



PROJECT BRIEF



CPDS NATIONAL STAKEHOLDER ROUNDTABLE 2017



‘Sarong Index’

SUMMARY REPORT

“BEYOND POVERTY: BECOMING A DEVELOPED NATION”

9th March 2017

Chancellery Building, University of Malaya

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I. Background: “Beyond Poverty: Becoming a Developed Nation”

In 1991, Malaysia established a national goal of becoming a fully developed nation by 2020 economically, politically, socially, spiritually, psychologically and culturally (6 MP, 1991-1995). The roadmap to achieve this ambition is embodied in different policy instruments, and in the recently launched 11th Malaysian plan (11MP, 2016-2020), with the theme of “growth anchored in people” for a socially inclusive society. The Malaysian Government has achieved significant success in fighting poverty and in achieving remarkable economic growth in line with their policy target. Although Malaysia was affected by the Asian Financial Crisis of 1997-1998 as well as the Global financial crisis in 2009, it continued to post solid growth rates, averaging 5.5 percent per year from 2000-2008, recovering rapidly, with growth rates averaging 5.7 percent since 2010. In 2010, Malaysia launched the New Economic Model (NEM), which aims for the country to achieve high income status by 2020 while ensuring that growth is also sustainable and inclusive. The NEM includes a number of reforms to achieve economic growth that is primarily driven by the private sector and to move the Malaysian economy into higher value-added activities in both industry and services. Economic growth in Malaysia was interpreted as inclusive by the World Bank. It reports that Malaysia “succeeded in nearly eradicating poverty”. The share of households living below the national poverty line (US\$8.50 per day in 2012) fell from over 50 percent the 1960s to less than one percent currently. A survey conducted last year by the Department of Statistics Malaysia (DOSM) on a sample size of 81,634 households showed that only one percent of households were living under the Poverty Line Index (PLI) in 2014.

Nonetheless, the debate on poverty and development continues nationally, regionally and globally. As 2017 marked the end of the Second United Nations Decade for the Eradication of Poverty (2008-2017), it is timely that the topic of poverty and development is discussed at this National Stakeholder Roundtable.

Hence, Theme 1 Progress in Poverty Eradication: Policy Approach and Data aim to take stock of issues on poverty and development in relation to public policies and data on poverty focusing on:

Global Poverty Eradication Success

Poverty Eradication in Malaysia

Making Inequality Visible: Inclusiveness, Social Integration and Economic Opportunities for All

Malaysia’s Public Policy Journey: From Poverty to a Developed Nation

Theme 2 on Human Security: Agenda for a Developed Nation aim to contextualise poverty within the bigger development agenda especially the relationship between inequality and development, the role of politics and political stability in development and ultimately human security as the broader development component. In this way we hope to do justice to the interdisciplinary nature of the development discipline.

“Human Security,” is most often associated with the 1994 Human Development Report on Human Security (Alkire, 2003). It is concern with ensuring growth and development for the security of human life and their dignity and not just security of the nation state or territory.

Freedom from fear and freedom from want or hunger and poverty are key components underlying this concept which also signify freedom from vulnerability. This includes vulnerability to oppression and physical violence, vulnerability to poverty and destitution, vulnerability to downside risks, disasters and economic destitution among others (Sakiko Fukuda-Parr and Carol Messineo, 2012).

Given Malaysia's aspiration to become a developed nation, theme 2 is crucial as it linked poverty to political economy issues such as conflict and failed states (war, terrorism, and violence), climate change and natural disaster, migration and internally displaced people (IDPs), refugee crisis, human trafficking, youth and children, gender and violence among others. For this first CPDS Roundtable the focus is on issues closer to home such as:

Human Security and Freedom: Democracy and Participation in Socio-economic Development
Freedom from Want and Hunger: Poverty and Redistribution Mechanism Downwards to the B40
Human Insecurity and the Poor: Climate Change and Natural Disasters
Political Economy of a Developed Nation: The Landscape for Malaysia

II. Target Outcomes

1. To connect with institutions and individuals who are interested in poverty and development issues;
2. To reinforce the interdisciplinary approach to poverty and development studies by building networks and linkages among local and international organizations, government, local practitioners, and experts on poverty and development studies;
3. To look beyond poverty and identify follow-up themes, research areas/gaps, policy inputs to governments, collaborative work with partner institutions and plan of action and timeline for CPDS to move forward.

III. Capturing Lessons and Key Takeaways

Theme 1: Progress in Poverty Eradication: Policy Approach and Data

Background: taking stock of issues on poverty and development in relation to public policies and data availability on poverty by focusing on *Global Poverty Eradication Success, Poverty Eradication in Malaysia, Inequality and Malaysia's Public Policy*. Including wider issues such as the multidimensional nature of poverty and social exclusion, poverty and inequality in the regional and global context among others.

Given the global and national poverty eradication success, CPDS intend to look beyond these success by identifying issues and modalities to move forward in line with the mandate of our establishment and current research directions and CPDS core activities.

Key Takeaways:

Title 1: Poverty Eradication in Malaysia

Poverty Eradication: Poverty is measured in Malaysia predominantly through Poverty Line Index (PLI). More recently income poverty measure complemented by focus on B40 and MPI – RM 30 a day. The proportion of households below PLI: 0.6. Contributing elements include the pace of economic growth - extreme rapid pattern of growth - very inclusive, early pro-poor reforms in land and agriculture, large investment in human capital and infrastructure, among others. Future considerations for poverty and well-being in Malaysia:

Issues related to poverty measurements, revisiting the poverty line in the context of Malaysia such as:

- Focus on B40 as well as near poor and vulnerable groups, reduce the inequality gap
- Continue monitoring the Multidimensional Poverty Index (MPI);

- Update the monetary poverty line or the PLI to reflect living standards of a high-income country;
- Increase the income threshold as the country becomes richer;
- Consider various approaches to poverty measures: e.g. EU and OECD anchored poverty line approach, nutritional anchor;
- Monitoring targeting

Key Takeaways:

Title 2: Making Inequality Visible: Inclusiveness, Social Integration and Economic Opportunities for all

Making Inequality Visible: difference in various measures of socio-economic well-being between individuals and groups (e.g. income growth, consumption). Measures used: Gini coefficient, income gap, income ratio etc. In line with Malaysia's successful journey in eradicating poverty, the major challenge for Malaysia now is to broaden the measurements of inequality. This is especially important because while inter-ethnic inequality in Malaysia has been reduced, intra-ethnic inequality has risen.

- Gini coefficient (2014)- national- 0.401, rural- 0.355, urban- 0.391, 1970- 0.513 (national)
- Softer aspect of Development: Malaysia Well-being index 2000-2014- economic well-being improved faster than social well-being---MWI measure- 14 components and 68 indicators
- Enhancing inclusive growth towards an equitable society (strategic thrust 1- 11th Malaysia plan (16-20 & beyond): uplifting B40 towards middle class society, transforming rural areas to uplift well-being or rural communities
- The importance of political stability, economic growth and national unity

Key Takeaways:

Title 3: Malaysia's Public Policy Journey: From Poverty to a Developed Nation

Malaysia's policy journey: Poverty eradication and social welfare development: 1957-1980 narrow "welfare state" style policy; 1981-1997 rigorous social policies-NGOs and Private involvement; 1998-2002 financial crisis after effect; 2003-present "National Social Welfare Policy", agriculture development and zero poverty. New Economic Model 2010-2020: High income, sustainability and inclusiveness – quality of life.

- Approaches to Malaysian development plan, social welfare, NEM 2010-2020 and beyond, why new framework, definition of social security;
- New Economic Model (NEM) 2010-2020 focus on three aspects high income nation, sustainability and inclusiveness;
- Break out of middle income status;
- Ensuring growth and social stability;
- Inclusive growth and society- no one is marginalized based on ideology, gender, race and religious affiliation and outlook;
- Three dimensions of social protection: prevention & protection, access to essential goods and services, and promotion of potentials and opportunities.
- Mitigating economic and non-economic risks; Reduction in poverty but inequality remained high and wages relatively low;
- Social protection needs to be focused, **social protection council of Malaysia** is approved by cabinet

Q&A Highlights: Theme 1

- Government role in improving delivery system and reducing cost of living for well-being
- Include NGO's in policy making: strategies of working with NGOs
- Social security and income inequality,
- Pockets of poverty, targeting is important: focus on Sabah and Sarawak – remote areas, to tackle poverty and other development issues, identifying areas for further work
- Getting out of poverty: education as one of the most important tools, second generation's vulnerability to poverty, access to schools in rural areas, leveraging CSR's NGOs can play a role
- Higher quality education for primary and tertiary levels
- Defining national unity – ethnic relations and political economy

Theme 2: Human Security: Agenda for a Developed Nation

Background: contextualising poverty within the bigger development agenda especially, the relationship between inequality and development, the role of politics and political stability in development and ultimately human security as the broader development component.

Key Takeaways:

Title 4: Human Security and Freedom: Democracy and Participation in Socio-economic Development

Human Security and Freedom: It is a multidisciplinary approach in socio-economic development. The relationship between human security and freedom, democracy and participation is important for socio-economic development, as well as how will socio-economic development impact human security.

- Seven dimensions from the Human Security perspective: personal, economic, health, political, community, food, environmental
- Three dimensions from the Freedom perspective: freedom from fear freedom from want, and freedom from indignity.
- Democracy and participation important for socio-economic development

How will socio-economic development impact human security:

- Two approaches to development: development as conflict generating process and peace promoting process
- Human Development Index (HDI) vs Global peace Index (GPI): HDI- 2014 (0.779), GPI- 2012 (ranked 20th), 2014 (ranked 33rd)
- What is missing: the link to development (17 sustainable development goals–SDGs)

Necessary compliments:

- Need to pay attention on gender analysis: who does what, who owns what? EPU is important.
- Need to pay attention on Risk management (political risk), political socio-economic variables of risk: bad neighbors (score 3), corruption (score 6).
- Human security – goals of ensuring the three kinds of freedom, freedom from fear, freedom from want and freedom from indignity while paying attention to ensuring growth.

Key Takeaways:

Title 5: Freedom from Want and Hunger: Poverty and Redistribution Mechanism Downward to the B40

Islamic perspective (IP) on poverty: Why poverty still exists? *Al-Baqarah* (2):155, mentioned in Holy Quran that Allah will test human beings by giving poverty and hunger. Feeding the poor from IP is obligatory, punishment for those who will not feed the poor.

Islamic redistribution mechanism:

- Obligatory- Zakat (zakat fitrah, zakat on wealth); Redistribution of zakat for basic aid, education, housing, celebration, entrepreneurship, other general aid (emergency, matrimony, funeral)
- Recommended - Donation (Sadaqah), Hibah, Aqiqah, Qurban during Eid, Wakaf;
- Fine- Dam in Hajj,
- Fidyah of fasting - RM75 per day
- Qurban - one third must be given to the poor

- Wakaf - is being used to buy necessities like medical instruments that is needed to serve the poor
- Ta'widh - transaction related to Islamic law. Profits must be free from *riba* and must be distributed to the poor.

Key Takeaways:

Title 6: Human Insecurity and the Poor: Climate Change and Natural Disasters

Human insecurity and the poor: World poor are found in vulnerable places. Poverty cycles with climate change - we have to face this cycle; contextual vulnerability; contextual conditions, socio-economic, technology among others

Climate change: the trend

- Changes in average climatic conditions
- Changes in climate variability
- Frequency and magnitude of extreme events
- Changes in sea levels

4 sites: possible to solve present critical situation:

- Rural area- more poor and protected area: poor people, access to forest land
- Agricultural area: balance of oxygen demand: better water quality better production, pandemic diseases affect negatively on production and income, off firm? income positive to farmers income
- Marine park: risk in income variation, how assets influence income? Based on monsoon change. Climate change will change all the assessment of the poorer countries
- Flood management system: impact on income and poverty

Solutions:

- Multidisciplinary gap – Single discipline - trans-discipline (time consuming: prospect: evidence based research) collaborative work through advocacy group, research and policy makers to fill in the gap in development studies
- Bridging the gap of multidiscipline- role of think tanks
- Longitudinal data, evidence based research, adaptation measure, research
- Developing Marine park area
- Mitigation policy and orang asli (land slides, pollution, deforestation, poor water quality)
- Produce low cost environmental friendly house (5 times more resistant to fire, 40% higher land slides resistant), solar plan for the community

Attempt to replicate post-war Japan's economic growth – to support domestic enterprises & industrialize economy. Use of GLCs to drive industrialization

Key Takeaways:

Title 7: Political Economy of a Developed Nation: The Landscape for Malaysia

Political Economy of a Developed Nation: What is the role of the state and nature of the state?

Single party dominant state. Reviewing development through crisis: 2007 GFC- neo-liberalism, 1997 ASIAN crisis- draw attention to development state model.

- Malaysia's development: Replicate post Japan's economic growth to support domestic enterprises and industrializing economies by using GLCs to drive industrialization, encourage foreign firms, desire to develop conglomerates, extensive use of privatization
- Politics of development: Conduct of power, State in different manifestation, Selective patronage
- Political economy – the role of the state and Malaysia's development path

What is the role of state?

- Networking, financial development, policy development
- The importance of delivery system – policy reform, institutional reform
- Development of politics – conduct of power, state in different manifestation and selective patronage
- Control of the economy – key driver of processes of development is the state focus on SMEs (98%)
- GLICs control structure: 7 GLICs through top 100 public listed companies (network)
- Financial sector: control of banking system- top five bank, Maybank, CIMC, RHB
- Development Financial Institutions (DFIs)- key players in development

Malaysia case indicates:

- Firms are nationally specific and embedded
- Market oriented forms
- Key driver of processes of development is the state focus on SMEs (98%)
- Dependent market economy (on FDI)
- Industrial and financial capital link not instituted in spite of control banks and FDIs

Q&A Highlights: Theme 2

- Political and social risk-issues on migration and refugees? What needs to be done in terms of human security? Migration in the context of human security and impact on freedom and human trafficking issues
- Distribution mechanism in Islamic perspective: zakat and wakaf as a form of social security - identifying challenges.
- What would be the best system of redistribution through zakat; how is zakat distributed and to whom. A major challenge is insufficient man power to distribute zakat to the poor. Those who are managing zakat are entitled to take a portion zakat (institutional *amil*). All monies from zakat collection must be distributed among the poor in the same year. Access zakat collected is transferable for distribution to other needy states.
- The need to review policies and regulatory framework
- Public policy and governance

IV. ANNEXES

Annex 1: Agenda

Time	Beyond Poverty: Becoming a Developed Nation	Moderator
8.15 am	Breakfast	
8.30 – 8.55 am	Registration	
Session 1	Theme 1: Progress in Poverty Eradication: Policy Approach and Data	
9.00 - 9.15 am	Welcoming remarks and background of Global Poverty Eradication Success Dr. Shamsulbahriah Ku Ahmad, Director, The Centre for Poverty and Development Studies (CPDS), UM	
9.15 – 9.35 am	1. Poverty Eradication in Malaysia Speaker: Dr. Kenneth Simler Senior Economist, Poverty & Equity Global Practice The World Bank	Moderator
9.35 – 9.55 am	2. Making Inequality Visible: Inclusiveness, Social Integration and Economic Opportunities for All Speaker: Mr. Abdul Halim B. Abdul Aziz Deputy Director (Inclusive Development) Distribution Section, Economic Planning Unit	Professor Dr. Sulochana Nair
9.55 – 10.15 am	3. Malaysia's Public Policy Journey: From Poverty to a Developed Nation Speaker: Professor Datuk Dr. Norma Mansor, Director Social Security Research Centre (SSRC), UM	
10.15 – 10.35 am	Q&A Session	
Session 2	Theme 2: Human Security: Agenda for a Developed Nation	
10.40 – 11.00 am	4. Human Security and Freedom: Democracy and Participation in Socio-economic Development Speaker: Professor Dato' Dr. Rashila Ramli Director Institute of Malaysian and International Studies (IKMAS), UKM	
11.00 – 11.20 am	5. Freedom from Want and Hunger: Poverty and Redistribution Mechanism Downwards to the B40 Speaker: Dr. Asmak Ab Rahman Department of Syariah and Economics Academy of Islamic Studies, UM	Moderator
11.20 – 11.40 am	6. Human Insecurity and The Poor: Climate Change and Natural Disasters Speaker: Associate Professor Dr. Fatimah Kari Department of Economics Faculty of Economics and Administration, UM	Dr. Shamsulbahriah Ku Ahmad
11.40 – 12.00 pm	7. Political Economy of a Developed Nation: The Landscape for Malaysia Speaker: Professor Dr. Edmund Terence Department of Administrative Studies and Politics Faculty of Economics and Administration, UM	
12.00 – 12.20 pm	Q&A Session	
12.25 – 12.35 pm	Closing remarks by Dr. Shamsulbahriah Ku Ahmad, Director, CPDS, UM	
12.50 pm	Lunch	

Annex 2: List of Participants

ACKNOWLEDGEMENT

The Centre for Poverty and Development Studies (CPDS) would like to acknowledge contributions of all participants in the CPDS National Stakeholder Roundtable 2017.

1. Academy of Islamic Studies, University of Malaya
2. Asian Strategy & Leadership Institute (ASLI)
3. Binary University
4. Economic Planning Unit (EPU)
5. Employees Provident Fund
6. Faculty of Economics and Administration, University of Malaya
7. Institute of Malaysian and International Studies (IKMAS), National University of Malaysia
8. Institute for Democracy and Economic Affairs (IDEAS)
9. International Islamic University Malaysia (IIUM)
10. Khazanah Research Institute (KRI)
11. Malaysian Medical Relief Society (MERCY)
12. Ministry of Human Resources, Malaysia
13. National University of Malaysia (UKM)
14. Social Security Research Centre, University of Malaya
15. Sultan Idris Education University (UPSI)
16. University of Malaya (UM)
17. Universiti Malaysia Sabah (UMS)
18. World Bank
19. Yayasan Sime Darby

V. STAKEHOLDER PARTICIPATION

Collaborative Strategy

1. Identify Follow-Up Themes
2. Identify Research Areas/Gaps
3. Identify Policy Inputs to Governments
4. Identify Collaborative Work with Partner Institutions
5. Identify Plan of Action and Timeline

Proposed Project/Activities and Milestones (Template)

Item	Project Description	Organisation	Scheduled Start	Scheduled Finish	Intended Outcome
1.	Example: Identify follow-up themes Project Name: <i>Urban poverty and debt</i>	CPDS	Aug 2017	Jan 2018	
2.					
3.					
4.					
5.					