent in 2015 despite vigorous campaigns by the government. For the top 100 public listed companies by market capitalisation, the percentage of women company boards grew from 13 .2 percent in 2014 to 14 percent in 2015.

She added that the Kuala Lumpur Chapter of the 30% Club launched in May 2015, would lead the engagement with the corporate sector in an effort to accelerate the increase in women representation in the boardroom. The 30% Club was started in the United Kingdom in 2010 to encourage women representation on company boards. The Malaysian chapter is the seventh, after UK, Ireland, US, South Africa, Hong Kong, and Australia.

"Based on experiences in the UK, the move for diversity should be a voluntary business-led decision to avoid 'tokenism' merely to fulfil legislative or regulatory requirements. Doing it this way would lead to a more meaningful and sustainable change in the corporate sector," said Anne. Studies have shown that companies who have a higher proportion of women in top management perform better than their industry peers.

In the UK, the Club has achieved 26.1 percent women representation on FTSE-100 boards in October 2015, against the goal of 30 percent by end-2015. With many CEOs of top FTSE companies among their members, the Club has grown as an international movement.

Former Chief Executive Officer of Malaysian Directors Academy (MINDA) and Co-founder of the 30% Club Malaysia Dato' Aziz Bakar said that the journey to change mindsets in corporate sector is a long and at times, frustrating journey.

"There are a large number of corporations that are still very 'old school' in thinking, where board members tend to regard the boardroom as the boys-only club. This is despite the growing body of research showing that women in the boardroom help make more balanced corporate decisions," said Dato' Aziz.

Nevertheless, there is a growing number of progressive male directors who are open to having women as directors, he added.

In an effort to create a large pool of professional women with boardroom experience, the 30% Club Malaysia, in collaboration with NAM Institute for the Empowerment of Women (NIEW), an agency under the Ministry of Women, Family and Community Development, is providing comprehensive boardroom training for women interested in board positions. "Companies can also refer to our repository of potential women directors for their board."

The new government policy which allows for top executives in government-linked companies (GLCs) to serve on the boards of other listed companies, will also increase the number of women executives with boardroom experience. The government has urged all listed firms to adopt similar policy.

A future move in this direction would be the Bursa Malaysia requirement for listed companies to not only disclose the composition and diversity of their boards and top management in terms of gender, ethnicity and age but also to state their target and timeframes to achieve it.

The target by 31 December 2016 is to ensure that Malaysia achieves 30 percent women representation on the Top 100 companies, in order for Malaysia to be fairly benchmarked with the other countries.

MOVING FORWARD

In developing a Malaysian workforce that is capable of coping with the demands of a high-income economy, moving into 2016, operational aspects which need addressing include improving labour market information, sustaining the development of policies and initiatives to enhance TVET as well as to leverage women talent in the workforce.

For the Labour Market Information and Data Warehouse project, ILMIA will continue to enjoy commitment across ministries to enable it to continue its on-going analysis, for inputs into research, policy making and programme development.

In transforming TVET, the government is constantly looking for opportunities to engage and encourage employers to be more involved in dual vocational training. Awareness campaigns will continue to be carried out to promote and provide more information to parents and prospective students.

With regards to leveraging women talent in the workforce, a cohesive, overall action plan for childcare to increase enrolment and quality of provision will be developed while engagement sessions will be organised through townhalls with various parties; chambers of commerce, developers association, association of architects, local councils.

Strategic initiatives will also continue, working towards increasing women in key decision making positions, by 30% Club Malaysia, NIEW and TalentCorp.

The capabilities and skills of Malaysians is a key determinant of our economic success. With the right policies in place, human capital is a resource that can be effectively leveraged to bring dividends not just for the workforce but for the economy as a whole. The HCD-SRI will continue to steadfastly work towards creating a world-class workforce in meeting demands of a high-income economy.

EXPENDITURE BUDGET 2015

The GTP's performance and expenditure budget is presented here in the interests of transparency and accountability. Priding itself on emphasising cost-effectiveness where possible, the GTP sets itself apart from other projects, and thus allows for greater savings in areas where possible so long as it does not impede the achievements of the NKPIs.

Meanwhile, budget expenditure is not reported for the Economic Transformation Programme (ETP) as the ETP is private-sector driven and contains market sensitive data.

NKRA 2015 OE* SPENDING

GOVERNMENT TRANSFORMATION PROGRAMME (GTP)

No	NKRA	KPI Achievement (%)		Total 2015 OE	Total Carry Forward (Previous Years) (RM)	Total Spent (RM)	% Spent	
1	Addressing the Cost of Living	98		15,000,000	-	15,000,000	100	
2	Improving Rural Development	107		6,232,000	-	6,217,466	100	
3	Raising Living Standards of Low-Income Households	97		154,666,600	-	154,326,829	100	
4	Assuring Quality Education	94		163,067,900	-	150,932,998	93	
5	Reducing Crime	114		114,099,102	-	112,076,154	98	
6	Fighting Corruption	93		2,644,890	-	2,542,026	96	
	Total			**438,065,602**		**423,553,448**		

***OE refers to Operating Expenditure**

NKRA 2015 DE* SPENDING

GOVERNMENT TRANSFORMATION PROGRAMME (GTP)

No	NKRA	KPI Achievement (%)		Total 2015 DE	Total Carry Forward (Previous Years) (RM)	Total Spent (RM)	% Spent	
1	Improving Rural Development	107		2,247,692,900	-	2,154,638,309	96	
2	Improving Urban Public Transportation	72		46,010,290	-	46,010,290	100	
3	Reducing Crime	114		40,000,000	69,083,600	10,000,000	25	
	Total			**2,333,703,190**	**69,083,600**	**2,210,648,599**		

***DE refers to Development Expenditure**

AGREED UPON PROCEDURES BY PwC

What is the value that Agreed-Upon Procedures (AUP) bring to the National Transformation Programme (NTP)?

External validation is key to effectively evaluate the efficacy of the NTP. Towards this end, it was important that an independent professional services firm were to be appointed to meet this purpose. From the onset of the NTP, PricewaterhouseCoopers Malaysia (PwC) conducted yearly AUP exercises on the NTP reporting process. These are a set of specific tests and procedures performed on the reported results of each National Key Result Area (NKRA), National Key Economic Area (NKEA) and Strategic Reform Initiatives (SRI) against National Key Performance Indicators (NKPIs).

How does the AUP method of evaluation strive to ensure greater transparency and accuracy in the reporting process of the NTP ?

In endeavouring to make the scoring system as transparent as possible, the appointment of an independent third party ensures greater consistency and accuracy in methods of data collection and calculations reported in the Annual Report. The AUP is applied to a sample taken from each KPI as well as projects announced during the Progress Updates. It is then checked against guidelines and formulae developed in the initial PEMANDU lab sessions. Where exceptions are noted by PwC, the processes and sources of data are re-evaluated prior to their incorporation in the Annual Report.

Where exceptions are noted, how does PwC address this?

In the event there are exceptions, PWC will highlight to PEMANDU these exceptions/issues in a weekly coordination meeting. Based on data and explanation provided by the Ministries, the results are re-evaluated and adjusted, where appropriate, prior to inclusion in the Annual Report.

Does the Agreed-Upon Procedure process have room for improvement? What are the steps being taken forward to improve the process?

In striving towards improving processes and the quality of information, PwC has identified various opportunities to achieve this objective. The AUP process is constantly being reiterated. PEMANDU, together with the relevant Ministries and private sector stakeholders, will be taking positive prescriptive actions to realise these improvements over the next 12 months.

How is market-sensitive data reported?

Exceptions are made where targets feature market-sensitive data to maintain confidentiality for the parties involved. In such instances, involved parties will be required to sign Non-Disclosure Agreements which then enable the data to be used for analysis without compromising on confidentiality.

NTP PERFORMANCE 2015

All three methods have been formulated to provide a pragmatic representation of the actual KPI numbers in percentages. The overall NKRA/NKEA/SRI composite scoring is the average of all scores.

Scoring Method	Description
Method 1	Scoring is calculated by a simple comparison against set 2015 targets.
Method 2	Scoring is calculated by dividing actual results against set 2015 targets with an added rule: • If the scoring is less than 100%, score #2 is taken as the actual percentage • If the scoring is equal or more than 100%, score #2 is taken as 100%
Method 3	Scoring is calculated by dividing actual results against set 2015 targets with an added rule: • If the scoring is equal and less than 50%, score #3 is indicated as 0 • If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5 • If the scoring is equal or more than 100%, score #3 is indicated as 1

Methods 1 and 2	
Achievement	**Traffic Lights**
90% and above	Green
51% – 89%	Yellow
50% and less	Red

Methods 3		
Achievement	**Scoring**	**Traffic Lights**
100% and above	1	Green
51% – 99%	0.5	Yellow
50% and less	0	Red

Key Performance Indicators

NATIONAL KEY RESULT AREAS (NKRAS)

NKRA — ADDRESSING THE RISING COST OF LIVING

No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	Setup of new KR1M	25	24	96	96	0.5
2	Handout of Back to School Incentive	100%	99.3%	99	99	0.5
3	Handout of BB1M	100%	100%	100	100	1.0
4	Direct handout to the Rakyat (BR1M) i. RM950 for eligible household recipients with total earnings less than RM3,000 per month + Family Bereavement Scheme; ii. RM750 for eligible household recipients with total earnings between RM3,000 and RM4,000 per month + Family Bereavement Scheme; and iii. RM350 for eligible single Individuals recipients aged below 21 years old with income less than RM2,000 per month	100%	98.3%	98	98	0.5
5	Number of new 1Malaysia Clinics providing services	34	27	79	79	0.5
	TOTAL			**98%**	**98%**	**63%**

NKRA — IMPROVING RURAL DEVELOPMENT

No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1.1	**Roads Delivery (km length)**	**697**	**732.22**	**105**	**100**	**1.0**
	Peninsular Malaysia	303	313.67	104	100	1.0
	Sabah	198	214.85	109	100	1.0
	Sarawak	196	203.7	104	100	1.0
1.2	**Water Delivery: Number of Households**	**7,500**	**9,399**	**125**	**100**	**1.0**
	Peninsular Malaysia	2,500	2,536	101	100	1.0
	Sabah	2,500	4,150	166	100	1.0
	Sarawak	2,500	2,713	109	100	1.0
1.3	**Electricity Delivery: Number of Households**	**13,319**	**14,430**	**108**	**100**	**1.0**
	Peninsular Malaysia	1,235	1,243	101	100	1.0
	Sabah	3,584	3,605	101	100	1.0
	Sarawak	8,500	9,582	113	100	1.0
1.4	**Housing: Number of Houses**	**8,500**	**9,080**	**107**	**100**	**1.0**
	Peninsular Malaysia	4,244	4,372	103	100	1.0
	Sabah	1,309	1,733	132	100	1.0
	Sarawak	2,947	2,975	101	100	1.0

(More on next page)

(From previous page)

NKRA — IMPROVING RURAL DEVELOPMENT (Continued)

No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1.5	**Road Maintenance (km length)**	**313**	**322.5**	**103**	**100**	**1.0**
	Peninsular Malaysia	213	222.5	104	100	1.0
	Sabah	50	50	100	100	1.0
	Sarawak	50	50	100	100	1.0
2.0	**Rural Development : 21st Century Village**					
2.1	**AGRI EPP7: Large Scale Premium Fruits or Vegetable Farm - Number of Farms**	**2**	**2**	**100**	**100**	**1.0**
2.2	**Desa Lestari Programme: Number of Villages**	**13**	**13**	**100**	**100**	**1.0**
2.3	**Percentage of 2013 Rural Business Challenge winners achieving 30% increase of income**	**80%**	**85%**	**106**	**100**	**1.0**
	TOTAL			**107%**	**100%**	**100%**

NKRA — IMPROVING URBAN PUBLIC TRANSPORT

No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	Number of KL Budget Taxi Fleet - at par with ASEAN Best-in-Class	3,749	1,895	51	51	0.5
2	KL Monorail Expansion Project: Number of 4 car train sets delivered and commissioned	12	5	42	42	0.0
3	Bus Rapid Transit Corridor 1 (KL - Klang) project: Cabinet approval on funding model	100%	90%	90	90	0.5
4	Percentage of completion on the streamlining of Klang Valley Stage Bus Network according to Corridors	100%	100%	100	100	1.0
5	Percentage completion of design for the KTMB Ticketing System (AFC)	100%	54.9%	55	55	0.5
6	ITT Gombak project: Finalisation of the Supplementary Agreement (based on the latest decision)	100%	100%	100	100	1.0
7	Urban Public Transport Customer Satisfaction Level (GKL/KV)	75%	74%	99	99	0.5
8	AM Peak Urban Public Transport Ridership (GKL/KV)	500,000	447,195	89	89	0.5
9	KTM Komuter On-time Performance during AM Peak (within 10 minutes)	85%	95.14%	112	100	1.0
10	Number of additional parking bays at Klang Valley rail network	1,600	229	14	14	0.0
11	LRT Extension (Kelana Jaya): Construction progress	98%	93.57%	95	95	0.5
12	LRT Extension (Ampang): Construction progress	98%	91.24%	93	93	0.5
13	Number of Budget Taxis installed with Centralized Taxi Service System (TEKS1M)	1,500	0	0	0	0.0
14	Parkway Dropzone Facilities: i. Kg Dato' Harun: Project complete and facilities operational ii. Serdang: LOA issued and site possession iii. Batu Tiga: LOA issued and site possession	100%	78.49%	78	78	0.5
15	KTMB Semi - Overhaul EMU Class 83 project	40%	15%	38	38	0.0
16	Percentage completion of the Journey Planner platform	100%	70%	70	70	0.5
17	Operationalisation of the Performance Monitoring Hub System (PMHS) for all Stage Buses in GKL/KV by SPAD	100%	83.2%	83	83	0.5
18	Utilisation of Stage Bus in GKL/KV	70%	75.25%	108	100	1.0
	TOTAL			**72%**	**71%**	**50%**

NKRA — RAISING LIVING STANDARDS OF LOW-INCOME HOUSEHOLDS						
No	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1.0	Number of new participants participate in 1AZAM programme	18,500	19,945	108	100	1.0
2.0	Number of new existing AZAM participants increased their income by RM300 for any 3 months	22,387	18,880	84	84	0.5
3.0	Number of 1AZAM participants in Financial Literacy Programme	18,500	13,960	75	75	0.5
4.0	Number of 1AZAM projects in colloboration with NGO and Corporate Sector	28	37	132	100	1.0
5.0	Number of 1AZAM community / group based programme	60	65	108	100	1.0
6.0	Beyond 1AZAM participants obtained minimum 50% increased in income from existing AZAM project for a consecutive of 3 months	2,100	1,511	72	72	0.5
7.0	Percentage of updates recorded in eKasih	100	100	100	100	1.0
	TOTAL			97%	90%	79%

NKRA — ASSURING QUALITY EDUCATION						
No	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1	Nationwide pre-school enrolment, including NGO (4+ and 5+ years only)	88%	84.63%	96	96	0.5
2	English literacy rate among Year 3 students	90%	94.1%	105	100	1.0
3	Percentage of Band 1 & 2 schools	35%	36.83%	105	100	1.0
4	Percentage of Band 6 & 7 schools	1.2%	0.95%	126	100	1.0
5	Number of High Performing Schools	130	132	102	100	1.0
6	Numeracy rate	100%	99.1%	99	99	0.5
7	Bahasa Melayu literacy rate	100%	98.6%	99	99	0.5
8	Percentage of primary school head masters receiving New Deals	5%	3.42%	68	68	0.5
9	Percentage of secondary school principals receiving New Deals	5%	4.22%	84	84	0.5
10	New English teacher trainees achieved A or A+ SPM in English before entering IPG	100%	100%	100	100	1.0
11	Percentage of PPD assessed to obtain baseline rating	100%	100%	100	100	1.0
12	IPG Strategic Plan is developed by December 2015	100%	100%	100	100	1.0
13	i. Percentage of teachers starting with B1 entry level proficiency increase by at least one band higher ii. Percentage of teachers starting with B2 entry level proficiency increase by at least one band higher	100%	93.46%	93	93	0.5
14	Percentage progress of development of database of 13-17 year old enrolment in Technical Vocational Education and Traning (TVET) across all agencies	100%	100%	100	100	1.0
15	New English teachers from IPG, IPTA and IPTS achieved C1 based on CEFR before posting	100%	66.2%	66	66	0.5
16	National childcare enrolment rate (0-4)	12.5%	8.02%	64	64	0.5
	TOTAL			94%	92%	75%

NKRA — REDUCING CRIME

No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	Percentage reduction in Reported Index Crime	5%	10.1%	202	100	1.0
2	Percentage reduciton in Reported House Break Ins	10%	6.3%	63	63	0.5
3	Percentage reduction in Reported Street Crime	15%	16.9%	113	100	1.0
4	Percentage development of Crime Perception Indicator	100%	100%	100	100	1.0
5	Number of PDRM Mobile Patrol Vehicles (MPVs) that are beyond lifespan to be replaced	25%	33.9%	136	100	1.0
6	Percentage of Orang Kena Pengawasan (OKP) who attended treatment programme in the community to maintain recovery for a year	57%	36.7%	64	64	0.5
7	Upskilling of Inmates: i. Number of inmates undergoing certified skill training ii. Percentage completion of a training facility for prisoners to learn new skills	100%	117.1%	117	100	1.0
	TOTAL			114%	90%	86%

NKRA — FIGHTING CORRUPTION

No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
3	Transparency International (TI) - Corruption Perception Index (CPI) score	55%	50%	91	91	0.5
4	Percentage of disposal of corruption cases within 1 year upon registration	85%	84.5%	99	99	0.5
5	Percentage of conviction rate for corruption cases	85%	77%	91	91	0.5
6	Tabling of AuG Report in every Parliament Session	100%	100%	100	100	1.0
7	Percentage of resolution of cases highlighted in AuG Report Series 1-3 2013 successfully dealt with within 1 year after being tabled in Parliament	85%	80.6%	95	95	0.5
8	Percentage completion on insertion of corporate liability provision in MACC Act	100%	60%	60	60	0.5
9	Number of Corporate Integrity Pledge (CIP) signatories implementing prevention measures	40	41	103	100	1.0
10	Percentage of results of direct negotiation contracts published online, excluding Strategic and Security contracts	100%	100%	100	100	1.0
11	Percentage of Public Private Partnership (PPP) projects to sign Integrity Pact	100%	100%	100	100	1.0
	TOTAL			93%	93%	72%

NKRA — PUBLIC SERVICE DELIVERY TRANSFORMATION						
No	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1.1	PSDT Index i. Number of participating ministries ii. Number of projects mobilised iii. Number of projects closed in the reporting year	100%	155%	155	100	1.0
1.2	Number of Knowledge Transfer Programme (KTP) pilot projects	2	2	100	100	1.0
2.1	Roll out of the new maintenance model to main roads and protocol roads: Percentage of road maintenance conducted within: i. Below 3m2: 12 hours ii. Above 3m2: 2 days iii. Maintenance team to inspect sites for road repairs in 18 hours	100%	100%	100	100	1.0
2.2	Percentage of reduction on breakdown hours for lifts	60%	60%	100	100	1.0
3.1	Percentage implementation of new JobsMalaysia portal	100%	51.2%	51	51	0.5
4.1	TPC-Oral and Healthcare Clinical Information System (OHCIS) Development: Showcase VER 1.0 at one OHCIS clinic (showcase basic dental application features)	100%	100%	100	100	1.0
5.1	Percentage of rework cases on targeted recipients for PBR upon endorsed by Focus Group Committee	50%	86%	172	100	1.0
6.1	Number of additional MOH Hospitals implementing LEAN Healthcare - reducing waiting time	10	16	160	100	1.0
	TOTAL			120%	93%	93%

NATIONAL KEY ECONOMIC AREAS (NKEAS)

NKEA — GREATER KUALA LUMPUR/KLANG VALLEY							
No	**EPP**	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1	EPP1: Attracting 100 of the world's most dynamic firms within priority sectors	Number of Letter of Intent (LOI) or equivalent Incentive Offer concluded for MNCs to set up Regional Headquarters/Regional Headquarters/Regional Hub activity in GKL	10	10	100	100	1.0
		Number of new jobs created	400	560	140	100	1.0
		Amount spent by MNCs in 2015 (RM mil)	360	588.59	164	100	1.0
		Realised Jobs for 2015	1,000	1,313	131	100	1.0
2	EPP2: Attracting the right mix of internal and external talent	Number of approved application under Returning Expert Program	800	616	77	77	0.5
		Percentage of issuance of Employment Pass Process within 5 working days	70%	71.5%	102	100	1.0
		New JPA scholars under STAR Program	2,000	1,019	51	51	0.5
		Number of approved application under Residence Pass-Talent Program	1,000	1,113	111	100	1.0
3	EPP3: Connecting KL to Singapore via a High Speed Rail system	Completion of SPAD's draft bilateral agreement between MY and SG	100%	50%	50	50	0
		Percentage completion of approval for MY portion of alignment	100%	60%	60	60	0.5
4	EPP4: Mass Rapid Transit	Percentage of Tunnels and Station Trackway handed over to System Works Contractor (SWC)	80%	100%	125	100	1.0
		Percentage of structural completion of 12 stations for Phase 1 (Sg. Buloh - Semantan)	100%	100%	100	100	1.0
		Percentage of track laid for Phase 1 (Sg. Buloh - Semantan)	100%	100%	100	100	1.0
		Number of trains delivered and tested at Sg Buloh Depot	15	24	160	100	1.0
		Accident Frequency Rate	2	1.18	100	100	1.0
5	EPP5: Revitalising the Klang River into a heritage and commercial centre for Greater KL/KV	Percentage of implementation of Bunus STP to achieve 5% construction progress5	5%	7.53%	151	100	1.0
		Percentage of implementation of Jinjang-Kepong STP to achieve 3% construction progress	100%	100%	100	100	1.0
		Percentage reduction of rubbish collected at SMART (L1 & L2) log booms as compared to 2010 result (0%)	80%	104.3%	130	100	1.0
		Water quality results from 3 selected water quality monitoring stations meet WQI ≥ 60 (Class III) i. Sungai Gombak (Stn. Tun Razak) ii. Sungai Klang (Stn. IFFRM - DUKE) iii. Sungai Klang (Stn. Dang Wangi)	100%	104.75%	105	100	1.0
		Water quality results from 5 selected River Water Treatment Plant meet > 76.5 (Class II) a. RWTP Sg. Gisir b. RWTP Sg. Kemensah c. RWTP Sg. Klang d. RWTP Sg. Belongkong **Drop RWTP Sg.Sering	100%	100%	100	100	1.0
		Percentage construction progress for River Beautification works (Phase 1) and interceptor system at Precinct 7	50%	36.5%	73	73	0.5

(More on next page)

(From previous page)

NKEA — GREATER KUALA LUMPUR/KLANG VALLEY (Continued)

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
5	EPP5: Revitalising the Klang River into a heritage and commercial centre for Greater KL/KV (continued)	Compliance of wastewater discharge quality from all completed Waste Water Treatment Plant (WWTP) to Water Quality Index ≥ 76.5 (Class II) i. Pasar Harian Selayang ii. Pasar Jln Kelang Lama iii. Pasar Air Panas iv. Pasar Sentul Pasar	100%	100%	100	100	1.0
		Completion of Waste Water Treatment Plant (WWTP) construction in Pasar Borong Kuala Lumpur	100%	100%	100	100	1.0
		Percentage of effluent from all 101 communal grease traps installed to comply with the National Water Quality Standards (fat, oil and grease)	100%	93%	93	93%	0.5
		Percentage completion of Policy Framework arising from the Market & Feasibility Study of Freezed Government Land along River Beautification Corridor	100%	100%	100	100	1.0
6	Greening Greater KL to ensure residents enjoy sufficient green space	Number trees tagged under Global Positioning Index (GPI)	30,000	35,043	117	100	1.0
		Number of trees sponsored	2,500	2,219	89	89	0.5
7	EPP7: Creating iconic places and attractions	Heritage Trail 5: Percentage completion of the project	45%	45%	100	100	1.0
		Countdown Clock	100%	87%	87	87	0.5
		Heritage Trail 3: Number of suitable retail operators changed	2	7	350	100	1.0
8	EPP8: Creating a comprehensive pedestrian network	Percentage completion of the outcome evaluation report for walkways constructed between 2011 - 2014	100%	100%	100	100	1.0
9	EPP9: Solid Waste Management	Percentage completion of detailed Designing of Leachate Treatment System in Taman Beringin	100%	90%	90	90	0.5
		Increase the recycling rate :Percentage completion of regulation on separation at source to be amended by August	100%	70%	70	70	0.5
		Percentage completion of Gazettement of regulation on Construction & Demolition Plant to AG	100%	88%	88	88	0.5
BO #3	BO#3: Sewerage Non-River	Langat sewage treatment plant and network	100%	100%	100	100	1.0
		Percentage of construction of Pipe Network in Petaling Jaya Utara (Package D47)	65%	72.2%	136	100	1.0
		Percentage of construction of Pipe Network in Kajang 1 & 3 (Package D49)	12%	14.9%	124	100	1.0
		Percentage of construction of Pipe Network Lot 130 Klang (Package D55)	75%	86%	137	100	1.0
		Regionalisation of Sewerage Tratment Plants (STP) in Kajang 2: Percentage of construction progress	100%	99.98%	100	100	1.0
	TOTAL				111%	93%	86%

NKEA — OIL, GAS AND ENERGY							
No	**EPP**	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
2	EPP2: Developing Small Fields Through Innovative Solutions	Total production from marginal fields (oil and gas) (kboe/d)	*Information kept confidential at the request of involved parties				
		Production from marginal fields (oil) (kbd)					
		Production from marginal fields (gas) (MMscfd)					
3	EPP3: Intensifying Exploration Activities	Number of new explored wells					
4	EPP4: Building a Regional Oil Storage & Trading Hub	Committed Oil Storage Capacity (Mil m³)(cumulative target of 10 Mil m³)	0.83	1.25	151	100	1.0
		Number of oil trading companies based in Malaysia	6	6	100	100	1.0
5.1	EPP5: Unlocking Premium Gas Demand in Malaysia	Amendment of Gas Supply Act- Implementation of third party access	100%	97.5%	75	75	0.5
6	EPP6: Encouraging Investments in the Oil and Gas Services Equipment (OGSE) Industry	Amount of committed investment by Oil & Gas Supplier and Services and Equipment companies (RM mil)	1,500	1,231	82	82	0.5
		Realised Investment by Oil & Gas Supplier and Services and Equipment companies (RM mil)	1,000	1,439	144	100	1.0
7	EPP7: Taking Local Oil and Gas Services Equipment (OGSE) Companies to the Global Stage	Number of first time bidders (companies) for international projects in new markets segments (includes new countries or new segments within the same country)	15	22	147	100	1.0
8	EPP8: Attracting MNCs to Set Up Preparations in Malaysia and Partner with Local Firms	Number of new MNCs bringing their global operations to Malaysia or mergers/JVs with local Oil Gas Services and Equipments (OGSE) companies	6	11	183	100	1.0
9	EPP9: Energy Efficiency	Percentage of completion on gazettement of Euro5 specifications	100%	100%	100	100	1.0
10	EPP10: Building Up Renewable Power Capacity	Additional amount of grid connected renewable energy power plants installed capacity (MW)	400	332.76	83	83	0.5
11	EPP11: Deploying Nuclear Energy for Power Generation	Percentage progress in obtaining Cabinet decsion on Nuclear Power Infrastructure Development Plan	100%	0%	0	0	0
13	EPP13: Increase in Petrochemical Output	Percentage completion of MOU signed for implementing integrated refinery and petrochemical investor	100%	100%	100	100	100
		Percentage completion of activities for 2015 in relation to relocation and building of infrastructure	100%	97.83%	98	98	0.5
	TOTAL				107%	89%	78%

NKEA — FINANCIAL SERVICES

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	EPP1: Revitalising Malaysia's Equity Markets	Launch of Islamic equity crowdfunding platform	100%	100%	100	100	1.0
		Launch of equity crowdfunding platform	100%	100%	100	100	1.0
		Average Daily Value (ADV) - (RM Billion)	2	1.991	100	100	1.0
		Increase in value of new listings. Target Market Capitalization (RM bil)	14	12.613	90	90	0.5
		Number of new products and offerings	5	6	120	100	1.0
3	EPP3: Transforming or Rationalising Development of DFI	Percentage completion of Draft Bill to amend the Financial Institutions Act 2002	100%	100%	100	100	1.0
5	EPP5: Insuring Most, if Not All, of Our Population	Conversion of Composite Insurance and Takaful Licences Under the Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA)	100%	100%	100	100	1.0
6	EPP6: Accelerating the Growth of the Private Pension Industry	Investor education and awareness program on Private Retirement Scheme (PRS)	100%	111.7%	112	100	1.0
	TOTAL				103%	99%	94%

NKEA — WHOLESALE AND RETAIL

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	EPP1: Increasing number of large format stores	Number of new hypermarkets	6	6	100	100	1.0
		Number of new superstores	5	9	180	100	1.0
2	EPP2: Modernising via the Small Retailer Transformation	Number of establishments modernized under the TUKAR programme	300	302	101	100	1.0
4	EPP4: Transforming automotive workshops (ATOM)	Number of workshops modernized under the ATOM programme	180	188	104	100	1.0
5	EPP5: Developing makan bazaars	Identify new Makan Bazaar site	1	1	100	100	1.0
7	EPP7: Virtual Mall	Number of virtual mall identified and operationalised in 2015	1	1	100	100	1.0
		Number of sellers subscribed to the Virtual Mall	75	212	283	100	1.0
9	EPP9: Making Malaysia duty free	Increase of Cost, Insurance and Freight (CIF) for 328 selected imported finished products (RM bil)	7.32	11.88	162	100	1.0
11	EPP11: Organising unified Malaysia sales	Number of sub-sectors involved in 1Malaysia Unified Sale	60	60	100	100	1.0
13	EPP13: Developing big box boulevards	Percentage of development on Oasis Autocity	60%	77.79%	130	100	1.0
	TOTAL				122%	100%	100%

NKEA — PALM OIL AND RUBBER							
No	**EPP**	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1	EPP1: Accelerate the replanting of oil palm	Area of replanting and new planting approved for smallholders (ha)	8,550 (capped at 100%)	100	100	100	1.0
		Area of replanting and new planting implemented by smallholders (ha)	15,000	15,798	105	100	1.0
2	EPP2: Improving FFB Yield	Total FFB sold to mills by all cooperatives by year end (MT)	26,800	39,330.38	147	100	1.0
		Number of new cooperatives that commence selling of FFB to mills	5	5	100	100	1.0
		New area of plantations/smallholders complying with COP/MSGAP/ RSPO/MSPO (ha)	250,000	486,775.38	195	100	1.0
		National Average Yield (MT/ha/yr)	19.56	18.49	95	95	0.5
		National FFB Production (million MT)	98	98.34	100	100	1.0
3	EPP3: Improving Workers' Productivity in Plantations and Estates	Number of ICOPM 2.0 entries	70	104	149	100	1.0
4	EPP4: Increasing the Oil Extraction Rate	Number of Palm Oil Mills certified by MPOB for Code of Practice and other international certifications	25	23	92	92	0.5
		Oil Extraction Rate (%)	21.05	20.46	97	97	0.5
5	EPP5: Developing Biogas facilities at Palm Oil Mills	Progress of biogas plant construction for 8 new mills (%)	100	112.5	113	100	1.0
		Progress of 2 new mills with biogas plant connected to the grid (%)	100	250	250	100	1.0
6	EPP6: Developing Oleo-Derivatives	Take up rate of the pre-commercialization and technology acquisition funds (%)	100	74.309	74	74	0.5
8	EPP8: Expediting growth of Food and Health-based downstream	Take up rate of funds for food and health-based products (%)	100	5.5	6	6	0.0
9	Rubber EPP1: Ensuring sustainability of the upstream rubber industry	Area of replanting and new planting by rubber smallholders (ha)	44,641	45,921	103	100	1.0
		Malaysian Export of Natural Rubber and Compound Rubber (mil mt)	1.3	1.0	77	77	0.5
10	Rubber EPP2: Increasing world market share of latex gloves to 65%	Malaysian Export Revenue from Latex Products (RM bil)	13	14.5	112	100	1.0
11	Rubber EPP3: Commercialising Ekoprena and Pureprena	Sales of Ekoprena and Pureprena (mt)	700	646	92	92	0.5
	TOTAL				111%	91%	78%

NKEA — TOURISM							
No	**EPP**	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1	EPP1: Positioning Malaysia as a duty free shopping destination for tourist goods	Total tourist spend per arrival (RM per tourist)	1,016	842	83	83	0.5
2	EPP2: Designating vibrant shopping precincts in Malaysia	Retail revenue per sq ft (RM/sq ft)	1,650	1,522	92	92	0.5
3	EPP3: Establishing Premium Outlets in Malaysia	Establishment of 2nd Outlet Center in Malaysia; Opening of Mitsui Outlet Park KLIA Sepang	100%	100%	100	100	1.0
4	EPP4: Establishing Malaysia as a Mega Biodiversity Hub (MMBH)	Number of visitors to MMBH Sites	625,000	755,399	121	100	1.0
		Percentage completion of upgrading of Sepang Environmental Interactive Centre (EIC)	70%	70%	100	100	1.0
5	EPP5: Developing integrated resorts	Project TWO: Percentage completion of earthworks	50%	33.4%	67	67	0.5
		Melaka Gateway: Percentage completion of the Malaysia Eye	50%	54%	108	100	1.0
6	EPP6: Developing Cruise Tourism	Number of cruise passengers at Malaysian ports	500,000	523,272	105	100	1.0
		Number of international cruise calls at Malaysian ports	404	487	121	100	1.0
7	EPP7: Targeting more international events	Number of international attendees at International Events supported by Malaysia Major Events, MyCEB	95,000	67,400	71	71	0.5
8	EPP8: Establishing dedicated entertainment zones	Number of approved designated entertainment & lifestyle premises	2	2	100	100	1.0
9	EPP9A: Developing local expertise and better regulating the spa industry	Number of therapists trained/undergoing training	250	255	102	100	1.0
	EPP9B: Expanding sports tourism offering in Malaysia	Revenue generated from golf tourism (RM Mil)	320	319.3	100	100	1.0
10	EPP10: Establishing Malaysia as a leading business tourism destination	Number of delegate days for events secured/year by MyCEB	370,000	334,493	90	90	0.5
11	EPP11: Enhancing connectivity to priority medium-haul markets	Total weekly seats to identified priority countries by all Malaysian carriers	129,500	125,432	97	97	0.5
12	EPP12: Improving rates, mix and quality of hotels	Number of new 4-star & 5-star hotel rooms	4,500	4,597	102	100	1.0
	TOTAL				97%	94%	81%

NKEA — ELECTRICAL AND ELECTRONICS

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	EPP1: Executing a smart follower strategy for mature technology semiconductor fabrication plants	Number of Advance Analytical Services provided by local consultants to the industry	30	67	223	100	1.0
		Number of trained engineers and students in Failure Analysis (FA) and Material Analysis	50	78	156	100	1.0
		Number of classroom trained engineers and students in Wafer Testing	50	75	150	100	1.0
		Number of wafer testing services provided to local E&E companies	3	3	100	100	1.0
		Number of projects utilizing Metrology Lab	15	15	100	100	1.0
2	EPP2: Developing assembly and test using advanced packaging technology	Number of Advance Packaging companies in operation	3	5	167	100	1.0
3	EPP3: Developing Integrated Circuit Design Firms	Number of jobs created from new Integrated Circuit (IC) design firms	40	13	33	33	0.0
		Number of companies involved in Green Motion Controller (GMC) chip in pre-commercialization validation and qualification	2	3	150	100	1.0
4	EPP4: Supporting the growth of substrate manufacturers and related industries	Number of wafer substrate manufacturers in operation	2	2	100	100	1.0
6	EPP6: Growing wafer and cell producers	Additional MW local solar wafer and cell production in Northern Corridor	30	500	200*	100	1.0
7	EPP7: Increasing solar module producers	Additional MW solar module production in Northern Corridor	100	500	200*	100	1.0
7	EPP8: Developing LED front-end operations	Number of high impact project approved for material substrate supplier or epitaxy manufacturer	1	1	100	100	1.0
10	EPP10: Creating local Solid State Lighting (SSL) champions	Total annual sales of local LED companies under SMECorp capacity building program (RM mil)	110	116.98	106	100	1.0
		Number of new LED products internationally certified	30	35	117	100	1.0
11	EPP11: Building a test and measurement hub	Number of new products to enhance Test & Mesurement local ecosystem	10	10	100	100	1.0
		Number of new Test & Measurement collaborations between local companies and MNCs	5	5	100	100	1.0
		No. products tested utilising QAV test centre (both Penang & Selangor)	48	43	90	90	0.5
		Number of countries that QAV penetrates in international market	5	4	80	80	0.5
12	EPP12: Expanding wireless communication and RFID	Number of projects on Wireless Sensor Network (WSN) commercialised in the market	3	3	100	100	1.0
13	EPP13: Growing automation equipment manufacturing	Number of high impact project in operation for Automation Equipment	1	1	100	100	1.0
		Number of additional appointment of local Machinery & Equipment automation companies by AMD	5	6	120	100	1.0
		Number of new automation projects undertaken by SMEs in system design, prototyping, proof-of-concept and system customisation at National Instruments Academy and Innovation Nucleus (NI-AIN)	30	29	97	97	0.5
14	EPP14: Building transmission and distribution companies	T&D manufacturer accepting MIDA's offer as to start the manufacturing the T&D equipment	1	1	100	100	1.0

(More on next page)

* Achievement is capped at 200%. JinkoSolar set up its first overseas solar cell and solar module fab in Penang in May 2015. This facility provided the company with an additional capacity of 500MW for solar PV cells and 450MW for modules, which significantly exceeded target

(From previous page)

NKEA — ELECTRICAL AND ELECTRONICS (Continued)

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
15	EPP15: Building a home appliance manufacturing hub and international distribution network	Total annual sales of Pensonic being the main local home appliance company (RM mil)	380	385.50	101	100	1.0
16	EPP16: Development of Balance of Systems for Photovoltaic	Number of high impact projects approved for Balance of Systems for Solar PV industry	1	1	100	100	1.0
17	EPP17: Growing Embeded Systems Industry	Number of new embedded systems projects approved under the Digital Malaysia Embedded Systems Funding Programme	4	4	100	100	1.0
		Number of new ecosystem partners appointed to grow the embedded systems industry under Digital Malaysia	2	2	100	100	1.0
18	EPP18: Enabling Electric Vehicle Component Manufacturing	Percentage completion the prototyping of Li-ion battery for electric and hybrid vehicles	100	100	100	100	1.0
		Percentage completion the prototyping of EV bus	100	100	100	100	1.0
20	EPP20: Enabling Nanotechnology for E&E Industry	Percentage of pre-commercialisation of Cu-CNT nanocomposite for thermal management in LED industry	100	100	100	100	1.0
		Number of companies undertaking commercial prototypes (Lithium Battery & Conductive Inks) under National Graphene Action Plan 2020 (NGAP2020)	2	2	100	100	1.0
1-20	EPP1-20: Cross cutting enablers	Total number of new quality NKEA E&E projects approved by MIDA	11	11	100	100	1.0
		Percentage realised investment of E&E sector projects since 2011 till 2014	65%	78%	120	100	1.0
		Total approved investment for E&E sector (RM bil)	6.0	8.9	148	100	1.0
		Number of R&D projects collaborated with academia and private sector where CREST grants approved	20	16	80	80	0.5
		Number of Eco Design applications undertaken by companies/ organizations utilising Eco Industrial Design Centre (EIDC) shared facilities	20	24	120	100	1.0
	TOTAL				116%	97%	91%

NKEA — BUSINESS SERVICES

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	EPP1: Growing aviation maintenance, repair and overhaul services	Revenue from MRO services (RM Mil)	6,050	3,531	58	58	0.5
2	EPP2: Building globally-competitive outsourcers	Overseas sales revenue (RM mil)	2,318	2,506	108	100	1.0
		Number of new jobs created	13,200	16,370	124	100	1.0
		Public Sector Data Centre Outsourced - Number of agencies	10	25	250	100	1.0
3	EPP3: Making Malaysia a Global Data Center Hub	Percentage completion of site readiness for implementation of Iskandar Data Nexus Hub	100%	100%	100	100	1.0
		Total DC services revenue (RM mil)	915	831	91	91	0.5
4	EPP4: Jump-starting a vibrant green technology industry	Revenue generated from green technology subsectors e.g. Energy/ Building/Transport/Waste/Water/Services (RM mil)	3,500	3,801	109	100	1.0
		New investment realised (RM mil)	2,500	2,540	102	100	1.0

(More on next page)

(From previous page)

NKEA — BUSINESS SERVICES (Continued)

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
5	EPP5: Growing Large Pure-Play Engineering Services	Number of newly appointed engineers	280	196	70	70	0.5
		Investment from pure play engineering services companies (RM mil)	37	12.35	33	33	0.0
		Revenue from pure play engineering services companies (RM mil)	80	66.29	83	83	0.5
7	EPP7: Making Malaysia The Hub For Aerospace OEMs In South East Asia Leveraging On 'Asia Aerospace City'	Number of jobs created	350	1,053	301	100	1.0
		Total Revenue (RM Mil)	550	588.9	107	100	1.0
		Additional Investments from spin-off companies (RM Mil)	580	353	61	61	0.5
		Number of SMEs completed assessment and identification of scope for purpose of certification of AS9100 or NADCAP	5	5	100	100	1.0
6	EPP6: Growing Shipbuilding and Ship repair services	Number of jobs created	620	245	40	40	0.0
	TOTAL				109%	84%	72%

NKEA — COMMUNICATIONS CONTENT AND INFRASTRUCTURE

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	EPP1: My Creative Content	Revenue of export from Creative Content (RM mil)	600	890.31	148	100	1.0
		Total estimated production spending under the "Film in Malaysia Incentive" (RM mil)	400	457	114	100	1.0
4	EPP4: e-Learning	Number of schools with internet connection speeds of 4Mbps-10Mbps	6,690	6,695	100	100	1.0
5	EPP5: e-Healthcare	Number of government health facilities implementing e-Healthcare Applications	200	409	205	100	1.0
6	EPP6: Deepening e-Government	Number of Agencies On-Board Digital Document Management System (DDMS)	18	31	172	100	1.0
		Percentage of increase in number of online transactions at Ministries and selected agencies	10%	7.28%	73	73	0.5
7	EPP7: Broadband For All	Number of ports providing high speed broadband in sub-urban areas (SUBB)	55,000	88,588	161	100	1.0
		Percentage of access (coverage) to LTE wireless broadband	58%	53.5%	92	92	0.5
		Number of ports providing high speed broadband with speed up to 100Mbps in capital cities and major towns	76,000	106,854	141	100	1.0
8	EPP8: Extending Reach	Number of Program Sites Commissioned	950	983	103	100	1.0
10	EPP10: Regional Network	Percentage of implementation of submarine cables (linking Sabah, Sarawak, and Peninsular Malaysia) rollout	45%	35%	67	67	0.5
		Percentage completion of Implementation of new international submarine cable	50%	50%	100	100	1.0
	TOTAL				123%	94%	88%

NKEA — EDUCATION							
No	**EPP**	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1	EPP1: Scaling up early child care and education centres	Private pre-school enrolment, including NGO (4+ and 5+ years only)	454,177	426,246	94	94	0.5
		Private childcare enrolment rate (0-4 years)	9.4%	6.07%	65	65	0.5
5	EPP5: Scaling up private skills training provision	Scaling up private skills training provision	38,000	39,153	103	100	1.0
		Number of students trained in industry based approach	6,500	8,451	130	100	1.0
		Number of new TVET students studying in Malaysia	1,200	2,539	212	100	1.0
		Percentage of graduates with competencies of Level 3,4,5 SKM	35%	41.3%	118	100	1.0
7	EPP7: Building an Islamic finance and business education discipline cluster	Number of students enrolled at HEIs in the Islamic finance and business programme	14,000	16,293	116	100	1.0
		i. Number of members registered under the International Council of Islamic Finance Educators (ICIFE) - 150 individuals & 10 institutions ii. Number of accredited programmes under ICIFE	100%	83%	83	83	0.5
10	EPP10: Building a hospitality and tourism discipline cluster	Number of students enroled in private HEI in the hospitality and tourism programme: i. cluster ii. nationwide	100%	100%	100	100	1.0
11	EPP11: Launching EduCity@Iskandar	Number of students enrolled in EduCity@Iskandar	3,000	4,022	134	100	1.0
12	EPP12: Championing Malaysia's international education brand	Number of international student enrolled	125,000	140,420	112	100	1.0
		Number of post-graduate international students enrolled in HEIs	30,000	26,538	88	88	0.5
13	EPP13: Introducing public private partnerships in education	Number of internship places filled under Structured Internship Programme	15,000	17,967	120	100	1.0
14	EPP14: Building a games development cluster	Number of students enrolled in private HEIs with games cluster contact	500	458	92	92	0.5
17	EPP17: Building an accounting cluster	Building an accounting cluster: i. Number of students enrolled in Sunway TES collaboration with public HEIs programme ii. Number of new professionally qualified accounting graduates	100%	67%	67	67	0.5
	TOTAL				109%	93%	80%

NKEA — AGRICULTURE							
No	**EPP**	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1	EPP1: Unlocking value from Malaysia's biodiversity through herbal products	Number of pre-clinical and clinical trials to be conducted for nutraceutical and cosmeceuticals	10	10	100	100	1.0
		Total sale of herbal product (RM Million)	3.5	3.85	110	100	1.0
2	EPP2: Expanding the production of swiftlet nests	Total export of Edible Bird Nest product (MT)	200	262.79	131	100	1.0
		Total number of newly registered of EBN Premises	3,000	1,344	45	45	0.0
3	EPP3: Venturing into commercial scale seaweed farming in Sabah	Total production of Seaweed under Cluster and Mini Estate (MT)	1,500	1,235.53	82	82	0.5
4	EPP4: Farming through integrated cage aquaculture systems	Total production of farmed fish by anchor companies (MT)	11,500	8,627.86	75	75	0.5
5	EPP5: Rearing cattle in oil palm estates	Total cattle population in oil palm estates	42,500	43,741	103	100	1.0
6	EPP 6: Replicating integrated aquaculture model (iZAQs)	Total production of shrimps (MT)	35,000	31,670	90	90	0.5

(More on next page)

(From previous page)

NKEA — AGRICULTURE (Continued)

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
7	EPP7: Upgrading capabilities to produce premium fruit and vegetables	Total production from Taman Kekal Pengelularan Makanan (TKPM) and anchor companies (MT)	55,000	54,489.14	99	99	0.5
8	EPP8: Strengthening the export capability of the processed food industry	Total sales of Anchor Companies (AC) and Small and Medium Enterprice (SME) (RM mil)	200	294.7	147	100	1.0
		Number of new Small and Medium Enterprice (SME) under Anchor Companies (AC)	21	50	238	100	1.0
9	Introducing fragrant rice variety for non-irrigated areas	Total tonnage of fragrant rice produced. (MT)	2,500	2,719.58	109	100	1.0
		Total area planted (Ha)	1,000	1,027.46	103	100	1.0
10	EPP10: Scaling up and strengthening paddy farming in Muda area	Total production from amalgamated land (MT)	254,600	230,793	91	91	0.5
		Total land area amalgamated (Ha)	5,000	5,029	101	100	1.0
		Number of blocks on detailed design and preparation of contract document of tertiary system	57	57	100	100	1.0
11	EPP11: Scaling up and strengthening of paddy farming in other irrigated areas	Total production from amalgamated land (MT)	83,570	103,603.971	124	100	1.0
		Total land area amalgamated (Ha)	7,700	8,079.29	105	100	1.0
13	EPP13: Establishing dairy clusters in Malaysia	Total fresh milk produced (Mil litre)	23	19	83	83	0.5
14	EPP14: Establishing a leadership position in regional breeding services	Total number of Outgrowers developed	100	100	100	100	1.0
		Total seeds produced (MT)	150	94.769	63	63	0.5
17	EPP17: Developing pasar komuniti	Total revenue generated from PAKAR (RM million)	75	76.608	102	100	1.0
	TOTAL				**104%**	**93%**	**80%**

NKEA — HEALTHCARE

No	EPP	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
2	EPP2: Creating a supportive ecosystem to grow clinical research	Number of new clinical trials	214	201	94	94	0.5
		Number of clinical trials performed in MOH facilities	120	128	107	100	1.0
3	EPP3: Pursuing pharmaceutical export opportunities	Percentage of offtake proposal processed within 87 working days as stipulated in SOP approved by MOF (by processed means completion of price negotiations)	100%	97.7%	98	98	0.5
		Export growth of pharmaceutical products (RM mil)	641.244	627.80	98	98	0.5
4	EPP4: Reinvigorating health travel through better customer experience, proactive alliances and niche marketing	Revenue generated from Healthcare Travellers (RM mil)	854	900.04	105	100	1.0
		Revenue generated from Healthcare Tourists (RM mil)	516	574.18	111	100	1.0
7-14	EPP7-14: Medical device	Percentage of time taken to process complete submission received in 2015 for establishment license within 30 working days	80%	100%	125	100	1.0
		Percentage completion of streamlining of data for medical device export (RM million)	100%	100%	100	100	1.0
15-17	EPP15-17: Senior Living	Private Aged Healthcare Facilities and Services Act: Submission of the final draft of the Regulations by International Centers for Law and Legal Studies (ICeLLS) to PEMANDU	100%	70%	70	70	0.5
	TOTAL				**101%**	**96%**	**78%**

STRATEGIC REFORM INITIATIVES (SRIS)

SRI — COMPETITION, STANDARDS AND LIBERALISATION						
No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	Number of fruit and vegetable farms certified under myGAP	750	692	92	92	0.5
	Number of aquaculture farms certified under myGAP	106	105	99	99	0.5
	Number of livestock farms/premises certified under myGAP	1,834	2,328	127	100	1.0
2	Number of new products under MyHIJAU Programme	1,100	1,439	131	100	1.0
3	Number of Food Production Establishments Certified for food safety assurance system (MeSTI)	1,078	1,152	107	100	1.0
4	Number of new certifications obtained by companies from Accredited Certification Bodies	1,000	1,052	105	100	1.0
	TOTAL			110%	99%	83%

SRI — PUBLIC FINANCE REFORM						
No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	Enhancement of tax administration and compliance - Direct Tax (LHDNM), RM mil	2,000	2,043	102	100	1.0
2	Enhancement of tax administration and compliance - Indirect Tax (RMCD), RM mil	150	222.03	148	100	1.0
3	Percentage of Implementation of Accrual Accounting Activities in 2015	100%	36.1%	36	36	0.0
	TOTAL			95%	79%	67%

SRI — NARROWING DISPARITY						
No	KPI	Target (FY)	Actual (YTD)	Method 1 (%)	Method 2 (%)	Method 3 (%)
1	Total value of business opportunities created for Bumiputera companies (RM bil)	7.3	14.53	199	100	1.0
2	Achieve financing approval for Bumiputera companies at a minimum of 2.5 times against respective government funds received	2.5	3.07	100	100	1.0
3	Increase in value of Bumiputera PLCs (RM bil)	2.5	1.5	60	60	0.5
	TOTAL			120%	87%	83%

SRI — HUMAN CAPITAL DEVELOPMENT						
No	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1 (%)**	**Method 2 (%)**	**Method 3 (%)**
1	Percentage completion of identification of critical skills gap report	100%	95%	95	95	0.5
	Number of new companies offering flexible work arrangements	20	20	100	100	1.0
	GEMS & Upskilling	7,000	7,137	102	100	1.0
	Number of women placed under Flexworklife.my	200	256	128	100	1.0
2	Percentage of women on board - Public Companies only	16%	15.6%	98	98	0.5
	Number of new childcare centres registered under Jabatan Kebajikan Masyarakat (JKM): i. At the Workplace ii. Institutions iii. Government iv. Registered Home Based v. Notification for at-home care below 4 children	100%	119%	119	100	1.0
	Data collection system to be extended to all registered childcare centres	100%	89%	89	89	0.5
	Percentage of women on public listed board (BURSA)	11.50%	10.7%	93	93	0.5
	Number of additional women placements under Women Directors Programme	15	14	93	93	0.5
	Number of trained childcare minders through Kursus Asuhan PERMATA or Kursus Asas Asuhan (for home-based childcare)	800	1,254	157	100	1.0
3	Percentage completion of ILMIA Research and Publication on: i. HCD game changer for labour market transformation towards high income economy ii. Sarawak Corridor Of Renewable Energy (SCORE) study	100%	100%	100	100	1.0
	Percentage completion of Enhanced Content for ILMIA Portal and Dashboard : i. Upgrade of information and analysis in labour market to provide updated information for policy formulation	100%	100%	100	100	1.0
	Percentage completion of Enhancement of Labour Market Datawarehouse (LMIDW) and Dashboard: i. Provide comprehensive labour market data and analysis	100%	100%	100	100	1.0
	Number of participants in HR Capability Programme for SME	22,000	29,302	133	100	1.0
	Customer Satisfaction with National Human Resource Centre Portal : i. Learning experience with NHRC Portal (navigational experience) ii. Quality of the info provided by knowledge center is good	100%	106%	106	100	1.0
	Number of employers inspected for Minimum Wages Statutory	34,100	41,009	120	100	1.0
	Percentage completion of engagement sessions conducted with stakeholders and identification of areas of amendment (including policy changes and process improvement) of the Review of the Employment Act 1955 & Industrial Relations Act	100%	100%	100	100	1.0
4	Number of approved applications for certification of MyProCert	3,000	3,169	106	100	1.0
	Industry-Academia Collaboration (IAC):Number of Talent developed and Faculty Members (FM)	5,550	6,723	121	100	1.0
	TOTAL			108%	98%	87%

(This page is intentionally left blank)

ACKNOWLEDGEMENT

The National Transformation Programme (NTP) is a bold push to create a courageous, confident and globally-relevant Malaysia.

Aimed at transforming various aspects of public service delivery and catalysing the economy to achieve sustainable and inclusive socio-economic development for Malaysians from all walks of life, the NTP is a colossal nation-building effort shouldered by many stakeholders from the public and private sectors.

The Government of Malaysia expresses our deepest appreciation and gratitude to participating civil servants, corporations, non-governmental organisations and all individuals who have graciously contributed time, effort and advice to the planning and execution of various initiatives under the programme since 2010. It is your immense support that continues to give meaning and fuel this endeavour.

2020 is a vision. The National Transformation Programme will drive us towards realising it. Set targets must continue to be met to enable and achieve our national ambition of attaining high-income and developed nation status by 2020.

**PERFORMANCE MANAGEMENT & DELIVERY UNIT (PEMANDU),
PRIME MINISTER'S DEPARTMENT**

PERFORMANCE MANAGEMENT AND DELIVERY UNIT (PEMANDU)

Prime Minister's Department, 3rd Floor, East Block, Perdana Putra Building
Federal Government Administrative Centre, 62502 Putrajaya, Malaysia

Tel : +603 8872 7240
Fax : +603 8889 4428

www.pemandu.gov.my

 First Edition, First Printing 2016 **ISSN: 2180-0340**