



WORLD BANK GROUP
Inclusive Growth & Sustainable Finance
Hub in Malaysia

ANNUAL REPORT

Financial Year 2021

JULY 2020 - JUNE 2021

FOR PUBLIC DISCLOSURE

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About the World Bank Group Inclusive Growth & Sustainable Finance Hub in Malaysia

The World Bank Group (WBG) and the Government of Malaysia agreed in December 2019 to extend the operation of the WBG's Hub in Kuala Lumpur for an additional five-year period from FY21-25. The new name for the Hub is the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia, which come into effect on July 1, 2020.

This new name reflects the development ambitions of Malaysia to achieve inclusive growth, greater shared prosperity, and developed nation status; and to retain its global leadership role in the area of sustainable finance. Toward achieving this aim, the Hub will continue to serve as a platform for: incubating and generating innovative policy solutions with global impact; sharing expertise and global experience in support of Malaysia's development goals; disseminating development experiences and organizing South-South learning activities; and producing cutting-edge economic research and global public goods.

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Abbreviations

AIBIM	Association of Islamic Banking and Financial Institutions
AICB	Asian Institute of Chartered Bankers
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASM	Academy of Sciences Malaysia
BARMM	Bangsamoro Autonomous Region of Muslim Mindanao
BNM	Bank Negara Malaysia
BPS	Business Pulse Survey
CCPT	Climate Change and Principle-based Taxonomy
CEO	Chief Executive Officer
CEQ	Commitment to Equity
CER	Circular Economy Roadmap
CIPE	Center for International Private Enterprise
COP 26	The 26th session of the Conference of the Parties
CoST	Infrastructure Transparency Initiative
COVID-19	Coronavirus disease 2019
DFI	Development Financial Institution
DOE	Department of Environment
DOSM	Department of Statistics Malaysia
E&E	Electrical and Electronics
EAP	East Asia and Pacific
EAPCE	East Asia and Pacific Chief Economist
ECCE	Early childhood care and education
EOI	Expression of Interest
EPF	Employees' Provident Fund
EPP	Entry Point Project
EPR	Extended Producer Responsibility
EPU	Economic Planning Unit
EPRD	Educational Policy Planning and Research Division
ESG	Environmental, Social, and Governance
FC4S	Financial Centres for Sustainability
FY	Financial Year
GDP	Gross Domestic Product
GFLP	Global Green Finance Leadership Program
GLIC	Government-linked investment company
GoM	Government of Malaysia

GP	Global Practice
GVC	Global value chain
HDC	Halal Development Corporation
HFC	Hydrofluorocarbon
HIES	Household Income and Expenditure Survey
HIS	Household Income and Basic Amenities Survey
HQ	Headquarters
IBFIM	Islamic Banking and Finance Institute Malaysia
ICMA	International Capital Market Association
ICU	Intensive Care Unit
IDEAS	Institute for Democracy and Economic Affairs
IMF	International Monetary Fund
INDC	Intended National Determined Contribution
INTOSAI	International Organization of Supreme Audit Institutions
IP	Intellectual property
ISEAS	ISEAS-Yusof Ishak Institute
ISIS	Institute of Strategic and International Studies
JC3	Joint Committee on Climate Change
KASA	Ministry of Environment and Water
KPWKM	Ministry of Women, Family and Community Development
KRI	Khazanah Research Institute
KWAP	Kumpulan Wang Persaraan (Retirement Fund)
LTGM	Long-Term Growth Model
M&E	Monitoring and evaluation
MACC	Malaysian Anti-Corruption Commission
MAFI	Ministry of Agriculture and Food Industries
MaGIC	Malaysian Global Innovation and Creativity Centre
MASTIC	Malaysian Science and Technology Information Centre
MAVCAP	Malaysia Venture Capital Management
MCO	Movement Control Order
MDAs	Ministries, departments, and agencies
MDEC	Malaysia Digital Economy Corporation
MEDAC	Ministry of Entrepreneurship Development and Cooperatives
MEM	Malaysia Economic Monitor
MFP	Multi-factor productivity

MIDA	Malaysian Investment Development Authority	SC	Securities Commission Malaysia
MIFC	Malaysia International Islamic Financial Centre	SDG	Sustainable Development Goal
MITI	Ministry of International Trade and Industry	SIFF	Sustainable and Inclusive Finance Forum
MOE	Ministry of Education	SME	Small and medium enterprise
MoF	Ministry of Finance	SOPs	Standard operating procedures
MOH	Ministry of Health	SPJ	Social Protection and Jobs
MoSTI	Ministry of Science, Technology and Innovation	SRI	Sustainable, Responsible, Impact Investing
MPC	Malaysia Productivity Corporation	TFP	Total factor productivity
MPI	Multidimensional Poverty Index	TIMSS	Trends in International Mathematics and Science Study
MPO	Macro Poverty Outlook	TPM	Technology Park Malaysia
MTI	Macroeconomics, Trade and Investment	TTO	Technology Transfer Offices
MySPC	Social Protection Council	TVET	Technical and vocational education and training
NDC	Nationally Determined Contribution	UK PACT	United Kingdom Partnering for Accelerated Climate Transitions
NESDC	National Economic and Social Development Council	UKM	National University of Malaysia
NGO	Non-governmental organizations	UM	University of Malaya
NPL	Non-performing loans	UNDP	United Nations Development Programme
OECD	Organisation for Economic Co-operation and Development	UNFCCC	United Nations Framework Convention on Climate Change
OIC	Organisation of Islamic Cooperation	UNHCR	United Nations High Commissioner for Refugees
OSA	Office Support Agreement	VBIAF	Value-Based Intermediation Financing and Investment Impact Assessment Framework
PCoP	Southeast Asia Planning Community of Practice	VP	Vice President
PEB	Poverty and Equity Brief	WB	World Bank
PER	Public Expenditure Review	WHO	World Health Organization
PICS-3	Productivity and Investment Climate Survey		
PISA	Programme for International Student Assessment		
PMI	Partnership for Market Implementation		
PRC	People's Republic of China		
PRO	Public research organizations		
PSDC	Penang Skills Development Centre		
PSD	Public Service Department		
RAS	Reimbursable Advisory Services		
RC	Research center		
REIT	Real estate investment trust		
RFI	Responsible Finance & Investment		
RICE	Resilient, inclusive, competitive, and environmentally sustainable		
RPB	Research & Policy Brief		
S&T	Science and technology		

Executive Summary



Foreword

Without a doubt, FY21 has been an exceptional year for our Malaysia Hub program and for countries around the world as they grappled with suppressing a pernicious corona virus and navigating its profound economic consequences. It has truly been the 'Year of COVID-19' across the globe and its effects and scars will likely be felt for many years to come.

On the side of World Bank Group Inclusive Growth and Sustainable Finance Hub, this June marks the end of the first year of what we have collectively termed as 'OSA 2.0' – or Office Support Agreement 2.0 – which refers to the Hub's second phase of operation in Malaysia from 2021 to 2025. It has been an extraordinary year for us. With the renewal of our mandate (which signals genuine confidence in the development partnership between Malaysia and the World Bank Group), our teams initiated new five-year work programs, leapt into action in response to the COVID-19 pandemic and expanded into new thematic areas and modes of operation.

In line with our new brand identity which explicitly focuses on environmental sustainability, our various Global Practices scaled up their activities with regards to sustainable finance and Malaysia's climate action agenda.

With respect to the public health and economic crises brought on by the global pandemic, our World Bank Group and Hub teams responded in several important ways in support of Malaysia and other countries. These response actions included: (i) providing ongoing advisory



assistance and policy advice to Malaysian policymakers on ways to monitor and cushion the economic effects of the COVID-19 crisis; (ii) supporting health authorities and WHO with examining the pandemic surge capacity of Malaysian public hospitals particularly their ICU units; (iii) preparing a series of Research and Policy Briefs on various policy aspects of the pandemic (which have witnessed a remarkably high rate of downloads globally); (iv) organizing virtual events on the pandemic using the Hub as a global knowledge platform, and (v) involving Malaysian officials in webinars organized by our teams in HQ on different COVID-19-related topics.

Another large focus area for our Hub has been on the general topic of inclusive growth and development. The work in this area is best exemplified by the Hub's Flagship Report *Aiming High – Navigating the Next Stage of Malaysia's Development*

Alongside a large and sustained focus on addressing the challenges posed by COVID-19, our Hub teams ramped up efforts in several important work areas.

In line with our new brand identity which explicitly focuses on environmental sustainability, our various Global Practices scaled up their activities with regards to sustainable finance and Malaysia's climate action agenda. These activities included the organization of a highly successful 'Sustainable and Inclusive Finance Forum' in October, 2020; supporting the entry of Malaysia into the Coalition of Finance Ministers for Climate Action; providing assistance to the Ministry of Finance with its efforts to issue a first-ever SDG *sukuk* in the form of early and informal policy dialogue; and helping the Malaysian Government apply for financing from global trust funds to initiate work in the area of carbon pricing. Going forward in FY22, several Hub teams will be conducting a Public Expenditure Review - which will incorporate a specific chapter on carbon pricing and climate change issues.

Another large focus area for our Hub has been on the general topic of inclusive growth and development. The work in this area is best exemplified by the Hub's Flagship Report *Aiming High – Navigating the Next Stage of Malaysia's Development*. The report was officially launched by the Minister of Finance YB Tengku Zafrul bin Tengku Abdul Aziz in March of this year, with the participation



WORLD BANK GROUP
Inclusive Growth & Sustainable Finance
Hub in Malaysia

Aiming High

Navigating the Next Stage of Malaysia's Development

WEBINAR SERIES

Seeing the Finish Line

How Countries Navigated the High-Income Transition

May 27 (Thu),
2.30pm - 4.30pm (MYT)

LIVE
bit.ly/AimingHighWebinar4

Welcoming Remarks	Special Address	Keynote Address	Closing Remarks
 Ndiame Diop Country Director, Brunei, Malaysia, Philippines, Thailand World Bank Group	 Axel van Trotsenburg Managing Director of Operations World Bank Group	 Dato' Nor Shamsiah Mohd Yunus Governor Bank Negara Malaysia	 Victoria Kwakwa Vice President, East Asia and the Pacific World Bank Group
Panel Discussion			
 Dr. Boris Vujčić Governor Croatian National Bank	 Professor Grzegorz W. Kolodko Professor of Political Economy, Kozminski University, Former Deputy Premier and Minister of Finance, Poland	 Dr. Youngsoo Koh Senior Research Fellow, Korean Development Institute, Former Vice-Minister of Labor, Republic of Korea	 Shakira Teh Sharifuddin Senior Economist World Bank Group (Moderator)

of YB Dato' Sri Mustapa Mohamed, Minister in the Prime Minister's Department (Economy). The preparation of this report was supported by a large World Bank team spanning every unit within the Hub and several global units based in Washington DC. The report lays out the opportunities and challenges associated with Malaysia's high-income transition and provides policy recommendations related to the topics of long-term growth, competitiveness, jobs, inclusion, institutions and financing shared prosperity. Ever since it was released and through several follow-on dissemination activities, the Flagship Report has been well-received by a wide range of stakeholders from Malaysia, the World Bank Group and other middle-income countries aspiring to reach high-income country status. To complement the theme of this report, our Hub has initiated some new and important work with the Malaysian Ministry of Education on several policy reform agendas including curricula development and teaching effectiveness.

A third pillar of our knowledge work has revolved around the broad topics of governance, transparency and public sector reforms. In this area, our Global Report on Anti-Corruption entitled *Governance Effectiveness and Transparency: The Fight Against Corruption* and launched in October 2020, generated significant policy attention and interest by policymakers around the world. This report was also launched regionally from Kuala Lumpur with the Chairman of the Malaysian Anti-Corruption Commission (MACC) Dato' Seri Azam Baki providing the keynote remarks for the event. Another important and innovative work stream

in this area has been the Hub's work on measuring public sector productivity in close collaboration with the Ministry of Finance and other Government agencies.

Along with these efforts led by our Global Practices, it is worth noting again that our research team has expanded and undergone a positive transition over the past year. As part of our consultations with the Ministry of Finance and Bank Negara Malaysia over the renewal of the Hub's mandate, a decision was taken to invite the Office of the World Bank's Chief Economist for the East Asia and Pacific Region to play a greater role in managing and shaping the Hub's research agenda. As a result, the research team evolved into the 'East Asia and Pacific Chief Economist's Research Center', increased its numbers of researchers, and has continued to produce original economic and policy research with global impact.

Lastly, after undergoing a work program transition – from OSA 1.0 to OSA 2.0 – our Hub will be experiencing a management and staffing transition towards the end of FY21. A new Country Manager will be assuming responsibility for the Malaysia Hub in FY22 and beyond; and several new international staff members will be relocating to Kuala Lumpur and working on the Malaysia Hub program. The new management and team members will build on the Hub's momentum going into the new fiscal year; and will sustain its vibrancy and innovative work in support of Malaysia and developing countries from across all regions in the world.

Looking Back



Knowledge for Development

The World Bank Hub's knowledge and research work spans multiple themes, drawing on multisectoral, integrated analytics and research that reflects the development priorities of Malaysia, the region, the Bank, and the wider development community.

FY21 Year in Review

This FY21 Annual Report marks the first annual review under the second phase of the five-year Office Support Agreement (OSA 2.0) between the Malaysian Government and the World Bank Group (WBG). It is significant as it reflects a deepening relationship between the World Bank Group and the people of Malaysia and a continued commitment to fulfill the mandate of the WBG Hub in Kuala Lumpur. This mandate seeks to leverage Malaysian development experiences and policy innovations for the benefit of other countries; to generate original research as global public goods and to marshal global experience and expertise to support Malaysia's development priorities.

The report highlights the progress and outcomes achieved by the World Bank Group Inclusive Growth and Sustainable Finance Hub (the Hub) for the fiscal year (FY) July 2020 to June 2021, and presents the priority areas and plans by the Hub for the coming fiscal year July 2021 to June 2022.

This annual review covers a period impacted by the global pandemic COVID-19, which impelled policymakers to

respond immediately while also keeping an eye on medium to long-term priorities. The COVID-19 pandemic has influenced the way we work; our work programs priorities, the type of outputs that we have produced ranging from just-in-time advisory services and policy notes to global webinars and in-depth reports; and the way we engage with stakeholders and deliver our research and knowledge-sharing activities.

The impact did not dampen the pace of the Hub's work. In fact, this year marked a period of significant outputs, engagements, and impact. Our Hub kicked off FY21 with the launch of a week-long **Sustainable and Inclusive Finance Forum** bringing together more than 3,650 participants from 59 countries in Africa, Asia, Europe, Middle East, and the Americas. These individuals, consisting of policymakers and financial regulators from banking associations and financial institutions around the world, participated in discussions covering the areas of sustainable finance, financial inclusion and Islamic finance; and in the launch of five new World Bank Group reports.

The Hub also launched its flagship report entitled **Aiming High: Navigating the Next Stage of Malaysia's Development**, which identifies six reform areas that Malaysia needs to undertake for the country to become an inclusive and developed nation. Extensive stakeholder engagements were held with senior-level policymakers (including the Economic Action Council chaired by the Prime Minister), think tanks, academicians, and the private sector and the Hub teams delivered a series of webinars highlighting the six reform areas. This report is particularly poignant as the country has crossed the marker year 2020, and its people are looking for a concrete set of policy reforms that will motivate and steer decision-makers into implementing tough and necessary policies reforms.

This fiscal year also saw robust work delivery across various Hub teams. The year marked the commencement of the Hub's **education** work program and a growing emphasis on the **climate action** agenda. These developments are particularly encouraging as education is a foundational building-block for human capital accumulation and for ensuring the quality of economic growth. The climate crisis, too, has returned to the forefront of the global development agenda with the return of the United States to the Paris Climate agreement. The Hub also published two key reports: one entitled '**A Silver Lining: Productive and Inclusive Aging for Malaysia**' and another under the title '**Fostering Knowledge Linkages and Transferring Technology in Malaysia**'. Both reports were received positively and their policy recommendations enjoyed significant policy uptake.

In executing these activities throughout the year, the Hub teams engaged closely with a wide variety of Stakeholders. The Hub focused intensely on strengthening its working relationships with the MOF, BNM, and the EPU, and its ties with academicians, think tanks, and organizations at the subnational level in the various states such as Sabah, Penang, Perak, Sarawak, and Pahang. Hub teams also engaged with the Economic Action Council on findings related to investment policies and policy recommendations from the Hub's Aiming High report.

Key Highlights

The Global Hub continues to deliver on its commitment to generate innovative and impactful knowledge and research solutions, with implications for the country and beyond the region.

- 1 Aiming High: Navigating the Next Stage of Malaysia's Development**
- 2 Sustainable and Inclusive Finance Forum**
- 3 Climate Action**
- 4 Malaysia Economic Monitors**
- 5 Work on COVID-19 and Development Digests**

HIGHLIGHT

World Bank Group Flagship Report



Aiming High

Navigating the next stage of Malaysia's development



What will it take for Malaysia to become a high-income and developed economy?

The key message of this report is clear: While it is certainly possible for Malaysia to fulfil its aspirations of becoming a high-income and developed economy, navigating the next stage of development will require tough reforms.

World Bank projections indicate that Malaysia is likely to transition from an upper middle-income economy to a high-income economy within the next few years, despite a COVID-19 induced recession in 2020. This graduation will be an important marker in Malaysia's development journey, as the country has witnessed a transformation in living standards within a generation, reducing dollar-a-day poverty to just a fraction of one percent of the population, and lifting the country out of its long tenure in the "middle-income trap".

Yet, navigating the journey to high-income country status also raises a number of questions about not just the speed of Malaysia's growth, but also the quality of growth and its sustainability. Malaysia is not growing as fast as it could, and it is growing slower than the other countries that achieved high-income status in recent years. Further, compared to countries that escaped middle-income status it has a lower share of employment at high skill levels, and it has greater inequality. And compared

to countries in the OECD, Malaysia collects less in taxes, spends less on social protection, and performs relatively poorly in terms of measures related to environmental management and the control of corruption.

Many of these issues are being debated as Malaysia starts to position itself for the next phase of its development, including via the 12th Malaysia Plan and the Shared Prosperity Vision 2030. Furthermore, the uncertain legacy of the COVID-19 pandemic raises new questions about Malaysia's readiness for the future and could depress growth over a sustained period.

Most significantly, there is a growing sense that the aspirations of Malaysia's middle-class are not being met and that the economy doesn't produce enough well-paying, high-quality jobs. There is also a widespread sense that the proceeds of growth have not been equitably shared between the richest and the poorest, and that increases in the cost-of-living are outstripping incomes, especially in urban areas.

Policies and institutions that worked in the past may no longer be appropriate for the next stage of development, and so a different set of policies and institutions will be needed for a high-income and developed Malaysia. The policies that helped Malaysia successfully move from low-income to middle-income, will need to be adapted for the future. A new approach will be needed as the country exits that growth period when factor accumulation was a key driver, and increasingly looks toward more knowledge-intensive and productivity-driven growth, closer to the technological frontier and with a greater emphasis on achieving inclusive and sustainable development.

The analysis in this report suggests that for Malaysia to fulfil its potential and transition successfully to high-income status, and sustain equitable growth beyond, reforms will be needed in six broad and inter-linked areas:

- 1) revitalizing long term growth
- 2) boosting competitiveness
- 3) creating jobs
- 4) modernizing institutions
- 5) promoting inclusion
- 6) financing shared prosperity

This new flagship report was launched under the patronage of the Minister of Finance YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz with the participation of YB Dato' Sri Mustapa Mohamed, Minister in the Prime Minister's Department (Economy) and World Bank Vice President Victoria Kwakwa. Following this main launch event, a series of 4 webinars were organized to conduct in-depth discussions on various development topics and policy recommendations from the report. The launch attracted significant media coverage during the event, with 300 viewers on Facebook Live, with several million viewing the live rebroadcast on Malaysia's premier TV news channel Astro Awani. And since then, the report's reach has been further amplified with a series of print, TV and radio highlights.

<p>Official Address and Launch</p>  <p>YB Senator Tengku Datuk Seri Utama Zafrul Minister of Finance</p>	<p>Special Address</p>  <p>YB Dato' Sri Mustapa Mohamed Minister in the Prime Minister's Department (Economy)</p>	<p>Welcoming Remarks</p>  <p>Victoria Kwakwa Vice President, East Asia and the Pacific World Bank Group</p>	<p>Report Presentation</p>  <p>Richard Record Lead Economist World Bank Group</p>	<p>Closing Remarks</p>  <p>Rajni Bajpai Lead Public Sector Specialist World Bank Group</p>	
PANEL DISCUSSION: A REFORM AGENDA FOR MALAYSIA'S DEVELOPMENT AFTER THE PANDEMIC					
 <p>Pn. Zakiah Jaafar Deputy Secretary-General (Policy) Ministry of Finance</p>	 <p>Datuk Shaik Abdul Rasheed Ghaffour Deputy Governor Bank Negara Malaysia</p>	 <p>Tan Sri Datuk Rebecca Fatima Sta Maria Executive Director APEC Secretariat</p>	 <p>Prof. Tan Sri Dato' Sri Dr. Noor Azlan Ghazali Executive Director Economic Action Council Secretariat</p>	 <p>Ndiame Diop Country Director for Brunei, Malaysia, Philippines and Thailand World Bank Group</p>	 <p>Firas Raad Country Manager for Malaysia World Bank Group (Moderator)</p>

HIGHLIGHT

Sustainable and Inclusive Finance Forum



WORLD BANK GROUP
Inclusive Growth and Sustainable Finance
Hub in Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SUSTAINABLE AND INCLUSIVE FINANCE FORUM

Building greener and more equitable financial systems

OCTOBER 6 – 9, 2020

Global Knowledge Towards More Sustainable and Inclusive Finance

One generation plants the tress, another gets the shade.
-Chinese Proverb

Context

In line with the increased emphasis on sustainable finance for a greener economy, the World Bank Group office in Malaysia is now called the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia. Policymakers, financial regulators, banking associations, and financial institutions in countries have sought to learn about recent developments and trends in sustainable and inclusive finance and contribute to global dialogue in these areas. There is demand for examples of how the development of new policies and financing instruments can be deployed to promote better outcomes in greening the financial markets.

Solution: Knowledge Towards More Sustainable and Inclusive Finance

Five World Bank Malaysia hub publications were launched and disseminated globally and locally.

Pioneering the Green Sukuk - Three Years On

2020 marks the 3-year anniversary of the first green *sukuk*, a unique capital market instrument merging green and Islamic finance. A green *sukuk* is financially similar

to a “conventional” *sukuk* or Islamic bond, except that the proceeds of a green *sukuk* can only be used to fund environmentally-friendly projects.

Malaysia debuted the first green *sukuk* and to date has the largest number of green *sukuk* issuances. Indonesia, meanwhile, has raised the most through green *sukuk* issuances. Up to July 2020, USD6.1 billion has been raised through 12 unique green *sukuk* issuers from Indonesia, Malaysia, the United Arab Emirates and one multilateral development bank. USD-denominated issuances make up 65% of green *sukuk* issuances, followed by Euro-denominated (18%), Ringgit-denominated (16%) and Rupiah-denominated (1%).

Developing a National Green Taxonomy: A World Bank Guide

This publication which was first prepared for Bank Negara Malaysia (BNM), is now a global good and has been launched globally to support countries in their efforts to clarify to market participants the types of activities that are deemed environmentally sustainable. This report aims to develop

a common language to discuss climate resilience and to support decisions related to climate risk in fundraising, lending, and investment activities.

Malaysia: Islamic Finance and Financial Inclusion, and Leveraging Islamic Fintech to Improve Financial Inclusion

Malaysia has emerged as a leader amongst its ASEAN, OIC, and upper middle-income country peers in the attainment of financial inclusion and in the development of its Islamic finance industry. These reports explored the use of Islamic finance instruments to support financial inclusion, including policy, regulatory and institutional elements required for the sustainable use of Islamic finance.

Malaysia's Domestic Bond Market: A Success Story

Malaysia has succeeded in creating a vibrant domestic bond market, developing specific segments of the debt capital market, best reflected in infrastructure and Islamic financing. The report which was launched by the Securities Commission Chairman, Datuk Syed Zaid Albar, documents the journey in developing Malaysia's bond market and providing lessons for other countries in developing their bond market.



“The pandemic has provided an impetus for us to reset and reprioritize resources to reconstruct our economies and financial systems to be more sustainable and inclusive, While our immediate priority is to safeguard both lives and livelihoods in this pandemic, the world must not lose sight of its goal to pursue a better and more sustainable future for all, such as that set out by the Sustainable Development Goals.”

Datuk Nor Shamsiah Mohd Yunus,
Governor, Bank Negara Malaysia



26 Countries which participated in this session *Maximizing Islamic Finance for Financial Inclusion* included Brunei, Cambodia, Fiji, France, Gambia, Japan, India, Indonesia, Kazakhstan, Kenya, Laos, Maldives, Morocco, Nepal, Nigeria, Pakistan, Philippine, Saudi Arabia, Singapore, Tanzania, Tunisia, Turkey, UAE, UK, and US.

The 5-day Sustainable and Inclusive Finance Forum organized in October 2020 highlighted experiences of Malaysia and other emerging countries in the areas of sustainable, inclusive, and Islamic finance, as well as capital markets development.

It received high-level support and was opened by BNM Governor Nor Shamsiah and World Bank EAP Vice President (VP) Victoria Kwakwa. Approximately 3,650 participants connected virtually to sessions during the week from 59 different countries in Africa, Asia, Europe, the Middle East, and the Americas. More than 90% of those who responded to the feedback surveys reported improved understanding of the topics and they acquired new knowledge. The five World Bank Malaysia hub publications were downloaded more than 8000 times. The Hub is well positioned to be a center of research and analytical work in sustainable finance.

HIGHLIGHT

Climate Action



Climate Action

The main objective is to identify opportunities for fiscal policies to support a green, resilient, and inclusive recovery from COVID-19 and in support of Malaysia's impending high-income transition.

Driving Plastics Circularity in Malaysia

The World Bank is supporting Malaysia to address marine plastics pollution and its Roadmap towards Zero Single-Use Plastics 2018-2030, under the umbrella of the EAP Regional Marine Plastic Debris Framework and Action Plan. The year under review covered analytical work across two components – 1) Enhancing Diagnostics and Building Capacity, and 2) Policy and Technical Support. The 4 key deliverables under the two components include i) Market Study for Malaysia: Plastics Circularity Opportunities and Barriers, ii) Recommendations for Malaysia's Circular Economy Roadmap for Plastics, iii) Toolbox on Solutions for Plastic Waste Treatment on Small and Remote Islands, and iv) Role of Extended Producer Responsibility Schemes towards Circular Economies in APEC.

Toward a Low Carbon Economy

HFC Phase-down: Following the HFC/Kigali Amendment work that the Bank team delivered to Department of

Environment in June 2020, Malaysia has ratified the amendment and has been collecting industry feedback on the strategic framework for controlling hydrofluorocarbon (HFC) imports. This would facilitate the development of a methodology for preparing a HFC Phasedown Management Project. In parallel, the World Bank has applied for HFC project preparation funding from the Multilateral Fund. If approved, the World Bank team will be able to begin the preparation process in cooperation with DOE by the second quarter of FY22 (October to December 2021).

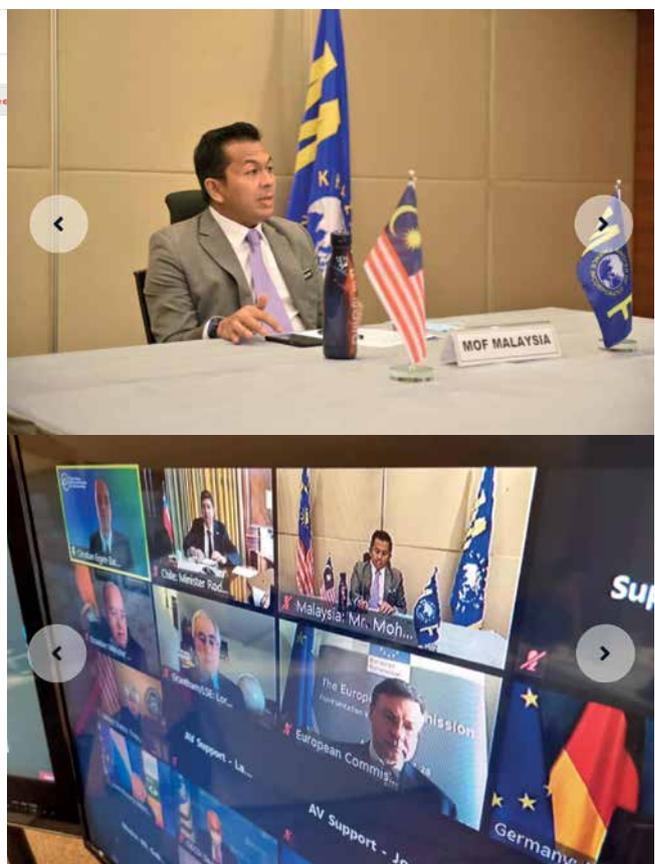
Carbon Pricing: In April 2021, MOF submitted an Expression of Interest to PMI Readiness Support Window (Second Window) to explore options to implement a carbon tax to attain the country's Nationally Determined Contribution (NDC) goals. If Malaysia's EOI is shortlisted by PMI, the World Bank would support MOF and other key ministries such as KASA in the preparation and submission of Malaysia's proposal by December 31, 2021.

Malaysia joins the Finance Ministers Coalition for Climate Action

With the Bank's support, Malaysia has officially joined as a member of the Coalition. In March 2021, the Malaysian Cabinet supported the Finance Minister's decision to **endorse the Helsinki Principles** and join the Coalition. The Coalition brings together fiscal and economic policymakers from over 50 countries in leading the global climate response, and in securing a just transition toward

low-carbon resilient development.

Malaysia will benefit from the wide-ranging experience among the members of the Coalition, by participating in the working group meetings and technical workshops, as well as provide leadership in various aspects, including sustainable finance (e.g. green *sukuk*). This could also pave the way for Malaysia to integrate climate change into fiscal policy, budgeting, and planning processes.



Sources:

<https://www.thestar.com.my/business/business-news/2021/04/07/malaysia-joins-international-climate-finance-ministers-group>
<https://www.mof.gov.my/ms/berita/foto/mesyuarat-minister-level-meeting-of-the-coalition-of-finance-ministers-for-climate-action-cfmca>

Integrating Climate into Fiscal Policy, Budgeting, and Planning Processes

The World Bank Group is supporting Malaysia to **integrate climate change into the public expenditure review process**. This is a **first for Malaysia** and will involve a review of expenditure and tax policies from a climate perspective,

particularly in terms of assessing the interplay of fiscal and other policies (i.e. avoidance of countervailing policies and increase in synergies of complimentary policies), and mainstreaming climate change into government expenditure.

HIGHLIGHT

Malaysia Economic Monitors

MALAYSIA
ECONOMIC
MONITOR

DECEMBER 2020

Sowing the Seeds

**Overview**

The objective of the Malaysia Economic Monitor (MEM) series is to contribute to evidence-based policy analysis on the key challenges that Malaysia will need to overcome to become a high-income, inclusive, and sustainable economy with shared prosperity. The WBG conducts macroeconomic analyses across all of its member countries that are fully funded by its administrative budget, in order to keep abreast of policy issues in emerging markets and developing economies, and to leverage its international expertise. The MEM is a long running and high-impact World Bank publication emanating from the Hub in Kuala Lumpur.

Providing evidence-based policy analysis on the key challenges that Malaysia will need to overcome to become a high-income economy.

The series comprises two semi-annual reports, typically released in December and June, each structured around two parts: (a) a review of recent economic developments and a macroeconomic outlook, with a strong focus on the impact of economic developments on the bottom 40 percent of households; and (b) a thematic

chapter zooming in on a topic that is (i) a critical challenge to Malaysia's achievement of shared prosperity; and (ii) where the World Bank can leverage its expertise and the work produced through the Hub.

Malaysia Economic Monitor (December 2020): Sowing the Seeds

In this December 2020 edition, the focus of the special topic is on Malaysia's food and agricultural sector and the role it can play in supporting a resilient recovery and future growth. The COVID-19 crisis has drawn attention to the food system and the continued relevance of food security as well as the need for food policy to focus on a wider range of risks and opportunities.

Malaysia's current policy orientations have left it with a two-speed agricultural economy. In particular, despite the declining place of rice in Malaysians' diets or the agro-economy, Malaysia spends more public resources on rice than on any other agricultural product. Resources supporting the rice sector are mostly channeled through instruments of a highly protectionist and market-distorting kind. These aspects of agricultural policy have seemingly contributed to Malaysia having a two-speed agricultural economy in which the agrofood side of the sector—as distinct from the plantation side—has significant unfulfilled potential.

By modernizing and diversifying its agro-food sector and better integrating it with its more dynamic “farm-to-fork” food economy, Malaysia could help advance other national priorities. Malaysia needs to more fully leverage its rich food culture and agricultural potential to dynamize its urban economy and brand itself globally. To date, Malaysia has not used its food sector as much as possible to market itself to investors or global talent, to

cultivate familiarity or an image of modernity, safety, or stability—as Thailand has to its advantage. Malaysia can still do more to differentiate itself, through its agrofood exports, as a purveyor of superior products in terms of flavor, variety, sustainability, safety, Halal compliance, labor protections, or any number of other aspects of quality – thereby creating a “halo effect” of potential benefit to other sectors of the economy.



MALAYSIA ECONOMIC MONITOR

JUNE 2021

Weathering the Surge



Malaysia Economic Monitor (June 2021): Weathering the Surge

In the June 2021 edition of the MEM, the special topic focuses on the impact of COVID-19 on the private sector and how in the longer-term it can help to re-build the economy. The first part of the MEM which reviews recent economic developments and provides a macro-economic outlook is very cognizant of the dramatic resurgence of the Covid-19 pandemic in Malaysia in recent months, with rising steep increases in number of cases and deaths, and the subsequent lockdown on all sectors, except for essential businesses. Thus, this special topic is very timely, as Malaysia grapples with the timing on the gradual reopening of the economy, whilst balancing with the priority in saving lives.

The COVID-19 pandemic has exposed the gaps and exacerbated the vulnerabilities in Malaysia’s private sector. This is especially the case for small and medium

enterprises (SMEs), which have been hard hit by both demand and supply shocks. The productivity of firms in Malaysia especially the SMEs are found to be underperforming compared to its global peers. In the context of the current uncertain global situation, it is particularly important for Malaysia to make the transition to a productivity led growth model.

Over the medium-term, deep structural reforms are needed to achieve higher rates of more inclusive and sustainable growth. While in the near-term, focus will be to weather the surge; to reduce poverty and ensure shared prosperity, growth that creates a greater number of more productive jobs is needed. Economic transformation through deeper structural changes and market integration that catalyze business opportunities is needed to create an environment in which workers are able to shift into higher productivity activities, resulting in higher incomes as they generate greater returns on their labor and other assets.

HIGHLIGHT

Development Digests and Work on COVID-19



Development Digests

The Development Digest is a half-yearly publication that features key works from teams based at the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia.

Overview

The Development Digest is a unique publication, extending the reach of much of the Hub’s research and analytical work to a broader audience, offering a lighter read, while demonstrating an updated set of deliverables over the course of every six months.

In FY21, the Digest had ventured into its ninth and tenth editions, and the publications have been widely disseminated through the Hub’s major conferences and report launches. Aside from featuring the work from the Hub, the Digest also houses opinions from key leadership personalities of the Bank, reflecting on the strategic nature of the Hub and its value that it presents in the larger, corporate perspective of the World Bank Group.

In the November 2020 ninth edition, the Digest entitled ‘Towards a Resilient Recovery’ focuses on how Malaysia and other countries can promote post-COVID-19 economic recovery in inclusive and sustainable ways. It starts off by examining Malaysia’s

own experience with COVID-19 and how the pandemic is changing the face of poverty. It also focuses on how the protection of livelihoods and economic recovery in light of certain costs and trade-offs can be more effectively promoted.

Looking beyond the pandemic, this edition goes on to share development lessons from Malaysia’s ongoing journey towards becoming a high-income and developed nation. These lessons range from topics such as disaster risk management, capital market development, and green financing. The article on DRM focuses on how Caribbean countries have learned from Malaysia’s experience with state-owned enterprises and how they can support fiscal resilience and sustainability during times of natural disasters. As this edition marks the beginning of a new five-year phase for the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia, it includes an overview of the development partnership between Malaysia and the World Bank Group and its overall aim to ‘maximize knowledge for development.’

Research Work on COVID-19

The Research Center has produced and disseminated a large body of work related to COVID-19 through the production of Research & Policy Briefs (RPBs), research paper and knowledge sharing e-seminars

The production of research works via the RPBs has been particularly prolific, with seven out of 12 RPBs produced this FY dealing with different aspects of the pandemic. These briefs have served well during the pandemic, as they have allowed researchers to disseminate applied lessons and policy guides quickly in response to crises. The RPBs have proven to be essential tools for discussion regarding COVID-19 policies.

The RPBs have been well received with more than 9,990 downloads and 11 citations in total. In particular, the RPB “Recovery from the Pandemic Crisis: Balancing Short-Term and Long-Term Concerns” was well-received by the public, seeing that it was the most downloaded and most cited. Below is the list of published RPBs on Covid-19:

1. Fiscal Rules in Times of Crisis
2. Global Integration Is More Important than Ever to Contain the Economic and Health Fallout and Exit the COVID-19 Pandemic Crisis
3. Recovery from the Pandemic Crisis: Balancing Short-Term and Long-Term Concerns
4. The Spread of COVID-19 and Policy Responses
5. Leveraging Digital Solutions to Fight COVID-19: Lessons from ASEAN Countries
6. Five Ways that COVID-19 Diagnostics Can Save Lives: Prioritizing Uses of Tests to Maximize Cost-Effectiveness
7. Productivity in the Time of COVID-19: Evidence from East Asia and Pacific

The Research Center also held an eSeminar in collaboration with the Development Research Group in Washington D.C., which was based on the RPB “**Recovery from the**

Pandemic Crisis: Balancing Short-Term and Long-Term Concerns.” The seminar had over 200 participants and 100% satisfaction was expressed by participants.



A research paper on the topic “**Economic loss from COVID-19 fatalities across countries: a VSL approach**” has also recently been published in the peer-reviewed journal Applied Economics Letters.

In addition, four research seminars concerning the pandemic were hosted as listed below:

1. Banking Sector Performance During the COVID-19 Crisis
2. Lives and Livelihoods: Estimates of the Global Mortality and Poverty Effects of the COVID-19 Pandemic
3. The Impact of COVID-19 on Gender Equality
4. Determinants of Disparities in COVID-19 Job Losses

These seminars were some of the most attended overall compared to other seminars in the series, with a total attendance of 186, and 97% of participants expressed that they were satisfied with these seminars.



FY21 Key Activities

(JULY 2020 – JUNE 2021)



AUGUST 3, 2020

Webinar on Islamic Finance - Inclusive and Sustainable Takaful to Strengthen Household Resilience to Financial Shocks

As many countries make efforts to recover from the serious effects of the pandemic, the webinar discussed the role of Takaful in providing adequate risk protection for households and business enterprises. A total of 118 people joined via WebEX.



AUGUST - DECEMBER, 2020

AICB-IBFIM-WBG Sustainable Finance webinars series

This series of 7 webinars covered key issues on sustainable finance, with a focus on its implications for the banking sector. A total of 1434 people participated; average of 200 persons per webinar.

SEPTEMBER 15, 2020

Blockchain Bond webinar: Sharing Thailand's Experience

22 participants from SC and BNM attended this event. Representatives from the Thai MoF, Bank of Thailand, Securities and Exchange Commission, Bond Market Association and Krungthai Bank shared the details of the blockchain bonds issued.

SEPTEMBER 15, 2020

Southeast Asia Planning Community of Practice (PCoP) Virtual Forum

Virtual forum on the role of economic and development planning institutions in responding to the Covid-19 pandemic. Speakers were from Thailand and Malaysia, with countries represented were Thailand, Malaysia, Philippines, Cambodia and Lao PDR.

SEPT-DEC, 2020; JAN-APR, 2021

East Asia & Pacific Chief Economist Research Center e-seminars

A series of e-seminars focusing on topics such as productivity, pandemic recovery, effects of COVID-19 on livelihood, poverty, and training for small business. There were more than 45 people to 200 people per e-seminar, with attendees from MOF, MOH, DOSM, KRI, BNM, SEACEN, ASB, academia and policy makers.



SEPTEMBER 23, 2020

Global Launch: Anti-Corruption Report ("Enhancing Government Effectiveness and Transparency: The fight against Corruption")

Launched in Washington DC with regional, country launches, and discussions held in Croatia, Brazil, Palestine, and New Development Bank. The event was streamed on World Bank Live, YouTube, Facebook, Twitter, and LinkedIn with 73.8K+ video exposures. Over 2,000 people watched the event live. The report was downloaded over 1,000 times in the first 24 hours.



SEPTEMBER 25, 2020

APEC Virtual Finance Ministers' Meeting

This meeting was chaired by Malaysia's Minister of Finance, and was attended by Finance Ministers from APEC member economies on the mitigation and recovery of the COVID-19 pandemic. WBG President David Malpass and Vice President, East Asia Pacific, Victoria Kwakwa, also participated in the event.



OCTOBER 6-9, 2020

Sustainable and Inclusive Finance Forum

Attended by 3650 participants from 59 countries in Africa, Asia, Europe, Middle East and Americas comprising policy makers, makers, financial regulators, banking associations and financial institutions. Launched 5 global and local publications.

SEPTEMBER 29, 2020

EAP Economic Update: From Containment to Recovery

WBG EAP Chief Economist, Aaditya Mattoo, presented the economic update. A local press conference was held on the revised 2020 growth projection for Malaysia. The Malaysia WBG Hub was involved in preparing this edition.



OCTOBER 13, 2020

Market Study on Plastics Circularity Opportunities and Barriers

In collaboration with the Ministry of Environment and Water, detailed engagement was carried out with 23 private sector stakeholders, nine national and state government agencies to obtain inputs to inform findings.



OCT 21, 2020; MAR 3, APR 14, 2021

MEM Roadshow Events

A series webinars were held to disseminate the MEM in UNIMAS and IDS Sabah, ranging from 98 to 147 participants.

EXECUTIVE SUMMARY

FY21 Key Activities



NOVEMBER 2, 2020

Webinar on Islamic Finance: Mitigating Climate-risk for Islamic Financial Institutions – why it matters

The discussion covered how banks, asset owners and managers, regulators, policymakers, and other stakeholders are exposed to climate-related risks linked to the transition to a low-carbon economy. More than 250 participants from 29 countries registered for the webinar.



NOVEMBER 12, 2020

Report Launch: Quality of Management Practices Report

The launch was officiated by Datuk Shahul Hameed Dawood, Chief Executive of HRDF. The report highlights actionable policy implications to improve the country's management practices as a key driver of firm-level productivity growth.

NOVEMBER 19, 2020

Report Launch: Assessing The Effectiveness of Public Research Institutions in Fostering Knowledge Linkages and Transferring Technology in Malaysia

The report was launched by YB Minister of Science, Technology, and Innovation, Khairy Jamaluddin, followed by a panel discussion. More than 450 participants join via FB live and there was a lively discussion online.

A promotional poster for a webinar. It features the World Bank Group and UNDP logos. The text reads: "WORLD BANK GROUP Inclusive Growth and Sustainable Finance Hub in Malaysia LIVE WEBINAR How has COVID-19 changed poverty? How can policy interventions support recovery and resilience post-COVID-19? SAVE THE DATE Tuesday, 3 November 2020 9.00 a.m - 12.00 noon Stay tuned for latest updates and speaker panel @MyUNDP @undpmalaysia @WorldBankMalaysia". The poster also includes a vertical strip of icons on the left side.

NOVEMBER 3, 2020

UNDP-WB International Day for the Eradication of Poverty 2020

WB Malaysia co-hosted End Poverty Day event with UNDP Malaysia, included the launch of the 2020 edition of the World Bank flagship Poverty and Shared Prosperity Report, Reversals of Fortune. There were more than 2,100 views on Facebook Live.



NOVEMBER 24, 2020

Report Launch of 'A Silver Lining: Productive and Inclusive Aging for Malaysia'

The launch was officiated by the Minister in the Prime Minister's Department (Economy), YB Dato' Sri Mustapa Mohamed, and had over 200 views on FB Live (over 500 people watched later on).

DECEMBER 14, 2020

Webinar with KASA: 'Role of End Producer Responsibility (EPR) Schemes towards Circular Economies in APEC'

A two-part webinar series, which gathered industry players, regulators, educators and government officials to share and promote EPR (Extended Producer Responsibility) mechanism success stories and challenges. Dr. Nagulendran, Deputy Secretary General of the Ministry of Environment and Water, gave the opening remarks with 111 participants joining in.



DECEMBER 17, 2020

Launch of the Malaysia Economic Monitor “Sowing the Seeds”

Flagship Hub report that provides high frequency commentary and analysis on Malaysia’s economic performance and outlook. In the December 2020 edition, the special topic focused on Malaysia’s food and agriculture sector and the role it can play in supporting a resilient recovery. There was 4.9K views on Facebook Live.

JANUARY 18-26, 2021

Microsimulation Model Training with Ministry of Finance and the Inland Revenue Board Malaysia

Malaysia’s Tax Policy Microsimulation Model and the delivery of a user training sessions were conducted for staff members of the Ministry of Finance (MOF) and the Inland Revenue Board of Malaysia (IRB) on January 18 – 26, 2021. 18 participants joined via Microsoft Teams.

JANUARY 21, 2021

East Asia-Africa Policy Dialogue

This webinar is part of the East Asia-Africa Policy Dialogue which serves as a platform for policymakers, private sector representatives and development stakeholders to share experiences and perspectives on how to enhance economic ties between the East Asian and African regions. Dato’ Saifuddin Abdullah, Minister of Communications & Multimedia Malaysia, participated as a panelist speaker.

JANUARY 27, 2021

Workshop on the Multidimensional Poverty Index in Malaysia

This workshop was attended by 35 participants, from MOH, KPKT, EPU, DOSM, IDEAS, ISEAS-Yusof Ishak Institute, ISIS Malaysia, UNICEF, KRI, UM, DM Analytics, Quanticlear Solutions, Teach For Malaysia and Yayasan TAR.



EXECUTIVE SUMMARY
FY21 Key Activities

FEBRUARY 16, 2021

World Bank virtual symposium on 'Leveraging Aged Care Regulations for Quality and Scale: Global Lessons and Best Practices'

The first symposium out of four planned was co-hosted with the Ministry of Health and the Malaysia Productivity Corporation, and focused on aged care regulations and standards as experienced by Japan, Singapore and China.

FEBRUARY 22 - MARCH 22, 2021

Investment Promotion Training for Sabah (SEDIA)

In collaboration with the Sabah Economic Development and Investment Authority (SEDIA), WBG conducted a series of workshops introducing the fundamentals of investment promotion, including investment climate, partnerships, and tools and methodologies, during February 22 - March 22, 2021. 100 participants joined via WebEX.

FEBRUARY 24, 2021

Meeting the Challenges of Banking Supervision During Covid-19

More than 350 invited representatives from central banks, supervisory agencies and deposit insurance entities from 29 countries connected virtually to the session.

FEBRUARY 26, 2021

HRDF Webinar Series 1,2021: Theme 1- The Current Workforce Scenario

Officiated by the Minister of Human Resources, YB Datuk Seri M. Saravanan, the webinar focused on understanding the effects of COVID-19 in Malaysia, where the World Bank shared insights on the labor market impacts of the pandemic.

FEBRUARY 24, 2021

Launch of The Innovation Imperative for Developing East Asia Report

The launch event held virtually and livestreamed on YouTube. The report aims to deepen understanding of the role of innovation in the region's future development. It examines the state of innovation in the region and analyzes the main constraints that firms and countries face to innovating. 687 viewers tuned in during the live launch. Post launch, there have been 1900 people who watched the launch.

MARCH 16, 2021

Launch of the High-Income Flagship: Aiming High – Navigating the Next Stage of Malaysia's Development

The WBG Hub flagship report was launched under the patronage of the Minister of Finance, YB Tengku Zafrul Aziz, and with the participation of the Minister in the Prime Minister's Department (Economy), YB Dato' Sri Mustapa Mohamed and the WB Vice President for the East Asia and Pacific Region, Victoria Kwakwa. This garnered about 6.7K views on Facebook Live.



APRIL 6, JUNE 1, 2021

Symposiums 2 & 3: “Human Resources and Skills for Aged Care” and “Sustainable Aged Care Financing: Global Lessons and Best Practices”

The 2nd symposium was co-hosted by MoHR, which consisted a roundtable with stakeholders such as MoH training institutions, aged care operators, civil societies, and WHO, to discuss the criticality of human resources for aged care and policies to scale up skills development.

APRIL 7, 2021

Aiming High Online Knowledge Series #1: Growth and Institutions

The 1st series of 4 webinars on Aiming High report explored in detail two areas of reform: (i) Revitalizing long-term growth (ii) Modernizing institutions. 185 participants joined through WebEX and 106 via Facebook Live.

APRIL 26, 2021

East Asia - Africa Policy Dialogue: Trade and Investment in Agribusiness

This event is part of a broader webinar series to share experiences and perspectives on how to enhance economic ties between both regions and how to promote economic recovery and development progress in the era of COVID-19. There were more than 422 views on Facebook Live.



APRIL 20, 2021

Aiming High Online Knowledge Series #2: Competitiveness and Jobs

The 2nd of a series of 4 webinars on Aiming High report focused on i) boosting competitiveness and ii) creating jobs in Malaysia as it transitions into a high-income nation. More than 240 participants from 20 countries participated virtually to the session.



APRIL 23, 2021

East Asia and Pacific Region Food Security Roundtable

A high-level, by invitation-only roundtable to discuss issues in and priority actions related to the achievement of sustainable food and nutrition security in the East Asia and Pacific (EAP) region. YB Minister of Agriculture and Food Industries participated in this event.



APRIL 28, 2021

Report Launch: Asian Provident Funds: Meeting Tomorrow's Challenges

Key findings of the report focusing on the dual mandates of provident funds for social security and national development, and the challenges of balancing these roles was presented. The growing challenge of the relatively low retirement income generated by these funds in light of growing demographic challenges in the region was also discussed.

EXECUTIVE SUMMARY
FY21 Key Activities

WORLD BANK GROUP
Inclusive Growth & Sustainable Finance
Push in Malaysia

Aiming High

WEBINAR SERIES

Promoting Inclusion & Financing Shared Prosperity

May 4 (Tue), 9.30am - 11.30am (MYT)

LIVE bit.ly/AimingHighWebinar3

OPENING REMARKS	PRESENTATION	PRESENTATION	CLOSING REMARKS
 Lars Moller Practice Manager, Macroeconomics, Trade and Investment, World Bank Group	 Ken Simler Senior Economist, Poverty and Equity, World Bank Group	 Shakira Teh Sharifuddin Senior Economist, Macroeconomics, Trade and Investment, World Bank Group	 Firas Raad Country Manager for Malaysia, World Bank Group

PANEL DISCUSSION: WILL THE RISING TIDE LIFT ALL BOATS?

 Jomo Kwame Sundaram Senior Advisor, Khazanah Research Institute	 Norhana Endut Assistant Governor, Bank Negara Malaysia	 Nadia Jalil Regional Head, Group Economics and Market Analysis, CIMB	 Muhammed Abdul Khalid Research Fellow, Institute of Malaysian and International Studies (IKMAS)	 Rinku Murgai Practice Manager, Poverty and Equity, World Bank Group (Moderator)
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MAY 4, 2021
Aiming High Online Knowledge Series #3: Promoting Inclusion & Financing Shared Prosperity
3rd in the series of 4 webinars of Aiming High on i) inclusion and ii) financing shared prosperity. There was a lively discussion with the esteemed panel speakers, and had more than 1,100 views.



MAY 18, 2021
PCoP Forum Series: Vietnam's Development Experience and Aspirations 2035 and the Role of Innovation
Over 50 participants joined via WebEX, from members of the Southeast Asia Planning Community of Practice, planning agency officials, professional economic planners and policy practitioners with an interest in economic development.

WORLD BANK GROUP

Enhancing Government Effectiveness and Transparency
The Fight Against Corruption

Welcoming and Opening Remarks	Keynote Address	Report Presentation	Closing Remarks
 Firas Raad Country Manager for Malaysia, World Bank Group	 Victoria Kwakwa Vice President, East Asia and the Pacific, World Bank Group	 Datuk Seri Azam Baki Chief Commissioner, Malaysian Anti-Corruption Commission	 Bernard Myers Senior Public Sector Specialist, World Bank Group

East Asia and the Pacific Regional Launch

Panel Discussion				
 Fili Bahari Chairman, Corruption Eradication Commission, Indonesia	 Leoncio Badilla-Evenco, Jr Presidential Adviser on Streamlining Government Processes, Philippines	 Bulganbayas Khurelbastar Member of Parliament, Former Deputy Minister of Finance, Mongolia	 Tan Sri Abu Kassim bin Mohamed Special Advisor, National Centre for Governance, Integrity and Anti-Corruption, Malaysia	 Edward Olowu-Osere Global Director, Governance, World Bank Group (Moderator)

MAY 19, 2021
EAP Report launch: Global Anti-Corruption Report
This is the regional launch of the report "Enhancing Government Effectiveness and Transparency: The Fight Against Corruption". It provides an assessment of the challenges governments face, examines the instruments that work and the progress being made in highlighted country contexts. Nearly 100 participants joined virtually.

MAY 25, 27, 28, 2021
Malaysia Education Training: Building Back Better
This second segment of the 3-day training for 50 MOE officials was organized by the World Bank Group's Education Global team from Washington DC. Topics include lessons and tools for digital learning, teacher competence development, student assessment and enhancing teaching and learning in a blended learning environments during pandemic conditions.



MAY 18-20, 2021
Malaysia Seminar Series in Education
Six thematic e-seminars over 3 days were held for the MoE. 50 participants from MOE participated and had discussions with international experts from Finland, Singapore, Norway, Canada, Australia, Korea, Middle East, Africa and Southeast Asia. The speakers represented the World Bank, the European Commission as well as other Ministries of Education around the world.

MAY 27, 2021

**Online Knowledge Series #4:
High-Level Panel on High-Income
Country Transitions “Seeing the
Finish Line”**

This is the final part of the series of 4 webinars of Aiming High Report. This event convened a high-level panel of policymakers and practitioners from South Korea, Poland and Croatia, to share their countries’ high-income transitions, the challenges and opportunities faced during the process

MAY 28, JUNE 2-3, 2021

**Workshop for BNM: Principles for
Financial Market Infrastructures
(PFMI)**

At the request of BNM’s payments oversight department, the World Bank is delivering a series of virtual technical assistance on PFMI.

JUNE 21, 2021

**Training workshop on the Toolbox
for solutions to plastic waste
treatment on small and remote
islands**

Around 40 participants joined this training workshop on applying the Toolbox to specific island contexts in Malaysia. Participants were from federal government agencies, local governments and NGOs active on islands in Malaysia.

JUNE 24, 2021

**Webinar: Developing Islamic
Liquidity Management
Infrastructure in Dual Banking
System**

This webinar intends to offer insights through the sharing of unique experiences from Malaysia and the United Kingdom in developing *Shariah*-compliant liquidity management infrastructures in line with the growth of the Islamic banking sector in their respective jurisdiction.



INTERNATIONAL ROUNDTABLE

**PUBLIC SECTOR
PRODUCTIVITY MEASUREMENT**

WebEx

Wednesday June 16, 2021

8pm – 9.35pm (Kuala Lumpur) | 8am – 9.35am (DC)

JUNE 16, 2021

International Roundtable on Public Sector Productivity Measurement

The objective of this closed-door by invitation only roundtable is to present recent international policy research on public sector productivity measurement and discuss the experiences and lessons learned from different countries to provide a more nuanced picture on the issues, challenges and approaches from a country level perspective.



**MALAYSIA
ECONOMIC
MONITOR**

JUNE 2021

Weathering the Surge

WORLD BANK GROUP
Inclusive Growth & Sustainable Finance
Hub in Malaysia

JUNE 23, 2021

Launch of the 24th edition of the Malaysia Economic Monitor: “Weathering the Surge”

The latest edition of the MEM discussed immediate measures needed to save lives and protect the livelihoods of all Malaysians as well as the medium-to-long term measures needed to ensure a resilient post-pandemic recovery.



THEMATIC AREA 1

Supporting Inclusive Growth

SUB-THEMES

1. Growth and Inclusion

- Macroeconomics, Trade and Investment
- Poverty and Equity

2. Private Sector Competitiveness

3. Human Capital Development

Development Objective

Malaysia will likely transition to high-income country status in the next few years. The extent to which growth is sustainable and inclusive will be a key focus of Government policies. The COVID-19 pandemic poses a new challenge to economic policymaking, raising questions about the resilience of Malaysia's economy and the nature of growth in the post-pandemic era.

The Inclusive Growth pillar will consist of knowledge and research work related to growth and inclusion, private sector competitiveness, and human capital development.

The Hub teams aim to support Malaysia's shared prosperity agenda and provide impactful development lessons for countries seeking to make similar development journeys through innovative work on inclusive growth, private sector competitiveness, and human capital development.



THEMATIC AREA 1

SUB-THEME 1

Growth and Inclusion

Overview

Two World Bank Group Practices contribute to the work under this large sub-theme: Macroeconomics, Trade and Investment; and Poverty and Equity. The objective of the work is to support Malaysia's long-standing ambition to achieve equitable economic growth and to share the country's own experience with other countries harboring similar aspirations.

With this objective in mind, the Hub's teams working under this theme: (i) conduct policy analysis and provide advisory services for the Malaysian Government in the areas of macroeconomic and fiscal management, shared prosperity and poverty reduction; (ii) share Malaysia's inclusive growth and development experience with other countries and stakeholders; and (iii) support capacity-building in the area of economic modeling, statistical analysis and survey methods.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

Macroeconomics, Trade and Investment

- The year saw a large amount of activity across all areas of the MTI work program, with the delivery of economic policy advice on topics such as growth, investment, fiscal policy, trade, competition, and productivity.
- A key highlight was the launch of the flagship high-income transition report 'Aiming High—Navigating the Next Stage of Malaysia's Development', in an event officiated by the Minister of Finance and with the participation of the Minister in the Prime Minister's Office (Economy). The World Bank team was subsequently invited to present the report to a meeting of the Economic Action Council, chaired by the Prime Minister.
- In addition, the subsequent Aiming High webinar series, which culminated an event featuring the Governor of BNM alongside policymakers from Croatia, Poland, and the Republic of Korea, attracted significant interest and policy debate.
- World Bank policy advice supported a number of policy reforms adopted during the year, including legislative changes to Malaysia's fiscal rules in response to COVID-19, several aspects of the Budget 2021 package, as well the approval by cabinet of a new set of National Investment Aspirations.
- Other highlights included peer review of the draft chapters of the 12th Malaysia Plan, the development of a tax policy microsimulation model drawing upon newly available taxpayer data, subnational economic policy work in Sabah, competition policy analysis, as well as support to Malaysia as host of APEC in 2020 which saw the participation of the World Bank Group President in the APEC Finance Minister's Meeting, chaired by Malaysia's Minister of Finance.
- As in previous years, two editions of the MEM were launched, providing high-frequency analysis of Malaysia's response to the COVID-19 pandemic and efforts to build a recovery. Both editions were launched with the participation of the Minister in the Prime Minister's Office (Economy).

Malaysia is likely to make the transition from an upper-middle-income economy to a high-income economy within the next few years, despite the COVID-19-induced recession in 2020. This transition will be an important indication of Malaysia's success in its endeavors to achieve a higher level of development, with the country having achieved a transformation in living standards within a generation, with the extreme poverty rate declining to just a fraction of a percent of the population, and the country escaping from a long period in the "middle-income trap."

However, the transition to high-income country status raises a number of questions regarding the speed of Malaysia's growth, its quality, and its sustainability. Malaysia's economy is not growing at an optimal rate, with this rate slower than

that of many other countries that have achieved high-income status in recent years. In addition, compared to many other countries that have graduated from middle-income status, it has a lower share of employment at high skill levels and higher levels of inequality.

The overall objective of the activities under the Growth and Inclusion sub-thematic area is to contribute to the debate on the challenges and opportunities that Malaysia faces as it seeks to transition into high-income country status, while ensuring that growth is both sustainable and shared. Activities are divided into four main clusters as follow: (1) Macroeconomics and Growth; (2) Fiscal Management; (3) Trade and Investment; and (4) Inclusion.

THEMATIC AREA 1: SUPPORTING INCLUSIVE GROWTH

Sub-Theme 1: Growth and Inclusion



Macroeconomics and Growth

The year under review saw, as per usual practice, the preparation of two editions of the **Malaysia Economic Monitor**. The December 2020 edition, which was titled **Sowing the Seeds**, focused on the role of the food and agriculture sector and the role it can play in supporting a resilient recovery. While agriculture has proved to be resilient to the COVID-19 pandemic, the sector has seen a two-speed pace of development with commodities outpacing agro-food. By modernizing the agro-food sector, and better integrating it with the more dynamic “farm to fork” form economy, Malaysia can help facilitate sustainable economic growth. The June 2020 edition, titled **Resilient Recovery**, focused on the role of the private sector in supporting Malaysia’s recovery from COVID-19. With public sector fiscal resources severely stretched by the pandemic response, the key driver of investment, job creation, and income recovery beyond the pandemic will be private sector enterprises. Both editions of the MEM were launched online by the Minister in the Prime Minister’s Department (Economy). As per usual practice, the team undertook a series of roadshow events to disseminate the MEM across Malaysia via online knowledge sharing events.

A core focus of FY21 was the launch of the Hub’s flagship high-income transition report **Aiming High—Navigating the Next Stage of Malaysia’s Development**. World Bank projections indicate that Malaysia is likely to transition from an upper-middle-income economy to a high-income economy during 2024-28, despite a COVID-19 induced

recession in 2020. This milestone will be an important marker in Malaysia’s development journey, as the country has witnessed a transformation in living standards within a generation, reducing dollar-a-day poverty to just a fraction of a percent of the population. It will also perhaps put to rest longstanding fears that Malaysia is at risk of becoming stuck in the “middle-income trap”. Yet, the transition to high-income country status also raises a number of questions in terms of the quality and sustainability of growth, as well the broader development aspirations of Malaysian society—especially as Malaysia increasingly compares itself with developed countries.

The study, which drew upon contributions from a wide cross-section of units, was launched at a high-profile event officiated by the Minister of Finance and with the participation of the Minister in the Prime Minister’s Department (Economy). A series of four online knowledge events followed, focusing on various aspects of the report and featuring policymakers and commentators from a range of different perspectives. The final event, which was officiated by the Governor of BNM and was attended by the World Bank Managing Director for Operations, featured policymakers from Croatia, Poland, and the Republic of Korea sharing their perspectives of the high-income transition challenge.

The culmination of the launch of the Aiming High report was the opportunity for the World Bank team to deliver a **presentation of the report to a meeting of the Economic Action Council, chaired by the Prime Minister**.

Fiscal Management

During the year, the World Bank team worked closely with the authorities, providing a range of just-in-time as well as strategic pieces to guide the fiscal policy response to the pandemic. A significant highlight was the **adoption of a series of legislative amendments to adjust Malaysia's fiscal rules and provide additional space to respond to the crisis**, informed by World Bank advice.

A key focus was **high-intensity support for the preparation of Budget 2021**. This included both upstream support to preparation of the budget, including on macroeconomic modeling and the provision of suggested policy options, as well as significant analysis and media commentary after the presentation of the budget. Several of the team's policy recommendations were taken up in Budget 2021, including on enhancing fiscal space, improving the efficiency of tax incentives, and raising the quality of investments.

Following the release by the Ministry of Finance of disaggregated personal income tax data, the team **built**

and deployed an innovative tax microsimulation model for Malaysia. The model allows for the simulation of alternative tax policies, showing the expected changes in tax revenue, as well as the distributional implications and behavioral responses associated with policy change. Training on the model was provided to the staff of MOF and the Inland Revenue Board. The model is being used as part of Malaysia's Medium-Term Revenue Strategy.

A major focus for the coming year will be the preparation of a new **Public Expenditure Review for Malaysia**. Initial upstream work took place during the year under review, with a majority of activities expected to take place next year.

The World Bank continued to provide support to Malaysia as chair of APEC during 2020, with a particular emphasis on the Finance Ministers' Process. This culminated in the **APEC 2020 Finance Ministers' Meeting**, which was chaired by the Minister of Finance and attended by the World Bank Group President.

Budget 2021 Engagement



The World Bank provided a series of policy inputs to Budget 2021, sourced from across the Hub. Staff also took part in budget consultations with MOF.

Several policy recommendations were taken up in Budget 2021, including on enhancing fiscal space, improving the efficiency of tax incentives, raising the quality of investments, and on sustainable finance.

Analysis from the MEM featured in the Economic Outlook, and the Malaysia Macro-econometric Model provided the underpinning macroeconomic framework for the Budget.

World Bank staff also engaged in extensive post-Budget commentary and analysis, on television, on radio, in print, and online.

THEMATIC AREA 1: SUPPORTING INCLUSIVE GROWTH

Sub-Theme 1: Growth and Inclusion



Trade and Investment

Activities on investment policy and promotion that aim to **Modernize Malaysia's Investment Framework**, and undertaken in close partnership with BNM, saw key policy traction during the year. Following on from the joint presentation to the Economic Action Council in May 2020, follow-up policy dialog resulted in the **adoption by Cabinet of a new set of National Investment Aspirations**, as well as a decision to establish a National Investment Council chaired by the Prime Minister. This is an important milestone in efforts to raise the quality of investments in Malaysia.

On competition policy, the team provided training and capacity building as well as confidential **inputs to the draft amendments to the Competition Act** as part of efforts, in partnership with the Malaysian Competition Commission, to strengthen the regulatory framework for markets and competition. **The Product Market Regulations survey** conducted in Malaysia for the first time and using the joint World Bank–Organisation for Economic Co-operation and Development (OECD) approach was completed along with an analytical report of key findings for policymakers.

The third **Productivity and Investment Climate Survey was completed during the year under review** as a RAS project. The final analysis phase of the project saw an intense period of policy dialog as the draft report was prepared and discussion with counterparts. The report closely informed the development of the 12th Malaysia Plan, and following

the endorsement of the final report, the team was invited to present the report in a briefing to the Minister in the Prime Minister's Department (Economy).

Additional policy notes on **Strengthening Services Trade** and on the **Reconfiguration of Global Value Chains** were prepared, alongside analysis of the economic implications of the **Regional Comprehensive Economic Partnership** on Malaysia's economy. Follow-up dialog also took place on the costs and benefits to Malaysia from ratification of the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership**.

The year saw an intensification of efforts to provide economic policy support at the subnational level, focusing on Sabah as a priority state. This included the preparation of the **Catching Up – Inclusive Growth and Development in Sabah report**, as well as a series of assessments and training deliveries of investment policy and promotion focusing on state-level agencies operating in Sabah.

Inclusion

During the year under review, the World Bank was invited to provide **peer review comments on the draft chapters of the 12th Malaysia Plan**, the country's next medium-term development plan. This involved the coordination of inputs from across World Bank units into a consolidated set of comments provided to EPU.

Poverty and Equity

Malaysia has achieved great progress in poverty reduction over the past 50 years, and will soon reach an important milestone by becoming a high-income country. Nevertheless, the challenges remain for Malaysia to address persistent deprivations and high inequalities while aiming for its Shared Prosperity Vision 2030.

A core product in FY21 was the **policy note and workshop on Malaysia's Multidimensional Poverty Index (MPI)**. The Government of Malaysia introduced the MPI in the 11th Malaysia Plan to complement the income poverty line, recognizing that poverty is not exclusively a condition of low incomes, but is also manifested by deprivations in other domains. The team has presented its first round of analysis

at the World Statistics Congress 2019 in Kuala Lumpur. A workshop with relevant government officials, academicians, and NGOs was organized in January 2021 to share further analysis and gather expert insights and critiques. The team has prepared a policy note and planned for further dissemination activities with EPU for updates in the 12th Malaysia Plan.

The second highlight of the year was the **High-Frequency Telephone Surveys to Monitor the Impact and Recovery from the COVID-19 Crisis in Malaysia**. The COVID-19 pandemic has created a global health crisis that has caused deep economic impacts. Response measures to contain and mitigate the transmission of the virus are vast, in

Multidimensional Poverty Workshop

The World Bank presented its recommendations to improve the MPI in Malaysia through: (1) alternative indicators using existing data from the Household Income and Expenditure Survey (HIES), (2) examples of indicators used in Mexico and the European Union as well as multidimensional poverty levels and patterns in Latin America and Sub-Saharan Africa, and lastly (3) reflections on potential dimensions and distribution effects in the context of Malaysia.

The workshop findings were welcomed and appreciated by high-level policymakers from EPU, MOH, KPKT, DOSM and the research community in Malaysia. The session also provided an opportunity for in-depth discussions among the policymakers, international and local researchers, and academicians. This has helped the World Bank in producing its policy note on MPI and continuing knowledge-sharing with relevant ministries and agencies in Malaysia.

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both social and economic terms, confronting the global economy with unprecedented challenges. Globally, the pandemic is expected to push 150 million people into extreme poverty by 2021, whereas in Malaysia, an estimated 150,000–300,000 additional people fell below the national poverty line in 2020, according to World Bank estimates. However, relatively little is known about the extent of the direct and indirect impacts of the COVID-19 pandemic, and related control and relief measures, on the well-being of individuals and households in Malaysia. Household-level data collection by governmental and non-governmental bodies on the pandemic's impacts has largely been confined to non-representative online surveys and small surveys concentrating on specific geographic areas such as low-income apartment blocks.

With the aim of collecting representative statistics and analyzing the impacts and progress of recovery among Malaysian households, the World Bank has conducted the first round of a phone-based survey during May and June 2021. For FY22, the team plans to conduct two additional rounds of the phone-based survey, interviewing the same households from the first round. The surveys will provide useful data and insights to the government and development partners in near real-time, supporting an evidence-based response to the crisis. Initial dissemination of the survey findings will take place during the annual Hub Program Review Meeting with MoF, Bank Negara Malaysia, and EPU, and further dissemination in FY22 is in planning.

The image is a promotional graphic for a webinar. At the top, it features the logos of the World Bank Group and UNDP. Below the logos, it says 'LIVE WEBINAR' and 'TUESDAY, 3 NOVEMBER 2020 9.40 A.M. - 10.45 A.M.'. The main title of the webinar is 'How has COVID-19 changed poverty?'. Underneath, it lists three panelists: Dr. Michael Woolcock (Lead Economist, World Bank), Dr. Muhammed Khalid (Managing Director, DM-Analytics and Research Fellow, Institute of Malaysian and International Studies (IKMAS), UKM), and Shareen Shariza Dato' Abdul Ghani (CEO, Yayasan Sejahtera). The moderator is listed as Shakira Teh Sharifuddin (Senior Country Economist, World Bank Malaysia).

Together with the United Nations Development Programme (UNDP), the team successfully organized an online webinar to commemorate the End Poverty Day 2020 in November. The theme was “Building Back Resilience Among the

Poor During COVID-19.” Two panel discussions were held on the topics of “How has COVID-19 changed poverty?” and “How can policy interventions support recovery and resilience post-COVID-19?”. The webinar was well received by approximately 1,600 viewers on Facebook Live, and distinguished speakers including the Secretary-General of the Ministry of Women, Family and Community Development (KPWKM), Resident Representative at UNDP Malaysia, Lead Economist at the World Bank, and other esteemed colleagues in Malaysia.

As a continuation from FY20, the work on **Trends in Malaysian Poverty and Income Dynamics** saw greater discussion and dissemination efforts. Research partners from Vrije Universiteit (VU University) Amsterdam, in collaboration with the World Bank, presented their findings on poverty and income mobility between 2004-2016 at the Kuala Lumpur World Bank Research Seminar held by the EAPCE Research Center in March 2021. It was one of the most highly attended seminars in the five-year history of the seminar series. The study employs a synthetic panel approach based on Household Income and Basic Amenities Survey (HIS) data, which shows that Malaysia's poverty and mobility trends differ notably across geographic dimensions, despite having experienced large reductions in chronic poverty over recent years. Such disparities are most striking when comparing the affluent urban Peninsular Malaysia with the poorer rural East Malaysia, and also found when comparing within-group ethnic inequalities involving Bumiputeras in Peninsular versus East Malaysia. The study findings and policy implications were also featured in the **Malaysia Economic Monitor (June 2021 edition)**.

In April 2021, the **Indonesia Statistical Council invited the Malaysia Hub's Poverty and Equity team to make a presentation on poverty measurement**. The Council was especially interested in learning about Malaysia's experience with updating the national absolute poverty line to correspond with the country's development progress. The presentation and lively discussion covered both the technical aspects of updating poverty lines, and lessons learned about clearly and effectively communicating the new standards to decision makers and the public at large.

Other highlights during FY21 include co-leading the production of the Hub's flagship report, **Aiming High: Navigating the Next Stage of Malaysia's Development**, and contributing a chapter on elder poverty to the report **A Silver Lining: Productive and Inclusive Aging for Malaysia**. The team also released new editions of the **biannual Macro Poverty Outlook (MPO) and Poverty and Equity Briefs (PEBs)**. For the recent Aiming High report, the team participated in a series of dissemination activities including the launch event, webinar series, and blog articles.

FY22 Moving Forward

(JULY 2021 – JUNE 2022)

Macroeconomics, Trade and Investment

Overview

A key focus in the year ahead will be the preparation of the World Bank Malaysia Hub's next flagship report, a new PER for Malaysia. The PER aims to support Malaysia's medium-term reform efforts to rebuild fiscal space in the post-pandemic period, and to sustainably finance the transition to high-income status. It will involve close collaboration across government agencies, led by MOF, and with the support of several teams from across the Hub.

The PER will be accompanied by a set of advisory activities, including further work to develop the tax microsimulation model, research into new sources of revenue such as capital gains and wealth taxation, as well as modeling and analysis of carbon pricing and environment tax reform.

Other key priorities include the continued publication of the MEM, as well as follow-up implementation support to reforms on investment, competition, and trade policy.

FY22 Priority Activities

Malaysia needs to adapt its fiscal policy to durably finance its ambition to transition to high-income and developed status in the years ahead. To catch up with its high-income peers, Malaysia needs to invest more and better in human capital, innovation, and technologies, to ensure that citizens can participate productively in an increasingly skills-intensive and innovation-driven economy. Concurrently, Malaysia must also increase the availability and quality of basic public services (including education, health, and social protection) in tandem with the rising expectations of an increasingly middle-class society and shifting demographic profiles. Delivering on these priorities would require an adjustment of Malaysia's fiscal model to raise more revenue and to spend it more effectively. The economic fallout of the COVID-19 crisis has presented further fiscal challenges for Malaysia. Unprecedented fiscal actions in response to the crisis, along with considerable revenue losses from output contraction and lower oil prices, has led to significant increases in government debt and deficits.

In support of Malaysia's fiscal reform initiatives to rebuild fiscal space and sustainably finance its inclusive long-term growth agenda, the Hub next plans to carry out a Programmatic **Tax and Public Expenditure Review**. The PER aims to support Malaysia's medium-term fiscal reform efforts to rebuild fiscal space in the post-pandemic period, and to sustainably finance its transition to high-income status.

Specifically, the PER will seek to provide an in-depth analysis of Malaysia's prevailing fiscal position and to identify potential reform opportunities to:

1. **Enhance tax capacity and progressivity** through reforms to the main tax instruments (including personal income tax, corporate income tax, consumption tax, and capital gains taxes), as well as the use of behavioral insights to increase tax acceptance and compliance.
2. **Improve the efficiency and equity of public expenditure** by containing the rising costs of public wage bill and pensions, improving the outcomes of public education and health spending, and strengthening the targeting of social assistance programs.
3. **Promote low-carbon and climate-resilient development** by phasing out regressive fuel subsidies, adjusting carbon prices, and fostering green public investment in low carbon and resilient infrastructure and innovation.

The **Malaysia Economic Monitor** will continue to be a core focus of the Hub's engagement in Malaysia, published twice per year and presenting an integrated picture of economic and structural policy issues. Special topics will continue to be identified in a collaborative manner, with elements from the high-income transition report providing one set of source material. The MEM will also be an important tool to support high-frequency monitoring and analysis of the impact of the COVID-19 pandemic on Malaysia's economy. Follow up policy dialog and dissemination is also expected

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to take place around the flagship high-income transition report, **Aiming High – Navigating the Next Stage of Malaysia’s Development**. In addition, policymakers in a growing list of other countries have requested guidance on lessons learned from the Aiming High flagship report.

Work on **Modernizing Malaysia’s Investment Ecosystem** and on **Boosting Competition in Malaysia Markets** is expected to continue, with the provision of follow-up implementation support to the reform agenda. The subnational economy policy engagement will see the dissemination of the **Catching Up – Inclusive Growth and Development in Sabah Study** as well as continued capacity

building and advisory support to state level investment promotion institutions in Sabah. Trade policy work will also continue, including dissemination of work on **Services Trade** and on **Reconfiguration of Global Value Chains** as well as additional work on regional economic integration and trade agreements.

Ongoing policy support is expected to continue in support of the **12th Malaysia Plan**. This will include continued just-in-time advice, guidance, and knowledge sharing on economic policy issues in the context of the COVID-19 pandemic response.

Developing a Tax Simulation Model for Malaysia



As part of the Tax and Public Expenditure Review work program, the World Bank team developed a Malaysia Tax Policy Microsimulation Model. The model was developed using the Tax Analyzer Framework, an open-source software framework designed for the calculation of tax liabilities using micro-data of individuals.

The model aims to provide a clearer picture on individuals’ tax burden, as well a better estimation of the fiscal impacts of various policy proposals to adjust the marginal tax rates, income bands, reliefs, and allowances across the structure of personal income tax framework. The model also allows for the estimation of behavioral effects of changes in tax policy, as well as dynamic effects driven by changes in macroeconomic factors such as incomes and labor force participation. These simulations can be used to provide results that include distributional tables and charts, estimates of revenue in a given fiscal year and over time, the breakdown of the tax burden by income group, and the revenue impact resulting from specific elements within a reform proposal.

The tax policy microsimulation model was built with a near-complete set of Malaysia’s personal income tax return records provided to the World Bank by MOF and LHDN. A series of training webinars were delivered to support the usage of the model, with further training and model extensions planned for the year ahead. The tax microsimulation model is being used as part of efforts to prepare a Medium-Term Revenue Strategy for Malaysia.

Poverty and Equity

Overview

The Poverty and Equity team will continue to provide analytical and advisory support in areas such as contributing to the Public Expenditure Review (PER) for Malaysia over 2021–2022, initiating Malaysia’s first Commitment to Equity (CEQ) analysis, and monitoring of COVID-19 impact and recovery of households.

As Malaysia transitions into a high-income economy within the next 3–7 years, the focus will be on ensuring equitable growth and greater overall well-being for the rakyat. Therefore, the overall aim of the activities under this sub-theme will be to contribute to policy design and implementation, based on evidence and cross-country experiences.



FY22 Priority Activities

The **Public Expenditure Review (PER)** for Malaysia commenced in FY21. The PER is a cross-GP initiative led by the Macroeconomics, Trade and Investment GP. The PER aims to provide MoF and related agencies with just-in-time and extended analytical support on key topics related to revenue and expenditure policies as well as debt management. The team will provide support in analyzing the equity aspects of public social sector spending, focusing primarily on education, health and social transfer expenditures. The HIS will be used to directly estimate the incidence of public social transfer programs. The team plans to use microdata from the Household Expenditure Survey to analyze the incidence (progressivity or regressivity) of indirect subsidies (such as automotive fuel, water supply, and electricity) and indirect taxes (such as SST and excise taxes) across the income distribution, to measure the net impact of social spending and taxes on poverty and inequality.

As part of the PER analysis, the team will undertake an in-depth analysis of fiscal incidence of both revenues and public expenditure in Malaysia using the **Commitment to Equity (CEQ)** analytical framework. In simple terms, the CEQ analyzes which income groups benefit most from public spending and which income groups contribute most to support that public spending. Subject to gaining access to the household expenditure microdata from the Department of Statistics Malaysia (DOSM), and personal income tax data and budget execution data from MOF, the team will assess the country’s revenue collection and public expenditures,

focusing on how they affect income inequality, poverty, and welfare in general. As part of the CEQ analysis, the team will develop an assessment diagnostic tool for Malaysia, which may be used to demonstrate the impact of fiscal policies on poverty and inequality, as well as to explore potential improvements in revenue collection and social spending in Malaysia. The CEQ analysis can also provide policy simulations, which are useful for determining appropriate fiscal policy measures during times of crisis and estimating longer-term distributional impacts of policies and measures.

The team is planning for **two additional rounds of COVID-19 phone-based surveys** in FY22 to monitor the impact and recovery of households during the crisis. These surveys will feature follow-up interviews with the same households from the first round (in FY21), and thus provide panel data throughout 2021. If there is significant attrition among the original set of respondents, replacement interviewees will be randomly selected to fill out the sample, yielding a hybrid panel/cross-sectional study design. The Poverty and Equity GP has conducted similar panel surveys in many developing countries, and it has demonstrated its timeliness and great usage of data for evidence-based policymaking during the COVID-19 pandemic. The team in Malaysia has also received encouraging support and great interests from government counterparts, including from EPU, MoF, and BNM. The team has applied for World Bank trust funds to support the additional survey rounds in FY22.

IN FOCUS

What will it take for Malaysia to become a high-income and developed economy?



SYNOPSIS: As Malaysia starts to look beyond the pandemic toward an economic recovery, it is an opportune time for the country to begin implementing reforms with the aim of achieving the goal of becoming a high-income and developed economy. A new World Bank flagship report ‘Aiming High—Navigating the Next Stage of Malaysia’s Development’ explores this question in depth, and provides policy recommendations on how the country can transition successfully to high-income and developed nation status – and sustain equitable economic growth over the medium term.

CHALLENGE: What are Malaysia’s development ambitions beyond COVID-19? The country has been severely affected by the pandemic, experiencing three simultaneous shocks: the direct health impact of the virus, the economic impact of movement restrictions, and the growth impact of a global recession. Yet even with a significant contraction in 2020, Malaysia’s economy is expected to recover and propel the country into high-income nation status over the next few years.

How should Malaysia best prepare for this likely income transition, in order to ensure that this crossing of the high-income threshold is matched by improvements in the quality and sustainability of growth and the quality of life for all Malaysians? The “Malaysia Aiming High” team set out to answer these questions, following a request by Malaysia’s Minister of Finance to the World Bank Regional VP at the Spring Meetings two years ago. The resultant flagship report finds that while Malaysians should aspire to aim high, navigating the next stage of the country’s development will require tough reforms.

RESPONSE: Similar to other countries around the world, Malaysia has been severely affected by the pandemic, experiencing three simultaneous shocks: the direct health impact of the virus; the economic impact of movement restrictions; and the growth impact of a global recession. Yet even with a significant contraction in 2020, Malaysia’s economy is expected to recover and propel the country into high-income nation status over the next few years.

To ensure it does not trail behind other high-income and developed countries, Malaysia will have to find ways to boost economic growth, improve its competitiveness, create high quality jobs, strengthen its institutions, ensure greater inclusion, and strengthen its capacity to finance the transition to high-income and developed nation status.

Even prior to the COVID-19 crisis, Malaysia has been contending with multiple development challenges. Compared to countries achieving high-income status in recent years, its economy has been growing slower, it has had a lower share of employment at high skill levels, and it has higher levels of inequality. Relative to OECD countries, it also collects less in taxes, spends less on social protection, and performs below its potential in the areas of environmental management, governance effectiveness, and service delivery. Many of these weaknesses have come into greater focus during the pandemic.

It is evident that Malaysia’s economy rests on strong fundamentals. Its structure and export markets are well-diversified; it is open to trade and integrated

into global value chains; it has deep and sophisticated capital markets; it is governed by sound macro-economic principles; it has a strong business regulatory environment; and it enjoys the benefits of modern critical infrastructure.

Yet, it is also clear that the development model that worked in the past is no longer equipped to help Malaysia navigate the next stage of its development. A different set of policies and a re-alignment of institutions will be required to improve the quality, inclusiveness, and sustainability of economic growth in the future.

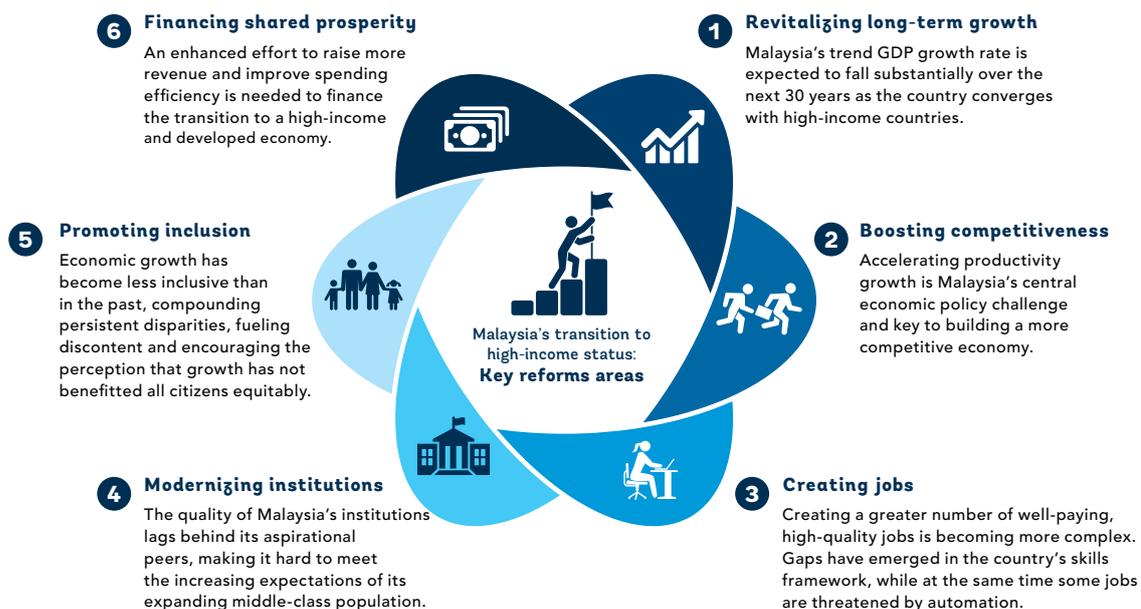
RESULTS: The comprehensive nature of this report, as well as the participatory nature of its production, has had a major impact on public policy debate in Malaysia. Launched jointly by the Finance Minister, Economy Minister, and World Bank Group Regional VP at a major high-profile media event, and presented directly to the Prime Minister and Cabinet, the report has helped facilitate much-needed discussion and debate among the highest-level decision makers on the need for Malaysia to find a new development model for the next stage of its development, with broad reforms in everything from the education system and female labor force participation to the investment promotion framework.

In its first day of publication alone, the report was quoted in over 70 media outlets covering print media, television, radio, and online media with a combined reach totaling over 3 million Malaysians nationwide. A subsequent online knowledge series, which involved a diverse set of commentators, reached an even wider audience. The concluding event in the webinar series focused on lessons from other countries that have navigated the high-income transition, and featured senior policymakers from Croatia, Poland, and the Republic of Korea, alongside the Governor of BNM and the World Bank Group’s Managing Director. Further, the report has attracted growing interest from World Bank client governments across the globe.

PARTNERS: The preparation of the report was made possible by a close partnership between the World Bank, MOF, EPU and BNM.

MOVING FORWARD: The team will continue to engage and disseminate the report in the coming months. In addition, policymakers from a number of World Bank client governments across the globe have reached out in response to the Aiming High report, seeking lessons and experiences that they can apply from Malaysia, and from the report, to their own country contexts.

Aiming High: Navigating the next stage of Malaysia’s development



Source: World Bank staff elaboration

IN FOCUS

How can Malaysia raise the quality of its investments?



SYNOPSIS: Moderating long-term investment growth and its pandemic-induced collapse has highlighted the need for Malaysia to strengthen its investment competitiveness in support of private sector recovery and growth. Joint research by BNM and the World Bank identified a series of policy measures that the Government could take to raise the quality of Malaysia's investments.

CHALLENGE: The sharp contraction in global economic activity amid the COVID-19 crisis has been accompanied by an even larger decline in foreign and domestic private investment. Malaysia is especially exposed to the collapse in global investment flows, given its openness to international trade and deep linkages to global value chains. And even before the crisis, there were concerns that Malaysia's foreign direct investment has been underperforming compared to its regional comparators, and may not be delivering some of the key policy objectives in line with the country's longer-term development aspirations. It has become increasingly clear that the investment policy

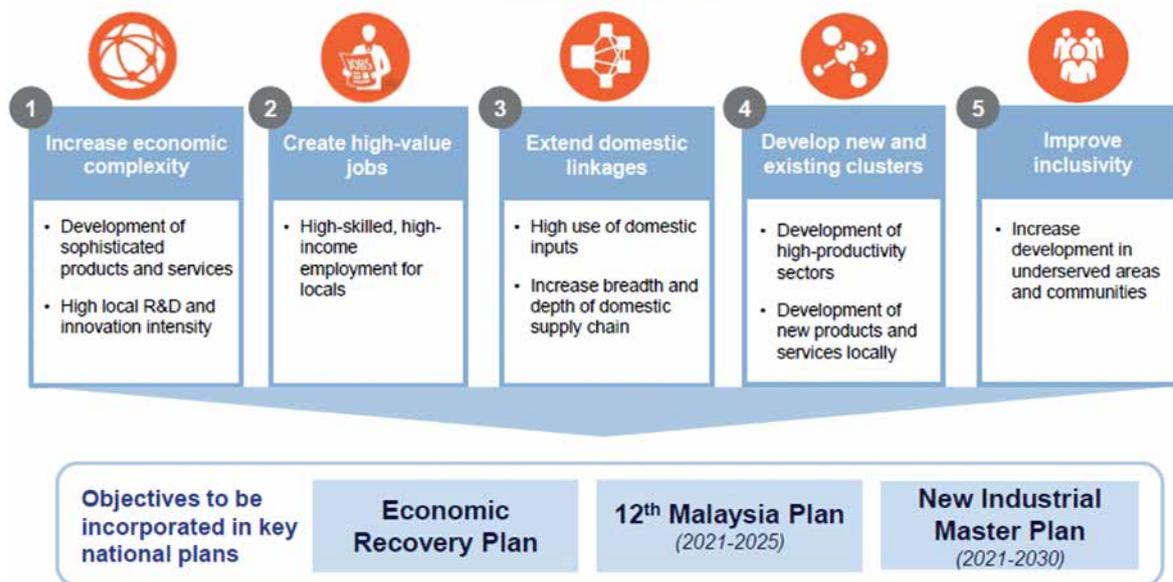
and strategies that were successful in the past may no longer be effective in securing Malaysia's investment competitiveness during the next stage of development.

RESPONSE: A joint BNM and World Bank team was established to work in partnership across government to identify policy steps that would raise the quality of investments. Analysis suggested that Malaysia's investment framework faces three challenges: firstly, the design of the incentives framework could be improved to attract quality investment in a more targeted and cost-efficient manner; secondly, the lack of transparency, predictability, and lengthiness of the application and monitoring process also undermine the effectiveness of incentives; and thirdly, the current institutional landscape in Malaysia is fragmented, with significant overlapping mandates among national and subnational agencies.

In response to these challenges, the joint team prepared a set of policy recommendations that were discussed extensively across government, culminating

Adopt the National Investment Aspirations (NIAs) as the anchor of Malaysia’s new investment policies

Specific and measurable NIAs to anchor the design, monitoring and evaluation of investment reforms



in a presentation to a meeting of the Economic Action Council, chaired by the Prime Minister in May 2020.

The study found that a crucial starting point for enhancing Malaysia’s investment policy and incentives framework is to achieve clarity and consensus among policymakers on the specific and measurable set of national investment policy objectives. Next, there is scope to enhanced Malaysia incentives design, by shifting away from profit-based to cost-based instruments that can be tailored more closely to policy goals. There is a need to reform Malaysia’s tax incentive policy and administration system, guided by principles of predictability, transparency, accountability, and proportionality, with a more robust M&E framework to track progress toward national investment aspirations. Finally, there is scope for improvement in the national investment promotion framework, including national-subnational coordination and capacity, and effective provision of investor services across the investment life cycle.

RESULTS: After significant policy dialog, the narrative on “quality investments” has gained traction, and the National Investment Aspirations were formally endorsed by the Cabinet on April 21, 2021. In addition, at the same meeting the Cabinet made a decision to establish a National Investment Council chaired by the Prime Minister. These two reforms have been achieved as a result of the joint BNM-World Bank study and the specific policy recommendations made by the team to the Economic Action Council.

PARTNERS: The preparation of the report was made possible by a close partnership between the World Bank, MITI, and BNM.

MOVING FORWARD: The team will continue to support follow-up implementation and operationalization of the new National Investment Aspirations and the National Investment Council, as well as further reform areas relating to investment incentives administration, and the organization of Malaysia’s investment promotion network.

IN FOCUS

Aiming High: Will A Rising Tide Lift All Boats? Rethinking Malaysia's social protection system and revenue collection framework



SYNOPSIS: The Aiming High flagship report and webinar series aims to share the report findings and outline the potential reform agenda in Malaysia. The third webinar included an esteemed line-up of speakers, and a fruitful discussion surrounding ways to ensure equitable growth and sustainable financing in Malaysia, through an enhanced social protection system and a progressive tax framework.

CHALLENGE: Malaysia is expected to cross the high-income economy threshold within 3–7 years. While reaching high-income status is an important milestone, the bigger challenge is ensuring that this achievement is matched by higher quality socioeconomic development.

Even before the pandemic, there was a growing sense among the rakyat that the headline successes were not translating into improvements in their daily lives. A high-income country status would be a hollow achievement if it does not bring higher levels of economic security and greater overall well-being for all Malaysians.

Over the past 30 years, only 33 countries have made the transition to high-income status, and yet Malaysia is approaching the transition from a weaker position than its predecessors. Malaysia has a slower economic growth, smaller share of employment in high-skilled jobs, and higher levels of income inequality. Tax collection, spending on social protection, and control of corruption are also lagging behind comparator countries.

RESPONSE: In Chapters 6 and 7 of the Aiming High report, the team examines several key challenges and recommends important reforms for the country to achieve both the high-income dream and shared prosperity vision by 2030. Necessary reforms include (1) ensuring equitable access to socioeconomic development, (2) strengthening and deepening the social protection system, and (3) enhancing government revenue through a more progressive and realigned tax framework.



The third webinar series leveraged local expertise as well as the World Bank Group’s international experiences to discuss how the country can enhance the redistributive impact of taxes and social spending, as part of a broader conversation on establishing an enhanced social contract as a two-way principle between the Government and the rakyat to finance and achieve high-quality public services.

Finally, the task team produced blog articles in English, Bahasa Malaysia, and Mandarin to reach a wider audience in its knowledge-sharing initiatives.

RESULTS: Findings and lessons from the Aiming High flagship report have been well-received and appreciated by the policymakers and Malaysians in general.

Malaysia’s Government is considering major reforms in these areas that are consistent with the recommendations in the Aiming High report. MOF has agreed to a PER in FY22, which will focus on fiscal

incidence analysis, including on direct and indirect revenue collection and public spending on social welfare. The Social Protection Council (MySPC) has also been reactivated in June 2020 to enable greater reforms within Malaysia’s social protection system, including a comprehensive analysis of the existing social safety nets, social insurance, and labor market interventions.

PARTNERS: The Aiming High report was championed by MOF and EPU. Other key partners included BNM, local experts, and academic researchers.

ADDITIONAL MATERIALS:

- Facebook recording:
<http://bit.ly/AimingHighWebinar3>
- Blog (English):
<https://blogs.worldbank.org/eastasiapacific/will-rising-tide-lift-all-boats>
- Blog (BM): forthcoming
- Blog (Mandarin): forthcoming



THEMATIC AREA 1

SUB-THEME 2

Private Sector Competitiveness

Overview

Malaysia is likely to make the transition from an upper middle-income economy to a high-income economy within the next few years, despite the COVID-19-induced recession in 2020. However, the transition to high-income country status raises a number of questions regarding the speed of Malaysia's growth, its quality, and its sustainability.

Productivity-driven growth and private sector competitiveness will be the primary drivers for Malaysia to transition to a more innovation-based growth model, generate jobs, increase incomes and economic growth. The private sector plays a crucial role in achieving this as governments around the world actively seeking effective ways to improve competitiveness, enhance investment climate and boost the volumes and value of trade especially in light of the ongoing pandemic that has created economic pressures through firms being forced out of business and the consequent loss of livelihoods and jobs.

This work program will support Malaysia's private sector development agenda through the delivery of high-quality analytics and dialogue with key stakeholders to inform policy making on topics to foster firm level productivity and competitiveness, innovation, technology adoption and sectoral and industry specific analysis.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

The COVID-19 pandemic created a significant shock to lives and livelihoods over the past year, and posed new challenges to economic policymaking. In the immediate response to these shocks, policy has been skewed toward more short-term initiatives to alleviate hardships among the unemployed and more vulnerable groups. With higher fiscal policy constraints as a result and a need to rebuild policy strategies to achieve Malaysia's high-income target, private sector-led economic development will be crucial for Malaysia to sustain its growth trajectory.

The **Private Sector Competitiveness** work program aims to enhance private sector competitiveness and productivity in Malaysia by promoting industry development, innovation, and entrepreneurial development. Efforts to achieve this objective will consist of innovative capacity-building activities, policy reform assistance, and knowledge-sharing activities in these areas of focus with other countries. In addition, the program also aims to contribute to the debate, with evidence-based analysis and cross-country experiences, regarding the challenges and opportunities that Malaysia and other developing countries face, especially as they recover from the impacts of COVID-19 and work to achieve goals of increasing private sector activity and economic growth.

This work stream has been enhanced through the strength of existing, valuable partnerships with key counterparts such as the Ministry of Finance (MoF), Economic Planning Unit (EPU), Ministry of International Trade and Industry (MITI), Malaysian Investment Development Authority (MIDA), SME Corp, Malaysia Digital Economy Corporation (MDEC), Malaysia Productivity Corporation (MPC), as well as agencies such as the Malaysian Global Innovation and Creativity Centre (MaGIC), CRADLE Fund, Malaysia Venture Capital Management (MAVCAP), and Penang Skills Development Centre (PSDC). Moreover, the objective going ahead will be to deepen collaborations with these partners, as well as engage with a broader set of academia such as the University of Malaya (UM), Universiti Kebangsaan Malaysia (UKM), as well as prominent think tanks in the country, such as Khazanah Research Institute (KRI), the Institute of Strategic and International Studies (ISIS), and the Institute for Democracy and Economic Affairs (IDEAS).

In FY20-21, the guiding theme for this work program has been centered on **Malaysia's development vision of achieving a knowledge-intensive high-income status**. This would require **increased productivity growth** with **private**

sector innovations and **job creation** through boosting entrepreneurship and SME growth. Moreover, there is also an inherent need to emphasize the **strengthening of sectoral growth** and **structural transformation**. From the work on this program, this has been achieved through the monitoring of private sector recovery from the COVID-19 crisis, as well as sectoral and export competitiveness. An analysis of productivity constraints was also carried out to develop and disseminate transformative recommendations.

A new report was released in October 2020 entitled '**Assessing the Effectiveness of Public Research Institutions: Fostering Knowledge Linkages and Transferring Technology in Malaysia**'. Using the results from a new survey on public research institutions i.e. public research organizations (PROs) and university research centers (RCs), this study analyzed the levels of knowledge and technology transfer in Malaysia. A wide range of characteristics and factors were assessed to determine the effectiveness of technology transfer. These included the national policy framework, institutional and legal frameworks, research capabilities of personnel, and coordination across stakeholders and policies. It also aimed to analyze the challenges and obstacles that exist in fostering such linkages between research and industry.

Some of the key findings from the study included the following, with key elements incorporated in the upcoming 12th Malaysia Plan:

- a) Greater consistency required around objectives to encourage long-term strategic planning for research including systematic monitoring and evaluation (M&E) frameworks.
- b) Better implementation of academic incentives provided toward technology transfer and commercialization of research.
- c) Strengthening Technology Transfer Offices (TTOs) to enable them to provide support to enhanced linkages with industries and facilitate demand-driven research and technology transfer capabilities.

As a follow-up activity, the team participated in and provided feedback at the **Open Science Platform consultation workshop** organized by the Ministry of Science, Technology and Innovation (MoSTI) and Academy of Sciences Malaysia (ASM), and participated as a panelist at the **National E&E Forum 2020** to discuss the role of technology centers to create global champions.

THEMATIC AREA 1: SUPPORTING INCLUSIVE GROWTH

Sub-Theme 2: Private Sector Competitiveness

Another key highlight was the contribution of the chapter '**Boosting Competitiveness**' in the **Aiming High Flagship Report**. From this study, it was found that in order for Malaysia to increase competitiveness, the country would need to address a number of basic economic issues including investment, trade, and education policy. Specific policy recommendations were put forward, including a further liberalization of key service sectors to promote more competitive markets, increasing the effective implementation of competition policy through a revamp of certain provisions such as constitutional independence and a re-look at the exclusions to the scope of the current competition policy, and a call to establish better-functioning mechanisms to strengthen Malaysia's intellectual property rights regime. These analyses also provided sound basis for the **significant inputs that were provided on draft chapters for the forthcoming 12th Malaysia Plan**.

As a response to the pandemic and to providing real-time analysis to GoM, the high-frequency and micro-monitoring of the impact of COVID-19-related shocks to firms has been very successful. Weekly monitoring of real sector trends were and are being provided to MoF using big data resources. Moreover, two rounds of the **Business Pulse Survey for Malaysia were implemented and completed** to show both how firms reacted to the COVID-19 crisis and the adaptation mechanisms they used (including increased digitization) in response to the crisis. Four rounds are planned to capture updated firm sentiments in all as the nationwide vaccine rollout is underway.

A note on **Early-stage Financing for Entrepreneurship Development** will be finalized after completion of stakeholder consultations in May. Enhancing the early-stage start-up financing ecosystem in Malaysia stands as an important component of Malaysia's recovery strategy as the ease in financing new, innovative endeavors will help spur firm creation as well as jobs. Furthermore, the greater role that the private sector can play in this area will be even more important at this juncture, as fiscal spending concentrates on short-term policy support initiatives to support a pandemic-hit economy.

Additionally, recognizing that productivity-enhancing policies for SMEs in Malaysia are critical for inclusive growth, the team completed the first ever **Program Efficiency Review of all SME programs**. This work was done in close collaboration with SME Corp. and the Ministry of Entrepreneurship Development and Cooperatives (MEDAC). The aim of the work was to inform future policymaking that can facilitate productivity-enhancing reforms that enable SMEs to compete effectively in the global market, which is essential for future growth.

Recognizing the importance of **private sector-led growth**, the special topic of the **June 2021 MEM is on Private Sector Recovery and Resilience**. This provides an opportunity to lay out the wide range of analytical products and advice provided to tackle short-term reform priorities that would focus on recovery, while laying the foundation for medium- to long-term structural reforms that enable private sector competitiveness and resilience.

FY22 Moving Forward

(JULY 2021 – JUNE 2022)

Overview

The lingering effects of the pandemic on the economy will continue, and in order for Malaysia to achieve its high-income economy aspirations during the life of OSA 2.0, it is imperative that ongoing efforts to mobilize private sector resources and stimulate an innovation-led growth economy be put high on the development agenda.

Under the **Private Sector Competitiveness** work program, more work to **create a facilitative ecosystem for entrepreneurship and to analyze in depth how the adversely-affected tourism sector** will be able to bounce back post-pandemic will be among the key issues where

policy prescription will be focused. Additionally, as part of the Bank's broad-based focus on the green agenda, this work program's contribution to this space will concentrate on **green competitiveness and eco-industrial parks** and how the Malaysian Government will be able to leverage the World Bank's knowledge base and experience to implement the greening of industry in Malaysia. Finally, the flagship project to be delivered in the next fiscal year will be **Boosting competitiveness for SMEs through increased access to digital platforms**, a pivotal and timely area of research that will further help businesses leverage the current digital momentum of conducting business, a necessity in socially distanced environments.

Boosting competitiveness for SMEs through increased access to digital platforms



The flagship project FY21-22 will be **Boosting competitiveness for SMEs through increased access to digital platforms**, which was initiated in FY20-21. The objective of this project is to analyze the opportunities that inclusive digital platforms can create to strengthen the competitiveness of Malaysian SMEs, and the potential obstacles that may prevent firms from seizing them. As part of the capacity-building efforts, a workshop will be organized to disseminate key findings and lessons learned from the work being done on digitization of SMEs in Malaysia, as well as from work across the region.

The following activities will be implemented as part of the project:

- A **digital business landscape diagnostic**, to collect data on the prevalence and characteristics of digital business models across Malaysia.
- A **digital economy institutional and policy framework mapping**, to identify institutions, policies, and programs aimed at digital economy development, notably SME digitalization.
- A **digital market regulations assessment** to take stock of current regulatory responses to new digital business models – focusing on digital platform firms – and to identify a reform roadmap to increase inclusiveness for SMEs.

FY22 Priority Activities

Activities under this work program are aimed to provide strong use cases for policy development. The work on COVID-19 monitoring using real-time data and Business Pulse Survey (BPS) Surveys have been extremely informative for the authorities and have served to inform just-in-time policy design for the relevant stakeholders. This work on this particular area remains important given the lingering impacts of the pandemic on businesses, and in FY21-22, another round of **BPS Surveys** will be conducted primarily to gauge impact on firms due to new rounds of lockdowns, while the vaccine rollout is underway, as well as pick up on thematic structural developments spurred on by the pandemic, such as a rise in digital adoption and technology investment activities. Another extension to this would be a series of webinars on topics such as BPS Survey results across countries in the region, and how the private sector is responding to and recovering from the COVID-19 pandemic, for cross-country knowledge-sharing and dissemination purposes. Additionally, a WB-MoSTI-MITI capacity-building workshop for policymakers to design and implement instruments to foster greater firm level innovation policy will be organized to operationalize some of the recommendations from the **Assessing the Effectiveness of Public Research Institutions** study.

Early in the next financial year, the note on **Early-stage**

Financing for Entrepreneurship Development will be launched in tandem with the **Regional Innovation Report: The Innovation Imperative for Developing East Asia**.

In line with the focus on re-invigorating the private sector after this severe and broad-based economic shock, **sector deep dives** will be conducted with a view to effectively leverage global value chains (GVCs). This series of sector analytical research pieces proposed is envisaged to start with the **tourism sector**, an all-important sector in services trade and one which has borne the brunt of the crisis, warranting some additional focus. In particular, the research is anticipated to cover sector strategies to recover from the crisis and build a sustainable and resilient sector, especially in an increasingly digital age.

As mentioned, in line with a Bank-wide focus on the green economy and sustainability, a project to provide **Technical Assistance** to MITI and EPU on establishing a framework for **Eco-Industrial Parks** is proposed. This would include the sharing of global experiences to design and implement these frameworks, and would include capacity building for SMEs to take advantage of these opportunities and integrate effectively into possibly new and reconfigured GVCs (that require greener and more sustainable production processes). Moreover, there will be opportunities to also leverage the rich work program on Green Financing in Malaysia to seek possible synergies.

IN FOCUS

Real Sector Monitoring for Ministry of Finance (MoF)

Business Pulse Survey: Impact of COVID-19 on Firms



SYNOPSIS: With the COVID-19 pandemic, policymakers in Malaysia are faced with an unprecedented challenge to bring the economy back onto a growth and recovery phase.

In response to the crisis, the team provides **weekly updates on real sector indicators to the Ministry of Finance that are inputs into the National Digital Dashboard** that GoM uses to inform policymaking. In addition, the Business Pulse Survey (BPS) has provided real-time feedback from firms on policy effectiveness, informing the iterative policymaking process for GoM.

CHALLENGE: Faced with the first economic contraction since the Asian Financial Crisis in 1998/99, the government has announced six assistance packages in sequential manner, namely PRIHATIN worth RM250 billion, PRIHATIN SMEs (RM10 billion), PENJANA (RM35 billion), Kita PRIHATIN (RM10 billion), and PERMAI (RM15 billion). With the inclusion of PEMERKASA (RM20 billion), the total value of the aid packages amounted to RM340 billion¹.

The BPS surveys aims to support the Government of Malaysia (GoM) to assess the impact of the real sectors of the economy. With each successive stimulus package, Malaysia faces the tradeoffs between rising fiscal debt levels and softening the blows from the pandemic on the general population, while saving jobs and enterprises. Considerable revenue losses from economic contraction and lower oil prices, along with increased spending on emergency support, has led to a surge in government debt and deficits, with domestic government debt reaching a record high of 60.7%² in 2021. Therefore, the BPS, which provides real-time monitoring of sectors combined with feedback from firms, is critical to ensuring the continual refinement of the policy tools deployed predominantly by MoF to stabilize the economy. The BPS is a powerful tool for MoF to deploy more resources where there are underserved segments within the economy, and improve targeting, guiding policymakers toward overall spending efficiency. The inputs from BPS also provide regional benchmarking, therefore enabling Malaysian policymakers to gauge how their various programs are faring compared to regional counterparts.

¹ Malaysia Prime Minister's Office, "PEMERKASA worth RM20 bln launched, along with RM11 bln fiscal injection from govt – PM Muhyiddin", March 17, 2021. <https://www.pmo.gov.my/2021/03/pemerakasa-worth-rm20-bln-launched-along-with-rm11-bln-fiscal-injection-from-govt-pm-muhyiddin/>

² Ministry of Finance, Malaysia, "2021 Fiscal Outlook and Federal Government Revenue Estimates", <http://belanjawan2021.treasury.gov.my/pdf/revenue/2021/fiscal-outlook-2021.pdf>

RESPONSE: The BPS includes analysis and interpretation of rapid surveys on the economic sectors, thus reducing gaps in existing policies by providing detailed information on the specific policy interventions and adjustments. In the context of the COVID-19 pandemic, demand for real-time feedback for policy inputs shortened the policy cycle significantly. Malaysia, like other countries, will require its economic policymaking body to step up its agility in a dynamic environment, which requires a fine balance between public health needs and economic needs.

The COVID-19 BPS is a rapid survey designed to measure the various impacts of COVID-19 on firms, firm adjustment strategies, and public policy responses. The World Bank conducted the 1st round of the Malaysia BPS in October 2020 and a second round in Jan 2021. Firms were sampled randomly from an online business panel database, which consists of 100,000+ companies across all sectors and sizes, in both Peninsular and East Malaysia. A minimum sample size was obtained for sectors that are important to Malaysia's economy and are sensitive to the COVID-19 crisis (export-oriented activities: electronics, automotive, and tourism-related activities) while preserving the sectoral shares in the sampling frame. The survey was conducted online and yielded 1,500 responses from respondents in senior management positions at their companies (i.e. owners, C-suite, or at the Director level).

The results from both the rounds have been widely disseminated to MoF, EPU, and MITI, with the findings informing future policymaking.

RESULTS: There are four rounds of rapid survey being planned. The two rounds of surveys completed in FY21 are BPS Round 1 (October 2020) and BPS Round 2 in Feb 2021. **The BPS Round 1** found that Malaysian firms are on the verge of recovery, but in comparison to regional counterparts, are **particularly vulnerable with shorter cash-flow buffers**. The results also confirmed that **small firms are more impacted** by the pandemic compared to medium-sized and large firms. The program covered an important aspect in **Round two** of the BPS Survey, which showed that the **Wage Subsidy program was effective** in preventing further job losses and the program is being extended until 30 June 2021, while in terms of targeting, the results showed there are regional differences observed

between regions tied to the sectors, which were currently underserved. Another contribution of the BPS Round 2 survey includes identifying the **major factors hindering the adoption of digital technologies** among the firms, which is a critical tool to survive the pandemic, allowing firms to reach out to customers under various lockdown constraints.

A further round of BPS is planned for FY22, which when completed, will result in the lessons learned from all four BPS rounds being analyzed in a composite manner to provide inputs for the longer horizon plan documents of GoM. The monitoring of real sectors at a disaggregated level for industries will also be useful, given that Malaysia will be launching and implementing two key documents; namely, the new Industry Masterplan (2021-2030) by MITI and the 5-year 12th Malaysia Plan (2021-2025). Data and findings accumulated from the real sector monitoring, if disaggregated, can be triangulated and inform Malaysian industrial policy and key ministries with regards to the areas to deploy resources and policies that require further refinement.

PARTNERS: The Business Pulse Survey was implemented in response to a request by Malaysia's MoF. Other key partners included the EPU and Bank Negara Malaysia. Policy dialogs also took place at MoF with BPS results being used as an input for stimulus packages prepared by MoF.

MOVING FORWARD: The measurement of impact on firms by the BPS are also used for regional comparators such as Indonesia and Vietnam, which then allows for robust regional comparison to see how Malaysia fares in terms of impact and reactions to the pandemic, as well as policy performance. In addition, there were further innovations within the Malaysian context, where some questions are being localized to the Malaysian situation. These includes asking firms whether Government stimulus packages suit their needs, and to gauge the most needed aid in a particular time during the survey. Correlation analysis further confirm effective programs that achieve their objectives, such as the wage subsidy program that has been effective in preventing more job losses in a short period of time. This country contextualization adds strength to the BPS method to serve the client's need.

IN FOCUS

Assessing the Effectiveness of Public Research Institutions

Fostering Knowledge Linkages and Transferring Technology in Malaysia



SYNOPSIS: Using a new survey on public research institutions (PROs and university RCs), the *Assessing the Effectiveness of Public Research Institutions* study analyzed the levels of knowledge and technology transfer in Malaysia.

The study **provided the momentum to establish the Research Management Agency** at EPU to coordinate the implementation of research grants at the strategic level. In addition, there is a move to consolidate the current structure into a new entity, namely the Technology Commercialization Accelerator¹, to better drive the commercialization goals of public investments for research among public institutions.

CHALLENGE: Despite having multiple and successive national science & technology (S&T) plans, Malaysia has seen little progress in the commercialization of research outputs and technology transfer activities from research organizations to industry. Though recent statistics have shown increases in the number of scientific outputs and intellectual properties, the dynamics of knowledge transfer and commercialization of the research outputs derived

are completely different. For instance, the propensity to engage in technology transfer activities for PROs and RCs are markedly lower than the propensity to engage in knowledge transfer activities. Only a few PROs reported successful commercialization of research outputs produced through licensing. Based on the Malaysian Science and Technology Information Centre (MASTIC) survey in 2018, of the intellectual properties (IPs) registered with the local IP office in 2016, business entities account for approximately 60% of the total IP output, followed by universities and PROs that accounted for approximately 31% and 8% of the total IPs respectively.

Inconsistent funding, ineffective implementation of incentives, and cultural gaps between industry and research are some of the most cited problems for research as well as knowledge and technology transfer. The complex funding mechanisms combined with budgetary pressures contribute to inconsistency in the flow of funding for PROs and RCs, limiting the ability to conduct certain research activities and transfer knowledge and technology. Additionally, incentives toward technology transfer and commercialization are

¹ Ministry of Science, Technology and Innovation, "Media Release: Consolidation of TPM And Magic to Accelerate Commercialization Of Technology and Innovation", April, 22, 2021. <https://www.mosti.gov.my/web/berita/consolidation-of-tpm-and-magic-to-accelerate-commercialisation-of-technology-and-innovation/>

ineffective, with career progressions in universities still largely driven by scientific publications. The cultural gap between the research institutions and industry, combined with communication obstacles hindering the alignment of interests and collaboration, create frictions between the two, which inhibits effective collaborative networks as well as industry-focused research outputs and innovations.

RESPONSE: The study used a new survey on public research institutions. The survey was implemented on a sample of PROs and RCs in universities that are engaged in research. A total of 10 public research institutes and 16 university RCs were surveyed. The surveys were conducted through face-to-face interviews.

The survey unearthed factors that impeded technology transfers and commercialization in the research activity. The interventions suggested to overcome the challenges include the following:

- Greater consistency required around objectives to encourage long-term strategic planning for research.
- Foster systematic efforts toward implementing consistent M&E frameworks across public research institutions to inform policymaking.
- Greater autonomy encouraged to make strategic decisions at RCs in universities.
- Better implementation of academic incentives provided toward technology transfer and commercialization of research.
- Management processes should also be reconsidered and streamlined to facilitate commercialization activities.
- Strengthening TTOs to enable them to support enhanced linkages with industry and facilitate demand-driven research and technology transfer capabilities.
- Facilitating greater secondment opportunities especially in PROs, and invest in designing ways for researchers to closely communicate with industry to undertake greater collaborative research.

The outcome of the study also formed a significant input into the EAP Innovation Imperative Report.

Recommendations from the study such as greater consistency of funding and strengthening of TTOs are incorporated into the 12th Malaysia Plan (2021-2025) to strengthen the research ecosystem.

Finally, the task team briefed the Minister of Science, Technology and Innovation on findings and policy recommendations for action. The Minister of Science, Technology and Innovation also launched the report as to renew reforms in this S&T area.

RESULTS: As a result of World Bank Group's advice, Malaysia's Government is already making major reforms in these areas and starting to see results in the creation of the Research Management Agency under EPU, and the establishment of the Technology Commercialization Accelerator as an entity to help strengthen efforts toward commercialization of research outputs.

The awareness created by the study around the need to boost commercialization from research has resulted in the National Policy of Science, Technology, and Innovation (STI) 2021-2030 (MySTIE 10-10 framework), where World Bank engaged the Science Academy of Malaysia to provide inputs, has mirrored this recommendation. Arising from the MySTIE 10-10 Framework, MoSTI is currently pursuing the consolidation of Technology Park Malaysia (TPM) and MaGIC to accelerate commercialization of technology and innovation as part of the broader structural reform. In the next fiscal year FY22, the program will also include a WB-MoSTI-MITI capacity-building workshop for policymakers to design and implement instruments to foster greater firm-level innovation policies.

PARTNERS: The report on *Assessing the Effectiveness of Public Research Institutions: Fostering Knowledge Linkages and Transferring Technology in Malaysia* was launched together with **MoSTI**. Other key partners included EPU, Bank Negara Malaysia, and the Science Academy of Malaysia. Significant outreach and policy dialogue also took place at the agency level.

MOVING FORWARD: Lessons from the *Assessing the Effectiveness of Public Research Institutions, Fostering Knowledge Linkages and Transferring Technology in Malaysia* study formed a significant input into the EAP Innovation Imperative Report. Lessons from Malaysia have been shared in a number of other country studies in EAP and beyond.



THEMATIC AREA 1

SUB-THEME 3

Human Capital Development

Overview

Improvements to the performance of Malaysia's social protection, jobs, and education system will play an important role in developing human capital, which in turn is a key enabler of inclusive growth, one of the three pillars of the World Bank's engagement in Malaysia from FY21 to FY25. In the rapidly changing world, the wealth of nations in general and of upper-middle- and high-income countries in particular has become closely tied to human capital. Consequently, a greater focus on developing human capital, including building and strengthening knowledge, competencies, and skills, enhancing opportunities for productive employment, and enabling access to effective protection against shocks, risks, and transitions in the labor market and over the life cycle, are needed to achieve high rates of inclusive economic growth in a rapidly evolving context.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

Social Protection and Jobs

The core activity for FY21 included the launch and dissemination of a flagship study and policy dialog on **productive and inclusive aging for Malaysia**, and the launch and dissemination of **the Aiming High Report, with a chapter on human capital**.

In 2020, Malaysia passed a crucial milestone in its demographic trajectory and became an aging society by international standards. Driven by a precipitous decline in fertility accompanied by a sustained rise in life expectancy, Malaysia has seen an uptick in the pace of demographic change in recent years. Rapid aging will be one of the most crucial megatrends affecting Malaysia in coming decades, raising policy challenges in areas such as employment, income security, health care, and aged care, while leveraging the opportunities for a silver economy as a new driver of economic growth, job creation, and fiscal revenues. The COVID-19 pandemic has resulted in an unprecedented crisis with an enormous health and human toll, as well as exacerbated many of the policy challenges raised by aging in the short, medium and long term. Recognizing the impact of a shrinking and aging labor force on economic growth, the report analyzed Malaysia's demographic, socioeconomic, and macroeconomic contexts, investigated in-depth key policy areas where critical knowledge gaps exist, and presented policy recommendations to achieve productive and inclusive aging.

The launch and dissemination events led to significantly increased awareness on both the challenges and opportunities among key policymakers, practitioners, the media, and the general public, drawing a diverse audience of over 700 views virtually. The launch received wide media attention covering the report's key findings, and appeared in over 30 news articles, radio and television broadcasts, and requests for briefings by Members of Parliament. Those events greatly contributed policy debates, and also generated new requests from line ministries on specific topics of aging and aged care for knowledge sharing.

In addition, the working paper on **Qualitative Research on Aging in Malaysia** encompasses a summary of the

qualitative field-based interviews on aging in Malaysia that was conducted in the first half of 2020. The working paper is a companion paper for the flagship report on aging. Although aging is a global phenomenon, the speed and context in which aging is occurring is unique to each society and country. Policy responses also need to take into consideration Malaysia's cultural, ethnic, religious, socioeconomic, educational, and other sociological factors, and address various constraints and concerns from the elderly and their families, communities, and society, in order to gain wide acceptance and effectively manage the reasonable expectations of society. To inform such



policies, an exploratory and structured qualitative research methodology was implemented to generate evidence on societal views and expectations from older persons, informal caregivers, and wage caregivers on aging and care for older persons. The working paper documents the approach, findings, and implications of this research.

Following the case study in FY20, the report on **Management Practices in Malaysia – The Good, the Bad, and the Ugly** was launched. Management practices in Malaysia's manufacturing sector remains on par with that of other developing and emerging economies, but lag far behind those of advanced countries. As factor accumulation is expected to slow, re-energizing productivity growth in manufacturing and other sectors is the main path for Malaysia to achieve convergence with high-income economies. The report highlights actionable policy implications to improve the country's management practices as a key driver of

Symposia on an inclusive and sustainable aged care system for Malaysia

A Silver Lining

Productive and Inclusive Aging for Malaysia



In response to the requests received from GoM and other stakeholders, a series of follow-up symposia on **An Inclusive and Sustainable Aged Care System for Malaysia** were planned and jointly hosted with government counterparts, featuring examples on improving the regulatory and quality standards framework, human resources development, and aged-care financing models and innovations borrowed from international experiences by global experts, as Malaysia develops its silver economy to adapt to the demand and needs for aged care services.

Three symposia have been delivered. The first symposium was co-hosted with MOH and MPC on February 16, 2021 focusing on aged-care regulations and quality standards, in which experts from Japan, Singapore, and the People's Republic of China (PRC) showcased the evolution of aged-care regulations and draw relevant lessons for Malaysia. The second symposium was co-hosted with the Ministry of Human Resources on April 6, 2021 in the form of a roundtable with stakeholders such as training institutions, aged-care providers and operators, civil society, and WHO to discuss the criticality of human resources for aged care, identify the key challenges and information gaps, and consider the necessary policies to scale up skills development and the production of skilled caregivers. The third symposium scheduled on 1 June 2021 will be co-hosted with MPC. It will focus on aged-care financing, showcasing the cases of Australia, Japan, the United States, Germany, and PRC, with the objective of sharing lessons learned from those countries on the sources of aged-care financing (public and private), financing models, and innovations to improve the quality, efficiency, and equity of service provision.

The first two symposia were attended by more than 40 participants each, and feedback from the participants were positive, in which 100% of respondents from the first symposium and 92.3% of the second reported that the symposia highly helped deepen their understanding on the issues at hand and bring international experiences into the local context. Follow-up discussions with government counterparts also took place after the symposia.

The lunch of A Silver Lining and the delivery of the follow-up symposia convened discussions on the information gaps, key challenges and opportunities facing Malaysia's aged-care industry, and to consider possible next steps. Linkages between regulations being developed and qualifications, career pathways, labor market policies, aged-care financing models, and innovations were discussed. A key thrust of the report, and a thematic focus of this series of symposia, is that the challenges posed by *aging is not destiny*. Although there are substantive regulatory, fiscal, and workforce implications, the right mix of policies can create an age-friendly socioeconomic environment and support Malaysia's adaptation to becoming an aging society as a nation, and as communities and individuals. The World Bank will continue its engagement in the area in the following fiscal year, as the country develops its nascent aged-care industry.

firm-level productivity growth. Close to 100 participants connected for a relatively specialized topic for the launch of the report, with radio coverage on the report's key findings.

A working paper on **Patterns of and Returns to Skill Requirements in Malaysia** was also produced. In many high-income countries, there is a reduced intensity of routine tasks, which in turn is associated with the increased use of computers and other digital technologies. This implies an increased demand for both cognitive and socio-emotional skills in high-income countries relative to other countries. This working paper was integrated into the 'Aiming High' report launched by the World Bank in 2021. It uses real-time jobs vacancy data to investigate whether these international trends are reflected in the skill requirements listed in online job advertisements posted in Malaysia in the period from 2016 to 2018. Analyzing Malaysian online job advertisements in more detail, the paper finds evidence for higher returns to socio-emotional skills than for cognitive skills, reflecting the changing nature of jobs in Malaysia.

Four **Policy notes on 'COVID-19 and Social Protection and Jobs Policies in Malaysia'** were also completed in the past FY, in response to the rapidly evolving situation of the pandemic and its consequent effects on the Malaysian and global economy, as well as on employment and wellbeing of individuals and households. Additionally, a working paper based on one of the policy notes on employment effects of COVID-19 has been presented at various webinars hosted by think-tanks, such as the ISEAS-Yusof Ishak Institute (ISEAS) in January 2021 and ISIS in April 2021. A series of blogs and op-eds in mainstream media based on the policy notes, and other policy analyses, have also been published.

The World Bank is engaged with advisory services to EPU for the study on **Informal Employment in Malaysia**, to fill knowledge gaps on informal employment in Malaysia, which is set to complete in FY22. It will provide the analytical underpinnings for EPU to propose actionable policy recommendations to address the challenges associated with informal workers. The Bank is well-positioned to assist EPU on addressing these challenges, as evidenced by the Bank's earlier analytical work on Malaysia's jobs and labor markets, such as 'A Silver Lining: Productive and Inclusive Aging for Malaysia' (2020), and 'Malaysian Labor Market and Foreign Labor: The Past, Present and Future Role of Foreign Workers in The Economy' prepared for the EPU and 'Developing Skills for Innovation and a High Income Economy in Malaysia' prepared for the Ministry of Human Resources. The inception phase of the engagement was recently concluded with the submission of the Inception Report for the study, and comprised two workshops jointly organized with the Human Capital Development Division of EPU, focusing on the scope of the study and defining informal employment in Malaysia.

The analytical project for **Better Understanding the Employability of the Rohingya Population in Malaysia** aims to improve the understanding of the labor market skills of the Rohingya population in Malaysia. The study, in partnership with the Universiti Teknologi MARA, employs a qualitative fieldwork in the form of semi-structured interviews and/or focus group discussions with representatives of Rohingya refugees, community leaders, and/or the civil society, and analyzes the qualitative data to shed light on aspirations of the Rohingya population and their employability in the Malaysian labor market.

Human Capital in the 'Aiming High' Report

The fourth chapter of the Aiming High report featured key challenges in the creation of high-quality jobs in Malaysia's transition to high-income country status in the coming years. This issue is becoming more complex because of rapid technological progress and the associated changing nature of work—a phenomenon that has accelerated during the COVID-19 pandemic. With increased automation and changes in labor demand, upskilling, and re-skilling with an increasing focus on digital capabilities, socio-emotional and advanced cognitive skills will be imperative moving forward. Moreover, policies to support untapped sources of labor supply, particularly women and youth, will be needed. Furthermore, improvements in human capital are crucial—Malaysia's foundational human capital, as measured by health and education outcomes, is recorded as 0.61, which is lower than the average value of 0.7 in countries that have successfully transitioned to high-income country status.

As part of the Aiming High Online Knowledge Series, the team presented findings of the chapter in the second session on April 20, 2021. The session involved high-level panelists, including from MITI and MDEC, to discuss their views on private sector-led growth, automation, and skills required for Malaysians to successfully adapt to a changing nature of work. The event was well-received, based on feedback collected from participants, most of whom reported that the event had improved their understanding of the topic.

Education

Education is an essential component of strengthening human capital development in Malaysia. Development of the education sector is also needed when supporting the economic growth of the country. The COVID-19 pandemic has caused sudden and unprecedented adverse effects on all sectors of the nation, including education. Physical learning was halted for a large part of the year as schools were closed, and teaching and learning was conducted virtually for all students from preschool to tertiary education. The Ministry of Education (MOE), in collaboration with other stakeholders, launched several initiatives to support distance learning such as DELIMa, EduwebTV, Cikgootube, and DidikTV, to support the home-based learning of students.

Countries around the world are facing the same dual dilemma: developing education systems according to their national strategies and long-term goals, but at the same time responding to the short-term challenges – such as the adverse effects of the COVID-19 pandemic. Collaboration between MOE and the World Bank started in FY20 to address MOE's request to help it to understand better the messages from international assessments Programme for International Student Assessment (PISA) 2018 and Trends in International Mathematics and Science Study (TIMSS) 2019 to the learning outcomes and education policies in Malaysia. Due to the onset of COVID-19 pandemic worldwide, the Group incorporated COVID-19 support to the cooperation in FY21. The aim was to address both these challenges keeping in mind both short- and long-term development goals in education. A number of activities was arranged to do so.

First, a series of six seminars on international examples in education was held in May 2021. Fifty MOE officials across 20 divisions attended the seminars that were held virtually due to the Movement Control Order (MCO). The seminar series featured 12 global experts who spoke on a wide array of themes such as learning environments, teachers and school leaders, inclusivity, stakeholder cooperation, and curricula. These essential issues and concepts were covered in seminars, and served as a primer for further discussion and investigation in small group conversations.

Second, a concluding workshop was arranged after the seminar series to tie all the issues discovered in the seminars and themes together. The insights gained during the series were used to support MOE with improving the quality of education in the short, medium, and long term.

Third, a 3-day online training on responding to COVID-19 was organized and led by the World Bank Group's Education Global team from Washington, D.C. This training was aimed at sharing lessons and tools for digital and hybrid learning, teacher upskilling, and student assessment to support MOE in addressing the learning crisis caused by the pandemic. Various country experiences were also shared, and participants explored how to use these examples in the Malaysian context.

Fourth, the Basic Education Review with a special focus on mathematics and science was finalized, including an analysis of Malaysia's education reforms, performance in international assessments, and recommendations to strengthen basic education. The analysis on Malaysia's



Seminar Series in Education and Concluding Workshop

The seminar series in education included six thematic seminars, addressing the most relevant and pressing topics in education systems' development and management. Attention was paid to learning environments and digitalization, teachers, inclusion and special education, stakeholder cooperation, and curricula.

The seminar series covered the essential issues and concepts in each topic and served as a primer for discussion and investigation. Although the thematic seminars were standalone courses, they also contained interconnected themes. During each section, participants gained knowledge, heard examples, discussed, and found solutions to the critical questions in education.

Participants learned from international experts and heard examples that can be applied to the work of enhancing the quality of basic education in Malaysia. The seminar series built to a concluding workshop, where participants worked together to develop options for priority actions for Malaysia's longer-term development of the education system.

Seminar series were arranged online in 18 – 20 May, 2021. Participants were officials from the relevant divisions of MOE, which chose 50 participants among their staff. Each participant attended all the seminar sessions in order to build a holistic vision on the issues for the concluding workshop.

Each thematic seminar was divided into three phases: (i) pre-reading materials, (ii) presentations, and (iii) discussions and group work sessions. The participants were provided a pre-reading package which sets out key elements related to the themes under discussion, described overall theoretical baselines, and provided practical examples.

Each thematic seminar started with short expert presentations of the theme. Discussions and group work followed the presentations, including two components: (i) participants sharing their experiences relating to the theme, and (ii) insights on how the examples could be used in reforming the Malaysian education system.

The concluding workshop used the knowledge gained and ideas discovered during the seminar series to form an overall picture of the situation, recognize cross-cutting themes, and bring together suggestions for future consideration. At the workshop, the pre-reading materials, keynote messages, and findings from the six seminars were brought into discussion, in order to develop new possibilities in improving the quality of basic education in Malaysia. The workshop encouraged participants to reflect the factors discovered toward current national education goals and implementation strategies, and to think of new ways for implementation.

performance in PISA found a slight improvement in mathematics and science, though the gap between the most disadvantaged and advantaged students in terms of economic, social, and cultural status has widened. This was echoed in the TIMSS analysis as well. Ergo, one of the recommendations for Malaysia to consider, especially considering the COVID-19 effects on the disadvantaged, is to create urgent interventions to mitigate the loss of learning. Effective and equitable distribution of resources is also key in improving the large gaps between student groups.

Fifth, joint work with Social Protection and Jobs (SPJ) as well as Macroeconomics, Trade and Investment (MTI) sectors was started to draft an Education chapter to both the Skills report (SPJ) and the Malaysia Tax and Public Expenditure review.

Sixth, several meetings with key stakeholders were held to strengthen cooperation between World Bank Group and education stakeholder groups and organizations in Malaysia. This included MOE and especially the Educational Policy Planning and Research Division (EPRD)'s units (International Education Development Unit, Curriculum Development Division, Special Education Unit, and Teacher Education Institute in particular); universities such as Universiti Sains Malaysia, University of Nottingham, and Sunway University; education organizations such as Yayasan Hasanah, Teach For Malaysia, and PEMIMPIN GSL (formerly known as Global School Leaders Malaysia); and several education-related companies. This cooperation is an important foundation to the work that the Bank Group does in education, as it provides context, alignment, and relevance to the work.

Education Training: Building Back Better

The COVID-19 pandemic forced countries to take urgent short-term actions to address the learning crisis, while at the same time continuing to achieve their long-term development goals. The training was organized by the World Bank Group's Education Global team from Washington, D.C., to share lessons and tools for digital learning, teacher competence development, and student assessment in the circumstances of the pandemic. It aimed to enhance teaching and learning in a blended learning environment reaching all students, both in school and at home. The participants heard from World Bank experts' latest knowledge gained and tools developed, combined with various country experiences. The goal was to facilitate participants' active engagement, and to encourage them to apply the knowledge and examples to their own work.

Training participants were officials from the relevant divisions of MOE, which nominated the participants among their staff. Each participant was encouraged to attend all training sessions to develop a holistic and long-term vision.

The training sessions were arranged online in 25, 27, and 28 May, 2021. Each session consisted two parts: (i) expert presentations of the theme and (ii) participant discussions. Participants were encouraged to ask questions, share their experiences and insights on the theme, and explore how to use examples in the Malaysian context.

The training program was divided into three themes:

1. Reimagining education: The role of digital learning and teacher competence

The countries are deploying EdTech to cope with the effects of school closures, and at the same time developing a resilient and inclusive education system to achieve quality learning for all students. To strengthen online learning, we need to reimagine the digital learning system and strengthen the digital skills and competence of teachers. In particular, countries need to develop personalized, modular, and data-enhanced digital content for distribution over multiple channels. Teachers should be empowered to use remote learning technologies and adapt new pedagogy to address the different backgrounds and learning levels of students. The first training session will focus on these themes, and give country examples in hybrid learning and teaching.

2. Evaluating students' academic readiness in the school reopening process

Assessment of students' knowledge, skills, and overall wellbeing is the central pillar in the school reopening process. Upon returning to school, teachers need to assess any learning gaps or losses resulting from the school closure and for remedial actions. The considerations for classroom assessment include (1) availability of assessment tools, (2) allocation of resources, (3) relevant teacher training, and (4) implementation timeline. Under the current situation of COVID-19, the Government and schools will face challenges in risk management and measuring the accessibility and coverage of distance-learning programs. This training session explores different types of classroom assessment, and their relevance and implementation in the school reopening process.

3. Remote learning assessment: how to provide effective feedback

Education systems can use the COVID-19 crisis as an opportunity to transform existing assessment mechanisms. Digital tools, learning management systems, and other specialized tools have made remote-learning assessment a long-term solution to collect student data and diagnose and address learning gaps. To implement the remote assessment, countries need to consider (1) using different technologies, (2) the digital literacy of students and parents, (3) the take-up of remote learning and remote assessment, and (4) the validity of information collected. The training session will highlight the different technology solutions for remote assessments and country examples for their implementation.

IN FOCUS

Strengthening evidence-based policy reforms in education

How World Bank training helped build capacity for TIMSS and PISA data analysis



In 2019, a series of hands-on training on analyzing student assessment data were delivered by the World Bank Group team to MOE officials. After the trainings, the MOE's assessment team prepared PISA 2018 and TIMSS 2019 country reports. Both reports featured a comprehensive analysis on the international assessments in question and are essential references to improve the quality of education in Malaysia.

Malaysia embarked on an ambitious education reform plan in 2013 when the Education Blueprint was published, detailing comprehensive strategies to improve the quality of the education system by 2025. International assessments like PISA and TIMSS are used as benchmarks extensively in the Blueprint, alongside reforms in national assessments. A particular focus on mathematics and science education in improving learning outcomes of students has been a key reform priority as well.

Malaysia has participated in TIMSS since 1999 and PISA since 2009 and aspires to be placed within the top third of countries in both assessments. However, recent performance in TIMSS 2019 has shown a slight decline in both mathematics and science. The gap between the highest and lowest scores has also increased to the widest it has ever been. For PISA 2018, Malaysia's performance in mathematics and science improved slightly since 2009, while reading performance stagnated. A similar widening gap between the disadvantaged and advantaged is also observed.

There is a need to better understand international and national assessment data in order to use these results for evidence-based policy reforms. This is especially since Malaysia is entering its third wave in the Education Blueprint, and improvements need to be made in the quality of education for the country to transition to a high-income economy. As such, the collaboration between MOE and the World Bank was to build capacity for data analysis, with a series of hands-on training sessions on analyzing the student assessment data held. MOE officials participated in the training program on the theory of educational assessment and psychometrics, followed by practical exercises on data analysis. Subsequently, training sessions focused on analysis of the PISA and TIMSS were delivered in April and May 2020 by the World Bank's Global Education team.

These capacity-building sessions supported the Ministry of Education to successfully analyze its own PISA and TIMSS assessments data and publish the PISA 2018 and TIMSS 2019 Country Reports in 2021. These reports feature comprehensive analysis on the assessments and are essential references to improve the quality of education in Malaysia. The TIMSS 2019 and PISA 2018 Country Reports were prepared by the TIMSS and PISA assessment data teams in the EPRD of the MOE, supported by other divisions and data collection from the district and state offices.

FY22 Moving Forward

(JULY 2021 – JUNE 2022)

Social Protection and Jobs

Overview

Social Protection and Jobs policies will be critical to support Malaysia's trajectory of its post-COVID-19 economic recovery, and its anticipated transition to high-income country status during the remainder of OSA 2.0. Social Protection and Jobs policies are especially important to navigate challenges on this course, related both to immediate challenges related to the COVID-19 pandemic, as well as more structural challenges and trends, including the changing nature of work.

The Human Capital Development sub-theme (under the Supporting Inclusive Growth theme) will provide analytical and advisory support in areas such as skills development, labor market assessment and diagnostics, social assistance reform, support to fiscal policy review for human development outcomes, and policy dialog on aging and aged care.

The engagement will seek to combine in-depth country-specific diagnosis and assessment with wide-ranging global experience and best practices to inform potential opportunities and areas for reform to ensure inclusive growth in the next phase of Malaysia's development. The Hub aims to support Malaysia's policymakers as they make important decisions to this end. The analytical work on Malaysia will also showcase the country's experiences and provide important examples for other countries in the region and beyond.

FY22 Priority Activities

The engagement in FY22 will include new initiatives as well as build on ongoing engagements. The new **Malaysia Skills Report** will be a focus activity in the year. The last Skills Report for Malaysia was produced by the World Bank in 2014. The proposed report will seek to build a strong evidence base regarding skills in Malaysia, reflecting changes in the economy in recent years, as well as challenges and opportunities including automation and the changing nature of work, and changes in the demand for skills.

The ongoing advisory engagement on **Informal Employment in Malaysia** will continue in FY22. Following the inception phase of the study (completed recently), the focus in the next FY will be on detailed quantitative and qualitative analyses on informal employment, spotlights on important policy areas such as the gig-economy, developing options for policy reform to offer greater protection to and enhance productivity of informal workers, as well as complementary capacity-building activities and stakeholder engagement.

The World Bank will begin a new advisory engagement with TalentCorp Malaysia on **Developing a High-Skilled Workforce for Malaysia**. This will include three distinct activities: (i) an assessment of the Returning Expert Program, (ii) a mapping exercise of the Malaysian diaspora in key destination countries, and (iii) an assessment of design, application, and outcomes of the Critical Occupations List. The outputs of this engagement will also concurrently inform the Malaysia Skills Report.

The **Public Expenditure Review** will have a strong focus on human development expenditures, programs and outcomes. The PER will specifically include analyses of equity and efficiency issues in social expenditures, assess the impact of social spending on poverty and inequality, and identify areas for potential policy reform, including through pension reforms, consolidation of currently fragmented social assistance programs, and better streamlining of programs to maximize impact on human development outcomes.

The World Bank will continue its ongoing engagement on the **Employability of Rohingya Refugees** in the coming FY, through a combination of qualitative and quantitative studies. While the qualitative data collection and analysis is currently underway in partnership with the Universiti Teknologi MARA, the World Bank is also exploring partnerships with UNHCR for deeper analysis on the economic condition of refugee populations, through collection and analysis of new and existing data sources.

The World Bank will continue to maintain the high-level policy dialog with line ministries and stakeholders, explore further opportunities for deepening the engagement on the

aging and aged care agenda, and contribute to knowledge generations, with a focus on the silver economy, and viable business and service delivery models for the aged-care sector in Malaysia, building on the successful completion of activities on this topic in the past FY.

Finally, the World Bank also proposes to organize **thematic workshops** on topics related to human capital development such as aged care, international labor mobility, and social

safety nets in high income economies.

STAKEHOLDERS: Key governmental stakeholders for the World Bank's engagement in social protection and jobs include MOF, EPU, KPWKM, Ministry of Human Resources, MOH, DOSM, TalentCorp, the Human Resources Development Fund, and MPC. Non-governmental stakeholders include UNHCR, relevant private sector agencies, as well as think-tanks, academia, and civil society.

Skills for inclusive growth in Malaysia



Skills are at the heart of human capital-led development globally, and have been a critical driving force that has enabled Malaysia's imminent transition to high-income country status. The skills landscape of Malaysia faces critical challenges and opportunities in the coming years. The proposed report on skills will provide an overview of the current state of skills in Malaysia, in relation to labor market trends, external factors including the effects of (and recovery following) the COVID-19 pandemic, as well as the changing nature of work. The report will offer a unique opportunity to assess opportunities and challenges for skills development and utilization in Malaysia, and will draw on primary and secondary data analysis, extensive review, and stakeholder engagement.

Despite successfully undergoing notable labor market transitions that are associated with economic development, the skills architecture in Malaysia faces new and emerging challenges. The emergence of knowledge-based occupations has also meant that jobs have become less manual and routine and more analytically and socially demanding, requiring higher-order cognitive skills, socioemotional skills, and higher-order technical and digital skills. Employers in Malaysia face difficulties finding workers with the right skills, which reflects the need for a better understanding of the demand and supply of skills in Malaysia, the extent of and reasons underlying mismatches, and which policy actions and reforms pertaining to skills may be necessary to improve labor market outcomes and enhance productivity.

The Skills report will assess the **Supply of Skills** (including the structure of the education system and curricula, assessment of cognitive, socioemotional, and digital skills, and returns to skills), the **Demand for Skills** (across types of skills, and over time, especially in light of wider trends and transitions), **Labor Imbalances** (by occupation and sector, assessing underemployment), and **Policy Interventions for Optimizing Workforce and Skill Planning** (including language of instruction debate, review of Critical Occupations List, and skills-related inequalities).

Education



Overview

Improving human capital development is a key lever for Malaysia to achieve high-income country status. As part of the Hub's second phase of operation, the Education OSA 2.0 program in FY22 will support the Malaysian Government to enhance its education quality by reviewing and strengthening the education system, learning from others, and making the progress and practices visible for other countries. This will continue through high-quality analysis of priority areas with global relevance, policy analysis and dialog with key stakeholders to influence decision-making around key policy reforms, sharing of global experience and expertise, capacity building, and dissemination of Malaysia's development experiences and policy initiatives.

The Hub will continue to provide technical, analytical, and advisory support toward the achievement of Malaysia Education Blueprint 2013-2025 initiatives in its final phase of implementation, as well as the 12th Malaysia Plan. The goal is to support the Malaysian authorities to ensure good governance, improve public

sector effectiveness and productivity, promote government transparency and accountability, and ultimately strengthen education delivery and achieve better learning outcomes for students.

COVID-19 is expected to continue to affect schooling and learning heavily. Like other countries, Malaysia will need to catch up on learning loss urgently while balancing long-term development goals and policy reforms. The Hub will continue to extend support to MOE to respond to the adverse effects of the pandemic and identify opportunity for reforms amid crisis.

Building on the successful and impactful delivery of the FY21 work program on education, the FY22 work program will be organized around three overarching themes: Enhancing quality, increasing accessibility, and building continuity. Particular attention will be given to early childhood care and education (ECCE), skills development and technical and vocational education and training (TVET), as well as development needs arising from the COVID-19 pandemic.

Priority Activities

The **Seminar Series Summary Report** draws together the key messages and suggestions for future actions from the six thematic seminars held in FY21. The summary report will combine research findings, best practices, country examples, lessons learned, and recommendations in the areas of learning environments and digitalization, inclusive education, teachers, curricula, and stakeholder cooperation. This includes synthesized information from the pre-reading packages, keynotes, thematic seminar notes, and workshop discussion outcomes. The report will support MOE to prepare and implement both short- and long-term policy reforms, and to respond to COVID-19 related challenges. It also builds the foundation for future development targets and engagements between the Hub and MOE.

An **Early Childhood Education Review** will be conducted to investigate the current situation in Malaysia, identify policy gaps, and provide insights and recommendations for reforms to increase access to quality early childhood education for all. ECCE lays an important foundation for social and cognitive development for future years. It has also been identified as a critical factor for female labor participation and productivity growth for the country. The review will encompass critical areas including curricula and standards, teaching capacity and qualification, safety regulation and enforcement, as well as types of providers and places availability. This work program is in support of MOE's target to ensure universal enrolment in preschool among 5+-year-old children and to improve the quality of preschools to ensure access to affordable, high-quality early childhood education for all children. Additionally, training on early childhood development will be conducted on assessment tools, as well as hybrid learning tools and solutions. The training will support the development of early childhood education in Malaysia by adding to the skills and knowledge of the key personnel at the national level.

The **Skills for Inclusive Growth Report** led by SPJ GP will include a chapter on skills development. The chapter will highlight the importance of education reforms to equip school leavers with the relevant skills that are in demand in the workplace. The focus will be on TVET, with an emphasis on the importance of skills development from early years.

The **Malaysia Tax and Public Expenditure review** led by the MTI sector will also include a chapter on education. The education spending component of the PER will center on exploring opportunities to improve education outcomes, and efficiencies in education management and spending. The chapter will concentrate on three levels: (i) planning and budgeting, (ii) actual expenditure, and (iii) outcomes. On planning and budgeting, focus will be on the overall budgets of MOE and the Ministry of Higher Education from

the preschool to tertiary levels. There is a need to look at both the operational and development budgets, and budget allocations on state level. The actual expenditure section will focus on the expenditures in education by resource category, education level, and expense type. The section will be concluded with analyzing the outcomes of investments such as learning outcomes, student enrolment rates, student – teacher ratios, repetitions, and dropout rates.

A seminar on skills development and TVET will introduce the insights from the Skills for Inclusive Growth Report, and look into the curricula, accreditation, teaching and training expertise, infrastructure, and student outcomes across different technical and vocational pathways in the education system. Alignment of skills development and TVET with industry standards and practices in Malaysia, relevance of courses to future country development, and industry linkage and collaboration will be given special attention. The seminar will provide evidence-based practices and international examples from other education systems to provide insights on key issues, spur adaptation ideas, and lend confidence on feasibility of reforms.

The Hub will work closely with the ministries and a wide range of stakeholders. Cooperation between federal and local education offices, different levels of education providers, and research will be essential. The series of work program in FY22 will involve targeted personnel from ministries, including current senior and middle leadership at the federal, state and district level, the next line of successors, as well as key stakeholders from other agencies. This ensures the impact and sustainability of the program work and increases the chances for policy reform to take place.



THEMATIC AREA 2

Promoting Sustainable and Islamic Finance

SUB-THEMES

1. Sustainable Finance for Climate Action
2. Resilient and Inclusive Financial Sectors
3. Islamic Finance for Sustainable Development

Development Objective

Under OSA 2.0, the World Bank will collaborate with key Government counterparts and other financial sector stakeholders to further the goal of a sustainable, inclusive, and resilient Malaysian financial sector. Sustainable finance is an increasingly important tool to support Malaysia's vision of shared prosperity and achievements of its SDG commitments. Efforts to catalyze environmentally and socially beneficial funding, expanding the outreach and quality of financial services, and strengthening the capacity of the financial system to cope with financial stress will span both conventional and Islamic financial instruments.

The WBG Hub teams aims in innovative ways to catalyze in Malaysia and other countries through greater sustainable finance towards urgent climate action; to strengthen financial inclusion and resilience outcomes; and to leverage Islamic finance to promote sustainable development.



THEMATIC AREA 2

SUB-THEME 1

Sustainable Finance for Climate Action

Overview

Sustainable and inclusive finance are important tools to achieve Sustainable Development Goal (SDG) commitments and shared prosperity. At the same time, the current COVID-19 pandemic is causing supply and demand shocks across borders and has created new challenges for countries while simultaneously highlighting the extensive impact of global events such as those related to climate change and stark societal inequities in many countries. For Malaysia and other countries in the East Asia region and globally following a similar development trajectory, recovery from COVID-19 presents not only new challenges but also new opportunities to reorient the economy towards greener and more equitable growth patterns to achieve commitments to the SDGs and shared prosperity.

Supporting recovery and rebalancing the economy towards more inclusive and greener growth are complementary goals. The financial sector will be pivotal to achieving these goals by mobilizing the necessary financial resources for the transition and in helping our economies to cope through adaptation and mitigation.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

Malaysia’s innovations in sustainable finance, especially in Islamic sustainable finance, continue to lead the way in developing new instruments and policy advancements that will be crucial in addressing both climate change and the COVID-19 pandemic. The world’s first green *sukuk*, sustainability *sukuk* and the 2021 sovereign sustainability *sukuk* are all examples of the impact of Malaysian financial innovation in the global financial markets.

Building Capacity on Sustainable Finance for the Financial Sector in Malaysia and Globally

As the Malaysian financial industry, like much of the world, shifted towards a heavily virtual working environment due to COVID-19, the World Bank team adjusted its support efforts to build capacity:

- In collaboration with the Asian Institute of Chartered Bankers (AICB) and Islamic Banking and Finance Institute Malaysia (IBFIM), a joint **webinar series on sustainable finance** was organized for mid-level executives in the banking sectors, as they would be the key implementers

for sustainable initiatives within their respective organizations. Topics covered include an introductory session on sustainable finance, the impact of COVID-19 on recovery and sustainability, and climate-related risks in the financial sector. The seven webinars held from August to December 2020 attracted approximately 1,400 financial sector executives.

- The Hub joint hands with CFA Society Malaysia and CFA Institute to advocate for sustainable and responsible investment in the asset management industry. The webinar focused on the buy-side of the financial sector, with asset managers, asset owners, and investment analysts as the primary audience. Investors represent the demand side of the sustainable finance equation, and their interest and commitment to sustainability are important to spur greater supply of sustainable assets from the private sector. This series covered topics on sustainable and responsible investing (SRI) that are changing the way investors assess, evaluate, and choose their investments. The webinar series will continue into FY22.

THEMATIC AREA 2: PROMOTING SUSTAINABLE AND ISLAMIC FINANCE

Sub-Theme 1: Sustainable Finance for Climate Action

- The World Bank also continued engagements with key state-linked investors on the topic of **sustainable investing**, especially with the Employees' Provident Fund (EPF) and Kumpulan Wang Persaraan (KWAP), covering sustainable investment-related topics. In January 2021, EPF announced its intention to be fully ESG-compliant by 2030.

A major week-long virtual conference, the **Sustainable and Inclusive Finance Forum (SIFF)**, was held in October 2020, discussing issues in sustainable finance, Islamic finance and inclusivity. A World Bank report on the first three years of the green *sukuk*, **Pioneering The Green Sukuk: Three Years On**, was launched during the forum. The report discussed the fundamentals of a green *sukuk*, the history of its development, and its use in several countries. In keeping with the theme of being green, the team launched the report in virtual format only.

- Embedded within the SIFF was the **Global Green Finance Leadership Program (GFLP)** conference, held in partnership with Tsinghua University, Financial Centres for Sustainability (FC4S), and the United Kingdom Partnering for Accelerated Climate Transitions (UK PACT) program. This two-day event brought key global players in the sustainable finance space together to discuss green recovery in a post-COVID-19 era, green taxonomies, biodiversity, and sustainable agriculture.



- Knowledge-sharing and capacity-building activities extended beyond Malaysia with the Malaysia team supporting workshops for the **regulatory authorities** in the **Philippines** and **Thailand**. Of much interest were

the lessons learned from Malaysia’s development of the various aspects of its sustainable finance market, such as banking, capital markets, domestic sustainable certification, and investing.



Opening remarks for the Green Finance Leadership Program in partnership with Tsinghua University, FC4S and UK PACT

Technical Assistance on Policy and Regulatory Aspects of Sustainable Finance

The World Bank continued its technical support for sustainable finance initiatives in the policy and regulatory aspects in Malaysia with various counterparts. The World Bank supported MOF in the **initial planning stages of Malaysia’s inaugural sovereign sustainability sukuk issuance**, which was also the **world’s first sovereign sustainability sukuk** (see box). This issuance emphasizes Malaysia’s commitment to the sustainability agenda, and is a key milestone in the country’s path towards meeting its Intended National Determined Contribution (INDC) by 2030. This was also reflected in Malaysia joining the Coalition of Finance Ministers for Climate Action in April 2021. The Coalition is a grouping of countries from all regions, representing different levels of development and

challenges, to share experiences and best practices, and collaborate on strategies to integrate climate change in economic and financial policies.

In the banking space, BNM launched the **Climate Change and Principle-based Taxonomy (CCPT)** in April 2021, marking the culmination of two years of technical engagement and industry consultations. This development is a crucial step in Malaysia’s continuing progress toward sustainable development.

The World Bank also started a study this year with BNM and the Joint Committee on Climate Change on **biodiversity and financial risk** that explores themes related to the extent that financial institutions are exposed to risks from biodiversity loss, and to promote financial institutions’ understanding of such risks (see Box).

Providing Inputs into Malaysia's First Sovereign Sustainability Sukuk

CHALLENGE: How do governments encourage the shift towards sustainability, to make it a mainstream factor in both the public and private sectors, and not just the niche domain of renewable energy producers? In Malaysia, the participation of state-linked institutions in sustainable capital instruments was limited to a single issuer, PNB Merdeka Ventures, which issued a green *sukuk* in 2017.

RESPONSE: Since 2017, the World Bank has been engaging with various public sector institutions and sharing the knowledge and experiences of other countries. The engagement with MOF began this fiscal year in September 2020, when an informal working group was set up at the request of MOF to brainstorm ideas on what steps Malaysia could take to position itself as a regional hub for sustainable finance. The World Bank, as a member of the informal working group, highlighted the issuance of the *Sukuk Prihatin* – geared towards COVID-19 response financing – earlier in 2020 as a first step towards sustainability, and supported the proposed sustainable *sukuk* issuance. The World Bank shared the various steps needed for a sustainable issuance, as well as the experiences of other countries who have issued similar instruments ranging from green bonds, green *sukuk* to sustainability bonds, and the lessons learnt from those issuances.

RESULTS: On Nov 6, 2020, during the 2021 Budget Speech, the Finance Minister announced that Malaysia will issue its first-ever sovereign sustainability bond in 2021 to fund environmental and social initiatives. Subsequently on April 22, 2021, Malaysia issued the world's first sovereign sustainability *sukuk*. It was Malaysia's inaugural sovereign sustainable issuance, and marked Malaysia's entry to the growing club of countries that have tapped the markets via sustainable instruments. The US\$800 million, 10-year issuance was heavily oversubscribed, reflecting market demand for sustainable Malaysian credit.

Funds raised in sovereign sustainable bond issuances are earmarked for sustainable activities, which in Malaysia's case, are outlined by Malaysia's *SDG Sukuk Framework*. The Framework is aligned with major international guidelines and principles such as the International Capital Market Association (ICMA)'s Sustainability Bond Guidelines 2018, Green Bond Principles 2018, Social Bond Principles 2020, as well as the ASEAN Sustainability Bond Standards 2018. Sustainable developmental projects outlined in the Framework included clean transportation, renewable energy, energy efficient green buildings, sustainable management of living natural resources, access of essential services such as healthcare and education, affordable basic infrastructure, and employment generation through SMEs.

In the capital markets, the World Bank has been engaged with the Securities Commission (SC) and Bursa Malaysia, sharing experiences in the issuance of blockchain bonds in Australia and Thailand, with the potential of being used for retail sustainable bond or *sukuk* issuances. The World Bank is also supporting the SC's development of **SRI Taxonomy** guiding principles, covering environmental and social aspects.

Engagements with the Ministry of Environment and Water (KASA) continued throughout the year on various sustainability-related topics including carbon pricing,

among others. Malaysia has also submitted an Expression of Interest for Country Readiness Support to Carbon Pricing under the **Partnership for Market Implementation (PMI)**. The PMI provides technical assistance to countries to design, pilot, and implement carbon pricing and market instruments.

FY22 Moving Forward

(JULY 2021 – JUNE 2022)

Overview

Given its strong existing partnerships with key Malaysian stakeholders, the World Bank team aims to continue supporting the positioning of Malaysia to be a global hub for Islamic sustainable finance, and a regional center of knowledge for sustainable finance. Increasing demand for Malaysian knowledge in sustainable finance reflects both the strong interest in sustainability, and the recognition that Malaysia’s development trajectory offers useful lessons to other countries.

FY22 Priority Activities

Following the successful issuance of BNM’s CCPT, the World Bank will continue efforts in the taxonomy space, by supporting SC on the development of the **Sustainable and Responsible Investment (SRI) Taxonomy** for the capital markets, covering both environmental and social aspects.

In addition, the technical assistance engagement examining **biodiversity and financial risk** in the banking sector at the request of BNM and the Joint Committee on Climate Change (JC3), will be delivered in FY22. This report will look at the extent that financial institutions are exposed to risks from biodiversity, by building on the model of the Dutch central bank (see Box).

The report on **Sustainable Finance in Selected Emerging Markets in East Asia** will be a core research activity in the next fiscal year. The report will look at the state of sustainable finance markets in a set of emerging East Asian economies (Indonesia, Malaysia, Mongolia, the Philippines, Thailand, and Vietnam), in terms of market development, key regulations in place, as well as discuss contemporary issues and what may come next. This report will leverage the collaboration of partners such as Tsinghua University and UK PACT.

In FY23, as the 5-year anniversary of the first green *sukuk* approaches, the World Bank team is planning a report on



THEMATIC AREA 2: PROMOTING SUSTAINABLE AND ISLAMIC FINANCE

Sub-Theme 1: Sustainable Finance for Climate Action

Islamic Sustainable Finance, as a follow-up to the report 'Pioneering the Green *Sukuk*: Three Years On', which was published in 2020. This report will look at developments in both banking and capital markets, and analyze the successes, failures, and challenges faced.

Capacity building efforts with key collaborative partners will continue throughout FY22.

- The ongoing **webinar series on sustainable investing** in partnership with CFA Society Malaysia will continue through the end of 2021. Additional topics will be identified to maximize impact on the developing sustainable finance industry and incorporated into a new series of webinars. These would potentially include sustainable insurance, disclosure and impact reporting, as well as more advanced topics of earlier webinars.

- The World Bank team is also planning knowledge events to follow up on 2020's **Sustainable and Inclusive Finance Forum**, scheduled for late 2021. This forum is expected to integrate both sustainable finance and Islamic finance elements into a cohesive discussion of challenges and potential solutions among a global audience.

Knowledge-sharing activities, especially in the "new normal", often cross international boundaries, and growing demand from the region will continue to result in requests for the sharing of Malaysian experiences in the development of sustainable financial markets.

Advancing Sustainability – Measuring Financial Risk Impact of Biodiversity Loss in Malaysia

CHALLENGE: How do banking activities impact biodiversity in Malaysia? How can banks measure their exposure to biodiversity loss? Malaysia faces the challenge of balancing its immense biological diversity and its growing economy. Biodiversity loss threatens the availability of ecosystem services, which are the benefits that nature provides to society and the economy. Identifying the financial impact in case of biodiversity loss is key information to inform how transition could be shaped. Quantifying the costs and risks associated with biodiversity loss is a complex task that regulators and other stakeholders are only beginning to address.

RESPONSE: The World Bank is supporting BNM with a study that explores how and to what extent financial institutions are exposed to risks from biodiversity. The study, which is modeled after a recently published study by the Dutch central bank, is being prepared in collaboration with Bank Negara Malaysia and JC3. The study will be a first-of-its-kind in the region, which is hoped to provide useful lessons for other countries intending a similar exercise. The study will initially focus on the banking sector. The study will involve the mapping of physical and transition risks arising from biodiversity considerations to the Malaysian economy and the banking sector, by utilizing data on dependencies on 21 ecosystem services for 86 business processes, which in turn can be mapped to the economic activities of Malaysian borrowers.

RESULTS: The goal of this analysis is to understand to what extent financial institutions are exposed to risks from the loss of biodiversity, while also promoting financial institutions' understanding of these risks. This study is also intended to support BNM's capacity to analyze climate risk, by facilitating the collection and analysis of data associated with biodiversity loss to the financial sector.



THEMATIC AREA 2

SUB-THEME 2

Resilient and Inclusive Financial Sectors

Overview

Sustainable and inclusive finance are important tools to achieve Sustainable Development Goal (SDG) commitments and shared prosperity. This sub-theme focuses on the objective of strengthening financial inclusion and resilience outcomes in Malaysia and other developing countries.

The work program will support efforts to enhance access to and quality of financial services, focusing on the bottom 40 percent of the population (B40). These efforts will be focused on Malaysia with additional engagements to support knowledge transfer to other developing countries. Activities consist of a mix of “just-in-time” technical outputs, along with analytical reports to support medium-term goals in financial sector development, and capacity building and convening activities for counterparts to build knowledge in key areas.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

As the challenges brought by the COVID-19 pandemic continued unabated, the themes of **financial stability and financial inclusion** were particularly prominent in policy dialog. This pillar supported activities to promote financial stability and financial inclusion outcomes in Malaysia and other developing countries, with a focus on sound financial sector policy measures to monitor and mitigate the impacts of COVID-19, particularly for the bottom 40 percent of the population.

Supporting Policy Initiatives

Catalyzing Digital Banking. The World Bank provided advice and support for BNM's developing digital banking framework through policy dialog and analytical inputs. The World Bank arranged workshops for peer-to-peer learning with other regulators, such as the Republic of Korea and South Africa, and provided technical comments on BNM's draft digital banking licensing framework issued in December

2020. A report on business models, delivery channels, and regulatory and supervisory considerations, building on the inputs provided to Malaysia, will be published in FY22 to support other emerging countries considering similar issues, particularly in the current environment in which transacting physically is less feasible.

Understanding Retail Banking Competition in Malaysia.

The World Bank team delivered a report for BNM on the dynamics of competition in the retail banking sector. The report reviewed the current state of the incumbents and alternative service providers in the industry, exploring challenges to competition, and providing policy recommendations to support an efficient and inclusive financial sector. The draft report was delivered to BNM in March 2021, along with three workshops to discuss competition frameworks, methodology, and potential policy actions as well as a presentation to the Financial Development Working Group in June 2021 (see Box).

Understanding Competition Dynamics in Retail Banking in Malaysia

CHALLENGE: The retail banking sector plays a critical role in the efficient allocation of funds in the Malaysian economy. Consumers and businesses use banking services to make payments, save and borrow money, manage liquidity, and obtain funds for investments. What are the best ways for banks to efficiently deliver financial intermediation services in an environment where competition dynamics are being reshuffled by new digital initiatives, and new business models brought by new market players such as FinTechs, digital banks, and payment systems providers?

RESPONSE: The World Bank has been collaborating with BNM, Malaysia's central bank, with the goal of informing key themes for the early discussions on their financial sector blueprint (5-year strategic plan). Based upon customer data from BNM and PIDM (Malaysia's deposit insurance agency), the World Bank provided an assessment of the retail banking market's characteristics and dynamics, market outcomes, constraints for market players to enter and compete, and concluded with policy recommendations. Key themes related to the expansion of digital banking and the use of credit information in the digital age were addressed.

RESULTS: The World Bank held workshops with BNM to promote the understanding of competition analysis, which included participation of experts from the Bank of England/UK Competition authority, and well as multiple workshops to discuss findings and potential policy actions, including a briefing for the Financial Development Working Group. Key themes from the report are being analyzed for potential inclusion in BNM's upcoming financial sector blueprint document.

OCT 9 (FRI) 9:00am to 11:00am

MALAYSIA'S DOMESTIC BOND MARKET: A SUCCESS STORY

Options for Affordable Housing Finance: During the year, our team also shared knowledge of global good practices with BNM and CAGAMAS, the national mortgage corporation. The note provided wide-ranging solutions on affordable housing finance, including the potential development of REITs that have been developed in various countries in addressing housing challenges for different segments of the population and with different affordability needs. An additional note on exploring Islamic financing solutions for affordable housing in Malaysia, which will focus on social impact *sukuk* and iREITs, is also being developed.

Contributing to Global Knowledge

The pandemic has placed the financial sector under pressure, with authorities forced to deploy measures to alleviate cash flow pressures on corporations, SMEs, and household borrowers, while ensuring a sustained supply of credit to the economy. The webinar for prudential supervisors on **Challenges of COVID-19 in Banking Supervision** offered a venue for fruitful discussions on the

experience of banking regulators and supervisors, including examining country-specific actions in Australia, Malaysia, Indonesia, and Thailand in addressing the challenges in banking supervision during COVID-19.

The regional report on **Non-Performing Loans in East Asia** to be published in July 2021 provides analysis on the state of non-performing loans (NPLs) in East Asia and the actions required once other COVID-19 support measures unwind. As banks are likely to be confronted by a wave of NPLs, and to prevent a future build-up of NPLs, the report provides recommendations for early action, and suggests effective tools to address the NPL problem and avoid unintended systemic consequences.

The fiscal year also saw knowledge-sharing webinars to mark the launch of World Bank Group reports:

- The **Malaysia's Domestic Bond Market: A Success Story** report was launched in October 2020. The webinar was held during the Sustainable and Inclusive Finance Forum, and involved more than 300 participants from 25 countries, distilling lessons from Malaysia's experience, and providing guidance to help other countries adapt these lessons and successful strategies in developing their own resilient capital markets.
- The **Asian Provident Funds: Meeting Tomorrow's Challenges** report launched in April 2021 attracted 147 participants from 19 countries, while experts from Malaysia, Indonesia, and the Pacific Islands discussed the challenges of the provident funds in asset allocation and diversification, the aging population, and pressures of emergency savings withdrawals in times of COVID-19.



Promoting Financial Inclusion through Innovations in Malaysia's Remittance Market



SYNOPSIS: Through this project, Malaysia has become one of the first countries to achieve the Sustainable Development Goal of reducing remittance costs to 3% by 2030. In the Sabah region, remittance costs reduced from 4.5% in 2017 to 2.2% by 2019, with a significant increase of e-remittances with turnover greater than 650%. New e-remittance registrations increased by over 14,000.

CHALLENGE: Remittances are a key source of external development finance for many developing countries, as they contribute to poverty reduction and improve social welfare. ASEAN is home to more than 10 million migrants, and more than 2 million of these migrants live and work in Malaysia. Their families – mostly in Indonesia, Bangladesh, Nepal, India, and the Philippines – depend on the money that they send home to school their children, pay for medical care, build homes, and generate other sources of income. Unfortunately, many migrant workers are unable to access formal remittance channels to guarantee a safe transfer of earnings. Remittance costs can be high, reducing the amount of hard-earned money going to migrant families so that migrants keep more of their hard-earned money. Finally, illegal, unauthorized service providers can reduce trust in the system.

RESPONSE: Project Greenback 2.0–Kota Kinabalu, in the East Malaysian state of Sabah, is the product of a partnership between the World Bank and BNM, aimed at supporting the development of an efficient and transparent remittances market. The project has used an innovative approach to promote change, inspired by the real needs of the ultimate beneficiaries of international money transfers: the migrants and their families at home.

The project adopted four strategies to address the identified challenges: 1) promoting technology and digital experience for wider reach, 2) targeting engagements with Indonesian and Filipino workers and communities, 3) greater collaboration and scope covering financial education and inclusion, and 4) leveraging industry-driven initiatives.

Activities targeted at migrant worker hotspots promoted end-to-end digital services, including opening of bank accounts and registration for Electronic Know-Your-Customer or “e-KYC” (electronic solutions that help establish business relationships and conduct customer due diligence) and e-remittance services; and financial education programs to enhance knowledge of financial products and financial management. The Greenback 2.0 project delivered remittance services to users in remote areas, coupled with financial education in partnership with industry

and communities. In Sabah, the project team used an innovating approach, experimenting with using incentives to nudge behavioral changes in helping the target market to use regulated remittance channels.

RESULTS: Over the course of the project, the cost of sending remittances in Sabah was reduced from 4.5% in December 2017 to 2.2% in September 2019. A 1% reduction in remittance costs translates into an additional US\$5.9 million (RM24 million) in the hands of migrant workers. During the project period, over US\$31.1 million (RM126 million) was saved. The savings ensured that migrant workers took home more of their hard-earned pay for their family's development.

Malaysia became one of the first countries that achieved Goal 10 of the Sustainable Development Goals. This Goal aims to reduce inequality within and among countries, by reducing the average cost of remittances to 3% by 2030 and eliminating remittance costs higher than 5%. The project team and partners reached out to over 16,000 migrant workers and local communities, out of which around 14,000 migrant workers registered for new electronic remittance accounts. E-remittance turnover value in Sabah has jumped significantly, registering RM58.7 million for the period of January 2019 to December 2019 (RM14.6 mil for the same period in 2018), at a growth of 302%.

BENEFICIARIES:



“There was once when my child was sick and urgently needed money, I couldn’t find a formal remittance provider. I experienced sending money but the money was never received and I lost all my savings. Praise be to Allah. By using this mobile application, I can send money anytime.”

Siti Juwita, from Medan, Indonesia

“My place is very far from the remittance provider so I have to pay RM15 for a Grab car or taxi. So when I found out about the mobile app, I saved a lot.”

Grace Pelagia Roque, from the Philippines



The achievements of digital remittances in Greenback 2.0 enabled remittance companies to continue to provide digital solutions during the recent COVID-19 lockdown period, when many remittance outlets were closed.

PARTNERS: The project was a joint project undertaken by Bank Negara Malaysia and the World Bank in partnership with the Malaysian Association of Money Services Business, remittance companies, embassies and consulates, and plantation companies and community groups, to expand digital remittances to migrant workers by promoting innovative and digital remittance services. Greenback 2.0 Ambassadors (selected employees of remittance companies) played a critical role in communicating key information in local languages.

FY22 Moving Forward

(JULY 2021 – JUNE 2022)



Overview

The **Resilient and Inclusive Financial Sectors** sub-theme will continue to provide technical assistance and advisory support, focusing on sound financial sector policy measures to promote **financial stability and inclusion**. Key challenges remain as the financial sector unwinds from the pandemic-related emergency measures and needs to support the financial needs of its population, particularly the bottom 40 percent.

FY22 Priority Activities

A key task for the team will be to provide technical assistance to stakeholders on topical or thematic areas to support input to **key strategy documents and initiatives**. This would include support for the:

- Malaysian National Financial Inclusion strategy, which is being developed to include a special focus on COVID-19 recovery efforts.
- Inputs to the 2021-2025 financial sector blueprint as requested by BNM.
- Contribution to analyses related to financial stability

monitoring and capacity building as well as capacity-building workshops for BNM and the deposit insurer, PIDM.

To support these efforts, ongoing policy support is expected to continue in providing technical assistance to stakeholders, which will include just-in-time advice and analytical support, peer-to-peer learning, and knowledge-sharing, with a focus on COVID-19 relief and recovery interventions.

The Hub will also provide continued support on **financial inclusion**. This would involve participation in the Asia-Pacific Economic Cooperation (APEC)/ASEAN working groups on financial inclusion. The team will provide advisory and capacity building support to BNM on the surveys and analysis of relevant financial inclusion data. More broadly, technical assistance will be provided as needed for FY21 workstreams, such as the DFI reform agenda, the affordable housing finance solutions, and the implementation of the digital banking licensing framework.

Knowledge sharing activities for the year will include the dissemination of FY21 reports on Digital Banking and NPLs in East Asia workshops, as well as capacity building for relevant areas in financial stability and inclusion.



THEMATIC AREA 2

SUB-THEME 3

Islamic Finance for Sustainable Development

Overview

World Bank efforts in the Islamic finance thematic area will leverage Malaysia's position as a world leader in Islamic finance to improve understanding of Islamic finance and its linkages to the real sector, to generate awareness, and to build consensus amongst different stakeholders in Islamic finance and collaborate with BNM and all key stakeholders to focus on developing knowledge to further the deployment of Islamic financing solutions to support the SDGs and mitigating the impacts of COVID-19.

The work program will comprise of activities which will be carried out in partnership with Bank Negara Malaysia (BNM), Securities Commission (SC), and local financial institutions, Islamic Financial Stability Board (IFSB), International Center for Education in Islamic Finance (INCEIF), and the International Shariah Research Academy (ISRA). The various activities will also emphasize the use of Islamic finance solutions for medium-term COVID-19 recovery.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

As a **world leader in Islamic finance**, Malaysia is well positioned to offer innovative solutions to weather the perfect storm that the world faces today. The COVID-19 pandemic and climate change prompt key stakeholders to consider sustainable and green recovery to building back better. The Malaysian and indeed the world's first green *sukuk*, *Sukuk Prihatin*, and sovereign sustainability *sukuk* are examples of Malaysian initiatives bolstering its position as a global Islamic sustainable finance hub.

Greening Islamic Finance. The World Bank continued its support for technical assistance for Islamic financial

institutions by supporting the development of **sectoral guides for renewable energy and energy efficiency** under the Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) which were issued on April 2021 (see Box).

Technical Assistance to Bangsamoro Autonomous Region of Muslim Mindanao (BARMM) Government. The World Bank's financial sector and governance teams provided technical support to the BARMM regional government in expanding access to financial services, and improving public finance in the BARMM region, for its social and economic

Greening Malaysian Islamic Finance with Value-Based Intermediation

CHALLENGE: How best to further deliver on the value proposition of Islamic finance, which is part of a value-based intermediation system based upon the principles of public interest? In Malaysia, regulators and Islamic financial institutions have identified a framework to recognize the value of intermediation beyond pure financial returns, and are interested in putting these principles into action.

RESPONSE: The project began when BNM developed a framework, issued in November 2019, in collaboration with the World Bank, the VBI Community of Practitioners, and the International Centre for Education in Islamic Finance (INCEIF), to assess the financing and investment activities of Islamic financial institutions. This fiscal year, the World Bank supported the development of sectoral guides for renewable energy and energy efficiency. The VBIAF Sectoral Guides will complement the recently issued BNM CCPT. The guides recommend key impact-based risk factors of the sector or activity, which can typically generate significant risks if not well managed but could present opportunities if the risks are proactively addressed. They also provide examples of measurement metrics across the entire risk impact-based assessment process. The renewable energy guide covers the direct impact of downstream power producers, and will be enhanced at subsequent stages to cover additional parts of the renewable energy value chain. In addition, energy efficiency is one of the key activities to reduce GHG emissions and tackle climate change risks. The energy efficiency guide covers the final energy users (categorized by cluster and project life cycle), and will be enhanced at subsequent stages to cover additional parts of the various energy efficiency activities.

RESULTS: The sectoral guides for renewable energy and energy efficiency were issued by BNM in April 2021, following a period of public consultation. The guides would facilitate financial institutions to implement an Environmental, Social, and Governance (ESG) impact-based risk assessment framework. There are synergies with existing initiatives such as ESG, Ethical Finance, and Sustainable, Responsible, Impact Financing (SRI), with the distinction that relies on *Shariah* in the determination of its values, moral compass, and priorities. Financial institutions are encouraged to refer to the VBIAF sectoral guides for detailed guidance to conduct ESG impact assessments in specific sectors. As a next step, the World Bank is currently providing technical inputs on guidelines for two additional sectors, and will provide additional technical workshops for Malaysian financial institutions.



development agenda. The unique landscape and complex socio-cultural context of the BARMM region requires diverse public and private financial services that cater to local demands, and build upon sound financial management and efficient delivery. There is also an increasing demand for Islamic financial services in the BARMM region. BARMM regional government officials have identified Malaysia's development experience in Islamic finance, financial inclusion, governance and management of government-linked agencies, and development financial institutions (DFIs) as relevant to the BARMM regional development agenda. The World Bank organized a knowledge-sharing series in May and June 2021 to share relevant Malaysian experiences to support BARMM officials in shaping the regional financial sector development roadmap and action plan in the next phase. Topics that draw on Malaysia's experience include: i) enhancing governance and social impacts of government-linked investment companies (GLICs) and DFIs in financing its development agenda, ii) Waqf and Zakat in financing social impacts projects; and iii) liquidity facilities for Islamic banking.

Islamic Trade Finance: An Opportunity for Malaysia.

This report, requested by BNM, is the principal knowledge product for the World Bank Islamic finance pillar this fiscal year. The report requested by BNM is timely, as Islamic trade

finance can substantially support trade, foster growth, and accelerate post-pandemic recovery. In addition to its impact on the domestic economy, enhancing Islamic Trade Finance can benefit other Organisation of Islamic Cooperation (OIC) member countries, and the global Islamic finance industry in which Malaysia is an established leader. The report was completed with significant inputs from BNM, SC, Halal Development Corporation (HDC), Malaysia External Trade Development Corporation, Department of Islamic Development Malaysia, and Malaysian Islamic financial institutions.

Islamic Finance and Islamic Financial Inclusion and Islamic Fintech Reports.

Two World Bank reports completed in the last fiscal year were launched in October 2020 by the Deputy Finance Minister at the Sustainable and Inclusive Finance Forum. **Malaysia: Islamic Finance and Financial Inclusion** and **Leveraging Islamic Fintech to Improve Financial Inclusion** presented the use of Islamic finance instruments including digital financial services to support financial inclusion, thereby contributing to the fight against poverty and fostering shared prosperity. The reports, which have been downloaded 5701 and 1098 times respectively, discussed policy, regulatory, and institutional elements required for the sustainable use of Islamic finance to expand access to financial services.

THEMATIC AREA 2: PROMOTING SUSTAINABLE AND ISLAMIC FINANCE

Sub-Theme 3: Islamic Finance for Sustainable Development

A series of Islamic finance webinars were organized in partnership with BNM, MIFC, Association of Islamic Banking and Financial Institutions Malaysia (AIBIM), Islamic Financial Services Board, and the Responsible Finance & Investment (RFI) Foundation reaching 1435 participants. Highlights include:

- August 2020: Inclusive and Sustainable Takaful to Strengthen Household Resilience to Financial Shocks.** This workshop presented the role of *takaful* in ensuring that people and households stand ready to mitigate unexpected financial shocks, preserve their assets, and take productive risks. The discussion also covered *takaful* operators’ responsibility to generate economic opportunities, by investing capital over longer-term horizons in productive opportunities such as infrastructure development, which can create jobs, fuel growth, and encourage innovation.
- November 2020: Mitigating Climate Risk for Islamic Financial Institutions** presented an overview of the regulatory response to climate change as it affects the financial sector in Malaysia. This includes an overview of the policies designed to increase the availability of information from non-financial companies relating to climate-related financial risks, as well as those put in place to improve financial institutions’ and asset owners’ ability to integrate this information into their business decision-making. The webinar discussed the breadth of the impact of climate-related financial risks beyond those sectors traditionally identified as major direct sources



of greenhouse gas (GHG) emissions. The discussion also covered how banks, asset owners and managers, regulators, policymakers, and other stakeholders are exposed to climate-related risks linked to the transition to a low-carbon economy.

- January 2021: Roundtable on Sustainable Sukuk** was initiated to provide a platform for the Philippines’s different government agencies to engage in a meaningful discussion with Malaysia’s financial intermediaries that are experienced with the process of arranging sustainable *sukuk* and the potential investment opportunities it affords. The roundtable also highlighted the role that Islamic financial instruments can play in financing the green economy.



FY22 Moving Forward

(JULY 2021 – JUNE 2022)



Overview

The World Bank will continue to support Malaysia in positioning itself as a global hub for Islamic sustainable finance. Policy discussion and practical solutions on Islamic finance will be linked to sustainable and green recovery, with a goal on supporting relief and recovery from the COVID-19 pandemic and mitigating the impacts of climate change.

FY22 Priority Activities

Building the Framework for Green Islamic Finance. With the successful issuance of the VBIAF sectoral guide on renewable energy and energy efficiency, the World Bank will continue to partner with AIBIM, BNM, and Islamic banks in developing another two sectoral guides, such as manufacturing, and construction and infrastructure. The VBIAF Sectoral Guides will complement the BNM CCPT. All the financial institutions are encouraged to refer to the VBIAF sectoral guides for more detailed guidance regarding ESG impact assessments in specific sectors.

The report on Islamic Finance and the Halal Industry Development will be the core analytical report in the next fiscal year. With support from BNM and HDC, the study will examine the status of halal in different sectors, with a focus on Malaysia and how *Shariah*-compliant instruments can be deployed to support the industry. The World Bank will also support elements of a global award initiative from BNM and SC to support Islamic finance and economic resilience goals. The Malaysia program expects to continue its support to BARMM, focusing on deepening financial inclusion for its social and economic development agenda. Under this agenda, knowledge sharing will be undertaken to share relevant country experience to support the government's development goals related to financial sector development, with a focus on developing Islamic finance.

In the new normal, the World Bank will continue to partner with key stakeholders in organizing a series of webinars on Islamic finance. This would include topics such as impact measurement for sustainable finance, Islamic finance for COVID-19 recovery, Islamic trade finance, halal economy, and sustainable *takaful*.



THEMATIC AREA 3

Strengthening Governance

SUB-THEMES

1. Strengthening Public Sector Institutions
2. Enhancing Public Sector Productivity
3. Strengthening Public Finance and Transparency

Development Objective

The World Bank Governance Global Practice (GGP) supports client countries to build capable, efficient, open, inclusive, and accountable institutions. The ability of governments to effectively provide public services, support an environment that generates jobs and growth, address market failures, and engage citizens is more important than ever given the COVID-19 pandemic. Countries with strong institutions are more resilient, facilitate private sector growth, reduce poverty, deliver high-quality services, and earn the confidence of citizens. Emerging lessons from the immediate response point to the need to adapt models of government operations, service delivery, and interactions with citizens, which include several GovTech options. At the same time, it is important for the government to also pay close attention to the risk of corruption with the easing on rules, procedures, and other control mechanisms when expediting their responses to the crises.

The WBG Hub teams aim to enhance governance outcomes in Malaysia and other countries through its cutting-edge work on productivity in the public sector, planning and public financial management, and transparency in government institutions and operations.



THEMATIC AREA 3

SUB-THEME 1

Strengthening Public Sector Institutions

Overview

The state and quality of Malaysia's institutions play a central role in its aspirations to become a high-income, developed nation. The experiences of countries that have successfully attained high-income and developed status in recent decades demonstrate the importance of formal state institutions such as the executive, legislature, judiciary, and civil service. This is because the productivity gains necessary for sustaining growth in an advanced economy place greater and more complex demands on institutions than does the achievement of growth based primarily on the mobilization of resources.

Achieving productivity growth requires supportive institutions, as these set the policies and regulations that determine how firms and industries operate in the market. In addition, as a country develops, society's expectation of the quality of public goods and services tend to increase in breadth and complexity. In short, Malaysia's aspirations for attaining both sustainable growth and full development requires strong and well-functioning institutions.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

Strengthening governance and institutions are needed to support a country's growth, inclusion, and sustainability objectives. Countries with strong governance and institutions are more resilient, facilitate private sector growth, reduce poverty, deliver high-quality services, and earn the confidence of citizens. In this context, the state and quality of Malaysia's institutions play a central role in its aspirations to become a high-income, developed nation.

In the year of review, work on strengthening governance comprised the following areas (1) Strengthening Public Sector Institutions; (2) Enhancing Public Sector Productivity; (3) Strengthening Public Finance and Transparency.

A key activity under the Strengthening Public Sector Institutions sub-theme this year was the dissemination of the **Global Report on Anti-Corruption** which had its global launch in September 2020. Since then, the report has been widely shared with several audiences including governments, think-tanks, non-governmental organizations (NGOs), and media. The report has been presented to different countries and will be having its East Asia and Pacific regional launch in June 2021. The report is expected to continue to generate interest, contribute to, and influence the policy dialog in Malaysia.

This theme of public sector institutions also featured prominently in one of the Bank's flagship reports - **Aiming High: Navigating the Next Stage**

of Malaysia's Development. In the context of the report, the chapter on **Modernizing and Raising the Quality of Institutions** discussed the crucial role that public sector institutions play in determining the sustainability and quality of Malaysia's growth, as it moves toward high-income status. This includes being able to respond effectively to the demands that come from an expanding middle-class population and priorities emerging from the high-income transition. Having a capable and modern civil service to adapt and perform its different roles effectively – from implementing programs and delivering public services – were reviewed. The importance of transparent and accountable institutions and why they matter for sustained growth were also deliberated.

An event as part of the webinar series for the dissemination of the Aiming High report was held to discuss the key findings of the Modernizing Institutions chapter involving prominent speakers in Malaysia.

Continuing the regional knowledge-sharing and exchanges around sound economic and development planning, two forums were organized under the banner of the **Southeast Asia Planning Community of Practice (PCoP)**, which is a member-driven peer-learning network comprising 9 countries from ASEAN. Malaysia is represented by the EPU.

The first forum was held on September 15, 2020 and featured the topic of **Roles of Economic and Development Planning**



WORLD BANK GROUP
Inclusive Growth & Sustainable Finance
Hub in Malaysia

Forum Series:
Vietnam's Development Experience and Aspirations 2035 and the Role of Innovation

Monday, 18 May 2021
9:00 (Hanoi); 10:00 (Kuala Lumpur);
22:00, 17 May (DC)

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THEMATIC AREA 3: STRENGTHENING GOVERNANCE

Sub-Theme 1: Strengthening Public Sector Institutions

Institutions in Response to Covid-19. Thailand’s planning agency, the National Economic and Social Development Council (NESDC), shared their experience in dealing with the pandemic. The Secretary-General of NESDC gave the opening remarks. The session also featured a presentation by the Malaysian Evaluation Society centered on the application of impact evaluation among planning agencies.

The second PCoP forum was held on May 18, 2021 featuring the topic of **Vietnam’s Development Experience and Aspirations 2035 and the Role of Innovation.** The session involved presentations by international experts and policy practitioners, including the Former President of the Vietnam Institute for Development Strategy, Ministry of Planning and Investment.

Aiming High Report: Launch of the Growth and Institutions Thematic Areas



Shortly after the launch of the Aiming High report, a webinar on Growth and Institutions was organized on April 7, 2021 by the Malaysia Hub. The presentation on growth and institutions by the lead authors was followed by a lively panel discussion on the links between growth and institutions and the importance of institutional strengthening for Malaysia’s transition to a high-income economy. The panel consisted of senior serving and retired government officials from Malaysia as well as the CEO of IDEAS, a well-recognized think-tank in Malaysia. The discussion was moderated by Ms. Alma Kanani, Practice Manager for the Governance Global Practice in the region.

The event was broadcast live on Facebook and was attended by 291 participants

from all levels of the public and private sectors, as well as from academia and think tanks. The event received an average score of 4.7 out of 5 in helping participants deepen their understanding of the importance of institutions in the transition to high-income status, and 4.5 out of 5 in helping them understand what it takes to modernize Malaysia’s institutions

FY22 Moving Forward

(JULY 2021 – JUNE 2022)

Overview

Priorities under Strengthening Governance will include continuation of the work initiated last year and will be centered on Strengthening Public Sector Institutions, Enhancing Public Sector Productivity, and Strengthening Public Finance and Transparency. This includes follow-up engagements with key government counterparts for their feedback on areas they would like to prioritize and need additional support. There will also be more analytical activities carried out to meet the demands coming from the productivity work. The anticipated launch of the 12th Malaysia Plan is also expected to reveal important details on public sector reform priority areas, provide an avenue for engagement, and identify areas for support. In addition, this year will also see work commencing on important global and regional priorities related to governance and climate change.

FY22 Priority Activities

Issues and recommendations to **modernize and raise the quality of institutions** have already been outlined in the Aiming High report. These include addressing gaps in bureaucratic capacity, service delivery, evolving roles and functions, and sustaining the measures on transparency and accountability. The team will further expand and deepen its

engagement for feedback on the immediate and medium-term priorities. The team will also be preparing more focused policy notes and inputs on some of the issues, to contribute and influence policy on civil service capacity, service delivery quality, broader institutional issues and reforms, as well as the political economy of reforms to reach high-income status.

Knowledge sharing is also an important feature under this theme. The **PCoP** will be used as a forum to discuss, exchange, and learn how development planning institutions around the region have been adapting to remain relevant and effective in delivering the long-term economic goals, as well as dealing with economic shocks and crises. A discussion about the evolving role of strategic long-term planning and of planning agencies, and the necessary partnerships between the public and private sector in that context, will aim to spark a debate on the topic. This is relevant given the significant role that planning agencies play within this region in setting development priorities. Recent country development plans have also been featuring institutional capacity and reform issues more prominently, acknowledging its growing importance in getting plans executed and outcomes achieved. This can be useful for Malaysia, as it considers recalibrating its public institutions in preparation for the next phase of its development. For this purpose, the PCoP will continue with its forum series discussions, with more emphasis on institutions for long-term strategic planning and structural reform issues.



IN FOCUS

Enhancing Government Effectiveness and Transparency – The Fight Against Corruption

How a WBG Report Sparked Global Conversations on Corruption



SYNOPSIS: A Global Report on Enhancing Government Effectiveness and Transparency – The Fight Against Corruption, which was launched in September 2020, conducts a fresh assessment of challenges faced by governments in tackling corruption, with a focus on instruments and policies that have been effective and why, and how incremental progress is being achieved in specific country contexts.

As a result of a well-received and widely-attended global launch, the report has generated interest and conversations on the topic globally, with a wide reach on the report’s publication page, strong engagement on social media, and continued interest in discussing the findings of the report from many countries and organizations dealing with corruption.

CHALLENGE: News headlines across the world have featured global scandals involving corruption on an unprecedented scale. They touch virtually every continent, from Asia to Africa, Europe, and the Americas. The scale, magnitude, and sophistication of the operations have increasingly risen to levels that many had not considered possible before. Governments are forever in search of new approaches and tools that can help identify loopholes and entry points for corrupt activities. While the containment of COVID-19 and its devastating human and economic impacts have more recently been the focus of government actions, it is almost certain that huge amounts of spending in a short time, circumventing the standard operating procedures (SOPs), will result in new corruption scandals in the post-COVID-19 years. There are already reports in papers regarding inflated food prices or medical contracts allocated to firms from a few countries. The issue remains as topical as it was decades ago, but unprecedented COVID-19 spending has put the spotlight back on transparency in spending. The WBG has taken a new approach at the state of play in tackling corruption and how countries are attempting to address this long-standing scourge on development.

RESPONSE: Since no single report can do justice to the topic of corruption, this report focused on some of the key sectors of the economy, tools that have been effective in fighting corruption, and examined the role of

some of the important accountability institutions that oversee corruption. Research work examines each area with respect to the latest thinking and country responses to area-specific issues, supported by 21 case studies. In many cases, the instruments and policy responses are not new, but merit a fresh look at what impacts policy design and implementation of such measures.

The process of developing the report involved the coming together and collaboration of experts across the World Bank Group who have knowledge and experience in the range of corruption areas. The report was launched as a live event that was streamed on World Bank Live, YouTube, Facebook, Twitter, and LinkedIn, with 73.8K+ video exposures. Following the launch, the report was presented at various anti-corruption forums and platforms, such as the International Anti-Corruption Conference. Knowledge-sharing interviews with the authors and other specialists were also shared on social media.

RESULTS: The global launch of the report has created impressions and ripples across social media platforms and audiences globally, which led to further interest and conversations on the topic, report downloads, as well as media and blog coverage. The live audience, around 2,000 people in size, resulted in robust online conversations with 1,838 questions and comments. Participants connected from across the globe, including from the United States, India, Argentina, Austria, the United Kingdom, Nigeria, Japan, Malaysia, and Germany. 41% of the participants were female and 45% were in the 25-34 years age group.



The report received over 1,000 downloads in the first 24 hours, and has since been downloaded over 8,770+ times. The report publication page has received 6,506 page views and 4,374 unique visitors. On social media platforms, the report has made 695.7k impressions and 8,766 engagements, and created countless conversations around the hashtag #United Against Corruption, with other practitioners chipping in on their experience and sharing the report.

The event was promoted on corporate and governance newsletters (300K subscribers). Ten blogs have been produced for the report, and the report has been covered by the media extensively. Three interview videos with Ed Olowo-Okere, Global Director of the Governance Practice; Rajni Bajpai, Lead Public Sector Specialist and author of the report; and James Anderson, Lead Governance Specialist on various anti-corruption topics

were recorded and shared on the Bank's social media platforms. Since the launch of the report, the authors of the report have been invited to present at nine anti-corruption events and platforms, including the International Anti-Corruption Conference and the Caribbean Conference on Corruption Compliance & Cybercrime. Several client countries have requested for presentations/interactions with counterparts including in Palestine, Croatia, the New Development Bank, and the East Asia and Pacific (EAP) region. Upcoming events include a presentation to the Arab Fund and an event with the Open Government Partnership, both in June 2021.

This activity has and continues to lead to conversations with countries and other organizations regarding addressing corruption in different country contexts.

PARTNERS: This report was supported by the GoM as part of its ongoing joint research partnership with the Bank. Partners who shared content include the United Nations Office on Drugs and Crime, Transparency International, IMF, Center for International Private Enterprise (CIPE), Infrastructure Transparency Initiative (CoST), European Center for Development Policy, Open Contracting, Arab Fund, Open Government Partnership, New Development Bank, and the International Organization of Supreme Audit Institutions (INTOSAI).



ACTIVITY
MENT DRIVE

FIVE STRATEGIC
THRUSTS

9 SUBSECTORS TO BOOST
PRODUCTIVITY AT SECTORAL LEVEL

PRODUCTIVITY TARGETS
FOR 2020



THEMATIC AREA 3

SUB-THEME 2

Enhancing Public Sector Productivity

Overview

One of the central concerns facing governments around the world today is how to do more with less. Even before the COVID-19 pandemic and the ensuing economic and financial crisis, public finances have been under increasing pressure almost everywhere. The fiscal space in many countries is contracting as tax revenues level out and debt grows. As a result of these factors, many countries have been pursuing the public sector productivity agenda.

Opportunities to improve productivity and the way it is operationalized in the broader public sector performance context are evident. These opportunities can be seen in two key areas: (a) what factors drive or determine productivity? and (b) how can we measure it? Over the past years, the World Bank has delivered a new cross-country dataset on public employment and wages called the Worldwide Bureaucracy Indicators; analyzed data in several countries to provide policy advice on wage bill management; and conducted surveys in 32 countries to explore staff experiences and views on recruitment, career development, performance management, organizational management, and public service orientation.

This work has empirically shown how better measurement and impact evaluation methods can help improve measures and identify determinants of government productivity. With improved measurement, public service reform policy can be better designed, with corresponding impacts on the efficiency of government implementation and service delivery.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

The work on **Enhancing Public Sector Productivity** received high-level commitment and support from MoF, which opened the pathway for analytical work to commence and the opportunity to study the link between public sector productivity and the economy for policymaking. Responding to the government's strong interest on this topic, a policy note titled **A Fresh Approach to Understanding and Enhancing Public Sector Productivity in Malaysia** was prepared and submitted to MoF at the beginning of May 2021. The policy note touched on the international trends and evidence around what has worked in improving productivity, measurement approaches, and its implication for Malaysia. It recommends a multi-dimensional approach to public sector productivity assessment by combining macro and micro indicators, and one which is linked to economic and fiscal implications. The note sets the stage for the follow-up assessments and work around public sector productivity. Continuing from the previous public knowledge-sharing and discussion sessions held in April 2020, a **Productivity Measurement Roundtable Session** was held in mid-June to discuss contemporary issues around public sector productivity measurement, and narrowing the discussions around implications for national statistics.

This will include presentations by international experts and practitioners in this field, country case studies, and panel discussions. The roundtable will be targeted primarily to the policy audience in Malaysia.

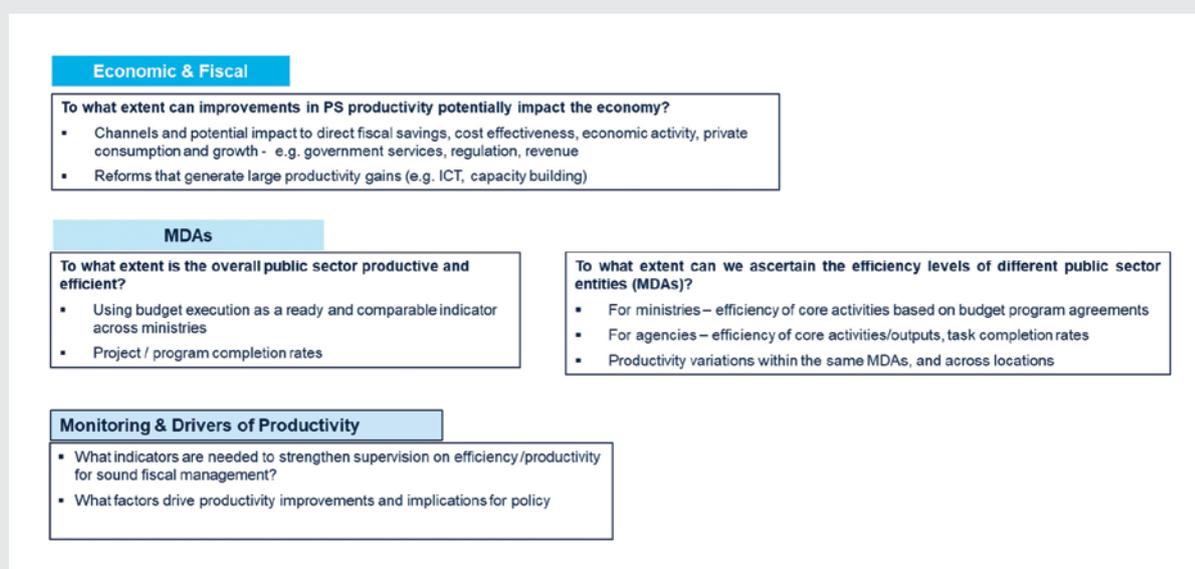
Under the Productivity sub-theme, the **Big Data in the Public Sector Webinar** was organized at the request of the Public Service Department of Malaysia (PSD) who, like other related public sector agencies, are keen to leverage the enormous opportunities for efficiencies and effectiveness offered by new technological trends. The event held on November 20, 2020 saw over 100 participants from the Malaysian civil service as well as some international participants. The webinar included presentations by international experts on the application of big data in policy research and evaluation, and also featured international cases and application, institutional arrangements, and issues. The fundamentals of big data and its application to public sector human resource management, policy research, and evaluation in Malaysia were also discussed. Follow up discussions with PSD are ongoing to identify additional areas where the Bank could provide support.



A Multi-dimensional Approach to Understanding and Improving Public Sector Productivity in Malaysia

In attempting to analyse and enhance public sector productivity, traditional and singular methods of measuring it have proved challenging. A primary challenge is around the difficulty of measuring public sector inputs and outputs. Public sector inputs are often difficult to measure and link to certain outputs and outcomes, as many public services are complex, co-produced across multiple individuals and organizations, and exhibit time lags between the investment in inputs and the realization of outputs. Public sector outputs are also difficult to assign a monetary value to, since there are often no market transactions for public services (they are provided for free or heavily subsidized). While there are multiple approaches to measuring public sector productivity, each has its weaknesses.¹

Figure 1: A Multidimensional Approach to Understanding Malaysia’s Public Sector Productivity



Source: World Bank team

Combining national statistics with ministry-level data on projects, budgets, expenditure, and outputs, and new data-collection initiatives (such as through surveys and GovTech solutions), will allow an examination of public sector productivity through a holistic lens. Complementing traditional ‘macro’ measures of public sector productivity with more granular ‘micro’ measures at the individual employee and organizational level will allow for more accurate tracking and benchmarking of how MDAs are performing, and what the main drivers of productivity are. Expenditure data can be used as a starting point in examining budget execution rates, providing a baseline assessment on productivity variations focused on programs and activities undertaken by MDAs. Combining this information with other data such as project completion rates and administrative data from the MDAs allows for a more granular look into productivity variances, and how drivers such as ICT and digital technology, administrative capacity, training and development, and financial and non-financial incentives can influence productivity levels. This level of insight is expected to enhance policymaking around improving public sector productivity, including establishing the indicators needed for better monitoring of productivity for sound fiscal management.

¹ For more information on the different approaches to measuring public sector productivity, please see Somani (2021). “Public-Sector Productivity (Part One): Why Is It Important and How Can We Measure It?”

FY22 Moving Forward

(JULY 2021 – JUNE 2022)



FY22 Priority Activities

Building upon the inroads made in FY21, the focus in FY22 will be on completing the assessment on public sector productivity. This assessment will take a fresh approach at deepening the understanding of the determinants of public sector productivity in Malaysia, as well as its potential impact on service delivery, economic activity, and the fiscal space. It will include determining the efficiency levels of the various public sector ministries, departments, and agencies (MDAs), as well as building the empirical evidence base to identify drivers and bottlenecks of productivity and design productivity-enhancing reforms. This multi-dimensional approach to understanding public-sector productivity consists of three core components: (i) economic and fiscal – understanding how improvements in public-sector productivity can impact economic activity in the short, medium, and long run; (ii) MDAs – understanding the efficiency levels and opportunities for efficiency improvements in individual public sector organizations;

and (iii) monitoring and identifying drivers of public sector productivity – enhancing data collection and strengthening the processes to monitor trends in performance and productivity, and identify core drivers of productivity gains. Key deliverables will include an Interim Assessment of Public Sector Productivity, launching of the Public Sector Productivity Survey, and the Final Report on Public Sector Productivity.

The results of the empirical work will contribute to the policy advice on improving public sector productivity and government efficiency. Following the completion of the assessment report, several knowledge, learning, and dissemination activities will be carried out, targeting policy practitioners and audiences within and outside of Malaysia. The productivity work can be a valuable knowledge product to other countries seeking to learn from Malaysia's experience. It will also include follow up discussions and engagements around big data and GovTech.



THEMATIC AREA 3

SUB-THEME 3

Strengthening Public Finance and Transparency

Overview

Management of public finances is the core business of government. The effectiveness and transparency of public finances goes a long way in building trust in a government. Strengthening public financial management helps establish a baseline understanding of key fiscal management and policy challenges, highlight priority reform areas for policymakers, and set the agenda for the next phase of budgetary planning.

Additionally, the public financing for climate change has seen been even more challenging given the fiscal constraints governments are facing with the current pandemic. While governments are working hard to contain the pandemic through various measures including fiscal and non-fiscal measures, it would also need to pay attention to the issue of public finance management and climate change.

FY21 Looking Back

(JULY 2020 – JUNE 2021)

Management of public finances is the core business of government. The effectiveness and transparency of public finances goes a long way in building trust in a government. Large amounts of spending to address COVID-19 pandemic has raised concerns about the potential misuse of power.

The first phase of the Public Expenditure Review (PER) on Malaysia, is under discussion with the GoM. A number

of areas identified under the forthcoming public sector strategy links well with the work under the PER and on public finances more broadly. The team is working towards the strengthening of Public Financial Management (PFM) to help establish a baseline understanding of key fiscal management and policy challenges, highlight priority reform areas for policymakers, and set the agenda for the next phase of budgetary planning.

FY22 Moving Forward

(JULY 2021 – JUNE 2022)

FY22 Priority Activities

The work on **Governance and Climate Change** will be a new important activity under this sub-theme. Globally, climate change poses particularly difficult challenges for policymakers. It demands action across all sectors of the economy and society, requiring coordinated action among multiple government and non-government stakeholders. The extended time frame over which climate impacts will unfold requires an ability to plan, implement, and sustain a credible policy commitment over multiple political cycles. To address these challenges, countries including Malaysia need effective cross-cutting institutions. Strong national institutions also support a country's engagement with international action on climate change. A policy note on Governance and Climate change will be prepared and be

used to influence policy discussions and engagements with relevant government institutions in Malaysia.

The work done under this sub-theme will also contribute to the **Public Expenditure Review (PER)** that is being proposed. The work will identify areas of improvement in Malaysia's wage bill and hiring policies to contain growing wage bill costs and enhance the delivery of public services. Additionally, against the recovery efforts of COVID-19 and recognizing the important role of the public sector in service delivery and preserving jobs, decomposing the trends on public employment (including contracts), broad-based/sector-based wage structures, and public-private sector wage premiums could provide a more nuanced look on the growing wage bill costs.



East Asia and Pacific Chief Economist (EAPCE) Research Center

Development Objective

The goal for the World Bank's research group in Malaysia is to become a center of intellectual leadership on economic development of regional and global significance. It has three main mandates: to produce original research on development economics, to contribute to policy analysis and dialog around the world, and to promote a community of researchers in Malaysia, neighboring countries, and Asia in general. Under OSA 2.0, the research group in Malaysia will be integrated with the chief economist unit of the East Asia and Pacific region (EAPCE).

FY21 Looking Back

(JULY 2020 – JUNE 2021)

The goal for the EAPCE Research Center in Malaysia is to become a center of intellectual leadership on economic development of regional and global significance. It has three main mandates: to produce original research on development economics, to contribute to policy analysis and dialogue around the world, and to promote a community of researchers in Malaysia, neighboring countries, and Asia in general.

The team had undergone substantial changes in the past FY. It now forms part of the EAPCE Office. This new affiliation also connects it with the regional Gender Innovation Lab. With four new hires in FY21 (one of which will join the team this August), the Kuala Lumpur-based research group now has experts in a wide range of areas such as social protection, health, trade, innovation, and macroeconomics.

In FY21, EAPCE Research Center published four articles in academic journals, an article in an edited volume, and

nine working papers. These publications include topics such as economic loss from COVID-19 fatalities; loss from war and potential recovery; inequality and poverty; trade liberalization; and policy uncertainty. The response and academic discussions from these articles and working papers have been impressive, with over 32,000 downloads and close to 400 citations. Approximately 18% of readers were from the EAP region. The papers provide insights on the estimated loss from COVID-19, but also help to provide key insights on the relationship of inequality and poverty with growth.

The Research & Policy Brief (RPB) series is the EAPCE Research Center’s flagship product established in 2016. The goal of the Brief is to merge basic research and policy concern. The Brief has allowed researchers to disseminate applied lessons and policy guides quickly in response to crises. The RPBs have proven to be essential tools for discussion regarding COVID-19 policies, with seven out 12

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Growth & Institutions

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(Kuala Lumpur)

LIVE @WorldBankMalaysia

Opening Remarks	Presenter	Presenter	Presenter
			
Richard Record Lead Economist for Malaysia World Bank Group	Norman Loayza Director, Development Economics Global Indicators Group World Bank Group	Rajni Bajpai Lead Public Sector Specialist World Bank Group	Farah Adura Hamidi Deputy Director General Governance, Integrity and Anti-Corruption Centre (GIACC)

RPBs produced this FY dealing with different aspects of the pandemic. The RPBs have over 76,000 downloads and almost 400 citations.

In addition, the research team authored a chapter on Malaysia's long-term growth in the Aiming High report. In April 2021, the team presented on the chapter which includes the Long Term Growth Model (LTGM) as part of the Aiming High Webinar Series to illustrate the necessary reforms and growth drivers that are needed to raise Malaysia's growth rate in order to achieve high-income status. Malaysia's GDP growth rate trend is expected to fall substantially over the next 30 years, as the trajectory of the country's economy converges with that of high-income countries. The LTGM can help policymakers assess options to temper falling growth rates, including improving the quality of schooling; increasing female labor force participation; and implementing policy changes to boost productivity growth. The model shows that a package of strong reforms in human capital, female labor force participation, and raising productivity could almost double GDP growth rate. Over 290 people joined the session via Facebook Live. The LTGM is a joint work between the team and the Development Research Group in DC.

The team was also active in contributing inputs to the EAP Economic Update October 2020 and April 2021 on recovery policies, fiscal policy, government intervention, social protection, and trade. The team also provided comments for the World Development Report 2021, Global Economic Prospects 2021, Women, Business and the Law 2021, and Indonesia Development Policy Loan.

Research Community Building

With COVID-19 still affecting the economy in FY21, it has been a challenging year for the team in organizing events. All events were done fully online.

Despite these challenges, the EAPCE Research Center organized and hosted 33 formal seminars. On average, 36 people joined each seminar via teleconferencing and webcasting. The seminar series has covered a diverse array of topics, the most popular during the season being disparities in job losses during COVID-19; impact of COVID-19 and gender equality; trends and drivers of productivity; and poverty dynamics in Malaysia. The discussion in the seminars allowed for pertinent and timely

policy debate, while presenting the best research methods and giving feedback to the speakers via comments from audience members.

The "half-baked" seminar series is jointly hosted with the EAPCE Office in Washington, DC. The series serves as a platform for researchers to receive comments, criticisms, and suggestions at the early stages of their research. The "half-baked" seminars consist of a smaller audience of on average 15 people connected online. In FY21, EAPCE Research Center hosted 13 "half-baked" seminars.



In November 2020, the team co-organized an eSeminar with the Development Research Group. The event featured speakers from various institutions: Norman Loayza (World Bank), Gian Maria Milesi-Ferretti (IMF), Eric Parrado (Inter-American Development Bank), and was chaired by Andrea Repetto (Universidad Adolfo Ibáñez). The panelists discussed the projections for economic activity in 2020 and 2021, and the domestic and international conditions that may potentially limit or enable a recovery. The seminar also explored the need to balance short-term and long-term concerns during the crisis, and outlined potential reforms to address the structural vulnerabilities that the pandemic has exposed. Over 280 people joined the event online.

Research on COVID-19 Pandemic



The Research Center has produced a number of works related to COVID-19. Due to the nature of the pandemic that is constantly evolving, work related to it is time-sensitive to ensure that they are relevant at the time of publication.

Hence, the best outlet for a quicker dissemination of information is the RPB as compared to the full-fledged research papers. There were a total of seven RPBs produced between July 2020 to April 2021 covering various topics and areas concerning the pandemic. Below is the full list of published RPBs:

1. **Fiscal Rules in Times of Crisis**
2. **Global Integration Is More Important than Ever to Contain the Economic and Health Fallout and Exit the COVID-19 Pandemic Crisis**
3. **Recovery from the Pandemic Crisis: Balancing Short-Term and Long-Term Concerns**
4. **The Spread of COVID-19 and Policy Responses**
5. **Leveraging Digital Solutions to Fight COVID-19: Lessons from ASEAN Countries**
6. **Five Ways that COVID-19 Diagnostics Can Save Lives: Prioritizing Uses of Tests to Maximize Cost-Effectiveness**
7. **Productivity in the Time of COVID-19: Evidence from East Asia and Pacific**

The feedback from these RPBs has been positive overall, with over 9,991 downloads and 11 citations in total. In particular, the RPB "**Recovery from the Pandemic Crisis: Balancing Short-Term and Long-Term Concerns**" was well-received by the public, seeing that it was the most downloaded and most cited. This might be an indication that it was the most pressing topic for most people. A research paper on the topic "**Economic loss from COVID-19 fatalities across countries: a VSL approach**" has also recently been published in the peer-reviewed journal Applied Economics Letters.

Aside from the above publications, the Research Center also held an eSeminar in collaboration with the Development Research Group in Washington D.C., which was based on the RPB "**Recovery from the Pandemic Crisis: Balancing Short-Term and Long-Term Concerns.**" The seminar had over 200 participants and 100% satisfaction was expressed by participants. In addition to that, four formal research seminars on different topics concerning the pandemic were hosted as listed below:

1. **Banking Sector Performance During the COVID-19 Crisis**
2. **Lives and Livelihoods: Estimates of the Global Mortality and Poverty Effects of the COVID-19 Pandemic**
3. **The Impact of COVID-19 on Gender Equality**
4. **Determinants of Disparities in COVID-19 Job Losses**

These seminars were some of the most attended overall compared to other seminars in the series, with a total attendance of 186, and 97% of participants expressed that they were satisfied with these seminars.



IN FOCUS

Economic Loss from COVID-19 Fatalities across Countries: A VSL Approach

Contagion Suppression has Economic Gains but Less so for Lower-income Countries



COVID-19 has quickly propagated throughout the globe and triggered the worst economic crisis the world has experienced in recent history. Our results show significant economic gains in adopting mitigation strategies, but the marginal gains decrease when moving from mitigation to suppression strategies. Moreover, lower-income countries gain less in moving from no intervention to mitigation and still less in moving from mitigation to suppression than higher-income countries do.

INTRODUCTION: The COVID-19 pandemic has thrown the world into its worst economic crisis since the Great Depression (IMF 2020). By mid-April 2020, the majority of countries imposed containment measures to control COVID-19. The economic fallout has been immense, with dire consequences for poverty and welfare, particularly in developing countries. What makes managing this crisis challenging is that if unattended, it could lead to countless fatalities – yet, if drastic containment measures are imposed, it can produce a deep and long recession. The trade-off between saving lives and saving livelihoods is unavoidable.

ASSESSING THE TRADE-OFFS: To help assess these trade-offs, we estimate the economic value of

mortality risk reductions for different containment scenarios. We use the VSL (value of statistical life) approach. Previous literature shows that VSL has been used to assess the benefits of public health policies in terms of saving lives (OECD 2012; Moreland, Foley, and Morris 2019). To measure the value of life saved, the VSL method uses individuals' willingness to trade their income with mortality risk reductions (Viscusi and Masterman 2017; Robinson, Hammitt, and O'Keeffe 2019).

Building on the projected mortalities for mitigation and suppression scenarios by Walker, Whittaker, and Watson et al. (2020) and the associated economic value estimates by Barnett-Howell and Mobarak (2020), our contribution is twofold. First, we adjust mortality rates for weaker healthcare capacity in lower-income countries. Second, we re-estimate the economic value of the mortalities considering COVID-19 carries higher fatality rates in older ages (Verity et al. 2020).

RESULTS: With respect to the mortality rates in Walker, Whittaker, and Watson et al. (2020), our estimates suggest higher mortality rates. The upward correction is larger for lower-income countries due to weaker healthcare systems (see figure 1). With respect to the economic loss estimates in Barnett-Howell and

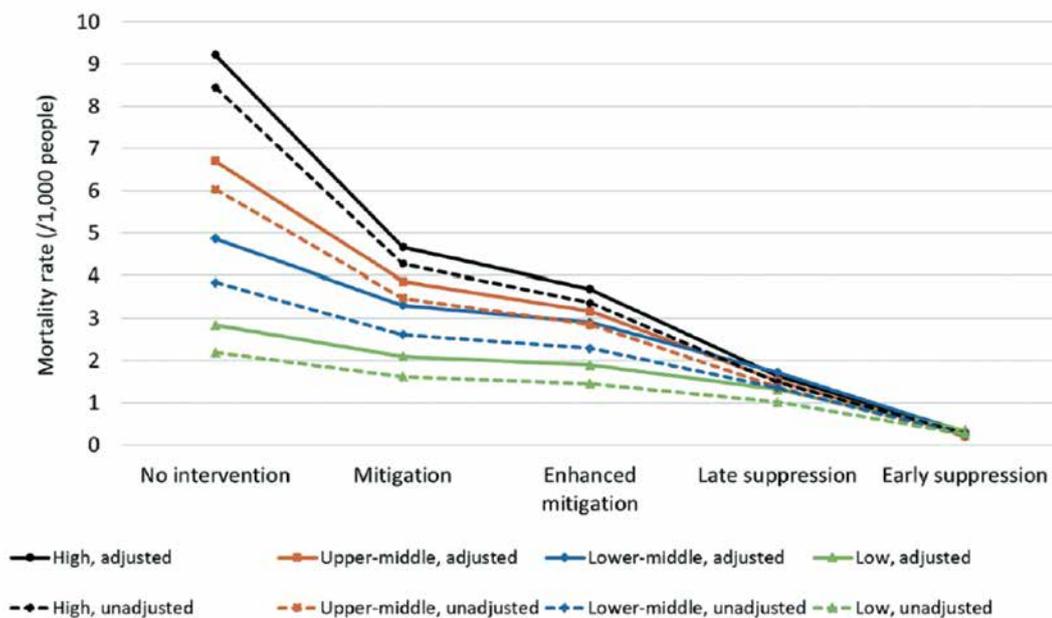
Mobarak (2020), our estimates suggest lower economic loss (see figure 2 (a) and 2 (b)). Despite the adjusted higher mortality rates, the downward correction is large overall and even larger for lower-income countries. This is because the majority of projected fatalities are concentrated in the elderly.

The qualitative conclusions remain the same as in previous studies. First, all countries stand to lose substantially in terms of fatalities and corresponding economic loss, if they take no action to control COVID-19. Second, the loss across all scenarios is higher for better-off countries because of higher mortality (due to older population) and higher incomes. Third, all countries benefit from mitigation strategies, but the marginal gains decrease when moving from mitigation to suppression strategies. Lastly, lower-income countries gain less in moving from no intervention to mitigation and still less in moving from mitigation to suppression than higher-income countries.

We also note the following caveats. First, compliance to control measures is assumed to be uniform. Due to lack of social protection, the compliance to strict measures tends to be weak in low-income settings. Hence, the gains of suppression versus mitigation are

likely to be overestimated for them. Second, since its data are available for more countries and for recent years, we choose the availability of hospital beds to represent healthcare capacity over other indicators. Third, we do not incorporate the economic value of morbidity reductions due to the lack of associated willingness-to-pay estimates, which is a common limitation of VSL approach (Moreland, Foley, and Morris 2019). Fourth, mortality projections do not consider fatalities indirectly caused by strict containment measures. Thus, the marginal gains of suppression measures are overestimated in lower-income countries. Fifth, age and comorbidities determine the severity of COVID-19, however lower-income countries have a lower prevalence of diseases known to exacerbate COVID-19, while having higher prevalence of infectious diseases and, in some cases, higher HIV infections, which weaken immunity. These might lead to different risk profiles from the projected age-driven mortality. Sixth, the base VSL was obtained for low mortality risks (1/10,000) (Robinson, Hammitt, and O’Keeffe 2019). The appropriateness of an extrapolation to the higher risks that COVID-19 poses for certain groups is unclear. Lastly, heterogeneity in VSL depending on income at the individual level is not considered due to the lack of data on personal income among victims.

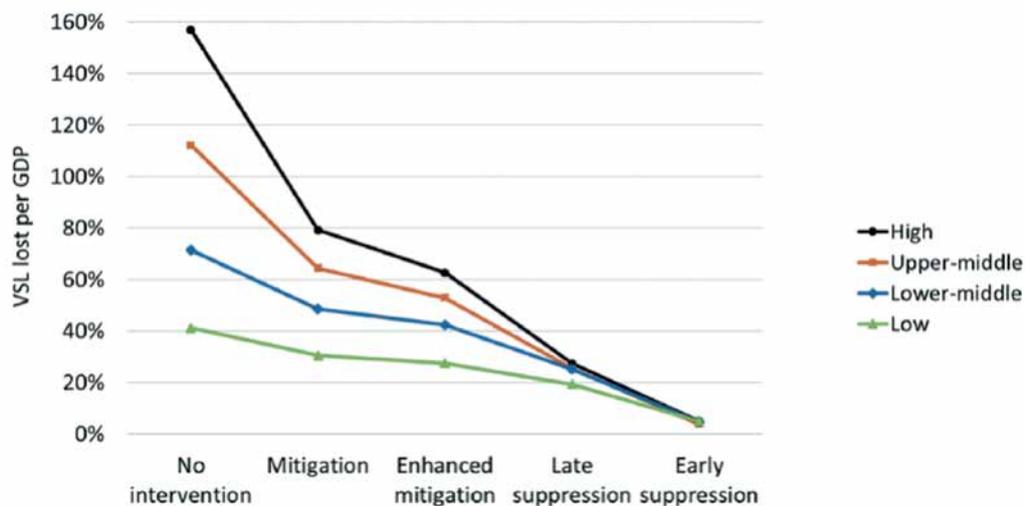
Figure 1. Mortality rate for each scenario by income group with and without adjustment for healthcare capacity, population-weighted average



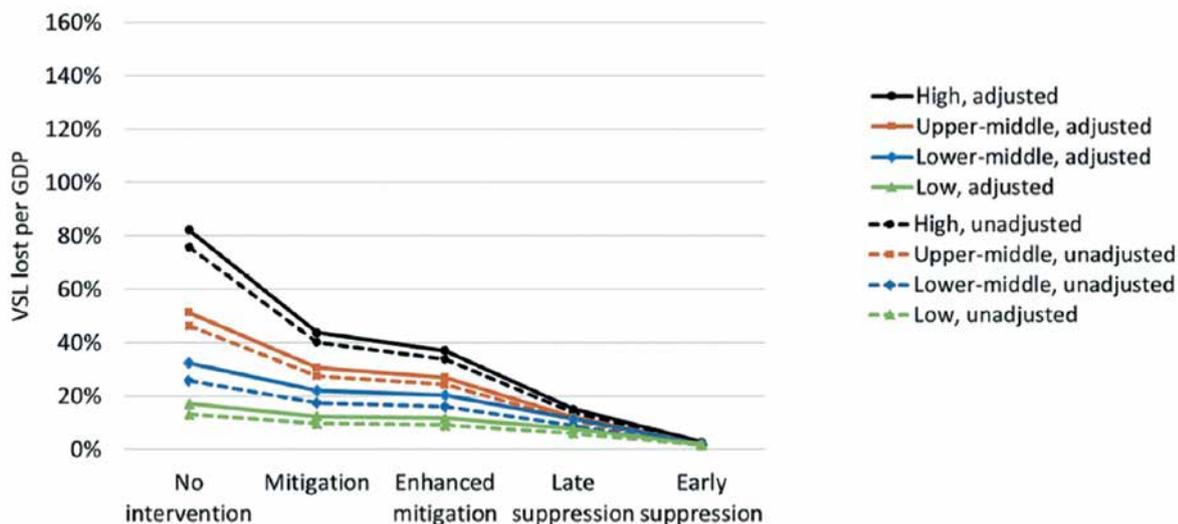
Source: Authors' calculation.

Figure 2. Value of statistical life lost for each scenario by income group, population-weighted average

(a) Using the methods by Barnett-Howell and Mobarak (2020)



(b) Using the age-profile of fatalities (with and without adjustment for healthcare capacity)



Source: Authors' calculation.

Authors: Young Eun Kim, East Asia and Pacific Chief Economist Research Center and Norman V. Loayza, Global Indicators Group, World Bank.

IN FOCUS

Recovery from the Pandemic Crisis: Balancing Short-Term and Long-Term Concerns

The Goal Should be Long Term Resilience, Not Quick Recovery

The COVID-19 pandemic crisis combines the worst characteristics of previous crises. It features a simultaneous supply and demand shock; domestic, regional, and global scope; a projected long duration; and a high degree of uncertainty. What can be expected for recovery from the pandemic crisis across the world? The brief concludes that sustained economic recovery is possible only if the spread of the disease is mitigated to manageable levels while keeping the economy sufficiently active.

A CRISIS LIKE NO OTHER: The COVID-19 arguably combines the worst features of all past crises that stemmed from natural hazards, wars, macroeconomic mismanagement, and international financial. One way to see this is by assessing the shocks that different crises create. Table 1 presents a taxonomy of crises and associated shocks, with the latter organized by their mechanism, scope, duration, and certainty. The COVID-19 pandemic combines a simultaneous supply and demand shock; domestic, regional, and global scope; a projected long duration; and a high degree of uncertainty. According to Global Economic Prospects, it is “the most adverse peacetime shock in over a century” (World Bank 2020a).

Growth impacts and perceived uncertainty are two indicators of crisis severity. The current crisis is expected to bring about the largest contraction in global GDP per capita since World War II. In addition, it has the highest share of economies experiencing a recession in modern times (figure 1). Moreover, the pandemic is associated with extraordinary uncertainty (Altig et al. 2020). The World Uncertainty Index shows that the level of uncertainty associated with COVID-19 exceeds that of any other crisis experienced since at least 1960 (figure 2) (Ahir, Bloom, and Furceri 2018). In this context, what can be expected for recovery from the pandemic crisis across the world?

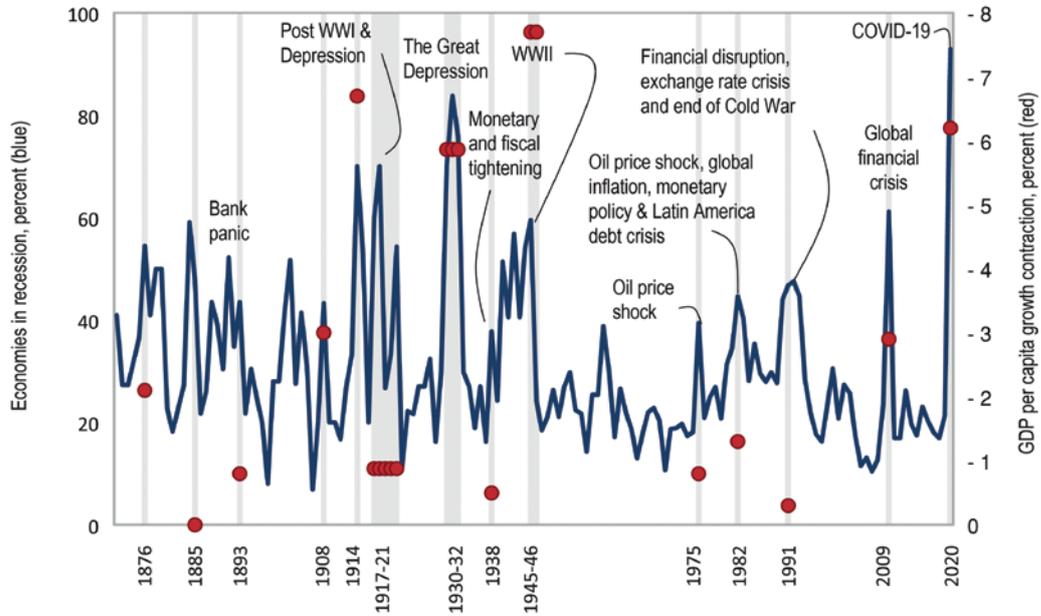
HOW TO KNOW WHAT TO EXPECT: In order to know what to expect, keep in mind that the magnitude and persistence of the economic downturn and the shape of the recovery will depend on smart public health policies to mitigate the pandemic, economic policy responses to support households and businesses during the crisis, and the discovery and delivery of an effective vaccine or treatment. This brief first presents the projections on economic activity in 2020 and 2021 and the facts that will likely constrain and drive a possible recovery. It then discusses the potential shapes of the recovery

Table 1. A Taxonomy of Crises and Associated Shocks Ranked by Severity and Uncertainty

Types of crises	Characteristics of shocks							
	Mechanism		Scope		Duration		Certainty	
	Supply	Demand	Domestic/ Regional	Global	Short	Long	Uncertain	Very Uncertain
Pandemics	X	X	X	X		X		X
Wars	X	X	X			X		X
Macroeconomic mismanagement (e.g. hyperinflation)		X	X			X		X
International financial crises		X		X	X		X	
Natural hazards	X		X		X		X	

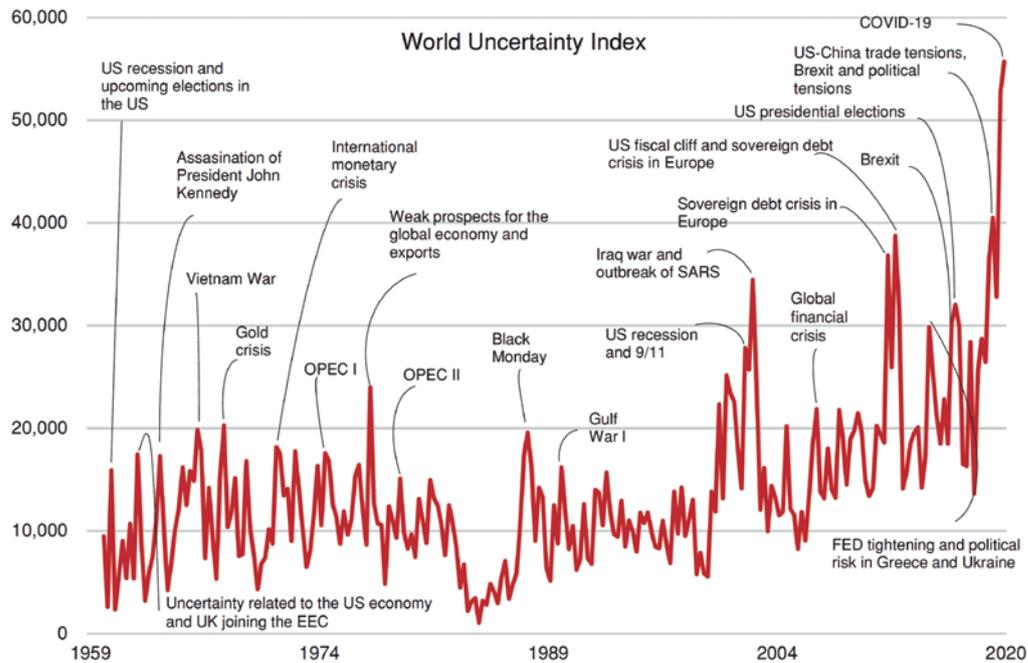
Source: Authors' formulation.

Figure 1. Crisis Severity and Growth Contractions, 1871–2020



Source: Authors’ adaptation from World Bank 2020a. Data from Bolt et al. 2018; Kose, Sugawara, and Terrones 2019, 2020.
 Note: 2020 uses forecast data. Grey shaded areas refer to global recessions. Sample includes 183 economies, though the sample size varies significantly by year. For crises that last for more than a year, the annualized average of the cumulative contraction of GDP per capita growth during the crisis is used.

Figure 2. Crisis Severity and Global Uncertainty, 1959–2020



Source: Reproduced from Ahir, Bloom, and Furceri 2018.

(or lack thereof) under various conditions. Finally, it explores the need to balance short- and long-term concerns, arguing in favor of policies that focus on achieving resilience for sustained recovery.

CONCLUSION: In the context of the global financial crisis, countries that grew the most the year of the crisis tended to grow more the year after, rendering a positive correlation in growth rates. The opposite is expected to happen in the pandemic crisis: countries that experienced a larger contraction in 2020 are projected to have larger expansions during 2021 (see figure 3). However, certain inescapable realities constrain a rapid recovery from the pandemic and will eventually drive the shape of the recovery. The three key facts are:

- **Public health concerns will remain paramount.** Whether by regulations or self-constraint, economic activity will remain depressed as long as the threat of the disease is present, particularly where infections are rampant and health care systems are overwhelmed.
- **The negative external shock, exacerbated by other shocks, will linger for the foreseeable future.** The global response to the pandemic has been and is likely to remain chaotic and uncoordinated, with cycles of outbreaks and lockdowns, until a vaccine or effective treatment is made available.
- **Pre-existing conditions matter.** On the domestic front, countries with favorable demographic profiles and those able to implement sustainable measures to deal with the pandemic will fare better on health and economic dimensions.

The type of recovery will depend on how severely countries have been hit by the pandemic and the external shock and on the policy responses that governments are deploying (macroeconomic, financial, and social protection policies). The four shapes of recovery are:

- **Lack of recovery (L):** This is unfortunately possible for countries that are not able to get

the pandemic under control and that squander their public resources with failed attempts at mitigation and recovery, allowing the pandemic crisis to morph into a macroeconomic, debt, and financial crises.

- **Volatile recovery (W):** A volatile recovery may occur in countries that address public health concerns with strict but unsustainable measures, leading to a cycle of openings, outbreaks, and lockdowns.
- **Quick recovery (V):** A quick, V-shaped recovery is in theory the best scenario after a shock. It is, however, unlikely for most countries because of the depth of the crisis (which has affected growth fundamentals) and the high degree of uncertainty surrounding the crisis.
- **Gradual recovery (U):** A gradual recovery may be the most pragmatic scenario for most countries in the next few years. It may require a period of resilience, where smart public health measures are in place and economic activity resumes, albeit at a lower level, and where vulnerable households are supported, and excessive destruction of firms is prevented.

While a quick resumption of growth is everyone's wish, a gradual recovery may be a more sensible policy goal. This approach would consider both the uncertainty of the pandemic crisis and the limits of what can be achieved by active government interventions. It would set long-term resilience as its goal (Hammer and Hallegatte 2020). In the short term, economic policy should focus on preventing further poverty, averting unnecessary business closures, and avoiding lasting damage to human capital and productivity. In the long term, policy reform should address the structural vulnerabilities that the pandemic crisis has exposed. This includes reforms to expand labor and business formalization; to improve the coverage and adequacy of social protection; to extend financial inclusion to elderly, rural, and poor people; to promote digital transformation across society; and, most basically, to improve access to and quality of public health care.

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IN FOCUS

Fiscal Rules in Times of Crisis

Countries Need to Reassess and Improve the Quality of Their Fiscal Rules



As governments around the world struggle to piece together the most effective fiscal response to counter the economic and social impact of the COVID-19 outbreak, some are facing constraints imposed by fiscal rules enacted in the past to ensure fiscal discipline. Research shows that the *de facto* strength and credibility of the fiscal rule is what matters for fiscal discipline—not the mere *de jure* existence of one. As important as it is that fiscal rules include contingencies to accommodate large and effective fiscal responses to severe and unprecedented crises, it is also as important that fiscal rules provide clear guidance for building up savings in times of positive shocks.

FISCAL RULES AND THEIR DESIGN: Fiscal Rules are institutional mechanisms that impose numerical limits on budgetary aggregates to ensure fiscal discipline and credibility. They can help to correct inefficiencies in fiscal policy such as procyclicality, improve revenue collection efforts and curb overspending. However, the ongoing severe economic downturn due to the unprecedented COVID-19 outbreak is putting many governments' fiscal rules to the test and revealing their weaknesses. As governments around the world struggle to piece together the most effective fiscal response to counter the economic and social impact

of the outbreak, some are facing constraints imposed by fiscal rules enacted in the past to ensure fiscal discipline. This has shed some light on the effectiveness and design of fiscal rules. Mitigating the impact of a large shock like the COVID-19 outbreak requires a certain level of flexibility that many existing fiscal rules lack. The current crisis will likely lead to some changes in existing fiscal frameworks based on the past experience with the global financial crisis, whose aftermath resulted in the "second-generation" fiscal rules, which tend to be much more flexible, operational, and enforceable, compared to the first generation.

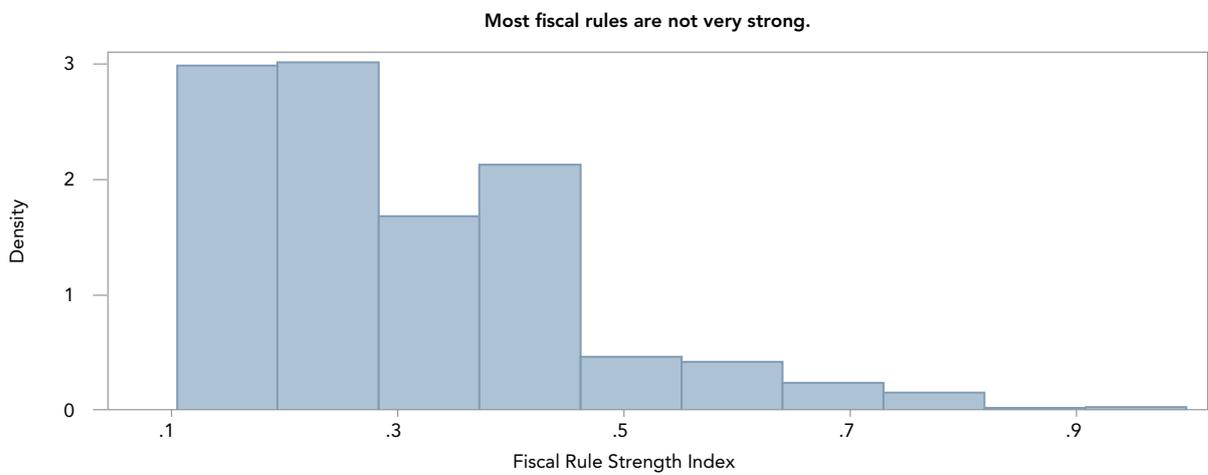
THE IMPACT AND EFFECTIVENESS OF FISCAL RULES: While optimally, fiscal policy ought to be countercyclical, the conduct of procyclical fiscal policy, although not as widespread as it was between 1960 and 1999, is common among developing countries. In the run-up and aftermath of the global financial crisis (between 2000 and 2012), fiscal policy became countercyclical or almost countercyclical in over one-third of developing countries due to an improvement in institutional quality characterized by well-designed and well-implemented fiscal rules, leading to enhanced credibility of fiscal policy (World Bank 2013). As a result, some developing countries with better fiscal outcomes and sound fiscal frameworks have benefited

because they have been able to enjoy lower sovereign spreads (World Bank 2013).

The strength and quality of a fiscal rule is assessed by the International Monetary Fund (IMF) Fiscal Rule Index, which evaluates them on five dimensions: institutional coverage; independence of the monitoring

and enforcing entity; legal basis; flexibility to respond to shocks; and correction mechanisms and sanctions. Caselli and Reynaud (2020) then construct a fiscal rule strength index by assigning a score (out of 10) to each fiscal rule reflecting the characteristics of the rule. The score is then scaled by 10 and each fiscal rule gets a strength index between 0 and 1. The measured

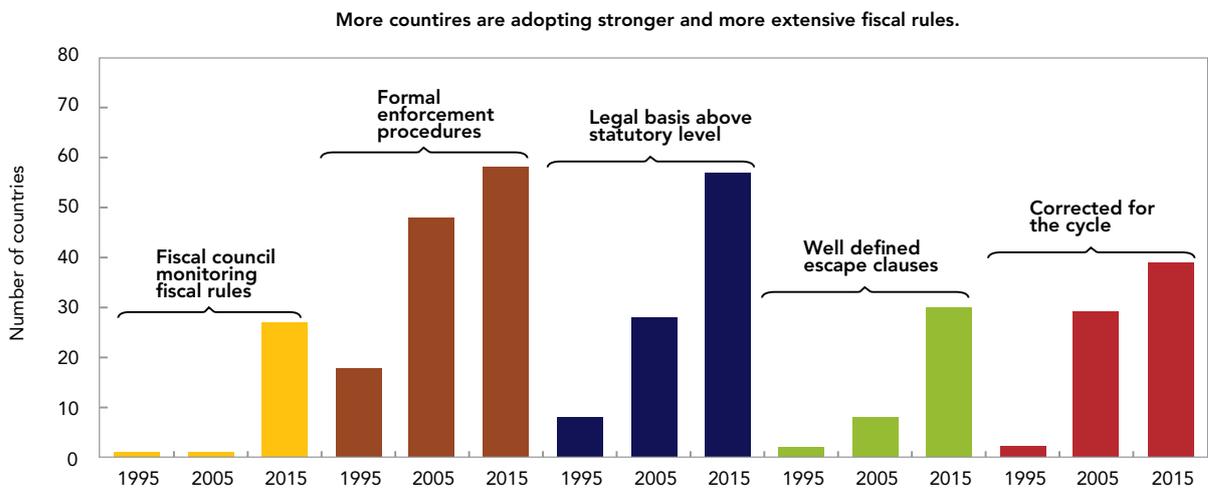
Figure 1. Fiscal Rule Strength Index



Source: Caselli and Reynaud 2020.

Note: The various features of the fiscal rule and the associated scores (in parentheses) are as follows. Coverage: central government (1); general government (central, state and local government) or wider (2). Legal Strength: political commitment (1); coalition agreement (2); statutory (3); international treaty (4); constitutional (5). Independent Monitoring and Enforcement Body: No (0); Yes (1). Flexibility to Respond to Shocks: No (0); Yes (1). Correction Mechanisms and Sanctions: No (0); Yes (1). The sum of the scores for each feature included in the fiscal rule is then scaled by 10. The density shows the distribution of the fiscal strength index.

Figure 2. Evolution of the Design of Fiscal Rules, 1995, 2005, 2015



Source: Caselli et al. 2018.

strength index of the majority of existing fiscal rules is below 0.5, while the average is around 0.3 (figure 1). Given that fiscal rules are intended to ensure fiscal discipline and that the strength of the rule is what matters for fiscal discipline, these results suggest that many countries need to reassess and improve the quality of their fiscal rules. Although the strength of fiscal rules has improved over time in many countries (figure 2), the mean (0.3) of the fiscal strength index indicates that the vast majority of existing rules are still missing crucial characteristics and features that would make them more effective at ensuring fiscal discipline.

POLICY IMPLICATIONS:

Fiscal Rules in a Time of Crisis. The recommended policy responses that have emerged in the COVID-19 literature include public health measures, income support for households, and liquidity support for small and medium enterprises (SMEs) (Loayza and Pennings 2020). However, rigid numeral targets dictated by fiscal rules can make it difficult for the government to mount an effective fiscal response in times of severe crises. During the global financial crisis, for instance, some governments constrained by rigid fiscal rules were compelled to shift public spending away from social protection and investment, and others resorted to less transparent accounting methods in public finance (Fatás and Mihov 2010; World Bank 2013).

The Importance of a Well-Designed Escape Clause. As the outbreak increases budget deficits, many countries will likely breach their fiscal rules or suspend or abandon them altogether. To establish strong fiscal credibility in times of crisis, it is crucial for governments to include certain contingencies in their fiscal rules that establish a clear plan on how to proceed in the event of an unexpected severe crisis. These contingencies or escape clauses allow the government to not only commit in advance to exceeding certain fiscal limits only in very specific and unprecedented cases, but also provide the government with an opportunity to lay out a credible plan to return to compliance after the shock.

Fiscal Rules in Good Times. As important as it is that fiscal rules include contingencies to accommodate large and effective fiscal responses to severe and unprecedented crises, it is also as important that fiscal

rules provide clear guidance for building up savings in times of exceptional positive shocks. Because crises like the COVID-19 outbreak lead to wider deficits and higher sovereign debt, it is imperative that fiscal rules ensure that governments save more in the period after crises (that is, in better times) and pay down excess debt accumulated during crises.

Refining the Design of Fiscal Rules after the COVID-19 Pandemic. To strengthen their fiscal framework, authorities should consider the following components of effective fiscal rules (IMF 2009).

1. A clear and well-established link between any numerical target or limit and the fiscal objective. For example, a fiscal balance rule is an appropriate target to achieve an objective of debt sustainability.
2. Flexibility to respond to shocks. It is crucial for macroeconomic stability to leave room to respond to severe shocks like the COVID-19 outbreak. This is why a well-defined escape clause as part of the fiscal rule is important.
3. A transparent, well-established, underlying institutional mechanism. For instance, a well-defined escape clause should clearly specify circumstances under which deviations from fiscal targets are allowed and how the clause is triggered. In addition, it should establish a path back to compliance by specifying a timeframe and the magnitude of the correction (whether or not to offset the deviation or just return to compliance). An institutional mechanism should also be underpinned by an enforcement method, as well as an independent monitoring and compliance entity.

LOOKING AHEAD: The aftermath of the outbreak will undoubtedly be characterized by debt overhang. The IMF's April 2020 Fiscal Monitor (IMF 2020b) projects that global debt will rise by about 13 percent of world GDP. Although the impact of high debt on long-term growth remains a contested issue in the literature—while some have documented a negative impact (Kumar and Woo 2010; Reinhart and Rogoff 2010), others find no evidence (Pescatori, Sandri, and Simon 2014)—it is important for governments, especially those of developing countries, to be diligent and deliberate about reducing their debt levels to create more fiscal space and to free up resources for investment in human and physical capital.

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FY22 Moving Forward

(JULY 2021 – JUNE 2022)

Overview

An important objective of the Research Center in Malaysia is to expand its reach beyond Malaysia to include neighboring countries in the EAP region. More than a year into the COVID-19 pandemic, the developing economies of EAP are facing a markedly uneven recovery. Based on the EAP Economic Update April 2021, due to the economic distress, poverty in the region stopped declining for the first time in 20 years, and 32 million people were prevented from escaping poverty. Inequality increased because of the disease and the resulting shutdowns, as well as the unequal access to social support and digital technologies. These are some challenges faced by economies in the region.

FY22 Priority Activities

To strengthen the links between the group and regional peers, the Research Center will continue its effort in creating a South-South network of think-tanks, research centers, and universities to collaborate on research projects, participate in dissemination activities, and generally learn from each other. The group plans to host virtual meetings with the network of researchers to involve them more in the group's planned activities.

In response to COVID-19, the Research Center aims to provide workshops on post-COVID-19 policies, and advanced research methods to equip developing economies with the tools to make informed policy decisions next fiscal year. These workshops will be a partnership between the Kuala Lumpur branch and HQ. The workshops will include experts from EAPCE and other units in the World Bank.

The World Bank's strategic strength lies in combining funding for policy interventions with research capacities at the highest level. The Research Center wants to further leverage its capacities to support the analytical and advisory work that the Bank does for Malaysia and other countries in the region. There is still considerable scope for more projects to undergo rigorous impact evaluations. Impact evaluations are an important part of our cross-support to other units at the Bank, the expectation being that they will result in publishable articles. The Research Center also plans to engage in more policy dialogs with counterparts in the region.

EAPCE Research Center will focus on topics that are relevant for post-COVID-19 pandemic recovery, as well as topics on building resilience, invigorating growth in the medium and long term, and ensuring sustainability. The emphasis areas will be in topics focusing on social protection, health, trade, innovation, and macroeconomics.

The research team will continue to disseminate original research, and build a community of researchers, through concrete and meaningful activities below:

- **A seminar series.** This would meet periodically (weekly or biweekly), would be thematically diverse, would feature both local and international speakers, and could be jointly organized with partner institutions (such as UM and BNM, with which strong ties are already present).
- **A set of international conferences.** This would occur with an annual or biannual frequency, depending on resources. Each conference would focus on a particular topic, chosen according to criteria related to issues of current interest (in EAP and the world), new academic advancements and contributions, and themes of long-run relevance.
- **A program of visiting scholars and training workshops.** This would allow international researchers, mainly from the EAPCE Office in the World Bank HQ, to visit and contribute to the Malaysia Hub. Apart from contributing to the Hub's research program, some visiting scholars could be engaged in training workshops (on technical and methodological topics) directed to local and international researchers.

We note that conferences, and especially training workshops with visiting scholars, will to a large extent be contingent upon the easing of restrictions imposed as a result of the pandemic.



Trust Funds and Reimbursable Advisory Services

Supporting Malaysia's Development Priorities

Introduction

The World Bank Group (WBG) provides tailored analytical support and technical assistance to Malaysian counterpart institutions through a Reimbursable Advisory Services (RAS) Framework Agreement. This Framework Agreement was recently extended for another 5-year period from November 2019 to November 2024. Under this program managed directly with the Economic Planning Unit (EPU), WBG teams have shared global experience and expertise with Malaysian counterpart institutions and agencies to help address specific policy and institutional challenges.

Over the years, RAS engagements in Malaysia have covered a wide-cross section of economic sectors and development themes including work on marine transport, Doing Business, agriculture, digital economy, and firm productivity.

While the Hub's OSA-funded work program is largely 'pre-programmed' around an agreed set of thematic areas between the Malaysian Government and the WBG, the RAS program operates in parallel and provides an additional mechanism for responding to new and emerging Malaysian development priorities.

Ongoing Trust Funds

Driving Plastics Circularity in Malaysia

Environment, Natural Resources and Blue Economy GP



Combating marine plastics pollution has been a key area of focus for the Malaysian Government and will continue to be a priority, evidenced by its ambitious target of zero single-use plastic items by 2030 in its **Roadmap Towards Zero Single-Use Plastics 2018-2030**. The World Bank has been supporting Malaysia's efforts to address marine plastics debris under the umbrella of the **EAP Regional Marine Plastic Debris Framework and Action Plan**, and continues to work on this area through its support for Malaysia's 'Roadmap towards Zero Single-Use Plastics 2018-2030'.

The year under review saw the preparation of analytical studies and accompanying communications activities to support the implementation and development of Malaysia's 'Roadmap towards Zero Single-Use Plastics 2018-2030' across two components – (i) Enhancing Diagnostics and Building Capacity, and (ii) Policy and Technical Support.

Understanding Market Opportunities for Plastics Recycling. The *Market Study for Malaysia: Plastics Circularity Opportunities and Barriers* focused on identifying market opportunities and barriers for private sector interventions in plastics circularity in Malaysia, and the state-of-play for the plastics manufacturing and recycling industry in Malaysia. The study helped provide an understanding of growth drivers and barriers to scale-up the "reuse, reduce, and recycling" approaches, focusing predominantly on plastic waste recycling. The study included mapping plastic value chains and key stakeholders, reviewing the enabling environment for plastic circularity interventions, mapping the plastics supply and demand situation to gauge the size of the market opportunity, and summarizing key findings and recommendations for priority actions. This report

was completed and launched together with similar market studies for Thailand and the Philippines.

Advancing Plastics Circularity in Malaysia. In Malaysia's 'Roadmap towards Zero Single-Use Plastics, 2018-2030', one of the main action plans is the development and implementation of *Malaysia's Circular Economy Roadmap (CER)* throughout the plastic value chain, from product design for circularity to recycling of plastic waste. This work provided recommendations on the development of a holistic and detailed CER for plastics in Malaysia, covering the period 2020-2030. Malaysia plans to create a new plastic economy, by establishing a complete and conducive cradle-to-cradle ecosystem for the plastics sector. The recommendations are focused on potential targets, prioritized strategies, and comprehensive action plans; key challenges and barriers to entry for plastics recycling; an analysis to identify options (based on international experience and good practice on how other countries have used technologies) to enhance plastic value chains in Malaysia; and proposed criteria to measure economic, environment, and social implications of the Roadmap. The study has been completed, and KASA is undertaking a series of stakeholder engagements to finalize the CER, based on the study.

Technical Support on Solutions for Remote Islands. At the request of KASA, the World Bank also supported an analytical study on *advice on technological solutions for remote islands*. This study focused on developing options for appropriate, simple, and replicable waste management solutions for plastic waste on small and remote islands in Malaysia that do not have proper waste management systems. The options presented had considered factors like

the types of plastic waste, amount of waste generated, and the cost-effectiveness of the available technical solutions. Examples of solutions include regional recycling hubs, small-scale incineration technologies, and localized recycling (for example using small-scale recycling facilities that can transform plastic waste into plastic filaments to be re-used), among others. Stakeholders can use the toolkit produced as part of the study to identify the most appropriate options for their island context. A training workshop on applying the toolkit was held in June 2021.

Supporting Extended Producer Responsibility (EPR) in APEC. In support of APEC 2020 priority area of “Driving Innovative Sustainability”, the Malaysian Government requested support to hold a two-part webinar series on studying *the role of EPR schemes in accelerating the transition towards circularity in the region*. The aim of the two-part webinar series was to (i) provide international examples of EPR for packaging in the region; and (ii) focus on implementation and design of EPR schemes.

Given the differences among APEC countries in EPR implementation, recommendations were made based on the stage of EPR implementation that the country is at. In countries where EPR is nascent from a regulatory perspective, the recommendation is to put EPR on the political agenda to move it toward legislation. Where countries are transitioning toward a mandatory scheme, the focus is on adopting a holistic approach focused not only the legal framework, but how it would impact the actual operationalization. Finally, in countries where EPR schemes have been implemented and operationalized, the recommendation is to evaluate and adapt the system to ensure that the EPR system remains relevant and suitable for the country. A summary report building on findings from the webinars has been completed and publication is being discussed with the Ministry of Environment and Water.

MOVING FORWARD: The Malaysian Government has requested several follow-up activities that build on the completed and ongoing marine plastics work in FY21. On this regard, we are looking at a RAS focused on the following three themes.

- The first activity would be related to **boosting the plastics recycling industry** to create green jobs and building back better. This involves harmonizing standards and guidelines (e.g. recycled content targets and design-for-recycling standards) and studying the steps for a transition from a voluntary to mandatory EPR scheme for plastics packaging.
- The second activity focuses on **moving toward a circular economy for plastics** and would entail making the economic case for circularity, and boosting the participation of MSMEs (Micro, Small and Medium Micro

Market Study for Malaysia: Plastics Circularity Opportunities and Barriers



The World Bank provided support to the Malaysian Government by conducting a market analysis to understand the regulatory and market barriers to private sector investment in the recycling industry in Malaysia, and providing an understanding of growth drivers and barriers to scaling-up “reduce, reuse and recycle” approaches. Findings from the report revealed that Malaysia recycled just 24% of key plastic resins in 2019, and is not on track to meet the JSPN (National Solid Waste Management Department) recycling target of 40% by 2025. Additionally, 81% of the material value of the key plastic resins – approximately US\$1.1 billion per year – is lost in Malaysia, as 1.07 million metric tons are discarded rather than recycled into valuable materials.

A number of recommendations have been made, including increasing waste collection and sorting efficiency of post-consumer plastics, setting recycled content targets, mandating “design for recycling” standards, encouraging increase in recycling capacities, creating industry-specific requirements to increase plastic waste collection and recycling rates, and restricting disposal of plastics into landfills and dumpsites.

Enterprises) and the informal sector in the transition toward a circular economy.

- The final activity is centered on **expanding the role of sustainable finance** in Malaysia which would include developing a green, circular taxonomy to guide investments into circular economy projects, and adopting the first blue *sukuk* (a *Sharia*-compliant bond-like instrument used in Islamic finance) for plastic waste.

The Government is preparing specific request for support from the World Bank on areas related to the plastics agenda in Malaysia, and in their role as a regional leader.

Recently Completed RAS

Productivity and Investment Climate Survey 3 (PICS-3)



How can Malaysia accelerate productivity growth?

SYNOPSIS: As Malaysia looks toward its transition to high-income and developed country status, accelerating productivity growth has become a central economic policy challenge. Productivity growth has become increasingly important, as the country's traditional economic engines have slowed and structural constraints have become more apparent. The recently completed Productivity and Investment Climate RAS aimed to provide policymakers with an improved understanding of the key investment climate constraints that firms face in Malaysia, of productivity trends among manufacturing and services firms, and of the recommended policy measures that require action.

CHALLENGE: Initiated at EPU's request, the Productivity and Investment Climate Survey (PICS-3) provided an opportunity to take stock of underlying patterns in firm-level productivity in Malaysia. The analysis is based on the largest-ever enterprise survey undertaken by the World Bank in Malaysia, with a total of 1,412 firms surveyed over the course of 2019-20. The questionnaire included a mixture of questions drawn from the World Bank's standardized Enterprise Surveys questionnaire, allowing for cross-country

comparisons; as well as customized questions to allow for analysis of Malaysia-specific issues. PICS-3 followed on from two previous studies as part of the same series, reflecting a long-running partnership between the World Bank and EPU.

RESPONSE: The overall objective of this project was to contribute to an improved understanding among policymakers of the top business environment constraints that firms face in Malaysia, how they relate to productivity estimates, and to identify recommended policy measures to enable private sector growth. The survey covered the whole of manufacturing, agro-processing and agro-food, and several service sectors, allowing for broad-based comparisons across the nine priority subsectors identified in the Malaysia Productivity Blueprint. Labor productivity was computed for all these sectors. Total factor and multi-factor productivity estimates (TFP and MFP) were computed for selected business subsectors, given the greater demand of data required by these measures. The project employed a number of new and innovative analytical approaches, including via the preparation of MFP estimates in the services sector for the first time ever in Malaysia.

RESULTS: Evidence from the survey suggests that Malaysian firms still have some way to go to close the gap with the country’s aspirational comparators, and that the dispersion between the most and the least productive firms is very large. Further, Malaysia’s speed of convergence with advanced economies appears to be slowing. This presents both a challenge and an opportunity. Setting a new set of benchmarks, as Malaysia looks toward becoming a high-income economy, inevitably means making comparisons against stretch targets. Adopting the same benchmarking approach developed in the Aiming High report, performance is measured against that of firms in regional comparators (in East Asia), aspirational comparators (OECD economies) and transitional comparators (economies that achieved high-income status in the last 30 years).

However, firms in Malaysia—in both the manufacturing and services sectors—demonstrate a wide spectrum of performance. Some are close to the global frontier, but many are far behind when it comes to both labor and multi-factor productivity. This suggests that there are significant gains to be made by just reducing some of these gaps.

In all areas, but especially in services, removing barriers to competition and allowing the destruction of inefficient firms would allow more efficient firms—including foreign competitors—to enter markets and grow their market share, increasing the efficiency of the sector as a whole.

There are also common themes associated with raising workforce skills, especially in socioemotional and digital capabilities, and in adopting modern management practices and innovations. In all of these areas, the Government has longstanding support programs and agencies, but there is room for gains in efficiency and effectiveness, with scope to better target and be more responsiveness to private sector needs.

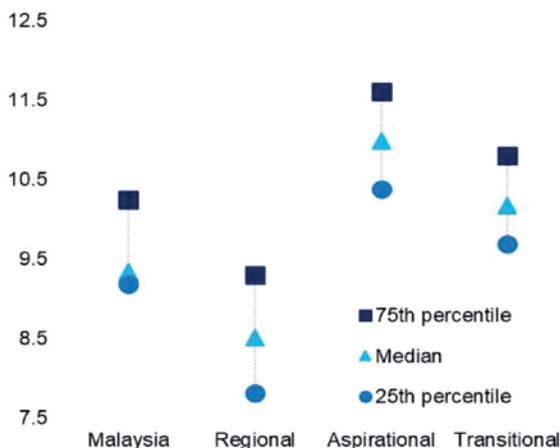
PARTNERS: The PICS-3 project was a joint initiative of EPU’s Macroeconomics Division and the World Bank.

MOVING FORWARD: The key findings of the PICS-3 report were discussed extensively among members of the technical and steering committees, with analysis contributing to several chapters of the 12th Malaysia Plan.

Labor productivity | Malaysian firms lag both aspirational and transitional comparators

Firm-level manufacturing data shows that Malaysian firms lag aspirational and transitional countries in labor productivity...

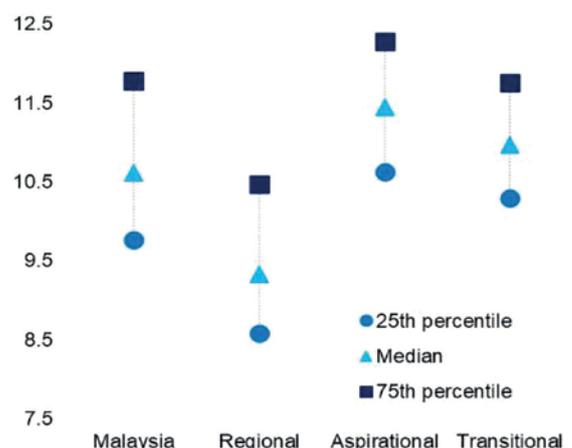
Distribution of firm-level added value per employee (2009 US\$, Log) in manufacturing



Aspirational = OECD comparators
 Transitional = economies that have shifted from UMIC to HIC in the last 30 years
 Regional = ASEAN comparators

...with a similar gap in terms of labor productivity among firms in the services sector

Distribution of firm-level added value per employee (2009 US\$, Log) in services



Recently Completed RAS

Subnational Doing Business in Malaysia 2020



Regulatory reform is a key element of the 11th Malaysia Plan (2016-2020), which has provisions to modernize the current regulatory regime not only at the Federal Government level, but also at the state and local level. While the global Doing Business report benchmarks Malaysia's overall performance on the ease of doing business, it only uses Kuala Lumpur as a proxy for the whole Federation of Malaysia.

The objective of the Doing Business in Malaysia 2020 study was to provide a broader understanding of the business regulatory environment across Malaysia—beyond the city of Kuala Lumpur—and to highlight good practice examples and reform recommendations to help guide policy at the national and subnational levels.

While the main data source of the study was private sector experts, the project also sought the participation of the public sector. Public sector officials were involved in the completion of the questionnaires and they also had the opportunity to provide feedback on the preliminary results of the report during the team's confidential "right of reply" meetings in October 2019. In the end, more than

300 lawyers, engineers, architects, customs brokers, freight forwarders, and public officials contributed to the study. Among the study's main findings are the following:

- Although most areas are regulated nationally, variation with the implementation of legislation is substantial, particularly regarding time.
- Kuala Lumpur stands out as a top performer across all areas, mainly due to its advanced electronic platforms.
- The quality of regulation in Malaysian cities is far better than the procedural efficiency.
- Better coordination between agencies could positively impact procedural efficiency across the board and should be a key focus for reform.
- Reform efforts going forward should focus on cities beyond Kuala Lumpur.

The first subnational Doing Business study in Malaysia



Benchmarks three *Doing Business* indicator sets covering areas of national and local jurisdiction or practice



Dealing with construction permits



Registering property



Trading across borders



This is the first subnational *Doing Business* study in Malaysia to expand the benchmarking beyond Kuala Lumpur, in order to provide a more complete representation of the business and regulatory environment. The study covered six cities: George Town (Penang), Johor Bahru (Johor), Kota Kinabalu (Sabah), Kuantan (Pahang), Kuching (Sarawak), and Kuala Lumpur in two areas: dealing with construction permits and registering property, and four seaports: Johor Port, Kuantan Port, Penang Port and Port Klang (Kuala Lumpur) in the area of trading across borders.

The subnational *Doing Business* in Malaysia 2020 report was released on April 21, 2020. The WB team launched the report virtually through a webinar hosted by the Malaysia Productivity Corporation (MPC), which is the Secretariat to PEMUDAH. The team presented the report’s overall findings to more than 50 participants, including local officials from the six cities measured.

As a follow up to the study, cities have expressed interest in hosting separate deep-dive sessions that would give the WB team the opportunity to discuss the data details and areas for improvement in greater depth for each state.

Hence, five dissemination sessions for the cities and ports were organized by MPC with the state governments last year and those sessions were conducted between July to September 2020. These sessions provide a much better understanding of the indicators, gaps and areas of improvement to a wide array of stakeholders, comprising PEMUDAH representatives, senior management from state and local governments, as well as private sector representatives.

The full report, as well as the data details for each city can be found at the following link:

www.doingbusiness.org/malaysia

Ongoing RAS

Informal Employment in Malaysia



With technological advances, aging and other factors, changes to the nature of work are challenging the notion that with development more and more workers will transition into what has until recently been regarded as 'standard' employment relationships. As standard employment relationship, characterized by long-term, full-time wage employment with a single employer, provides the basis for many social protection (and particularly social insurance) policies, those outside of standard employment have precarious livelihoods and have limited protection against risks such as unemployment and disability, or access to retirement income. Many of those in non-standard employment also have low productivity and incomes. The trend of greater non-standard employment been exacerbated by the changing nature of work, with disruptive technologies increasingly eroding existing sources of standard employment, as well as by the COVID-19 pandemic that appears to have lasting consequences for the world of work. In Malaysia, informal employment as defined by a lack of social insurance coverage is very widespread – accounting for over 30 percent of total employment,

making it a critical topic to engage with for extending social protection coverage and enhancing productivity.

If Malaysia is to fulfill the aim of its Shared Prosperity Vision and provide a decent standard of living to all Malaysians by 2030, addressing the protection and productivity of informal employment will be key. A well-conceived and integrated strategy for the protection and productivity of all would need to be two pronged. First, it would seek to increase the coverage of social insurance through formal employment while improving oversight and compliance. Second, as with the changing nature of work it is unlikely that all workers will formalize, the strategy would improve the protection and productivity of informally employed workers.

Initiated at the request of the EPU, the RAS on Informal Employment in Malaysia seeks to improve the knowledge and understanding of the extent, determinants, and challenges of informal employment in Malaysia and to develop actionable policy recommendations in order to inform EPU's policy making and planning, with the

ultimate objective to increase informally employed workers' productivity and protection.

The study will comprise detailed quantitative analyses of national survey data and administrative data, literature reviews, analyses of data potentially collected from digital economy platforms and thematic spotlights. It will specifically examine definitions of, and issues relevant to the 'gig' economy drawing on national and global evidence. The RAS will also include capacity building and training activities for officials from EPU and other relevant government ministries and agencies of Malaysia, such as with DOSM (on enhancing the measurement of informal employment through national surveys). The study will be guided throughout by engagement with a wide range of stakeholders comprising government ministries and agencies, technical experts, and private sector representatives.

The RAS will fill knowledge gaps on informal employment in Malaysia and will provide analytical underpinnings for EPU to propose actionable policy recommendations to address the challenges associated with informal workers. Policy recommendations will be developed for the short- medium- and long-term to inform policy on informal employment and economic planning, such as to the Mid-Term Review of RMK12.

At present, the inception phase of the project (comprising initial stakeholder engagement meetings and a fuller definition of the assessment activities) has been completed and in-depth assessment and analysis activities are underway. This will be followed by the validation of findings with the EPU, finalization of the draft report, dissemination, and concurrent capacity building activities.





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APPENDICES

Appendix 1: Results Framework

Appendix 1: Results Framework

Overarching Goal:	The WBG Hub in Malaysia aims to inform national policies and global development trends in the areas of inclusive growth, sustainable and Islamic Finance, and governance.
End Outcomes:	<ol style="list-style-type: none"> 1. Research papers/policy briefs are cited in publications and downloaded. 2. Knowledge gained had influenced participants' work. 3. Participants apply skills learnt in their work. 4. Recommended policy and program solutions influenced or adopted by policymakers.

	Unit of Measure	Target						Data Collection Method
		FY21		FY22	FY23	FY24	FY25	
		Plan	Actual	Plan	Plan	Plan	Plan	
End Outcome Indicators								
EO Indicator 1: Research papers and policy briefs are cited and downloaded (referenced for knowledge and work)								
1) Number of times research work are cited	Number	18	909	18	16	16	16	WB teams lists in a standard template: <ul style="list-style-type: none"> • New research work cited in publications, academic platforms and media • New research work downloaded from WB website
2) Number of times research work are downloaded from World Bank website	Number	8,775	109,409	8,775	6,750	6,750	6,750	
EO Indicator 2: Knowledge gained had influenced participants work								
Capture participants feedback from knowledge sharing activities where inputs are provided via a survey or feedback form, which is administered 3 to 9 months post event.	Number participants	1,515	78	1,485	1,520	1,360	1,400	Reflects the number and % of participants who indicated that the knowledge gained had influenced and been referenced in their work. For example, if 400 out of 500 people surveyed indicated so, then that translates to 80% of the surveyed participants.
	% participants	73%	91%	74%	74%	74%	74%	
Research	# participants	70	28	70	70	70	70	GP teams and collaborators administer the survey to participants, Malaysians and other countries. The survey can be done between 3 to 9 months post event. Events which are strategic, high priority or certain budget allocation, will require the survey.
	% participants	75%	90%	75%	75%	75%	75%	
Theme 1: Inclusive Growth	# participants	710	24	680	715	555	595	
	% participants	72%	96%	72%	72%	72%	73%	
Theme 2: Sustainable Finance	# participants	600	26	600	600	600	600	
	% participants	75%	88	75%	75%	75%	75%	
Theme 3: Governance	# participants	135	0	135	135	135	135	
	% participants	77%	0%	77%	77%	77%	77%	
EO Indicator 3: Participants apply skills learnt in their work								
Measures if participants have utilized new skills acquired into their work such as in preparation of reports, policy papers, analysis, budget, or whether organization capacities have been strengthened.	Number participants	489	58	384	519	464	494	Reflects the number and % of surveyed participants who have applied skills learnt in their work. For example, if 400 out of 500 people indicate that they applied skills learnt in their work, then that translates to 80% of the surveyed participants.
	% participants	72%	48%	56%	71%	72%	71%	
Research	# participants	34	28	34	34	34	34	GP teams and collaborators administer a post-learning survey to assess if participants applied what they learned and how their organizations benefitted. The survey can be done between 3 to 9 months post event. Events which are strategic, high priority or minimum budget allocation will require the survey.
	% participants	75%	90%	75%	75%	75%	75%	
Theme 1: Inclusive Growth	# participants	170	30	170	200	145	175	
	% participants	71%	100%	71%	71%	71%	71%	
Theme 2: Sustainable Finance	# participants	180	0	180	180	180	180	
	% participants	80%	0	80%	80%	80%	80%	
Theme 3: Governance	# participants	105	0	0	105	105	105	
	% participants	63%	0%	0%	60%	60%	60%	
EO Indicator 4: Recommended policy and program solutions influenced or adopted by policymakers								
Recommended policy and program influenced or adopted by policymakers as evidenced in policies, laws, regulations, or other documents, but not limited to, guidance notes, roadmaps, plans, minutes, and circulars.	Number	14	14	16	15	15	15	WB Hub GP teams identify the recommendations that are adopted or referenced in various government documents and lists in a standard template.
Research	Number	NA	NA	NA	NA	NA	NA	
Theme 1: Inclusive Growth	Number	6	10	8	7	7	7	
Theme 2: Sustainable Finance	Number	5	4	5	5	5	5	
Theme 3: Governance	Number	3	0	3	3	3	3	
	Number	NA	NA	NA	NA	NA	NA	
Intermediate Outcome Indicators								
IO Indicator 1: Research outputs produced or published								
Measures work produced, drafted, or published under the three thematic areas either for global or Malaysia's development.	Number	17	26	17	13	13	13	At the end of the mid-term and fiscal year, the WB Research team will list in a standard template any new research work that has been produced or drafted or published. The research team will list the research work (e.g. research papers, books, notes, and briefs) that are published under WB or peer-reviewed journals.
Research	Number	17	26	17	13	13	13	
Theme 1: Inclusive Growth	Number	NA	NA	NA	NA	NA	NA	
Theme 2: Sustainable Finance	Number	NA	NA	NA	NA	NA	NA	
Theme 3: Governance	Number	NA	NA	NA	NA	NA	NA	
	Number	NA	NA	NA	NA	NA	NA	

	Unit of Measure	Target						Data Collection Method	
		FY21		FY22		FY23	FY24		FY25
		Plan	Actual	Plan	Plan	Plan	Plan		
IO Indicator 2: Participants satisfied with knowledge learned									
Measures participants reactions in all knowledge sharing activities (e.g. seminars, forums, conferences), as evidenced by post-event survey.	Number participants	1,600	9,348	1,590	1,610	1,415	1,420	WB Hub teams (GP, DEC) administer a survey to assess participants reactions.	
	% participants	76%	88%	76%	76%	76%	76%		
Research	# participants	20	186	20	20	20	20	The indicators reflect the number and % participants who are satisfied with the knowledge exchange. Satisfaction is measured on a score of 4 or 5, on a scale from level 1 to 5.	
	% participants	75%	100%	75%	75%	75%	75%		
Theme 1: Inclusive Growth	# participants	740	2,130	730	750	655	660		
	% participants	69%	84%	71%	71%	72%	72%		
Theme 2: Sustainable Finance	# participants	700	6,932	700	700	600	600		
	% participants	80%	84%	80%	80%	80%	80%		
Theme 3: Governance	# participants	140	100	140	140	140	140		
	% participants	80%	84%	80%	80%	80%	80%		
IO Indicator 3: Participants satisfied with training relevance and conduct									
Measures learning value add by participants on all capacity building activities, as evidenced by post-training survey.	Number participants	750	235	765	780	695	725		The indicators reflect the number and % participants who are satisfied with the training. Satisfaction is measured on a score of 4 or 5, on a scale from level 1 to 5. For example, if 400 out of 500 people surveyed scored level 4 or 5, then 80% of the surveyed participants are satisfied.
	% participants	74%	68%	72%	72%	73%	72%		
Research	# participants	60	55	60	60	60	60	WB Hub teams administer a survey to assess if training objectives were achieved, what participants learnt and are able to do differently. The survey will also capture the participants' reactions to the learning experience.	
	% participants	75%	100%	75%	75%	75%	75%		
Theme 1: Inclusive Growth	# participants	150	120	165	180	95	125		
	% participants	72%	90%	71%	71%	72%	72%		
Theme 2: Sustainable Finance	# participants	400	0	400	400	400	400		
	% participants	70%	0%	70%	70%	70%	70%		
Theme 3: Governance	# participants	140	60	140	140	140	140		
	% participants	80%	80%	80%	80%	80%	80%		
IO Indicator 4: Dialogs held with target policymakers/stakeholders									
Measures number of engagement sessions such as dialogs, roundtables, and closed-door meetings held with target policymakers/stakeholders.	Number	37	49	37	37	33	34		WB Hub GP teams will list the meetings, dialogs, and other relevant engagement sessions held with target policymakers and stakeholders.
Research	NA	NA	NA	NA	NA	NA	NA		
Theme 1: Inclusive Growth	Number	23	23	23	23	19	20		
Theme 2: Sustainable Finance	Number	9	21	9	9	9	9		
Theme 3: Governance	Number	5	5	5	5	5	5		
IO Indicator 5: Findings are shared and discussed with broader groups of stakeholders									
Dissemination events, stakeholder engagements/ communication activities.								WB Hub teams (GP, EXT) will list the broader stakeholder engagement sessions (e.g. dissemination and outreach activities), and communication outreach and awareness (e.g. media citations, download of reports)	
1) Stakeholders & dissemination sessions	# sessions	48	68	48	48	45	46		
2) Downloads of reports	# downloads	14,212	25,620	14,212	14,212	13,462	13,462		
Research	i. Formal seminars	12	33	12	12	12	12		
	ii. "Half-baked" seminars	12	13	12	12	12	12		
Theme 1: Inclusive Growth	# sessions	13	13	13	13	11	11		
	# downloads	11,500	11,500	11,500	11,500	11,250	11,250		
Theme 2: Sustainable Finance	# sessions	6	4	6	6	5	6		
	# downloads	2,500	13,907	2,500	2,500	2,000	2,000		
Theme 3: Governance	# sessions	5	5	5	5	5	5		
	# downloads	200	200	200	200	200	200		
IO Indicator 6: Cross-cutting joint work and collaboration									
Number of joint collaborations and joint work with external stakeholders (e.g. research work, co-author, joint training/seminar or conference, but not joint logistics).	# collaborations	15	19	16	16	17	16	WB Hub teams list collaborations with stakeholders, either at local, regional, or global level, for any modalities i) Research work, ii) Knowledge sharing; iii) Capacity/ capability building events; iv) Analytical work for policy reforms. Collaborations could be joint ASA work such as analytics, presentations, joint delivery of seminar, training, or development of conference proceedings. However joint event logistics are not counted.	
Research		5	7	5	5	5	5		
Theme 1: Inclusive Growth		4	4	5	5	6	5		
Theme 2: Sustainable Finance		5	7	5	5	5	5		
Theme 3: Governance		1	1	1	1	1	1		

APPENDICES

Appendix 2: List of Products and Work Delivered

Appendix 2: List of Products and Work Delivered

Outbound Knowledge

Theme 1: Supporting Inclusive Growth			
WHEN	TEAM LEAD	TASK NAME	DELIVERABLE NAME
July 10, 2020	Yew Keat Chong	Malaysia Business Environment for Prosperity	Launch of the Global Investment Competitiveness Report
July 31, 2020	Armando Heilbron	Malaysia Business Environment for Prosperity	Recommendations for the enhancement of Malaysia's investment promotion institutional framework and investor service provision
August 3, 2020	Gerlin Catangui	Malaysia Business Environment for Prosperity	Synthesis report - enhancing Malaysia's investment framework for sustainable growth and shared prosperity
August 25, 2020	Richard Record	Malaysia Growth and Inclusion	National Tax Conference 2020 - Taxing the Shadow Economy
August 27, 2020	Smita Kuriakose	Private Sector Competitiveness and Development	Launch of Malaysia's experience in leveraging public private dialogue in implementing Doing business reforms
September 25, 2020	Richard Record	Malaysia Growth and Inclusion	Support to the APEC Finance Minister's Process
September 29, 2020	Yew Keat Chong	Malaysia Growth and Inclusion	Launch of the EAP Economic Update (October 2020) "From Containment to Recovery"
October 13, 2020	Shakira Teh	Malaysia Growth and Inclusion	Policy Brief for Budget 2021
October 23, 2021	Rekha Reddy	Malaysia Business Environment for Prosperity	Workshop on competition considerations in the financial sector
October 30, 2020	Yashodhan Ghorpade	Malaysia Strengthening Human Capital Development	Series of policy notes "COVID-19 and social protection and jobs policies in Malaysia"
November 10, 2020	Gerlin Catangui	Malaysia Business Environment for Prosperity	Scoping of Sabah investment promotion advisory services
November 12, 2020	Achim Schmillen	Malaysia Promoting Productive and Inclusive Aging	Flagship report "Productive and inclusive aging in Malaysia"
November 19, 2020	Smita Kuriakose	Private Sector Competitiveness and Development	Assessing the Effectiveness of Public Research Institutions in Fostering Knowledge Linkages and Transferring Technology
November 24, 2020	Amanina Rahman	Malaysia Promoting Productive and Inclusive Aging	Report launch event "Productive and inclusive aging in Malaysia"
November 25, 2020	Souleymane Coulibaly	Malaysia Growth and Inclusion	ASEAN-Africa Trade Diversification Prospects
December 4, 2020	Maryla Maliszewska	Malaysia Growth and Inclusion	Policy Note on Estimating the Impact of the RCEP
December 16, 2020	Richard Record	Malaysia Growth and Inclusion	Peer Review of the 12th Malaysia Plan
December 16, 2020	Harry Moroz	Malaysia Strengthening Human Capital Development	Working paper "Patterns of and returns to skill requirements in Malaysia"
December 21, 2020	Smita Kuriakose	Private Sector Competitiveness and Development	Impacts of COVID-19 on Firms in Malaysia: Results from the 1st Round of COVID-19 Business Pulse Survey

Theme 1: Supporting Inclusive Growth

WHEN	TEAM LEAD	TASK NAME	DELIVERABLE NAME
January 25, 2021	Richard Record	Malaysia Growth and Inclusion	Growth Modelling of Malaysia's Middle-Income Peers
January 26, 2021	Yew Keat Chong	Malaysia Tax & Public Expenditure	Development of a Tax Microsimulation Model for Malaysia
February 1, 2021	Sebastian James	Malaysia Growth and Inclusion	Tax Microsimulation Virtual Training Mission
February 4, 2021	Graciela Murciego	Malaysia Business Environment for Prosperity	Review of the legal framework for competition and merger control
March 16, 2021	Richard Record	Malaysia Growth and Inclusion	Launch of the Flagship Report on Malaysia's High-Income Transition
March 25, 2021	Graciela Murciego	Malaysia Business Environment for Prosperity	Product market regulations assessment
March 26, 2021	Sheau Yin Goh	Malaysia Growth and Inclusion	Launch of the EAP Economic Update (April 2021) "Uneven Recovery"
March 29, 2021	Richard Record	Malaysia Growth and Inclusion	Briefing to the Economic Action Council on the Aiming High Flagship Report
March 30, 2021	Richard Record	Malaysia Growth and Inclusion	EAC Executive Talk on Post COVID-19 Inclusive Growth
April 2, 2021	Yashodhan Ghorpade	Malaysia Strengthening Human Capital Development	Series of Webinars "COVID-19 and social protection and jobs policies in Malaysia"
April 6, 2021	Mahama Samir	Malaysia Growth and Inclusion	Policy Note on Strengthening Services Trade in the Malaysian Economy
April 7, 2021	Gerlin Catangui	Malaysia Business Environment for Prosperity	Enhancing Sabah's competitiveness for investment promotion
April 13, 2021	Robert Whyte	Malaysia Business Environment for Prosperity	Subnational investment policy and promotion training in Sabah
April 20, 2021	Smita Kuriakose	Private Sector Competitiveness and Development	Boosting Competitiveness in Malaysia
April 24, 2021	Smita Kuriakose	Private Sector Competitiveness and Development	Impacts of COVID-19 on Firms in Malaysia: Results from the 2nd Round of COVID-19 Business Pulse Survey
May 5, 2021	Rekha Reddy	Malaysia Business Environment for Prosperity	Understanding competition dynamics in retail banking
May 7, 2021	Graciela Murciego	Malaysia Business Environment for Prosperity	Identifying regulatory obstacles to competition in Malaysia
May 20, 2021	Aija Rinkinen	Malaysia Enhancing the Quality of Education	Malaysia Seminar Series in Education
May 20, 2021	Aija Rinkinen	Malaysia Enhancing the Quality of Education	Workshop on Developing the Malaysian Basic Education
May 27, 2021	Shakira Teh	Malaysia Growth and Inclusion	Aiming High Online Knowledge Series
May 28, 2021	Aija Rinkinen	Malaysia Enhancing the Quality of Education	Malaysia Education Training: Building Back Better
May 31, 2021	Mahama Samir	Malaysia Business Environment for Prosperity	Catching Up - Inclusive Growth and Development in Sabah
June 1, 2021	Dewen Wang	Malaysia Promoting Productive and Inclusive Aging	Workshop "Regulation and financing of private aged care homes in Malaysia"

APPENDICES

Appendix 2: List of Products and Work Delivered

Theme 1: Supporting Inclusive Growth

WHEN	TEAM LEAD	TASK NAME	DELIVERABLE NAME
June 15, 2021	Dewen Wang	Malaysia Promoting Productive and Inclusive Aging	Working paper "Qualitative research on aging in Malaysia"
June 18, 2021	Alen Mulabdic	Malaysia Growth and Inclusion	GVCs and COVID-19 Analysis
June 18, 2021	Kenneth Simler	Malaysia Equity and Inclusion	Policy note on multidimensional poverty
June 18, 2021	Kenneth Simler	Malaysia Equity and Inclusion	Note with results from COVID-19 telephone survey

Theme 2: Promoting Sustainable and Islamic Finance

WHEN	TEAM LEAD	TASK NAME	DELIVERABLE NAME
October 2, 2020	Mohamed Rozani	Catalyzing Sustainable Finance	Green Sukuk brief (dissemination)
October 9, 2020	Mohamed Rozani	Building Sustainable and Inclusive Financial Systems	Malaysia Sustainable and Inclusive Finance Forum
February 15, 2021	Mohamed Rozani	Catalyzing Sustainable Finance	AICB-IBFIM-WBG Sustainable Finance Webinar series
April 6, 2021	Rekha Reddy	Resilient and Inclusive Financial Sectors	Knowledge Sharing and Capacity Building to Financial Sector Regulators: FY21
April 22, 2021	Mohamed Rozani	Catalyzing Sustainable Finance	Malaysia Sovereign Sustainability Bond issuance (FY21)
April 28, 2021	Wei Zhang	Resilient and Inclusive Financial Sectors	Webinar on Asia Provident Funds Meeting Tomorrow's Challenges
April 28, 2021	Wei Zhang	Resilient and Inclusive Financial Sectors	Just-in-Time Policy Briefs on Financial Sector Development Challenges
May 7, 2021	Abayomi Alawode	Study on Islamic Trade Finance	Islamic Trade Finance--An Opportunity for Malaysia
May 31, 2021	Mohamed Rozani	Catalyzing Sustainable Finance	Presentations at Stakeholder Events on Sustainable Finance for FY2021
June 10, 2021	Abayomi Alawode	Islamic Finance for Sustainable Development	Islamic Finance Webinar Series
June 15, 2021	Isaku Endo	Resilient and Inclusive Financial Sectors	PFMI webinar
June 16, 2021	Mohamed Rozani	Building Sustainable and Inclusive Financial Systems	South-South Knowledge Transfer-FY21
June 17, 2021	Rekha Reddy	Resilient and Inclusive Financial Sectors	Non-Performing Loans in EAP: Practices and Lessons In Times of COVID-19
June 22, 2021	Rekha Reddy	Resilient and Inclusive Financial Sectors	Malaysia Competition in the Retail Banking Sector Study
June 22, 2021	Rekha Reddy	Resilient and Inclusive Financial Sectors	Digital Banks TA

Theme 3: Strengthening Public Sector Management

WHEN	TEAM LEAD	TASK NAME	DELIVERABLE NAME
September 23, 2020	Rajni Bajpai	Strengthening Public Sector Management	Global Launch of the Anti-Corruption Report
April 30, 2021	Rajni Bajpai	Strengthening Public Sector Management	Knowledge and capacity building on local governance and citizen engagement
May 7, 2021	Deryck Brown	Improving Public Sector Productivity	Policy Note on Public Sector Productivity Improvements and Economic Performance
May 14, 2021	Rajni Bajpai	Strengthening Public Sector Management	Regional/Country dissemination of the Global Report on Anti-Corruption
May 18, 2021	Deryck Brown	Strengthening Public Sector Management	Support to the Planning Community of Practice
May 19, 2021	Rajni Bajpai	Strengthening Public Sector Management	EAP Launch of the Global Anti-Corruption Report
June 1, 2021	Deryck Brown	Strengthening Public Sector Management	Malaysia's Experience with National Development Planning (Final Output)
June 15, 2021	Deryck Brown	Improving Public Sector Productivity	Note on comparative methodology/approaches to measuring public sector productivity: an international perspective
June 24, 2021	Rajni Bajpai	Strengthening Public Sector Management	Policy Notes on Building Capacity in the Public Service and Public Sector Institutions

Hub Work Program

WHEN	TEAM LEAD	TASK NAME	DELIVERABLE NAME
December 15, 2020	Shakira Teh	Malaysia Economic Monitor 2020-21	Malaysia Economic Monitor "Sowing the Seeds" (December 2020 edition)
June 22, 2021	Shakira Teh	Malaysia Economic Monitor 2020-21	Malaysia Economic Monitor "Weathering the Surge" (June 2021 edition)

BMPT Tasks

WHEN	TEAM LEAD	TASK NAME	DELIVERABLE NAME
March 22, 2021	Anjali Acharya	Rethinking Plastics: Support for ASEAN Region and Select Countries on Marine Plastics	Market Study for Malaysia: Plastics Circularity Opportunities and Barriers
June 14, 2021	Anjali Acharya	Rethinking Plastics: Support for ASEAN Region and Select Countries on Marine Plastics	Final Draft of Malaysia's Circular Economy Roadmap
June 15, 2021	Arun Kolsur	Systemically Strengthening Public Procurement in the Philippines, Malaysia and Thailand	Final Report of assessment of the Malaysia public procurement system
June 17, 2021	Anjali Acharya	Rethinking Plastics: Support for ASEAN Region and Select Countries on Marine Plastics	Malaysia: Framework for Determining Appropriate Technology and Solutions for Plastic Waste on Small and Remote Islands

APPENDICES

Appendix 2: List of Products and Work Delivered

EAP Chief Economist Research Center

EAPCE Research Center Seminars

DATE	SPEAKERS	AFFILIATION	PAPER
16-Jul-2020	Mahama Samir Bandaogo	World Bank	Escaping the Middle-Income Trap: Long-Term Growth Scenarios for Thailand
06-Aug-2020	Guillermo Vuletin	World Bank	Can automatic government spending be procyclical?
10-Sep-2020	Alistair Dieppe, Gene Kindberg-Hanlon	European Central Bank and World Bank	Global Productivity: Trends, Drivers, and Policies
24-Sep-2020	Elizaveta Perova	World Bank	In the light of what they know: how do local leaders make targeting decisions?
08-Oct-2020	Alvaro Pedraza & Claudia Ruiz	World Bank	Banking Sector Performance During the COVID-19 Crisis
15-Oct-2020	Gonzalo Salinas	IMF	Proximity and Horizontal Policies: The Backbone of Export Diversification and Complexity
05-Nov-2020	Tobias Pfitzke	World Bank	The Welfare Effects of Mobile Broadband Internet: Evidence from Nigeria
11-Nov-2020	Norman Loayza	World Bank	Recovery from the Pandemic across the World: Balancing Short-term and Long-term Concern
26-Nov-2020	Yu Cao	World Bank	Financial Constraints, Innovation Quality, and Growth
03-Dec-2020	Tristan Reed	World Bank	Long-run Returns to Impact Investing in Emerging Market and Developing Economies
10-Dec-2020	Steven Pennings & Arthur Mendes	World Bank	One Rule Fits All? Heterogeneous Fiscal Rules for Commodity Exporters When Price Shocks Can Be Persistent: Theory and Evidence
17-Dec-2020	Daniel Gerszon Mahler	World Bank	Lives and Livelihoods: Estimates of the Global Mortality and Poverty Effects of the Covid-19 Pandemic
07-Jan-2021	Titan Alon	University of California San Diego	The Impact of COVID-19 on Gender Equality
14-Jan-2021	Kei-Mu Yi	University of Houston	Trade Integration, Global Value Chains, and Capital Accumulation
21-Jan-2021	Shafaat Yar Khan	World Bank	How Does Trade Respond to Anticipated Tariff Changes? Evidence from NAFTA
04-Feb-2021	Kosali Simon	Indiana University	Determinants of Disparities in Covid-19 Job Losses
18-Feb-2021	Teresa Molina	University of Hawaii	Globalization and Female Empowerment: Evidence from Myanmar
25-Feb-2021	Ernest Liu	Princeton University	International Friends and Enemies
04-Mar-2021	Amanina Abdur Rahman, Achim Schmillen	World Bank	From Farms to Factories and Firms: Structural Transformation and Labor Productivity Growth in Malaysia

EAPCE Research Center Seminars			
DATE	SPEAKERS	AFFILIATION	PAPER
18-Mar-2021	Yongsung Chang	Seoul National University	Equilibrium Tax Rates under Ex-ante Heterogeneity and Income-Dependent Voting
25-Mar-2021	Gerton Rongen and Peter Lanjouw	Vrije Universiteit Amsterdam and Amsterdam Institute for Global Health and Development, Vrije Universiteit Amsterdam	Trends in Malaysian poverty and income dynamics: do regional inequalities trump ethnic disparities?
30-Mar-2021	Natasha Kang	University of British Columbia	Modeling Long Cycles
31-Mar-2021	Rasim Mutlu	University of Lausanne	Macprudential vs. Monetary Policies for Dollarized Economies
10-Apr-2021	Ichiro Sugimoto	SOKA University	Living Standards of Chinese Opium Smokers in Colonial Singapore
01-Apr-2021	Amina Enkhbold	University of Toronto	Monetary Policy Transmission, Bank Market Power, and Wholesale Funding Reliance
8-Apr-2021	David McKenzie	World Bank	Small Business Training to Improve Management Practices in Developing Countries: Reassessing the Evidence for "Training Doesn't Work"
8-Apr-2021	Agustin Samano	University of Minnesota and Federal Reserve Bank of Minneapolis	International Reserves and Central Bank Independence
14-Apr-2021	Yunsang Kim	Georgetown University	Distributional Effects of Exchange Rate Stabilization in Emerging Markets
22-Apr-2021	Christopher Alexander Hoy	World Bank	Improving tax compliance without raising revenue: Evidence from population wide randomized controlled trials in Papua New Guinea
6-May-2021	Woan Foong Wong	University of Oregon	Export Markets and Long-Run Industry Adjustment: State, Private, and Foreign Firms in Vietnam
27-May-2021	Carlos Vegh	Johns Hopkins University	How much do macroeconomic disasters increase the gains from financial integration?
10-Jun-2021	Leora Klapper	World Bank	Learning to Navigate a New Financial Technology: Evidence from Payroll Accounts

APPENDICES

Appendix 2: List of Products and Work Delivered

EAPCE Research Center Half-Baked Seminars

DATE	SPEAKERS	AFFILIATION	PAPER
24-Nov-2020	Duong Trung Le (co-author: Ritam Chaurey)	World Bank (Johns Hopkins SAIS)	Rural Infrastructure Development and Economic Activity
15-Dec-2020	Elizaveta Perova (co-authors: Ervin Dervisevic and Maria Lo Bue)	World Bank (United Nations University-WIDER)	Maternal Employment and Children's Outcomes: Evidence from Indonesia
26-Jan-2021	Yu Cao and Francesca de Nicola (co-author: Aaditya Mattoo)	World Bank	Innovation at risk of a bamboo curtain
09-Feb-2021	Shafaat Khan (co-authors: Ergys Islamaj and Aaditya Mattoo)	World Bank	The Long-run Effects of Export Restrictions
23-Feb-2021	Tobias Pfitzner	World Bank	The Effect of Basic Health Insurance for the Poor on Adult Mortality Risks: Mexico's Seguro Popular
30-Mar-2021	Yu Cao (co-author: Lisa Yao Liu)	World Bank (Columbia Business School, Columbia University)	Trust in Regulators and Product Market Access
13-Apr-2021	Hillary C. Johnson and Forest Brach Jarvis (with Aries Arugay, Aletheia Donald, and Aletheia Valenciano)	World Bank (University of the Philippines Diliman, World Bank, and University of the Philippines).	Authority by Choice: Unpacking the links between decision-making and autonomy in the rural Philippines
27-Apr-2021	Jonathan David Timmis and Tim DeStefano	World Bank and Harvard Business School	Firm Digital Adoption during COVID-19
11-May-2021	Hillary Johnson and Elizaveta Perova (co-authors: Massimiliano Cali and Nabil Rizky Ryandiansyah)	World Bank	The Economic Competitiveness Impacts of Preschools
25-May-2021	Ergys Islamaj (co-author: Fabiola Saavedra Caballero)	World Bank	An Investigation of Productivity Measures in East Asia
08-Jun-2021	Young Eun Kim	World Bank	The Potential of Gender Parity in Education and Labor Market Participation for Economic Growth around the World

EAPCE Research Center Journal Articles and Publications

DATE	AUTHORS	AFFILIATION	PAPER
May-2020	Lay Lian Chuah, Norman V. Loayza and Ha Nguyen	World Bank	Lay Lian Chuah, Norman V. Loayza and Ha Nguyen. 2020. Is Resource Misallocation Leading To Productivity Gaps In Malaysia's Manufacturing Sector? The Singapore Economic Review Vol. 65, No. 05, pp. 1213-1235
Mar-2021	Young Eun Kim and Norman V. Loayza	World Bank	Kim, Young Eun, and Norman V. Loayza. 2021. "Economic loss from COVID-19 fatalities across countries: a VSL approach." Applied Economics Letters, pp. 1-7.
Apr-2021	Young Eun Kim	World Bank	Kim, Young Eun. 2021. "Determinants of childhood vaccination in Nagaland, India: a cross-sectional study with multilevel modelling." BMJ Open 2021;11:e045070. doi: 10.1136/bmjopen-2020-045070
Forthcoming	Sharmila Devadas, Ibrahim Elbadawi, and Norman V. Loayza	Bank Negara Malaysia, Economic Research Forum, and World Bank	Devadas, Sharmila, Ibrahim Elbadawi, and Norman V. Loayza. 2021. "Growth in Syria: Losses from the War and Potential Recovery in the Aftermath." Middle East Development Journal.

EAPCE Research Center Research & Policy Briefs

DATE	AUTHORS	AFFILIATION	PAPER
Jul-2020	Mahama Samir Bandaogo	World Bank	Fiscal Rules in Times of Crisis
Aug-2020	Stewart Nixon	Crawford School of Public Policy, Australian National University & Faculty of Economics and Administration, University of Malaya	Global Integration Is More Important than Ever to Contain the Economic and Health Fallout and Exit the COVID-19 Pandemic Crisis
Sep-2020	Norman V. Loayza, Apurva Sanghi, Nurlina Shaharuddin, Lucie Johanna Wuester	World Bank	Recovery from the Pandemic Crisis : Balancing Short-Term and Long-Term Concerns
Oct-2020	Sharmila Devadas, Young Eun Kim	World Bank	Exploring the Potential of Gender Parity to Promote Economic Growth
Jan-2021	Ergys Islamaj, Duong Trung Le, Young Eun Kim	World Bank	The Spread of COVID-19 and Policy Responses
Feb-2021	Tristan Reed, William Waites, David Manheim, Damien De Walque, Chiara Vallini, Roberta Gatti and, Timothy B.Hallett	World Bank, University of Edinburgh, University of Haifa, World Bank, Boston Consulting Group, World Bank and, Imperial College London	Five Ways that COVID-19 Diagnostics Can Save Lives: Prioritizing Uses of Tests to Maximize Cost-Effectiveness
Feb-2021	Facundo Abraham, Juan J. Cortina and Sergio L. Schmukler	World Bank	The Boom in Corporate Borrowing after the Global Financial Crisis: Different Tales from East Asia and Latin America
Feb-2021	Fabien Clavier and Francis Ghesquiere	World Bank	Leveraging Digital Solutions to Fight COVID-19 : Lessons from ASEAN Countries
Mar-2021	Pierre Bachas	World Bank	Targeting Tax Enforcement Efforts on Larger Firms: A Necessary Distortion?
Mar-2021	Erhan Artuc	World Bank	Distributional Effects of International Trade : Misconceptions about Losses and Gains
Apr-2021	Francesca de Nicola, Aaditya Mattoo, Jonathan Timmis, and Trang Thu Tran	World Bank	Productivity in the Time of COVID-19 : Evidence from East Asia and Pacific
May-2021	Ergys Islamaj, Franz Ulrich Ruch, and Eka Vashakmadze	World Bank	Demand and Supply Dynamics in East Asia during the COVID-19 Recession

EAPCE Research Center Books and Book Chapters

DATE	AUTHORS	AFFILIATION	PAPER
Forthcoming	Valerie Cerra, Ruy Lama, and Norman V. Loayza	International Monetary Fund, International Monetary Fund, and World Bank	Cerra, Valerie, Ruy Lama, and Norman V. Loayza. 2021. "Links between Growth, Inequality, and Poverty: A Survey." In How to Achieve Inclusive Growth, Oxford: Oxford University Press.

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Appendix 2: List of Products and Work Delivered

EAPCE Research Center Working Papers

DATE	AUTHORS	AFFILIATION	PAPER
Jun-2020	Subal C. Kumbhakar, Norman V. Loayza, Vivian Norambuena	State University of New York, World Bank, World Bank and University of Chile	Kumbhakar,Subal C.; Loayza,Norman V.; Norambuena,Vivian.2020. International Benchmarking for Country Economic Diagnostics : A Stochastic Frontier Approach (English). Policy Research working paper;no. WPS 9304. Washington, D.C. : World Bank Group.
Jun-2020	Hyeok Jeong	World Bank	Jeong, Hyeok. 2020. Productivity Growth and Efficiency Dynamics of Korean Structural Transformation (English). Policy Research working paper; no. WPS 9285. Washington, D.C. : World Bank Group.
Jun-2020	Yoonsoo Lee	World Bank	Lee, Yoonsoo. 2020. Long-Term Shifts in Korean Manufacturing and Plant-Level Productivity Dynamics (English). Policy Research working paper; no. WPS 9279. Washington, D.C. : World Bank Group.
Jun-2020	Sharmila Devadas, Jorge Guzman, Young Eun Kim, Norman Loayza and Steven Pennings	World Bank	Devadas, Sharmila; Guzman, Jorge P.; Kim, Young Eun; Loayza, Norman V.; Pennings, Steven Michael. 2020. Malaysia's Economic Growth and Transition to High Income: An Application of the World Bank Long Term Growth Model (LTGM) (English). Policy Research working paper; no. WPS 9278. Washington, D.C. : World Bank Group.
Nov-2020	Francesca De Nicola, Ha Nguyen, Norman V. Loayza	World Bank	De Nicola,Francesca; Nguyen,Ha Minh; Loayza,Norman V..2020. Productivity Loss and Misallocation of Resources in Southeast Asia (English). Policy Research working paper;no. WPS 9483 Washington, D.C. : World Bank Group.
Feb-2021	George Alessandria, Shafaat Yar Khan, Armen Khederlarian	World Bank	Alessandria,George; Khan,Shafaat Yar; Khederlarian,Armen.2021. Taking Stock of Trade Policy Uncertainty: Evidence from China's Pre-WTO Accession (English). Policy Research working paper;no. WPS 9551 Washington, D.C. : World Bank Group.
Mar-2021	Shafaat Yar Khan, and Armen Khederlarian	World Bank, University of Rochester	Khan,Shafaat Yar; Khederlarian, Armen.2021. Inventories, Input Costs, and Productivity Gains from Trade Liberalizations (English). Policy Research working paper;no. WPS 9564 Washington, D.C. : World Bank Group.
Mar-2021	Valerie Cerra, Ruy Lama, Norman V. Loayza	International Monetary Fund, International Monetary Fund, World Bank	Cerra,Valerie; Lama,Ruy; Loayza,Norman V.2021. Links between Growth, Inequality, and Poverty : A Survey (English). Policy Research working paper;no. WPS 9603 Washington, D.C. : World Bank Group.
Apr-2021	Shafaat Yar Khan and Armen Khederlarian	World Bank, University of Rochester	Khan,Shafaat Yar, Khederlarian,Armen. 2021. How Does Trade Respond to Anticipated Tariff Changes ? Evidence from NAFTA (English). Policy Research working paper;no. WPS 9646 Washington, D.C. : World Bank Group.

Appendix 3: Hub Staffing FY21/22

NO	NAME	GLOBAL PRACTICE AREA	ROLE
1	Diop, Ndiame	Country Management Unit	Country Director
2	Raad, Firas	Country Management Unit	Country Manager
3	Record, Richard James Lowden	Macroeconomics, Trade & Investment	Lead Economist
4	Teh Sharifuddin, Shakira	Macroeconomics, Trade & Investment	Senior Economist
5	Chong, Yew Keat	Macroeconomics, Trade & Investment	Economist
6	Goh, Sheau Yin	Macroeconomics, Trade & Investment	Economist (Secondee)
7	Bandaogo, Mahama Abdel Samir	Macroeconomics, Trade & Investment	Young Profesional
8	Thien, Alyssia Nga Maluda	Macroeconomics, Trade & Investment	Consultant
9	Nigatu, Natnael Simachew	Macroeconomics, Trade & Investment	Consultant
10	Simler, Kenneth	Poverty & Equity	Senior Economist
11	Ali Ahmad, Zainab	Poverty & Equity	Consultant
12	Reddy, Rekha	Finance, Competitiveness & Innovation	Senior Financial Sector Specialist
13	Kuriakose, Smita	Finance, Competitiveness & Innovation	Senior Economist
14	Zhang, Wei	Finance, Competitiveness & Innovation	Senior Financial Sector Specialist
15	Mohamed Osman, Mohamed Rozani	Finance, Competitiveness & Innovation	Senior Financial Sector Specialist
16	Shaharudin, Roselee Shah	Finance, Competitiveness & Innovation	Financial Sector Specialist (Secondee)
17	Johan Arief Jothi, Shahira Zaireen	Finance, Competitiveness & Innovation	Financial Sector Specialist (Secondee)
18	Ting, Kok Onn	Finance, Competitiveness & Innovation	Consultant (Secondee)
19	Abdul Aziz, Ahmad Hafiz	Finance, Competitiveness & Innovation	Consultant
20	Rajoo, Uma	Finance, Competitiveness & Innovation	Consultant
21	Mohd Zulkifli Tiew, Haris Syahir	Finance, Competitiveness & Innovation	Consultant
22	Siew, Kristina Leng Fong	Finance, Competitiveness & Innovation	Consultant
23	Bajpai, Rajni	Governance	Lead Public Sector Specialist
24	Govindasamy, Jeevakumar	Governance	Public Sector Management Specialist
25	Samah, Safuwan	Governance	Consultant (Secondee)
26	Loo, Carmen	Governance	Consultant
27	Ghorpade, Yashodhan	Social Protection & Jobs	Senior Economist
28	Abdur Rahman, Amanina	Social Protection & Jobs	E T Consultant
29	Jasmin, Alyssa Farha	Social Protection & Jobs	Consultant
30	Rinkinen, Aija Maarit	Education	Senior Education Specialist

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Appendix 3: Hub Staffing FY21/22

NO	NAME	GLOBAL PRACTICE AREA	ROLE
31	Tham, Yin Yee	Education	Consultant
32	Liew, Suet Li	Education	Consultant
33	Pfutze, Tobias	East Asia & Pacific Chief Economist Unit	Senior Economist
34	Kim, Young Eun	East Asia & Pacific Chief Economist Unit	Economist
35	Cao, Yu	East Asia & Pacific Chief Economist Unit	Economist
36	Khan, Shafaat Yar	East Asia & Pacific Chief Economist Unit	Economist
37	Shaharuddin, Nurlina	East Asia & Pacific Chief Economist Unit	Consultant
38	Ab Razak, Izzati Afiqah	East Asia & Pacific Chief Economist Unit	Consultant
39	Tan, Mei Ling	Country Management Unit	Senior Country Operations Officer
40	Gomez, Eleanor Gomez	Country Management Unit	Executive Assistant
41	Ambrose, Marie Stella	Country Management Unit	Program Assistant
42	James, Louinna Mary Shalina	Country Management Unit	Program Assistant
43	Ahmad, Ruzita	Country Management Unit	Program Assistant
44	Ahmad, Aziaton	Country Management Unit	Program Assistant
45	Liew, Li Shen	Country Management Unit	Program Assistant
46	Deepu, Minisha	Country Management Unit	Program Assistant
47	Anthony Vincent, Shanta Anna	Country Management Unit	Program Assistant
48	Foong, Joshua Chee Yan	Country Management Unit	External Affairs Officer
49	Subramaniam, Daniel Rajasingam	Country Management Unit	Consultant
50	Aguilar Crespin, Andrea Estefania	Country Management Unit	Senior IT Specialist
51	Rajandran, Sathia Seelan	Country Management Unit	IT Specialist
52	Planiappan, Reka	Country Management Unit	Receptionist
53	Hamdan, Ahmad Jamizi	Country Management Unit	Office Assistant
54	Amir, Siti Arwaniya	Country Management Unit	Office Assistant
55	Sulaiman, Muhamad Fazlan	Country Management Unit	Driver

