



UN MALAYSIA COMMON COUNTRY ANALYSIS SUMMARY

DECEMBER 2019

(UPDATED MARCH 2023)



MALAYSIA COUNTRY CONTEXT

Development Achievements

Malaysia has maintained strong economic growth for half a century (excluding 2020 due to the pandemic). A dramatic economic transformation has taken place, with a shift from reliance primarily on agriculture to a situation in which 58.1 per cent of the economy is derived from services, 24.2 per cent from manufacturing, 6.4 per cent from mining and quarrying, 6.6 per cent from agriculture and 3.6 per cent from construction (2022 estimates). The absolute poverty rate in Malaysia improved from 7.6 per cent in 2016 to 5.6 per cent in 2019. However, in 2020 due to the pandemic, poverty is estimated to have risen to 8.4 per cent; and certain states exhibit considerably higher levels of poverty, notably Sabah with an estimated headcount rate of 24.9 per cent and localised pockets of extreme poverty persist, even in wealthy states.

Malaysia has achieved universal primary education for both girls and boys; lowered child mortality to levels comparable to high-income nations; more than halved maternal deaths, while maintaining a high proportion of safe deliveries and antenatal care coverage; incorporated sustainability of the environment into key plans and policies; achieved near-universal coverage of clean water supply and basic sanitation; and reduced the number of households living in squatter settlements.

Malaysia's national poverty line is, however, lower than some comparable economies and arguably no longer reflects societal expectations or the socio-economic realities faced by a significant proportion of the population who struggle to keep pace with the rising cost of living. While poverty in Malaysia has, until recently, been viewed as a largely rural phenomenon, urban poverty, deprivation and socio-economic disparities are a rising political and public policy concern. Indeed, a more contextually appropriate poverty line, such as a relative poverty line set at 50 to 60 per cent of median income, would result in 15 to 20 per cent of households being categorised as living in poverty (based on 2019 data). Moreover, multidimensional poverty also needs to be given greater attention, as vulnerable households often exhibit a range of multidimensional deprivations and depressed social and human development outcomes. Labour markets have remained stable and supportive of economic growth.

While the labour force participation rate (LFPR) remained stable at 68.4 per cent during the pandemic, the unemployment rate rose and peaked at 5.3 per cent in May 2022, and has progressively fallen since, to 3.6 per cent in September 2022. However, youth unemployment has been substantially higher.

Commensurate with its role as a leader in regional economic growth and development, Malaysia has continued to play an active role in regional and international fora, and Malaysia has led in Islamic financing and has influence in this regard in OIC, and as an oil producer also within OPEC.

Malaysia's development has been particularly notable as it sustained growth even as the country faced periodic external shocks and crises, a result of Malaysia's prudent macroeconomic management. Notably, these achievements were attained while also sustaining social peace and stability in a multicultural society. In retrospect, Malaysia has risen from the ranks of a low-income economy to become an upper-middle-income economy, paying close attention to the economic and social aspects of development. From actively eradicating poverty and creating job opportunities, to investing in education and providing health care, water, electricity, improved sanitation, and transportation, Malaysia has boosted development outcomes for most segments of society.

Malaysia's Progress Towards the SDGs

Supported by the UNCT, a DOSM-led SDG progress monitoring portal was launched in March 2019 (<http://mysdg.dosm.gov.my/>). Although only partial data have been made available to the portal in Phase 1, DOSM has been systematically releasing more data onto the portal since mid-September 2019 and work is ongoing in collaboration with the UNCT to address remaining data gaps. Some of the highlights of Malaysia's achievements to date are outlined below:

- **SDGs 1 & 2:** Absolute poverty improved from 7.6 per cent in 2016 to 5.6 per cent in 2019 but is estimated to have worsened to 8.4 per cent in 2020 due to the pandemic, based on the revised poverty line. Nevertheless, the long-term trend remains downward.
- **SDG 3:** Child and maternal mortality rates are almost at the level of developed countries. Malaysia has eradicated endemic smallpox and polio and reversed the spread of HIV/AIDS. Drastic reductions in water-borne diseases, deaths from treatable childhood diseases and malaria.
- **SDGs 4 & 5:** More than 90 per cent enrolment rates for primary and secondary school levels for both boys and girls and 33 per cent for higher education with the gender ratio slightly in favour of girls.
- **SDG 6:** Over 95 per cent coverage for water, sanitation, and electricity supply at national level.
- **SDGs 7, 11, 12 & 16:** Laws, regulations, policies and plans in place to better protect and ensure sustainable use of natural assets and improve sustainable urban development.
- **SDG 8:** Full employment since 1992 excepting the 1997 financial crisis and the COVID-19 period.
- **SDG 10:** Income inequalities reduced, as indicated by a falling Gini Coefficient from 0.513 (1970) to 0.407 (2019).

- **SDGs 13, 14, 15 & 17:** As of 2018, Malaysia has maintained 55.3 per cent forest cover, 13.2 per cent land as terrestrial protected areas and 3.4 per cent as marine protected areas. Carbon intensity reduced by 33 per cent since 2009, increasing renewable energy capacity. Malaysia also participates in international trans-boundary conservation efforts like the “Coral Triangle” and “Heart of Borneo” initiatives.

Malaysia compares well to other countries with respect to progress in achieving the 17 SDGs, and “leaving no one behind,” in particular in the eradication of poverty and providing education and health care. Malaysia was on a generally positive track to achieve most of the SDG indicators for 2030, as the Government’s commitment to the sustainable development agenda is continued through the MTR of the Eleventh Plan and the Twelfth Plan.

The remaining challenges below, however, highlight both some long-standing gaps as well as the new challenges presented by the COVID-19 crisis. In addition, the 2018 Universal Periodic Review of Malaysia by the UN High Commission on Human Rights made several recommendations to Malaysia that run across the spectrum of the 17 SDGs. These include measures in key areas such as:

- SDG 16 (27 per cent of the recommendations)
- SDG 4 (13 per cent of the recommendations)
- SDG 8 (12 per cent of the recommendations)
- SDG 3 (10 per cent of the recommendations)
- SDG 5 (10 per cent of the recommendations).

A full list of Universal Periodic Review 2018 recommendations and Malaysia’s response can be found here: https://www.upr-info.org/sites/default/files/document/malaysia/session_31_-_november_2018/2rps_malaysia_31upr.pdf.

Remaining Challenges

Economic Development:

Malaysia’s economic growth, the distribution of its benefits across the population, has been admirable over the last decades, particularly in the face of external challenges and shocks (such as the crisis of the “Tiger economies” in the late 1990s and the global recession in 2008-2009), and the most recently, the COVID-19 pandemic.

Continuing and harnessing this growth to support the achievement of the 2030 Agenda and the SDGs in the context of accelerating changes both within and outside the country will, however, require further efforts and adjustments, including adequate attention to environmental protection. For example, with basic development needs in Malaysia mostly addressed, continued socio-economic progress (i.e., avoidance of a developmental plateau) requires ever more sophisticated

public policymaking and a focus on the delivery of higher quality, equitable and sustainable public services, coupled with a more sophisticated regulatory framework that promotes competitiveness, environmental care, and social cohesion and human capital development. Specifically, these challenges include:

- a) the environmental sustainability of production and consumption (particularly as it is already a consumption-driven economy);
- b) equitable regional development; and
- c) skills upgrading through more targeted investment in health and education to combat, for example, the current challenges of high rates of malnutrition (especially stunting⁴⁹, NCDs and obesity) and average academic achievement.

It is clear from the experience of other countries, and of Malaysia itself, that economic growth is both the result of, and a basic input to, social development as outlined in the SDGs for 2030. In order to remain competitive and to accelerate economic growth, countries increasingly find that they must identify and take advantage of synergies between the different spheres of development: social, environmental, governance and economic. For example, the reduction of barriers to the economic participation of poor and vulnerable groups and women can unleash significantly increased productivity which, together with other initiatives such as diversification of its economy, reducing reliance on commodity exports, and ensuring that no one is left behind, can support Malaysia in building a resilient and inclusive economy. In line with the Twelfth Malaysia Plan, and to bounce back from the pandemic, the Government is seeking to restructure the economy to be more progressive, knowledge-based, with higher value added activities, and an inclusive labour market.

LNOB implies that all segments of the society participate irrespective of ethnicity, religion and other differences. The Government of Malaysia recognises this as an integral component in strengthening unity, harmony and social capital, including the empowerment of youth in society. The challenge, therefore, lies in identifying responsive, flexible and collaborative systems and new cultures to effectively link the various SDGs into a harmonious and effective framework to support national development.

As Malaysia aspires to transition towards a more inclusive, knowledge-intensive and future-ready economy that is able to effectively leverage IR 4.0, investments in education and workforce skills geared towards improvements in human capital and productivity are critical.

In this regard, a key priority is to increase the diversity of education pathways, especially for Technical and Vocational Education and Training (TVET). Quality investments are required from infancy onwards (e.g. quality comprehensive sexual and reproductive health and education). To strengthen national capacity for qualitative investment in line with SDG Financing, especially to

achieve SDG 4, a prerequisite is the strengthening of the national Education Management Information System (EMIS). It is therefore essential to ensure that:

- a) inclusive social protection mechanisms are in place that provide income security for all, including women, migrants and informal and self-employed workers who may suffer from weaker social security and workplace protections.
- b) young people are equipped with good health, quality education, and the right skills sets are being offered in line with the Future of Work; and
- c) specific measures are put in place to increase and support women's labour force participation.

Malaysia also faces new challenges in the changing development paradigm, including a growing middle class and a more affluent population with far greater and more complex aspirations that include and go beyond basic necessities.

These aspirations include, for example, an adequate standard of living, including access to affordable quality housing, quality education and medical facilities.

While it is clear that the COVID-19 pandemic will have an effect on Malaysia's economic development, the shape and duration of these effects are yet to be determined. In the short term, the tourism/travel and services sectors will likely experience significant challenges in 2020, and these may extend into the period of the 2021-2025 UNSDCF. In the longer term, impacts on trade and employment could potentially last for much longer, potentially for several years.

Leaving No One Behind (LNOB):

Although rapid economic growth has facilitated the near-eradication of extreme poverty in Malaysia, rising income inequality and associated disparities in standards of living, continue to be an important issue in Malaysia, with the absolute income gaps between the top 20 per cent (T20)⁵², the middle 40 per cent (M40) and the bottom 40 per cent (B40) having consistently increased over the years. There is an urgent need to develop a modern needs-based social protection system that not only delivers a contextually-appropriate level of income security in the face of a range of contingencies throughout the life cycle⁵³, thus, preventing the vulnerable from slipping back into poverty, and also supporting redistribution, social cohesion and social mobility. In addition, a significant gender wage gap exists, there is a need for greater attention to multidimensional deprivation and improving the understanding of responsible entities regarding disparities in socio-economic outcomes, as a basis for increased capacity for more effective public policy-making and planning. Constructive social dialogue will also be required to address these vulnerabilities, and this will help refine the understanding of these groups, identify barriers and shaping solutions.

Pockets of the population, poor and vulnerable groups, continue to have inadequate access to social services such as health, education and social protection, leading to these pockets having poverty rates significantly higher than the national average. At the same time, many migrant workers are exposed to various risks of exploitation in their recruitment and employment, and even repatriation, due to limited legal protection, lack of awareness of their rights, and negative perceptions about their presence in the country. Refugees and asylum seekers living in Malaysia face similar challenges in accessing legal work due to their lack of recognised status in the country. In addition, persons with disabilities and those who face social stigmas for various reasons continue to face inequalities in different aspects of life, which negatively affect their access to employment, education and health, resulting in their being marginalized from social and economic participation. An amendment to the Persons with Disabilities Act 2008 [Act 685] is in progress to ensure that the rights, interests and welfare of persons with disabilities are protected. As noted above, the COVID-19 pandemic has had significant short-term impacts and, will potentially have, longer-term impacts as well. As with most external shocks, these impacts are likely to disproportionately affect the most poor and vulnerable groups, who lack access to quality health services and knowledge of effective prevention strategies, and whose employment is precarious and often without adequate social protection⁵⁴. The post-COVID cost of living crisis will put the livelihoods of these same groups under further pressure.

Addressing the issues related to LNOB and the needs of poor and vulnerable⁵⁵ groups is critical. Supporting the bringing of these groups into the mainstream of Malaysia's growth and development requires:

- a) measures to ensure their participation in decisions that impact individual and community lives, access to, and use of, public resources and social services, removing economic and other barriers;
- b) strengthening the ability of individuals and groups to represent themselves and to be heard;
- c) strengthening social protection mechanisms as a basis for social inclusion and inter-generational social mobility;
- d) creating an enabling environment, through appropriate regulation, incentives and communications that supports these populations to reduce their vulnerabilities and risks (e.g. steps such as changing health and dietary habits to reduce the burden of non-communicable diseases that disproportionately affect lower-income households).

A key requirement for leaving no one behind, is the availability of data at the disaggregated level. While institutional mechanisms and capacities to collect data are in place, information and data gaps remain in relation to institutional jurisdictions that constrain accessibility to data, particularly of poor and vulnerable groups.

Gender Equality and Women's Empowerment:

In terms of women's empowerment and gender equality, education- and health-related goals have largely been achieved; however, three areas that lag behind have the potential to constrain Malaysia's development. First, women's active engagement and parity in public affairs and leadership positions is still well below parity, limiting the country's ability to make full use of the skills and contribution of women to the overall society and its institutions. The lower level of women's representation in the socio-economic fabric of society has meant limited economic opportunities, limited access to resources and services, and limited ability to influence decisions and public policies, in particular policies and programmes that respond to women's needs and their safety and protection against discrimination, including in the workplace. Second, the low female labour force participation rate (LFPR) is a critical aspect affecting the Malaysian economy. Malaysia's female LFPR of 55.5 per cent (Q2, 2021) reflects the large number of women who permanently leave the workforce when they have children. This means that many women are left out of the formal economy despite female tertiary education attainment exceeding men's by more than 10 per cent⁵⁷ (2020). Projections suggest that raising the employment level of women by 30 per cent could raise Malaysia's GDP by seven per cent⁵⁸. In addition, women's care work remains unpaid, invisible and unaccounted for in national accounts, and serves as a structural barrier to their entry into the formal workforce. Third, women and girls are affected by harmful traditional practices and other gender discrimination, which interact with the first two areas, noted above, and also relate to gender-based violence. The issue of intersecting vulnerabilities is a particular challenge for women: whether as stateless or undocumented persons, refugees, caregivers or persons with disabilities, people living with HIV and AIDS, or legal migrants – women and girls face additional vulnerabilities. Finally, gender-based violence is a human rights violation that has serious impacts on their health and well-being, as well as that of their children, and significantly and negatively impacts women's performance, advancement and productivity in the workplace by undermining confidence, and causing loss of earnings and career opportunities because of days taken off work and the cost of accessing services. Data during the COVID-19 pandemic suggested that the reported cases of domestic and gender-based violence increased significantly.

Demographics and urban/rural dynamics:

Malaysia's progress in reducing infant and child mortality and improving access to health and other social services has had a positive effect on the life expectancy of Malaysians (73.4 years in 2022, noting a reduction due to COVID-19).

At the same time, rising youth unemployment and an increasing proportion of elderly people within the overall population raise important issues requiring concerted responses. Investment in children and young people represents investment in the country's human capital, and maintaining and accelerating Malaysia's growth and development will be heavily influenced by the degree to which the country directs its resources and efforts to ensure that all of its children

and youth have the health, nutrition, education and social protection they need to become fully productive.

At present, however, Malaysia (like many other upper-middle-income and high-income countries) is facing a situation of an increasing proportion of the elderly population no longer being economically active. An ageing population puts a strain on a country's social security system and health care, thus requiring the State to direct resources towards their care and making the prevention of health problems, such as NCDs, a priority. In addition, the transition also raises concerns regarding poor and vulnerable groups, including women, and on the access of older persons to social protection or employment, with direct and indirect implications on health, welfare, care and living arrangements. In addition, initial data on the COVID-19 pandemic shows that the illness is particularly dangerous for older people (those above 60 years of age), as well as those suffering from underlying conditions (which are often related to the NCDs mentioned above).

In 2019, Malaysia's urban population reached over three quarters of the total population, marking a further milestone in the country's rapid rural to urban transition. This mirrors other structural shifts in the economy and in society. Urban quality of life is therefore central to the wider SDG agenda in Malaysia. Cities and towns are also the location of the country's key value-adding sectors. Key productivity improvement processes – the adoption of new IR 4.0 technologies and know-how and reskilling – rest on the vibrancy of urban spaces. Yet urban centres face a series of challenges, many of which are associated with Malaysia's very rapid pace of development. These range from pollution and environmental degradation to the emergence of new forms of poverty and vulnerability, and specific social dislocations. Delivering targets set out in SDG 11 (Sustainable Cities and Communities) has a particular resonance for Malaysia. This calls initially for building existing data sources and M&E tools, and then for building the technical capacities of local governments. It is recognised in turn, that rural areas and the agricultural sector also face developmental challenges as a result of rapid urbanisation and wider structural change. Policy efforts and technical capacities are needed to deliver spatially balanced and synergised development.

Environment:

Malaysia's sustained and resilient economic growth has been a basis for the country now evolving toward green growth and a knowledge- and innovation-based economy focusing on inclusivity and equality. However, Malaysia now needs to also ensure that there is no irreparable and avoidable loss of its valuable natural capital. Malaysia has one of the most complex tropical rainforest ecosystems in the world. The country is committed to maintaining at least 50 per cent of its land under forest cover, and some individuals and communities are particularly dependent on these for their livelihoods or are affected by environmental degradation. In recent years, Malaysia has faced significant pressure over biodiversity loss and deforestation, often associated with unsustainable agricultural practices and land development. Other threats to

biodiversity include wildlife trafficking, urbanisation and infrastructure development, all of which have increasingly reduced the availability, size and quality of wildlife habitats, and rendered habitat fragmentation a major concern to species survival. In addition, environmental threats have a significant impact on the population, especially on the lives and livelihoods of the most vulnerable.

An economy and society that adopts sustainable consumption and production practices is critical in addressing the impacts of climate change and biodiversity loss. In support of this transition, the Ministry of Finance implemented the Government Green Procurement (GGP) initiative (from 2013) that integrates environmental considerations within public procurement by promoting pollution reduction and resource conservation. In 2018, GGP Guidelines 2.0 were updated by the Malaysia Green Technology and Climate Change Corporation (MGTC) to serve as single reference, covering 20 product criteria, such as ICT equipment, air-conditioning systems, and cleaning products. The GGP core team, colead by the Ministry of Finance and the Ministry of Science, Technology and Innovation (MOSTI), will continue to expand this initiative and enhance the guidelines. The core team will also collaborate with the Department of Works to develop GGP Guidelines for Work Procurement, to ensure the coverage of more sectors.

With more than 75 per cent of Malaysians living in cities, the country is one of the most urbanised in the Asia Pacific region, while at the same time being one of the least densely populated countries in Asia – reflecting unbalanced urban planning and urban sprawl that generate considerable socio-economic challenges. Although urbanisation contributes to national growth and development, it also results in social and spatial inequalities and regional disparities, as well as creating issues of increased pollution and GHG emissions, traffic congestion, reduction of land available for both agriculture and environmental conservation, and higher levels of waste generation. Like the rest of the world, Malaysia is also subject to the effects of global and regional epidemics, natural hazards and disasters and is experiencing the effects of climate change. The country's temperature, rainfall and sea levels have all been on the rise in the last 40 years and are projected to continue to rise beyond 2030 and 2050. Climate-induced natural hazards and disasters such as floods, storms and droughts have increased both in frequency and intensity, coming at a high cost in terms of resources and lives lost or affected, particularly those in the poor and vulnerable groups.

The COVID-19 pandemic, which began in early 2020, is a clear example of how external threats can cross borders and affect Malaysia's population and development. With the increased damage, illnesses and losses from hazards and disasters, it will be essential that Malaysia increase its resilience to such events in order to maintain its development gains and achieve the SDGs and other relevant 2030 Agenda frameworks such as the Sendai Framework for Disaster Risk Reduction and Paris Agreement on Climate Change.

Governance:

Peaceful cohabitation has been a trademark of Malaysia's multi-ethnic society and requires continuous emphasis to ensure that inter-group relations between the various ethnoreligious communities continue to be nurtured and enhanced. Recently, the strengthening of ethnic identity and the emergence of discriminatory speech in social media have presented new and unforeseen challenges and threaten to undermine development progress. This highlights the need to ensure equality, inclusion and non-discrimination. Cognisant of the fact that peaceful societies cannot be taken for granted and require constant fostering of "unity in diversity," this has been a focus area of consecutive development plans, including the recently published Twelfth Plan and the "Unity and Diversity" principle of the SPV 2030. This is further reinforced by the Unity Government's Malaysia MADANI agenda.

While Malaysia continues to make significant progress, it faces some challenges and capacity gaps in relation to governance:

- a) issues related to the rule of law and accountability, including laws and policies that restrict and, in many cases, criminalise civic activity. These measures include restrictions on freedom of expression and participation in peaceful demonstrations through laws such as the Sedition Act 1948;
- b) provisions for preventive detention remain in most laws, such as the Security Offences Special Measures Act (SOSMA).

Malaysia's performance on government effectiveness indicators has been striking given the emphasis on good governance in recent years. The MTR of the Eleventh Plan noted the need to improve governance and to uphold accountability and transparency in government administration and prioritised initiatives pertaining to four areas:

- a) improving governance at all levels;
- b) elevating integrity and accountability;
- c) enforcing prudent public finance management; and
- d) enhancing public service delivery.

Malaysia has improved its ranking from 2018 to 2021 in the Democracy Index from 52nd to 39th place and in the annual Corruption Perception Index (CPI) it fell 3 places since 2020 to 62nd from out of 180 countries. However, the country's index for "voice and accountability" scores below the South East Asia regional average, and significantly below the OECD, regarding accountability, impartiality and the openness of its public sector. While demand for public participation and social trust is growing, there is a need to strengthen mechanisms to positively harness public contributions and to manage expectations with respect to actual development. In line with its governance reform agenda, Malaysia is also prioritising increased local participation in city-level

planning and delivery of services, which requires an investment in local stakeholders and communities to have greater knowledge, skills, capabilities and avenues for participating in decision making.

Malaysia's Constitution recognises a comprehensive catalogue of fundamental freedoms. For instance, Article 10 of the Federal Constitution guarantees Malaysian citizens the right to freedom of speech, freedom of assembly and freedom of association. Malaysia has ratified three out of the nine UN international rights treaties:

- the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW);
- the Convention on the Rights of the Child (CRC);
- the Convention on the Rights of Persons with Disabilities (CRPD)

Recent progress includes Malaysia joining the Global Compacts for Refugees and Migration. On 21 March 2022 Malaysia ratified ILO Protocol 29 on Forced Labour and has engaged positively with other international human rights mechanisms. Malaysia has also taken steps towards proposed police reforms and maintained a moratorium on use of the mandatory death penalty.

In addition, notwithstanding that Malaysia is not a signatory to the 1951 Convention Relating to the Status of Refugees, Malaysia has hosted refugees and asylum seekers on its territory since 1975 with the support of UNHCR. Malaysia received 268 recommendations during its third Universal Periodic Review at the UN Human Rights Council in November 2018. The government accepted 148 recommendations, including among others to take measures towards strengthening fundamental freedoms of expression, association, assembly within the framework of Article 10(2) and 10(4) of the Federal Constitution. In October 2021, Malaysia was successfully elected to the Human Rights Council.

However, as noted by the UN Committee on the Elimination of Discrimination against Women, the dual jurisdictional structure has a particularly detrimental impact on already poor and vulnerable groups, such as religious minorities, women and children.

South-South Cooperation:

Malaysia's role in multilateralism, international cooperation and contributions to regional and international development are expected to evolve and become even more considerable as it transitions to Net Contributor Country (NCC) and high-income status. Some of the challenges faced by the country clearly require solutions that are designed and coordinated together with other countries and the international community at large - cross-border haze and migration, human smuggling and wildlife trafficking, drugs, and climate change in general, being outstanding examples.

Public Finance Management:

Malaysia has advanced and deep market liquidity, which is ample to support its public finance initiatives for SDGs. Nevertheless, given the current limitations and the uncertain external environment due to the global economic volatilities, the Government will need to develop a more optimizing approach to improve revenue collection by widening the revenue base and exploring new sources as well as strengthening expenditure strategies.

These will ensure sufficient fiscal space for the allocation of maximum available resources towards the country's sustainable economic development. Government will also need to increase its ability to engage new and innovative sources of financing that can open up new funding opportunities. The Government can then tap into these funds to help finance under-served segments of the economy and development projects which involve high potential risk, long gestation periods, or lower than market rates of return, yet which have significant long-term benefits to the overall sustainable development of the country.