

PERSPECTIVE

RESEARCHERS AT ISEAS – YUSOF ISHAK INSTITUTE ANALYSE CURRENT EVENTS

Singapore | 24 January 2019

Mid-Term Review of 11th Malaysia Plan: Reaffirming Bumiputra Policy, But Also Signalling New Attention to Minority Needs

*Lee Hwok-Aun**

EXECUTIVE SUMMARY

- The Mid-Term Review (MTR) of the Eleventh Malaysia Plan (11MP) was an opportunity for the Mahathir government to recalibrate its predecessor's economic strategy. Unsurprisingly, it recommitting priority to Bumiputera empowerment, but significantly designates some attention for minority groups. In three ways, Malaysia sets reasonable and timely objectives, but lacks clear perspective and systematic plans commensurate with the scale and complexity of these policies.
- First, the MTR appropriately emphasizes Bumiputera educational access and attainment. However, the programme of action falls short of a systematic framework for expanding need-based assistance in place of race-based preference and for promoting Bumiputera capability and self-confidence.
- Second, the MTR affirms Bumiputera enterprise development and wealth ownership, and boldly commits to acting against abuse and rent-seeking. But again, the policy agenda lacks focus and consistency in developing capability and competitiveness.
- Third, in allocating a segment for minority group empowerment, the MTR distinguishes itself from the Eleventh Malaysia Plan, but follows through in a fragmented and piecemeal fashion.

**Lee Hwok-Aun is Senior Fellow at the ISEAS – Yusof Ishak Institute. The author thanks Tricia Yeoh, Lee Wang Yen and Greg Lopez for helpful comments on an earlier draft of this paper. The usual disclaimer applies.*

INTRODUCTION

The Mid-Term Review (MTR) of the Eleventh Malaysia Plan (11MP) was delivered by Prime Minister Mahathir Mohamad on 18 October 2018, just five months after the watershed 14th General Elections.¹ The MTR warrants attention as the first comprehensive policy statement of the Pakatan Harapan government. It also requires a close reading to discern the changes to a document that was almost fully drafted when the elections took place.² The brief time window and nature of the MTR as a progress report, imposed constraints on radical policy shifts and showed the embeddedness of the policy priorities and reform agendas of the previous administration. However, the exercise also affords opportunities to modify policies and signal future changes. On some matters, most saliently the institutional reforms promised by PH, the MTR adds completely new content to the 11MP. On others, notably inclusive development and pro-Bumiputera policies, differences are more subtle.

The MTR's principal task is to evaluate progress, which requires adherence to the template of six strategic thrusts laid out in the 11MP launched in 2015 and spanning 2016-2020. The appraisal is supplemented with a programme of action for the second half of the plan period. To differentiate the new administration from the old, this MTR inserts the subtitle "New priorities and emphases" and renovates the Plan's original six thrusts into six pillars. This article focuses on Pillar 2, "enhancing inclusive development and wellbeing." Specifically, we consider Bumiputera preferential policies and programmes targeting minority groups, two major strategies within Priority Area A for "enhancing inclusiveness towards an equitable society". Throughout 2018, on the campaign trail and in government, PH promised to preserve both pro-poor, need-based and racially inclusive assistance, alongside pro-Bumiputera, race-based preferential treatment. It has also tried to distinguish itself from its predecessor, under which such policies became extensive and embedded.

Malaysia's Bumiputera preferential policies are expansive, encompassing post-secondary education, microfinance and business support, public procurement, government-linked company (GLC) vendor development, property ownership, and more. The MTR commendably identifies areas of intervention with more specificity and structure than before. This article focuses on three: Bumiputera education, Bumiputera enterprise development, and programmes targeted at minority groups. However, the path forward in all these areas is undercut by a lack of systematic, integrated and farsighted planning.³

BUMIPUTERA EDUCATION: NEW PRIORITIES, MISSED OPPORTUNITIES

Compared to the 11MP, the MTR's coverage of Bumiputera policies allocates more space to education. Importantly, it also prioritizes the educational access of the Bumiputera B40, or the poorest 40% within the community, and adopts a broader scope – encompassing technical and vocational programmes – than the 11MP, which singled out high skills and certified professionals. The policy is slated to draw on the experience of Yayasan Peneraju Pendidikan Bumiputera, a foundation established in 2012 to promote skills development and enrollment in technical and vocational education and training (TVET) specifically for students from challenging backgrounds.

Enhancing Bumiputera educational achievement, especially among the disadvantaged, directly imparts skills and develops capabilities, while also facilitating inter-generational upward mobility. The policy predominantly benefits the younger generation and enhances their prospects of socioeconomic progress compared to the conditions of their upbringing.

The education sphere also presents the widest scope for shifting away from race-based affirmative action to need-based affirmative action – the prevalent, bipartisan rhetoric of the past decade that has never translated into coherent policy. Like preceding policy documents, the MTR fails to recognize the unique capacity of the education sphere to transition from pro-Bumiputera preferential entry to systems that give priority to the socioeconomically disadvantaged, regardless of race.

Affording preferential treatment to the disadvantaged – in other words, giving opportunity to someone from a lower-income background, especially when the person's formal qualifications do not meet the conventional mark – rests on the principle that the disadvantage derives from circumstances beyond the person's control and choice. This manifestly applies to disadvantaged post-secondary students, who are young and dependent, and for whom family, neighbourhood and schooling situations have largely not been of their choosing. Hence, the case is much stronger for providing preferential university entry to a low-income student compared to, say, giving preference to low-earning contractors in government procurement, because the latter are full adults whose lower socioeconomic status is much less attributable to circumstances beyond their agency. Giving a poor student a special chance to enter university is much more justifiable than giving a poor contractor special access to contracts.

Moreover, the university experience provides a buffered space for individuals to acquire knowledge and skills for a few years and to catch up on more privileged peers with the outcome limited to the individual, whereas in job promotion, managerial appointment, and award of contract and licenses, granting opportunity to a disadvantaged beneficiary entails extraneous ramifications, such as organizational leadership, public service delivery, or skill and experience in construction. Affording preferential treatment to a “disadvantaged” employee or contractor, indeed, may well imperil administrative competency and infrastructure quality. Yet another difference is the fact that the allocation of education opportunity averts the pitfalls of rent-seeking seemingly entrenched in other Bumiputera preferential programmes. Degrees cannot be sold off for quick profit.

In sum, pro-Bumiputera programmes in education present a broader scope for targeting the disadvantaged and building capability, while significantly mitigating adverse effects more prevalent in other pro-Bumiputera policy spheres.

On the whole, the MTR neglects the special features of education discussed above, and carries forward the piecemeal approach of past policies. It inserts more pro-Bumiputera B40 elements but omits systemic alternatives to race-based affirmative action in education; it does not commit to reforming admissions processes and education sponsorship such that the system effectively locates and supports the socioeconomically disadvantaged. The ability of affirmative action to cultivate capability also hinges on the rigour and effectiveness of education programmes and the capability of graduates, but these qualitative dimensions apparently elude policymakers' attention. Indeed, while the MTR declares the salutary intention to streamline the implementing agencies of a fragmented system and

“strengthen the delivery of the Bumiputera agenda”, it leaves out education institutions altogether. The government underscores the need to gear up mindsets toward pursuing competitiveness and confidence and reducing dependency on government assistance, but limits such calls to entrepreneurs, not students – especially those of more privileged backgrounds who are poised to be more self-reliant and to graduate out of receiving overt race-based preferences.

BUMIPUTERA ENTERPRISE DEVELOPMENT: RHETORIC AND REALITY

The MTR makes some of its starker statements with regard to Bumiputera enterprise development, clearly mindful of past rent-seeking, profiteering and politicization that have tainted and undermined this policy sphere. The government appropriately commits to making appointments to boards and top management of entrepreneur development organisations and state-owned enterprises based on “experience, merit and qualification”, to streamline agencies and “strengthen the delivery of the Bumiputera agenda”, to inject merit and objective selection and eliminate “political endorsement”, and to distribute benefits more equitably so as to “avoid providing multiple benefits to a single recipient.” The MTR projects to change mindsets, bolstered by advocacy of self-reliance, enforcement of exit policies and promotion of a high performance culture.

More specifically, the MTR supports state-owned enterprises’ acquisition of controlling stakes in potential Bumiputera companies and intensifying management buy-out activities, financial institutions acquiring or developing commercial property and offering favourable rent or sale prices to entrepreneurs, capacity building in the digital economy, a “stringent multi-tier exit policy” for Vendor Development Programme, and second chances for first time failing Bumiputera entrepreneurs. It also sternly warns of “appropriate action, including automatic termination, if contracts or Approved Permits awarded are sold or transferred to a third party.”

These policy pronouncements are timely. A number of them expand or reinforce measures that have been in place, particularly since the launch of the Bumiputera Transformation Programme in 2012 and incorporation of the Bumiputera Economic Community into the 11MP. The MTR sustains the BEC, making the bold, albeit broad-brushed, commitments cited above.

The stakes are highest in this policy sphere. It is more complex, arduous, and risky to groom independent, competitive enterprises than graduates and professional employees. These economic challenges are compounded by intense demands of political elites for wealth redistribution. Combatting abuse and rent-seeking is a tall order, especially in public procurement which for decades has been utilized by UMNO for political patronage and undermined by outsourcing, rather than learning the business.

The historical record should temper expectations of a project driven by political considerations and filled with opportunities and pitfalls. Malaysia’s endeavour to groom dynamic, competitive and resilient Bumiputera enterprises has proceeded, faltered and reconfigured over five decades. This agenda centred on state-owned enterprises in the 1970s, heavy industries in the 1980s, then shifted to privatization and corporate titans in the 1990s, which crumbled during the 1997-98 Asian Financial Crisis. Post crisis, government

linked companies (GLCs) took over the mantle as key drivers, and in the last 5-6 years some new initiatives have arisen, focused on medium-scale enterprises outside the GLC orbit.

It has become commonplace and trite, but pertinent nonetheless, to reiterate that success – particularly in purging patronage, rent-seeking and corruption – depends on political will. But cleaning up is not enough; the system must also function better. It is imperative that Malaysia pursue comprehensive and effective programmes that build capability and competitiveness across the board, not just in select areas.

The MTR avows to depoliticize the allocation of government contracts and introduce exit policies, but gives scant indication on how these instruments might be utilized to develop SMEs. The MTR remains silent on the removal of Bumiputera discounts for housing purchases, especially for high-end properties catering to corporate elites, although this is one specific and clearly justifiable graduation policy, and an opportunity to make a statement on Bumiputera empowerment as the basis for rolling back privileged access. There are hints that policy coordination will be improved, with the establishment of a Ministry of Entrepreneurial Development, and the MTR expresses more vigour and candour than most development documents. However, implementation in these areas especially confronts vested interests and thus demands political fortitude. A steady stream of political appointments to government developmental agencies⁴ raises questions over the PH government's capacity to deliver, and its tenacity to stay the course in the face of resistance and disgruntlement.

Another issue warrants a brief mention. The MTR's ambitious goals and frank assessments are not accompanied by more transparent progress reporting. Malaysia's development planning, and national data in general, have moved in the direction of less detailed disclosures – even while statistical reports have, to the Department of Statistics' credit, become more easily accessible. Statistics may be increasingly downloadable online, but the information obtained is less useful. Socioeconomic indicators of the Bumiputera population, for instance, are decreasingly available, and when reported, typically amassed into one national average, without differentiating subgroups within the community. The MTR's progress reporting also rather simplistically takes the form of listing allocations, rather than qualitatively appraising the results. Increasing transparency and open access undoubtedly involve institutional changes requiring more time than what was available for the MTR's preparation. The Twelfth Malaysia Plan, due in 2020, will reveal whether such changes materialize.

MEASURES FOR MINORITIES AND MARGINALIZED GROUPS: PROGRAMMES IN SEARCH OF PURPOSE

Departing from the 11MP and previous Malaysia Plans, the MTR designates a section of the document for “empowering minority groups”. Policies expressly targeted at minority groups have been more formally created in recent years, most tellingly in the Malaysian Indian Blueprint (MIB), launched by former Prime Minister Najib Razak in 2017. The 2018 federal budget, in anticipation of the general elections, notably made allocations for the “wellbeing of Chinese and Indian communities.” Notwithstanding the political motives in the genesis of these programmes, the MTR's inclusion of minority group empowerment is

a positive start from a policy standpoint, especially considering the intensive pursuit of Bumiputera majority-favouring programmes.

The MTR's policy substance in this area, though, lacks clarity and coherence on how it identifies minorities and determines their issues worth addressing. Whereas the Bumiputera policies span the gamut of socioeconomic classes, from assistance for poor households to measures that promote upward mobility into tertiary education and highly skilled occupations and participation in managing and owning businesses, the policies targeted at minorities only reach the poor within these ethnic groups. The MTR declares assistance in technical and vocational education, microfinance, and land-based income generation for rural poor Orang Asli of the Peninsula, and rural indigenous communities of East Malaysia – termed Anak Negeri Sabah and Bumiputera Sarawak. TVET is also earmarked for low-income Indian households who, together with more narrowly identified low-income Chinese households living in new villages, stand to access more microfinance.

Undeniably, these groups are socioeconomically lagging and the goals are legitimate and productive, but the highly confined framework and small set of policies fall short in providing for minority interests. Development expenditure and investment remain overwhelmingly dependent on federal government sources. The designation of Bumiputeras of Sabah and Sarawak as minority groups, rather than a constituent of the Bumiputera population of Malaysia as a federation, may be responsive to East Malaysian demands to be distinguished from Peninsular counterparts. The MTR implies that Sabah and Sarawak indigenous populations are equally entitled to Bumiputera programmes. In the post-GE14 milieu, one might expect increasing assurance of equitable distribution within the Bumiputera population across Peninsular and East Malaysia, when it comes to the programmes designated for their benefit. Nonetheless, the MTR remains reticent on this matter. Moreover, the arguably Peninsula-centric contents of the Bumiputera agenda – such as public listing, digital economy and vendor development – raise questions over the inclusion of Anak Negeri Sabah and Bumiputera Sarawak.⁵

If Malaysia truly seeks to mainstream minority group interests in national economic policy, the next steps must move in a comprehensive and systematic direction, integrated with Bumiputera preferential policies. The confinement of the Indian and Chinese minority programmes to microfinance and TVET precludes deliberations and compromises that effectively and amenably balance opportunity and empowerment of all groups. Minority concerns in terms of access to public universities, scholarships and public sector employment – a particularly pressing matter among indigenous Sarawak and Sabah communities – must be part of this systematic policy framework, handled in tandem with pro-Bumiputera policies and not as afterthought as it comes across at present. As discussed above, expanding preferential selection based on disadvantage in education admissions and sponsorship holds out the potential to truly transition away from race-based preference in morally tenable and practically viable ways, and provides a more systematic framework for balancing majority and minority interests.

CONCLUSION

Malaysia presses on to 2020, the destination of the Eleventh Malaysia Plan, with its Mid-term Review largely resuming and slightly reconfiguring the policy agenda launched at the

onset of the Plan in 2016. Malaysia's massive system of race-based preferences is far from being reset, although some rethinking and tweaking are in progress. The MTR makes some bold policy pronouncements, although data disclosures remain patchy. Still, this historic watershed merits a systematic rethink, premised on the moral, social and practical underpinnings of preferential selection and mindful of differences across policy spheres.

The MTR places greater weightage on education and entrepreneurial development, two policy spheres with potential to impart knowledge, skills and experience. However, the policy refrains from integrating need-based preferential access to education and from articulating a long-term vision for these interventions, centred on building capability and competitiveness, and inclusive of specific exit and graduation plans. While commendably recognizing minority groups as a distinct category, the MTR narrowly defines their interests and confines the policies targeted at them. The drive for change may be present, but Malaysia will need to draw a clearer roadmap.

¹ The Mid-Term Review can be downloaded at: <http://www.mea.gov.my/en/rmk/mid-term-review-eleventh-malaysia-plan-2016-2020>.

² The MTR's schedule started in May 2017, exactly two years after the 11MP's launch, and was meant to conclude by end May 2018 ("11MP – Are we there yet?") BFM Radio interview with Zakiah Jaafar, Deputy Director General (Macroeconomics Section), Economic Planning Unit, Ministry of Economic Affairs, 19 October 2018, <https://www.bfm.my/bg-zakiah-jaafar-epu-11mp-are-we-there-yet>.

³ For further discussion of systematic approaches to Bumiputera policies, see Lee Hwok-Aun, "Malaysia's Bumiputera preferential regime and transformation agenda: Modified programmes, unchanged system" *Trends in Southeast Asia 2017 No. 22*. Singapore: ISEAS (https://www.iseas.edu.sg/images/pdf/TRS22_17.pdf).

⁴ "Bersatu leaders, lawyer appointed to head gov't-linked entities", *Malaysiakini*, 5 January 2019 (<https://www.malaysiakini.com/news/458993>).

⁵ On the broader issue of federal development funding, the MTR declares that the lower income Peninsula states of Kelantan, Terengganu, Kedah and Perlis, and Sabah and Sarawak will be given priority. While the implications on Bumiputera development are difficult to trace conclusively, this commitment is consistent with the principles of progressive and equitable distribution. The author thanks Tricia Yeoh for pointing this out.

<p><i>ISEAS Perspective</i> is published electronically by:</p> <p>ISEAS - Yusof Ishak Institute</p> <p>30 Heng Mui Keng Terrace Singapore 119614 Main Tel: (65) 6778 0955 Main Fax: (65) 6778 1735</p>	<p>ISEAS - Yusof Ishak Institute accepts no responsibility for facts presented and views expressed.</p> <p>Responsibility rests exclusively with the individual author or authors. No part of this publication may be reproduced in any form without permission.</p> <p>© Copyright is held by the author or authors of each article.</p>	<p>Editorial Chairman: Choi Shing Kwok</p> <p>Editorial Advisor: Tan Chin Tiong</p> <p>Managing Editor: Ooi Kee Beng</p> <p>Editors: Malcolm Cook, Lee Poh Onn, Benjamin Loh and Ng Kah Meng</p> <p>Comments are welcome and may be sent to the author(s).</p>
--	---	--