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**Country context**

Malaysia, a federal state, has a long history of planning for development, premised on the stance that a mature private sector is necessary, but that the government should take a proactive role in development and tackling socio-economic issues, which might not be addressed if left completely to the market.

Over the past decades, Malaysia has witnessed steady economic growth that has substantially improved the well-being of its people. The theme “growth with equity” has underpinned all development efforts in Malaysia since the 1970s, although the emphasis has shifted from the early promotion of economic

**Population** 31,187,265

**Human Development**

HDI 0.789 High Human Development

**Economy**

GDP per capita: US$ 9,503

GDP growth: 5.4% (2010-2016)

**Poverty and Inequality**

0.6% (by national poverty line)

2.7% (by international poverty line)

10% of the population

34.6% of the income

**Government System:** Federal

**Government Expenditures (% of GDP)**

- Total: 12.5%
- On education: 5.0%
- On health: 2.3%
development through industrialization to growth with social inclusion in recent years. This commitment to growth with equity was instrumental in contributing to poverty reduction (0.6 percent by 2016) and the elimination of abject poverty.¹

Malaysia’s planning system has been in place since 1956. The current long-term plan, adopted in 1991, is entitled Vision 2020. It aims to make Malaysia a high-income country by 2020. As the completion of Vision 2020 draws near, a new long-term vision, National Transformation 2050, is being developed to guide Malaysia for the next 30 years.

### Malaysia: The planning timeline

#### VISION AND STRATEGIC PRIORITIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>Reconstruction</td>
</tr>
<tr>
<td>1961</td>
<td>Economic development and industrialization</td>
</tr>
<tr>
<td>1991</td>
<td>New Economic Policy</td>
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<tr>
<td>2010</td>
<td>Vision 2020</td>
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<tr>
<td>2015</td>
<td>Growth with social inclusion</td>
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<tr>
<td>2020</td>
<td>Sustainable development</td>
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</tbody>
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#### MEDIUM-TERM PLANS

<table>
<thead>
<tr>
<th>Year</th>
<th>Plan</th>
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<tr>
<td>2016-2020</td>
<td>11th Malaysia plan</td>
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### A consistent hierarchy of plans with flexibility

Several features of the Malaysian planning system stand out. The first is the consistency and the cascading nature of plans from long-term to medium-term and to short-term. The long-term visions inform the priorities of the ten-year plans which, in turn, define the strategic thrusts (directions) of the five-year plans, which then determine which projects receive funding in the annual budgets. This hierarchy of plans helps to ensure that the short-term operational plans reflect the long-term strategic visions. The long-term visions and plans provide a structure for development and ensure continuity, while maintaining flexibility, thanks to the in-built mechanism of mid-term reviews of the five-year plans, which allow recalibration of policy in response to changing circumstances. For instance, such a change in the medium-term plan was made to account for the slower economic growth due to the 1997 Asian financial crisis.

### Whole-of-society and results-oriented approaches to implementing programmes

Another important feature of the Malaysian development planning system is the use of innovative approaches to foster collaboration between key stakeholders in development programmes. While within-government collaboration had been quite robust in Malaysia for some time, recent initiatives have expanded collaboration beyond government.

In 2010, the government of Mr Najib Rizak launched twin programmes – the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP). The two transformation programmes focused on a subset of government actions and thus, were complementary to the Tenth and Eleventh Malaysia Plans.²

To formulate these programmes, the government successfully collaborated with the private sector and civil society, with collaboration extending beyond mere consultation or one-way communication from the government. This realization of a “whole of society” approach to addressing pressing development problems is a useful model of collaboration for achieving the SDGs.

The GTP aims to raise the effectiveness of government service delivery and focuses on seven National Key Result Areas (NKRAs): poverty eradication, crime prevention, rural infrastructure development, access to early education, corruption reduction, urban transportation and the cost of living. The ETP seeks to promote 12 targeted sectors (National Key Economic Areas or NKEAs) considered drivers of economic growth to bring Malaysia to developed nation status by 2020: oil, gas and energy, palm oil and rubber, financial services, business services, tourism,
electronics and electrical, wholesale and retail, education, health care, communications content and infrastructure, agriculture and the greater Kuala Lumpur/Klang Valley.

The intended key results of these programmes were identified through surveys, as well as workshops involving stakeholders from the public sector, private sector and civil society. Specific projects and programmes were also identified collaboratively. The ETP project identification process, however, was much more involved. Participation of over 1,000 representatives was sought from the public and private sectors (211 companies) and civil society. Participants were brought into brainstorming laboratories for 6 to 9 weeks to identify key projects for the 12 NKEAs. They had free access to data, identified issues and solutions, tested solutions in the streets, and went on roadshows to help refine strategies and get public input. The outcome of these labs was the identification of 131 entry point projects\(^2\) and 60 business opportunities.

The Performance and Management Delivery Unit (PEMANDU) was set up as a special-purpose vehicle in 2009 at the Prime Minister’s Department to design and implement the GTP (and later the ETP as well). It was styled on a similar delivery unit in the United Kingdom under Tony Blair’s Labour Government. PEMANDU orchestrated the entire process of the GTP and ETP, from the design to monitoring implementation and reporting.\(^5,6\)

Ministers’ Key Performance Indicators (KPIs) were established, showing how each ministry contributes to the GTP and ETP. Ministers were accountable for these KPIs. In addition to routine, weekly monitoring of the achievements of the ministries and agencies involved in the implementation of the GTP and ETP, biannual meetings were held with the prime minister, the lead minister and the CEO of PEMANDU. Also, a problem-solving methodology was used, known as the “Putrajaya inquisition”, by which results delivered by each ministry were made available for all other ministries to review; subsequently, the results were taken to the Prime Minister for scrutiny.

While PEMANDU brought a culture of results-based planning into the government, it was established from the beginning as a temporary unit and was closed in March 2017. Currently, a Civil Service Delivery Unit is being set-up within the Economic Planning Unit (EPU) to fulfill a similar function. It should be noted that PEMANDU was given several advantages, which enabled the government transformation programmes to have more success. First, it was located in the Prime Minister’s Department, which gave it the authority and direct access to other ministries to effectively implement the new initiatives and deal with any obstacles. Second, it was given a large operating budget – $US10 million annually.\(^7\) Third, its staff pay scale was set higher than the regular civil service, which enabled it to attract talent from both the public and private sectors. Therefore, the innovative approaches to collaboration and monitoring that were introduced by PEMANDU may not be readily replicable under different conditions.

**Mainstreaming collaboration in planning and project implementation**

In preparing the current, 11th five-year plan (2016–2020),\(^8\) the government of Malaysia used labs to foster collaboration across and beyond the government. The Economic Planning Unit, the main government agency in charge of planning, organized a series of labs in the format of one to two-day retreats, in which private sector and international organizations participated alongside the government. Overall, the 11th plan was developed over 18 months.

In these labs, the government used the “Blue Ocean Strategy,”\(^9\) a philosophy or theory which originates from the business strategy and marketing field, which allowed participants to have frank conversations and to think outside the box. Rather than competing in the existing market – or operating within the existing space – the approach enables participants to create new markets or spaces by questioning conventional ideas and asking questions about what should be eliminated, what should be reduced, what should be raised and what should be created anew, beyond existing service standards.

The Malaysian government applied the Blue Ocean Strategy in the planning process to identify public interest projects related to the delivery of government services. In doing this, it aimed to identify quick wins. These quick-win projects had to meet several criteria – to have large positive impacts on the public and especially the poor; to be implemented rapidly, delivering results in three to six months; to have a low cost; and to have replicable results.

Following the labs, EPU commissioned strategy papers which supplemented the discussions that took place during the labs, assessed the situation of the past five years – what worked and what did not – and identified indicators to measure the performance of each sector. The strategy papers informed the formulation of the 11th plan. Available online are 21 of these papers\(^10\) covering issues from productivity, poverty reduction, health care, housing and education to transportation, energy, and various economic sectors.
Box 1. Highlights of results achieved through collaboration and the use of the Blue Ocean Strategy methodology

The most visible successes of using these innovative approaches are Urban Transformation Centres (UTCs) and Rural Transformation Centres (RTC)s. UTCs are one-stop centres providing a variety of government services to users – including immigration, passport and identity card services; car insurance services; processing of tax documents; road tax payments; requests for loans and scholarships for tertiary education; company registration services; and applications for vehicle licenses.

These services were made available at locations and at times convenient to users, for example at large shopping centres and transportation hubs with accessible banking services, and after working hours and on Saturdays. This significantly raised the accessibility of vital government services as well as the productivity of users. For instance, now a Malaysian can apply for a passport at 7.30pm and get it by 9pm on the same day. Prior to the introduction of UTCs, Malaysia suffered from a siloed public service delivery system where service providers had to pay high rental costs on underutilized buildings.

Rural Transformation Centres (RTC)s were established to provide equal access to public services for rural communities. RTCs are also one-stop service centres, but in addition to providing the same services as UTCs, RTCs give access to services provided by agriculture authorities reflecting the different needs of rural residents, such as veterinary services, agro-marketing, fishery services, agro-banking; health clinic services; immigration and identity card services; and agro-bazaar services for selling and buying agricultural produce from local communities. RTCs are anchored within supermarkets, thereby bringing urban communities – buyers - to RTCs.

More than 34 government agencies, private companies and NGOs partnered in the implementation of the UTC and RTC programmes. The National Strategy Unit under the Ministry of Finance played the lead role in coordination. By September 2017, 14 UTCs, 9 RTCs and 2 mini RTCs were established11 and the feedback is overwhelmingly positive. RTCs were also instrumental in making government services more accessible for the poor – the bottom 40 percent households by income – and they have received 4.8 million visits so far.12

Another success is the Security and Biodiversity Conservation Programme led by the Department of Wildlife and National Parks in the Ministry of Natural Resources and Environment. Using the Blue Ocean Strategy approach during the labs, the participants identified the problems of illegal poaching and harvesting of timber resources which also endangered local and indigenous communities nearby. The military, police, wildlife and forestry rangers created the One Malaysia Biodiversity Enforcement Operation Network (1MBEON) to conduct joint patrols. The programme was very successful in reducing forestry and wildlife crime, reducing the loss of biodiversity and improving the safety and security of neighbouring communities.

In all, over 80 government agencies have identified and subsequently implemented more than 100 Blue Ocean projects across many sectors, including security, education and entrepreneurship. The projects ranged from major undertakings such as described above, to simple changes such as merging three forms required by three different government agencies into one, aiming to reduce the burden on users of government services. Each proposal was implemented by a lead ministry in collaboration with other government agencies and, where needed, non-government actors.

The main reason for the success of the National Blue Ocean Strategy is the way it brings together the public and private sector to cooperate on projects and break down the normal bureaucratic silos. In this regard, it fosters “whole of government” and “whole of society” approaches for development. These labs enabled partnerships between the government, private sector and civil society to achieve concrete results and can offer useful lessons for countries implementing the 2030 Agenda.

Rigorous monitoring and evaluation

The 11th Malaysia Plan is oriented toward results. It has clearly defined strategies, initiatives, targets and outcomes.
The 11th Plan envisages six strategic thrusts: 1. enhancing inclusiveness towards an equitable society, 2. improving
well-being for all, 3. accelerating human capital development for an advanced nation, 4. pursuing green growth for
sustainability and resilience, 5. strengthening infrastructure to support economic expansion, and 6. re-engineering
economic growth for greater prosperity. Each of these strategic thrusts have several focus areas, which themselves
have clear targets with specific indicators to measure whether the strategies employed are achieving the strategic
goals.

For instance, one focus area under the first strategic thrust is lifting B40 households (the poorest 40 percent of the
population) towards the middle class of society. This focus area has two measurable targets: increasing the average
and median levels of monthly household income to RM 5,270 (US$1,212) and RM 5,701 (US$1,311) respectively by
2020, doubling them from their levels in 2014.

The results-oriented nature of the 11th Malaysia Plan allows monitoring and evaluation to be built into the planning
process. Since the 11th Plan has targets that are Specific, Measurable, Achievable, Relevant and Time-bound
(SMART) and has key performance indicators (KPIs), implementers, planners and evaluators are clear about what
exactly needs to be monitored and evaluated. Monitoring and evaluation in Malaysia are now increasingly focused
on outputs and outcomes, rather than inputs. To assist in the transition towards outcome-based evaluation, in 2005
the government approved Guidelines in Conducting Development Program Evaluation,13 which provides a
methodology for evaluating outcomes rather than outputs of programmes. Outcome evaluation improves the
quality of future development plans, which can take into account information about the impact of previous
programmes.14

The Economic Planning Unit is in charge of monitoring progress towards outputs and outcomes of the national
development plans, whereas the Implementation Coordination Unit (ICU) is responsible for monitoring
development projects and programmes. In this regard, EPU focuses on the monitoring of the ‘big picture’, while ICU
monitors detailed implementation. The goal of ICU is to ensure that ministries use resources appropriately and
deliver the outputs they are given funding for. The ICU uses two types of performance measures: the extent of the
physical completion of the project (e.g. land acquired, building complete); and expenditures on programmes and
projects vis-à-vis the allocation. Like EPU and PEMANDU, ICU is located in the centre of government – in the Prime
Minister’s Department, which gives it the necessary authority to deal with government agencies.

An important part of the monitoring process is the technology used, the Project Monitoring System II (PMS II), run
by the ICU. PMS II is an online system that supports and monitors projects from the initial application stage through
to their completion. Ministries, government agencies and local governments feed in current information on their
projects – including status of implementation, budgets and payments, changes in project budget or scope, reports
on challenges and issues, and even photos – and all other ministries and agencies can access this information. In
this way, it provides a platform for efficient and accurate monitoring of physical and financial progress on projects
and programmes. This is particularly useful for monitoring progress on physical infrastructure, but is also applicable
for monitoring intangible outputs. While focused on input and output monitoring, the system also enables
government agencies to free up time for more proactive problem-solving and for focusing on outcomes. One
limitation of PMS II is that the data is not accessible to the public, which could potentially improve accountability
and further improve implementation of projects.

EPU is currently developing a dashboard for monitoring outputs and outcomes of the national development plan,
which will include some SDGs and their targets.

In contrast with monitoring, evaluation is a more rigorous assessment of a programme or policy. In Malaysia,
evaluation of government-funded development programmes is coordinated by the Implementation Coordination
Unit, while the National Action Council and the National Action Working Committees review the findings from the
evaluations.

The evaluation system has been strengthened since 2005 with the issue of the Guidelines in Conducting
Development Program Evaluation and government agencies being required to use outcomes evaluation. Programmes
funded by the development budget in Malaysia are evaluated on a selective basis with the following priorities: programmes of national interest, of priority for ministries and government agencies, those targeting a
large number of beneficiaries, high-cost programmes, and those with high multiplier effects.15

The findings of evaluations are used for the following purposes:16

- The projected outcomes to which programmes will contribute is compulsory information for ministries’
proposals for new programmes. Evaluations of programmes then validate the actual contribution of programmes to outcomes. The EPU uses findings of evaluations to select projects. For example, outcome evaluation of dredging projects found that siltation occurs very fast and there was not much point in spending money on dredging. Therefore, dredging projects became increasingly less funded, while river cleaning projects received higher priority.

- Evaluation of the Ninth Malaysia Plan, conducted over three months, was used in the mid-term review of the plan.
- Findings of evaluation of programmes implemented by line ministries and government agencies are used as a component of an aggregate key performance indicator (KPI) of the secretary-general or director-general of these ministries and agencies, thus informing their individual performance and affecting their promotion.

**Linking plans and the SDGs with resource allocation**

Another feature of planning in Malaysia is a strong link between medium-term plans and funding allocations. After the five-year plan is prepared in a consultative manner, the EPU organizes and steers preparation of a two-year rolling budget. The process unfolds as follows:

First, EPU sends a call circular to ministries, government agencies and state governments, informing them of the strategic thrusts of the coming plan, as well as the plan’s key result areas, outcomes and strategies. For instance, in the current 11th five-year plan, there are six strategic thrusts. The call circular also provides guidelines for preparing budget proposals.

Second, ministries and agencies prepare their proposals for funding from the development budget. They are given six months to prepare proposals. Proposed projects must fall within the scope of the strategic thrusts of the five-year plan. However, the estimated budget for these projects needs to cover only the first two years of the plan.

Third, ministries submit costed project proposals to the EPU and the Ministry of Finance. The project proposals and their estimated expenditures need to be aligned to relevant strategic thrusts and national key result areas; otherwise, the projects will fail in the initial round of budget examination.

Fourth, the EPU aggregates these budget proposals and their estimated expenditures. This document becomes the basis for shadow expenditure ceiling for the five-year plan.

Fifth, the National Development Planning Committee (NDPC), the highest administrative authority for the formulation and coordination of public policy and national development plans, reviews and approves the plan. It is followed by review by the Prime Minister and his special committee, and approval by the full Cabinet and subsequently the Parliament.

At the end of this process, the government has a two-year rolling budget based on the five-year plan. This rolling budget subsequently becomes the basis for annual budget planning, based on which the Ministry of Finance allocates funds, and the respective ministries, agencies and state governments implement the projects.

Although the annual budget planning is based directly on the medium-term plan (five-year) and budget (two-year), it does not simply accept the proposed projects and budgets. The annual budget planning process enables the government to fine-tune the medium-term plan and budget, to insert new priorities, to cull projects of lesser priority – since proposals always exceed available resources – and to roll budget planning into the subsequent year.

The EPU and the Ministry of Finance jointly scrutinize annual budget proposals from ministries, government agencies and state governments. While there are no hard-and-fast rules for prioritizing projects for funding, the following factors are considered: 1) whether the project helps achieve National Key Result Areas of GTP and supports National Key Economic Areas of ETP priorities – during the 10th and 11th plans; 2) whether it is in line with new prerogatives announced by the government – such as housing for flood-affected populations; 3) the total cost of the project as viewed against its expected outcomes; 4) the environmental impact of the project; 5) whether the project is a continuation from the previous plan; 6) whether the project has a prior cabinet or ministerial approval.

Overall, the EPU seeks to achieve a regional balance and sectoral balance, as well as consider the congruence of projects with masterplans such as the industrial masterplan, education blueprint, logistics plan and infrastructure masterplan.
For the 2017 budget presented in October 2016, SDGs have been explicitly considered in addition to previously existing criteria as a basis to determine priorities in project selection – and EPU now will consider, in examining budget proposals, whether the proposed projects will contribute to the achievement of SDGs and targets. For this purpose, the EPU developed a submission format as part of the budget guidelines, where ministries and government agencies have to detail their development projects according to SDG goals and targets.

**Institutions to drive implementation of the 2030 Agenda**

As part of its commitment to the 2030 Agenda for Sustainable Development, the government of Malaysia set up central government institutions to coordinate the process of incorporating SDGs into planning and subsequently monitor their achievement.

A National SDG Council has been established under the chairmanship of the Prime Minister. The council will report to the UN High-Level Political Forum on Sustainable Development and will set the direction for SDG implementation, the national agenda and milestones. Assisting the National SDG Council is a steering committee chaired by the Director General of the Economic Planning Unit. The steering committee will formulate the SDG Roadmap to mainstream SDGs into planning; monitor the progress of targets; and identify issues and report them to the National SDG council.

Underneath the steering committee, five working committees have been created on inclusiveness, well-being, environment and natural resources, human capital, and economic growth. Each committee has certain Sustainable Development Goals for which they are responsible for identifying indicators, developing and implementing programmes, and reporting progress to the steering committee. Working committees are made up of representatives of the public and private sectors, civil society organizations and academia. This cross-sectoral coordination is important to legitimize and encourage broad ownership of the planning process. The Economic Planning Unit is the lead agency that acts as the secretariat to all of the working committees. This ensures that the work of the committees is integrated into the pre-existing planning process and is coordinated by the central government.

**Figure 1. Institutional arrangements for SDG coordination in Malaysia**

![Institutional arrangements for SDG coordination in Malaysia](image)

**Integrating the SDGs into the planning process**

The 2030 Agenda and SDGs were adopted in 2015, at a time when Malaysia’s current medium-term plan was already developed. Nevertheless, the government is taking concrete steps to incorporate SDGs into its plans without waiting until the current medium-term plan ends in 2020: 1) the SDGs have now been adopted as one of the criteria for the prioritization of government project and programme proposals for annual development budget planning, 2) action plans of the medium-term plan strategy papers are being developed to incorporate the SDGs, and 3) the EPU is using SDGs in the mid-term review of the Eleventh Malaysia Plan.

The EPU has requested ministries to submit the following for every relevant SDG goal and target:

- The current status of strategy implementation
- The gaps and challenges (e.g. what initiatives are still missing and what needs to be done in the near future) in relation to needs to be addressed to achieve SDG targets
• A list of strategies, action plans and initiatives that will be undertaken up to 2020 to address the gaps and challenges towards achieving SDG targets

Such mapping of strategies, action plans and initiatives against SDG targets then becomes the starting point for mainstreaming the SDGs into planning.

In July 2017, the government launched the mid-term review of the Eleventh Malaysia Plan. The objective of the mid-term review is to take stock of progress to achieve the planned targets set in 2015, as well as to revisit the targets. One of the objectives of the mid-term review is to act on Malaysia’s commitment to the 2030 Agenda and the SDGs, as well as to identify new strategies and programmes towards this end.

Notes

Data sources:

• Data on population, GDP, poverty, inequality and government expenditures is from the World Development Indicators, World Bank: http://databank.worldbank.org/data/home.aspx
• Data on human development is from the Human Development Data website, UNDP: http://hdr.undp.org/en/data

Data specifications and years:


Disclaimer: Boundaries shown on the map do not imply official endorsement by the United Nations

2 Five-year plans in Malaysia cover only the development programmes of the government, but not routine government actions funded by the recurring budget.
3 World Bank (2017). Driving performance from the center: Malaysia’s Experience with PEMANDU. p. 6
4 The projects were called entry point projects because these projects kick-start the programme and they do not necessarily have an end date.
6 See also https://govinsider.asia/security/exclusive-inside-the-malaysian-prime-ministers-delivery-unit/
7 World Bank (2017). Driving performance from the center: Malaysia’s experience with PEMANDU. p. 46
8 The mid-term plan preparation process started in December 2013 and the plan was ultimately tabled in Parliament in March 2015.
11 See http://www.utc.my/hubungi/
15 Ibid.
16 Ibid.