1. **REPORT OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE JOINT STUDY TOUR TO MALAYSIA, DATED 13 SEPEMBER 2017**

The Select Committee on Appropriations, having undertaken a joint study tour with the Portfolio Committee on Economic Development to Malaysia from 14 – 18 August 2017, reports as follows:

1. **Introduction**

The Select Committee on Appropriations was established in terms of section 4(3) of the Money Bills Amendment Procedure and Related Matters Act, No 9 of 2009. In terms of section 4(4) of this Act, the Committee has the powers and functions conferred to it by the Constitution, legislation, the standing rules or a resolution of a House, including considering and reporting on:

1. Spending issues;
2. Amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriations Bill and Adjustment Appropriations Bill;
3. Recommendations of the Financial and Fiscal Commission, including those referred to in the Intergovernmental Fiscal Relations Act, No. 97 of 1997;
4. Reports on actual expenditure published by the National Treasury; and
5. Any other related matter set out in this Act.
   1. **Delegation**

The delegation from the Committee was as follows:

Members:

1. Mr CJ de Beer (Acting Chairperson) (ANC)
2. Ms T Motara (ANC)
3. Mr TC Motlashuping (ANC)
4. Mr LPM Nzimande (ANC)
5. Mr F Essack (DA)
6. Mr OS Terblanche (DA)
7. Ms B Mathevula (EFF)
8. Mr LB Gaehler (UDM)

Support Staff:

1. Ms E Grunewald (Committee Secretary)
2. Adv ML Tau (Content Advisor)
3. Ms P Nzimande (Assistant to Mr Nzimande)

Eight Members and two support staff of the Portfolio Committee on Economic Development made up the rest of the parliamentary delegation.

* 1. **Terms of Reference**

The purpose of the tour was to learn from Malaysia, as a country that has long followed and implemented long-term development planning to achieve certain objectives such as economic growth and employment, as well as reducing income inequality. Malaysia’s budget is also closely associated with the long- and medium-term economic development plans of the country. Considering the current stagnant nature of the South African economy with low growth prospects and limited budgetary capacity to spend, it is important that scarce public resources are directed towards National Development Plan (NDP) goals and social welfare programmes that will boost economic activity and preserve living standards. Parliament has an important role to play in terms of oversight over both policy and budget implementation. Critical to this oversight is the accountability of the legislature to the citizens in terms of ensuring that government is using the scarce public resources in the most economic and efficient manner and that the implementation of socio-economic development policies and programmes are effective and that the NDP outcomes are achieved.

* 1. **Purpose and approach**

The objective of the study tour was to learn about the following:

* + 1. How does the Malaysian government ensure that its long-term economic transformation policy receives budgetary prioritisation?
    2. How does the budget for long-term economic transformation policies filter down to sub-national government level (*i.e*. federal states)?
    3. How is the implementation of long-term economic transformation policy and the associated budget monitored and evaluated?
    4. How effective is the Big Fast Results (BFR) Methodology in achieving the long-term economic transformation policy objectives?
    5. How does the Malaysian Parliamentary Committee responsible for budget oversight fulfil its oversight role over the budget, specifically the budget for long-term economic transformation?
    6. What is the progress towards the Wawasan 2020 or Vision 2020 – will it be achieved?

The delegation met with the following stakeholders during the study visit:

1. Performance Management and Delivery Unit (PEMANDU);
2. SME Bank Malaysia;
3. SME Corp Malaysia;
4. Malaysia Competition Commission;
5. Malaysian Investment Development Authority (MIDA);
6. Malaysia External Trade Development Corporation (MATRADE);
7. Economic Planning Unit (EPU); and
8. Construction Industry Development Board (CIDB) Malaysia.
9. **Performance Management and Delivery Unit (PEMANDU)**

The Performance Management and Delivery Unit (PEMANDU) was established in 2009 in the Office of the Prime Minister, and is responsible for the Big Fast Results (BFR) methodology, on which South Africa’s Operation Phakisa is modelled.

* 1. **Background**

PEMANDU reported that, although governments around the world have beautiful plans and promises, the failure to deliver leads to unhappiness. The Unit has identified the following four main challenges facing governments and public administration:

1. The government is unclear about the overall direction it is heading, and therefore not focused;
2. High level plans are not understood by the implementers;
3. Public demands and input are not adequately obtained and heard; and
4. There is a lack of accountability.

Malaysia wanted to become an inclusively and sustainably high income nation by 2020 and a different approach was needed to break free from the middle income trap. The country began its journey of transformation in 2009. The National Transformation Programme included a Government Transformation Programme (GTP) and an Economic Transformation Programme (ETP). The ETP would grow the economy to increase revenue, jobs and income; while the GTP would ensure that the revenue was distributed in such a way that it effectively addressed the people’s needs.

The country realised that becoming a high income nation would require focus and competitiveness.

* + 1. **Focus**

Specific “drivers” were needed to ensure focus on high impact areas. In determining the focus, multiple surveys were held to find out which areas the people wanted to have prioritised. This led to the following seven National Key Result Areas (NKRAs) being introduced in the GTP:

1. Addressing the rising cost of living;
2. Improving rural development;
3. Improving urban public transport;
4. Raising the living standards of low income households;
5. Assuring quality education;
6. Reducing crime; and
7. Fighting corruption.

In addition, 12 National Key Economic Areas (NKEAs) were identified in the ETP, including oil, gas and energy; wholesale and retail; palm oil and rubber; financial services; tourism; agriculture; education; healthcare; electrical and electronics; communications content and infrastructure; business services; and Greater Kuala Lumpur. The 12 NKEAs were selected using the following methodology: All sectors were ranked by their individual contribution to the gross national income (GNI). Based on Malaysia’s historical growth per sector and international benchmarks, the projected growth rates were determined and all sectors ranked in order of their projected contribution. From this list the sectors with the greatest potential to enhance the GNI were selected.

* + 1. **Competitiveness**

“Enablers” were required to ensure competitiveness. This led to the identification of the following six Strategic Reform Initiatives (SRIs):

1. Competition, standards and liberalisation;
2. Public finance;
3. Public service delivery;
4. Government’s role in business;
5. Human capital development; and
6. Narrowing disparities.
   1. **The Big Fast Results (BFR) Methodology**

PEMANDU’s Eight Steps of Transformation enables the government to outline initiatives to address the problem at hand in order to meet its specific objectives through a process that is inclusive and relevant. Steps 1 to 4 are about thinking and planning, while Steps 5 to 8 are about doing.

* + 1. **Step One: Strategic Direction**

Firstly, the strategic direction must be set by determining the transformation goal from the onset, the time period in which this must be achieved and key areas of focus to transform within the duration of the programme. In Malaysia’s case, multiple Cabinet retreats were held to ascertain the strategic direction. This was followed by a 1000-person workshop, attended by CEOs and top leaders of business, ministries and government agencies.

* + 1. **Step Two: Labs**

The next step is to conduct so-called “Labs” on agreed priority areas in order to establish in detail what needed to be done. This involves intense problem-solving, rigorous analysis and stakeholder engagements, supported by a facilitator team. It is aimed at achieving results swiftly through collaboration and stringent deadlines. In Malaysia, 133 entry point projects (EPPs) were identified from the 12 NKEAs. These included building an integrated urban mass rapid transport system; improving energy efficiency; transforming or rationalising development finance Institutions (DFIs); and improving early child care and education training. These EPPs offered investment opportunities for the private sector, to ensure private sector-driven growth.

* + 1. **Step Three: Open Day**

The Lab findings and recommendations are shared with all stakeholders (civil servants, selected members of NGOs and civil society, academics and the private sector). All stakeholders are given the opportunity to air their views, feedback and recommendations.

* + 1. **Step Four: Roadmap**

The roadmap is published and made available to everyone involved in the transformation agenda to provide transparency and to establish the commitment of the leadership towards delivery. All Lab findings and recommendations are published in the roadmap which acts as a point of reference for future enquiries and communication. Malaysia came up with two roadmaps – the Government Transformation Programme (GTP 2.0) and the Economic Transformation Programme (ETP).

* + 1. **Step Five: KPI Targets**

To ensure that implementation of the roadmap is followed through, Key Performance Indicators (KPIs) are outlined. Leaders of each key priority area are appointed to be responsible towards the overall delivery of the KPIs within the agreed timeframe. The targets set are stretched targets, yet highly implementable by the responsible parties. In the case of Malaysia, KPIs were set for the entire Cabinet.

* + 1. **Step Six: Implementation**

The transformation agenda is a meticulously detailed plan of implementation, which requires the cooperation and coordination of a large body of stakeholders, from corporate partners to NGOs, from Cabinet Ministers to front-line civil servants. Execution of the initiatives can be a complicated task and it is here that PEMANDU plays its most vital role. In addition to coordinating the execution of initiatives, it also tracks implementation via a weekly dashboard and leads any problem-solving and remedial actions needed.

* + 1. **Step Seven: IPR/Audit and KPI Target Validation Process**

The International Performance Review (IPF), which comprises a panel of international experts, invites outside-in perspectives to continually improve on the work done and to ensure momentum is sustained in the transformation journey. The panel comprises of independent third-party experts ranging from international development organisations to large-scale multinational corporations as well as representatives from other governments. This session is convened every year to ensure a constant cycle of evaluation and renewal to ensure relevance to the targets. In the case of Malaysia, external verification of the KPIs and other data is conducted by PricewaterhouseCoopers (PwC) who undertakes a series of Agreed-Upon Procedures (AUPs) to review KPI results and projects.

* + 1. **Step Eight: Annual Reports**

Transparency is achieved when the programme’s activities and progress are disclosed on a yearly basis in the Annual Report. The publication serves to communicate to the people and other stakeholders what has been delivered during a particular year, as well as to record the challenges faced during implementation.

1. **Economic Planning Unit (EPU) in the Prime Minister’s Department**

The Economic Planning Unit (EPU) was established in the Prime Minister’s Department in 1961 and is responsible for providing a five-year national development plan. The Unit’s main functions include the following:

1. **Strategic planning** -by formulating medium-term socio-economic development policies; undertaking socio-economic research and advising government on current economic issues;
2. **Resource allocation** – by setting allocations for development expenditure and implementing value management for projects worth RM50 million and above;
3. **Monitoring** the progress of national programmes, initiatives and development projects; and
4. **Stakeholder facilitation** – by acting as secretariat to the Economic Council, chaired by the Prime Minister and the National Development Planning Committee, chaired by the Chief Secretary.
   1. **Development planning philosophy**

Malaysia’s inclusive development philosophy is guided by several parameters. Firstly, the country is a federation of 13 states and three federal territories. Secondly, Malaysia has a small, but very open economy. The country’s gross domestic product (GDP) is 0.7 per cent of the world GDP, and trade is 154 per cent of the GDP. Malaysia has a mixed economic system of free enterprise with active government support. Lastly, the country has a multi-ethnic society, made up of 68 per cent indigenous (Bumiputera), 24 per cent Chinese and 7 per cent Indian people. After racial clashes, that occurred after the general election in May 1969, between Malays and Chinese, the government realised that it needed to address ethnic economic differences and inequality, which resulted in the implementation of the New Economic Policy in 1971. Acknowledging that some imbalances and inequality still existed, the EPU indicated that the country was still working towards balance in this regard.

* 1. **The mechanics of planning for inclusive development**

Planning development in Malaysia has three levels, long-, medium- and short-term. The long-term planning includes three Outline Perspective Plans (OPPs) between 1971 and 2010; Vision 2020, between 1991 and 2020; and the New Economic Model, 2011 to 2020. Medium-term planning translates the long-term framework into policy, strategy, programmes, projects and development allocation, and includes Malaysia’s Five-Year Development Plans and mid-term reviews of the Five-Year Plans. The short-term planning seeks to implement the policy, strategy, programmes, projects and annual budget allocation, through the Annual Budget by the Minister of Finance and the Annual Report by the Bank Negara Malaysia.

Malaysia’s Five-Year Development Plans are only indicative in nature. They express the government’s expectations, aspirations and intentions, but with no binding commitments. This is unlike a centrally-planned document, where it is a document of authorisations, which tells each industrial unit what it must produce and how much it may invest. The document has many elements, of which the following ones are key:

1. Evaluation of current economic performance;
2. Macroeconomic and sectoral growth targets;
3. Targets for the private sector;
4. Proposed public sector expenditures;
5. Infrastructure development;
6. Human resource development;
7. Promotion of a conducive environment for investment;
8. Promotion of savings and investment;
9. Promotion of a balanced development; and
10. Institutional improvements.

To ensure that growth is sustainable, the economy has to be resilient and the EPU avoids over-dependence on any one factor, by carrying out diversification strategies across sectors (agriculture vs. industry); commodities (resource vs. non-resource based); markets (traditional vs. non-traditional); sources of growth and funding for development.

Planning in Malaysia is an interactive process between the EPU and various stakeholders, including ministries and agencies; state governments; academia; the private sector and non-governmental organisations. Input from the international agencies are also taken into account. Macro and sectoral targets are discussed and agreed upon at a meeting of the Inter-Agency Planning Group (IAPG), of which the EPU is the secretariat. The planning process is carried out through the method of "top-down" and "bottom-up" aimed at ensuring that the country's policies and strategies are realised through the optimisation of resources and that development between regions can be fully integrated with the core of national development.

Parliament is the final authority in national development planning. Prior to being tabled in Parliament for approval, the Plan is first discussed at the Cabinet Committee and the Special Committee of the Prime Minister, where it is sent from the National Development Planning Committee, chaired by the Chief Secretary. There are no parliamentary committees that process papers or legislation – the Plan (and any legislation) goes straight to the House for approval. The country has managed crises and volatilities through an agile planning mechanism, with another system, including a Special Economic Committee and a National Economic Council, consisting of members of both the public and private sector, running parallel to the above hierarchical system.

* 1. **Policy evolution**

Since achieving independence in 1957, there has been systematic planning of national development policies in Malaysia, with policies evolving to suit the prevailing needs of the nation and external developments. During the post-independence period of 1957 to 1970, the development policy was primarily aimed at promoting growth with strong emphasis on the export market. In a sense, the country was still serving its former colonial masters by exporting rubber and tin to Britain. The emphasis was on a *laissez faire* policy as well as some economic and rural development. Although the economy registered high growth during the 1960s, distributional aspects were not given emphasis, which resulted in imbalances with negative social consequences. The New Economic Policy was launched in 1971 with the emphasis on "Growth with Equity". The objective was to eradicate poverty irrespective of ethnicity and the restructuring of society. The period between 1956 and 1990 was covered by the first five Malaysia Plans (MPs).

At the start of the 1990s, the Vision 2020 was announced to cover a thirty-year period from 1991 to 2020. The thrust of the Vision is "Total Development" - improving the standard of living of the population economically, politically, socially, spiritually, psychologically and culturally. As the first leg of the Vision, the National Development Policy (NDP) was introduced to cover the period of 1991 to 2000, with the theme "Balanced Growth". It emphasised the importance of going beyond materialistic considerations in national development. This period was covered by the 6th and 7th MPs.

In 2001 the National Vision Policy was introduced to replace the NDP. The theme was "Building a Resilient and Competitive Nation" in recognition of the challenges of the 21st century. The 8th and 9th MPs covered this period until 2010.

In 2011, the National Transformation Policy was launched that is premised on the New Economic Model with its principles of a high-income economy that is sustainable and inclusive.

The National Transformation Policy is operationalised by the 10th and 11th Malaysia Plans.

* 1. **Development record**

Since 1970, Malaysia has recorded a sustainable GDP growth of 6.2 per cent per annum. The economy recorded more than 9 per cent growth in the period between 1988 and 1996, before the 1997-98 East Asian financial crisis caused the economy to record the worst recession in Malaysian history, when the economy contracted by 7.4 per cent. From the crisis, the country learned the importance of a resilient and competitive economy, as well as the need for internally driven growth through science and technology, research and development and human capital development, in order to minimise the impact of external factors on the Malaysian economy. In fact, subsequent measures put in place minimised the impact of the 2008-09 global financial crisis on Malaysia.

In 2015, the Malaysian economy grew by 5.0 per cent, despite the uncertainty in the world economy and weakened commodity prices. The latest figures, for the third quarter of 2016, show that the Malaysian economy expanded by 4.3 per cent, supported by higher exports and continued strong private domestic demand. Labour market conditions remained favourable. In 2014 the unemployment rate was 3.0 per cent, which is considered full employment. The inflation rate, measured by the annual change in the consumer price index, remains stable and was at 2.1 per cent in 2013 and 3.3 per cent in 2015. Income per capita has expanded 23 times since 1970.

Through pragmatic policies and strategies, the structure of the Malaysian economy was transformed from an agricultural-based to an industrial- and services based economy. The rapid expansion of the manufacturing sector resulted in its share to GDP rising from 8.8 per cent in 1970 to 23 per cent in 2015. The agriculture sector, which traditionally provided the growth impetus for the economy, underwent a decline in its share to GDP from 32 per cent in 1970 to 8.5 per cent in 2015, due to slower growth compared with the growth of the manufacturing and services sectors. The miningsector contributed significantly to output in the 1970s. However, the share of mining to GDP showed a declining trend from 25 per cent in 1970 to 8.7 per cent in 2015, mainly due to the decline in the production of tin. Currently, the main contributors to the sector are petroleum and gas. The services sector is currently the major source of growth, contributing 54 per cent to GDP. Major services subsectors are the wholesale and retail trade, accommodation and restaurants; finance and insurance; and the transport, storage and communications subsectors. A similar transformation can be seen in the country’s exports. In 1970, more than half of its exports were agriculture and mining commodities, but by 2015, more than 80 per cent of exports are manufactured goods, a third of which are hi-tech goods.

With regard to poverty eradication, Malaysia has managed to reduce the overall poverty rate from 49.3 per cent in 1970 to 0.6 per cent in 2014. The rural poverty rate declined from 58.7 per cent in 1970 to 1.6 per cent in 2014. The poverty eradication strategy focused on human resource development to increase productivity and income, as well as improving living standards, rather than on welfare handouts. Programmes were also focused on rural development. Projects implemented, included new land development and *in situ* development; improving drainage and irrigation; the consolidation and rehabilitation of land; replanting of rubber, oil palm and other crops as well as integrated agricultural development. These projects brought about improvements to production techniques and farm management, resulting in higher productivity and income. At the same time, the planting of cash crops and other on- and off-farm activities, village or small industries, namely, the agro-based or food based-industries, enabled farmers to gain additional income.

Rural infrastructure was also emphasised, namely the development of better rural roads and increasing the coverage of electricity and water as well as schools and health facilities. Direct assistance was given to extremely poor families in the form of a monthly allowance, while children from these families were provided with food supplements and offered scholarships. Interest free loans and training and assistance were also provided to those who wanted to venture into business activities.

After practically eliminating absolute poverty, Malaysia is now turning its focus to the welfare of the bottom 40 per cent income group, or the B40. Even though the monthly income of the B40 households has risen the fastest since 1970 – from 11.5 per cent to 16.5 per cent in 2014 – the country is not satisfied with this progress, and the B40 is given extra emphasis in the 11th Malaysia Plan.

The country also monitors the “soft” part of development. The Malaysian Well-being Index was established to complement the measurement of economic development, which is traditionally based on income per capita, to make Malaysia’s economic development model more holistic. It also serves as a means to identify socio-economic issues in order to formulate appropriate policies and strategies to further improve the well-being of the people. The Well-being Index has 68 indicators, divided into five economic and nine social components. While the Index showed parallel overall improvements in both components between 2000 and 2014, some sub-components did not perform as well. For instance, in the family sub-component, there was a rise in the incidence of divorce, juvenile crime and drug abuse. This may be the result of the pressure of facing the fast-paced modern life, especially in urban areas. In the health sub-component, there was a rise in the incidence of life-style diseases such as obesity, heart problems and strokes, probably related to the more sedentary lifestyles. All these findings guide the government in allocating its development expenditure to ensure that well-being is also safe-guarded while pursuing material objectives.

With regard to trade and international relations, Malaysia adopted the philosophy of “prosper thy neighbour”, seeking to assist neighbouring countries to develop together with it, and they are very active in trade arrangements, especially in the South East Asia region. As a result, they have managed to diversify their export markets and are not dependent on any one market. With economic reforms and transformation programmes, Malaysia is considered one of the more competitive nations in the world. Based on the latest competitiveness report by the Institute for Management Development (IMD), they ranked 18th out 140 countries in 2016. This might partly explain why Malaysia is one of the top 20 most attractive destinations for foreign direct investment (FDI) in the world. FDI remains an important source of investment, technology transfer and access to foreign markets. A total of RM139 billion of FDI was recorded from 2011 to 2014, with Japan, Singapore, and the Netherlands being the main contributors. During the 11th Malaysian Plan, strategies will continue to ensure a conducive and competitive economic environment with stable prices, and supportive levels of interest rates and foreign exchange rates.

The following four strategies have been identified to strengthen economic fundamentals and maintain economic stability:

1. Unlocking the potential of productivity to ensure sustainable and inclusive growth;
2. Promoting investment to spearhead economic growth;
3. Increasing exports to improve the trade balance; and
4. Enhancing fiscal flexibility to ensure a sustainable fiscal position.
   1. **11th Malaysia Plan, 2016-2020**

3.5.1 The theme of the 11th Malaysian Plan (11th MP) is “Anchoring growth on people”. All previous development plans have been inclusive in nature, but the 11th MP gives disproportionate weight to the people economy as opposed to the capital economy.

3.5.2 The theme was chosen to reaffirm the government’s commitment to a vision of growth that is anchored on the prosperity and wellbeing of the people. Malaysia believes that the wellbeing of the people, and a commitment to inclusive and sustainable growth, are necessary hallmarks of an advanced nation.

3.5.3 The 11th MP has six strategic thrusts to address the needs of the people and a further six game changers to accelerate Malaysia’s development. The strategic thrusts cover the elements of enhancing inclusiveness; improving wellbeing; accelerating human capital development; pursuing green growth; strengthening infrastructure and re-engineering economic growth.

Within selected thrusts, the following game changers were identified:

(a) Uplifting B40 households towards a middle-class society;

(b) Enabling industry-led Technical and Vocational Education and Training or TVET;

(c) Embarking on green growth pursuits;

(d) Enhancing productivity;

(e) Raising innovation; and

(f) Investing in competitive cities to compete at international level.

The 11th MP also has the following multi-dimensional goals:

1. GDP to grow between 5 and 6 per cent per annum;
2. Labour productivity to increase from RM77,100 in 2015 to RM92,300 in 2020;
3. GNI per capita to reach RM54,100 or USD15.690 in 2020;
4. The average monthly income of households to increase to RM10,540 in 2020;
5. The part compensation of employees to GDP increased to at least 40 per cent by 2020; and
6. The Index of Social Welfare Malaysia to increase by 1.7 per cent per annum.
7. **Malaysian parliamentary system and oversight**

**4.1 Background**

The Parliament of Malaysia is the national legislature of Malaysia, based on the Westminster system. The bicameral parliament consists of the Dewan Rakyat (House of Representatives) and the Dewan Negara (Senate). The Yang di-Pertuan Agong (King) as the Head of State is the third component of Parliament.

The Parliament assembles in the Malaysian Houses of Parliament, located in the national capital city of Kuala Lumpur.

The term "Member of Parliament (MP)" usually refers to a member of the Dewan Rakyat, the lower house of the Parliament.

The term "Senator" usually refers to a member of the Dewan Negara, the upper house of the Parliament.

As the ultimate legislative body in Malaysia, the Parliament is responsible for passing, amending and repealing acts of law.

The Dewan Rakyat consists of 222 Members of Parliament (MPs) elected from single-member constituencies based on population in a general election using the first-past-the-post system. A general election is held every five years or when Parliament is dissolved by the Yang di-Pertuan Agong on the advice of the Prime Minister. Suffrage is given to registered voters 21 years and above, however voting is not compulsory. The age requirement to stand for election is 21 years and above.

The Dewan Negara consists of 70 members (Senators); 26 are elected by the 13 state assemblies (two senators per state), 4 are appointed by the Yang di-Pertuan Agong to represent the three federal territories (two for Kuala Lumpur, one each for Putrajaya and Labuan). The remaining 40 senators are appointed by the Yang di-Pertuan Agong on the advice of the Prime Minister. Senators must be 30 years or above, and are appointed to a three-year term for a maximum of two terms.

**4.2 The executive**

The executive government, comprising of the Prime Minister and his Cabinet, is drawn from the Members of Parliament and is responsible to the Parliament. The Yang di-Pertuan Agong appoints the Prime Minister, who is the Head of Government but constitutionally subordinate to His Royal Highness, from the Dewan Rakyat. In practice, the Prime Minister shall be the one who commands the confidence of the majority of the Dewan Rakyat.

**4.3 Oversight role**

4.3.1 Theoretically, the executive branch of the government is held in check by the legislative and judiciary branches. The current oversight role by the Malaysian Parliament takes the form of raising questions during question time and debating issues, and monitoring by Parliament on financial matters happens through the Parliamentary Public Accounts Committee.

4.3.2 The Public Accounts Committee consists of a Chairman and Vice-Chairman to be appointed by the House, and not fewer than six and not more than twelve members to be nominated by the Committee of Selection, as soon as may be after the beginning of each Parliament.

4.3.3 The Committee is appointed at the beginning of every Parliament, for the examination of -

* + - 1. The accounts of the Federation and the appropriation of the sums granted by Parliament to meet the public expenditure;
      2. Such accounts of public authorities and other bodies administering public funds as may be laid before the House of Representatives;
      3. Reports of the Auditor-General laid before the House of Representatives in accordance with Article 107 of the Federal Constitution; and
      4. Such other matters as the Committee may think fit, or which may be referred to the Committee by the House of Representatives.
    1. In the absence of the Chairman or Vice-chairman due to illness or for any other reason whatsoever the Committee shall elect any one member to act as a Chairman to preside over the Committee’s meeting.
    2. No member may be appointed or nominated to or act as Chairman or member of the Public Accounts Committee while he is a Minister.
    3. The Committee has power to send for persons, papers and records, and to report from time to time.

**4.4 Legislative process**

A proposed act of law begins its life when a particular government minister or ministry prepares a first draft with the assistance of the Attorney-General's Department. The draft, known as a bill, is then discussed by the Cabinet. If it is agreed to by Cabinet, the bill is distributed to all MPs. It then goes through three readings before the Dewan Rakyat. The first reading is where the minister or his deputy submits it to Parliament. At the second reading, the bill is discussed and debated by MPs. At the third reading, the minister or his deputy formally submits it to a vote for approval. A two third majority is usually required to pass the bill, but in certain cases, a simple majority suffices. Should the bill pass, it is sent to the Dewan Negara, where the three readings are carried out again. The Dewan Negara may choose not to pass the bill, but this only delays its passage by a month, or in some cases, a year; once this period expires, the bill is considered to have been passed by the House.

If the bill passes, it is presented to the Yang di-Pertuan Agong, who has 30 days to consider it. Should he disagree with it, he returns it to Parliament with a list of suggested amendments. Parliament must then reconsider the bill and its proposed amendments and return it to the Yang di-Pertuan Agong within 30 days if they pass it again. The Yang di-Pertuan Agong then has another 30 days to give the royal assent; otherwise, it passes into law automatically. The law does not take effect until it is published in the Government Gazette.

Although the process above assumes only the government can propose bills, a process does exist for the introduction of Private Member's Bills. However, as in most other legislatures following the Westminster system, few members of Parliament actually introduce bills.

To present a Private Member's Bill, the member in question must seek the leave of the House in question to debate the bill before it is moved. Originally, it was allowed to debate the bill in the process of seeking leave, but this process was discontinued by an amendment to the Standing Orders of Parliament.

It is also possible for members of the Dewan Negara (Senate) to initiate bills; however, only cabinet ministers are permitted to move finance-related bills, which must be tabled in the Dewan Rakyat.

**4.5 Analysis of parliamentary system and oversight mechanisms in Malaysia and South Africa.**

The South African Government rates favourably compared to the Malaysian Government on the open budget index rating. The Open Budget Survey uses 109 indicators to measure budget transparency. These indicators are used to assess whether the central government makes eight key budget documents available to the public in a timely manner and whether the data contained in these documents are comprehensive and useful.

South Africa’s score of 86 on the 2015 Open Budget Index is largely the same as its score in 2012 while the Malaysian government scored 46 out of 100 in 2015. It was found that the Government of South Africa provides the public with extensive budget information. Malaysia’s score of 46 in 2015 was an improvement from the 2012 score of 39. The relatively low score implies that the Malaysian government provides only limited information to the public.

On public participation, South Africa scored 65 out of 100 which is an indication that the public is provided with adequate opportunities to engage in budget processes. When it comes to public participation, Malaysia scored 12 out of 100.

Budget oversight by Parliament in South Africa was found adequate with a score of 85 out of 100. Malaysia received a weak rating of 15 out of 100, meaning that the Malaysian Parliament has little ability to monitor the planning stage of the budget and is unable to see how funds are spent.

On budget oversight by the auditor-general, South Africa scored 100 out of 100. Malaysia scored 67 out 100 on oversight of the budget by a supreme audit institution.

The low scores on public participation and oversight by the Malaysian Parliament implies that Members of Parliament don’t really have a chance to influence the budget and the spending.

1. **Malaysia External Trade Development Corporation (MATRADE).**

5.1 MATRADE is an exports promotion organisation that falls under the Ministry of International Trade and Industry. Its main objective is to promote Malaysian businesses and link them to foreign investors who are looking for local suppliers of goods and services. MATRADE has a presence in 47 cities worldwide and most of their offices are located in the Southeast Asia region. In Africa, it has offices in Johannesburg, Lagos and Nairobi.

5.2 MATRADE was established in 1993, a year after the signing of the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement, with a “mission to develop and spearhead the nation’s exports to the world”. MATRADE is regarded as the “eyes and the ears of the business community in the marketplace”. The agency is a strategic and important partner for connecting foreign investors to local business opportunities and vice versa. Their work includes assessment of business risks and identification of key markets. MATRADE is a “one stop solution centre” for exporters. MATRADE assists local “export-ready” companies to be visible in markets around the globe. Export-ready companies are those with a sales turnover of more than RM 50 million (R151 million) or more than 200 full time employees in the manufacturing sector, and those with a sales turnover of more than RM 20 million (approximately R61 million) or more than 75 full time employees in the services and other sectors.

5.3 MATRADE’s functions are to -

5.3.1 Promote, assist and develop Malaysia’s external trade with particular emphasis on the export of manufactured and semi-manufactured products and, on a selective basis, imports;

5.3.2 Formulate and implement a national export marketing strategy to promote the export of manufactured and semi-manufactured products;

5.3.3 Undertake commercial intelligence and market research and create a comprehensive database of information for the improvement and development of trade;

5.3.4 Organise training programmes to improve the international marketing skills of the Malaysian exporters;

5.3.5 Enhance and protect Malaysia’s international trade interests abroad;

5.3.6 Represent Malaysia in any international forum in respect of any matter relating to trade;

5.3.7 Develop, promote, facilitate and assist in service areas related to trade; and

5.3.9 Advise the Government on matters affecting or in any way connected with trade and to act as the agent of the Government or for any person, body or organisation on such matters.

5.4 MATRADE’s export promotion entails the following:

5.4.1 Hosting and participating in local and overseas events;

5.4.2 Organising trade and investment missions to major existing and emerging markets;

5.4.3 Organising export acceleration missions overseas to explore and identify trade opportunities for selected products and services;

5.4.4 Joint trade promotion activities with other Trade Promotional Organisations to foster and strengthen economic partnership with regional partners; and

5.4.5 MATRADE has developed Exporters Hand-holding Programmes which include the following:

(a) Going to Export (Go-Ex), a programme which nurtures local SMEs to become more resilient and competitive in the international market place;

(b) Mid-tier companies development programme aimed at accelerating the export growth and strengthen core businesses functions;

(c) Large corporation SME partnership programme;

(d) Bumiputera, Women and Youth export development programme which focuses on the promotion of export-ready businesses for the vulnerable groups; and

(e) e-Trade programmes, of which a current project is aimed at aggressively encouraging more companies to export online on 12 identified e-market places to expand their market access and reach new buyers.

5.5 MATRADE has the following facilities:

5.5.1 Malaysia Export Exhibition Centre (MEEC), which has facilities for companies to showcase their products and services. It also has a permanent display centre for Malaysian brands from over 500 local companies at the exhibition hall on the second floor.

5.5.2 Business Information Centre, which gives registered businesses easy access to information such as business contacts or trade statistics, country profiles, market intelligence reports and tariff schedules.

5.5.3 Integrated Centre for Exports – a hub for export-related agencies which offers advisory services, consultations and export-related information. It provides ease of access to up-to-date information on exports, including matters of financing, custom regulations, standards and certification, logistics as well as industry-related data.

5.6 **South Africa and Malaysia trade**

5.6.1 Trade with South Africa has been on the decline since 2011. According to the Malaysian authorities the decrease is only in value and not in units, and is a result of the challenging global economic climate, a fall in commodity prices and the depreciation of their currency, the Malaysian Ringgit.

5.6.2 Malaysia is highly dependent on exports. The country posted a surplus for the 19th consecutive year in 2016. On trade with South Africa, the relationship is skewed in Malaysia’s favour. South Africa has a trade deficit of about R4.6 billion in its trade relations with Malaysia.

5.6.3 South Africa imports mainly from the following Malaysian companies:

(a) Shell: Petroleum products;

(b) PGEO group and Sarawak Oils Palm Berhad: Petroleum products; and

(c) UWM and Airod: Auto and Aerospace components.

5.6.4 South Africa-based Malaysian companies include Petronas, which supplies petroleum products; Peacan Wood, Mitrajaya and UEM, that are construction and property development companies; and Telekom Malaysia, in telecommunications.

5.6.5 South Africa is the largest African investor in Malaysia. South African companies with investments in Malaysia are -

(a) Engen Petroleum: Petro-chemicals;

(b) Sanlam: Insurance; and

(c) Nando’s: Food and beverages.

5.7 Business opportunities in Malaysia for South Africans include the production and manufacturing of goods such as cocoa butter and palm oil; chemicals such as fatty acids and industrial acids and polyethylene; and electrical and electronics such as photovoltaic cells and monitors, but not television products.

5.8 South Africa has formal bilateral agreements with Malaysia which date back to 1994. MATRADE, however, pointed out that in 2003 the two countries signed a Memorandum of Understanding (MOU) on investments. The MOU was shelved for a while and recently efforts have been made to resuscitate it.

5.9 Furthermore, the Malaysian government has closed its tourism office in South Africa due, among others, to budget cuts. In addition, South African tourist arrivals in Malaysia was 9 per cent down in 2015. The promotion of tourism in Africa will be conducted from Malaysia. The Malaysian government has also closed its tourism offices in Perth, Hanoi, Milan and New York.

1. **Construction Industry Development Board (CIBD)**

**6.1 Purpose**

The entity was identified for the role it plays in infrastructure development, which is a priority area for job creation and inclusive growth in the country. For the delegation from parliament the visit was a benchmarking exercise to help understand what works in the industry in Malaysia, given that the country has been developing its construction industry since its first economic plan (1956-1960), when it became independent from Britain. In addition, the construction industry employs approximately 1.2 million registered workers, representing 9.5 per cent of the total national workforce. The country is now in its Eleventh Malaysia Plan (11MP) (2016-2020) and the government of Malaysia has identified construction as one of the key sectors that will propel the country into prosperity.

**6.2 Vision and mission**

The mission of the CIBD is to -

6.2.1 Become a one stop centre on Industrial Building Systems (IBS) for industry players;

6.2.2 Develop and train professionals, contractors and skilled workers on IBS; and

6.2.3 Ensure continuous capacity development of professionals, contractors and skilled workers on IBS.

The IBS is a construction technique in which components are manufactured in a controlled environment (on- or off-site), transported, positioned and assembled into a structure with minimal additional site work. In other parts of the world IBS is known as Pre-fabricated/Pre-fab Construction, Modern Method of Construction (MMC) and Off-site Construction. CIDB Malaysia, through the IBS Centre, is promoting the usage of IBS to increase productivity and quality at construction sites through various promotion programmes, training and incentives. There are six types of IBS, namely precast concrete, steel framing system, timber framing, formwork system, blockwork system and innovative systems.

1. **Malaysian Competition Commission (MYCC)**
   1. The Commission was established on 1 April 2011 with the purpose of enforcing the Competition Act of 2010.
   2. The MYCC safeguards the process of free and fair competition in commercial markets for the benefit of consumer welfare, efficiency of enterprises and the development of the economy as a whole.
   3. The MYCC is empowered to ensure compliance to the Competition Act, investigate complaints on anti-competition behaviours, carry out market reviews and impose penalties on companies found to infringe the competition law.
   4. It also has the authority to impose fees or charges for services provided, grant loans, scholarships and advances to employees, cooperate with any corporate body or government agency and request information from enterprises to assist in the performance of its functions; or to perform any other tasks incidental to its functions and powers.
   5. Malaysia’s competition law does not include merger controls. Furthermore, it is not a criminal offence to break the competition law in Malaysia. However, it is prohibited and the MYCC has powers to impose a financial penalty of up to 10 per cent of the firm’s global turnover over the period during which the infringement occurred.
   6. The South African Competition Act, Act No. 89 of 1998, provides for the implementation of a leniency regime. Under the leniency regime, the enterprise may obtain immunity or a reduction of up to 100 per cent of any penalties which would otherwise have been imposed, if it admits to an infringement of the prohibition against the horizontal agreements which are illegal. Any leniency granted would not protect the successful applicant from other legal consequences, such as civil proceedings commenced by an aggrieved third party who has suffered loss or damage directly caused by an infringement.
   7. There are many similarities between the South African and the Malaysian competition authorities. For instance, in South Africa, the Competition Act prohibits cartel conduct and provides for the Competition Tribunal which is the adjudicating body to impose an administrative penalty not exceeding 10 per cent of a firm’s annual turnover in South Africa and on its exports from South Africa during the base year, just like Malaysia.
   8. Similarly, in South Africa the Commission administers the Corporate Leniency Policy (CLP), through which a self-confessing cartel member report a cartel in exchange for immunity from prosecution. However, the “whistle blowers” are not immune from criminal prosecution should their conduct also lead to the existence of a criminal offence in terms of common law and other statutory offences. Furthermore, CLP immunity does not translate into immunity from criminal or civil liability resulting from a firm’s cartel activities.
2. **Malaysian Investment Development Authority (MIDA)**
   1. MIDA is the government’s principal agency for the promotion of the manufacturing and services sectors in Malaysia. Incorporated as a statutory body under the Malaysian Industrial Development Authority Act, the establishment of MIDA in 1967 was hailed by the World Bank as “the necessary impetus for purposeful, positive and coordinated promotional action” for Malaysia’s industrial development.
   2. MIDA assists companies that intend to invest in the manufacturing and services sector, as well as facilitates the implementation of their projects. The wide range of services provided by MIDA include providing information on the opportunities for investments, as well facilitating companies which are looking for joint venture partners.
   3. To further enhance MIDA’s role in assisting investors, senior representatives from key government agencies are stationed at MIDA’s headquarters in Kuala Lumpur to advise investors on government policies and procedures. These representatives include officials from the Department of Labour, the Immigration Department, Royal Malaysian Customs, the Department of the Environment, Tenaga Nasional Berhad and Telekom Malaysia.
   4. MIDA also evaluates applications for projects in the manufacturing and its related services sectors, including manufacturing licences, tax incentives, expatriate posts, duty exemptions on raw materials and components, duty exemptions on machinery and equipment for the agricultural sector and selected services sectors.
3. **The SMME sector**

**9.1 Purpose**

Malaysia has one of the better performing small business sectors in the world. The purpose of the engagement with Malaysia’s SME Corp was to understand how Small and Medium Enterprises played a role in economic transformation in Malaysia; from the 1970s when government introduced the New Economic Policy to focus on restructuring ethnic economic inequalities in the SME sector, to ensuring that SMEs propel the country’s employment and economic growth towards achieving the country’s vision of wanting to become a high income nation by 2020.

**9.2 South African policy context**

South Africa became a democracy in 1994. The country has a long term vision, the 2030 National Development Plan (NDP) which has set a jobs target for Small, Micro and Medium Enterprises (SMMEs). The sector is expected to create about 90 per cent (approximately 10 million) of new jobs by 2030. In 2014, the President established the Department of Small Business Development to strengthen government’s focus on the development of small businesses as the driver of job creation and inclusive growth in the country.

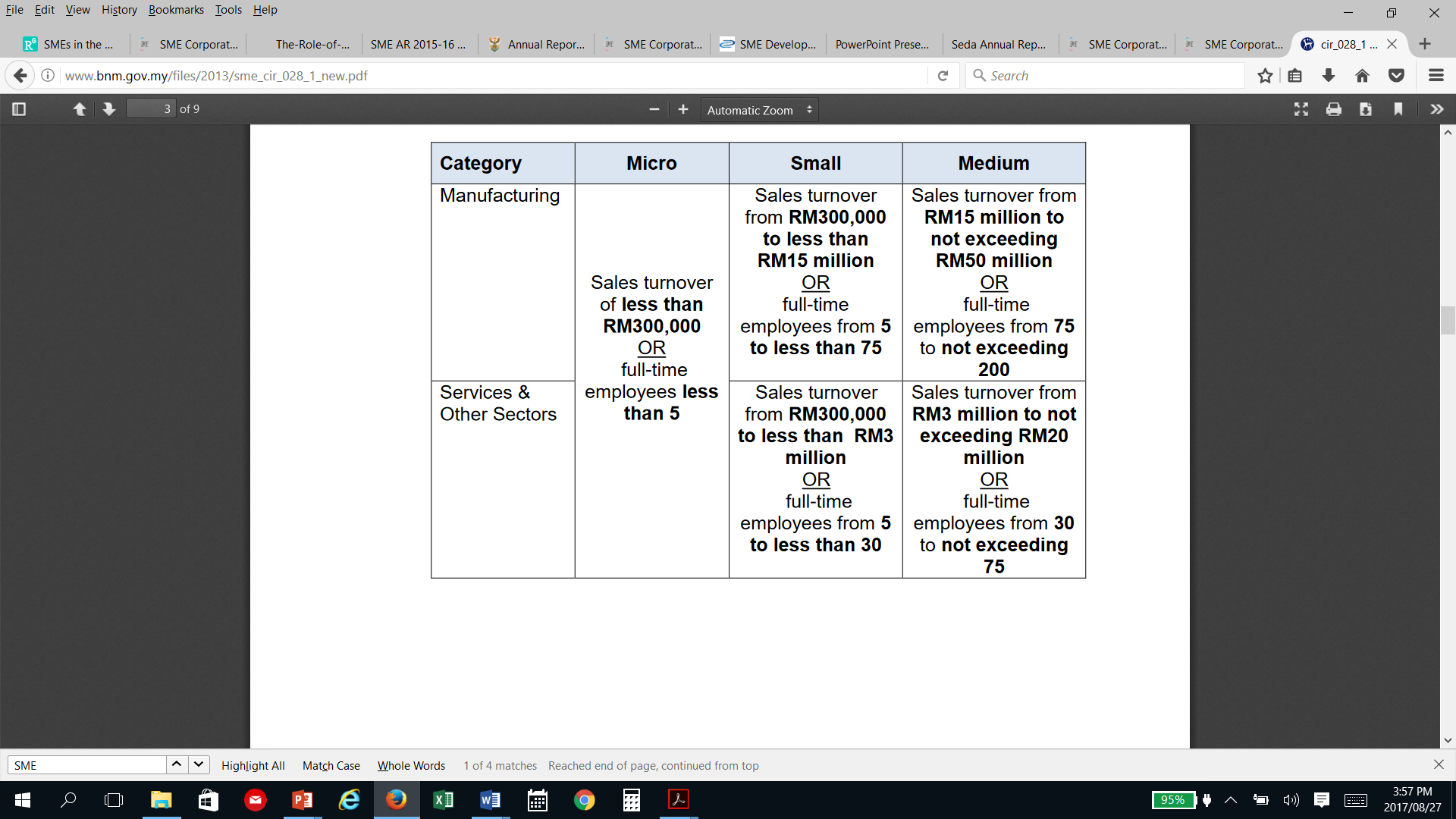
Citing the 2014 GEMS and the second quarter of 2015 Stats SA Quarterly Labour Force Survey Data, the Department reports that small businesses represent 98 per cent of the registered businesses and employ 47 per cent of the total workforce in South Africa. There is a need to intensify efforts to promote small business development if the country is to achieve its NDP jobs target for small businesses.

**9.3 SME profile in Malaysia**

The SME Corp reports that 98.5 per cent (907,065) registered business establishments in the country are SMEs. Of these, 20.6 per cent are women-owned. By size, micro enterprises with less than five employees make up the largest portion at 76.5 per cent, followed by small enterprises which constitute 21.2 per cent and only 2.3 per cent are medium enterprises.

By comparison, there are about 2.2 million SMMEs in South Africa and of those over 667 000 are formal or registered, according to the Small Enterprise Development Agency (Seda).

Definition of Small Businesses in Malaysia approved in 2013:



In South Africa, SMMEs are defined according to sectors in the National Small Business Act, Act No. 102 of 1996, amended in 2004. Micro enterprises in both countries are defined as employing five people or less. However, their annual turnover is R200 000 or less in South Africa, while in Malaysia turnover is capped at about R900 000.

SMEs in Malaysia are concentrated mainly in the services sector (90 per cent) followed by manufacturing (6 per cent) and others (4 per cent). In South Africa most SMMEs, informal or formal, are also in the services sector (70 per cent) followed by manufacturing and construction (20 per cent) and the rest (10 per cent).

**9.4 Policy**

9.4.1 New Economic Policy: Malaysia achieved independence in 1957 but the government’s focus on the country’s SME development became apparent later when the New Economic Policy was introduced in 1971. SME development was aimed at eradicating racial inequalities in the economy and improve the economic participation of the Bumiputera through small businesses. Malaysia has been consistently charting a path for accelerating the development of SMEs through specific strategies and the policy focus on SMEs has improved with every five-year plan.

9.4.2 11th Malaysia Plan (2016 - 2020): The current five-year plan focuses on “developing resilient and sustainable SMEs to achieve inclusive and balanced growth”. The goal of the Plan is to ensure that Malaysia becomes a high income country by 2020. To reach that goal the Plan requires the SME sector to achieve the following targets by 2020:

* + - 1. Increase contribution to GDP to 41 per cent;
      2. Increase share of employment to 65 per cent; and
      3. Increase share of exports to 23 per cent.

**9.5.1 SME Master Plan 2012-2020**

This plan identifies six high impact programmes and 32 initiatives that are innovation-driven and productivity-led, to accelerate the growth of SMEs towards goals set in the 11th Malaysia Plan. In turn this will help Malaysia attain its vision of becoming a high-income nation by 2020. SME goals set in the Master Plan include the following:

* + - 1. Increase business formation by 6 per cent per annum;
      2. Expand the number of high growth and innovative firms by 10 per cent per annum;
      3. Double productivity over the 2012-2020 period; and
      4. Intensify formalisation so as to promote growth and fair competition by reducing the number of businesses in the informal sector from 31 per cent of GNI to 15 per cent by 2020.

**9.5.2 The National SME Development Council**

The highest policy making body in Malaysia is the National SME Development Council (NSDC) which was formed in 2004 to provide overall strategic policy direction and coordinate inter-ministry and -agency efforts for SME development in Malaysia.

The Council is chaired by the Prime Minister and members comprise Ministers and Heads of key ministries and agencies involved in SME development and it represents the government's top-level commitment to promote SME development.

**9.5.3 Small Medium Enterprises Corporation of Malaysia (SME Corp)**

SME Corp Malaysia was established in 1995 under the Small Medium Enterprises Act 1995 (ACT 593). In the past it was called the Small and Medium Industries Development Corporation (SMIDEC) and was renamed in 2009. SME Corp is a central coordinating agency under the Ministry of International Trade and Industry. It is the agency responsible for driving the implementation of the SME Masterplan (2012-2020) which provides policy direction for SME development until 2020. SME Corp is a one referral centre /one-stop shop for SMEs and has 11 offices nationwide.

The functions of SME Corp are as follows:

* + - 1. **National Policy**

1. Establishment of the SME Act (expected to be tabled in Parliament by the end of 2017); and
2. Speeding up the implementation of the SME Masterplan.
   * + 1. **Co-ordination**
       2. Setting productivity targets at firm level as KPIs for incentives and assistance to businesses;
       3. Coordinate B40 entrepreneurship programmes;
       4. Country lead of the national policy on SME; and
       5. ASEAN Strategic Action Plan for SME Development 2016-2025 for access to finance.
       6. **Bumiputera**

Programmes to develop Bumiputera entrepreneurs, including the following:

(a) Galakan Eksport Bumiputera (GEB) – for developing capabilities of Bumiputera SMEs with export market potential and increase global presence;

1. LGC800 – to promote 800 Bumiputera companies from local to global arena;
2. Bumiputera Enterprise Enhancement Programme (BEEP) – an integrated assistance scheme for creating and developing competitive, resilient and dynamic Bumiputera SMEs; and
3. Tunas Usahawan Belia Bumiputera (TUBE)- for encouraging Bumiputera youth (18 – 30 years) to venture into business.

**9.6 Mentoring and Capacity Building Programmes**

SME Corp’s mentoring and capacity building programmes include the following:

9.6.1 The SME University Internship Programme: Links SMEs to the universities to strengthen SMEs’ capacity and capability. This is a joint venture between SME Corp Malaysia and the Ministry of Higher Education and the programme is rolled out to all public universities in the country.

9.6.2 SME Mentoring Programme: SME Corp. Malaysia together with Nestlé Malaysia and the Halal Industry Development Corporation (HDC) have established a programme to share best practises in the food and beverage industry.

9.6.3 Business Accelerator Programme (BAP) 2.0: The Programme supports a wide range of capacity building initiatives to assist SMEs to grow their businesses locally and abroad. The requirements for support include that the business must be at least 60 per cent Malaysian-owned. BAP provides two types of financial support:

* + - 1. Grants - for certification and quality management systems, packaging, productivity and automation, branding and promotion, innovation and product development, purchase of machinery and online apps, E-Commerce and ICT apps.
      2. Soft Loans - project, fixed assets and working capital financing with minimum of RM50 000 and maximum funding of RM1.5 million. The interest is 4 per cent per annum. When natural disasters strike, the BAP programme assists with working capital, stock, machinery, equipment, raw material and refurbishment of premises.
    1. **Business Support**

9.6.4.1 Linkages between SMEs and large companies are strengthened, and successful models for frontier products are emulated.

* + - 1. The SME Competitiveness Rating for Enhancement (SCORE) and 1-InnoCERT, a certification programme, are used by all ministries and agencies.
      2. The Strengthen One Referral Centre is used for outreach and to coordinate financial support from banks, financial institutions and Government agencies.
      3. The expand factory-in-factory concept involves SMEs operating within multi-national corporation (MNC) facilities.
      4. JPA/SME Corp and selected SMEs co-fund local scholars to assist SMEs in securing top talent.

**9.7 Performance monitoring and evaluation**

The agency measures its outcomes on the following three levels:

9.7.1 National level: Through Gross Domestic Product (GDP), export and employment figures;

9.7.2 Programme level: Through the SME Integrated Plan of Action (SMEIPA), which facilitates and collates data from SME programmes, and monitors and evaluates the performance and achievements of SMEs; and

9.7.3 Firm level: Through the SME Competitiveness Rating for Enhancement (SCORE), a   
diagnostic tool used to rate and enhance the competitiveness of SMEs based on their performance and capabilities.

9.8 With regard to an accountability structure, the reporting of programme performance takes place regularly at three levels namely, the Programme Coordination Working Committee, the High Level Taskforce for SME Development, and at the National SME Development Council (NSDC).

1. **SME Bank of Malaysia**

10.1 The vision of this Bank is to be a full-fledged specialised financial institution, an international benchmark for nurturing SME excellence.

* 1. Its mission is to develop SMEs to be the nation’s engine of growth, in line with the government’s economic agenda.
  2. In 2016 the Bank reported a pre-tax profit of RM67 million, up from RM48 million in the previous year.

10.4 This performance was supported by the continued growth in gross income of the Bank’s Islamic banking business which grew at 15 per cent from RM292 million to RM336 million.

* 1. The Bank’s net impaired ratio stood at 8.2 per cent, given its developmental role as a Development Finance Institution (DFI), and within a single mandated SME sector.

**11. Observations and lessons learned**

* 1. **How the Malaysian government ensures that its long-term economic transformation policy receives budgetary prioritisation:**

Malaysia has established an Economic Planning Unit (EPU) which is the principal government agency responsible for the preparation of development plans for the nation. The unit was established in 1961 as the Economic Secretariat of the Economic Committee under the Executive Council of the then Federation of Malaysia. Its objective then was to “focus on development planning, on major problems in plan execution and on all forms of foreign aid”. Presently the EPU’s main function is strategic planning, resource allocation, monitoring and evaluation as well as stakeholder facilitation. The unit is situated within the Office of the Prime Minister, who is also responsible for the drafting and tabling of the national budget.

* 1. **How the budget for long-term economic transformation policies in Malaysia filters down to sub-national government level (*i.e.* federal states):**
     1. Section 97(1) of the Malaysian Constitution provides that “All revenue and moneys howsoever raised or received by the Federation shall, subject to the provision of this Constitution and federal law, be paid into and form one fund, to be known as the Federal Consolidated Fund”.
     2. The revenue raised in terms of state laws are kept by the states concerned, and the country does not have the system of equitably sharing the nationally raised revenue like the South African system of provincial equitable share (PES) and local government equitable share (LES).
     3. The projects in various spheres of government that are related to the country’s long-term transformation policies are funded centrally from the consolidated fund. The approach seems similar to the South African funding of the integrated development planning projects in municipalities by sector departments in various spheres of government. The funding of the projects in various spheres is also similar to the South African system where sector departments fund projects via indirect conditional grants in other spheres of government.
     4. In Malaysia development targets are not only set in economic terms, but also in socio-economic terms.
     5. The guiding principles for Malaysia’s development are based on the following realities – the country as a federal state, a small but very open economy, a mixed economic system of free enterprise with active government support, and a multi-ethnic society (of three main ethnic and two main indigenous groups in Sabah and Sarawak).
  2. **How the implementation of long-term economic transformation policy and the associated budget are monitored and evaluated in Malaysia:**

11.3.1 Despite significant economic growth under the First Malaya Plan (i.e. 1957-1960), the Second Malaya Plan (1961-1965) and the First Malaysia Plan (i.e. 1966-1970), the socio-economic imbalances among the ethnic groups gave rise to the racial riot in 1969. In response to the racial riot, the Malaysian Government started adopting and implementing economic development policies that emphasised the importance of social (i.e. reducing poverty and inequality and promoting national unity) aspects of growth as well.

11.3.2 The New Economic Policy (NEP) was embarked upon in 1971 and signified the turning point in Malaysia’s economic policy history, as economic growth was approached in a more holistic manner, with socio-economic development at the core of its economic policy and its succeeding ones.

11.3.3 The NEP was also the blueprint for the first long-term Outline Perspective Plan (OPP1). The Outline Perspective Plan essentially sets out the implementation plan for achieving the primary objective of the over-arching policy.

11.3.4 The New Development Policy (NDP) succeeded the NEP in 1991 and it saw the introduction of Vision 2020. Vision 2020 is a program that sets out the long-term development aspirations of Malaysia, which includes enhancing the standard of life and achieving developed nation status by the year 2020.

11.3.5 In 2009, the Malaysian Government introduced a new development methodology that focuses on impact and results in response to the country’s slow-moving development progress. The new methodology, known as Big Fast Results (BFR) methodology is aimed at accelerating Malaysia’s development progress.

* 1. **How effective the Big Fast Results (BFR) methodology has been in achieving the long-term economic transformation policy objectives of Malaysia; how the country is funding infrastructure programmes for job creation and economic growth and implements its infrastructure plans:**

11.4.1 From the East Asian economic crisis, the country learned the importance of being resilient and competitive as an economy, as well as the need for endogenously driven growth through science and technology, research and development, and human capital development, in order to minimise the impact of the external sector on the Malaysian economy. In fact, subsequent measures put in place were able to minimise the impact of the 2008/09 global financial crisis on Malaysia.

11.4.2 Labour market conditions remain favourable. The unemployment rate in 2014 was 3.0 per cent (considered full employment). The inflation rate, measured by the annual change in the consumer price index remained stable and was at 2.1 per cent in 2013 and 3.3 per cent in 2015.

11.4.3 Income per capita has expanded 23 times since 1970, from 402 in nominal terms of US$ and 1085 US$ in real terms to 9 291 in nominal terms of US$ and 25 586 US$ in real terms in 2015.

11.4.4 In 2016 the National Transformation Programme (NTP) completed its sixth year of implementation, and has reportedly proved decisively that the crucial decisions taken since 2010 place Malaysia firmly on the path to become a high-income status nation by 2020.

11.4.5 To create an efficient, reliable and safe public transportation system for the people, in December 2016 the country launched the Mass Rapid Transit (MRT) project in the Klang Valley. This is the largest infrastructure project ever undertaken by the Government.

11.4.6 Over the period 1971 – 2015 the Malaysian economy has shown sustainable real GDP growth with low inflation and full employment. Since 1970, Malaysia has recorded a sustainable GDP growth of 6.2 per cent per annum. The economy recorded more than 9 per cent growth during the 1988-1996 period before being affected by the 1997/98 East Asian financial crisis which caused the economy to record the worst recession in Malaysian history when the economy contracted by 7.4 per cent. Since 2010, the country has recorded a healthy GDP growth year after year, regularly achieving rates of more than double the global growth.

11.4.7 In its efforts to diversify the Government’s sources of revenue the country successfully reduced the share of revenue coming from the oil and gas sector from 41.3 per cent in 2009 to 14.7 per cent in 2016. In 2015, the Malaysian economy grew by 5.0 per cent, despite the uncertainty in the world economy and weakened commodity prices. In the third quarter of 2016, the Malaysian economy expanded by 4.3 per cent, supported by higher exports and continued strength in private domestic demand.

11.4.8 The NTP has also been instrumental in propelling the country out of the middle income trap, in which it found itself in 2009. As at the end of 2016, its GNI per capita had increased to US$10,010, against the high-income target which was estimated to be US$12,272 for last year, based on PEMANDU’s estimate following the World Bank’s GNI per capita calculation.

11.4.9 Between 2010 and 2016 Malaysia narrowed the gap between the low and high income earners from 33 per cent to 18 per cent. In addition, the country’s national transformation programme has also helped to create over 2.26 million jobs over the past six years.

11.4.10 Malaysia introduced what was seen as difficult but necessary measures, such as the Goods and Services Tax (GST) and subsidy rationalisation. These were not very popular but was, however, seen as vital. With RM38.5 billion in GST collected in 2016, the new tax has made up for the shortfall in Government revenue of RM30 billion due to the drop of nearly 50 per cent in the price of oil. This has allowed the country to support its expenditure amid limited resources and continue to implement its measures and programmes with the sole purpose of benefiting the people.

11.4.11 Subsidy rationalisation has also reduced the burden on the Government’s finances and helped to eliminate leakages. In 2016, the Government’s fiscal deficit continued to decline steadily to 3.1 per cent, which leads to maintaining the target of achieving a balanced budget by 2020. This has enabled the country to introduce a more efficient and targeted subsidy system to benefit those who are truly in need. Bantuan Rakyat 1Malaysia (BR1M) programme, for instance, provided relief to 7.28 million households in 2016.

11.4.12 The NTP has touched the lives of millions of people, especially those in rural areas. About 6,041.7 km of new rural roads have been completed, against the 750 km of rural roads built in the first year of the NTP in 2010. Electrification and water supply programmes, as well as the building and restoring of houses for the rural poor have benefited a total of 6.2 million rural people.

11.4.13 Other highlights of the NTP include the establishment of the Pengerang Integrated Petroleum Complex (PIPC) in Johor, a world-class hub for downstream oil and gas activities that is drawing sizeable private investment and is driving the country’s oil and gas capabilities higher up the value chain.

11.4.14 Furthermore, the Human Capital Development Strategic Reform Initiative has paved the way for the formation of a skilled workforce that will support the country’s high income aspirations and raise its global competitiveness.

* 1. **Parliamentary oversight**

11.5.1 The situation in Malaysia is unlike in the Parliament of the Republic of South Africa, where there are Portfolio Committees, Standing Committees, Joint Standing Committees as well Select Committees that are appointed on a permanent basis to focus on their areas of responsibility such as finance, economic development, administration services, defence and security, and social services like education, health, and transport.

11.5.2 Select committees in Malaysia are particularly appointed when Members of Parliament want to investigate something rather than merely debating on it just like the appointment of the ad hoc committees in the South African Parliament.

11.5.3The legislative process in Malaysia is similar to the South African system except that the national budget-related bills together with the budget speech are presented by the Prime Minister not the Minister of Finance as is the case in South Africa. The budgeting, monitoring and evaluation of the budget spending is situated within the Prime Minister’s Office under the Economic Planning Unit.

11.5.4 Public participation in Malaysia takes place during the executive process while in South Africa public participation is done during both the executive and the parliamentary processes.

* 1. **The minimum wage in Malaysia**

Malaysian minimum wage is comparatively found to be among the lowest the worker can be paid. In Penisula the minimum wage is RM 1000 (R3000) per month or RM4.81 per hour. In the states of Sabah, Sarawak and Labuan the minimum wage is RM920 (R2760.00) per month. Although still regarded low the recently announced R3500 minimum wage in South Africa is better compared to the Malaysian minimum wage. The Malaysian minimum wage however is better than the South African domestic workers’ minimum wages of R2422.54 and R2205.16 in areas A and B respectively.

* 1. **Social dialogue in Malaysia**

Malaysia does not have well organised social partners (business and labour) structures but the country seems to have an effective way of engaging the social partners. The stakeholder facilitation is done by the Prime Minister and Chief Secretary acting as Chairs of the Economic Council and the National Development Planning Committee, respectively. This is unlike the South African situation where stakeholder facilitation of social partners is done under the National Economic Development and Labour Council (Nedlac).

* 1. **Social security system in Malaysia**

The social security system provides for an incentive allowance for disabled workers at RM300 (R900) for each person monthly; financial assistance for persons with disability (PWD’s) who are incapable of work at RM150 (R450) for each person monthly; and financial assistance for carers of the bed-ridden disabled and chronically ill at RM300 (R900) for each person monthly. This system is unlike the South African social security system that covers old aged persons of R1530 per month; war veterans at R1530 per month; disability grants of R1530 per month; a child support grant of R350 per month; a care dependency grant of R1510 per month; and a foster child grant of R890 per month, The South African social security system is better off in real terms as well as in terms of the number of categories covered.

* 1. **State-owned entities**
     1. **SME Corp**

(a) Malaysia’s achievements in SME development can be attributed to the efforts of policy makers to constantly develop policies to improve the plight of SMMEs. However, the SME drive began to take shape in the 1970s, nearly fifteen years after independence. In South Africa the establishment of a Small Business Development Department in 2014 gives considerable impetus to the SMME development in the country.

(b) Malaysia’s strategy of focusing on the Bumiputera or the indigenous people’s businesses is similar to what South Africa is doing for the previously disadvantaged, the black industrialists and Broad-based Black Economic Empowerment policies and programmes.

(c) The NSDC resembles the Presidential Infrastructure Coordinating Commission (PICC) which is a high level body that coordinates public infrastructure development in South Africa. As it is with the NSDC, the PICC is chaired by the Head of State and its members are comprised of ministers and heads of related entities.

(d) There are some differences which need to be taken into consideration when comparing the South African with the Malaysian SME environment. These include the fact that Malaysia became independent in 1957 while South Africa became a democracy in 1994. Furthermore, there are also some differences in how the two countries define small business by annual turnover. For instance, in manufacturing, the threshold for micro enterprises in South Africa is R200 000 while in Malaysia it is RM300 000 or approximately R900 000.

(e) Malaysia is smaller in population size with 31 million people but has a higher number of registered enterprises (907 0650) while South Africa has a bigger population size of 55 million people with just of 667 000 registered enterprises.

(f) SME Corp has a clear strategy of tracking the performance of SMEs and of effectiveness of government programmes aimed at developing SMEs.

(g) The SME sector has already achieved and exceeded its Vision 2020 employment target in 2016, while GDP figures have been increasing steadily towards the mark. Performance on exports has been fluctuating but by 2016 SMEs made an 18.6 per cent contribution to exports.

* + 1. **Malaysia External Trade Development Corporation (MATRADE)**

(a) In South Africa, the function of promoting South African exports to the global markets is performed by 18 export councils and Trade and Investment South Africa (TISA) - an agency of the Department of Trade Industry. South Africa’s model for export councils “is the outcome of a two-year consultative process” that encourages stakeholders to establish businesses platforms such as export clubs and which are expected to later form part of the National Export Advisory Council (NEAC).

(b) South Africa has a negative trade balance with Malaysia. However, South Africa’s biggest trade deficit with an Asian country is with China.

(c) The closure of Malaysia’s tourism office in Johannesburg coupled with the decline in the value of trade is concerning not only for tourism in South Africa but also for the continent as a whole.

(d) For MATRADE trade exhibitions, trade shows and overseas awareness missions are a vital tool for promoting Malaysian SMEs to abroad. At the agency’s offices, there is a dedicated floor where local business products, ranging from automotive parts to body lotions, are on permanent display, for marketing to domestic and foreign investors.

(e) MATRADE is basically a government initiative that serves the marketing needs of local enterprises especially those that cannot afford access to foreign and domestic markets.

(f) There are opportunities for South Africa to bolster trade with Malaysia in the identified products and services.

(g) For the 2015 financial year the entity showed a very healthy balance sheet with total net assets/total equity of RM 216 641 617 which shows good prospects for the entity as a going concern and a clean audit opinion which shows good governance as well as good financial management within the entity.

* + 1. **Construction Industry Development Board (CIDB)**

(a) The Malaysian government has invested a lot in the research and development of the construction industry and as a result, they have come up with more affordable and more efficient ways of building structures.

(b) There is a dedicated exhibition centre where the different building techniques are on display.

(c) The private sector plays an important role in the construction of public infrastructure.

(d) Although it is reported that the public sector contributes about 28 per cent of the investment in the construction industry, while the private sector contributes about 72 per cent; most of the private sector companies are actually government owned.

(e) For the 2015bfinancial year the entity showed a very healthy balance sheet with total net assets/total equity of RM 247 256 591, while its profit grew from RM 46 612 055 in 2015 to RM 67 544 059 in 2016. This shows good prospects for the entity as a going concern while a clean audit opinion is an indication of good governance as well as good financial management within the entity.

* + 1. **SME Bank Malaysia**

For the 2015 financial year the entity showed a very healthy balance sheet with total net assets/total equity of RM 1 245 187, showing good prospects for the entity as a going concern and a clean audit opinion which shows good governance as well as good financial management within the entity.

* + 1. **Malaysian Competition Commission**

(a) In 2015, out of the RM 5 585 694 income of the entity, about RM 4 600 000 was the government grants it received, which is about 82 per cent of its income.

(b) For the 2015 financial year the entity showed a very healthy balance sheet with total net assets/total equity of RM 25 497 915 which shows good prospects for the entity as a going concern.

(c) The Malaysian Competition Act does not criminalise cartels and collusive practices as is the case in South Africa.

(d) Malaysia’s Competition Commission is relatively smaller in operational size (budget and staff compliment) and about 13 years younger than its South African counterpart.

(e) The Securities Commission is responsible for mergers and acquisitions. The Commission reports to the Minister of Finance and its accounts are tabled in Parliament annually.

(f) The South African authorities are more advanced in the implementation of competition policy than their Malaysian counterparts.

**12. Conclusion**

12.1 Malaysia has emerged as a model for other countries pursuing transformation, providing affirmation that their plan is one that works and offers valuable lessons that others can draw from.

12.2 The Committee will in the course of its oversight work engage all relevant stakeholders and role players on the things observed during the study tour as measures and systems of good practice.

Report to be considered.