

ACHIEVING GROWTH WITH DISTRIBUTION

16

I. INTRODUCTION

16.01 Malaysia's economic development policies have been shaped by the Government's commitment in ensuring that the benefits of economic growth are shared equitably among all Malaysians. This commitment is built upon the realisation that greater equity in the distribution of income and opportunities for wealth creation is essential for sustained economic growth as well as for the maintenance of social stability and national unity.

16.02 Economic development since 1970 has been guided by the strategy of distribution through growth and the twin-pronged objectives of the New Economic Policy, namely the eradication of poverty irrespective of race and the restructuring of society to correct the identification of race with economic function. Progress towards meeting these objectives has been made, although success has been mixed. Progress in reducing absolute poverty has been exemplary. Living standards of almost all Malaysians have been raised. The number of Bumiputera professionals and skilled workers has increased in various occupations and sectors. The growth of the middle class, including Malays and other Bumiputera, has been accelerated.

16.03 Yet in recent years, inequality in income, including within each ethnic community, has been rising. Other dimensions of inequality are also displaying worrisome trends. Ethnic income disparity, although narrowing in relative terms in recent years, has continued to widen in absolute terms. Inequality between states and regions still remain wide and persistent. Economic growth has been a driving force for raising income and living standards, but it does not by itself ensure that the benefits of growth are equitably shared among all in society.

16.04 In the National Mission, the commitment to improve the distribution of the fruits of further economic growth is reaffirmed, as shown in *Box 16-1*. Implementation of distribution strategies will, however, emphasise measures to enhance capacity and improve competitiveness. Thus, in the Ninth Plan, stronger efforts will be put in place to constructively and productively improve distribution through growth. Emphasis will be given towards addressing persistent inequalities and improving distribution so as to achieve the ultimate objective of national unity and regional balance.

BOX 16-1

REAFFIRMING DISTRIBUTION IN MALAYSIA'S DEVELOPMENT AGENDA

A. Background

In the National Mission, the commitment to improve the distribution of the fruits of further economic growth is reaffirmed. This pledge is based on a commitment towards maintaining and strengthening national unity according to the provisions of the Rukunegara and as enshrined in the Constitution. It is also underpinned by an appreciation of the historical context as well as the economic and social challenges that Malaysia's multi-ethnic, multi-religious society continue to face at the national and international levels.

B. Imperatives For Reaffirming Distribution Within Development

Maintaining sustainable economic growth, promoting human development and strengthening national unity

New evidence suggests that persistently high inequalities can negatively affect the prospects of future growth of an economy. Essentially, persistent inequity is inimical to development while equity and prosperity are complementary. Greater equity can also reduce poverty, enhance economic growth, advance development, and deliver increased opportunities to the poorest groups in societies.

The evidence from many other developing and developed countries suggests that persistent and growing inequalities may eventually cause systemic problems and social instability in an economy unless addressed firmly, effectively and with great pragmatism and wisdom for the benefit of the nation as a whole.

A *growth with distribution* development policy is consistent with the provisions of the Charter of the United Nations, free market regime, human rights, democracy, rule of law and civil society. By implementing the distribution thrust together with the growth thrust in the development agenda, Malaysia is not only fulfilling its United Nations Millennium Development Goals commitment but also, in the process, addressing various aspects of economic and social inequalities, thereby promoting human development and climbing the scale of the annual United Nations Development Programme (UNDP) Human Development Index.

Meeting distribution targets that have not yet been fully met

While Malaysians enjoy a much higher quality of life now than in the past, income inequality among ethnic groups and between urban and rural areas is still sizeable and has increased in recent years. The progress in moving towards the distributional targets set earlier has been slower than projected due to the general economic slowdown arising from external shocks as well as some leakages.

Ensuring the effectiveness and full impact of distribution policies, programmes and projects in line with good governance practices

Cross-country evidence including from Malaysia has shown that inequality can be successfully addressed through an appropriate package of public policies, programmes and projects and defined priorities. Measures to reduce leakages will increase the full impact of development programmes and projects supporting economic growth and inequality reduction.

The greater emphasis being placed on good governance practices requires more effective and accountable distribution programmes and implementation processes to be put in place. Therefore, distribution policies, programmes and projects need to be carefully designed to ensure that they will complement and enhance both growth and distribution aspects simultaneously, as well as meet good governance standards.

C. Towards Growth With Distribution

The above factors, underpinned by evidence, provide a basis for an informed and more enlightened view towards the linkage between economic growth, inequality and distribution as well as the importance of equity as the foundation for sustained economic growth, human development, and the maintenance of national unity.

Malaysia will continue to pursue a development policy that emphasises growth with distribution. Distribution policies, programmes and projects will be better designed and carefully monitored so as to achieve greater economic growth as well as greater equity in economic opportunities and income and wealth distribution among all ethnic groups to ensure long-term sustainable development. Existing and past programmes will be reviewed and evaluated for their impact and effectiveness in achieving distributional targets, while the system of implementation will be reviewed and strengthened to better target beneficiaries and minimise leakages. Future programmes will be applied based on merit and need.

For Malaysia to pursue a *growth with distribution* development philosophy with any success, strong commitment between the government and all sectors of society, including the private sector, non-governmental organisations (NGOs), social groups and individuals, is required. All groups must recognise and appreciate that the distribution in this sense does not mean the redistribution of the existing wealth of the country, which is protected by the Federal Constitution, but the gradual and incremental distribution of future economic growth which all Malaysians will together contribute through genuine and active participation in the production process. It is a recognised fact that a development policy that does not take into consideration the majority of the population in the production and modernisation process is not a viable policy.

The successful adoption and implementation of a *growth with distribution* philosophy of development is a winning strategy for any country. In this respect, Malaysia has always been ahead of the curve and will continue to maintain this position for the benefit of all Malaysians, including future generations.

16.05 The focus of distribution strategies will be reoriented towards attaining income parity in the longer term by substantially lowering income disparities. Specifically, hardcore poverty will be fully eradicated and overall poverty halved to 2.8 per cent by the end of the Plan period. Effective participation of Bumiputera in the economy will be increased through effective employment restructuring in the private sector, through enhanced Bumiputera ownership of corporate asset holdings as well as commercial and residential property and intellectual property, and through the further development of the Bumiputera Commercial and Industrial Community (BCIC) and the creation of a Bumiputera Science and Technology Community (BSTC). Similarly, the participation of the Indian community in the economy will be enhanced. Ultimately, through the employment of various measures to enhance capacity and raise competitiveness, a high performance culture will be promoted among all Malaysians, including the Bumiputera community, to enable the nation to face global challenges.

II. PROGRESS, 2001-2005

16.06 During the Eighth Plan period, the implementation of more target-specific approaches reduced poverty in both the rural and urban areas. The focus of poverty eradication and quality of life improvement programmes was directed at the bottom 30 per cent of households. The number of Bumiputera professionals and skilled workers in various occupations and sectors increased, while the development of the BCIC accelerated the growth of the Bumiputera middle class.

Poverty Eradication

16.07 During the Plan period, the concept and measurement of poverty were reviewed to take into account the social and economic changes that have taken place in Malaysia since 1977 when the poverty line income (PLI) was first formulated. The review was also carried out to develop poverty measurements that reflect the difference in the cost of living between urban and rural areas, between states, as well as in the demographic pattern of each household. The statistics provide more accurate measures of the nature and extent of poverty in Malaysia. The 1977 and the 2005 methodologies are explained in *Box 16-2*.

16.08 *Hardcore Poverty*. The total number of hardcore poor households declined from 91,700 to 67,300, as shown in *Table 16-1*. The incidence of hardcore poverty among Bumiputera households was the highest at 1.9 per cent in 2004 compared with 0.1 per cent for the Chinese and 0.3 per cent for the Indians, as shown in *Table 16-2*.

16.09 During the Plan period, a total of RM589.5 million was expended on 10 *Skim Pembangunan Kesejahteraan Rakyat* (SPKR) programmes, which focused on economic and social projects involving the hardcore poor. In addition, non-governmental organisations (NGOs) particularly, *Amanah Ikhtiar Malaysia* (AIM) and various state-based *Yayasan Basmi Kemiskinan* provided financial and non-financial assistance to assist hardcore poor households increase their income through small business activities. AIM, through its 69 branches and 3,962 service centres throughout the country, provided micro-credit amounting to RM1.02 billion to 147,544 participants, mostly female and single mothers in rural areas.

BOX 16-2

MALAYSIA'S POVERTY LINE INCOME

The Poverty Line Income (PLI) was substantially revised in 2005. The PLI is made up of two components, that is the food PLI and the non-food PLI. The PLI is defined separately for each household in the household income survey (HIS) based on its size, demographic composition and its location (state and stratum). A household is considered poor if its income is less than its own PLI, that is, it lacks the resources to meet the basic needs of its individual members. A household is considered hardcore poor if its monthly household income is less than the food PLI. As food requirement is based on a nutritionally adequate diet, the hardcore poverty threshold income is much higher than the old definition of half the PLI.

The Food PLI

The food component of the revised PLI is based on the advice of nutritionists, dieticians and medical professionals. Individual daily kilocalorie requirements are met through a balanced diet, which include: cereals and cereal products (uncooked rice, wheat flour); chicken, eggs and fish; milk; oil and fats; sugar; vegetables and fruits; and pulses (dhal, green peas). Table A shows the food PLIs based on the two methodologies.

TABLE A

FOOD PLI BASED ON 1977 AND 2005 METHODOLOGIES (RM)

<i>Region</i>	<i>1977 Methodology</i>	<i>2005 Methodology</i>
Peninsular Malaysia	272	398
Sabah ¹	352	503
Sarawak	304	482
Malaysia	294	415

The Non-Food PLI

The expenditure pattern of non-food components of the PLI are based on the actual expenditure of the bottom 20 per cent expenditure group derived from the household expenditure survey (HES). Non-food components comprise clothing, housing, transport and other items.

Comparison of the 1977 and 2005 methodologies

Table B compares the PLI based on the two methodologies.

TABLE B
**COMPARISON OF PLI FOR 2004
(RM per month)**

<i>Region</i>	<i>1977 Methodology</i>	<i>2005 Methodology</i>		
		<i>Urban</i>	<i>Rural</i>	<i>Overall</i>
Peninsular Malaysia	543	663	657	661
Sabah ¹	704	881	897	888
Sarawak	608	777	753	765
Malaysia	588	687	698	691

Table C compares the incidence of poverty and hardcore poverty based on the two methodologies.

TABLE C
**COMPARISON OF INCIDENCE OF POVERTY FOR 2004
(%)**

<i>Region</i>	<i>Overall Poverty</i>		<i>Hardcore Poverty</i>	
	<i>1977 Methodology</i>	<i>2005 Methodology</i>	<i>1977 Methodology</i>	<i>2005 Methodology</i>
Peninsular Malaysia	3.1	3.6	3.1	1.2
Sabah ¹	16.5	23.0	2.9	6.5
Sarawak	3.8	7.5	0.4	1.1
Malaysia	4.4	5.7	0.7	1.2

Table D shows the incidence of poverty and hardcore poverty by state using the 2005 methodology.

TABLE D
MONTHLY PLI, INCIDENCE OF POVERTY AND HARDCORE
POVERTY, 2004

State	Household Size	Overall Poverty ²			Hardcore Poverty ²		
		Gross PLI (RM)	Per Capita PLI (RM)	Incidence of Poverty (%) ³	Gross Food PLI (RM)	Per Capita PLI (RM)	Incidence of Hardcore Poverty (%) ⁴
Johor	4.3	634	151	2.0	384	91	0.3
Kedah	4.6	654	143	7.0	402	88	1.3
Kelantan	5.2	675	130	10.6	438	84	1.3
Melaka	4.4	650	151	1.8	385	89	0.2
Negeri Sembilan	4.2	598	146	1.4	371	90	0.2
Pahang	4.2	609	147	4.0	392	94	1.0
Pulau Pinang	4.1	615	152	0.3	373	91	neg. ⁵
Perak	4.1	589	144	4.9	371	90	1.1
Perlis	4.2	587	140	6.3	367	87	1.7
Selangor	4.6	726	159	1.0	420	92	neg. ⁵
Terengganu	5.0	734	148	15.4	469	94	4.4
W.P. Kuala Lumpur	3.9	713	189	1.5	373	98	0.2
Peninsular Malaysia	4.4	661	152	3.6	398	91	0.7
Sabah ¹	5.2	888	173	23.0	503	97	6.5
Sarawak	4.6	765	167	7.5	482	105	1.1
Malaysia	4.5	691	155	5.7	415	93	1.2

Notes: ¹ Includes Wilayah Persekutuan Labuan.

² Based on 2005 methodology.

³ Based on gross PLI.

⁴ Based on gross food PLI.

⁵ Less than 0.05 per cent.

TABLE 16-1

**INCIDENCE OF POVERTY AND HARDCORE
POVERTY, 1999 AND 2004**

		1999			2004		
		Malaysia	Urban	Rural	Malaysia	Urban	Rural
Hardcore Poverty							
Incidence of Hardcore Poverty ¹	(%)	1.9	0.5	3.6	1.2	0.4	2.9
Number of Hardcore Poor Households	('000)	91.7	11.9	79.8	67.3	14.1	53.2
Poverty Gap ²	(%)	0.4	0.1	0.8	0.2	0.1	0.6
Overall Poverty							
Incidence of Poverty ³	(%)	8.5	3.3	14.8	5.7	2.5	11.9
Number of Poor Households	('000)	409.3	86.1	323.2	311.3	91.6	219.7
Poverty Gap	(%)	2.3	0.8	4.0	1.4	0.6	3.0
Total Households	('000)	4,800.0	2,612.5	2,187.5	5,459.4	3,605.9	1,853.5

Source: Economic Planning Unit and Department of Statistics – Household Income Surveys, 1999 and 2004

Notes: ¹ Refers to households with monthly gross income of less than the food PLI.

² Refers to the total income shortfall (expressed in proportion to the poverty line) of poor households.

³ Refers to households with monthly gross income below PLI.

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TABLE 16-2

**INCIDENCE OF POVERTY AND HARDCORE POVERTY
BY ETHNIC GROUP, 1999 AND 2004
(%)**

	1999			2004		
	Bumiputera	Chinese	Indians	Bumiputera	Chinese	Indians
Hardcore Poverty	2.9	0.2	0.3	1.9	0.1	0.3
Urban	0.7	0.1	0.2	0.7	neg. ¹	0.2
Rural	4.4	0.4	0.5	3.3	0.3	0.5
Overall Poverty	12.4	1.2	3.5	8.3	0.6	2.9
Urban	5.1	0.8	2.4	4.1	0.4	2.4
Rural	17.5	2.7	5.8	13.4	2.3	5.4
Poverty Gap	3.3	0.2	0.7	2.1	0.1	0.6

Source: Economic Planning Unit and Department of Statistics – Household Income Surveys, 1999 and 2004

Notes: ¹ Less than 0.05 per cent.

16.10 *Overall Poverty.* As a result of the successful implementation of poverty eradication programmes and favourable economic growth, the incidence of poverty among Malaysians decreased from 8.5 per cent in 1999 to 5.7 per cent in 2004 with a corresponding decline in the number of poor households from 409,300 to 311,300, as shown in *Table 16-1*. The mean income of poor households increased from RM656 in 1999 to RM764 in 2004, narrowing the poverty gap from 2.3 per cent in 1999 to 1.4 per cent in 2004. However, the poverty gap in rural areas was five times higher than in urban areas, indicating that poverty was much more severe in the rural areas.

16.11 *Rural Poverty.* The incidence of poverty in rural areas decreased from 14.8 per cent in 1999 to 11.9 per cent in 2004 while the number of poor households reduced by about 32.0 per cent from 323,200 to 219,700. Despite the decrease in the incidence of poverty and the number of poor rural households, poverty continued to be predominantly a rural phenomenon with 70.6 per cent of the poor residing in the rural areas.

16.12 *Urban Poverty.* The incidence of urban poverty declined from 3.3 per cent in 1999 to 2.5 per cent in 2004 while the number of urban poor households increased by 6.4 per cent to 91,600, mainly due to the increase in urban poverty in Sabah. A comprehensive registry of the urban poor and low income households in 60 urban centres was developed to assist formulation of target-specific programmes for the urban poor.

16.13 *Poverty by Ethnic Group.* All ethnic groups experienced a reduction in the incidence of poverty. However, poverty among Bumiputera remained by far the highest despite decreasing from 12.4 per cent in 1999 to 8.3 per cent in 2004. The incidence of poverty among the Indians declined from 3.5 per cent to 2.9 per cent while among the Chinese from 1.2 per cent to 0.6 per cent. The poverty gap among Bumiputera households was the widest at 2.1 per cent compared with the Chinese and Indian households at 0.1 per cent and 0.6 per cent, respectively. Inadequate skills and lower educational attainment were among the factors associated with poor households of all ethnic groups.

16.14 *Bumiputera in Sabah and Sarawak.* Based on the Household Income Survey (HIS) 1999, high incidence of poverty was recorded among the Kadazandusun, Bajau and Murut in Sabah and Bidayuh in Sarawak. In 2002, the special HIS on Bumiputera minorities in Sabah and Sarawak showed that the incidence of poverty was high among Orang Sungei, Rungus, Bisaya and Sulu or Suluk communities in Sabah and Bidayuh, Kenyah, Kayan, Kadayan, Penan and Lun Bawang communities in Sarawak. Among the programmes under the SPKR include income generating projects, education and training, housing assistance and human capital development. In addition, a total of 9,000 residential units in Sabah and 1,500 units in Sarawak was built under the

Program Perumahan Rakyat (PPR) to provide better housing facilities to the poor and low income households. During the Plan period, a total of 45,900 participants in Sabah and 40,500 in Sarawak benefited from various programmes under the SPKR.

16.15 During the Plan period, about 48,900 recipients in Sabah and 43,500 in Sarawak benefited from various welfare programmes such as allowance for disabled workers as well as assistance for the elderly and the destitute. In addition, AIM provided micro credit loan amounting to RM99 million benefiting 26,000 participants in Sabah and RM88 million for 17,000 participants in Sarawak. Efforts were also undertaken to improve infrastructure in the rural areas which included upgrading and construction of new rural and village roads. A total of RM279 million and RM286 million was expended for this purpose in Sabah and Sarawak, respectively.

16.16 *Orang Asli*. Efforts were undertaken to improve the quality of life of the Orang Asli through socio-economic programmes which included the provision of education and skills training, infrastructure facilities, electricity and water supply. By the end of 2005, a total of 9,350 houses was built under the *Program Perumahan Rakyat Termiskin* and the provision of electricity and water supply to Orang Asli villages covered 12,400 and 20,100 houses, respectively. In addition, the implementation of new land development and resettlement schemes, and other projects benefited 84,250 Orang Asli, approximately half of the Orang Asli population.

Income Distribution

16.17 The household income of all ethnic groups increased during the Plan period, as shown in *Table 16-3*. The income disparity ratio between Bumiputera and Chinese narrowed from 1:1.74 in 1999 to 1:1.64 in 2004, while the ratio between Bumiputera and Indians also reduced from 1:1.36 to 1:1.27. Although ethnic income disparity narrowed in relative terms, the disparity continued to widen in absolute terms. Meanwhile, the ratio between urban and rural households deteriorated from 1:1.81 in 1999 to 1:2.11 in 2004.

16.18 The income share of the bottom 40 per cent of households decreased from 14.0 per cent in 1999 to 13.5 per cent in 2004 while that of the top 20 per cent of households increased from 50.5 per cent to 51.2 per cent. Consequently, the Gini coefficient worsened from 0.452 in 1999 to 0.462 in 2004. All ethnic groups recorded an increase in the Gini coefficient during the period. The inequality among Bumiputera was the highest compared with the Chinese and Indians.

16.19 In 2004, paid employment constituted two thirds or 68.0 per cent of all household income; for the Indian households 74.3 per cent, for the Bumiputera 71.2 per cent, and for the Chinese 62.1 per cent. About 23.0 per cent of income

TABLE 16-3

**MEAN MONTHLY GROSS HOUSEHOLD INCOME AND
GINI COEFFICIENT BY ETHNIC GROUP AND STRATA,
1999 AND 2004**

Ethnic Group and Strata	In Current Prices (RM)		Average Annual Growth Rate (%)	In Constant 1999 Prices (RM)		Average Annual Growth Rate (%)	Gini Coefficient	
	1999	2004	2000-2004	1999	2004	2000-2004	1999	2004
Bumiputera	1,984	2,711	6.4	1,984	2,522	4.9	0.433	0.452
Chinese	3,456	4,437	5.1	3,456	4,127	3.6	0.434	0.446
Indians	2,702	3,456	5.0	2,702	3,215	3.5	0.413	0.425
Others	1,371	2,312	11.0	1,371	2,150	9.4	0.393	0.462
Malaysia	2,472	3,249	5.6	2,472	3,022	4.1	0.452	0.462
Urban	3,103	3,956	5.0	3,103	3,680	3.5	0.432	0.444
Rural	1,718	1,875	1.8	1,718	1,744	0.3	0.421	0.397

Source: Department of Statistics – Household Income Surveys, 1999 and 2004

earned by the Chinese was generated from self-employment compared with 14.0 per cent and 11.0 per cent for Bumiputera and Indians, respectively. This shows that for overcoming ethnic income disparities the central focus must be on the status and earnings in paid employment.

Employment Restructuring

16.20 The share of Bumiputera employed in the senior officials and managers category remained low at 37.1 per cent in 2005, as shown in *Table 16-4*. Excluding lecturers, pre-university and secondary school teachers as well as writers and artists, the proportion of Bumiputera in the professionals category was 47.5 per cent in 2005 compared with 77.6 per cent among the Chinese and 69.2 per cent for the Indians. The share of Bumiputera professionals registered in the eight selected occupations increased from 35.5 per cent in 2000 to 38.8 per cent in 2005, as shown in *Table 16-5*. The share of Bumiputera professionals was the lowest among accountants.

16.21 A study on the employment pattern of Bumiputera in 2005 consisting 1,825 employees in 594 firms in the private sector, indicated that the proportion of Bumiputera employed in the top and middle-level categories, namely, managers, professionals, and technicians and sub-professionals was 48.0 per cent, 64.0 per cent and 53.0 per cent, respectively. The percentage of Bumiputera chief executive officers (CEOs) was 20.0 per cent compared with 70.4 per cent for the Chinese. The sectors covered by the study were namely, ICT, manufacturing, tourism, distributive trade and biotechnology.

TABLE 16-4
EMPLOYMENT BY OCCUPATION AND ETHNIC GROUP¹, 2000 AND 2005

Occupation	2000						2005													
	Bumiputera		Chinese		Indians		Others		Total		Bumiputera		Chinese		Indians		Others		Total	
	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%
Senior Officials & Managers % of Total	230.8	4.8	351.8	12.7	41.9	5.4	5.6	3.3	630.1	7.4	278.2	5.4	413.6	14.0	53.4	6.3	5.4	3.3	750.6	8.2
Professionals % of Total	298.1	6.2	174.5	6.3	41.1	5.3	6.8	4.0	520.5	6.1	314.2	6.1	171.3	5.8	44.1	5.2	7.1	4.3	536.7	5.9
Lecturers, Pre-University & Secondary School Teachers and Writers & Artists % of Total	57.3	1.3	33.5	1.3	7.9	1.3	1.3	1.3	100.0	1.3	58.5	1.3	31.9	1.3	8.2	1.3	1.3	1.3	100.0	1.3
Technicians & Associate Professionals % of Total	158.6	3.3	38.8	1.4	12.4	1.6	3.4	2.0	213.2	2.5	164.8	3.2	38.4	1.3	13.6	1.6	3.3	2.0	220.1	2.4
Primary School Teachers and Nurses % of Total	74.4	1.6	18.2	0.7	5.8	0.7	1.6	1.6	100.0	1.6	74.9	1.6	17.4	0.7	6.2	0.7	1.5	1.5	100.0	1.6
Clerical Workers % of Total	649.0	13.5	329.7	11.9	103.2	13.3	8.0	4.7	1,089.8	12.8	752.1	14.6	375.2	12.7	126.3	14.9	9.7	5.9	1,263.3	13.9
Service Workers and Shop & Market Sales Workers % of Total	59.6	0.7	30.2	0.7	9.5	0.7	0.7	0.7	100.0	0.7	59.5	0.7	29.7	0.8	10.0	0.8	0.8	0.8	100.0	0.7
Skilled Agricultural & Fishery Workers % of Total	230.8	4.8	69.3	2.5	20.9	2.7	3.4	2.0	324.4	3.8	252.4	4.9	76.8	2.6	24.6	2.9	3.8	2.3	357.6	3.9
Craft & Related Trade Workers % of Total	495.2	10.3	310.3	11.2	65.2	8.4	4.8	2.8	875.3	10.3	70.6	1.5	21.5	0.8	6.9	0.8	1.1	0.7	963.4	10.6
Plant & Machine Operators & Assemblers % of Total	56.6	1.2	35.4	1.2	7.4	1.2	0.5	0.5	100.0	1.2	56.7	1.2	34.3	1.2	8.4	1.2	0.5	0.5	100.0	1.2
Elementary Occupations % of Total	610.5	12.7	484.8	17.5	86.9	11.2	10.6	6.2	1,192.8	14.0	721.2	14.0	555.3	18.8	112.8	13.3	12.3	7.5	1,401.6	15.4
Total % of Total	51.2	1.0	40.6	1.0	7.3	1.0	0.9	0.9	100.0	1.0	51.5	1.0	39.6	1.0	8.0	1.0	0.9	0.9	100.0	1.0
Labour Force % of Total	908.6	18.9	163.4	5.9	64.4	8.3	42.1	24.7	1,178.5	13.8	783.0	15.2	109.3	3.7	41.5	4.9	35.8	21.8	969.6	10.6
Unemployment % of Total	77.1	1.5	13.9	0.5	5.5	0.7	3.6	3.6	100.0	1.5	80.8	1.5	11.3	0.4	4.3	0.5	3.7	3.7	100.0	1.5
Unemployment Rate (%)	379.8	7.9	398.9	14.4	58.2	7.5	10.1	5.9	846.9	9.9	448.2	8.7	434.2	14.7	79.7	9.4	11.3	6.9	973.4	10.7
	44.8	0.9	47.1	1.7	6.9	0.9	1.2	1.2	100.0	0.9	46.0	0.9	44.6	1.2	8.2	1.2	1.2	1.2	100.0	0.9
	774.0	16.1	324.1	11.7	161.3	20.8	26.4	15.5	1,285.8	15.1	798.4	15.5	327.9	11.1	170.4	20.1	24.9	15.2	1,321.7	14.5
	60.2	1.2	25.2	0.9	12.5	1.2	2.1	2.1	100.0	1.2	60.4	1.2	24.8	0.9	12.9	1.2	1.9	1.9	100.0	1.2
	461.5	9.6	232.7	8.4	153.6	19.8	56.1	32.9	903.9	10.6	510.0	9.9	236.3	8.0	138.2	16.3	52.5	32.0	937.0	10.3
	51.1	1.0	25.7	0.9	17.0	1.0	6.2	6.2	100.0	1.0	54.4	1.0	25.2	0.9	14.7	1.0	5.6	5.6	100.0	1.0
	4,807.3	100.0	2,770.2	100.0	775.6	100.0	170.5	100.0	8,523.6	100.0	5,151.2	100.0	2,954.0	100.0	847.9	100.0	164.1	100.0	9,117.2	100.0
	56.4	1.1	32.5	1.1	9.1	1.1	2.0	2.0	100.0	1.1	56.5	1.1	32.4	1.1	9.3	1.1	1.8	1.8	100.0	1.1
Labour Force % of Total	5,036.6	2.8	1,138	4.1	793.8	10.3	176.4	8.8	8,206	9.6	5,441.4	10.3	3,025.1	35.3	875.2	10.3	171.2	1.8	9,512.9	10.3
Unemployment % of Total	57.1	1.1	31.9	1.1	9.0	1.1	2.0	2.0	100.0	1.1	57.2	1.1	31.8	1.1	9.2	1.1	1.8	1.8	100.0	1.1
Unemployment Rate (%)	229.3	4.7	43.6	1.6	18.2	2.3	5.9	5.9	297.0	3.4	290.2	5.7	71.1	2.7	27.3	3.1	7.1	7.1	395.7	4.2
	77.2	1.6	14.7	0.5	6.1	0.8	2.0	2.0	100.0	1.6	73.3	1.6	18.0	0.6	6.9	0.8	1.8	1.8	100.0	1.6
Unemployment Rate (%)	4.6	0.1	1.5	0.05	2.3	0.3	3.4	3.4	3.4	0.04	5.3	0.1	2.4	0.08	3.1	0.4	4.1	4.1	4.2	0.05

Source: Department of Statistics – Labour Force Surveys, 2000 and 2005
Notes: ¹ Excludes non-citizens.

TABLE 16-5
REGISTERED PROFESSIONALS BY ETHNIC GROUP, 2000 AND 2005

Profession	2000					2005					Net Increase, 2001-2005				
	Bumiputera	Chinese	Indians	Others	Total	Bumiputera	Chinese	Indians	Others	Total	Bumiputera	Chinese	Indians	Others	Total
Accountants % of Total	2,673 17.1	11,944 76.2	883 5.6	178 1.1	15,678 100.0	4,498 20.8	15,892 73.6	941 4.4	258 1.2	21,589 100.0	1,825	3,948	58	80	5,911
Professionals % of Total						961 6.2	13,541 87.9	798 5.2	102 0.7	15,402 100.0					
Architects % of Total	1,152 42.1	1,539 56.2	41 1.5	6 0.2	2,738 100.0	1,358 45.3	1,594 53.1	43 1.4	6 0.2	3,001 100.0	206	55	2	0	263
Professionals % of Total	450 29.8	1,034 68.4	23 1.5	4 0.3	1,511 100.0	557 33.7	1,066 64.5	26 1.6	4 0.2	1,653 100.0	107	32	3	0	142
Doctors % of Total	4,570 36.8	3,855 31.0	3,697 29.7	306 2.5	12,428 100.0	5,720 36.7	4,657 29.9	4,142 26.6	1,055 6.8	15,574 100.0	1,150	802	445	749	3,146
Dentists % of Total	790 35.2	952 42.4	460 20.5	43 1.9	2,245 100.0	1,159 44.4	920 35.3	480 18.4	49 1.9	2,608 100.0	369	-32	20	6	363
Veterinary Surgeons % of Total	428 41.7	284 27.7	281 27.4	33 3.2	1,026 100.0	522 39.0	431 32.2	332 24.8	54 4.0	1,339 100.0	94	147	51	21	313
Engineers % of Total	15,334 42.6	18,416 51.1	1,864 5.2	405 1.1	36,019 100.0	22,623 46.0	23,432 47.6	2,648 5.4	498 1.0	49,201 100.0	7,289	5,016	784	93	13,182
Professionals % of Total	2,461 25.0	6,536 66.5	636 6.5	198 2.0	9,831 100.0	3,326 28.9	7,283 63.2	726 6.3	188 1.6	11,523 100.0	865	747	90	-10	1,692
Surveyors % of Total	1,298 45.1	1,426 49.6	97 3.4	56 1.9	2,877 100.0	2,069 48.2	2,017 47.0	136 3.2	68 1.6	4,290 100.0	771	591	39	12	1,413
Professionals % of Total	713 42.5	876 52.2	58 3.5	30 1.8	1,677 100.0	975 47.2	989 47.9	70 3.4	31 1.5	2,065 100.0	262	113	12	1	388
Lawyers % of Total	3,111 32.3	3,860 40.1	2,586 26.8	76 0.8	9,633 100.0	4,465 38.0	4,354 37.1	2,834 24.1	97 0.8	11,750 100.0	1,354	494	248	21	2,117
Total	29,356	42,276	9,909	1,103	82,644	42,414	53,297	11,556	2,085	109,352	13,058	11,021	1,647	982	26,708
% of Total	35.5	51.2	12.0	1.3	100.0	38.8	48.7	10.6	1.9	100.0					

Source: Professional associations and institutions covering both public and private sectors such as Malaysian Institute of Accountants, Board of Architects Malaysia, Malaysian Medical Council, Malaysian Dental Council, Board of Engineers Malaysia, Bar Council Malaysia, The Institution of Surveyors Malaysia and Malaysia Veterinary Surgeons Council

TABLE 16-6

**OWNERSHIP OF SHARE CAPITAL¹ (AT PAR VALUE)
OF LIMITED COMPANIES, 2000 AND 2004**

Ownership Group	RM million		% of Total		Average Annual Growth Rate (%) 2001-2004
	2000	2004	2000	2004	
Bumiputera	62,976.0	100,037.2	18.9	18.9	12.3
Individuals	47,343.6	79,449.9	14.2	15.0	13.8
Institutions ²	9,830.0	11,890.7	3.0	2.2	4.9
Trust Agencies ³	5,802.4	8,696.6	1.7	1.7	10.6
Non-Bumiputera	137,412.8	214,972.8	41.3	40.6	11.8
Chinese	129,318.3	206,682.9	38.9	39.0	12.4
Indians	5,136.8	6,392.6	1.5	1.2	5.6
Others	2,957.7	1,897.3	0.9	0.4	-10.5
Nominee Companies	28,119.4	42,479.1	8.5	8.0	10.9
Foreigners	103,909.4	172,279.6	31.3	32.5	13.5
Total	332,417.6	529,768.7	100.0	100.0	12.4

Source: Companies Commission of Malaysia

Notes: ¹ Excludes shares held by Federal and State Governments.

² Refers to shares held through institutions channeling Bumiputera funds such as the *Permodalan Nasional Berhad* (PNB) unit trust schemes, *Amanah Saham MARA*, *Lembaga Tabung Haji*, *Lembaga Tabung Angkatan Tentera* and *Koperasi Polis*.

³ Refers to shares held through trust agencies such as PNB, *Perbadanan Usahawan Nasional Berhad*, *Perbadanan Nasional Berhad*, *Majlis Amanah Rakyat* (MARA), *Bank Pembangunan Malaysia Berhad* and State Economic Development Corporations.

Restructuring of Ownership and Control of the Corporate Sector

16.22 Bumiputera ownership of share capital at par value increased from RM63 billion in 2000 to RM100 billion in 2004, as shown in *Table 16-6*. The proportion of Bumiputera equity ownership, however, remained unchanged at 18.9 per cent. Meanwhile, the share capital of the Chinese increased to more than double that of Bumiputera. The share of equity ownership held by the Indians declined from 1.5 per cent to 1.2 per cent although their share increased by RM1.3 billion. In contrast, foreign equity ownership increased from 31.3 per cent to 32.5 per cent.

16.23 The proportion of Bumiputera companies in all economic sectors remained very low, as shown in *Table 16-7*. The highest proportion of equity controlled by Bumiputera was in construction at 35.2 per cent followed by transportation and wholesale and retail trade at 26.7 per cent and 20.4 per cent, respectively. Privatization remained an active mechanism in enhancing Bumiputera equity ownership and participation in the corporate sector. Bumiputera ownership of the share capital at par value in privatized projects increased from RM5.5 billion upon privatization to RM14.9 billion in 2005 or 14.9 per cent of total equity held by Bumiputera.

16.24 Inequality in the ownership of non-financial assets remains sizeable. A survey on the ownership of commercial buildings and premises in all the urban centres throughout the country in 2005 revealed that Bumiputera ownership of properties was low compared with non-Bumiputera. Bumiputera owned only 11.7 per cent of the various types of business premises, as shown in *Table 16-8*. Bumiputera ownership of industrial premises and business complexes was also low at 4.8 per cent and 11.7 per cent, respectively.

16.25 During the Plan period, a total of 365 applications for listing was approved by the Securities Commission. Of this, only 41 applications or 11.2 per cent were from Bumiputera companies and the remaining from non-Bumiputera companies, including foreigners. In terms of the total funds raised by means of initial public offering (IPO), RM815 million or 14.9 per cent of the total funds was raised by Bumiputera companies compared with RM4.7 billion or 85.1 per cent by non-Bumiputera and foreign companies.

16.26 During the Plan period, measures were introduced to encourage potential entrepreneurs among the Indian community to participate in various entrepreneurial development programmes. Business licences were also provided to ensure greater participation of the Indian community in business to increase their equity ownership in the corporate sector. Opportunities were also given to Indian youth to acquire skills and knowledge in basic business management. *Pusat Giat MARA* nationwide trained 1,100 Indian youth in various skills, beginning 2004.

Development of the BCIC

16.27 The implementation of the BCIC programmes was strengthened during the Plan period. Yet the progress in the development of the BCIC has been below expectations. A total of 114,770 Bumiputera entrepreneurs participated in training and business development programmes such as the vendor development programme, franchise development programme, venture capital scheme and *Projek Usahawan Bumiputera Dalam Bidang Peruncitan* (PROSPER).

16.28 The *vendor development programme* created 135 new vendors, of which 100 Bumiputera enterprises were appointed as vendors to privately-owned companies while another 35 were selected to provide parts, supplies and services to Government-linked companies (GLCs). During the Plan period, the *franchise development programme* attracted 228 Bumiputera entrepreneurs as franchisees in various businesses including food, child-learning centres and automotive service centres. At the same time, a total of 114 franchisors was registered, of which 29 were Bumiputera. The main reason for the shortfall in these programmes was the small number of private enterprises willing to be anchor companies in commercial expansion.

TABLE 16-7
**OWNERSHIP OF SHARE CAPITAL¹ (AT PAR VALUE) OF LIMITED COMPANIES
BY ETHNIC GROUP AND SECTOR, 2004**
(%)

Ownership Group	Agriculture	Mining	Manufacturing	Utility	Construction	Wholesale & Retail Trade	Transportation	Finance	Services	Others	Total
Bumiputera	16.4	12.3	8.1	6.3	35.2	20.4	26.7	12.5	18.7	24.3	18.9
Non-Bumiputera	54.0	39.8	25.3	9.2	44.0	53.3	30.6	10.5	40.9	48.6	40.6
Chinese	52.9	39.5	24.5	8.9	42.6	50.7	27.7	10.2	39.5	45.7	39.0
Indians	0.8	0.2	0.6	0.2	1.1	2.0	2.5	0.3	1.1	1.8	1.2
Others	0.2	0.1	0.1	0.1	0.3	0.6	0.4	0.04	0.2	1.1	0.4
Nominee Companies	6.6	25.4	1.9	17.2	5.9	0.7	11.4	17.5	10.9	3.9	8.0
Foreigners	23.0	22.5	64.7	67.3	14.9	25.6	31.3	59.5	29.5	23.2	32.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Companies Commission of Malaysia

Notes: ¹ Excludes shares held by Federal and State Governments.

TABLE 16-8
OWNERSHIP OF COMMERCIAL BUILDINGS AND PREMISES BY ETHNIC GROUP, 2005

Type of Building/Premise	Unit				% of Total				
	Bumiputera	Chinese	Indians	Others	Total	Bumiputera	Chinese Indians	Others	Total
Building	24,374	139,052	10,388	17,773	191,587	12.7	72.6	5.4	100.0
One Floor	10,433	20,122	2,212	2,185	34,952	29.8	57.6	6.3	100.0
Two Floors	8,733	67,233	4,354	7,303	87,623	10.0	76.7	5.0	100.0
Three Floors	2,201	26,792	1,582	4,474	35,049	6.3	76.4	4.5	100.0
More Than Three Floors	3,007	24,905	2,240	3,811	33,963	8.9	73.3	6.6	100.0
Business Complex	3,207	19,072	568	4,651	27,498	11.7	69.4	2.1	100.0
Industrial Premise	1,480	21,514	446	7,118	30,558	4.8	70.4	1.5	100.0
Hotel	313	1,519	71	289	2,192	14.3	69.3	3.2	100.0
Total	29,374	181,157	11,473	29,831	251,835	11.7	71.9	4.6	100.0

Source: Economic Planning Unit

Notes: Based on 87 per cent responses from local authorities.

16.29 Under PROSPER, the *Perbadanan Usahawan Nasional Berhad* (PUNB) approved investments to 884 Bumiputera retail traders with a total project cost of RM233.2 million, of which 48 per cent was financed through PUNB. These businesses generated annual sales of RM350 million and provided employment opportunities to about 3,580 people. Apart from encouraging the establishment of more Bumiputera retailers in new townships and residential areas, the project succeeded in promoting Bumiputera entrepreneurs in businesses where Bumiputera participation was low such as automotive service centres, hardware stores, as well as laundry and dry cleaning. Under the *venture capital scheme*, PUNB focused its attention on rehabilitating existing participating companies severely affected by the 1997-98 financial crisis, and as a result was only able to develop 14 new Bumiputera enterprises with a total investment of only RM14.4 million.

16.30 Measures were also undertaken to develop Bumiputera entrepreneurs in Sabah and Sarawak through the provision of various types of business and industrial premises. In this regard, a total of RM45 million in Sabah and RM54 million in Sarawak was expended during the Plan period.

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III. PROSPECTS, 2006-2010

16.31 During the Ninth Plan period, the distributional agenda will be pursued more firmly so as to ensure the achievement of a more equitable distribution of the benefits of economic development by all Malaysians. Distributional strategies will be focused on creating a more balanced and equitable participation among and within ethnic groups primarily through capacity building and raising of competitiveness. This is based on the premise that in the current economic context, the levels of income and prosperity of individuals and households, as well as of ethnic and regional groups, are largely determined by their participation in the productive system and gains from self-employment. Under the Ninth Plan, apart from focusing on achieving results in the areas of poverty as well as income and wealth disparity, close attention will be given to the impact of policies, programmes and projects on employment, particularly in terms of its effectiveness and productivity in the growth process and its distribution of opportunities and rewards.

16.32 To better direct efforts, specific targets for distribution will be set for the Ninth Plan period:

- *eradicating hardcore poverty and halving overall poverty to 2.8 per cent by 2010;*
- *reducing income disparity ratio between Bumiputera and Chinese to 1:1.50 and between Bumiputera and Indians to 1:1.15 in 2010; and*
- *increasing Bumiputera ownership of share capital between 20 and 25 per cent by 2010, in order to reach the target of at least 30 per cent by 2020.*

16.33 The distributional strategies will be reoriented towards attaining income parity through the following key thrusts:

- ❑ *increasing the income share of the bottom 40 per cent of all households by increasing their productivity through human capital development;*
- ❑ *creating an enabling environment to promote greater involvement of the NGOs and the private sector in poverty eradication;*
- ❑ *reducing inequality in wealth ownership, including in non-financial assets;*
- ❑ *developing a more competitive and productive BCIC through the creation of self-reliant and sustainable Bumiputera entrepreneurs and resilient Bumiputera small and medium enterprises;*
- ❑ *expanding access to education and training programmes to increase the number of Bumiputera managers and professionals, particularly in the private sector;*
- ❑ *intensifying employment restructuring programmes towards reducing identification of ethnic group with occupation and income in order to enhance integration; and*
- ❑ *enhancing the database and monitoring mechanism for effective implementation of the distributional agenda.*

16.34 All government agencies will be required to ensure that their policies and programmes take into account the implications on distribution. A more effective implementation and monitoring mechanism emphasising outcome and impact will be put in place, supported by improved database and enhanced coordination among relevant ministries and agencies to ensure the successful implementation of the distributional agenda. An improved system of targeting beneficiaries and minimising leakages will also be instituted.

Poverty Eradication

16.35 During the Plan period, efforts will be undertaken to eradicate pockets of poverty among the disadvantaged groups, in particular the Orang Asli in Peninsular Malaysia. The thrust of poverty eradication strategies will focus on eradicating hardcore poverty and halving overall poverty by the end of 2010. New and improved institutional mechanisms and specific social welfare programmes will be pursued to ensure that hardcore poverty continues to be eradicated beyond 2010. In addition, measures will be undertaken to reduce poverty in the rural and urban areas as well as among Bumiputera in Sabah and Sarawak through income generating projects and employment opportunities. Only the elderly, poor single parents, handicapped and destitute who are unable to participate in gainful economic activities will continue to receive outright assistance.

16.36 *Hardcore Poverty.* The coverage of the packaged programmes under the SPKR will be extended to all target groups, particularly in areas with a high concentration of the hardcore poor. These programmes, including *Program Peningkatan Ekonomi, Program Pembangunan Infrastruktur Asas* and *Program Pembangunan Insan*, will give more emphasis to human capital development and capacity building. These programmes bring benefits to the participants on a sustainable basis.

16.37 Access to credit facilities will be improved further to enable the target groups to actively participate in more productive economic activities. Towards this end, AIM's operations in eradicating hardcore poverty will be further strengthened. By 2010, AIM is expected to extend micro-credit facilities to an additional 69,200 participants and increasing its members to 203,200. To improve coverage and service delivery to the hardcore poor, AIM will concentrate its operations in states with high number of hardcore poor households, in particular Sabah, Terengganu and Perak. In addition, other NGOs and the private sector will be encouraged to initiate programmes and projects that provide opportunities to the target groups to increase their income. Efforts will be undertaken to update and integrate the urban and rural hardcore poor registry to ensure all poverty eradication programmes reach the target groups.

16.38 *Overall Poverty.* Programmes will be strengthened to build and enhance the capacity of the poor within the working age group to enable them to participate in more productive economic activities. These programmes will include education and training in specific skills and knowledge as well as inculcation and reinforcement of positive values including good work ethics and self-confidence. To increase access of poor households to education and training, support programmes such as provision of textbooks, scholarship and allowance and supplementary food will be continued. More hostels will be provided to accommodate students from poor families. Programmes and projects under the SPKR and the Integrated Development Programme for Urban Communities will be enhanced further to ensure its effectiveness in increasing employment and income as well as improving the quality of life of the poor and the low-income households.

16.39 A more enabling environment will be created to further encourage NGOs and the private sector to provide wider opportunities to the poor to improve their livelihood. Financial institutions will be encouraged to provide innovative and pro-poor financing facilities. To enhance the quality and sustainability of programmes, participation of the target groups as well as communities will be encouraged in project identification and implementation.

16.40 During the Plan period, measures will be undertaken to improve the management of Islamic-based institutions, especially those relating to *zakat, wakaf* and *baitulmal*, and develop these institutions into effective mechanism

for outright assistance to the targeted poor. The success of the *Pusat Pungutan Zakat* of the Wilayah Persekutuan Kuala Lumpur will be replicated as a model for *zakat* collection to be implemented in the other states.

16.41 Poverty eradication initiatives by the public sector, NGOs and the private sector will be streamlined, while coordination and monitoring will be enhanced at all levels, including setting deliverable targets for all implementing parties to ensure greater impact and sustainability of the programmes. Towards this end, a national poverty database, integrating both the rural and urban poverty registry and using a common definition of income, will be established to improve the quality of the database on the poor and hardcore poor households. This database, supplemented by data collected from various implementing agencies, including the NGOs, will be used by all implementing agencies as the main data source of their target groups. In addition, poverty mapping will be developed in selected urban and rural areas to assist in designing programmes to meet the needs of the different target groups.

16.42 *Rural Poverty.* Rural development will continue as a key strategy for poverty eradication in the rural areas. In this regard, rural communities will be given better access to new technologies and modern farming methods as well as off-farm economic activities. Modernisation and commercialisation of agricultural activities through greater utilisation of higher yielding clones will increase productivity and income among the poor. Farmers and smallholders will continue to be provided with better agricultural support services to encourage them to venture into larger scale farming activities to increase productivity and income.

16.43 Training programmes and credit facilities will be made accessible, especially to those involved in agro-based economic activities. Farmers and fishermen will be encouraged to supplement their economic activities in aquaculture, livestock rearing and food processing as well as agro-based businesses and entrepreneurship. Farmers involved in tobacco cultivation will also be encouraged to venture into these activities as well as in the cultivation of other alternative crops to supplement their income, as the cultivated areas and income from tobacco is expected to decrease.

16.44 Land development schemes and establishment of rural growth centres, particularly in Sabah and Sarawak, will continue to provide greater employment opportunities for the rural poor. Consolidation and rehabilitation of smallholdings will also benefit poor farmers in rural areas. During the Plan period, a total of 387,500 hectares of rubber and oil palm areas will be replanted and 102,700 hectares of land consolidated and rehabilitated by various agencies, including the Rubber Industry Smallholder Development Authority (RISDA), FELCRA Berhad and the Sabah Rubber Industry Board, to benefit poor smallholders.

16.45 *Urban Poverty*. During the Plan period, efforts to eradicate urban poverty will be guided by the Urban Poverty Strategic Action Plan. All programmes and projects under the Integrated Development Programme for Urban Communities will be consolidated and expanded under the *Program Pembasmian Kemiskinan Bandar* (PPKB). The components of the programme include housing for the poor, income generating activities, education and training as well as establishment of *Pusat Sejahtera* as information and resource centres for the poor. The resettlement of squatters in the urban areas into public funded low-cost housing and other infrastructure projects will be continued through an integrated development approach.

16.46 *Bumiputera in Sabah and Sarawak*. Target specific programmes will be implemented during the Plan period to eradicate poverty based on the findings of the study undertaken in 2005. Measures will be undertaken to provide employment and income-generating activities to reduce the high incidence of poverty among the Orang Sungei, Rungus, Bisaya and Sulu or Suluk communities in Sabah and Bidayuh, Kenyah, Kayan, Kadayan, Penan and Lun Bawang communities in Sarawak. Under the SPKR, a total of RM189 million will be allocated to Sabah and RM139 million for Sarawak to address the high incidence of poverty among the Bumiputera.

16.47 During the Plan period, more effective measures will be undertaken to increase income and improve the quality of life of the poor, particularly through improvements in the agricultural subsectors in Sabah and Sarawak. Cocoa, pepper and sago smallholders will be provided with financial assistance to rehabilitate their farms through estate-based concept as well as in related agro-based processing activities. New land development schemes and rural growth centres will be developed to provide greater employment and income opportunities as well as better infrastructure and other amenities for the rural poor. A total of RM446 million and RM702 million will be provided to upgrade rural and village roads in Sabah and Sarawak, respectively. In addition, Sabah and Sarawak will be allocated a total of RM340 million and RM396 million, respectively, for rural water supply. In Sabah, the Federal Land Development Authority (FELDA) will undertake target-specific measures to address hardcore poverty involving 2,000 households. At the same time, a total of RM150 million will be allocated through FELCRA Berhad for agriculture development programme in Sarawak. In addition, programmes under AIM will be expanded to alleviate overall poverty and eradicate hardcore poverty among the Bumiputera in these states.

16.48 *Orang Asli*. During the Plan period, a comprehensive development plan will be implemented to address the high incidence of poverty among the Orang Asli. The plan will include strategies and programmes to increase income and improve quality of life through the implementation of economic projects as well as resettlement and development of human capital. Focus will be given to

increase access of the Orang Asli to income generating projects such as cultivation of food crops, handicraft and tourism as well as provision of employment opportunities, infrastructure and other basic amenities. Towards this end, delivery of poverty eradication programmes and initiatives will be improved to ensure greater benefits to the poor. The NGOs, in particular AIM, will be encouraged to extend their programmes and initiatives to eradicate poverty and hardcore poverty among these disadvantaged groups. The SPKR will also be extended further as part of the target-specific programmes to eradicate poverty among these groups in the rural areas.

Income Distribution

16.49 To achieve income parity in the longer term, efforts will be undertaken to reduce the income gaps among ethnic communities as well as between rural and urban areas to achieve a more equitable distribution of the fruits of further economic growth in the country. In this regard, income generating activities and employment opportunities will be created to narrow the income gap between Bumiputera and Chinese from 1:1.64 in 2004 to 1:1.50 in 2010. The income gap between Bumiputera and Indians is targeted to be reduced from 1:1.27 in 2004 to 1:1.15 in 2010.

16.50 Besides poverty eradication efforts, the focus of distributional strategies and programmes will be on the creation of a bigger and more prosperous Bumiputera middle-income group through human capital development. Current measures will be further strengthened and new effective instruments identified for the expansion of the Bumiputera middle-income group. These will include intensification of the employment restructuring programmes to create a greater number of successful entrepreneurs, increasing ownership and wealth among the Bumiputera community, enhancing education and training as well as providing more opportunities for Bumiputera to competitively gain employment in higher paying occupations, particularly at managerial, professional and technical levels. In addition, income enhancing measures for the poor and lower income households will be broadened to include the bottom 40 per cent of households, of which Bumiputera constituted 76.0 per cent in 2004, to enable them to move up to higher income categories.

16.51 Factors associated with labour quality and resource utilisation will be given greater attention as these factors significantly influence productivity and income earning capacities in the modern economic activities. Additional training will be made available, particularly to the unemployed graduates to enable them to meet the needs of the job market. At the same time, the upgrading and establishment of more training colleges, especially in the rural areas, will provide greater opportunities for the rural communities.

16.52 To reduce income imbalance between the rural and urban areas and between the less developed and more developed states, rural development will be intensified through the modernisation and commercialisation of agricultural activities as well as diversification of the rural economy. The modernisation and the creation of new economic activities in the rural areas, particularly through the One District One Industry programme and development of rural industrial estates, will provide greater opportunities to rural households to be gainfully employed in high productivity sectors.

16.53 The development of rural entrepreneurs will be implemented in a more systematic and focused manner guided by the Master Plan for the Development of Rural Entrepreneurs. Programmes to increase awareness and utilisation of Information and Communications Technology (ICT) among the rural households will be implemented to bridge the digital divide as well as expand opportunities to rural households to participate and integrate into modern economic activities. Measures to promote ICT literacy among the rural population and disadvantaged groups will enable them to improve access to essential information and services as well as foster self-employment and entrepreneurship among the poorer sections of the population.

Employment Restructuring

16.54 During the Plan period, more intensified efforts will be undertaken to ensure that the employment pattern at all levels of occupation and in all sectors of the economy reflects the ethnic composition of the population. The private sector is expected to be more involved in accelerating the growth of Bumiputera employment and restructuring their employment pattern. Public and private sector cooperation for the advancement of Bumiputera employment will be initiated and implemented. The progress in employment restructuring to reflect the racial composition of the population will be closely monitored at various levels, although targets will not be micro-managed and will primarily be viewed on an overall basis.

16.55 Education and training will remain as an important strategy to meet the objectives of increasing Bumiputera employment in the professional, managerial and other high-income occupations, particularly in the services and other modern and high productivity sectors. During the Plan period, the enrolment in *Universiti Teknologi MARA* (UiTM) will be expanded, including through a franchise system with Bumiputera private institutions of higher education to provide more places to Bumiputera students. Measures will be implemented to further accelerate the shift and absorption of Bumiputera secondary school leavers and graduates into the dynamic sectors and into high-income occupational categories.

16.56 Focus will be given to create a BSTC and enhance Bumiputera participation in technology-based subsectors such as biotechnology, ICT and advanced manufacturing. Efforts will be intensified to improve the performance of Bumiputera students especially in subjects such as science, mathematics and the English language as well as increase their number in critical courses in the universities. Besides assistance given to overall top students, scholarships and loans will be given to qualified Bumiputera students to study in local public and private institutions of higher education as well as in reputable institutions abroad.

16.57 Steps will also be taken to provide opportunities to Bumiputera graduates to participate in various BCIC programmes to enable them to be self-employed. In this regard, the Graduate Entrepreneurship Scheme will be expanded and strengthened and other self-employment assistance will be provided including training, technical advice, financial support, market information and new technology.

16.58 The private sector and GLCs will be encouraged to provide opportunities and assistance to Bumiputera to acquire professional qualifications as well as employment. In addition, stronger measures will be undertaken to increase non-Bumiputera participation in the public service sector in the categories of occupation where they are not well represented.

Wealth Ownership

16.59 While the Government remains committed to ensure the attainment of at least 30 per cent Bumiputera equity ownership, this will only be achievable within a longer time frame. In this regard, the 30 per cent target for Bumiputera ownership in the corporate sector as well as the 3.0 per cent target for the Indian community will be extended to 2020. Moreover, in the current economic context, other factors apart from equity ownership have gained salience as measures of wealth ownership. Therefore, during the Plan period, the focus of distribution programmes will be expanded beyond mere equity ownership of share capital to include other aspects of wealth ownership, in particular Bumiputera ownership of productive assets, both physical and non-physical. In line with this, policies and programmes that expand Bumiputera ownership of residential and commercial urban property, intellectual property rights, as well as commercial enterprises, particularly SMEs, will be undertaken.

16.60 During the Plan period, *Permodalan Nasional Berhad* (PNB), through awareness and education programmes, will encourage more Bumiputera to actively participate in unit trust schemes. PNB will provide a wider choice of products to attract more Bumiputera investors. Special attention will be given to increase participation in unit trust schemes among the Bumiputera in Sabah and Sarawak.

16.61 Bumiputera trust agencies and GLCs will play a more active role in increasing Bumiputera commercial properties in urban areas. The *Yayasan Amanah Hartanah Bumiputera*, with an initial capital of RM2.0 billion, will spearhead efforts to enhance Bumiputera property ownership in strategic locations, particularly in urban areas. *Perbadanan UDA* will be reestablished to complement the efforts of the *Yayasan* in identifying and purchasing commercial properties, especially in major towns, and in providing greater opportunities in prime business locations for Bumiputera entrepreneurs. The expansion of Bumiputera entrepreneurship and ownership of commercial enterprises, particularly SMEs, will be pursued.

16.62 *Wakaf, baitulmal* and *zakat* resources will be appropriately mobilised towards enhancing the development of Bumiputera and other Muslims during the Plan period. Emphasis will be given to develop *wakaf* land within the commercial urban areas in the Johor Bahru, Klang Valley and Pulau Pinang. The development programme will involve integrated redevelopment of housing settlements with infrastructure and economic facilities, including business and industrial premises on *wakaf* land. The *Jabatan Wakaf, Zakat dan Haji* will coordinate the establishment of a new entity with the participation of State Religious Islamic Councils to implement programmes to develop *wakaf* and *baitulmal* land into viable economic investments and thus, contribute to the development of the BCIC. In addition, the database on *wakaf, zakat* and *baitulmal* resources will be enhanced.

16.63 Restructuring programmes to increase asset ownership of Bumiputera will also encompass specific measures to increase ownership by Bumiputera in Sabah and Sarawak. Towards this end, an action plan will be developed to implement various programmes such as unit trust schemes, entrepreneurship development and skills training programmes as well as provision of financing facilities. Development of native and customary land in Sabah and Sarawak will be undertaken to benefit Bumiputera through the development of commercial and other suitable projects.

16.64 Additional measures will be undertaken to increase the Indian equity ownership to 3.0 per cent by 2020. More opportunities will be provided to the Indian community to participate in selected unit trust schemes. To further encourage the Indian community to venture into business, financial assistance as well as training programmes will be made more accessible to potential and capable entrepreneurs. During the Plan period, opportunities will continue to be given to school leavers among the low-income Indian households to participate in various skills training courses at *Pusat Giat MARA*. In addition, *Pusat Putra*, a new skills training institution, will be established to assist youth, particularly Indians to acquire relevant skills, especially in ICT and auto-mechanics.

Second Phase of BCIC Development

16.65 The development of BCIC will remain a key thrust in the Ninth Plan to ensure effective Bumiputera participation in the economy and continue efforts at restructuring of society to eliminate the identification of race with economic function. In line with the strategy to expand Bumiputera wealth ownership in terms of commercial enterprises, the second phase of the BCIC development programme, with active involvement of the private sector, will focus on expediting the development of self-reliant, sustainable and competitive Bumiputera entrepreneurs and the creation of strong Bumiputera SMEs. During this phase, the development of the BCIC will be further enhanced by encouraging the growth of business linkages and clusters among Bumiputera enterprises, between Bumiputera and non-Bumiputera enterprises, and between GLCs and Bumiputera enterprises. In addition, the role of trust agencies, GLCs and cooperatives will be further strengthened to enhance their capacity and capability to effectively implement the BCIC strategies and programmes.

16.66 To ensure a strong and sustainable presence of Bumiputera in the commercial and industrial sectors, a new approach that emphasises not only the quantity of Bumiputera entrepreneurs produced, but more importantly their quality in terms of productivity and competitiveness will be adopted. In this regard, the Government will encourage entrepreneurs to develop their capabilities and build up a track record in order to be more resilient in facing the challenges of a competitive business environment. During the Plan period, existing programmes will be directed towards facilitating the upward mobility of entrepreneurs to a higher level or category. In addition, a special programme will be implemented with emphasis on transforming selected Bumiputera SMEs with annual sales value between RM1 million to RM25 million into bigger enterprises. To support the growth of Bumiputera SMEs, measures will also be taken to discourage government agencies such as State Economic Development Corporations (SEDCs) and GLCs from directly competing with them for business opportunities.

16.67 The Government will continue to provide the necessary support and undertake selective intervention to assist capable and competent Bumiputera entrepreneurs, including through product and quality (P&Q) enhancement, technical training, marketing and promotion as well as research and development (R&D) programmes. Bumiputera enterprises will be encouraged to undertake R&D activities to enhance their product quality and production capacity. Wide-ranging assistance including financing facilities, product enhancement, marketing and promotion will also be provided to these Bumiputera entrepreneurs. Other assistance and facilities will also be provided based on business needs and requirements.

16.68 To assist greater participation of Bumiputera in new growth areas, particularly in the services, manufacturing and agricultural and agro-based

sectors, steps will be taken to increase the entry of Bumiputera entrepreneurs into selected services subsectors such as transport and logistics, automotive workshops, distributive trade, professional and business services, tourism as well as resource-based industries and businesses based on *halal*, herbal and pharmaceutical products. In the manufacturing sector, emphasis will be given to strategic and high technology industries such as ICT, biotechnology, photonics, nanotechnology, advanced manufacturing and precision engineering. The Government, in tandem with the appropriate GLCs, will facilitate the entry of Bumiputera into the new growth areas through the development of new packaged programmes, which include financing schemes to nurture promising Bumiputera entrepreneurs and technopreneurs. In addition, existing qualified and high-performing Bumiputera professionals in high technology industries will be identified and encouraged to become leading participants of these programmes. At the same time, more flexible employment policies will be formulated to encourage greater mobility of Bumiputera R&D personnel in public research institutions to venture into these new growth sectors.

16.69 The functions and roles of trust agencies, particularly the SEDCs and *Majlis Amanah Rakyat* (MARA), will be enhanced to strengthen their position in fostering the development of Bumiputera, particularly SMEs. SEDCs will be encouraged to spearhead the creation of Bumiputera entrepreneurs in new areas, particularly in sectors or activities where Bumiputera participation is minimal.

16.70 Bumiputera cooperatives with potential and capability will be encouraged to venture into business activities and to participate in the development of BCIC. In this regard, the Malaysia Cooperative Commission will undertake measures to develop cooperative entrepreneurship such as the provision of financial facilities for start-ups and expansion of existing cooperatives; creation of cooperative hubs as one-stop shopping centres to house and market products of cooperative entrepreneurs; as well as provision of training and guidance to small-scale cooperative entrepreneurs. In addition, cooperative entrepreneurship acculturation programme will also be implemented to inculcate and strengthen values of cooperative entrepreneurship among cooperators at all levels, particularly in school cooperatives.

16.71 The existing BCIC programmes, particularly the packaged programmes such as franchise and vendor development will be further strengthened to increase the number of viable Bumiputera entrepreneurs. In line with its new role in franchise development, *Perbadanan Nasional Berhad* (PNS) will develop Bumiputera franchisees and local franchise products through R&D, acquire selected franchises from overseas as well as increase public awareness in the business of franchising. The vendor development programme will be expanded to include more industries to generate new opportunities for competitive Bumiputera

enterprises. The monitoring and coordinating mechanism will be reactivated to ensure effective implementation of the programme.

16.72 New initiatives will be adopted by PUNB to develop more resilient Bumiputera SMEs under the venture capital scheme. In this regard, PUNB will ensure a more balanced investment portfolio between start-ups, high growth businesses and expanding companies, as well as shift its investment focus to companies involved in manufacturing end-products, knowledge-based and selected services sectors. To enhance the participation of Bumiputera retailers through PROSPER, PUNB will develop more concept shops in collaboration with experienced Bumiputera entrepreneurs as well as promote networking with PNS in strengthening the system of concept shops prior to being franchised. In addition, the scope of PROSPER will be widened to increase the number of viable Bumiputera SMEs in strategic industries, including in wholesaling.

16.73 The Government will continue to assist Bumiputera entrepreneurs in Sabah and Sarawak. In terms of business and industrial premises, a total of RM68 million will be allocated for Sabah and RM72 million for Sarawak during the Plan period. At the same time, other assistance will be provided by various implementing agencies including trust agencies and GLCs as well as chambers of commerce and trade associations through training, R&D and technical support, credit and product promotion.

16.74 To promote greater self-reliance and competitiveness among Bumiputera entrepreneurs, measures will be undertaken to make them more sustainable, resilient, self-reliant and successful. Entrepreneurial training programmes will be intensified. Such training programmes will also emphasise inculcation of positive values, attitudes as well as a high performance culture. Towards this end, the *Institut Keusahawanan Negara* (INSKEN) will be the focal point to undertake and coordinate training programmes for all implementing agencies involved in entrepreneurial development. In this regard, training programmes conducted by INSKEN will emphasise on knowledge-based training to ensure greater impact.

IV. INSTITUTIONAL SUPPORT AND ALLOCATION

16.75 For the implementation of poverty and income distribution programmes and projects, the lead ministries responsible for poverty in rural areas are the Ministry of Rural and Regional Development, the Ministry of Agriculture and Agro-Based Industry and the Ministry of Women, Family and Community Development; and for urban poverty, the Ministry of Housing and Local Government. Other agencies involved in anti-poverty and income enhancement programmes

include *Jabatan Hal Ehwal Orang Asli*, FELDA, RISDA, FELCRA Berhad, Department of Social Welfare and the respective State Economic Planning Units.

16.76 The lead agencies to implement employment restructuring programmes are the Public Service Department, the Ministry of Education, the Ministry of Higher Education, the Ministry of Human Resources and the Ministry of Entrepreneur and Cooperative Development (MECD). In the case of enhancing wealth ownership and developing BCIC, the lead ministries are MECD, Ministry of International Trade and Industry, Ministry of Finance and Economic Planning Unit, Prime Minister's Department. In the Ninth Plan, the allocation for distribution programmes is shown in *Table 16-9*.

TABLE 16-9
**DEVELOPMENT ALLOCATION FOR DISTRIBUTIONAL PROGRAMMES,
2006 - 2010**
(RM million)

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<i>Programme</i>	<i>Allocation</i>
Poverty Alleviation	4,465.3
<i>Skim Pembangunan Kesejahteraan Rakyat</i>	340.8
<i>Program Pembasmian Kemiskinan Bandar</i>	50.0
Rubber and Oil Palm Replanting Scheme	1,047.8
Land Consolidation and Rehabilitation	1,004.3
Regional Development	510.9
Redevelopment of Traditional and New Villages	235.0
Development of Orang Asli	361.8
Agriculture Entrepreneurial Development	414.7
Development of Customary and Native Land	100.0
Other Programmes	400.0
Restructuring of Society	7,058.8
Development of BCIC	1,371.9
Financing Facilities	1,220.0
Education and Training	2,216.9
<i>Yayasan Amanah Hartanah Bumiputera</i>	2,000.0
Development of <i>Wakaf/Baitulmal</i> Land	250.0
Total	11,524.1

Source: Economic Planning Unit

V. CONCLUSION

16.77 Considerable progress was achieved during the Eighth Plan period in reducing poverty, narrowing income imbalance between ethnic groups and increasing Bumiputera participation in key occupations and sectors of the economy. During the Ninth Plan period, the distributional agenda will focus on moving towards income parity through eradication of poverty and restructuring of society. Through more targeted anti-poverty programmes, it is expected that hardcore poverty will be eradicated and overall poverty halved to 2.8 per cent by 2010. Distributional strategies will continue to be pursued to ensure more balanced and equitable participation in economic opportunities among the various ethnic groups. Greater emphasis will be given in reducing income inequalities and narrowing the urban-rural income disparity, as well as advancing employment restructuring and increasing Bumiputera employment in professional and high-paying occupations. In addition, disparities in wealth ownership will be reduced and the development of BCIC will enter a second, more enhanced, phase.

16.78 Due to its importance, the Government will ensure that implementation of all distribution programmes and projects will be closely overseen by a strengthened monitoring mechanism within the Economic Planning Unit and Implementation Coordination Unit of the Prime Minister's Department. All relevant ministries and agencies will be required to ensure that their policies and programmes contribute towards a more equitable distribution of income, wealth and other economic opportunities. An improved system of targeting beneficiaries and minimising leakages will also be instituted to achieve the growth with distribution objectives.