



Progressing towards Regional Balance

Introduction	5-2
Progress, 2021-2022	5-3
Performance of Selected Targets	5-3
Achievement by Priority Area	5-8
Priority Area A : Optimising Regional Economic Potential	5-8
Priority Area B : Developing Sustainable Cities	5-9
Priority Area C : Transforming Rural Areas to Bridge Development Gap	5-10
Priority Area D : Solidifying Provision of Infrastructure	5-10
Priority Area E : Optimising Economic Potential	5-11
Priority Area F : Improving Access to Social Services	5-12
Priority Area G : Enhancing Inclusive Development	5-13
Priority Area H : Strengthening Cooperation between the Federal Agencies and State Governments	5-13
Issues and Challenges	5-14
Imbalanced Regional Development	5-14
Low Level of Urban Resilience	5-14
Developmental Constraints in Rural Areas	5-14
Ineffectiveness in Leveraging Opportunities from Subregional Cooperation	5-15
Challenges in Development of Sabah and Sarawak	5-15
Way Forward, 2023-2025	5-16
Selected Targets, 2021-2025	5-17
Focus Area A : Enhancing Regional Economic Potential	5-21
Focus Area B : Accelerating Sustainable Urban Development	5-22
Focus Area C : Intensifying Rural Development	5-23
Focus Area D : Optimising Opportunities from Subregional Cooperation	5-25
Focus Area E : Intensifying Development in Sabah and Sarawak	5-26
Conclusion	5-29

Introduction

Regional balance and inclusion are pertinent to ensure equitable socioeconomic development. During the review period of the Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan), measures were undertaken to optimise regional economic potential, develop sustainable cities, transform rural areas, and enhance socioeconomic development of the less developed states, including Sabah and Sarawak. Nevertheless, the challenges to narrow development gaps among regions and states as well as rural and urban areas still persist and need to be addressed towards achieving regional balance.

In the remaining Twelfth Plan period, focus will be on enhancing regional economic potential, accelerating sustainable urban development and intensifying rural development. In addition, optimising opportunities from subregional cooperation and intensifying development in Sabah and Sarawak will also be given emphasis. These efforts will reduce imbalances among regions and states, while promoting equitable growth and enhancing the wellbeing of the *rakyat*. Measures will also be undertaken to accelerate the implementation of green growth initiatives, particularly in Sabah and Sarawak in pursuing socioeconomic development and environmental sustainability.

Progress, 2021-2022

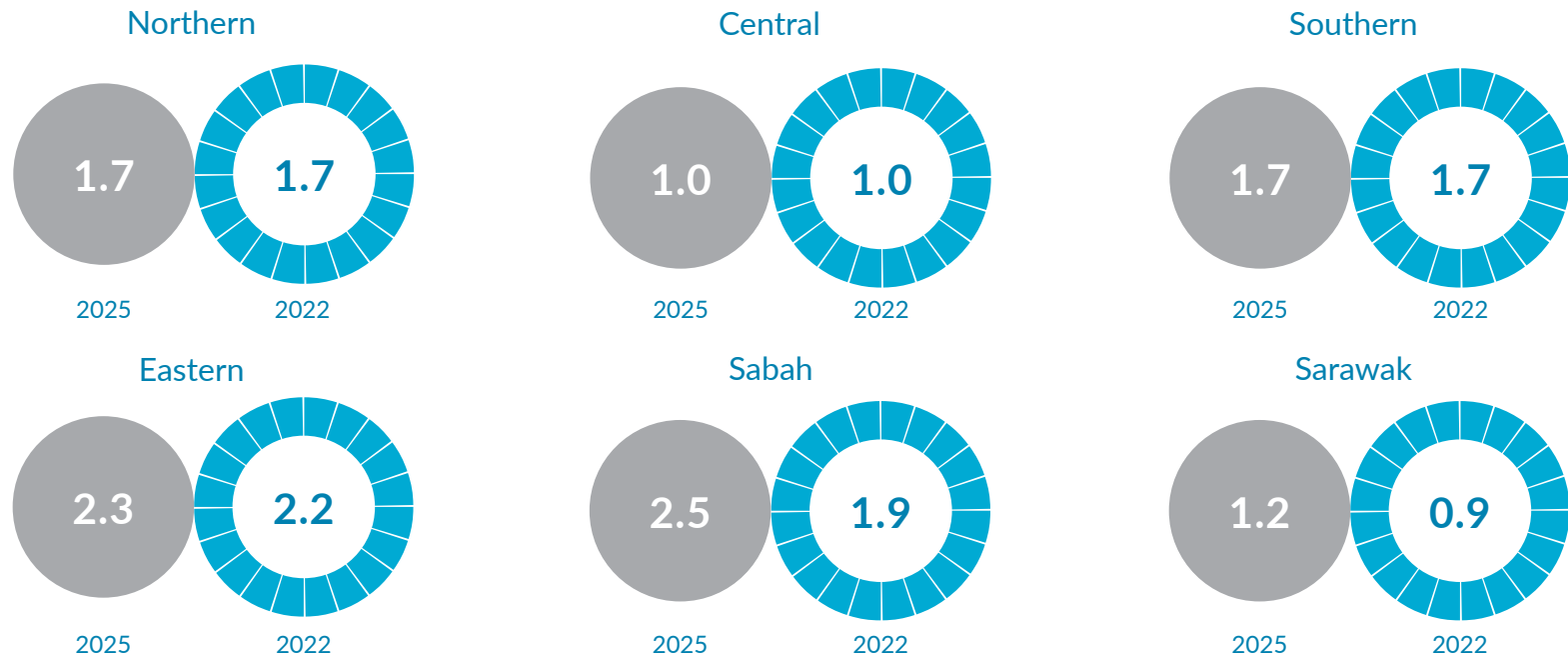
A total of 43 targets were set in the effort to improve regional balance and inclusion, including enhancing socioeconomic development in Sabah and Sarawak. Out of the 43, 10 targets were achieved and 33 are on track during the 2021-2022 period. The performance of these targets is as shown in *Exhibit 5-1*.

Exhibit 5-1

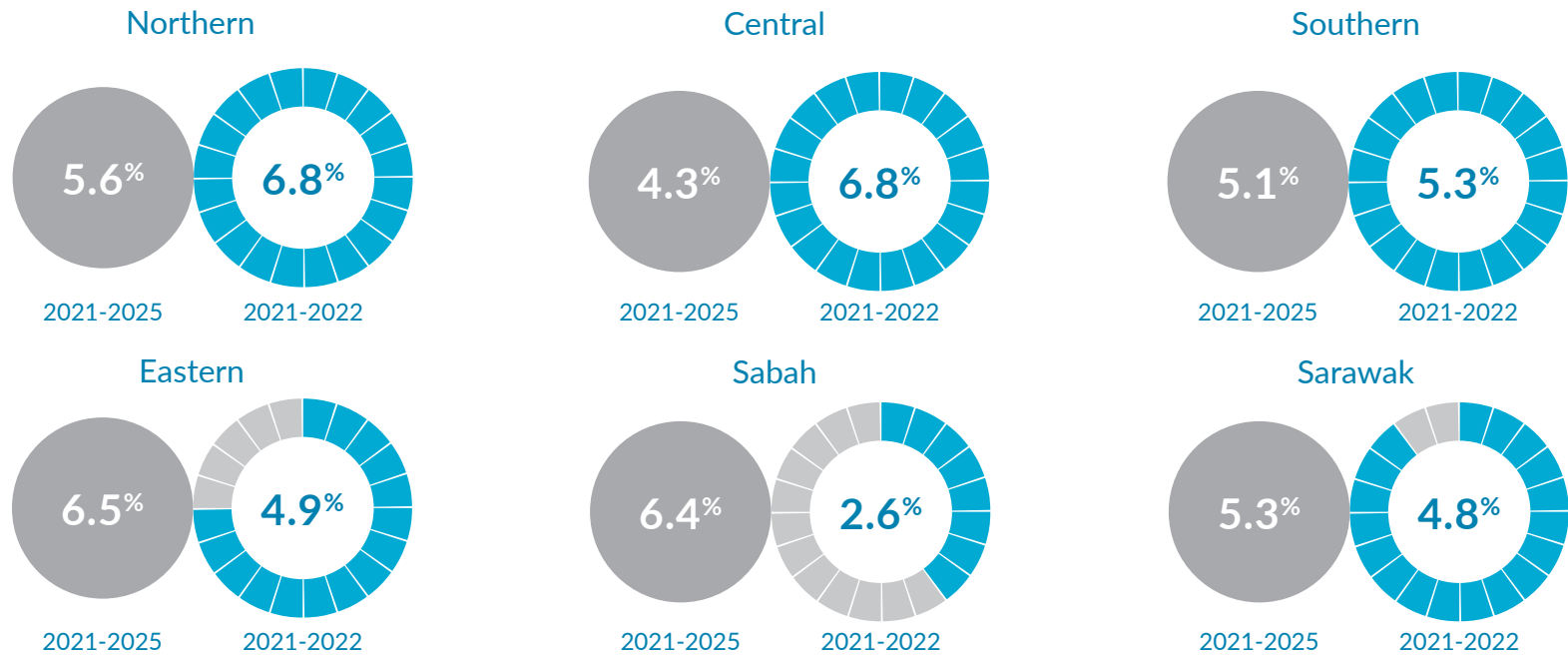
Performance of Selected Targets

Optimising Regional Economic Potential

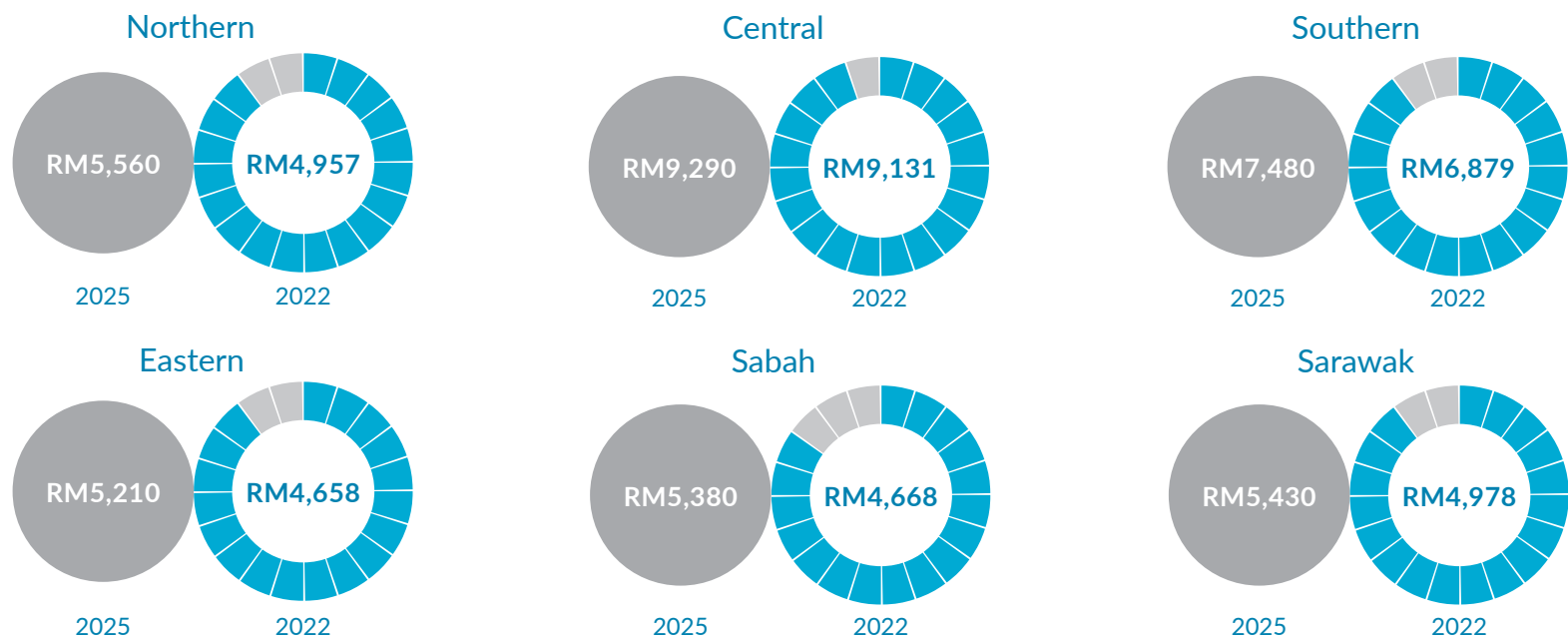
Region GDP per Capita Ratio to Central Region



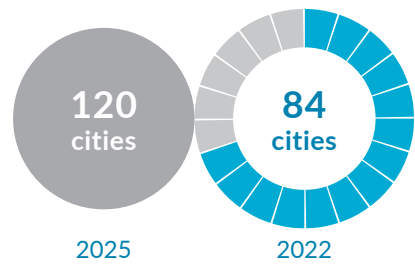
Average GDP Growth



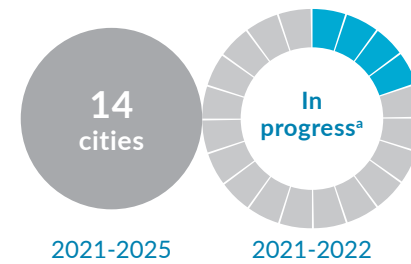
Median Monthly Household Income



Developing Sustainable Cities

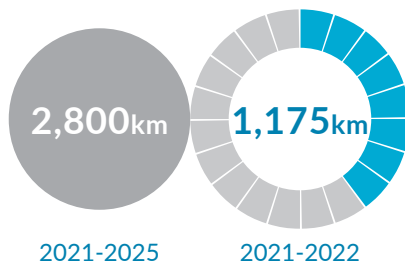


Achieve Sustainable City Status based on MURNInets

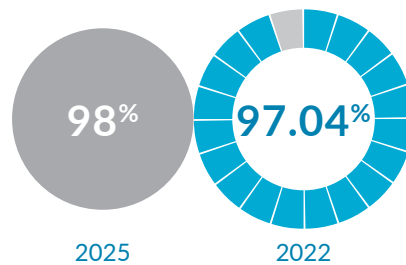


Implement Green City Action Plan (GCAP) under IMT-GT and BIMP-EAGA Platforms

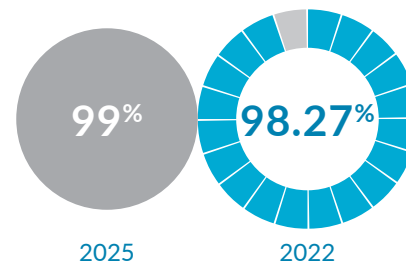
Transforming Rural Areas



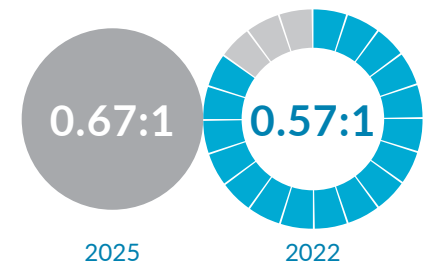
Constructing and Upgrading Rural Paved Roads



Coverage of Access to Clean and Safe Water



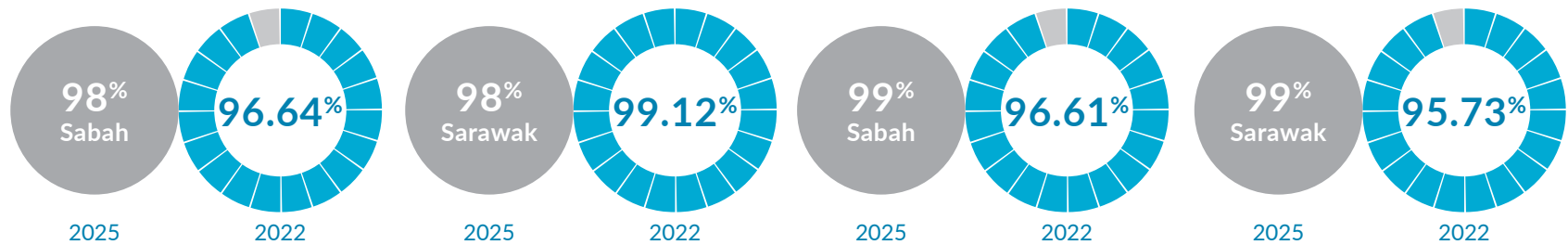
Coverage of Access to Electricity



Rural-Urban Income Ratio

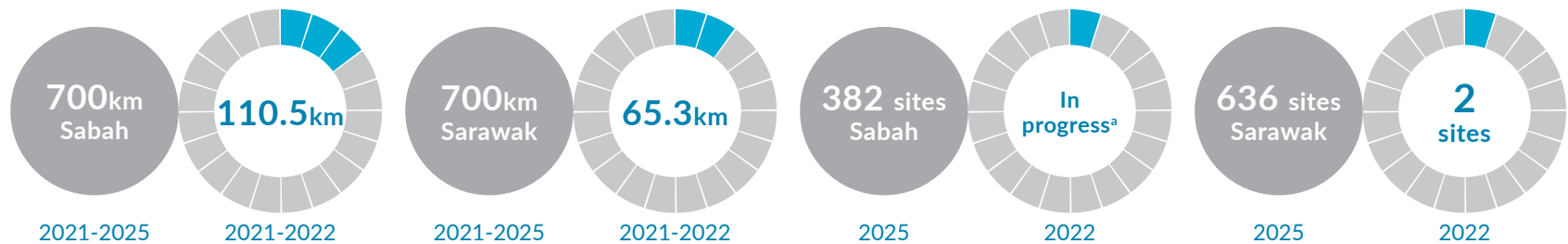
Note: ^aGCAP initiated in three cities, namely, Kota Bharu, Kuching and Langkawi.

Solidifying Provision of Infrastructure



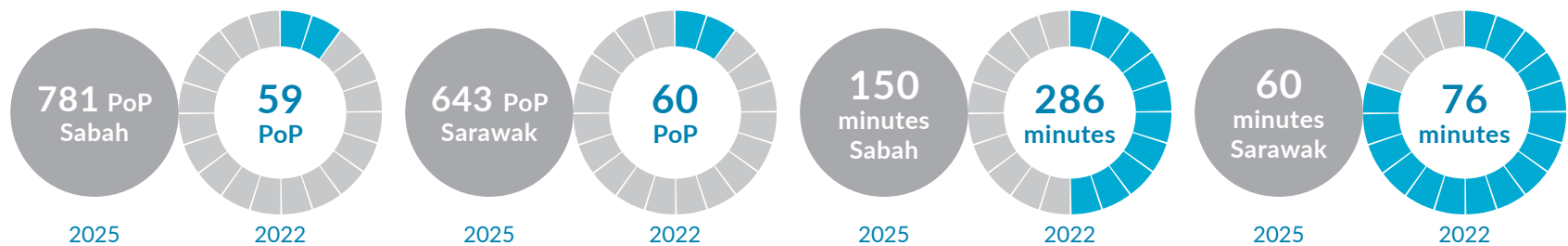
Coverage of Access to Clean and Safe Water

Coverage of Access to Electricity



Constructing and Upgrading Rural Paved Roads

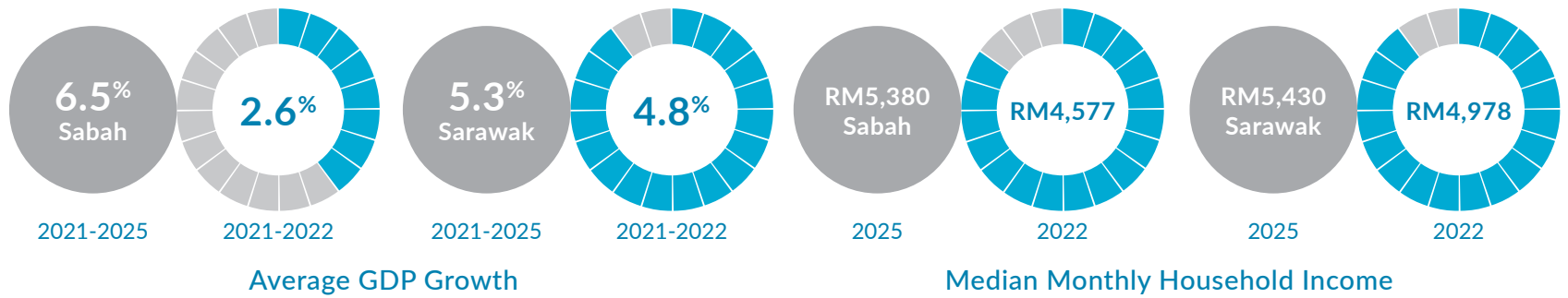
New Sites for Digital Infrastructure Development



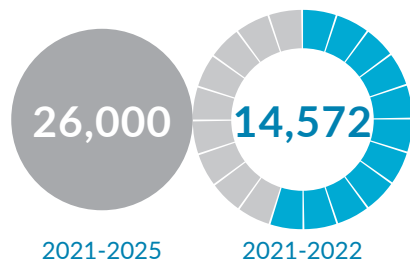
Number of Points of Presence (PoP) for Broadband Connectivity for Rural Schools

System Average Interruption Duration Index (SAIDI)

Optimising Economic Potential

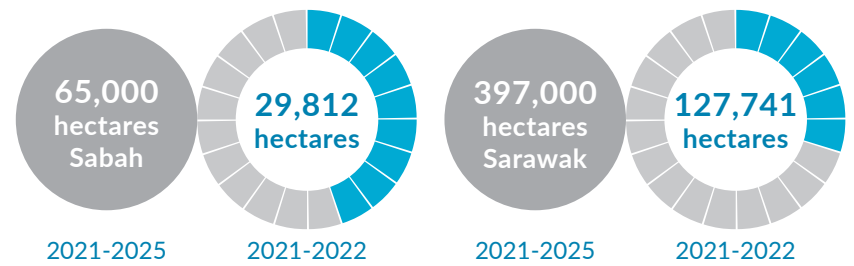


Improving Access to Social Services



Houses Constructed and Repaired for the Poor Households in Sabah and Sarawak

Enhancing Inclusive Development



Mapping of Native Customary Rights (NCR) Land

Achievement by Priority Area



Priority Area A: Optimising Regional Economic Potential

Strategy A1: Accelerating Development Based on Key Growth Nodes and Hotspot Area

Promoting Economic Activities of Key Growth Nodes and Hotspot Areas

- Sabah Development Corridor (SDC) Blueprint 2.0, 2021-2030 completed in 2022

Strategy A2: Attracting Quality Investment

Focusing on High Value-Added, Advanced Technology and Knowledge-Intensive Activities

- RM100.4 billion investment in five regional economic corridors (RECs), realised as at 2022
 - Iskandar Malaysia (IM) - RM23.2 billion
 - East Coast Economic Region (ECER) - RM5.6 billion
 - Northern Corridor Economic Region (NCER) - RM65.2 billion
 - Sarawak Corridor of Renewable Energy (SCORE) - RM2.7 billion
 - Sabah Development Corridor (SDC) - RM3.7 billion

Strategy A3: Improving the Business Ecosystem

Intensifying Talent and Entrepreneurship Development

- 214,888 jobs and 48,973 entrepreneurship opportunities created in five RECs
 - IM - 77,626 jobs and 7,504 entrepreneurship opportunities
 - ECER - 27,413 jobs and 6,238 entrepreneurship opportunities
 - NCER - 51,503 jobs and 35,231 entrepreneurship opportunities
 - SCORE - 49,685 job opportunities
 - SDC - 8,661 job opportunities

Strategy A4: Enhancing Strategic Collaboration and Coordination

Prioritising Development Allocation for Less Developed States

- RM28.7 billion or 51.3% of the total basic development expenditure (DE) allocated to the six less developed states

Strategy A5: Enhancing Cooperation under IMT-GT and BIMP-EAGA

Strengthening Cross-Border Economic Activities and Value Chains

- Nine Physical Implementation Projects (PIPs) in Sabah, Sarawak and Labuan completed in 2022



Priority Area B: Developing Sustainable Cities

Strategy B1: Promoting Effective Urban Planning and Governance

Strengthening Urban Development Planning	<ul style="list-style-type: none"> ● 47 of the 64 initiatives in the Second National Urbanisation Policy (NUP2) implemented ● Urban profiling for 281 cities completed through <i>Kajian Penentuan Sempadan Bandar</i>
Promoting Sustainable and Smart City Approach	<ul style="list-style-type: none"> ● 127 out of 155 local authorities adopted the Malaysian Urban-Rural National Indicators Network for Sustainable Development (MURNInets) ● 12 local authorities developed smart city action plans
Improving Coordination and Governance Mechanisms	<ul style="list-style-type: none"> ● Implementation of Sustainable Development Goals (SDGs) <ul style="list-style-type: none"> ○ Five Cities Roadmaps developed ○ Two Voluntary Local Reviews (VLR) published

Strategy B2: Fostering Sustainable Urban Economy

Encouraging the Growth of Economic Activities in Cities	<ul style="list-style-type: none"> ● 8,479 businesses benefitted from the Retail Sector Digitalisation Initiative Programme ● 1,734 participants benefitted from the <i>Program Pemerkasaan Ekonomi Komuniti Bandar</i>
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Strategy B3: Prioritising Green and Resilient Urban Development

Strengthening Waste Management	<ul style="list-style-type: none"> ● 260,360 premises involved in the waste separation enforcement exercise ● 5,717 recycle waste facilities provided to local authorities, civil society organisations (CSOs), recycling businesses and factories
Promoting Green Mobility	<ul style="list-style-type: none"> ● 902 public charging stations for electric vehicles (EVs) installed nationwide ● Usage of the Planning Your Lifestyle Efficiently (PULSE) mobile application in assisting public transport commuters increased from 44,520 in 2021 to 56,520 in 2022
Enhancing Urban Biodiversity	<ul style="list-style-type: none"> ● 7,637.5 hectares of land gazetted as open space in urban area

Strategy B4: Building Sustainable Urban Society

Improving Liveability and Inclusiveness	<ul style="list-style-type: none"> ● 108,373 units of <i>Rumah Mampu Milik</i> (RMM) constructed
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Priority Area C: Transforming Rural Areas to Bridge Development Gap

Strategy C1: Accelerating the Provision of Infrastructure and Services

Enhancing Basic Services

- 10 villages involved in the *Komuniti Sihat Pembina Negara* Programme
- 3,644 new houses built and 23,270 houses repaired under the *Program Bantuan Rumah*

Improving Connectivity and Mobility

- 2.6 million rural passengers benefitted from *Majlis Amanah Rakyat* stage buses services
- 13,203 rural entrepreneurs benefitted from 4,388 activities under *Program Pemerkasaan Pusat Komuniti Desa* (PKD)

Strategy C2: Diversifying and Boosting Economic Activities

Optimising Land Use for Rural Economy

- 17 projects under the *Program Bersepadu Pembangunan Ekonomi Kampung* commenced in 2021
- 2,083 projects conducted under the *Program Pembangunan Peneroka*

Re-energising Rural Cottage Industries

- 153 village cooperatives leveraged to operate rural cottage industries
- Three rural ecotourism projects undertaken
 - *Kompleks Pelancongan Warisan Tanjung Balau*, Kota Tinggi, Johor completed in 2022
 - *Kompleks Pelancongan Warisan Pulau Tanjung Surat*, Kota Tinggi, Johor and *Kompleks Pelancongan Taman Herba*, Tasik Kenyir, Terengganu commenced in 2021

Strategy C3: Improving Governance

Streamlining Delivery System

- 20,726 village profiles recorded and updated in the *Sistem Profil Kampung Peringkat Nasional* (SPKPN)



Priority Area D: Solidifying Provision of Infrastructure

Strategy D1: Extending the Provision of Infrastructure

Improving the Provision of Basic Infrastructure

- Construction progress of the Pan Borneo Highway
 - 92% in Sarawak
 - 74% of Phase 1A in Sabah

Strategy D2: Extending the Provision of Connectivity

Enhancing Rural Air Services

- RM190.85 million in 2021 and RM182.09 million in 2022 allocated as subsidies for Rural Air Services (RAS)



Priority Area E: Optimising Economic Potential

Strategy E1: Re-energising Economic Activities

Modernising Agriculture Sector

- RM39 million funds approved, benefitting 75 farmers in Sabah and Sarawak

Enhancing the Services Sector

- RM4 million worth of tour packages sold in over 10 international tourism roadshows and exhibitions through collaboration between local tourism players in Sabah and Sabah Tourism Board in 2022
- The Malaysian Productivity Corporation in Sarawak completed the study on business registration reform in 2022

Accelerating the Construction Sector

- Two testing laboratories for cement and ready-mixed concrete products, each in Sabah and Sarawak, have been operating since 2022
- 48 upskilling and reskilling programmes in Sabah and 98 in Sarawak accredited

Strategy E2: Advancing Rural Development

Re-energising Rural Economic Activities

- 900 farmers at 90 locations in Sabah and 556 farmers at 54 locations in Sarawak implemented smart and clustered farming, utilising idle land

Providing Access to Online Businesses

- 15 PKD in Sabah and six PKD in Sarawak have provided access and facilities for online businesses
- 118 *Pusat Ekonomi Digital* (PEDI) in Sabah and 133 PEDI in Sarawak have provided digital entrepreneurship courses

Strategy E3: Accelerating Urban Development

Improving Development Potential of Cities

- 14 out of 48 initiatives in the City Competitiveness Master Plan (CCMP) Kota Kinabalu implemented
- Three out of 13 initiatives in the CCMP Kuching implemented

Upgrading Urban Services

- One city in Sabah achieved sustainability status, while 25 other cities achieved medium sustainability status based on MURNInets assessment

Strategy E4: Promoting Green Growth

Conserving Natural Capital

- Totally Protected Area within the Heart of Borneo
 - Sabah: 1,459,181 hectares in 2021 from 551,879 hectares in 2007
 - Sarawak: 554,280 hectares in 2021 from 362,860 hectares in 2007



Priority Area F: Improving Access to Social Services

Strategy F1: Improving Access to Education

Improving Access to Education and Training

- 88 projects on the reconstruction of dilapidated school buildings categorised as level six and seven in the School Building Condition Index

Enhancing Industry Collaboration Network

- 4,392 trainees attended National Dual Training System programme in Sabah and Sarawak
- The Teaching Factory model has been rolled out to five pilot TVET institutions in Sabah and Sarawak, specialising in the field of electrical, mechanical, and oil and gas, benefitting 717 students

Strategy F2: Improving Access to Affordable Housing

Increasing the Supply of Affordable Housing for Targeted Groups

- 516 units out of 1,300 *Rumah Mesra Rakyat* (RMR) in Sabah completed
- 414 units out of 1,200 RMR in Sarawak completed

Strategy F3: Enhancing Security and Public Safety

Enhancing Border and Maritime Security

- Integrated forces to control the border have been mobilised under the National Task Force
- Four Littoral Mission Ship, three Helicopter Operation Maritime and six Fast Interceptor Craft operationalised



Priority Area G: Enhancing Inclusive Development

Strategy G1: Addressing Poverty and Diversifying Sources of Income

Alleviating Poverty through the Provision of Basic Infrastructure and Services

- 7,053 units of houses constructed and repaired in rural and urban areas in Sabah
- 7,519 units of houses constructed and repaired in rural and urban areas in Sarawak
- Two Passenger Landing Facilities (PLF) projects under *Program Khas Bumiputera* (PKB) Sarawak, completed in Nanga Sejiran, Kapit and Sungai Kut, Dalat
- Tambunan Native Court completed under *Program Khas Anak Negeri* (PKAN) Sabah
- 39.3 kilometres farm roads paved under PKB Sarawak

Increasing and Diversifying Sources of Income

- 33 hectares of land planted with durian, banana and pineapple, involving 33 participants under PKB Sarawak

Strategy G2: Strengthening *Anak Negeri Sabah* and *Bumiputera Sarawak*

Improving Employability and Promoting Entrepreneurship

- 57 skills training programmes implemented involving 741 participants under PKAN Sabah
- 35 human capital development programmes consisting of 33 courses and two study tours implemented, involving 1,555 participants under PKB Sarawak
- Eight community colleges in Sabah and six in Sarawak offered 1,601 lifelong learning programmes, benefitting 29,767 students



Priority Area H: Strengthening Cooperation between the Federal Agencies and State Governments

Strategy H1: Establishing a Supportive Ecosystem for Cooperation

Reviewing the Rights of Sabah and Sarawak

- Three out of 10 projects on electrification under the Sabah Special Project Delivery Unit completed in 2022
- *Jabatan Kerja Raya* (JKR) Sabah and Sarawak authorised as the technical agencies to implement Federal projects worth RM50 million and below

Prioritising Development Allocation for Sabah and Sarawak

- RM10.3 billion or 18.4% of the total basic DE allocated to Sabah
- RM8.2 billion or 14.6% of the total basic DE allocated to Sarawak

Issues and Challenges

Development gap between regions and states as well as urban and rural areas remain despite vigorous efforts to improve regional balance and inclusion. Among the key issues and challenges are imbalanced development, low level of urban resilience, developmental constraints in rural areas and ineffectiveness in leveraging opportunities from subregional cooperation. In addition, challenges in development of Sabah and Sarawak continued to hinder progress. Failure to address these issues will further widen development gap between areas and contribute to regional development imbalances.

Imbalanced Regional Development

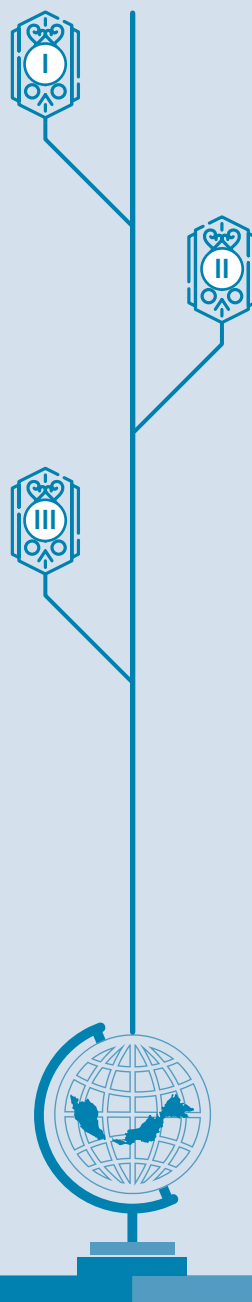
- Low adoption of the national strategic spatial planning policies in developing identified growth areas
- Insufficient investment in niche areas and high value-added activities
- Fragmented regional development planning and overlapping roles between Federal and state agencies

Developmental Constraints in Rural Areas

- Insufficient basic rural infrastructure and amenities
- Limited access to basic government and private sector services
- Lack of socioeconomic opportunities
- Lack of community involvement in the maintenance of rural infrastructure
- Poor training quality for grassroots leadership
- Untapped potential of idle land

Low Level of Urban Resilience

- Challenges in addressing climate change
 - Low adoption of green practices
 - Inefficient urban planning and governance
 - Slow development of smart city
- Challenges in uplifting wellbeing of urban communities
 - Rising cost of living and urban poverty
 - Lack of access to affordable housing
 - Inefficient public transportation



Ineffectiveness in Leveraging Opportunities from Subregional Cooperation

- Subregional cooperation
 - Insufficient infrastructure accessibility and connectivity
 - Lack of collaboration and coordination among stakeholders
- Development in border areas
 - Fragmented border areas development
 - Slow socioeconomic development in border areas
- Security aspects
 - Limited assets and security manpower to control border areas
 - Increasing risks from illegal activities and incursion at the border



Challenges in Development of Sabah and Sarawak

- Lack of basic infrastructure and connectivity
- Inadequate digital infrastructure
- Slow economic growth
 - Challenges in survey and mapping of Native Customary Rights (NCR) land
 - Lack of quality investment
 - Lacklustre promotion for tourism activities
 - Lack of high value-added activities in gas industry
 - Low adoption of technology in agriculture practices
- Overdependency to fossil fuels and lack of balance in energy mix
- Challenges in advancing green growth initiatives
- Challenges in providing quality education
 - Increasing number of dilapidated schools
 - Lack of learning facilities for children with special needs
 - Inadequate teaching and learning skills
 - Increasing number of dropout students in remote areas
- Limited access to affordable housing and healthcare services
- Inefficient public service delivery
 - Varied charges and fees for the construction of telecommunication infrastructure by agencies and local authorities
 - Delay in obtaining permit and site approval from the state governments and agencies, local authorities and state-related companies
 - Uncoordinated development of gas industry



Way Forward, 2023-2025

In the remaining Twelfth Plan period, focus will continue to be given on regional balance and inclusion for wider distribution of socioeconomic benefits. This will be undertaken by enhancing regional economic potential, accelerating sustainable urban development, intensifying rural development, optimising opportunities from subregional cooperation and intensifying development in Sabah and Sarawak. These measures will promote better economic growth in all regions and improve wellbeing of the *rakyat* in rural and urban areas.



Focus Area A: Enhancing Regional Economic Potential

Strategy A1:

Intensifying Regional Development at Potential Growth Areas

Strategy A2:

Leveraging on Federal and States Agencies Cooperation



Focus Area B: Accelerating Sustainable Urban Development

Strategy B1:

Strengthening Development towards Resilient Cities

Strategy B2:

Promoting Wellbeing of Urban Society



Focus Area C: Intensifying Rural Development

Strategy C1:

Expanding the Provision of Infrastructure and Services

Strategy C2:

Unlocking Rural Economic Potential

Strategy C3:

Strengthening Governance



Focus Area D: Optimising Opportunities from Subregional Cooperation

Strategy D1:

Leveraging Cooperation under IMT-GT, BIMP-EAGA and JMCIM

Strategy D2:

Accelerating Border Development



Focus Area E: Intensifying Development in Sabah and Sarawak

Strategy E1:

Enhancing the Provision of Infrastructure

Strategy E2:

Optimising Economic Potential

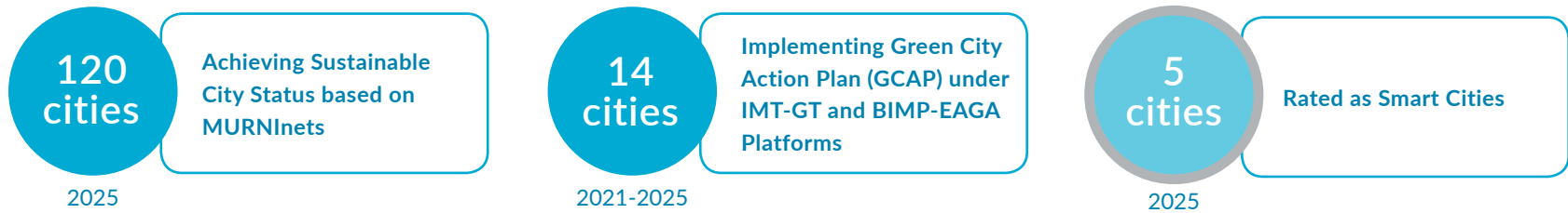
Strategy E3:

Improving Wellbeing of the *Rakyat*

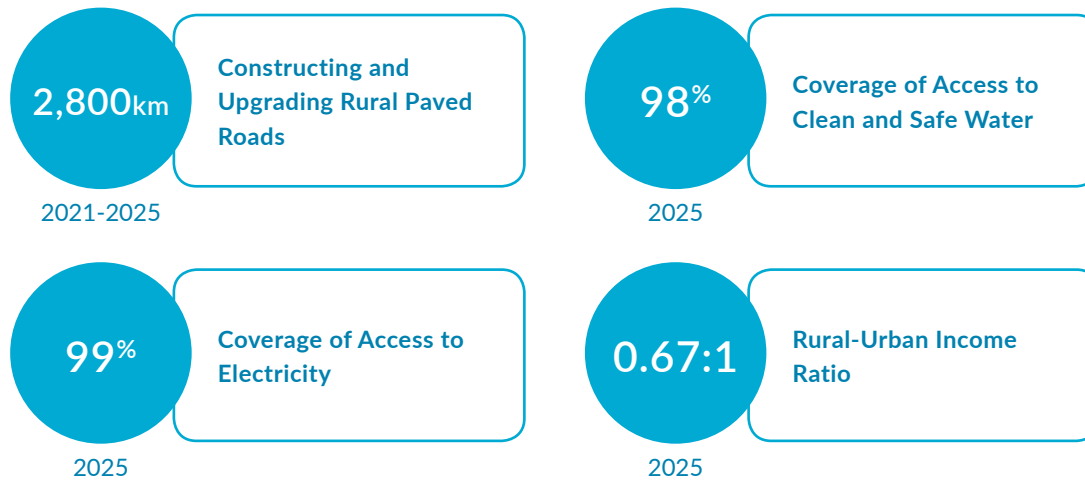
Strategy E4:

Strengthening the Whole-of-Government Approach

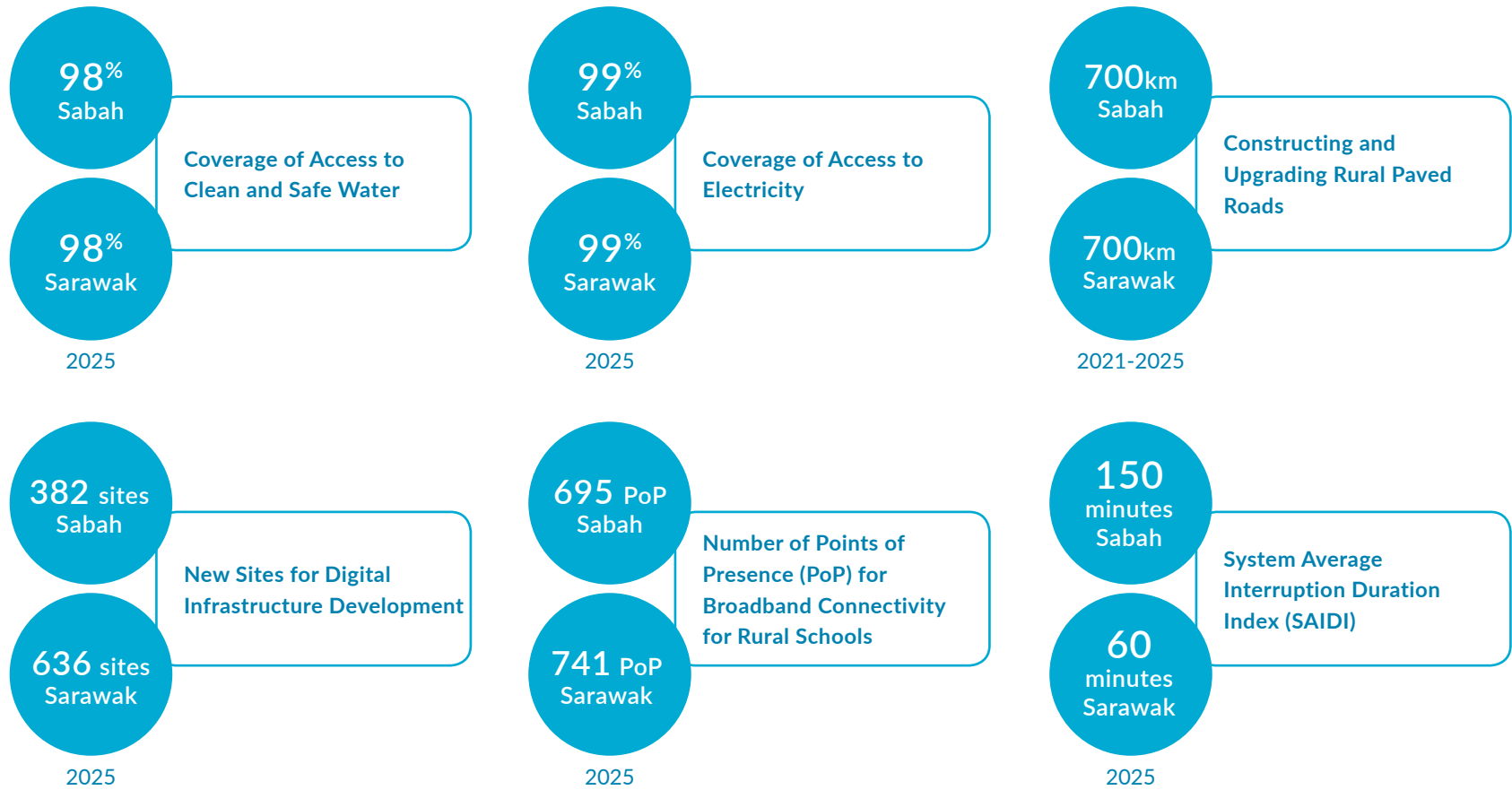
Accelerating Sustainable Urban Development



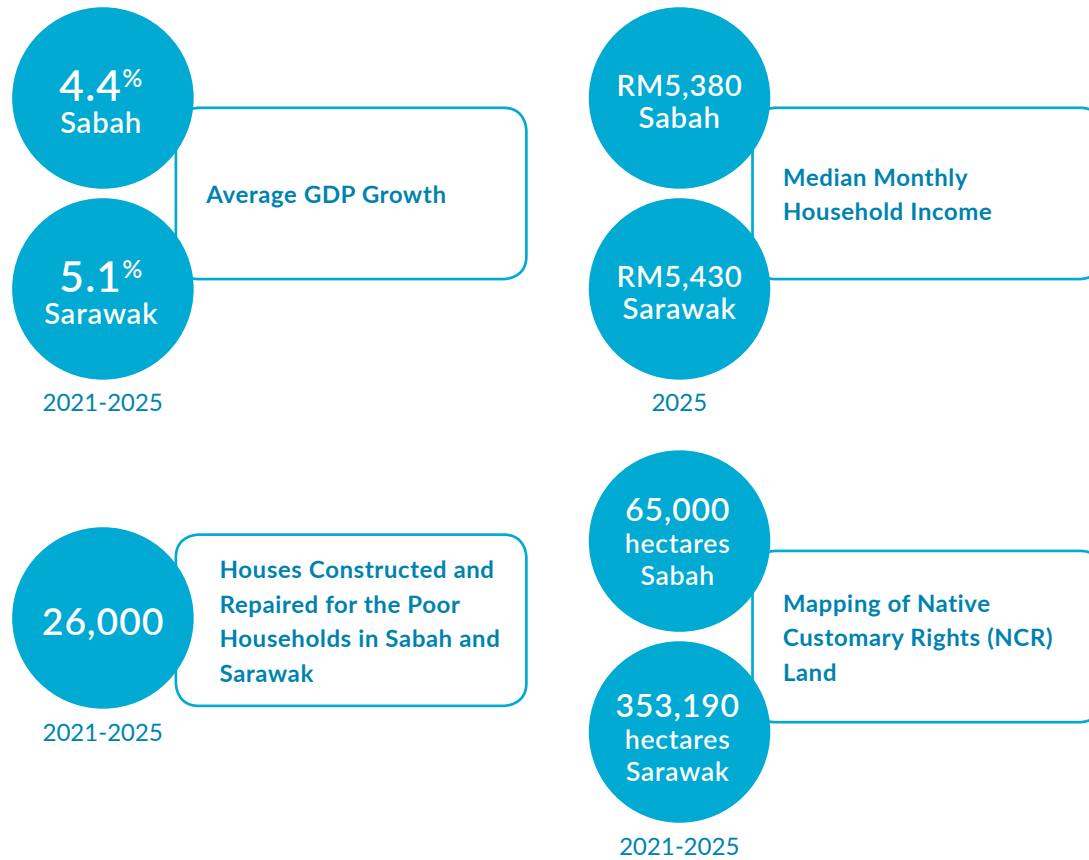
Intensifying Rural Development



Intensifying Development in Sabah and Sarawak



Intensifying Development in Sabah and Sarawak



Focus Area A: Enhancing Regional Economic Potential

Efforts to narrow inter- and intra-regional imbalances will continue to be pursued as a priority by boosting regional economic potential. Measures will be undertaken to intensify regional development in potential growth areas and leverage Federal and states agencies cooperation. In this regard, emphasis will be given to accelerate strategic development in the growth areas and entice quality investment in boosting regional growth within the remaining Twelfth Plan period.

Strategy A1

Intensifying Regional Development at Potential Growth Areas

Strategy A2

Leveraging on Federal and States Agencies Cooperation

Strategy A1: Intensifying Regional Development at Potential Growth Areas

Enhancing Development in Identified Growth Areas

The Fourth National Physical Plan (NPP4) will be optimised to boost development in the identified growth areas. In this regard, business ecosystem will be further enhanced to facilitate ease of doing business and attract quality investment. Meanwhile, talent development programmes will be intensified to retain skilled workers from talent migration. These measures will foster economic activities that contribute towards balanced regional development.

Attracting Investment in Niche Areas

The Federal and states regional development agencies will be encouraged to streamline development priorities by leveraging strengths, uniqueness and available resources in each region. Efforts will continue to be undertaken in promoting advanced technology in the upstream and downstream activities. In this regard, the Chuping Valley Industrial Area, a high-impact project in the northern region, will focus on four main clusters, namely green manufacturing, halal industries, renewable energy generation and automotive. Meanwhile, Tok Bali Industrial Park, another high-impact project in the eastern region will focus on downstream activities in

manufacturing as well as oil and gas. Incentive packages will also be enhanced to attract investment, particularly in the less developed areas. In addition, a special financial zone will be established in Iskandar Malaysia to attract foreign investors and skilled workers to reside in Malaysia. These initiatives will create more employment and entrepreneurship, thus enhancing socioeconomic development in the region.

Strategy A2: Leveraging on Federal and States Agencies Cooperation

Solidifying Cooperation and Collaboration

Cooperation between Federal and state agencies will continue to be strengthened to address fragmented development. In this regard, the regional economic corridors authorities will continue to play an essential role in accelerating investment in the region. These will include facilitating development approvals across multiple agencies as well as solving land issues and other related matters to ensure committed investment are realised. In addition, the overlapping role of key agencies at the Federal and state level will be streamlined for better development planning and coordination. The implementation of these initiatives will contribute towards a stronger cooperation and collaboration among Federal and state agencies.

Prioritising Development in Less Developed States

Efforts to narrow the development gap in the less developed states will be continued to ensure more equitable socioeconomic development. The industrial development based on geographical factors will be encouraged to reduce regional development gaps. In this regard, priority will continue to be given by allocating at least 50% of the total basic DE for the less developed states, especially for the states of Kelantan and Terengganu. Cross-border economic activities will be intensified to promote development in these states.



Focus Area B: Accelerating Sustainable Urban Development

Efforts will be undertaken to address rapid urbanisation and climate change impacts on cities towards accelerating sustainable urban development. In the remaining Twelfth Plan period, emphasis will be given on strengthening development towards resilient cities and promoting wellbeing of the urban society. These measures will contribute towards better quality of life in cities aligned with the goals of the 2030 Agenda.

Strategy B1

Strengthening Development towards
Resilient Cities

Strategy B2

Promoting Wellbeing of Urban Society

Strategy B1: Strengthening Development towards Resilient Cities

Providing a Resilience-Enabling Environment

The adoption of *Pelan Induk Saliran Mesra Alam (PISMA)* will be emphasised to address flood prone urban areas. In this regard, the land use planning in state structure plans and local plans will be aligned with PISMA towards improving the drainage system in urban areas to reduce major flood occurrence. In addition, relevant state governments and local authorities will be encouraged to adopt the National Coastal Zone Physical Plan 2 to ensure better protection and management of coastal areas. Meanwhile, efforts to accelerate green practices in cities will continue to focus on improved enforcement of waste separation at source and promotion of the reduce, reuse and recycle (3R) initiative.

Improving Implementation of Low-Carbon Development

The implementation of low-carbon development among local authorities will be encouraged towards reducing greenhouse gas emission. In promoting energy efficiency, efforts will be undertaken to increase the

adoption of the Low Carbon Cities Framework and enhance capacity of local authorities. Strategic cooperation and coordination among the Federal Government, state governments, local authorities, private sector and civil society organisations (CSOs) will be strengthened in championing low-carbon agenda to reduce the impact of climate change.



Enhancing Urban Planning and Governance Efficiency

The third national urbanisation policy will be formulated as a comprehensive urban planning policy by addressing the impact of climate change, COVID-19 pandemic, and growing urban dwellers' needs and evolving businesses landscape in urban areas. This policy will guide local authorities to identify new potentials of cities. In addition, *Kajian Penambahbaikan Penyediaan Rancangan Pemajuan* will improve the formulation of development plans for a better and dynamic urban planning. Meanwhile, the first phase implementation of Malaysia Urban Observatory (MUO) system will contribute towards a comprehensive database on urban planning. The MUO will facilitate local authorities in planning, monitoring and governing cities.

Promoting Smart City Development

Measures will be undertaken to accelerate the recognition of smart cities, based on the Sustainable Cities and Communities-Indicators for Smart Cities (MS ISO 37122:2019) standard. This effort will enable local authorities to improve service delivery and attract more investment. During the remaining Twelfth Plan period, at least five cities are targeted to be recognised as smart city early adopters.

Improving Urban Biodiversity

Efforts on improving urban biodiversity will continue to be pursued to support green growth. The recreational areas and urban landscaping in new township development will be revitalised to improve cities image

and enhance liveability. In addition, community-based urban farming programmes will be leveraged to support food security while reducing carbon footprint. The implementation of these measures will contribute towards improving the quality of life in urban areas.

Strategy B2: Promoting Wellbeing of Urban Society

Intensifying Efforts in Addressing Urban Poor

Efforts will be undertaken to address poverty incidence in urban areas. The implementation of the *Program Inisiatif Pendapatan Rakyat* (IPR), which also covers the hardcore poor, poor and low-income households in urban areas will focus on empowering relevant households to increase the ability to generate sustainable income. Efforts will also be undertaken to develop entrepreneurs and provide skill trainings. These measures will improve the wellbeing of the urban society.

Improving Access to Affordable Housing and Transportation

The implementation of *Program RMR*, *Residensi Wilayah* and PPR will be expedited to increase the supply of affordable housing. Collaboration with financial institutions to provide attractive and sustainable housing financing packages will be pursued. Meanwhile, more transit-oriented development and provision of efficient public transportation will improve access to transportation in major cities.

Accelerating Sustainability of Cities

The adoption of the MURNInets system by local authorities in Sabah and Sarawak will be accelerated to promote sustainable cities. Efforts on SDGs localisation will be emphasised to promote sustainability elements into urban development. In this regard, more local authorities will be supported in the preparation of the SDGs VLR to showcase achievements in realising sustainable development agenda.

Focus Area C: Intensifying Rural Development

Narrowing development disparity between urban and rural areas is crucial towards achieving a more equitable and sustainable economic growth. In this regard, efforts will be undertaken to expand the provision of infrastructure and services, unlock rural economic potential and strengthen governance. These strategies will contribute towards improving rural-urban income disparity from 0.57:1 in 2022 to 0.67:1 in 2025.

Strategy C1

Expanding the Provision of Infrastructure and Services

Strategy C2

Unlocking Rural Economic Potential

Strategy C3

Strengthening Governance



Strategy C1: Expanding the Provision of Infrastructure and Services

Increasing Provision of Rural Infrastructure

The existing initiatives in expanding provision of infrastructure such as roads, as well as electricity and water supply, including through alternative systems such as solar hybrid, tube well and rainwater harvesting will continue to be implemented. In this regard, the remaining 1,625 kilometres of roads will be constructed and upgraded. Meanwhile, access to water supply coverage will be expanded to achieve 98% and that of electricity to 99%. Maintenance culture will be cultivated among community to ensure long-term rural infrastructure sustainability, among others, by providing courses to enhance necessary skills. Collaboration between CSOs, private sector, higher education institutions and rural community will be further fostered. In addition, a portal will be created to enable online lodging of complaints on damaged and deteriorated infrastructures.

Improving Waste Management

Rural community-based solid waste and sanitation management programmes will be implemented through collaborative work with CSOs and private sector. In addition, recycling activities will be encouraged among rural population to raise environmental awareness. These efforts aim to empower rural communities to improve waste management and ensure preservation of the environment.

Enhancing Connectivity and Mobility

Access to internet will be further improved in enhancing connectivity in rural areas. In this regard, broadband coverage under *Pelan Jalinan Digital Negara (JENDELA)* will be expanded to ensure the target of 100% internet coverage in populated areas by 2025 is met. Efforts will also be undertaken to rejuvenate public transportation services that were impacted by the COVID-19 pandemic.

Strategy C2: Unlocking Rural Economic Potential

Maximising Land Use for Rural Economy

Community-based modern agricultural activities to optimise idle land will be increased. In this regard, suitable land in rural areas will be identified and utilised for agricultural activities under *Inisiatif Usahawan Tani (INTAN)*, one of the components under IPR. Assistance will be provided for infrastructure costs, agricultural inputs, training and technical advisory services. This initiative will be implemented through collaboration with reputable off-takers.

Efforts to increase income of rural farmers will be intensified under the additional agricultural activity programme. In this regard, agricultural inputs, such as seeds and fertilisers as well as advisory services will be provided to support farmers in venturing into additional agricultural activities. Large scale and high value farming, such as plantation of durian, avocado and pineapple will also be encouraged.

Business premises, such as shophouses, food courts and kiosks will be constructed and upgraded for rural entrepreneurs. Meanwhile, incubators for start-ups will be provided with a supportive ecosystem, including mentoring, research and development facilities and shared business equipment. These measures will create job opportunities and foster entrepreneurship, thus unlock rural economic potential.

The natural landscapes and biodiversity as well as cultural heritage and traditional way of life in rural areas will be preserved to promote rural tourism. Hence, rural tourism products will be improved by leveraging the

availability of land, proximity to natural endowments and rural heritage. The implementation of these initiatives will create more job opportunities and increase the income of rural community.

Strengthening Rural Cottage Industries

Efforts will be undertaken to further utilise PKD as the hub to promote and market rural cottage products. Digital economy will be leveraged to promote rural cottage products for better market access. Meanwhile, rural cottage entrepreneurship programmes will be enhanced by improving contractual agreement and imposing minimal participating fees to instil accountability, responsibility and commitment of entrepreneurs. In addition, capacity development programmes, including digital skills will be enhanced for rural entrepreneurs to expand market access, domestically and internationally.

Rural entrepreneurial ecosystem will be improved to increase business capacity in rural areas. In this regard, development training, business development programmes, financing facilities and business support services will be further enhanced. Meanwhile, efforts will be intensified in developing rural entrepreneurs through various initiatives and programmes, in line with the needs of the local industry.

Marketing for agro-based products will be strengthened, while financial assistance, microcredit and loan programmes for agricultural activities will be improved. In addition, cooperation with private sector on agricultural activities will be promoted to achieve economies of scale. These efforts will boost rural economy and generate more income of the rural community.

Strategy C3: Strengthening Governance

Enhancing Training for Rural Leadership

Leadership training courses for rural leaders at grassroots level will be enhanced by benchmarking with other recognised leadership programmes for a better training content. Digital courses will also be offered to improve the quality of grassroots leadership. Meanwhile, government premises will be optimised as learning centres for rural leadership training courses.

Enhancing Rural Delivery System

The SPKPN will be upgraded and integrated with the Spatial Characteristics of Rural Malaysia System (S-CHARMs) to be a more user-friendly system. The integration will include geographic information database as well as analytical capability of spatial information of villages and public facilities. These efforts will provide a more interactive and centralised database for better rural development planning.

The PKD Mobile will be introduced to expand the existing services offered in PKD, particularly in remote areas. Among the facilities provided include mobile counters for government services such as renewal of vehicle road tax, issuance of birth certificate and application of identity card. Meanwhile, private sector services will include banking, courier and postage services. This initiative is to ensure rural population will have better access to various services.

Focus Area D: Optimising Opportunities from Subregional Cooperation

Subregional cooperation, Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), and Malaysia-Singapore Joint Ministerial Committee for Iskandar Malaysia (JMCIM) platforms will be leveraged to optimise development opportunities in border areas. Meanwhile, development at potential border areas will be accelerated by enhancing socioeconomic development as well as security and public safety of the areas. These measures will attract quality investment and contribute towards an inclusive regional development.

Strategy D1

Leveraging Cooperation under IMT-GT, BIMP-EAGA and JMCIM

Strategy D2

Accelerating Border Development



Strategy D1: Leveraging Cooperation under IMT-GT, BIMP-EAGA and JMCIM

Optimising Subregional Cooperation

Subregional cooperation will be optimised to accelerate economic development, environmental conservation and cultural exchange. In this regard, the cooperation and collaboration among local stakeholders will be intensified in achieving common objectives and economies of scale. These collaborative initiatives will overcome barriers and facilitate better negotiations in attracting investment.

Focus will be given on developing and enhancing infrastructure within subregions, including transportation networks, electricity grids, telecommunication facilities and border check points. Emphasis will also be given to streamline trade and investment facilitation and reduce trade barriers. In addition, investment in human capital development will be intensified.

Strategy D2: Accelerating Border Development

Enhancing the Potential of Socioeconomic Development at Border Areas

Measures will be undertaken to accelerate development of areas bordering Thailand and Kalimantan, Indonesia. These encompasses the provision of basic infrastructure, enhancement of security facilities and development of border towns to optimise cross-border economic activities. In this regard, *Kajian Sempadan Antarabangsa Malaysia-Thailand* and *Kajian Pembangunan Ekonomi di Sempadan Sabah* as well as existing development master plan of Sarawak will be the basis for a comprehensive border planning of the respective border areas.

Enhancing Security and Public Safety

Efforts will continue to be undertaken in enhancing border security towards creating safe border environment, especially the porous areas in Sabah and Sarawak. In this regard, more security posts will be set up, while frequency of patrolling and monitoring will be intensified to strengthen border controls. Remote sensor site in Sabah will be upgraded, while new facilities will be developed in Sarawak to address potential threats. In addition, the Immigration, Custom, Quarantine and Security complex at selected entry points will be constructed and upgraded to ensure effective enforcement at the border.

Focus Area E: Intensifying Development in Sabah and Sarawak

The development in Sabah and Sarawak will continue to be a priority towards achieving balanced regional development. Efforts will be intensified to uplift the socioeconomic development in both states. Greater focus will be given to enhance the provision of infrastructure, optimising economic potential, improve the wellbeing of the people, and strengthen the whole-of-government approach. In addition, growth opportunity for Sabah and Sarawak will be based on green economy. These efforts will promote inclusive development and improve wellbeing of the *rakyat* in Sabah and Sarawak.

Strategy E1 Enhancing the Provision of Infrastructure

Strategy E2 Optimising Economic Potential

Strategy E3 Improving Wellbeing of the *Rakyat*

Strategy E4 Strengthening the Whole-of-Government Approach



Strategy E1: Enhancing the Provision of Infrastructure

Improving the Provision of Basic Infrastructure

Road infrastructure development in Sabah and Sarawak will focus on connecting major roads to underserved areas. In this regard, new alignment and upgrading of existing roads, especially in urban areas will be implemented, in line with the Highway Network Development Plan Sabah and Sarawak 2040. In addition, construction and upgrading of rural roads will be continued to improve connectivity.

Rural electrification will be intensified to complement the state electricity grid system. Alternative systems, such as solar hybrid, solar photovoltaic and small hydro will be enhanced in remote areas. In addition, supply to the Sabah grid will be further strengthened through the interconnection with Sarawak grid, scheduled in 2024.

In ensuring water security, the resources capacity will be enhanced through optimisation of technology to explore alternative sources, such as underground water, lake and rainwater. Meanwhile, efforts to improve water supply in rural areas will be intensified, including the provision of alternative resources for a wider coverage. These measures will ensure adequate water supply and improve coverage of clean and safe water.

The upgrading and development of airports and Short Take-Off and Landing (STOLports) will be prioritised based on safety, security and convenience of the air passengers. In this regard, Bario STOLport will be upgraded by expanding the runway for aircrafts to take-off and land with maximum passenger load. The expansion of airports and STOLports in Sabah and Sarawak will ensure safety compliance by the airlines and provision of sufficient facilities, in line with the National Airports Strategic Plan.

Digital infrastructure will continue to be provided in the remaining locations in Sabah and Sarawak under JENDELA. The construction of telecommunication infrastructure will be expedited by prioritising government-owned land or buildings. Continuous efforts in providing Points of Presence in areas surrounding schools will be undertaken to improve broadband connectivity.

Strategy E2: Optimising Economic Potential

Accelerating the Development of Native Customary Rights Land

Development of the NCR land based on an integrated land development approach will be further strengthened through cooperation among federal agencies, state governments and the private sector. In addition, survey

and mapping exercises of the NCR land will be expedited to facilitate state governments in gazetting and granting land titles. These initiatives will enable NCR land development and create more income generating opportunities for *Anak Negeri Sabah* and *Bumiputera Sarawak*.

Boosting Aerospace Industry

Efforts in promoting sustainable aviation activities in Sarawak will focus on developing sustainable aviation fuel (SAF) made from algae. Collaboration with various parties will be forged to further accelerate SAF development and ecosystem integration in Sarawak. This collaboration will charter the path to develop algae production technology for SAF. Meanwhile, the development of aerospace industry in Sabah will continue to focus on intensifying maintenance, repair and overhaul activities and enhancing skills training at the aerospace centre of excellence.

Promoting High Technology and Sustainable Industrial Estate

A more conducive investment ecosystem will be established, which includes developing new and optimising existing industrial estates to enhance competitiveness and attract investors. Focus will be on opening of new high-tech industrial estates in Kimanis and Kota Belud in Sabah as well as upgrading of the Samajaya High-Tech Park in Kuching, Sarawak towards attracting high-value investments and adopting sustainable practices. These three industrial estates will be the high impact projects identified to boost economic growth in Sabah and Sarawak.

Reinvigorating Economic Activities in Regional Economic Corridors

The implementation of SDC Blueprint 2.0 will emphasise on building a more accommodative business ecosystem in facilitating the needs of investors in Sabah. Focus will also be given to intensify the implementation of main activities identified, namely tourism, agriculture, manufacturing and logistics services. Meanwhile, efforts will be continued to leverage the abundant natural resources to attract quality investment in the region, particularly in energy intensive industries. In broadening the industrial and economic activities in SCORE area, measures will be undertaken to improve the provision of basic infrastructure and enhance ease of doing business. In this regard, the Samalaju Industrial Park will be one of the high impact projects identified to boost economic growth in Sarawak. This project will focus on heavy and energy intensive industries, such as steel, aluminium, glass as well as oil and gas.

Revitalising Tourism Industry

Coordinated promotional activities will be intensified to attract foreign and domestic tourists to visit Sabah and Sarawak, leveraging the nature, culture and heritage diversity. In addition, efforts will be intensified to

re-establish direct routes and improve international flight connectivity to major airports in Sabah and Sarawak. The aim is to restore routes and seating capacity to the pre-pandemic level. New routes and markets will be continuously established to boost tourist arrivals.

Enhancing Deployment of Renewable Energy

Efforts will be focused to accelerate the energy transition and increase the share of renewable energy in Sabah and Sarawak. In this regard, the development of large scale solar, small hydroelectric and bioenergy will be enhanced, while the deployment of large scale solar and battery energy storage system will be implemented in Sabah. Meanwhile, hydrogen plant and large scale hydroelectric for local and export markets will be developed in Sarawak. These efforts will support the aspiration of achieving net-zero greenhouse gas emissions as early as 2050.

Optimising Natural Gas Resources

The natural gas resources will be optimised through the implementation of strategies outlined in the Sabah Gas Masterplan and Sarawak Gas Roadmap. Strategies under the Sabah Gas Masterplan include monetisation of gas resources to enhance investment in the production of petrochemical derivatives and support gas demand growth from industrial and commercial segments. Meanwhile, the Sarawak Gas Roadmap will emphasise on enhancing the growth of petrochemical industry and exploring new gas fields through collaboration between PETRONAS and Petroleum Sarawak Berhad.

Accelerating Green Growth

Measures will be undertaken to accelerate the implementation of green growth initiatives in Sabah and Sarawak. In this regard, the existing government green procurement of products and services will be expanded to the construction sector to elevate the green market. Meanwhile, the implementation of carbon capture, utilisation and storage (CCUS) initiative will be a new source of economic growth and generate high value investment. The implementation will require the formulation of regulatory framework in governing CCUS holistically and coordinating the deployment of CCUS at the state level. Additionally, the development of local industries in green technology, such as in the production of hydrogen and bioenergy, will be intensified to support green and low carbon development.

Efforts will also be continued to restore degraded forest and gazette more protected areas in Sabah and Sarawak. Advanced technology will be utilised in consolidating data of natural resources to improve the planning, development, management and conservation of the natural ecosystem as well as strengthen the protection of the natural assets. Furthermore, implementation of sustainable development goals and adoption

of environmental, social and governance in business practices will be intensified to promote green and sustainable growth. These efforts will create competitive advantages and further advance the implementation of green economy initiatives in Sabah and Sarawak.

Improving Productivity in Agriculture Sector

Efforts will be continued to promote wider adoption of high-tech farming methods in the agriculture sector, such as Big Data Analytics, Artificial Intelligence and Internet of Things. In Sabah and Sarawak, focus on smart farming will continue to be given in paddy, aquaculture and palm oil production. These efforts will enhance productivity in the agriculture sector and contribute to economic development in both states.

Strategy E3: Improving Wellbeing of the Rakyat

Enhancing Access to Education

In enhancing access to education in Sabah and Sarawak, Comprehensive Special Model School 11 (K11) will be established to reduce the number of dropout students from Form 3 to 4 and to provide access until 11 years of schooling (Standard 1 to Form 5). In addition, more dilapidated schools at scale seven based on the School Building Condition Index will be replaced. Centre for children with special needs will also be established in Sabah and Sarawak to ensure children with autism receive early intervention and education. Focus will also be given to develop teaching and learning skills among the teachers through adapting and understanding local culture in rural and remote areas. Meanwhile, facilities and infrastructure including digital infrastructure in schools and education offices will be improved.

Improving Access to Housing

The Government will continue to intensify initiatives in providing quality and decent houses for poor and low-income households through affordable housing programmes. A total of 26,000 dilapidated houses will be repaired and rebuilt under *Program Bantuan Rumah* to improve living condition of the poor in Sabah and Sarawak. In addition, state governments will be encouraged to provide more affordable houses to benefit more poor, low- and middle-income households.

Expanding Access to Healthcare Services

Care services for older persons in health clinics and hospitals will be integrated, while the Private Aged Healthcare Facilities and Services Act 2018 will be enforced. In addition, invasive cardiac laboratories in public hospitals will be developed in phases to reduce morbidity and mortality

due to heart disease. School dental services will also be expanded to school teachers, staffs and families, in line with the Universal Health Coverage for Oral Health WHO (WHA74.5). Meanwhile, the development of *Makmal Kesihatan Awam dan Makmal Keselamatan & Kualiti Makanan* in Kuching, Sarawak will commence in 2023. A regional blood centre will also be built in Sabah to enhance transfusion services for the state, the Federal Territory of Labuan and the northern region of Sarawak. *Skim Perubatan MADANI* will continue to be implemented to enable people with limited financial capability in obtaining services from private healthcare providers. This effort will reduce congestion in public healthcare facilities.

Strategy E4: Strengthening the Whole-of-Government Approach

Enhancing Collaboration in Providing Digital Infrastructure

Collaboration between the Federal Government and state authorities will be further strengthened to streamline policies, procedures and initiatives on digital infrastructure development. In addition, *Jawatankuasa Penyeragaman Kos Caj dan Fi Pembangunan Infrastruktur Komunikasi* will further strengthen the mechanism in standardising charges and fees at state and local authority levels for construction of telecommunication infrastructure. These efforts will expedite the provision of digital infrastructure and enhance service delivery.

Improving Service Delivery

The functions of agencies at Federal and state levels will be streamlined to facilitate development in Sabah and Sarawak. The delegation of authority to JKR Sabah and Sarawak for projects worth up to RM50 million will better facilitate the implementation of development projects in the states. In addition, the transfer of regulatory powers pertaining to the electricity supply in Sabah, commencing in 2024, will enable the Sabah State Government assuming control over the regulation of electricity supply. This measure will facilitate better planning in electricity industry in Sabah.

Strengthening the Development Planning of Natural Gas Industry

The Sabah Gas Masterplan and Sarawak Gas Roadmap will be consolidated as part of a national natural gas roadmap. This national roadmap will streamline gas industry planning and optimise the utilisation of natural gas resources nationwide. This will provide a comprehensive strategic direction of the gas industry in supporting energy transition in Malaysia.

Conclusion

During the review period of the Twelfth Plan, various measures were undertaken to optimise regional economic potential, develop sustainable cities, transform rural areas, and enhance socioeconomic development of the less developed states, including Sabah and Sarawak. Even though several targets were achieved, there are issues and challenges that need to be addressed. In the remaining Twelfth Plan period, efforts will continue to be focused on enhancing regional economic potential, accelerating sustainable urban development, intensifying rural development and optimising opportunities from subregional cooperation. In addition, development in Sabah and Sarawak will be intensified to bridge the gap and reduce disparities. The implementation of these initiatives will support the aspiration of *'Ekonomi MADANI: Memperkasa Rakyat'* in enhancing society sustainability and creating a more balanced development in the urban and rural areas.



Chapter

6