

Elevating B40 Households Towards a Middle-Class Society

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For further information refer to:

Director General
Economic Planning Unit
Prime Minister's Department
Block B5 & B6
Federal Government Administrative Centre
62502 Putrajaya
MALAYSIA

<http://www.epu.gov.my>

Tel.: 603-8000 8000
Fax.: 603-8888 3755

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I. INTRODUCTION

2.1 The inclusive development approach was a key strategy in the Tenth Malaysia Plan (10thMP), 2011-2015, towards achieving a prosperous and equitable society, regardless of gender, ethnic group, socio-economic status and geography. Inclusivity warrants equitable opportunities for all Malaysians to participate in and benefit from the economy. Focus was given to address pockets of poverty and socio-economic imbalances, especially among the bottom 40 per cent household income group (B40 household)¹. The programmes implemented have increased household income, narrowed income disparity and uplifted the wellbeing of B40 households.

2.2 The Eleventh Malaysia Plan, 2016-2020, will give special attention towards further improving the people economy while ensuring the capital economy continues to flourish. The people economy will be *rakyat*-oriented, covering priorities and interests of the *rakyat* such as cost of living, household income, education and employment opportunities, entrepreneurship as well as social safety net.

II. TENTH MALAYSIA PLAN, 2011-2015: PROGRESS

2.3 During the Plan period, education, training and entrepreneurship programmes were implemented to raise the income of B40 households; special boarding facilities and financial aid were provided to children of B40 households; the social safety net initiatives were implemented; and the needs of special target groups, which include Orang Asli in Peninsular Malaysia and those living in rural and remote areas in Sabah and Sarawak were addressed.

2.4 *Raising the Income Generation Potential of B40 Households.* Efforts were undertaken to elevate the quality of life of rural households and enhance the economic participation of urban households through income generating activities, human capital development and micro-enterprise support programmes. In rural area, opportunities for business ownership was provided by *Amanah Ikhtiar Malaysia* (AIM) where 225,867 of total participants have increased their income by more than RM2,000 per month. In urban area, 8,580 participants had attended entrepreneurship training. Details of these programmes are shown in *Exhibit 2-1*.

¹ B40 households refer to households with income up to RM3,855 (based on Household Income and Expenditure Survey 2014)

*Exhibit 2-1***Initiatives to Raise the Income Generation Potential of B40 Households**

	Programme	Achievements
Elevating the quality of life of rural households	Providing holistic support programmes for micro-enterprises	7,801 participants
	Providing business ownership opportunity for capable entrepreneurs	Income of 225,867 participants increased by more than RM2,000 per month
	Linking rural talent to employers in nearby clusters and cities	701 participants attained skills training to match job opportunities
	Increasing sustainability income in the agriculture sector through the concept of agropolitan and contract farming	3,486 participants income increased by RM1,200 per month
	Improving productivity in rural agriculture and agro-based industries	38,663 participants had additional income at least RM300
	Increasing land productivity and yield through land amalgamation	Rubber 1,276.45 kg/ha Palm Oil 15.54 MT/ha (2012)
Enhancing the economic participation of urban households	Establishing industry-specific skills centres based on targeted geographical areas	3,100 participants attended skills training
	Expanding micro-enterprise support programmes	8,580 participants attained entrepreneurship training
	Extending the incubator concept to increase entrepreneurship and employment opportunities	1,726 GiatMARA incubators developed
Raising household income through Information and Communications Technology (ICT)	eRezeki micro-sourcing to generate income	39,518 participants with total revenue of RM6.87 million

2.5 *Assisting Children in B40 Households to Boost Their Education and Skills Attainment.* Various initiatives were implemented to address the educational needs of children in B40 households. These initiatives included the implementation of 1Asrama and Asrama Desa programmes, which reduced student dropout from 47,260 in 2010 to 43,428 in 2013. In addition, as of 2014, 1.51 million students benefited from financial aid including Kumpulan Wang Amanah Pelajar Miskin (KWAPM) and Rancangan Makanan Tambahan (RMT). Details of these programmes are shown in *Exhibit 2-2*.

*Exhibit 2-2***Assistance to Children in B40 Households to Boost Their Education**

	Programme	Achievements
Assisting children in bottom 40% households to boost their education and skills attainment	Providing access to education opportunities	School dropouts reduced from 51,509 in 2010 to 45,726 in 2013
	Providing education assistance through Kumpulan Wang Amanah Pelajar Miskin (KWAMP) and Rancangan Makanan Tambahan (RMT)	1.51 million students benefited
	Providing scholarship for students to pursue tertiary education	20,570 students benefited (2012)

2.6 *Strengthening Social Safety Net to Reduce Vulnerability.* Various social safety net initiatives were implemented to reduce vulnerability and protect the livelihood of B40 households from economic shocks. These included housing assistance such as Program Bantuan Rumah (PBR), Rumah Mesra Rakyat and Rumah Mampu Milik to 55,000 households. In 2013, a total of 493,076 individuals benefited from income support programmes for senior citizens and non-working persons with disabilities (PWD). Details of these programmes are shown in *Exhibit 2-3*.

Exhibit 2-3

Initiatives to Strengthen Social Safety Net to Reduce Vulnerability

	Programme	Achievements
Strengthening social safety net to reduce vulnerability of disadvantaged groups	Housing assistance to poor households in rural and urban areas such as Program Bantuan Rumah (PBR), Rumah Mesra Rakyat and Rumah Mampu Milik	55,000 households received housing assistance
	Access to healthcare services such as 1Malaysia Clinic, Mobile Clinic and Flying Doctors services	More than 9.2 million individuals benefitted from 254 1Malaysia Clinics, 12 Mobile Clinics and 13 Flying Doctors services
	Income support such as financial assistance for senior citizens and non-working persons with disabilities (PWD)	493,076 individuals benefitted from income support assistance
	Bantuan Rakyat 1Malaysia (BR1M)	7 million individuals benefitted

2.7 *Addressing the Needs of Special Target Groups.* The needs of the Orang Asli in Peninsular Malaysia and those living in rural and remote areas in Sabah and Sarawak were addressed through land development and ownership as well as skills training programmes. A total of 32,561 hectares of Native Customary Rights (NCR) land were gazetted for Orang Asli in Peninsular Malaysia, 26,956 hectares for Bumiputera in Sabah, and 558,571 hectares for Bumiputera in Sarawak. The number of Orang Asli receiving skills training increased from 435 in 2011 to 3,750 in 2014, while 2,100 Bumiputera in Sabah and Sarawak also benefited from the skills training programmes.

2.8 In addition, a total of 4,446 Chinese New Village residents were assisted through microcredit schemes for small entrepreneurs. Total loan as of 2014 is worth RM142 million. Entrepreneurship and skills training programmes were provided for the poor Indian community, benefitting about 167,500 individuals. Of these, more than 10,000 youths participated in skills training programmes, while 30,000 adults participated in entrepreneurial training programmes. 127,500 primary and secondary school students benefited from educational enhancement programmes.

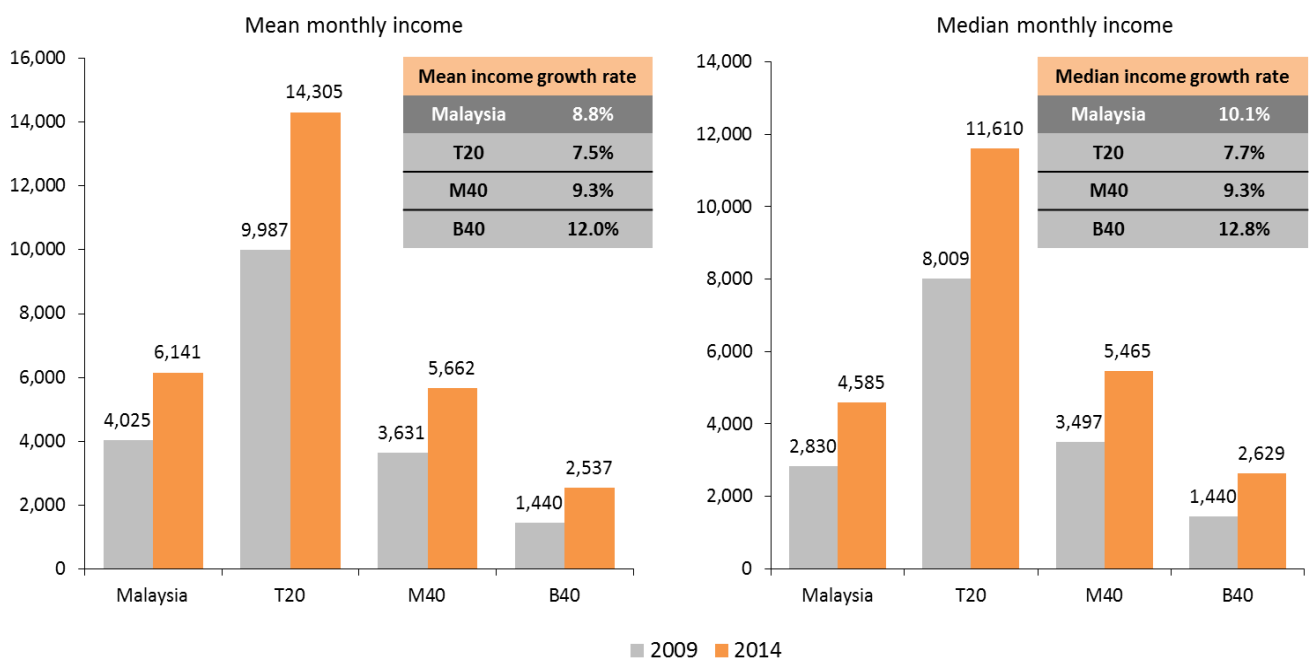
III. ISSUES AND CHALLENGES

2.9 Programmes implemented during the Tenth Plan contributed to the improvement of the wellbeing of B40 households. However, socio-economic gaps, especially among B40 households and vulnerable groups remain. There are several issues and challenges that need to be addressed.

Socio-economic Disparity

2.10 Income gap still exists even though B40 households registered higher mean monthly income growth rate of 12% as compared to 7.5% for the top 20% households income group (T20 households). The mean monthly income for B40 was RM2,537 in 2014 as compared to RM14,305 for T20 households. In addition, median monthly income for B40 households was RM2,629 compared with T20 households at RM11,610, as shown in *Exhibit 2-4*.

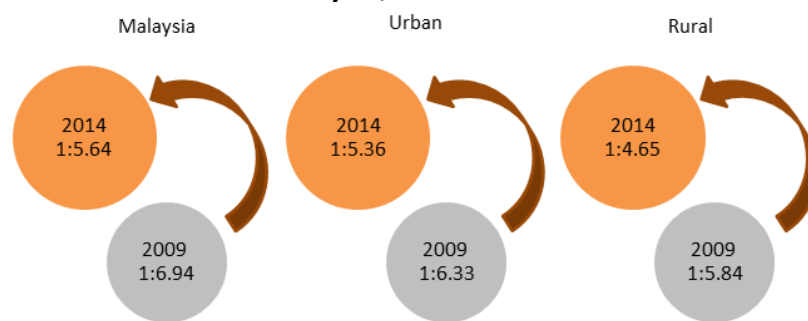
Exhibit 2-4
Mean and median monthly income by income group, 2009 and 2014



Source: Department of Statistic Malaysia

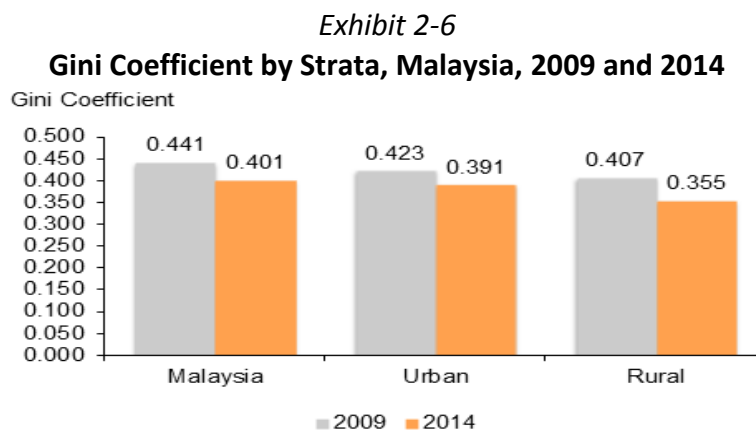
2.11 Income disparity between B40 and T20 households still remained significant despite the reduction in the income disparity ratio from 1:6.94 in 2009 to 1:5.64 in 2014, as shown in *Exhibit 2-5*. In terms of strata, income disparity ratio in the urban area reduced to 1:5.36 in 2014 while in rural areas to 1:4.65 in 2014. The overall disparity between rural and urban narrowed from 1:1.85 to 1:1.78 during the period.

Exhibit 2-5
Income Disparity Ratio Between B40 and T20 Households by Strata, Malaysia, 2009 and 2014



Source: Department of Statistic Malaysia

2.12 The overall income inequality narrowed as indicated by the reduction of Gini coefficient from 0.441 in 2009 to 0.401 in 2014. In terms of strata, income inequality had also narrowed as shown in *Exhibit 2-6*.

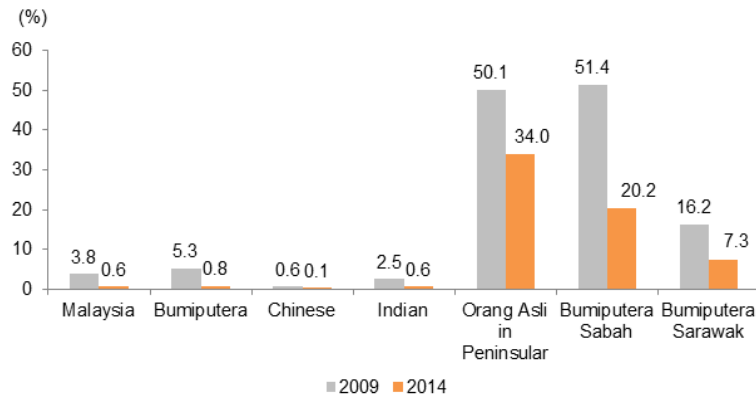


Source: Department of Statistic Malaysia

2.13 Single source of income. In 2014, 64.7% of the B40 households depended on a single source of income, which make them vulnerable to economic shocks.

2.14 The overall incidence of poverty has reduced from 3.8% in 2009 to 0.6% in 2014. However, incidence of poverty among the Orang Asli in Peninsular Malaysia as well as Bumiputera in Sabah and Bumiputera in Sarawak is still high, especially in rural and remote areas, as shown in *Exhibit 2-7*.

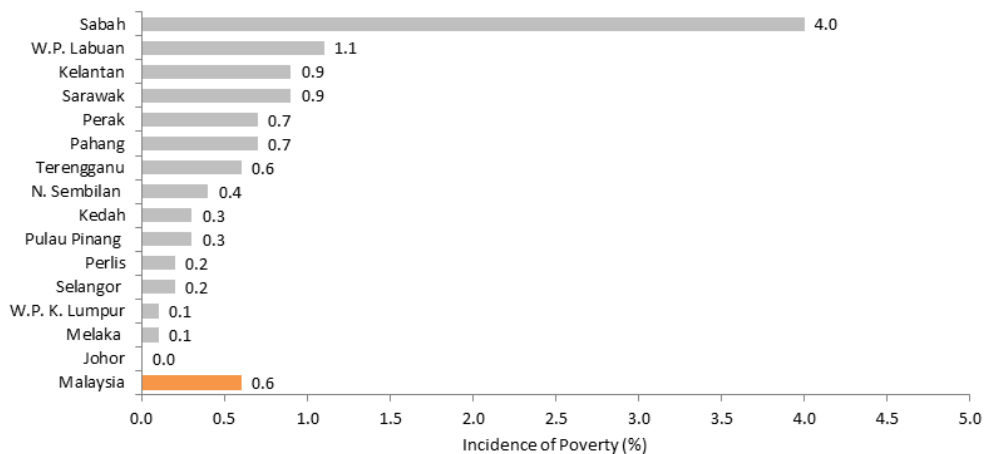
Exhibit 2-7
Incidence of poverty among ethnic groups, 2009 and 2014



Source: Department of Statistics Malaysia and Jabatan Kemajuan Orang Asli

2.15 Six states, namely, Sabah, W.P. Labuan, Kelantan, Sarawak, Perak and Pahang registered higher incidence of poverty than the national level, as shown in *Exhibit 2-8*.

Exhibit 2-8
Incidence of poverty by state, Malaysia, 2014



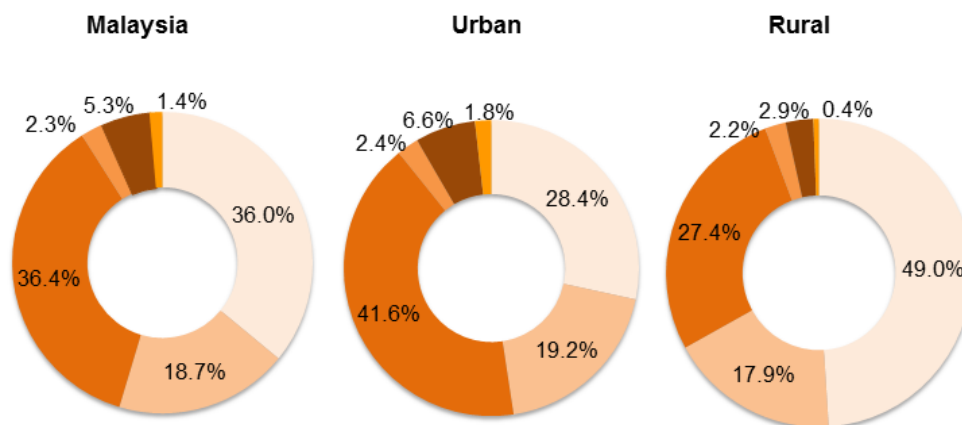
Note: *The poverty rate of 0.0 refers to less than 0.05% incidence of poverty
 **Excludes 12 enumeration blocks in ESSCOM areas due to security reasons

Source: Department of Statistics Malaysia

Low Educational Attainment and Skills Acquisition

2.16 Low educational attainment has hampered the ability of the B40 households to secure high paying jobs or venture into business activities. Only 36.4% of household heads attained Sijil Pelajaran Malaysia (SPM) and equivalent while 36% had no certificate, as shown in *Exhibit 2-9*. 84.6% received education at secondary level and below. Due to the low level of education, 89.9% household heads are employed in low- and semi-skilled occupations.

Exhibit 2-9
Distribution of B40 household heads by highest certificate obtained, 2014



Source: Department of Statistic Malaysia

2.17 High dropout rate has been identified as one of the reasons for the low educational attainment among B40 households, particularly Orang Asli in Peninsular Malaysia, Bumiputera in Sabah and Bumiputera in Sarawak. Lack of interest to attend school, unconducive home environment, lack of parental support and low awareness on the importance of education among B40 households contributed to the high dropout rate. According to the Malaysia Millennium Development Goals (MDGs) 2010 Report, over 90% of those within lower secondary age and 75% within upper secondary school age and not in school are from the B40 households.

2.18 In rural areas, factors including geographic barriers and long distance have increased commuting time and costs to attend school. The dropout rate at primary level among Orang Asli students was 12.8%, the dropout rate during transition from primary to secondary was 25.2% while at the secondary level was 49.2%. Dropout rates among Bumiputera in Sabah and Bumiputera in Sarawak were also evident in the transition from primary to secondary levels and from lower secondary to upper secondary.

Low Skilled and Low Value-Added Jobs

2.19 The majority of B40 household heads are employed in low paying occupations, which include 21.7% in sales and services while 18.2% are in skilled agriculture-, forestry- and fishery-based occupations. In urban areas, 26.5% household heads work in sales and services, 19.9% as plant and machine operators and 15.4% in craft and related trades. In rural areas, 39.3% are involved in skilled agriculture-, forestry- and fishery-based occupations.

2.20 About 25%² of the Orang Asli household heads are involved in small scale agriculture and farming activities³ while more than 20% are employed as service workers. 14.9% of Orang Asli are self-employed. About 45.6% of the Bumiputera in Sabah and 50.3% of the Bumiputera in Sarawak are self-employed. A major portion of them are involved in agriculture-, forestry- and fishing-based activities while 0.9% as employers in low value-added activities. This resulted in income that is significantly lower than the national level where the average wage level for B40 households was RM1,883 in 2014 as compared to the national average wage at RM4,722⁴.

Lack of Entrepreneurship Capabilities

2.21 Most of the B40 households are engaged in micro and small enterprises. The enterprises are focused on low-end activities in manufacturing, wholesale and retail and transportation. According to the SME Masterplan 2012-2020, among the key constraints faced by small and medium enterprises (SMEs) are in terms of management ability and skilled workforce; access to finance and markets; inability to exploit economies of scale and lack of bargaining power; and access to technology and innovation. Certain procedures and regulations also do not favour SMEs compared to large firms.

2.22 Although various financing schemes are available, the Orang Asli in Peninsular Malaysia, Bumiputera in Sabah and Bumiputera in Sarawak lack access to these financing schemes, especially in remote areas. Inability to meet the conditions set by the schemes, limits the ability of the entrepreneurs to expand their businesses.

² Source: Jabatan Kemajuan Orang Asli

³ Source: e-Damak

⁴ Source: Department of Statistics (Household Income & Expenditure Survey 2014)

Increase in Cost of Living

2.23 Increase in cost of living is one of the major issues faced by the B40 households. The average monthly spending of B40 households increased 10.1% annually from RM1,248 in 2009 to RM2,015⁵ in 2014. Monthly household expenditure is expected to increase to RM2,579⁶ without subsidy. This is worsened by the low marginal propensity to save among the B40 households. The Working Paper on The Marginal Propensity to Consume across Household Income Groups, 2013 by *Bank Negara Malaysia* (BNM) indicated that savings among the lower income households are inadequate due to inability to plan and save for post-retirement expenditure.

High Indebtedness

2.24 High indebtedness among the B40 households also affected their financial position. This is due to these B40 households inclinations to take personal loans to support their daily expenses. As at 2014, households earning RM3,000 a month and below had indebtedness level of seven times their annual household income. Those earning RM5,000 a month and below had an indebtedness level of three to four times.

Fragmented and Silo Implementation of Social Safety Net Programmes

2.25 SSN programmes in Malaysia are fragmented and not well targeted, leading to inclusion and exclusion error issues. Inclusion error involves unqualified households being registered as SSN recipients and receiving benefits from the programmes, while exclusion error involves deserving households being excluded from the recipient list and deprived from assistance. The implementation of SSN programmes are project-driven or agency-oriented, resulting in overlapping programmes and target groups. In addition, the over-concentration on poor households has limited the coverage of SSN programmes to other B40 households, especially those in the informal sector, as shown in *Exhibit 2-10*. Furthermore, the implementation of universal social protection programmes has resulted in the inclusion of undeserving households, as shown in *Exhibit 2-11*. Targeting mechanisms have not been standardised across programmes, resulting in different thresholds for eligibility. SSN programmes also lack clear exit policy.

⁵ Preliminary data based on Household Income & Expenditure Survey 2014

⁶ *Ibid*

Exhibit 2-10

Social safety net programmes in Malaysia

Agency	Programme	Household Income (RM)						
		≤520	521 - 860	861 - 1,000	1,001 - 2,000	2,001 - 3,000	3,001 - 4,000	≥4,000
MOE	The Poor Students' Trust Fund	/						
	Supplementary Food Programme	/						
	The Tuition Aid Scheme	/						
	Program Susu 1Malaysia	/						
MWFCF	Financial Assistance for Senior Citizen	/	/					
	Financial Assistance for Children	/	/					
	Federal Public Assistance	/	/					
	Financial Assistance for Working PWD	/	/	/	/			
	Financial Assistance for Non-working PWD	/	/					
	Financial Assistance for Payment of Synthetic/ Support Instruments	/	/	/	/	/		
	Financial Assistance for Caretaker of Bed-ridden Case (PWD)	/	/	/	/	/		
	Launching Grant	/	/	/	/			
	I-Kit	/	/					
	I-KeuNita	/	/					
	Jejari Kreatif	/	/					
	Jejari Bestari	/	/					
	Karisma (Kebajikan Rakyat 1Malaysia)	/	/					
1AZAM	/	/						
MOA	1AZAM	/	/					
MOHR	1AZAM	/	/					
AIM	1AZAM	/	/					
MRRD	Skills and Career Training Programme	/	/					
	Human Mind Development Programme	/	/					
	Education Excellence Programme	/	/					
	Local Community Development Programme	/	/					
	Childcare Centre Programme	/	/					
	Balance Supplement Food Programme	/	/					
ASB-Sejahtera Programme	/	/						
MOH	Malnourished Children Recovery Programme	/	/					

Targeted programmes to protect poor and low income group

Exhibit 2-11

Universal social protection programmes

Social Protection	Programme	Household Income Group	
		Low Income	Lower Middle Income
Social Safety Net	Social Assistance	/	
	In-kind Assistance	/	/
	Subsidy and Controlled Price for Goods and Services	/	/
Social Insurance	Public Service Pension	/	/
	Employee Provident Fund (EPF)	/	/
	Social Security Organisation (SOCSSO)	/	/
	Unemployment Insurance	/	/
	Healthcare Insurance	/	/
Labour Market Intervention	Minimum Wage Policy	/	
	Human Capital Development	/	/
	VSS Compensation	/	/
	Programmes to Increase Income	/	/
	Comprehensive Labour Market Information Dissemination	/	/

Inability to Own Houses

2.26 Based on the Household Income and Expenditure Survey (HIES) 2014, about 15.9% of B40 households in rural areas and 33.9% in urban areas do not own a house, particularly in cities such as Kuala Lumpur, Johor Bahru and Georgetown. About 30.1% of B40 households with more than four members lived in houses with one or two bedrooms. In addition, the price of terrace houses in urban areas escalated to eight times the mean annual income of B40 households in 2012. The World Bank Affordability Index (WBAI) indicated that the house price index for Malaysia increased from 6.7 in 2009 to 10.1 in 2012.

2.27 Housing programmes are still inadequate to meet housing needs for specific communities in rural areas. In this regard, there is an additional requirement of 5,040 units of houses for Orang Asli in Peninsular Malaysia, 28,542 units for Bumiputera in Sabah and 17,865 units for Bumiputera in Sarawak.

Limited Access to Quality Healthcare Services

2.28 B40 households in urban areas are dependent on public healthcare services due to higher charges by private healthcare providers. The Fourth National Health and Morbidity Survey (NHMSIV) 2011, indicated that 76% of urban households with income less than RM4,000 per month preferred public healthcare services for in-patient and 59% for out-patient care. 86.6% of them are self-paying patients. The high utilisation of public healthcare services has led to crowded facilities resulting in longer waiting time.

2.29 In rural areas, the B40 households have limited access to healthcare services due to lack of connectivity and insufficient facilities. The scattered settlements and low population density within large areas have compounded these problems. A large number of public healthcare facilities in these areas are served by basic static clinics and mobile clinics as well as Flying Doctor service. The frequency of mobile services is also insufficient to meet the healthcare requirements in these areas, especially Orang Asli settlements in Peninsular Malaysia, Bumiputera in Sabah and Bumiputera in Sarawak.

IV. ELEVENTH MALAYSIA PLAN, 2016-2020: WAY FORWARD

2.30 During the 11thMP, 2016-2020, the philosophy of growth with equity will continue to be adopted with stronger emphasis on inclusivity. The implementation approach is multidimensional, taking into account the 1Malaysia, social, geographic and income perspectives. The principles of market-friendly, needs-based, merit-based, transparent, pro-growth and sustainability will continue to be adopted to support Malaysia's growth objectives. Focus will be given to elevate the B40 households towards a middle-class society. A distinguishing feature of a middle-class society is where a large proportion has tertiary education and engages in high paying jobs.

2.31 The targets to be achieved are as follows:

- Increasing the size of middle-class society to 45%;
- Doubling the mean monthly income of B40 households from RM2,537 in 2014 to RM5,270 in 2020 and the median monthly income from RM2,629 in 2014 to RM5,701 in 2020;
- Increasing the percentage of B40 households with tertiary educational attainment from 9% in 2014 to 20% in 2020; dan
- Increasing the income share of the B40 to national household income from 16.5% in 2014 to 20% in 2020.

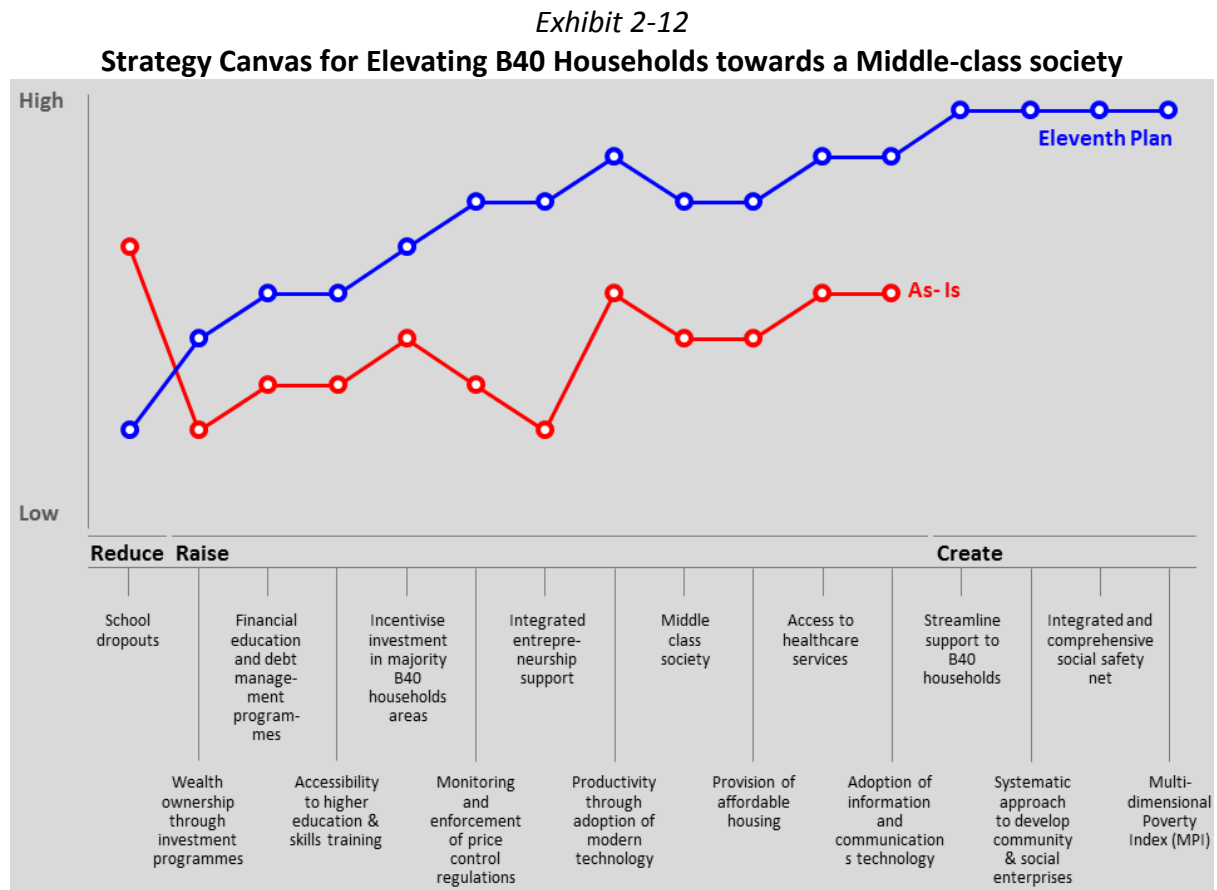
2.32 In line with this, three strategies identified to be implemented are as follows:

- Raising the income and wealth of the B40 households by enlarging the middle-class society; reducing school dropouts; enhancing accessibility to higher education and skills training; increasing productivity through adoption of modern technology; enhancing adoption of information and communications technology; enhancing integrated entrepreneurship support; developing community- and social-based enterprises; incentivising investment in majority B40 households areas; and increasing wealth ownership through investment programmes;
- Addressing increasing cost of living by strengthening the monitoring and enforcement of price control regulations; increasing the provision of affordable housing; increasing access to healthcare services; introducing an integrated and comprehensive SSN; and enhancing financial and debt management programmes; and
- Enhancing delivery system in B40 programmes by streamlining support to B40 households and complementing the Poverty Line Income (PLI) measurement with the Multidimensional Poverty Index (MPI).

2.33 The target groups that will be given greater focus include:

- urban and rural poor
- low income groups in urban and rural areas
- vulnerable⁷ and aspirational⁸ households

2.34 These strategies encompassing 16 initiatives are as shown in *Exhibit 2-12*.



Raising the Income and Wealth of B40 Households

Enlarging the Middle-Class Society

2.35 In order to create a larger middle-class society, measures will be taken to spur the income growth of the B40 households and aspirational group. These include narrowing the gap in post-secondary educational achievement. As majority of the B40 households and aspirational group are employed persons, employers will be incentivised to encourage their employees to pursue higher education and skill level. Incentives such as soft loan facilities

⁷ Vulnerable households refer to households with income between PLI and 2.5 times PLI

⁸ Aspirational households refer to households with income between 2.5 times PLI and national mean income

for higher education will be provided to employees to further their studies to enable them to secure well-paid jobs for comfortable living. In addition, more programmes in advanced skills training will be provided to enable them to enhance their opportunity to compete for higher paying jobs in technical areas.

2.36 SMEs owned by B40 households and the aspirational group will be provided with better opportunities to improve their capacity through financing options and business facilitation. Partnership with large firms will be initiated to provide more business opportunities for SMEs. Entrepreneur development organisations (EDOs) such as SME Corp, SME Bank and Malaysia Technology Development Corporation (MTDC) will continue to provide entrepreneurial training relevant to market needs.

Reducing School Dropouts

2.37 Appropriate facilities such as hostel, transport and financial aid will continue to be provided to students in rural and remote areas to enable them to complete primary and secondary education. The K9 School⁹ will be expanded to increase student enrolment, particularly among the Orang Asli in Peninsular Malaysia and those living in the rural and remote areas in Sabah and Sarawak. Special attention will also be given to address the needs of children from identified segment of disadvantaged groups, including children from Malay households in traditional villages, poor Indians from dislocated estates and urban areas and Chinese from new villages. Special awareness programmes on the importance of education will be conducted for school children and their parents to inspire a mind-set change. In addition, after school hours facilities in schools will be provided to prevent students from undesirable social activities and to allow them to interact in a safe and comfortable environment, especially for B40 in urban areas.

Enhancing Accessibility to Higher Education and Skills Training

2.38 Accessibility to quality education and skills training among students from B40 households will be enhanced. Institutions of higher learning and skills training institutes will be encouraged to provide more places for these students through preferential entry qualification criteria and enrolment quota. This will be complemented with the provision of financial aid. Special consideration will be given to potential students from Orang Asli in Peninsular Malaysia and those living in the rural and remote areas in Sabah and Sarawak by increasing their intake into high performing schools and doubling the intake of moderate scorers among Orang Asli to Pusat Intelpek Pelajar Orang Asli. Educational assistance

⁹ K9 school is a primary school with secondary level from Form 1 to 3 (Source: Ministry of Education)

programmes such as KWAPM, RMT and Bantuan Pakaian Seragam Badan Beruniform will be expanded to provide assistance to more students from B40 households.

Increasing Productivity Through Adoption of Modern Technology

2.39 B40 households in rural areas who are self-employed such as farmers, fishermen and smallholders, will be encouraged to adopt modern technology to increase productivity and income. Structured modular programmes focusing on modern farming techniques and good agricultural practices will be intensified. Amalgamation of land and merging of small scale business activities will also be encouraged to gain the benefit of economies of scale. The role of relevant agencies such as Federal Agriculture Marketing Authority (FAMA), Malaysian Agricultural Research and Development Institute (MARDI) and Fisheries Development Authority of Malaysia (LKIM) will be streamlined to provide relevant services and facilitation to these households.

2.40 Large-scale plantation programmes such as Agropolitan, Ladang Masyarakat, Mini Estet Sejahtera (MESEJ) and Rancangan Penempatan Semula (RPS) will be expanded. Small scale land holders will be encouraged to merge their plots to gain economies of scale and guarantee better income in the long-term through cooperatives. The process of granting communal and individual land ownership to Orang Asli in Peninsular Malaysia and those living in the rural and remote areas in Sabah and Sarawak will be expedited to enable land utilisation by these households. The *Dasar Pelupusan dan Pemilikan Tanah Orang Asli* (DPPTOA) and administrative procedures in granting NCR land ownership for those living in the rural and remote areas in Sabah and Sarawak will be reviewed.

2.41 Abandoned buildings and unused spaces in urban areas will be utilised for urban farming through the use of modern techniques such as fertigation, hydroponic and vertical farming. Cooperative movements will spearhead this initiative in locations where the B40 households form the majority of the population. Urban farming activities will provide food for local community consumption and create job opportunities in production, processing, packaging and marketing activities to generate additional income. Small scale B40 entrepreneurs involved in industries such as printing, food manufacturing and vehicle repair and maintenance will be encouraged to use modern technology to increase productivity and lower cost of production, thus increasing income. Relevant agencies such as SME Corp, Malaysia Productivity Corporation (MPC), Halal Development Corporation (HDC) and Standard and Industrial Research Institute of Malaysia Berhad (SIRIM) will facilitate these entrepreneurs to adopt modern technology.

Enhancing Adoption of Information and Communications Technology

2.42 The adoption of ICT will be accelerated to increase access to information on agriculture, business, education and health, and expand business and income earning opportunities that will improve wellbeing. In this regard, the eRezeki programme for B40 households will be expanded to enable the use of ICT to generate additional income. Basic ICT training will be provided before matching participants of the eRezeki programme with relevant jobs such as data entry, price monitoring and document translation. These micro-tasks can be accomplished from home or telecentres.

2.43 Business support through digital platforms for micro-enterprises will be expanded to enhance outreach and market access. To further expand the e-Payment platform for micro-enterprises, affordable terminals and readers that are integrated with e-Commerce solutions, will be provided. In addition, online business-matching services to local entrepreneurs will be introduced in telecentres.

Enhancing Integrated Entrepreneurship Support

2.44 Collaboration among agencies providing entrepreneurship support programmes to micro, small and medium scale entrepreneurs in urban and rural areas such as SME Corp, TEKUN Nasional and AIM will be strengthened to provide integrated assistance and reduce overlapping activities. Broader business development opportunities will be provided by these agencies. Micro-enterprises will also be linked to banking and financial institutions for easier access to funding. Large companies including government-linked companies (GLCs) will be incentivised to increase their participation in the creation of entrepreneurs, particularly in key areas such as ICT, biotechnology and green technology.

2.45 SME Corp will coordinate the development of the SMEs owned by B40 households. Initiatives will include establishing smart partnerships with research and development (R&D) institutions to assist the SMEs to improve product quality, enhance compliance to standards and increase market access. In this regard, SME Corp will introduce integrated entrepreneurship development packages from start-up to market product placement activities. In addition, Urban Transformation Centre (UTC) and Rural Transformation Centre (RTC) facilities will be utilised to facilitate entrepreneur training programmes.

2.46 To encourage rural entrepreneurship, an appropriate socio-economic environment will be established to facilitate local activities. The entrepreneurial orientation programme will focus on stimulating local entrepreneurial talent and growth of indigenous companies. This process is critical in creating jobs and adding economic value to rural areas while retaining scarce resources within the community. It is important to sustain this effort so that

ultimately, entrepreneurship culture is embedded within rural community. Initiatives to enhance access to financing and entrepreneurship training as well as the provision of advisory services and business premises will be increased. These initiatives will enable the mobilization of rural youths to be employed and participate in entrepreneurship activities, resulting in minimising of migration to urban areas and optimising utilisation of resources.

2.47 An integrated action plan on entrepreneurial development for Orang Asli in Peninsular Malaysia will be formulated to coordinate efforts by EDOs to increase impact of assistance programmes towards creating a pool of genuine, dynamic and resilient entrepreneurs. Entrepreneurial skills development programmes will be designed based on their intrinsic talents. The approach will include experiential learning and mentorship, which will be undertaken in partnership with NGOs. These training programmes will be complemented with assistance such as financing, product packaging and marketing.

2.48 UTCs, RTCs and mini RTCs in Sabah and Sarawak will be used to facilitate SMEs among those living in rural and remote areas in Sabah and Sarawak to increase their market access. These centres will provide various services including product labelling, packaging, distribution, storage and marketing. Efforts will also be undertaken to encourage smart partnerships with R&D institutions to improve the quality of their products and continuously innovate to meet changing market trends.

Developing Community- and Social-Based Enterprises

2.49 A systematic approach will be introduced to develop community- and social-enterprises based on the cooperative model to carry out activities such as childcare services or crèches, tuition centres and orphanages for B40 households in urban areas. Appropriate infrastructure and facilities as well as leadership and management training will be provided to build the capacity and capability of these enterprises. These enterprises will be encouraged to develop partnership with established companies to expand their activities.

2.50 In rural areas, B40 households especially the Orang Asli in Peninsular Malaysia and those living in the rural and remote areas in Sabah and Sarawak will be encouraged to establish cooperative-based community enterprises including provision of initial funding through *Suruhanjaya Koperasi Malaysia (SKM)*. These enterprises will focus on activities that leverage on their strengths and distinct culture such as handicraft, forest-based products, ecotourism and homestay. Youths in the rural area will be encouraged to participate in enterprises to dedicated programmes will be designed to induce the involvement of local community. GLCs and Government-linked investment companies (GLICs) will collaborate with the relevant local, regional and corridor authorities to develop capabilities and provide business opportunities for these community enterprises.

Incentivising Investment in Majority B40 Households Areas

2.51 Private sector, especially multinational corporations (MNCs) and large local companies will be incentivised including through the provision of the Facilitation Fund to locate their business operations in urban and rural areas with majority B40 households to provide better job opportunities, especially high paying jobs. Investment in rural areas will leverage on local natural resources. Existing incentives such as double deduction and tax relief will be provided to encourage the MNCs and large local companies to employ and train local workforce. Basic infrastructure and facilities will also be provided to support these businesses and reduce the cost of doing business. In particular, in the rural areas, integrated facilities such as banking, postal and marketing services will be provided in rural development centres, especially in Orang Asli settlements in Peninsular Malaysia and majority B40 households population in Sabah and Sarawak.

2.52 Appropriate existing financial and non-financial incentives will be expanded to encourage investment inflow and job creation in rural areas. Large local and foreign companies will be encouraged to invest in these areas by leveraging local natural resources, thus providing job opportunities for B40 households as well as attracting and retaining talent. In addition, the existing regulatory framework will be reviewed to provide a supportive business environment, including provision of integrated facilities such as banking, postal and marketing services in rural development centres.

Increasing Investment Programmes to Improve Wealth Ownership

2.53 Unit trust schemes such as Amanah Saham Wawasan (ASW), Amanah Saham 1Malaysia (AS1M) and Amanah Saham Gemilang will be further expanded to increase equity ownership among the B40 households. Awareness programmes on the benefits of such schemes will be intensified to increase participation of B40 households in these schemes.

2.54 Cooperatives will be encouraged to participate in real estate investment trusts (REITs) to increase asset ownership among B40 households. The cooperatives will also undertake commercial property development in strategic locations and build affordable residential units for B40 households in urban areas.

Addressing Increasing Cost of Living

Strengthening the Monitoring and Enforcement of Price Control Regulations

2.55 Efforts will continuously be taken to strengthen the monitoring and enforcement of price control regulations to curtail unreasonable price increases, especially for basic necessities. Consumers will play a greater role by reporting unethical pricing practices and stockpiling by retailers through the *Skwad Pengguna*, consumer associations and the *eAduan* system. Price monitoring will ensure stable and adequate supply of goods and services and curb excessive market speculation, thus improving market efficiency and purchasing power. The *1Harga 1Malaysia* programme will be continued to standardise the prices of subsidised goods between Sabah, Sarawak and Peninsular Malaysia. The coverage of *Kedai Rakyat 1Malaysia* (KR1M) and *Coop1Malaysia* stores will also be expanded throughout the nation to ensure widespread access to reasonably priced goods thus reducing the burden of increasing cost of living. Meanwhile, initiative would also be taken to foster prudent financial management as the way of life by acquiring the requisite knowledge, skills and tools.

Increasing the Provision of Affordable Housing

2.56 The Government will continue to ensure that affordable homes are available to B40 households. Special interest rate loans, with a 10-year moratorium on sale of the property, will be provided to B40 households to enable them to own houses. Affordable housing schemes by *Perbadanan PR1MA Malaysia* and *Syarikat Perumahan Negara Berhad* will be continued. Housing rental assistance will also be made available to eligible households. In addition, state governments will be encouraged to set an adequate quota for affordable housing.

2.57 Policies regarding housing for the B40 households will also emphasize quality and maintenance. Existing low-cost flats and houses will be refurbished as part of the holistic campaign to improve the living conditions of the community. For poor households in rural areas, especially Orang Asli in Peninsular Malaysia and Bumiputera in Sabah and Bumiputera in Sarawak, the Government will continue to provide housing with basic amenities through the construction of integrated settlements under PBR. The *Program Perumahan Rakyat* (PPR) will be continued for poor households in urban areas.

Increasing Access to Healthcare Services

2.58 The Government will encourage participation of private healthcare service providers and NGOs in the provision of specific healthcare facilities such as dialysis, rehabilitation and medical testing lab centres in urban areas. The facilities will complement the existing healthcare services provided by the Government.

2.59 In rural areas, more community clinics will be built to increase access to basic healthcare services. Frequency of visits by medical specialists in non-specialist district hospitals, mobile clinics and flying doctors service will also be increased while local health volunteer programmes will be strengthened. Other health programmes such as food baskets, community feeding and immunisation programmes will be continued. In addition, awareness and education programmes on family health such as nutrition, family planning and healthy lifestyle will be intensified.

Introducing an Integrated and Comprehensive Social Safety Net

2.60 An integrated and comprehensive SSN system will be developed to improve coordination and impact of SSN programmes. A high level coordinating body will be established to provide policy guidance for the whole social protection system. The National Social Protection Strategy will be formulated to rationalise social protection programmes and coordinate implementation of SSN programmes to optimise resources. SSN programmes with similar objectives will be combined and unconditional assistance not linked to productivity will be reduced. A clear exit policy will be incorporated into all SSN programmes to reduce dependency on the Government.

2.61 A single standardised targeting mechanism for all SSN programmes will be developed to identify eligible beneficiaries by developing a comprehensive profile of beneficiaries. In this regard, SSN programme databases such as *e-Damak*, *e-Bantuan* and *e-BR1M* will be integrated into *eKasih* to form a single comprehensive national database. The database will also include information on social insurance and labour market interventions. Government agencies will refer to *eKasih* to identify beneficiaries such as the elderly, PWD and poor households.

2.62 Unconditional social welfare programmes including assistance and subsidies will also be reviewed to include clear productivity linked targets and exit policy. This will ensure assistance is given to the right target groups, reduce dependency on the Government and optimise utilisation of resources. However, cash-transfer programmes and other financial support to non-productive elderly and PWD will continue to be implemented.

Enhancing Financial and Debt Management Programmes

2.63 The level of financial literacy and capability will be enhanced throughout the life stages to foster prudent financial management from early age as well as to prevent high indebtedness among B40 households. In this respect, financial education and debt advisory services will be intensified to assist households to improve their financial management and responsible practices, including proper use of consumer credits and debt restructuring.

2.64 In addition, financing behaviour and practices among borrowers and lenders will be further strengthened. In this regard, integrated and enhanced legislation will be put in place to manage consumer credit activities for both banks and non-bank lenders. Meanwhile, the collection, management and sharing of data relating to household indebtedness across national authorities and government agencies will be enhanced to promote effective analysis and development.

Enhancing Delivery System in B40 Programmes

Strengthening Support to B40 Households

2.65 A mechanism will be established to streamline, rationalise and coordinate various efforts by agencies to elevate B40 households towards a middle-class society. To ensure programmes and projects are in line with national policies and strategies, a bottom-up approach will be adopted to encourage participation and commitment of all stakeholders starting from problem identification to monitoring and evaluation of programmes. Focus group committees at district levels will be empowered to ensure development programmes are consistent and meet their needs.

Complementing the Poverty Line Income measurement with the Multidimensional Poverty Index

2.66 The MPI, a relative poverty measurement approach practised by developed nations, will be adopted to complement the absolute income-based measurement of the PLI. It measures the access to basic infrastructure and services that facilitate social mobility and enables intensity-based analysis, thus providing clear identification of needs of the lower income households. Details of MPI are as shown in *Box 2-1*.

Box 2-1

Multidimensional Poverty Index

In Malaysia, poverty has traditionally been measured on one dimension, namely income, using the PLI. Households that do not meet a specific income requirement are considered poor. In 2010, the United Nations Development Programme (UNDP) introduced the MPI in its Human Development Report.

In line with this practice, Malaysia has also developed a national measurement of MPI that is appropriate to the socio-economic wellbeing and development framework of the nation. The use of the MPI will ensure that policy deliberations will shift beyond poverty, to include vulnerability as well. The MPI will complement the PLI to measure and monitor poverty from multidimensional perspectives.

The MPI reflects both the incidence of multidimensional deprivation (the number of people who suffer deprivations in multiple aspects of life at the same time within a given population), and its intensity (how many deprivations they experience at the same time). The model comprises of four dimensions with 11 indicators. Households deprived in at least one third of the weighted indicators are considered vulnerable to or at risk of becoming multidimensionally poor.

Dimensions, Indicators, Cut-offs and Weights for MPI

Dimension	Indicator	Deprivation Cut-offs	Weight
Education	Years of Schooling	All household members aged 17-60 have less than eleven years of education	1/8
	School Attendance	Any school age children aged 6-16 not schooling	1/8
Health	Access to health facility	Distance to health facility is more than 3 kilometres away and no mobile health facility is provided	1/8
	Access to clean drinking water supply	Other than treated pipe water inside house and public water pipe/stand pipe	1/8
Living Standards	Conditions of living quarters	Dilapidated <u>or</u> Deteriorating	1/24
	Number of bedrooms	More than 2 members/ room	1/24
	Toilet facility	Other than flush toilet	1/24
	Garbage collection facility	No facility	1/24
	Transportation	All members in the household either do not use private <u>or</u> public transport to commute	1/24
	Access to basic communication tools	Does not have Radio <u>or</u> Television, <u>and</u> Fixed Line Phone <u>or</u> Mobile Phone, <u>and</u> PC/Laptop <u>or</u> Internet	1/24
Income	Mean monthly household income	Mean monthly household income less than PLI	1/4

V. CONCLUSION

2.67 The Eleventh Plan will give emphasis to elevating B40 households towards a middle-class society. In this regard, priority will be given to raise the income and wealth of B40 households, address increasing cost of living and household indebtedness as well as ensure efficient delivery of programmes. Focus will also be given to enhancing SSN programmes to ensure the wellbeing of B40 households especially Orang Asli in Peninsular Malaysia, Bumiputera in Sabah and Bumiputera in Sarawak.