



Boosting Economic Resilience for a Sustainable Growth

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Introduction

During the review period of the Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan), implementation of the theme on resetting the economy has been focusing on restoring the growth momentum and propelling the growth of strategic and high impact industries as well as micro, small and medium enterprises (MSMEs). These measures to strengthen economic sectors affected by COVID-19 have succeeded in achieving better growth in several areas. Progress has also been recorded, among others, in increasing productivity growth of construction and services sectors, improving growth of exports in construction, mining, agriculture and manufacturing sectors, strengthening financial intermediation ecosystem and increasing utilisation rate of dedicated food production areas. In addition, continuous growth of strategic and high impact industries has been achieved while digitalisation rate among MSMEs has increased. However, Malaysia is seen lagging behind regional peers in terms of competitiveness due to lack of significant structural economic reforms. Lacklustre performance of economic sectors and industry development, and lack of sectoral competitiveness, impediments in the financial sector and lack of effective management of industrial estates and food production areas as well as inability of MSMEs to scale up and stay competitive are among the issues that need to be addressed.

In the remaining Twelfth Plan period, measures will be undertaken to spearhead structural reforms, enhance competitiveness as well as rebuild a sustainable and globally oriented economy. Malaysia aims to be a regional leader in high growth high value (HGHV) industries. In this regard, focus will be given on strengthening sectoral and strategic industries resilience, driving competitiveness for sustainable growth, boosting the efficacy of the financial support and strategising industrial estates and food production areas. Breaking the barriers for MSMEs to scale up will be given priority to boost the growth and increase contribution to the economy. These include accelerating MSMEs supply chain integration into domestic and global value chain. Successful implementation of these measures will contribute in achieving high income, competitive and resilient economy for a sustainable growth towards becoming top 30 economies in the world.

Progress, 2021-2022

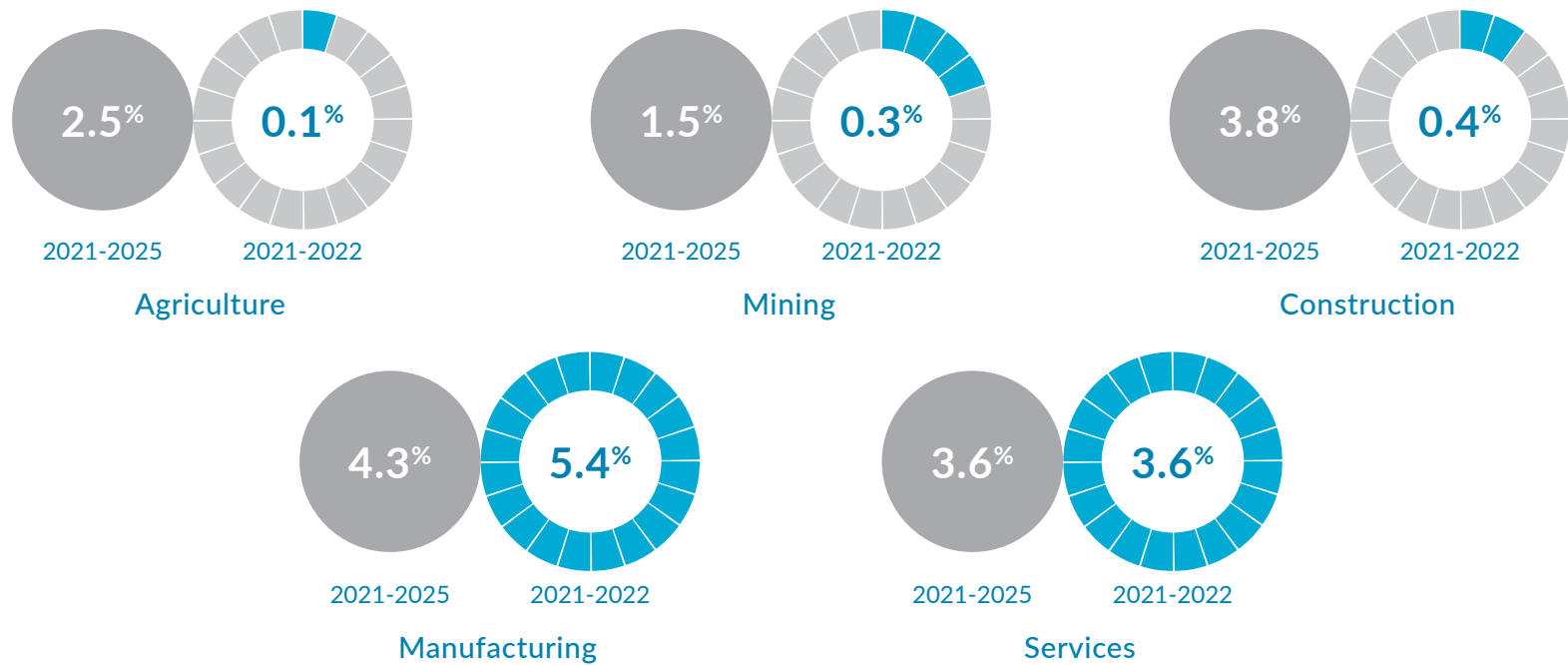
In the Twelfth Plan period, a total of 38 targets were set under the theme of resetting the economy. 15 of the targets were achieved, 20 targets are on track, while the remaining three targets are lagging during the review period, as shown in *Exhibit 3-1*.

Exhibit 3-1

Performance of Selected Targets

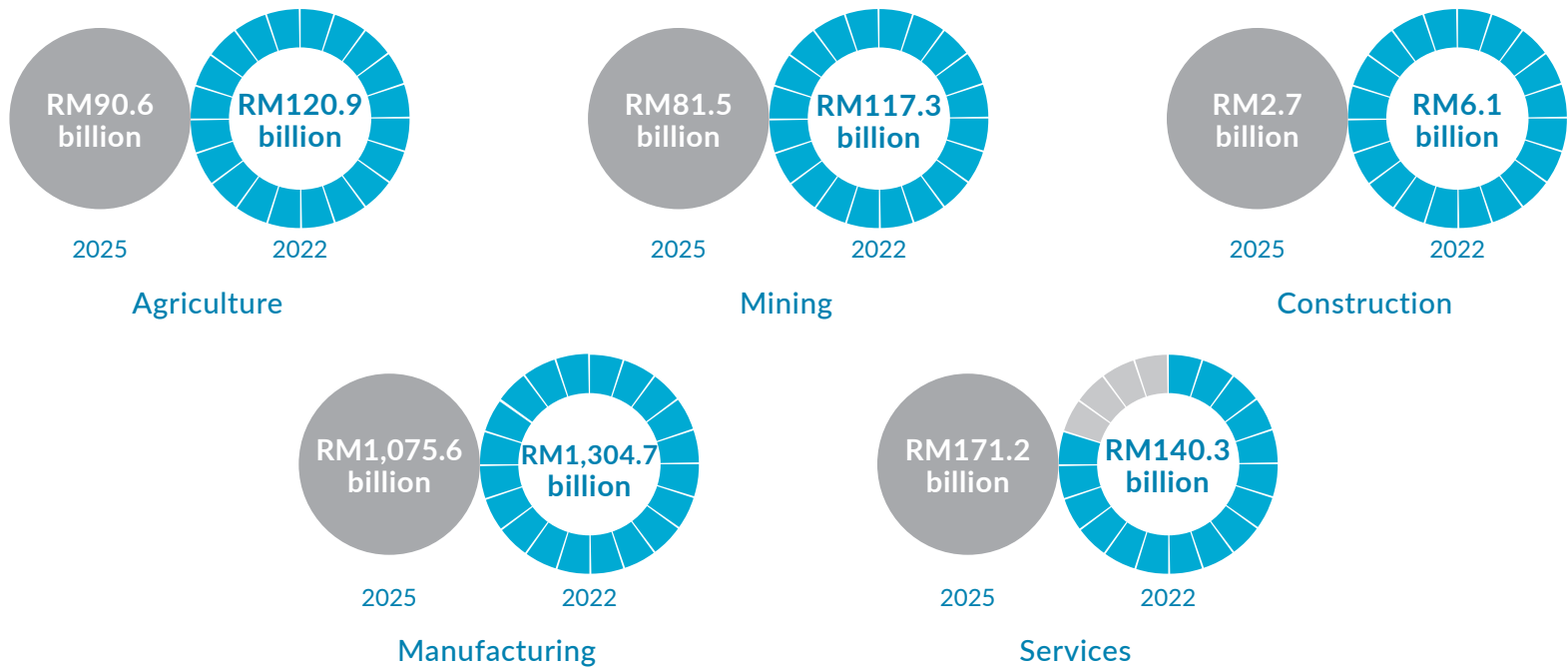
Boosting Productivity Growth

Average Growth of Labour Productivity



Expanding Export Markets

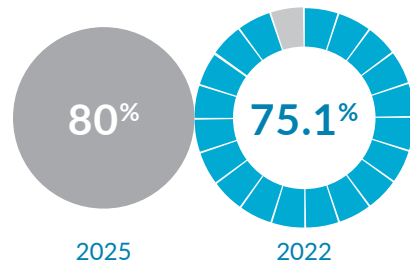
Total Exports



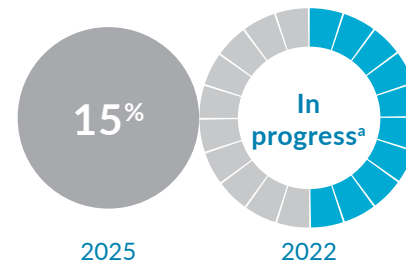
Strengthening the Effectiveness of Financial Intermediation Ecosystem



Strengthening the Role of Industrial Estates and Food Production Areas



Utilisation Rate of Dedicated Food Production Areas

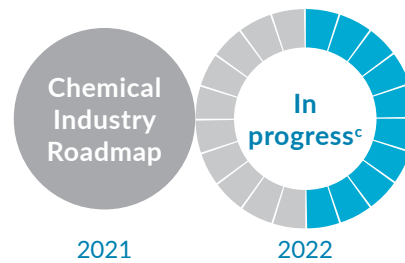


Increase Utilisation Rate in Selected Industrial Estate

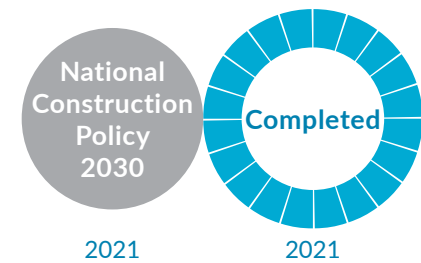
Improving Governance and Policy



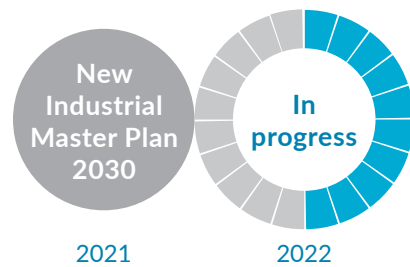
Agriculture



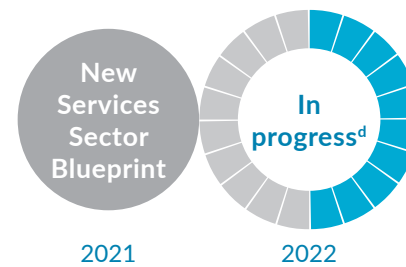
Mining



Construction



Manufacturing



Services

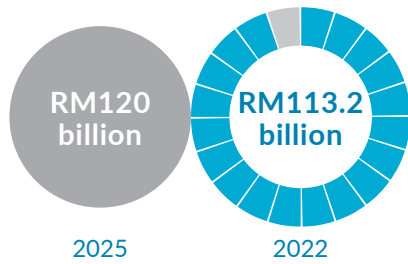
Notes: ^a Will be reported by MIDA in early 2024.

^b National Agrofood Policy 2021-2030 (DAN 2.0) and National Agricommodity Policy 2021-2030 (DAKN2030).

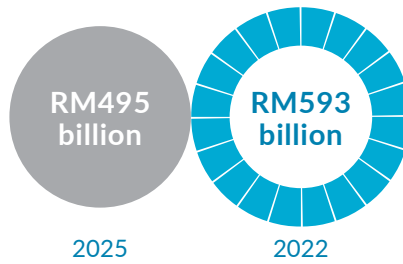
^c Chemical Industry Roadmap is expected to be launched in 2023.

^d Selected services subsectors will be incorporated in the New Industrial Master Plan 2030.

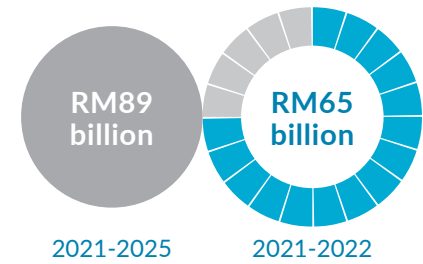
Accelerating the Development of Strategic and High Impact Industries



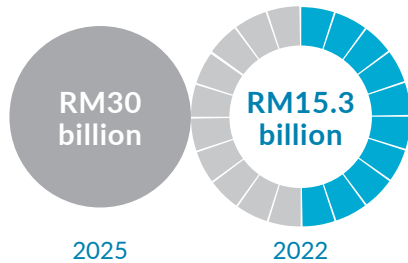
Value Added of Electrical and Electronics



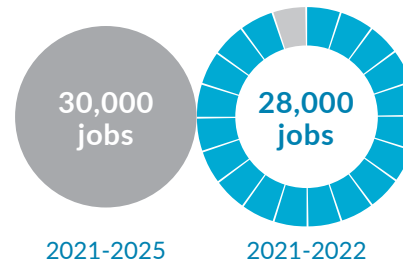
Export Value of Electrical and Electronics Products



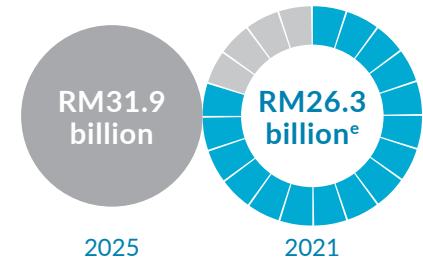
Total Approved Investment of Global Services



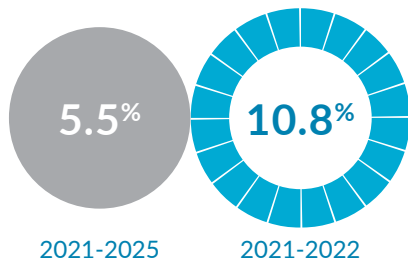
Revenue from the Aerospace Industry



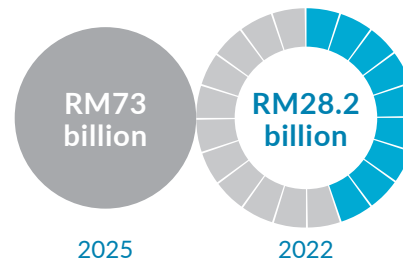
Job Opportunities Created in the Aerospace Industry



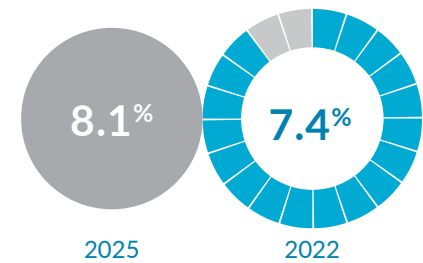
Contribution of Creative Industry to GDP



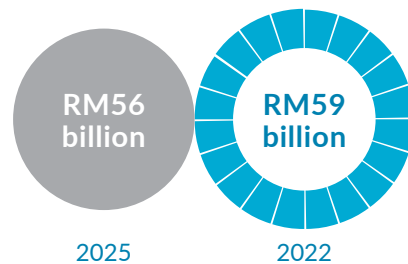
Average Growth of Domestic Visitors



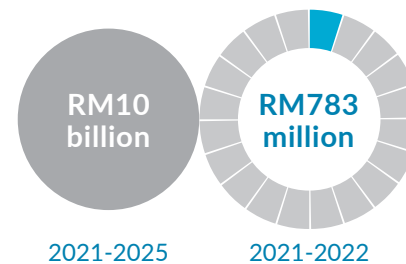
Total Inbound Tourist Expenditure



Contribution of Halal Industry to GDP

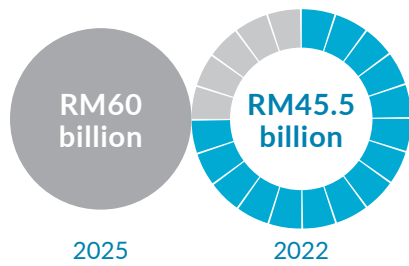


Export Value of Halal Products

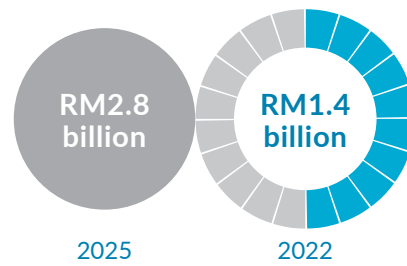


Total Approved Investment in Biomass Industry

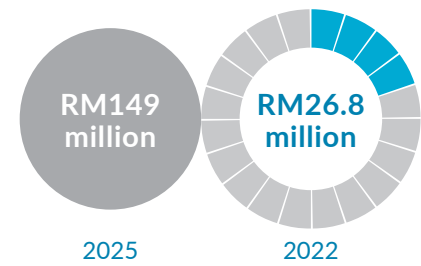
Boosting Capabilities of Entrepreneurs and Enterprises



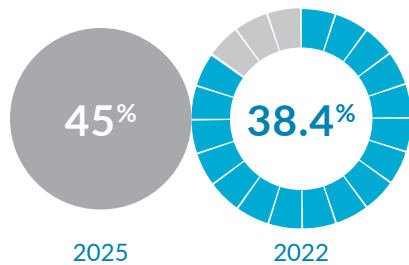
Revenue of Cooperatives



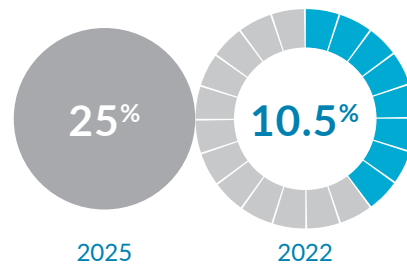
Revenue of *Pertubuhan Peladang Kawasan* (PPK)



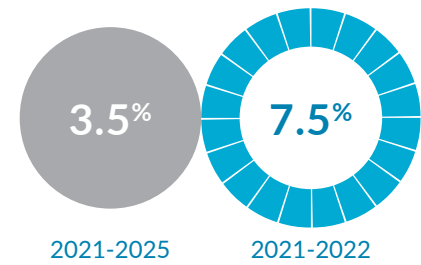
Revenue of *Persatuan Nelayan Kawasan* (PNK)



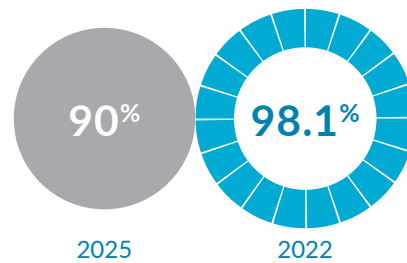
Share of MSMEs to GDP



Share of MSMEs to Exports



Average Growth of Labour Productivity of MSMEs



MSMEs to Digitalise Business Operations

Achievement by Priority Area



Priority Area A: Boosting Productivity Growth

Strategy A1: Moving up the Value Chain	
Improving Operational and Production Process	<ul style="list-style-type: none"> 13 Agrofood Parks equipped with modern farming facilities 8,479 hawkers and small traders adopted multi-channel payment gateways under the Retail Digitalisation Initiative 122 companies approved for matching grants of RM44.5 million under the Industry4WRD Intervention Fund
Increasing High Value-Added Activities	<ul style="list-style-type: none"> 11 high sea vessels modernised for deep and high sea fishing Six pilot projects on road and bridges using advanced materials and innovative technologies implemented Six premium wellness packages amounting to RM6.9 million through partnerships between hotels and private hospitals which offer premium services introduced in 2022
Accelerating Talent Development	<ul style="list-style-type: none"> Four collaborative training programmes between universities and industries for the construction sector conducted and benefitted 1,268 students 2,085,950 participants trained in the upskilling and reskilling programmes of the Human Resource Development Corporation
Strategy A2: Strengthening Financial Capability	
Enhancing Incentives and Financial Assistance	<ul style="list-style-type: none"> 92.7% of RM1 billion of <i>Dana Jaminan Makanan</i> disbursed RM251.2 million of the Domestic Investment Strategic Fund disbursed RM68.5 million of the High Impact Fund disbursed
Introducing New Financing Mechanism and Incentives for Technology Adoption	<ul style="list-style-type: none"> 61% of RM60 million of the Agrofood Value Chain Modernisation Programme fund disbursed
Strategy A3: Scaling Up Successful Productivity Nexus	
Expanding the Coverage of Productivity Nexus	<ul style="list-style-type: none"> The Construction and Built Environment Productivity Nexus and the Logistics Productivity Nexus established in 2022
Enhancing Effectiveness of Productivity Nexus Initiatives	<ul style="list-style-type: none"> 114 projects implemented under the 11 Productivity Nexus Industry Digital Roadmap for Engineering and Industry Digital Roadmap for Legal formulated by the Professional Services Productivity Nexus (PSPN)

Strategy A4: Scaling Up Green Practices

Accelerating the Adoption of Green Practices among Industries

- 2,679 farms certified with MyGAP certification
- 5.6 million hectares oil palm planted areas certified with Malaysian Sustainable Palm Oil (MSPO) as at end 2022
- MSPO awareness programmes
 - 326 sessions of *Hari Bertemu Pelanggan/Kaunter Bergerak* MSPO involving 11,799 smallholders
 - 132 MSPO certification briefings involving 7,965 smallholders
- 52% of mines and quarries attained at least 3 stars based on the Sustainability Rating of the Mining Sector in 2022
- 783 applications approved under the Green Investment Tax Allowance (GITA) and the Green Income Tax Exemption (GITE)

Enhancing Implementation Mechanisms for Green Practices

- Designs for 29 construction projects assessed using the Green Rating Assessment
- 4,577 green products and services received the MyHijau Mark recognition
- RM30 million disbursed under the Sustainable and Green Biz Financing Scheme



Priority Area B: Expanding Export Markets

Strategy B1: Improving Market Efficiency

Connecting Suppliers and Consumers through Digital Platforms

- 8,906 agropreneurs and 7,823 products registered in the AgroBazaar Online platform with a total transaction of RM10,188,121

Positioning Malaysia as a Regional Logistics Hub

- 33 logistics companies, including 21 local companies accredited as Authorised Economic Operator

Strategy B2: Empowering Industry to Compete in the Domestic and Global Markets

Scaling Up Capacity and Capability of Industry Players

- One consortium established under the PSPN and two projects secured in Timor Leste
- The National Oil & Gas Services and Equipment (OGSE) Industry Blueprint 2021-2030 completed in 2022
- RM8.5 million apportioned to 36 companies under the OGSE Development Grant

Strategy B3: Strengthening Trade Facilitation

Leveraging Trade Agreements

- The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force on 29 November 2022
- Regional Comprehensive Economic Partnership (RCEP) Agreement entered into force on 18 March 2022
- Negotiations on Indo-Pacific Economic Framework commenced in 2022

Intensifying Marketing and Exports Promotion

- 18 franchise companies with a potential investment of RM689.9 million participated in trade missions
- 16 products by MSMEs placed in the local and foreign supermarkets operating in Malaysia under Access to Retail Programme
- 2,080 companies with a potential sale of RM91.8 billion utilised market expansion grants



Priority Area C: Strengthening the Effectiveness of Financial Intermediation Ecosystem

Strategy C1: Transforming the Financial Ecosystem to Meet Future Economic Needs

Promoting Innovation and Competitiveness to Enhance Efficiency

- Implemented future-proof key financial infrastructure
 - Increased e-payment adoption, from 170 transactions per capita in 2020 to 291 in 2022
 - Expanded cross-border payment linkages with Thailand, Indonesia and Singapore using QR code
- Enhanced pathways for new digital innovation
 - Five licenses awarded for digital banks
 - Live-testing of five new Regulatory Sandbox applications
 - Enabled approximately 10 million digital account openings in the financial sector through the Electronic Know-Your-Customer initiative
- RM30 million Digital Innovation Fund established in 2022

Facilitating More Financing across Business Life Cycle

- Enhanced financing needs for small and medium enterprises (SMEs) and the underserved segment
 - Total financing through BNM's Fund for SMEs increased RM8 billion, from RM23.1 billion in 2020 to RM31.1 billion in 2022
 - Growth of non-debt financial solutions, with RM475 million of CAKNA scheme applications approved as at end 2022, from RM21 million as at end 2021
- Review of liberalisation of equity crowdfunding and peer-to-peer frameworks facilitated 7,218 MSMEs to raise more than RM4.4 billion
 - Continued co-investments through the Malaysia Co-Investment Fund (MyCIF)
 - Increased fundraising limits and widened scope of permitted issuers
 - Opened registration for new players
- Enhanced public market efficiency through streamlining of the Access, Certainty, Efficiency (ACE) Market listing process

Strategy C2: Enhancing the Resilience and Governance of the Financial System

Strengthening Safeguards for Financial Stability

- More than 2.8 million customers including SMEs benefitted from loan repayment assistance in 2021
- Strengthened consumer safeguards against improper advice and mis-selling
 - Policy documents on Bancassurance/Bancatakaful as well as Prudent and Professional Conduct by Financial Advisers issued
- Malaysia re-elected to the International Organization of Securities Commissions (IOSCO) Board
- More collaborative approach to financial safeguards through the signing of the IOSCO Asia Pacific Regional Committee Multilateral Memorandum of Understanding for Supervisory Cooperation in 2022

Enhancing Good Governance in the Financial Sector

- Intensified efforts to strengthen cyber security resilience
 - Industry-wide key measures to combat financial scams implemented
 - The National Scam Response Centre established
- Strengthened domestic institutional fund practices
 - Principles of Good Governance for Government-Linked Investment Companies (GLICs) released
 - Malaysian Code for Institutional Investors 2022 updated
- Bursa Malaysia Listing Requirements Rules on board quality, transparency and diversity amended in 2022

Strategy C3: Promoting a Sustainable and Inclusive Financial System

Promoting the Islamic Finance Agenda

- The Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Sectoral Guides for the first and second cohorts issued
- Islamic Capital Market products and services expanded through the issuance of the Sustainable and Responsible Investment linked (SRI-linked) and expansion of Waqf-Featured Fund Frameworks

Advancing the Financial Inclusion and Literacy Agenda

- Access to financial services enhanced through the expansion of bank agents, with 96.2% of *mukim* served as at end 2022 from 95% as at end 2020
- The Malaysian Financial Literacy and Capability Index improved from 57.1 points in 2018 to 59 in 2021
 - Sustained efforts in elevating financial literacy through the Financial Education Network (FEN)
- Continued holistic approach in protecting and empowering investors through various education outreach programmes and social media engagements

Enhancing Sustainable Financial Services

- Enhanced climate resilience of the financial sector
 - The Climate Change and Principle-based Taxonomy rolled out
 - Standards and frameworks on climate risk management practices issued
 - The Principles-based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market issued in 2022
 - The Climate Data Catalogue published as a reference for the financial sector in 2022
- Greening Value Chain Programme and NaviGate: Capital Market Green Financing Series launched



Priority Area D: Strengthening the Role of Industrial Estates and Food Production Areas

Strategy D1: Achieving Balanced Industrial Estates Development

Improving Industrial Estates Distribution for Balanced Development

- Economic Accelerator Projects promoted along the East Coast Rail Link (ECRL)
 - Malaysia-China Kuantan International Logistics Park at ECRL Kuantan Port City Station
 - Integrated sustainable industrial township at Kapar ECRL Station
- RM17.6 million disbursed to 10 existing industrial estates for upgrading basic infrastructure in Kelantan, Perak, Pulau Pinang, Sarawak, Selangor and Terengganu



Priority Area E: Improving Governance and Policy

Strategy E1: Strengthening Coordination and Collaboration

Enhancing the Effectiveness of Existing Mechanism

- The establishment of MyMudah unit in all government agencies approved in 2021

Strategy E2: Strengthening Policies and Legislation

Developing New and Reviewing Existing Policies for Sectoral Development

- New Investment Policy launched in 2022
- National Agricommodity Policy 2021-2030 launched in 2022
- National Agrofood Policy 2021-2030 launched in 2021
- National Construction Policy 2030 launched in 2021
- Natural Gas Roadmap Study completed in 2021



Priority Area F: Accelerating the Development of Strategic and High Impact Industries

Strategy F1: Boosting Electrical and Electronics Industry in Moving Up the Value Chain

Strengthening the Electrical and Electronics Industry Ecosystem for Higher Value Chain

- The Electrical and Electronics Roadmap: Technology Development 2021-2030 launched in 2022
- 180 students participated in MOHE-INTEL Elite Internship Programme in the field of chip design

Promoting High Adoption of Technology

- Seven SMEs benefitted from the Vendor Development Programme to adopt 4IR technologies

Uplifting the Development of Talent and Capability	<ul style="list-style-type: none"> ● Industry4WRD electrical and electronics (E&E) talent development programmes <ul style="list-style-type: none"> ○ 242 instructors and 54 master trainers in selected 4IR technologies trained under the Training of Trainers (ToT) programmes ○ 84 trainees involving 15 employers from the E&E industry trained under the RiSE4WRD programmes ● 467 employers registered and 2,608 jobseekers hired within the E&E industry through MYFutureJobs in 2021
Enhancing Research and Development as well as Design and Development	<ul style="list-style-type: none"> ● RM500 million matching grant allocated for research and development (R&D) in E&E industry ● RM147.4 million venture capital funding allocated for investments in high growth and high technology companies
Strategy F2: Enhancing Competitiveness of Global Services	
Enhancing Talent and Capability of Global Service Providers	<ul style="list-style-type: none"> ● 2,844 high-value job opportunities offered with investment amounting to RM2.8 billion
Strategy F3: Establishing a Sustainable Aerospace Industry	
Developing a Sustainable Aerospace Ecosystem	<ul style="list-style-type: none"> ● National Aerospace Industry Corporation Malaysia incorporated in 2022 ● RM500 million matching grants allocated for R&D in aerospace industry
Venturing into Sustainable Energy	<ul style="list-style-type: none"> ● Sustainable Aviation Energy Task Force established in 2021 ● Sustainable aviation fuel from the refining of used cooking oil tested on two commercial flights
Strategy F4: Maximising the Potential of the Creative Industry	
Upskilling Talent to Match Industry Needs	<ul style="list-style-type: none"> ● 15 companies and 124 participants trained in Creator Studio in 2022 ● Malaysia Creative Capacity Enhancement Programme developed in 2021 ● 22 Technical & Vocational Education and Training (TVET) programmes offered by <i>Akademi Seni Budaya dan Warisan Kebangsaan (ASWARA)</i> as at end 2022
Strengthening Product Development and Promotion	<ul style="list-style-type: none"> ● Digital Content Fund expanded for the music industry in 2022
Strategy F5: Re-energising the Tourism Industry	
Restoring Tourist Confidence	<ul style="list-style-type: none"> ● 850 tourism industry players trained under the Malaysia Virtual Experience programme in 2022 ● The Tourism Accommodation Digital Roadmap developed in 2022
Enhancing Quality of Products and Services	<ul style="list-style-type: none"> ● 11 workshops and 21 visits conducted for tourism package development

Enhancing Sustainability of Tourism Products	<ul style="list-style-type: none"> ● Malaysia Travel, an interactive digital brochure mobile application launched in 2022
Strengthening the Malaysia Brand and Marketing Strategies	<ul style="list-style-type: none"> ● <i>Sayangi Malaysia</i> campaign commenced in 2022 ● 521,448 seats sold for domestic and international flights in 2022 ● Strategic cooperation between Tourism Malaysia with Emirates Airline and Qatar Airways in 2022
Intensifying Domestic Tourism	<ul style="list-style-type: none"> ● 29,198 packages amounting to RM9.6 million sold during eight <i>Jualan Cuti-Cuti Malaysia</i> roadshows in 2022
Strategy F6: Fostering Competitiveness of Inclusive Halal Industry	
Uplifting the Development of Halal Talent	<ul style="list-style-type: none"> ● 102 individuals obtained <i>Sijil Kemahiran Malaysia</i> through four halal National Occupational Skills Standards (NOSS) as at end 2022 ● Five higher education institutions (HEIs) participated in halal talent development programmes in 2022
Accelerating Halal Industry Development	<ul style="list-style-type: none"> ● 110 companies benefitted from the Halal Home Grown Champion programme, generating RM328.7 million sales in 2021
Improving Halal Product Competitiveness	<ul style="list-style-type: none"> ● Malaysia halal products penetrated into 17 countries as at end 2022
Positioning Malaysia as a Global Halal Hub	<ul style="list-style-type: none"> ● RM15.9 million potential halal investment recorded in 2022 ● A framework of <i>Wakaf-Usahasama</i> developed in 2022
Strategy F7: Intensifying Smart Farming Activities	
Accelerating the Adoption of Modern Technologies	<ul style="list-style-type: none"> ● Geospatial information systems for improvement of operational efficiency adopted by FELDA
Enhancing Participation of Technology Providers	<ul style="list-style-type: none"> ● 43 smart farming technologies identified for adoption
Empowering Local Communities	<ul style="list-style-type: none"> ● 12,570 individuals involved in community farming
Strategy F8: Realising the Potential of Biomass Industry	
Developing Local Technology through Research, Development, Commercialisation and Innovation (R&D&C&I)	<ul style="list-style-type: none"> ● 25 companies involved in developing local technology in biomass industry ● Research projects to produce sustainable aviation fuel (SAF) from bio-materials commenced in 2021

<p>Accelerating the Development of High Value-Added Products and Services</p>	<ul style="list-style-type: none"> ● Six R&D projects related to biomass implemented ● Oil Palm Based Beef Cattle Feed Pellet Formulation, an innovative biomass product produced in 2022 ● Two memorandum of agreements signed for biomass initiatives <ul style="list-style-type: none"> ○ Evaluating oil palm empty fruit bunch for moulded pulp packaging products ○ Producing activated carbon from bamboo and oil palm biomass for heavy metal removal from wastewater and carbon dioxide absorption
<p>Promoting Utilisation of High Value-Added Biomass Products</p>	<ul style="list-style-type: none"> ● A social awareness programme on biomass products held at the National Seminar on Palm Oil Milling, Refining, Environment and Quality 2022



Priority Area G: Boosting Capabilities of Entrepreneurs and Enterprises

<p>Strategy G1: Creating Innovative and Sustainable Entrepreneurs</p>	
<p>Enhancing Entrepreneurship Development Programmes</p>	<ul style="list-style-type: none"> ● 441 programmes benefitting 1.6 million MSMEs implemented
<p>Promoting Innovation-Driven Entrepreneurs</p>	<ul style="list-style-type: none"> ● Business Accelerator Programme 3.0 supported 525 companies ● Malaysia Commercialisation Year initiative commercialised 151 MSMEs R&D products ● Productivity improvement programmes <ul style="list-style-type: none"> ○ RM3 billion of operational cost saving achieved under the Productivity Improvement Through Innovation ○ 6,000 companies adopted technology through the Digital Technology Adoption Programme
<p>Strategy G2: Promoting Inclusive Participation through Micro, Small and Medium Enterprises, Cooperatives and Agriculture-Based Associations</p>	
<p>Increasing MSMEs Contribution to the Economy</p>	<ul style="list-style-type: none"> ● 29 anchor companies offered business opportunities to 1,288 registered vendor companies in vendor development programme ● 22 companies benefitted from <i>Program Peningkatan Industri Strategik dan Syarikat Berprestasi Tinggi</i> (PRESTIGE) matching grant for technology adoption and market expansion ● 865 companies received financial incentives under the eTrade 2.0 programme
<p>Increasing Market Access and International Trade Opportunities</p>	<ul style="list-style-type: none"> ● <i>Program Promosi Pasaran Tempatan dan Antarabangsa</i> for timber sector generated RM13.7 million sales in 2022 ● <i>Program Tanaman Baharu Kenaf</i> generated RM5.6 million sales in local and international markets in 2022 ● 1,647 MSMEs benefitted from <i>Program Pembangunan UDA</i> in 2022 ● 338 MSMEs participated in the Global Linkages SME Programme (GLOSMEP)

Capitalising Cooperatives, Agriculture-Based Associations and Social Enterprises in Developing Entrepreneurs

- Malaysia Social Entrepreneurship Blueprint 2030 launched in 2022
- A New Accreditation Framework for social enterprises introduced in 2022
- 48 social enterprises with value of total sales turnover of RM100 million accredited in 2022
- 279 *Pertubuhan Peladang Kebangsaan* (PPK) and 103 *Pertubuhan Nelayan Kebangsaan* (PNK) established as at end 2022

Strategy G3: Creating a Conducive and Holistic Ecosystem for Entrepreneurship

Enhancing Governance, Regulations and Institutional Roles

- *Majlis Pembangunan Usahawan, Koperasi, Penjaja dan Peniaga Kecil Peringkat Daerah* established in 2022

Improving Access to Financing

- 70,463 entrepreneurs benefitted from RM1.1 billion micro financing offered in 2022
- *Program Intervensi Peluang Kedua*
 - 664 MSMEs assisted in financial restructuring
 - 40 MSMEs participated in an intensive mentoring programme

Issues and Challenges

During the review period, measures to restore the economic growth momentum have made some progress in several areas. However, several issues and challenges continue to hamper efforts in resetting the economy towards greater resilience. Notable issues and challenges, which need to be addressed are lacklustre performance of economic sectors and industry development, lack of sectoral competitiveness, impediments in the financial sector, lack of effective management of industrial estates and food production areas as well as inability of MSMEs to scale up and stay competitive.

Lacklustre Performance of Economic Sectors and Industry Development

Economic Sectors

- Slow transition towards high value-added activities
- Lack of significant structural economic reforms

Electrical and Electronics Industry

- Shortage of highly skilled front-end design engineers and researchers
- Limited local R&D activities and mostly focused on back-end manufacturing activities
- Low investment in automation, new technology and innovation

Aerospace Industry

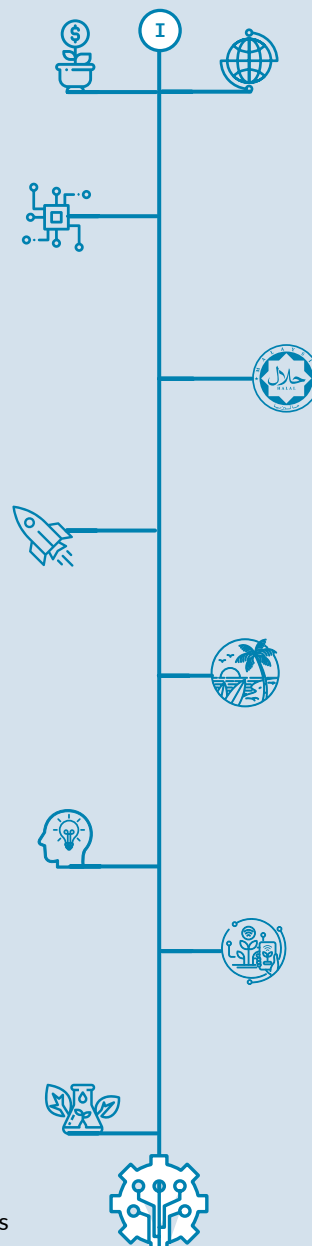
- Absence of framework in developing new integrated aerospace clusters
- Insufficient skilled talent to meet industry requirements
- Constraints and complexities of regulatory requirements

Creative Industry

- Lack of coordination and monitoring on initiatives and programmes
- Lack of integrated database
- Lack of awareness, interest and support for career advancement

Biomass Industry

- Inconsistent supply of biomass feedstock
- Lack of access to financing for smallholders and industries



Global Services

- Deterrents in attracting investments
 - Lack of energy support to operationalise data centres
 - Unattractive tax incentives
- Lack of tracking and monitoring mechanisms on priority areas

Halal Industry

- Lack of talent
- Overlapping functions of agencies
- Lack of integrated database
- Dependency on traditional industry and export markets

Tourism Industry

- Lack of technology adoption and slow transition towards digital marketing
- Outdated and incomprehensive laws and regulations
- Unsustainable tourism

Smart Farming

- Limited access to financing for technology adoption
- Lack of interest and awareness among youth
- Lack of collaboration between technology providers and farmers

Lack of Sectoral Competitiveness

- Low technology and digital adoption
 - Low acceptance of the Malaysian Health Data Warehouse (MyHDW) system among private healthcare institutions
 - Absence of a comprehensive and real-time database on Small and Medium Professional Practices (SMPPs)
 - Absence of a centralised and digitalised farmers database
 - Lack of technology adoption in controlling high post-harvest losses
 - Lack of motivation to adopt advanced technology and readiness to migrate to Industry 4.0
- Insufficient and incompetent workforce in the construction sector
- Absence of supply chain management system in the manufacturing sector
- Inadequate governance framework
 - Absence of guidelines for environmental, social and governance (ESG) adoption
 - Outdated policy in mineral development
 - Lack of low carbon financing incentives in agriculture sector
 - Lack of planning and coordination in development of gas market
 - Inefficient management of incentives
- Inadequate market expansion
 - Low market penetration and non-uniformity in ways of doing business
 - Lack of efforts in leveraging on free trade agreements (FTAs) by SMPPs
 - Low stakeholder participation in developing and commercialising premium wellness packages

Lack of Effective Management of Industrial Estates and Food Production Areas

- No centralised coordinating body on industrial estates
- Limited farm size for economies of scale



Impediments in the Financial Sector

- Slow state of technological readiness
 - Slow implementation of infrastructure enablers impedes technological adoption
 - Shortage of skilled workforce with technology capabilities
 - Heightened risk of cyber incidences and financial scams
- Slow transition towards green and sustainable practices
 - Lack of policy clarity at the national level on net-zero objectives
 - Low participation of companies towards low carbon transition
 - Lack of financial assistance and incentives
- Challenges in strengthening Malaysia position as a global Islamic financial centre
- Continuous gaps in financial literacy and awareness
 - Gaps in terms of product knowledge, financial numeracy and planning for long-term financial goals
 - Low levels of digital literacy and awareness of cyber hygiene



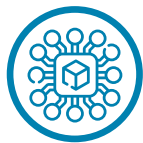
Inability of MSMEs to Scale Up and Stay Competitive

- Inadequate policies and initiatives in scaling up MSMEs
- Disruptions in the supply chain and poor linkages
- Lack of awareness and framework on ESG adoption
- Lack of coordination and monitoring on initiatives and programmes
- Financing constraints
 - Fragmented sources
 - Limited access to scale up
 - Lack of alternative financing
- Low awareness and limited investment in digitalisation and emerging technologies
- Shortage of skilled workforce



Way Forward, 2023-2025

In the remaining Twelfth Plan, measures will continue to be undertaken in resetting the economic sectors towards greater resilience. This will be implemented by strengthening sectoral and strategic industries resilience, driving competitiveness for sustainable growth, and boosting the efficacy of the financial support. Efforts will be continued to strategise industrial estates and food production areas as well as breaking the barriers for MSMEs to scale up.



Focus Area A: Strengthening Sectoral and Strategic Industries Resilience

Strategy A1:

Accelerating Structural Economic Reforms

Strategy A2:

Elevating Electrical and Electronics Industry

Strategy A3:

Diversifying Global Services

Strategy A4:

Accelerating Aerospace Industry Growth

Strategy A5:

Rejuvenating Creative Industry

Strategy A6:

Boosting the Recovery of Tourism Industry

Strategy A7:

Creating a Robust and Diversified Halal Industry

Strategy A8:

Intensifying Smart Farming Activities

Strategy A9:

Realising the Potential of Biomass Industry



Focus Area C: Boosting the Efficacy of the Financial Support

Strategy C1:

Advancing Technological Adoption

Strategy C2:

Elevating Sustainable Financing

Strategy C3:

Strengthening Malaysia as a Global Islamic Financial Centre

Strategy C4:

Increasing Financial Literacy and Awareness



Focus Area D: Strategising Industrial Estates and Food Production Areas

Strategy D1:

Enhancing Industrial Estates and Food Production Areas



Focus Area B: Driving Competitiveness for Sustainable Growth

Strategy B1:

Enhancing Technology Adoption and Digitalisation

Strategy B2:

Elevating Talent Acquisition

Strategy B3:

Strengthening Value Chain

Strategy B4:

Improving Governance Mechanism

Strategy B5:

Expanding Export Markets



Focus Area E: Breaking the Barriers for MSMEs to Scale Up

Strategy E1:

Unleashing the Potential of MSMEs, Cooperatives, Agriculture-Based Associations and Social Enterprises

Strategy E2:

Integrating MSMEs into Domestic and Global Supply Chain

Strategy E3:

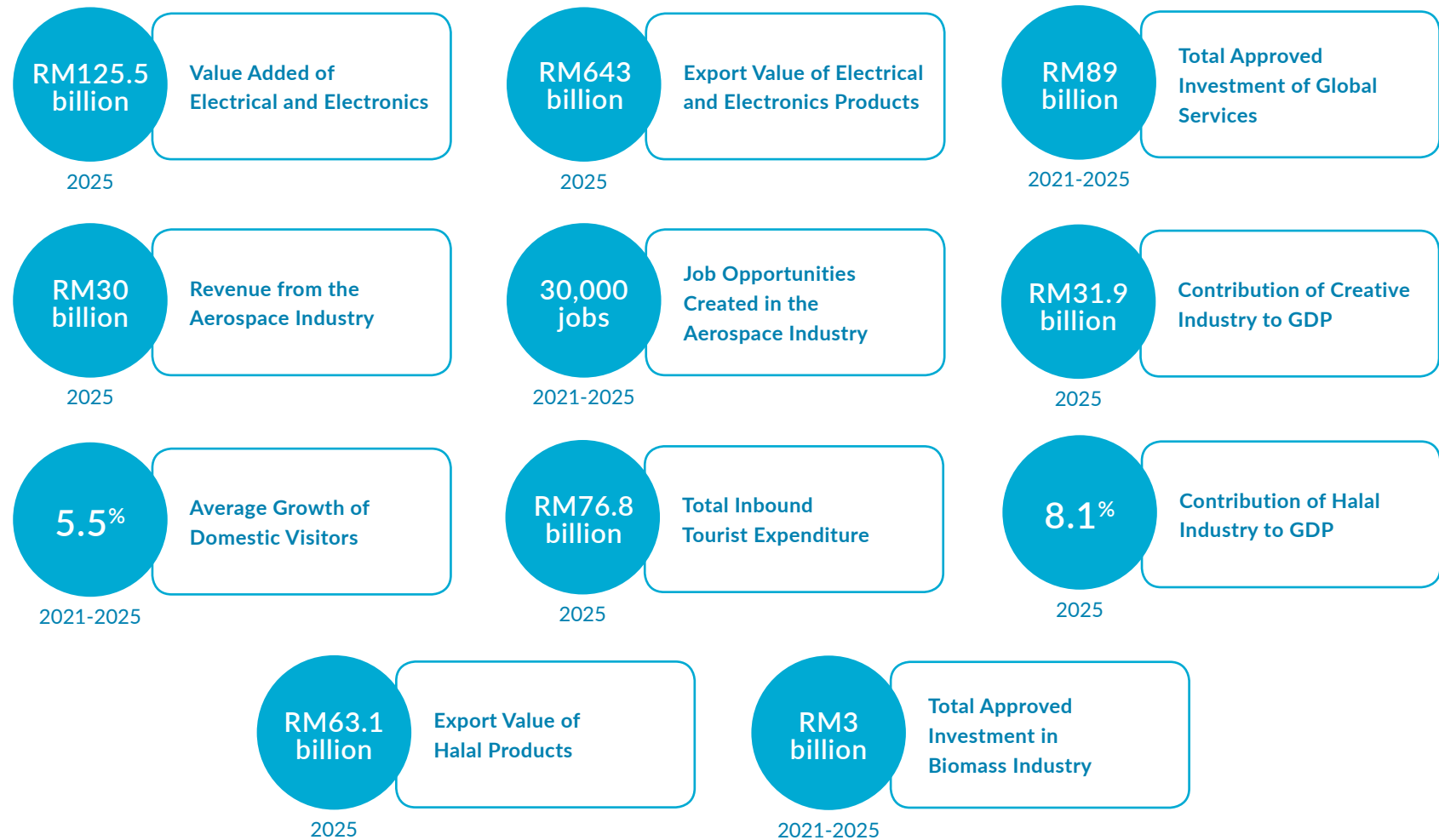
Improving Accessibility of Financing and Capacity Development Programmes

Strategy E4:

Accelerating Productivity Growth among MSMEs

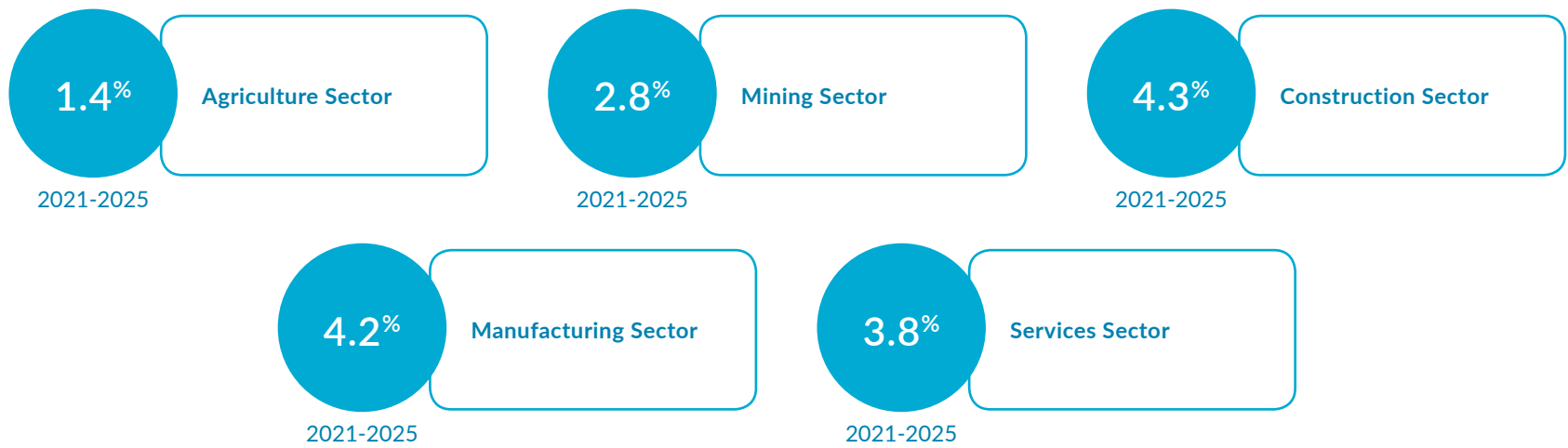
Selected Targets, 2021-2025

Strengthening Sectoral and Strategic Industries Resilience

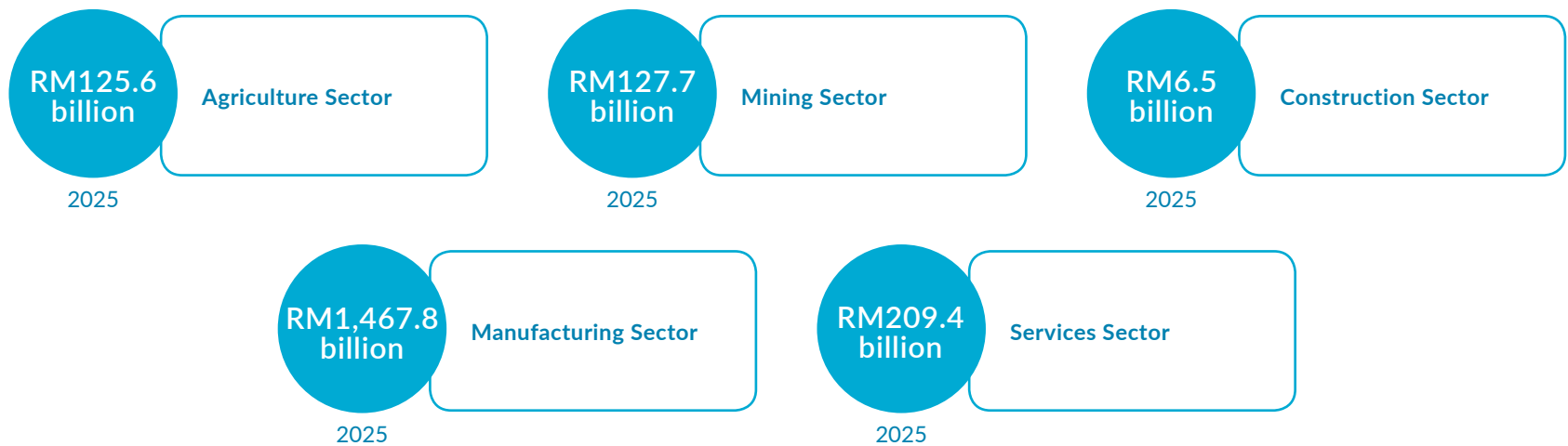


Driving Competitiveness for Sustainable Growth

Average Growth of Labour Productivity



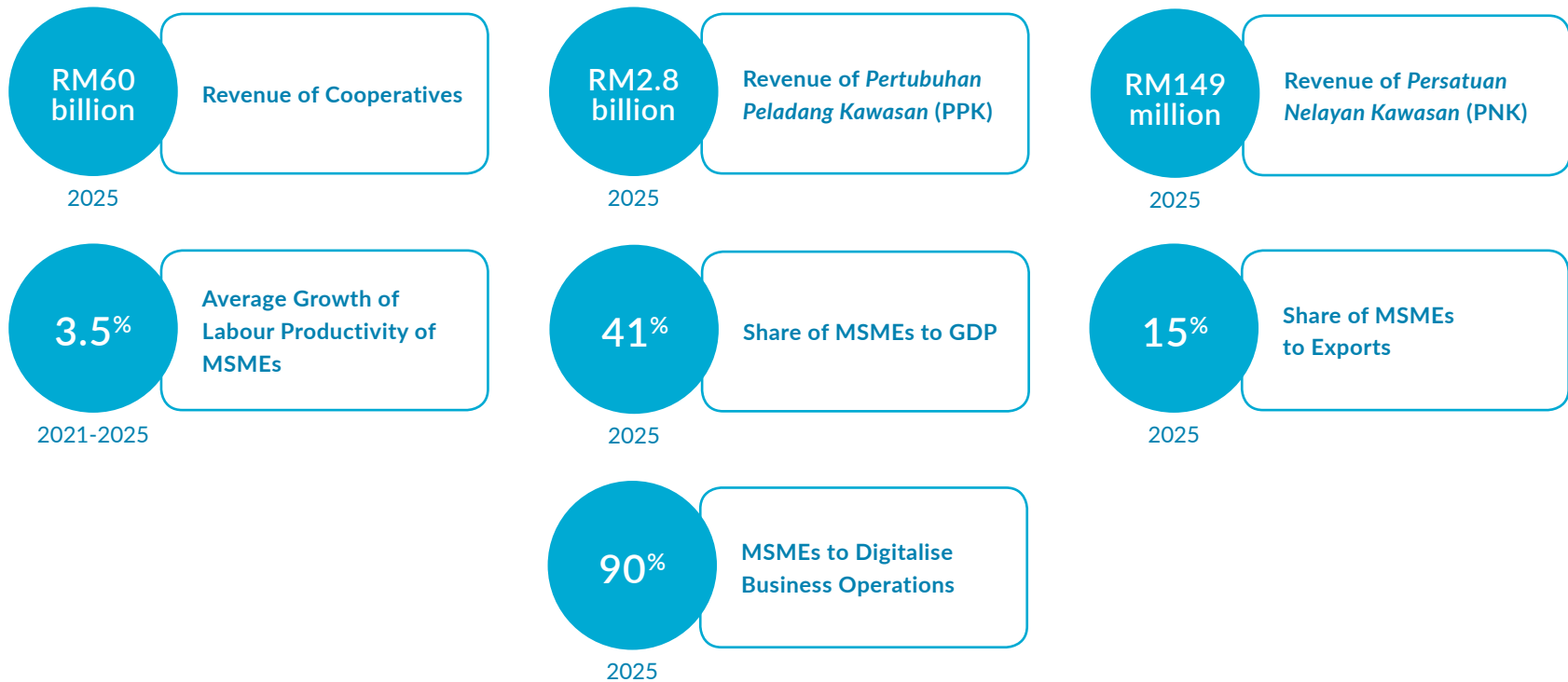
Total Exports



Strategising Industrial Estates and Food Production Areas



Breaking the Barriers for MSMEs to Scale Up



Focus Area A: Strengthening Sectoral and Strategic Industries Resilience

The development of economic sectors will focus on strengthening industries competitiveness to adapt to new global supply chain and generate economic growth. Future ready talent, technology adoption and innovation, quality investment on high-value activities and products, market expansion, governance and enabling ecosystem will be emphasised for improvement. Thus, strategies will be implemented by accelerating structural economic reforms and enhancing the growth of strategic industries. These include elevating E&E industry, diversifying global services, accelerating aerospace industry growth, rejuvenating creative industry, boosting the recovery of tourism industry, creating a robust and diversified halal industry, intensifying smart farming activities and realising the potential of biomass industry.

Strategy A1 Accelerating Structural Economic Reforms

Strategy A2 Elevating Electrical and Electronics Industry

Strategy A3 Diversifying Global Services

Strategy A4 Accelerating Aerospace Industry Growth

Strategy A5 Rejuvenating Creative Industry

Strategy A6 Boosting the Recovery of Tourism Industry

Strategy A7 Creating a Robust and Diversified Halal Industry

Strategy A8 Intensifying Smart Farming Activities

Strategy A9 Realising the Potential of Biomass Industry

Strategy A1: Accelerating Structural Economic Reforms

Transforming Manufacturing Sector

The manufacturing sector will be shifted towards smart manufacturing through advanced 4IR technology, skilled talent, high value-added activities and compliance to ESG to achieve industries resilience and stay competitive globally. The New Industrial Master Plan 2030 will provide a pathway in transforming the manufacturing sector. Measures will be undertaken to develop a robust supply chain and strengthen company readiness to adopt effective solution through market-proven technology. These measures will be spearheaded by MNCs and large local companies with related vendors and supported by private sector financing.

Accelerating Services Sector

In accelerating the services sector, efforts will be undertaken to boost tourism activities by encouraging the utilisation of digital technologies and streamlining regulations. The increase in tourism activities will have a trickle-down effect to other subsectors such as retail trade, food and beverage as well as accommodation. Furthermore, measures will be implemented to drive modern services subsectors¹ by enhancing digitalisation and strengthening collaboration among stakeholders. A comprehensive database on the professional services will be developed by consolidating and maintaining real time data. This initiative will be undertaken through collaboration among government agencies and industry players. Meanwhile, public-private partnership will be strengthened in improving medical facilitation and promoting private healthcare services. These efforts will enhance the competitiveness, thus accelerate the services sector.

¹ Consists of information & communication, finance & insurance, business services, private health services and private education services subsectors.

Elevating Construction Sector

In the construction sector, efforts will be undertaken to emphasise green building practices in addressing the sustainability concerns. The adoption of advanced material and construction technology will be further pursued to reduce energy consumption and operating costs. Meanwhile, workers will be trained to acquire necessary skills for the changing demands of the construction industry. These efforts will elevate the sector to be more efficient, environmentally conscious, and technologically advanced with skilled workforce.

Advancing Agriculture Sector

In the agriculture sector, focus will be shifted to strengthening food security and improving competitiveness of the agricommodity subsector. This will be achieved by intensifying smart farming activities across all subsectors including accelerating adoption of technologies, attracting talent, increasing participation of technology providers as well as expanding farm size to boost domestic production. Particular attention will also be given in embracing sustainable practices and adopting mechanisation and automation in plantation subsector to promote activities that combine sustainability and productivity. Specific efforts will be concentrated towards strengthening selected subsectors under agrofood, namely paddy, fruits and vegetables, fisheries and ruminant towards food security, as shown in Box 3-1.



Box 3-1

Strengthening Agrofood towards Food Security

Enhancing Domestic Production

The agrofood subsector remains important to ensure food security in Malaysia. According to Food and Agriculture Organisation of the United Nations, food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food. Despite increased local production, the supply of agrofood is still unable to meet local demand. This underpin the need for higher productivity to ensure food availability. According to data from the *Kajian Perancangan Guna Tanah Kawasan Sumber Makanan Negara*, land use for agrofood activities in the Peninsular Malaysia is at 0.9 million hectares in 2021. This constituted 16.3% of the 5.4 million hectares agricultural land in the Peninsular Malaysia, while the balance of 4.5 million hectares are for agricommodity, as shown in Table 1. Areas for paddy and fruits cultivation made up more than 70% of the total agrofood land use. The land use for agrofood is estimated to increase by 1.2% by 2025, contributed mainly by the increase in areas for vegetables and aquaculture. However, paddy areas are estimated to decrease by 1.4% in the same period.

Figure 1
Agriculture Land Use, 2021

Sector	Land Use (Hectares)
Overall Agriculture	5,356,141.1
Agricommodity	4,485,146.7
Agrofood	870,994.4
Paddy	378,840.7
Fruits	206,391.0
Vegetables	29,993.3
Livestock	29,932.8
Aquaculture	23,062.1
Other crops	202,774.5

Source: PLANMalaysia

In order to increase local production, the agrofood subsector needs to be transformed towards technologically driven, yet sustainable and resilient. Food availability relies on self-sufficiency that requires capital, manpower, technology, and efficient management to ensure higher productivity in food production. In the remaining Twelfth Plan period, emphasis will be given, particularly to subsector-specific strategies in order to boost productivity growth and address issues faced by the related subsectors.



Paddy

Demand for rice is expected to increase from 2.9 million metric tonnes in 2020 to 3.2 million metric tonnes in 2025. Production of rice is expected to reach above 3 million metric tonnes by 2025 with a total parcel area of 427,894 hectares. Measures will be undertaken to consolidate small paddy field, ensure adequate irrigation and drainage infrastructure as well as introduce new high yielding varieties and subsidies based on performance.



Fruits and Vegetables

Production of fruits and vegetables will be increased to meet domestic and export market demand. Focus will be on non-seasonal fruits and highland vegetables. The average self-sufficiency ratio (SSR) of fruits is expected to reach 106.5% in 2025 as compared to 100.2% in 2020, while the average SSR for vegetables is expected to reach 95.1% in 2025 as compared to 90.9% in 2020. Efforts will be focused on increasing productivity by developing fruit and vegetable clusters, rehabilitating of farms, strengthening contract farming arrangements and widening adoption of modern technologies. These will ensure consistent supply of fruits and vegetables.



Fisheries

In line with the *Dasar Agromakanan Negara 2021-2030 (DAN 2.0)*, focus will be given to reduce pressure on marine fisheries by increasing contribution of aquaculture to total fisheries production, from 20% in 2020 to 30% or 650,000 metric tonnes in 2025. In achieving this target, emphasis will be given in adopting modern equipment such as electronic feeding system, sensors and monitoring system that will enable fast and accurate decision making, reduce input wastages and prevent spread of diseases. These will improve overall productivity without compromising the quality of fish produce.



Ruminant

Efforts to enhance productivity of the ruminant subsector remain as a challenge partly due to low adoption of technology, high operation cost and limited economies of scale. Strategies will be concentrated to increase SSR of beef from 27.7% in 2020 to 50% in 2025, mutton from 16.1% to 30% and fresh milk from 64% to 100%. Focus will also be given on intensifying research in genetic enhancement and breeding techniques, improving feed formulations, strengthening dairy facilities as well as consolidating small-scale ruminant farms.

Redesigning the agrofood subsector requires not only shifting farm practices, adopting advanced technology and enhancing productivity, but also strengthening the ecosystem to facilitate the transformation. The end goal is to establish a resilient, inclusive, competitive and sustainable agrofood subsector in mitigating any future food security crisis.

Rejuvenating Mining Sector

The mining sector will be transformed towards sustainability and low carbon aspiration through advanced technology adoption as well as talent and holistic ecosystem development. In this regard, the oil and gas subsector will emphasise on future-proof digital transformation to achieve cost competitiveness along the value chain. Meanwhile, the adoption of carbon capture and storage (CCS) will unlock new investment opportunities in CCS-related activities and substantively reduce emissions in the oil and gas production.

The mineral subsector will be repositioned to be more competitive and sustainable. In this regard, detailed mapping of non-radioactive rare earths element (NR-REE) resources and a comprehensive business model which integrates the upstream, midstream and downstream of non-radioactive rare earths industry will be developed. These efforts are part of the initiatives under the Big Bold Rare Earths HGHV Industry. The business model will guide the development of a responsible mineral industry and become a new source of economic growth.

Strategy A2: Elevating Electrical and Electronics Industry

Establishing Pool of Future-Ready Talent

Local talent development programmes will be scaled up through strategic collaboration among relevant ministries and agencies, training institutions and industry to establish pool of future ready talent in E&E industry. Emphasis will be given on producing skilled talent in niche areas through harmonisation of curriculum and training modules that meet the industry needs. Efforts will be undertaken to increase front-end design engineers and enhance capability of researchers to attract foreign investors in conducting R&D activities in Malaysia.

Grooming Local Electrical and Electronics Companies as Leading Players in Front-End Activities

Local companies will be nurtured in front-end manufacturing activities to become major players in the global E&E value chain. The front-end manufacturing ecosystem will be enhanced to accelerate industry transition towards higher value chain, particularly in integrated circuit (IC) design, IC packaging, wafer fabrication, embedded system, testing service and

design engineering. These initiatives are part of the Big Bold High Value E&E HGHV Industry. In addition, specific investment missions will be organised for major players to attract quality investment prioritising on advanced technology into the country.

Strategy A3: Diversifying Global Services

Attracting High Quality Investments

Policies in attracting quality investments will be developed to attract talent, improve ease of doing business and facilitate energy requirement for the setting up of data centres. In this regard, a collaboration between the Federal Government and state governments will be strengthened to support the policy implementation. The existing tax incentives will be reviewed to be more systematic, flexible and investor friendly.

Establishing a Database for Global Services

A database for global services industry will be developed to enable data sharing among stakeholders. This database will provide end-to-end data with regards to the supply chain ecosystem, including classification codes for global services companies. In this regard, tracking and mapping on the priority areas will be undertaken through close coordination between the Federal Government and state governments to accelerate investment in global services.

Strategy A4: Accelerating Aerospace Industry Growth

Developing Framework for Aerospace Clusters

A framework will be formulated to serve as a point of reference in planning and developing new integrated aerospace clusters. This framework will support in achieving a balanced industry growth across five core areas, namely maintenance, repair and overhaul (MRO), aerospace manufacturing, engineering and design capabilities, research and technology, and human capital, as well as across regions. Greater engagement with relevant stakeholders will be undertaken towards the formulation and adoption of this framework, thus enabling a strategic promotion of the local aerospace industry capabilities.

Enhancing Training for Future Ready Talent

Talent gap in the aerospace industry will be addressed through training enhancement programmes by leveraging centre of excellence (COE). This involves introducing new modules, improving existing programmes and continuously developing trainers in the industry. An apprenticeship programme at the COE will also be implemented through a structured project that will enable industry-led skills mapping. These measures will address the specific skills required by the industry, investors, and the changes in technology.

Facilitating Maintenance, Repair and Overhaul

Administrative procedures for customs duties exemption on eligible MRO parts and components will be reviewed to be more simplified and facilitative in reducing cost of doing business. List of spare parts and components eligibility for duties exemption will also be reviewed to standardise the tax treatment at entry points. These measures will allow for a more simplified custom procedures for MRO in attracting investment and strengthening industry competitiveness.

Strategy A5: Rejuvenating Creative Industry

Strengthening Creative Industry Environment

Efforts will be undertaken to strengthen coordination and monitoring mechanism in aligning initiatives and programmes among ministries and agencies of creative industry. In this context, a study to strengthen the ecosystem of creative industry will be pursued. In addition, the establishment of creative industry satellite account will facilitate better policy planning and monitoring. Meanwhile, centralised big data analytics for creative industry will be developed to consolidate data from various sources. These measures will facilitate data driven initiatives, optimisation of resources and better monitoring of creative industry.

Producing Quality Creative Talent

Programmes to increase awareness on creative career pathways will be introduced. In addition, industry bridging programme with local and global digital content studios will be intensified to produce a creative talent pool. Furthermore, a feasibility study on the establishment of accreditation scheme for creative industry will be undertaken to recognise skills of the industry players.

Strategy A6: Boosting the Recovery of Tourism Industry

Driving Digitalisation

The usage of digital technologies in the tourism industry such as cashless payment systems, self-check-in applications and online bookings will be encouraged to reduce reliance on manual operations. In addition, tourism service providers, particularly in rural areas, will be trained to adopt digital technology in promoting products and services. Training on content creation and digital marketing will be provided to homestay operators in reaching out to a wider segment of the tourist market. Meanwhile, data derived from digital applications will be utilised to analyse tourist behaviour for better marketing and promotion strategies.

Improving Regulatory Framework

The Tourism Industry Act 1992 [Act 482] will be reviewed to ensure that the legislation and related regulations continue to be relevant, in line with the current development of the tourism industry and technological advancement. A collaborative effort among Federal and state agencies, as well as industry players will be enhanced to develop a legislative framework to govern the short-term rental accommodation entities and online travel agencies. These measures will ensure safety and interest of consumers are well protected and promote level playing field. In addition, Malaysia Tourism Excellence (MaTEx) certification, an industry-led initiative, will be reviewed to promote self-regulation in enhancing quality of tourism products and services.

Promoting Sustainable Tourism

The adoption of carrying capacity and limits of acceptable change in sensitive ecotourism sites will continue to be encouraged. Existing fee structure will be reviewed in reflecting actual costs of conservation and management incurred by the government to increase awareness on sustainable tourism among tourists. Nature-based tourism (NBT) will be promoted to capture high-value travellers, who usually stay longer and spend more, and have smaller environmental footprint. New tourist products and sites will be identified and developed to diversify offerings, disperse tourists and reduce overcrowding at environmentally sensitive tourism sites. Meanwhile, existing promotional and marketing strategies will be shifted to position Malaysia as a premier NBT destination, leveraging the beautiful landscape as well as diverse and rich cultural and heritage assets.

Strategy A7: Creating a Robust and Diversified Halal Industry

Ensuring Sustainability of Halal Talent

A proactive role will be undertaken in providing industry-specific training and certification programmes through the halal occupational framework. This initiative will also include the establishment of halal related NOSS and the development of an e-learning portal. Through this effort, the number of competent halal professionals and experts will be increased to support future development of the halal industry.

Improving Coordination among Stakeholders

The initiatives in the Halal Industry Master Plan 2030 will be implemented to better support the halal business ecosystem. In this regard, the implementation will involve better coordination among stakeholders, particularly in streamlining policy and legislation, enhancing infrastructure and logistics as well as improving processes and procedures. Better coordination will ensure a holistic development of the halal industry.

Leveraging Digitalisation

A halal digital platform will be established to serve as a centralised hub for halal-related data and services. This platform will facilitate application for certification, auditing and monitoring, and the exchange of data across the supply chain. In addition, public will easily get access to information with regard to halal certified products and services.

Strengthening the Position of Malaysia in the Global Market

Industry players will be encouraged to explore and tap potential new markets for halal products and services, in advancing Islamic economic development. In this regard, trade promotion will be expanded through new and existing programmes to penetrate non-traditional market and increase the demand for halal products and services. Meanwhile, standards for new halal products such as medical devices, modest fashion and pharmaceuticals will be developed to attract potential global traders. These efforts will boost halal exports, penetrate new markets, and position Malaysia in the forefront of the global halal market for these high-value products.

Strategy A8: Intensifying Smart Farming Activities

Facilitating Financing for Smart Farming

Access to financing for the agriculture sector will be further expanded to accelerate adoption of smart farming. In this regard, a comprehensive information on financing will be made available in a single platform. Through this platform, a mechanism to matchmake financing capabilities of farmers with suitable technology will be introduced to facilitate application. In addition, adoption of smart farming technology through private investment will be encouraged as one of the initiatives under the Big Bold HGHV Agriculture and Agro-Based Industry.

Attracting Talent in Modern Agriculture

Participation of youth in the agriculture sector will be intensified through dedicated apprenticeship programmes in collaboration with industry players. In this regard, promotion programmes will be targeted towards various career opportunities in the agriculture sector. In addition, financial assistance and training will be expanded to young agropreneurs venturing into activities related to production of food crops, livestock and fisheries as well as agro-based industry.

Facilitating Technology Providers

Technology providers will be encouraged to conduct complimentary on-site demonstration with farmers. In addition, incentives will be provided to technology providers based on technology capacity to boost productivity of farmers. This measure will encourage greater adoption of smart farming technology among farmers.

Strategy A9: Realising the Potential of Biomass Industry

Accelerating the Development of Biomass Feedstock Hub

Collaboration with the private sector will be intensified to establish biomass feedstock hub in ensuring a provision of more efficient aggregation and pre-treatment facilities. In addition, sharing of industry knowledge and best practices among players will be facilitated through training and transfer of technology. These efforts will accelerate the development of the hub and ensure sustainable supply of biomass feedstock.

Enhancing Financing and Investment Incentive

Special financial products will be introduced in collaboration with financial institutions to meet the needs of the biomass industry. Meanwhile, access to existing financing and incentives related to green initiatives will be better facilitated to accelerate growth of the biomass industry. These efforts will further promote investment in the biomass industry and accelerate the transition to a more sustainable and low carbon economy.

Focus Area B: Driving Competitiveness for Sustainable Growth

Competitiveness coupled with productivity growth will be pertinent in unlocking economic advancement, improving living standards, and fostering sustainable development. Five strategies will be undertaken in the remaining Twelfth Plan period, namely enhancing technology adoption and digitalisation, elevating talent acquisition, strengthening value chain, improving governance mechanism and expanding export markets. These efforts will foster innovation, drive better performance in productivity, improve competitiveness, as well as enhance economic growth and wellbeing of the *rakyat*.

Strategy B1

Enhancing Technology Adoption and Digitalisation

Strategy B2

Elevating Talent Acquisition

Strategy B3

Strengthening Value Chain

Strategy B4

Improving Governance Mechanism

Strategy B5

Expanding Export Markets

Strategy B1: Enhancing Technology Adoption and Digitalisation

Enhancing Data Integration for Private Healthcare

The private healthcare institutions will be encouraged to utilise the MyHDW system. This initiative will provide an integrated, interoperable and comprehensive data for healthcare services. The system will assist private hospitals in identifying specific services to be provided across the country, thus enable *rakyat* to get access to quality healthcare services.

Establishing Registry of Farmers

A registry on farmers, location, size of land, yield, types of produce and assistance received will be established. The registry will support improvement in decision making on allocation of assistance from output-based to outcome-based including rationalisation of subsidy. In this regard, the collection of the information through the Agriculture Census in 2024 will provide a comprehensive data for this registry.

Sustaining Indigenous Natural Gas Supply

As the upstream regulator, PETRONAS will continue to collaborate with industry players in enhancing adoption of advanced technologies in the upstream sector to unlock mature gas resources. These technologies, including the Enhanced Oil Recovery and High Pressure High Temperature, will be adopted for deepwater and marginal fields. Furthermore, the digitalisation of field operations will be further enhanced to improve supply chain and ensure lower cost of production. In addition, the deployment of CCS technology will provide opportunities to continue monetising depleted fields and enhance new investment in oil and gas services and equipment (OGSE) activities.

Accelerating Adoption of Advanced Technologies

The manufacturing sector will be transformed by adopting advanced technologies of Industry 4.0. New conditions in manufacturing licensing approval will be introduced to accelerate technology adoption. In addition, adoption of these technologies will be a prerequisite to apply for Government incentives. These measures will be a transformation catalyst for smart manufacturing and contribute towards improving production efficiency, lowering greenhouse gas (GHG) emissions and supporting supply chain resilience.

Strategy B2: Elevating Talent Acquisition

Accelerating Talent Development

The Academy in Industry (Ail) programme, as one of the initiatives under the Big Bold Future Ready Talent, will be a platform for greater government and industry collaboration. Ail will be implemented in all high-impact industries to boost productivity growth. Digital matching of applicants with potential employers according to the demand-based approach will be undertaken to encourage more participation. The participants of Ail will be trained according to the level of qualifications and skills. Focus will be given to industries with high productivity, competitive salary and wages, significant mismatch and high shortage of skilled workers.

In developing talent for the construction sector, *Akademi Binaan Malaysia* will be transformed into an international TVET institution offering training on high demand industrial skill sets such as Building Information Modelling (BIM), advanced IBS and the use of drone technology. Meanwhile, training programmes related to construction technology and innovation will be expanded to include courses on roads and highways as well as rails and slopes. This initiative will create a pool of skilled workers to meet the industry demand and increase the number of accredited subprofessionals. The implementation of these initiatives will continue to boost productivity growth in ensuring the sustainability of the construction sector.

Strategy B3: Strengthening Value Chain

Enhancing Supply Chain Management

The domestic supply chain will be enhanced by leveraging technological advancements, including track and trace using blockchain data and predictive analysis. The supply chain mapping exercise will be undertaken to increase sectoral integration and facilitate decision making. These measures will contribute to the development of a robust supply chain management system to support domestic and global value chain. These will also mitigate any disruptions to business operation and limit its impact to the economy.

Minimising Post-Harvest Losses

The productivity potential will be increased by focusing on minimising post-harvest losses. In this regard, the requisite support and infrastructure facilities along the supply chain will be improved. A comprehensive Surveillance and Intervention Supply Demand Agrofood (SISDA) system will be utilised to monitor the supply and demand of agrofood along the supply chain.

Intensifying Mechanisation and Automation

Efforts will be intensified to advance technology integration in farming operations of agricommodity subsector, including application of robotics, drones, AI and digitalisation. Adoption of technologies in the upstream activities will attract local workers to involve in farming operations, which is synonymous with 3D (dirty, dangerous and difficult) jobs. These cutting-edge technologies have the potential to revolutionise traditional farming practices, thus increasing productivity levels, while reducing dependency on labour. These efforts will drive the agricommodity subsector towards greater competitiveness and sustainability.

Strategy B4: Improving Governance Mechanism

Strengthening Policy Framework for Mineral Development

The National Mineral Policy 2 will be reviewed, as one of the initiatives under the rare earths Big Bold, to drive the development of the mineral industry holistically based on sustainable and responsible principles. The review will emphasise on R&D&C&I and set the directions on the development of five strategic minerals, namely NR-REE, bauxite, tin, silica and kaolin. The revision of the policy will contribute in enhancing growth of the mineral industry as targeted under the National Mineral Industry Transformation Plan 2021–2030.

Expanding the Coverage of Productivity Nexus

The Productivity Nexus will be expanded to several other industries to improve programmes at the sectoral level. In this regard, close collaboration with industry associations will be further undertaken to establish the nexus governing committee to develop productivity improvement initiatives. In addition, the role of existing nexus will be strengthened to support the transformation of the manufacturing sector, including in high value E&E industry and specialty chemicals manufacturing. The expansion of nexus will accelerate development of skilled talent, adoption of technology and productivity growth.

Enhancing Adoption of Green Practices

The adoption of ESG in the manufacturing sector will be enhanced to achieve the aspiration of net-zero GHG emissions as early as 2050. In this regard, a guide on the implementation and improvement of ESG practices within organisations will be developed. The guide will specify the requirements on establishing, maintaining, reviewing and improving ESG practices.

A national OGSE sustainability roadmap will be developed to promote adoption of sustainability practices among OGSE companies. Simplified sustainability reporting standards, specifically designed for small and medium-sized OGSE enterprises will be formulated to enhance transparency, consistency, and comparability of ESG reporting across all OGSE companies. This initiative will encourage more OGSE companies to comply with sustainability practices and be eligible for competitive financing.

Sustainable green practices in the agriculture sector will be intensified. In this regard, a baseline study will be conducted to develop a low carbon agriculture modelling, pioneering on the paddy subsector. The study will recommend solutions to reduce carbon footprints, as one of the initiatives under the agriculture Big Bold, as well as formulate verification framework to assess carbon credit.

Efforts will be intensified to strengthen enforcement and expand acceptance of industry standards, such as the Malaysian Sustainable Palm Oil (MSPO), Malaysian Timber Certification Scheme (MTCS), and Malaysian Sustainable Natural Rubber (MSNR). Plantation subsector will be further encouraged to enhance the adoption of the ESG principles, towards achieving a low carbon and climate-resilient economy. These initiatives will enhance sustainability practices in the agricommodity subsector and reinforce Malaysia's position as a responsible global player.

Formulating National Natural Gas Roadmap

The competitiveness of domestic gas market will be boosted to encourage trading activities and leverage opportunities to be a regional gas market hub. In this regard, a national natural gas roadmap will be developed which comprises short-, medium-, and long-term strategic directions of the gas industry as well as a framework for establishing Malaysia as a regional gas market hub. Meanwhile, a delivery unit will be established to strengthen coordination among stakeholders and drive the implementation of the roadmap.

Strategy B5: Expanding Export Markets

Facilitating Market Penetration

A collaboration with trade commissioners from various countries will be established to educate and facilitate local businesses in penetrating foreign markets. This collaboration will enable local businesses in gaining information on international markets and fostering relationships with foreign partners. In addition, a structured monitoring and evaluation

mechanism will be developed to assess current programmes to ensure significant impact at international level, including the Enhanced Franchise Development Programme and Access to Retail Programme.

The SMPPs will be encouraged to form consortiums in leveraging the FTAs. These consortiums will offer a comprehensive set of customised services to improve business competitiveness. This initiative will provide more opportunities for SMPPs to venture into new international markets.

Private hospitals and hotels will be encouraged to establish more strategic partnerships in developing and commercialising premium wellness packages nationwide. In addition, advanced technology in the areas of health, such as genomics, predictive analysis and precision medicine will be incorporated into the wellness packages. These initiatives will create a niche market and promote Malaysia as a preferred medical tourism destination.

Focus Area C: Boosting the Efficacy of the Financial Support

The Government remains committed to ensure the financial sector is robust to provide support for economic growth. Measures will be undertaken in boosting the efficacy of the financial sector to create a strong, stable and progressive financial system. These include advancing technological adoption, elevating sustainable financing, strengthening Malaysia as a global Islamic financial centre as well as increasing financial literacy and awareness.

Strategy C1 **Advancing Technological Adoption**

Strategy C2 **Elevating Sustainable Financing**

Strategy C3 **Strengthening Malaysia as a Global Islamic
Financial Centre**

Strategy C4 **Increasing Financial Literacy and Awareness**

Strategy C1: Advancing Technological Adoption

Embracing Digitalisation to Enhance Competitiveness and Transparency

Measures will be undertaken to allow greater technological adoption by improving critical ecosystem enablers and shared infrastructures as well as removing impediments to data accessibility. Efforts will also be made to further foster innovative digital solutions and deepen the FinTech ecosystem through liberalisation of alternative financing avenues as well as enhancement of targeted capacity building and talent development programmes. In addition, greater cost transparency will be promoted to address medical claims inflation for a more sustainable insurance and takaful for medical and health. These initiatives will support the development of an innovative financial sector, benefitting consumers through more diverse options, better customised services and lower cost.

Preparing Future Talent

The talent ecosystem will be further developed with strong industry-led initiatives to prepare the workforce of the future with the right skillsets and competencies. In this regard, the roles of industry associations, training providers and professional bodies will be strengthened in identifying talent development and skills needed to future-proof the workforce of the financial sector. These initiatives will address the growing needs for a workforce with strong digital skills and acumen to be in line with the financial sector transformation.

Reducing Cyber Risks and Combatting Financial Scams

Efforts will continue to be undertaken to enhance digital literacy and cyber hygiene practices among financial consumers to protect from online threats. Collaboration with industry associations, law enforcement agencies and government bodies will be pursued in raising cyber security awareness among consumers to protect data and digital devices. In order to support greater technology adoption and ensure consumer protection, a regulatory framework on management of technology risks for capital market entities will be rolled out as guidance in improving cyber resilience. Measures will be undertaken to safeguard and strengthen cyber security ecosystem in the financial industry by promoting standardisation in cyber resilience terminology at the national level as well as facilitating specialised cyber

security training and certification. Reforms to better protect consumers will also be accelerated by enacting consumer credit act and amending the Personal Data Protection Act 2010.

Strategy C2: Elevating Sustainable Financing

Aligning Incentives

A comprehensive study will be undertaken to review and streamline government incentives to benefit more domestic investors. Matching grants will be gradually reduced and replaced with other incentives, including interest rate subsidy. This measure will ensure a conducive and competitive investment ecosystem. Financial incentives for the construction sector will be strengthened to cover every stage in the ecosystem, from planning to demolition, to promote advanced technology adoption. In this regard, companies investing in BIM, IBS-related machinery and equipment as well as construction technology and innovation will be given priority to receive financial incentives.

Advancing Sustainable Financing and Strengthening Ecosystem for ESG

Strong inter-agency collaboration will be pursued to ensure alignment of financial sector response with the national strategy to achieve net-zero GHG emission targets. This includes calibrating fiscal incentives to encourage green financial solutions and new instruments. Internal competence and awareness within the financial sector will be enhanced to promote sustainability in the financial operations.

Initiatives will be undertaken to extend current engagements and capacity building within the financial sector to consider nature-related financial risks in implementing strategies and actions as well as identify opportunities in strengthening climate resilience. In the capital market, the Sustainable and Responsible Investment (SRI) strategic priorities will be identified to ensure a more conducive SRI ecosystem. The technical screening criteria for key economic sectors will be developed with the establishment of the SRI Taxonomy Plus Standards. Meanwhile, relevant guidelines will be amended to incorporate ESG into advisory services of financial planners and unit trust consultants. In addition, a guidance on ESG considerations and due diligence for investments in private markets and alternative capital market segments will be introduced.

Strategy C3: Strengthening Malaysia as a Global Islamic Financial Centre

Strategising Development for Islamic Finance and Capital Market

Initiatives will be undertaken to promote greater penetration of retail and institutional investors into the Islamic fund management industry. A framework will be introduced to expand the breadth and depth of Islamic fund management products as well as promote greater awareness of the Islamic finance. The Islamic finance ecosystem in Malaysia will be strengthened by establishing the Malaysia International Islamic Financial Centre (MIFC) Leadership Council, modernising Shariah contract applications to drive impactful innovations as well as strengthening ecosystem enablers to advance Islamic economic development. These efforts are part of the initiatives under the Big Bold Fiscal Sustainability and Financial System.

The entire ecosystem with a strong industry leadership will be aligned to realise the full potential of Islamic finance and further promote 'value-based growth', characterised by progressiveness, sustainability and inclusivity. A guide to promote the application of *Maqasid al-Shariah* principles in the capital market will be introduced to achieve a balance between economic development and societal good, in alignment to the Malaysia MADANI aspiration. This guide will effectively include ESG elements into assessment criteria of the Shariah screening, provide a source of reference to stakeholders and promote growth of SRI instruments.

Strategy C4: Increasing Financial Literacy and Awareness

Enhancing the Role of the Financial Education Network

The role of FEN to improve financial education initiatives will be enhanced by enlarging strategic partnerships, improving awareness through digital platforms and establishing a research ecosystem. In addition, the FEN Programmatic Roadmap will be further pursued to elevate the financial capability of consumers, aligned with the National Strategy for Financial Literacy 2019-2023. These initiatives are crucial to empower and protect consumers.

Focus Area D: Strategising Industrial Estates and Food Production Areas

The role of industrial estates and food production areas is important for a balanced industrial growth and attracting investment. Measures will be undertaken to better plan, coordinate and manage IEs and FPAs. In this regard, focus will be given on enhancing industrial estates and food production areas as growth catalysts.

Strategy D1

Enhancing Industrial Estates and Food Production Areas

Strategy D1: Enhancing Industrial Estates and Food Production Areas

Developing a Guideline for Industrial Estates Planning and Management

A guideline will be developed to streamline industrial estates management. A Geographical Information System based dashboard will be developed as a tool to map the development of industrial estates. The utilisation rate of industrial estates will be monitored effectively through this dashboard. These measures will enhance industrial estates management and assist potential investors in identifying suitable locations for investment.

Expanding Farm Size for Economies of Scale

The farm size of dedicated food production areas will be expanded for economies of scale to ensure better adoption of modern technologies and optimise operational costs. A comprehensive mechanism in financing and managing the food production areas will be formulated through collaboration between the Federal and state governments. In addition, utilisation of fragmented land belonging to smallholders will be managed through collaboration between farmers with farmers associations and cooperatives. Meanwhile, implementation of *Program Inisiatif Usahawan Tani* (INTAN) under *Inisiatif Pendapatan Rakyat* (IPR) will be expanded and agro-based industry will be diversified as two initiatives under the agriculture Big Bold.

Focus Area E: Breaking the Barriers for MSMEs to Scale Up

Focus will be given in ensuring MSMEs stay competitive and resilient by breaking the barriers to grow and scale up. Several areas will be strengthened to achieve the set targets, particularly in increasing productivity and exports. Therefore, efforts in unleashing the potential of MSMEs including cooperatives, agriculture-based associations and social enterprises, integrating MSMEs into domestic and global supply chain, improving accessibility to financing and capacity development programmes, and accelerating productivity growth among MSMEs will be undertaken. These measures will ensure MSMEs regain the growth momentum, and stay vibrant and progressive.

Strategy E1

Unleashing the Potential of MSMEs, Cooperatives, Agriculture-Based Associations and Social Enterprises

Strategy E2

Integrating MSMEs into Domestic and Global Supply Chain

Strategy E3

Improving Accessibility of Financing and Capacity Development Programmes

Strategy E4

Accelerating Productivity Growth among MSMEs

Strategy E1: Unleashing the Potential of MSMEs, Cooperatives, Agriculture-Based Associations and Social Enterprises

Adopting a Targeted Approach in Scaling Up MSMEs

Policies will be targeted to ease access to financing, skills and technology in scaling up MSMEs. These policies will increase efficiency of the enterprises and industries that have the potential to grow. Efforts will be undertaken to strengthen and consolidate growth-facilitating assistances

to scale up firms, including for smart ventures among the industries as one of the initiatives under the Big Bold Empowering MSMEs and Social Enterprises. The scaling up of MSMEs will accelerate productivity to achieve inclusive growth and enable businesses to evolve and grow.

Transforming Cooperatives, Agriculture-Based Associations and Social Enterprises as Catalysts for Socioeconomic Growth

Continuous efforts will be undertaken to strengthen and advance cooperatives and agriculture-based associations as well as informal sector. These efforts include creating a more inclusive ecosystem and comprehensive value chain as well as enhancing the capacity of these entities to grow and increase competitiveness. Measures will also be undertaken to enhance the social enterprise landscape to move it from its current nascent stage to the entrepreneurial mainstream. Therefore, strategic programmes will be conducted to promote innovation in social entrepreneurship projects through collaboration between the academia and industry, as another initiative under the MSMEs Big Bold. In addition, impact measurement tools will be introduced to ensure a sustainable social enterprise business model. These will enrich cooperatives and agriculture-based associations as well as mainstream social enterprises and informal sector to become catalyst for socioeconomic growth.

Strategy E2: Integrating MSMEs into Domestic and Global Supply Chain

Accelerating Integration of MSMEs into the Supply Chain

The integration of MSMEs into domestic and global supply chain through business linkages, supply chain financing and use of trading houses will be further promoted, as one of the initiatives under the MSMEs Big Bold. In this regard, market expansion of highly competitive MSMEs into the ASEAN and global markets will be facilitated through export assistance and trade advisory services such as on quality accreditation, certification requirements and procedural guidance. Meanwhile, participation of MSMEs in the Government procurement and domestic supply chain of large enterprises as well as multinational companies will be intensified through the creation of demand driven products and services. These measures will ensure effective participation in the supply chain in accordance with the changing global trends, as shown in Box 3-2.

Box 3-2

Strengthening MSMEs Position in the Global Supply Chain

MSMEs must participate effectively in the global supply chain, which links firms across countries for greater market access, new technology adoption, lower cost of production and an efficient business operation to increase their growth productivity and competitiveness. Role of MSMEs is critical in building a strong base of suppliers to support the growth of targeted industries in the country. Availability of a strong local supply base will make anchor companies less susceptible to move elsewhere in search of lower costs. Meanwhile, dynamic local suppliers among MSMEs help the buyers become more innovative and move up their value chain.

However, participation of MSMEs in the global supply chain is minimal due to the poor production linkages with larger firms. Findings of MSME Survey 2023 by SME Corporation Malaysia indicates that these linkages were weakest in the production and supply of output, where only 20.8% of MSMEs supply products and services to large firms in Malaysia. This finding suggests that large firms are likely inclined towards importing inputs while maintaining a poor backward linkage with MSMEs.

Poor participation of MSMEs in the supply chain is attributed to various deficiencies that affect their competitiveness such as not offering the product and services required by buyers, unable to meet specific request of customers, low quality products and services and low cost competitiveness

compared to imports. Building a healthy and robust supply chain ecosystem will increase the resilience of the domestic economy. Measures proposed to increase MSMEs participation in global supply chain include:

- Provision of targeted assistance for MSMEs to increase exports through market intelligence, capacity building as well as enhancement of supply chain financing and guarantee schemes;
- Implementation of supplier development programmes including specific accreditation and certification assessment to build the capacity of the MSMEs;
- Creation of proactive measures through broadcasting requirements on local sourcing by foreign investors prior to realisation of investments; and
- Development of a structured and holistic ESG ecosystem for MSMEs to increase their value proposition in the domestic as well as global supply chain.

Strong participation of MSMEs in the supply chain will transform firms into high-growth entities, characterised by higher concentration of knowledge and technology. Simultaneously, resources will be reprioritised for better distribution of funding assistance. Increasing the number of these entities will result in high value-added to the economy as well as high-paying jobs in the future.



Facilitating Compliance to ESG Requirements

A comprehensive framework comprising guidelines, standards, incentives and financial assistance will be developed to accelerate the adoption of ESG. MSMEs will be equipped with the knowledge and understanding on ESG through capacity development programmes and information sharing platforms. ESG compliance will accelerate participation of MSMEs in domestic and global green supply chains.

Strategy E3: Improving Accessibility of Financing and Capacity Development Programmes

Promoting Alternative Financing

Market-based financing such as venture capital, equity crowdfunding and peer-to-peer financing will be promoted as one of the initiatives under the MSMEs Big Bold. In addition, efforts will be undertaken to encourage institutional investors to invest in MSMEs through financial instruments, such as mutual funds, hedge funds and pension plans. Continuous efforts will be undertaken to facilitate access to financing for MSMEs with limited financing options. Among others, alternatives to traditional collateral-based lending, namely collateral registries and intellectual property monetisation will be further promoted.

Streamlining Information on Capacity Development Programmes

In reducing fragmentation and duplication of MSME programmes, the SME Integrated Plan of Action (SMEIPA) will be enhanced to ensure better planning, tracking, monitoring and assessment. Specific programmes will

be implemented to educate MSMEs on the alternative financing processes, associated benefits, risks and typical deal structure. These efforts will enable MSMEs to obtain suitable and necessary capacity development programmes and timely assistance in scaling up operations.

Strategy E4: Accelerating Productivity Growth among MSMEs

Capitalising on Technologies and Digitalisation

The MSMEs will be facilitated in capitalising on technologies and digitalising business operations, as one of the initiatives under the MSMEs Big Bold, to improve productivity and become more competitive. A national business digital adoption index will be established to measure the adoption rate amongst the various sizes of businesses. In addition, efforts will be continued to facilitate greater involvement of HEIs, research institutes and industries to accelerate R&D and innovation activities.

Attaining Critical Talent in Supporting Business Growth

Efforts to increase skilled talent and upskill existing talent will be intensified through the development of a MSMEs talent management framework. Measures will be undertaken to identify new needs of MSMEs as well as encourage collaboration between MSMEs with HEIs and industry experts in developing and harmonising training modules. These modules will focus on strengthening human capital development within the MSME workforce. Meanwhile, MSMEs will also be facilitated to conduct upskilling and reskilling training through Ail programme. These efforts will address critical talent gaps and skills mismatches to support business growth.

Conclusion

During the review period of the Twelfth Plan, various measures have been implemented in resetting the economy. These measures have recorded progressive growth in several areas in restoring the growth momentum of economic sectors and propelling the growth of strategic and high impact industries and MSMEs. Nonetheless, the economy has not fully recovered from the impact of COVID-19 and still lagging behind in terms of competitiveness due to lack of significant structural economic reforms. In the remaining Plan period, the focus will continue on boosting economic resilience for a sustainable growth. Strategic measures will be implemented in spearheading structural reforms by strengthening sectoral and strategic industries resilience, driving competitiveness for sustainable growth, boosting the efficacy of the financial support, strategising industrial estates and food production areas and breaking the barriers for MSMEs to scale up. These strategies will be the catalyst towards transforming Malaysia as a regional leader in HGHV in achieving the aspiration of '*Ekonomi MADANI: Memperkasa Rakyat*'.



Chapter

4