Malaysia Digital Economy Blueprint

This paper summarises key findings from a panel discussion hosted by the Social & Economic Research Initiative, on March 23rd 2021. Introductory remarks were delivered by Mr Chong Kai Wooi, Managing Director NEC Corporation of Malaysia, and the keynote address was delivered by Dato' Sri Mustapa bin Mohamed, Minister in the Prime Minister's Department (Economy) Panellists were as follows:

Dato' Sri Mustapa Mohamed
Minister in the Prime Minister's Department (Economy)

Puan Surina Shukri
Chief Executive Officer, Malaysia Digital Economy Corporation (MDEC)

Dr Jasmine Begum
Director, Legal & Government Affairs, ASEAN and SEA New Markets, Microsoft

Mr John Low
Co-Managing Partner, SEA, Roland Berger

**Moderated by
Dr Helmy Haja Mydin**
CEO, Social & Economic Research Initiative

Summary

The SERI Digital Dialogue Series brings together government leaders, leading experts, researchers, and technology organizations to share their views in a series of discussions that serves as a platform for relevant industries and sectors in order to advance digitalization in Malaysia.

Malaysia's Prime Minister, YAB Tan Sri Muhyiddin Yassin launched the Malaysia Digital Economy MyDigital blueprint on February 19th 2021. It is a key part of the government's plan to "transform Malaysia into a digitally-driven, high income nation and a regional leader in digital economy." Through this plan, by 2025, the digital economy is expected to contribute 22.6% to the country's GDP. At the same time, the blueprint aims to create 500,000 job opportunities in the digital economy.

The consolidated initiatives and targeted outcomes of this blueprint will be delivered through 6 strategic thrusts, 22 strategies, 48 national initiatives, 28 sectoral initiatives. Therefore, the digital economy blueprint is set to provide the landscape for Malaysia to become a high-value-add digital economy & net exporter of homegrown technologies and digital solutions with the aim to improve the lives of Malaysians through digital advancement and economic growth driven by digital technology.

Introduction by Mr Chong Kai Wooi, Managing Director, NEC Malaysia

From NEC's perspective, as one of the leading providers of digital enabling platforms and services globally, we congratulate and welcome these initiatives by the Malaysian government to introduce this forward-looking digital blueprint and we are certainly excited by the opportunities provided for technology organizations to participate and co-create with the many organisations and agencies across public and private sectors to achieve economic growth through digital technology.

NEC believes Connectivity and Personalization are vital to the development of an inclusive digital economy. In other words, the ability to instantly connect Anyone, Anytime and Anywhere and distribute all kinds of data and create meaningful individualized value from those data.

NEC has developed global communication technologies spanning from satellites to submarine cables and today, the open

5G platform with the same motivation. We are currently building The Myanmar/Malaysia India Singapore Transit (MIST) cable system that spans 8,100 km, connecting Singapore, Malaysia, Myanmar, Thailand, and India. It is expected to be ready for service in the fourth quarter of 2022.

The MIST cable system is designed to deliver a capacity of more than 216 Tbps to serve the bandwidth growth in Asia. NEC is also a strong advocator of individual ID and that everyone should be represented digitally in a secure and safe manner in the digital world using best-in-class biometrics platform to ensure digital services are delivered to both public and private sectors and to the Right Person, at the Right Time and at the Right Place.

We are pleased to have an esteemed group of panelists that will be discussing and sharing their views on the Malaysia Digital Economy Blueprint and I would like to introduce our guest of honor, to kick-start our session by providing the keynote address. None other than our Minister in the Prime Minister's Department for Economy, YB Dato' Sri Mustapa Mohamed.

Keynote Address by Yang Berhormat Dato Sri Mustapa Mohamed, Minister in the Prime Minister's Department (Economy)

Assalamualaikum warahmatullahi wabarakatuh.

Good Afternoon and Selamat Petang. Thank you, Mr. Chong and NEC, for hosting this forum. Thank you SERI for organizing this event where we are joined by our distinguished panelists, Ms Surina from MDEC, Dr Jasmine from Microsoft and John from Roland Berger. It's a pleasure for me to be here this afternoon.

As you know, many aspects of the blueprint are in the public domain and I want to go through some of the points. Let me share with you the rationale for having this blueprint.

There are two key points. Firstly, we have been working quite independently and in some cases, we have been working in siloes in the past. We are not starting from ground zero. We have started this many years ago, more than 25 years ago. The establishment of MDEC and also the launch of the Multimedia Super Corridor (MSC) initiative and over the years, some of us have been working quite independently. The idea of setting up the council on digital economy and 4th Industrial Revolution as shared by the Prime Minister, is to provide focus and emphasize the need to work together as a team in the government. That's point number one.

No 2. We are in 2021, and we are about to launch the 12th Malaysia Plan to transform the Malaysian economy. To be a high-income economy, you need to put in place many reforms and you need to introduce some enablers. Digitalization is of course a very important enabler and 5G for example is important for every country. Countries that have enabled this 5G mode, they are ahead of us – some European countries, besides America, Sweden, and China of course are very advanced compared to Malaysia. Therefore, to transform and to move Malaysia to the next level, it is important for us to do things differently and to do things in a more focused manner.

So, these are the two main reasons why we decided to have the blueprint. We set up the national digital economy council and 4th IR council so we can coordinate our efforts in government, and it is important for us; in the context of Malaysian economy, it is inevitable that we all come onboard as soon as possible.

We have divided our initiatives into 3 phases: we are going to harvest some low hanging fruits in the first phase from 2021-2022. Next, we will be going beyond 2022-2025 and finally, we aspire to be a leader in this

getting of course everyone involved. The Government will provide the policy guidelines and the government will provide the direction and that direction is found in the blueprint.

Businesses need to come on board and not only the big players but more importantly for us in the context of promoting an inclusive agenda, it is important to get the micro and small enterprises on board as well. So first the government, we want the 1.6million civil servants to be digitally enabled by 2025 and number 2, there are a lot of opportunities for businesses and 5G will provide a very important platform for businesses to grow beyond Malaysia.

No 3, for society, we need to create a digital mindset among the general population. Starting from school, it is important for students to understand how important this is and, in that context, it is important for us to bridge the digital divide. This is a big issue globally and in Malaysia it is a big issue as well – The divide between Sabah and Sarawak, and also Kelantan where I come from, compared to the Klang Valley.

There is also a gap between the young and old. For the B40, various stimulus packages have been introduced by the government, a very sizeable amount of money has been allocated so that we can get more micro enterprises to come on board. This is something that is very challenging, but it is something we are willing to do. It covers infrastructure including the Digital Infrastructure, the Jendela and the 5G roll out that has been brought forward by one year.

Ultimately, we want great jobs, high quality jobs. We have been talking about this for quite some time and we have to move up the value chain. We had created jobs before but many of these jobs are entry level with an average salary of RM 2000 or below in some cases, so we want to change that. So, the 500,000 jobs, that is our plan for the next 4 to 5 years; these are high quality jobs and of course universities need to equip the students with the talents that are required for the future. We must prepare for the future, and we have to prepare Malaysia to be competitive. We have to attract investments of MYR 70 billion at least for the next 4 to 5 years, that's probably a small number in the current context but we hope to be able to attract more investment and to create more job opportunities.

That is a snapshot and brief overview of what we have in store for the people of Malaysia. The main thing I want to emphasize once again is that this is going to be a whole of nation approach, involving the government, businesses and the people of Malaysia working together. We have an ambitious agenda moving forward and for that reason, we have regular monitoring and there has got to be effective monitoring. We have a Strategic Change Management Office in the Economic Planning Unit (EPU). Our job is to ensure all the plans that have been described in the blueprint are implemented effectively. So thank you so much Mr Chong and SERI (Dr Helmy) for organizing this very important forum.

Key Issues discussed during the Digital Dialogue SERIes

1. Cloud as an enabler – Challenges and Opportunities?

Dr Jasmine, Microsoft : I think firstly, the fact that the blueprint sets out the aim 80% of government data to be hosted on public cloud. There is a clear aspiration and KPI being set.

The implementation challenge is in 2 areas. Firstly, procurement policy for cloud – the procurement has to be based on operational expenditure not capital expenditure. Secondly, we need to be able to write specifications of procurement for digital-first citizen services. This is where we talk about the digital challenge for the public sector. There is a need to upskill,

re-skill and cross-skill public sector for digital-first policy. That is critical, if government is going to develop something in the cloud, the critical components that citizens will want to be incorporated are privacy and security. The fact that government applications will be developed and hosted in the cloud is visionary but what does it mean? It means that it is opening opportunity for local players to develop and innovate on this technology made from Malaysia to the world. That is the opportunity that the blueprint presents.

Countries that are doing well, for example, Indonesia as the Startup Nation, Singapore as a digital hub and I think Malaysia is primed to reap the benefits of the digital economy, and the blueprint will bring us forward to the next level.

2. Data as the lifeblood of the digital economy

John Low, Roland Berger : When we talk about the implementation today, one important part is innovation. Innovation today is about having access to data. Therefore, the Government must have a clear data policy in terms of how to enable secure sharing of data, particularly when it comes to essential services like public services, utilities, traffic, water or any general / regulated type of businesses. In order for effective and meaningful communication and innovation to take place, the public sector must have some kind of data sharing policy. That is critical if we want to innovate, and I think that is very important for the Government to look into.

Dr Jasmine, Microsoft : The way I see it, data is the lifeblood of the digital economy. We want to enhance the economy with data. The fact is, the pandemic pushed all of us onto Zoom. Where does all our login data go? Nobody questions. But here we are questioning My Sejahtera, why am I logging in, when the government needs to track the data for safety purpose. The fact is most of us blindly accept terms and conditions online. I think we need to shift to that culture of a digital first mind set, with privacy and security by design.

Do not be careless online, be safe, be sure where you are going to. There needs to be awareness and education. John mentioned the open data policy. The open data platform is critical for innovation, to have the next wave of start-ups. We want to have a digital-first economy, innovate, and gain insights from that data. Anonymised data is used to innovate and can lead to useful insights and information which can impact everyone. From a healthcare perspective, we have the data from the outbreak that can now be used to understand and potentially prevent further outbreaks. Preventive medicine and precision medicine, for example, are two possible outcomes from the use of healthcare data.

There has to be awareness, and it has to start with Government; it has to start with how we classify our data. 80% of data is public data. Data classification frameworks developed in the pre-digital era, in the analog world, cannot now be used for the digital world. We need to have digital policymaking for the digital economy and that will be critical. If you want to develop or want to become the next start up, to attract the scale ups, to have unicorns and decacorns you need to be able to embrace and enable the critical role of data.

3. 5G, Connectivity, and Digital Infrastructure

John Low, Roland Berger : 5G requires new infrastructure. As you know, our 4G phone won't be able to support 5G. There is a need to build new base stations and towers, resulting in a costly exercise for the government. The government needs to come out with a vision to roll out the 5G infrastructure. If we can set up some form of infrastructure to reduce the cost for all service providers, then the services provided to the rakyat will be at an affordable level. To follow up on that, the government must play a key role in making sure that the regulations and standards are set such that we can minimize on the collusion of prices set amongst the service providers so that we make it competitive and affordable for the rakyat and I think that's key in rolling out 5G as part of the digital blueprint.

Dr Helmy, SERI : There is also the issue of speed and cost since for most people, connectivity is quite expensive. And compared to other parts of the region, we are probably not as high speed or having access to as much broadband as we should be getting; I think the core of the blueprint is the fact that people need to be connected; if people are not connected everything else fails as a consequence; so going back to Dato' Sri Mustapa's point earlier, regarding how people are approaching the digital economy and connectivity in Kelantan and how it's different from Kuala Lumpur, and differences in talking to people about these issues as well. What kind of feeling do you get when you speak to people on the ground when it comes to how they feel and the concerns they have when it comes to embracing the digital economy?

Dato' Sri Mustapa : For people on the ground firstly, connectivity and quality of access is a big issue; we can build more towers and upgrade to 4G; education has been struggling with online teaching being a challenge. There are so many stories from Sabah and other places; digital is also about improving the quality of life and not only about productivity and businesses. The quality of life for the B40 and those in rural areas will be enhanced by improving internet access and also the quality of that access.

Number two will be the small enterprises; more than 1 million micro and small enterprises employing less than 5 people, this is a big challenge for us. With a target of 75,000 micro enterprises coming on board we need help from the private sector and are pleased to note that some have come forward to engage the government. We know that many have been working on the ground for many years. We need to get all these initiatives together to make an assessment since despite these initiatives over the last 10 years, how come we are not there yet? So, there are 2 points: one is connectivity and the quality of that connection for the B40 and people in the villages, and next the small businesses. In a pandemic situation, this (connectivity) is very necessary for them to access economic opportunity. I see these two in

the context of inclusivity which are particularly important initiatives coming from the digital economy blueprint.

4. Rural Areas

Puan Surina, MDEC : Most of the time when we think about digital economy, we think it is about AI and all these other things, but really there is a lot to be done as it relates to smaller businesses in non-traditional ways.

I want to share an example. Let us talk about agriculture. We tend to think of agriculture as a non-interesting industry whereas the reality right now is that we import about RM 60 billion worth of agricultural produce a year. A couple of years ago, we were approached by the Farmer's Association of Kuala Langat (Persatuan Peladang Kuala Langat); they came to us with a problem and questions on "How do we use technology and digital to increase the production of our chilli. What should we do?" So surely, we started with this Persatuan Peladang on their journey. Of course, they are lucky because they are in Banting, Kuala Langat. The digital infrastructure there enabled them to leverage on existing technology and connectivity.

Where MDEC can help is to piece together and work together with the community towards gaining skills and knowledge. We helped design a basic IOT solution, which really didn't cost that much. But more importantly was the education, and the process of training that was required. And today, based on that first step of education, providing the know-how, they are able to decrease the cost of their farming because it is more precise (precision farming), increasing the yield and overall productivity by 40%. In addition to that, the process didn't just stop there. Through digital means, we worked with this community to think through the business aspect, marketing aspect and payment aspect.

This community, we should recognise their work on enabling efficient management on their side. They were able to organize themself effectively and adapt quickly. Persatuan Peladang Kuala Langat started producing 6% of the overall chilli production in Malaysia and that number today is 40%. In addition to that, the project helped to address unemployment, because 70% of the farmers involved are youth.

Where do we go from here? Today, we are working with the private sector, so we are bringing in banks and working with community to help provide funding options for new farmers. In this case, the project started with new infrastructure, then we needed to provide access to information and knowledge, then we needed to ensure there is access to business fundamentals on how to do marketing, how do you do payment, leveraging on digital solutions and how to get funding. This is an example of the initiative that we hope to replicate more actively in other areas as well by providing the solutions and the necessary ecosystem around it.

5. Digital Inclusion – Bridging the Opportunity Divide

Dr Jasmine, Microsoft : We see apart from 5G that everyone is looking toward, there is a continuous effort to ensure that we bridge the digital divide. I think when we bridge the digital divide, we are actually bridging the opportunity divide. That is what we are trying to do. And one of the technologies we see as a lot of potential in, is TV White Space, utilising unused TV spectrum for WiFi. This is an opportunity, especially in remote areas, as it seeks to complement existing connectivity, but also at the same time reaching far-flung places. This will enable at least 3 areas: education, e-commerce, and healthcare.

John Low, Roland Berger : Roland Berger had recently published the Global Digital Inclusion Index, which considers 4 areas, 4As: Accessibility, Affordability, Ability, and Attitude. We need to look at bridging digital divide holistically because we can't really leave any A behind. Of course, 5G infrastructure is the key, but accessibility to the infrastructure is the pre-requisite. Second is the affordability – If we have very good infrastructure but the people can't afford it, it is useless.

So affordability is very important too. Third is ability, even it is very cheap, but people don't have the ability to use the technology, it is again useless. Lastly is the attitude, if we have all 3As (Accessibility, Affordability, Ability), but we don't feel secure and safe, or if you don't have the right attitude, we may think this is not relevant to us. Especially for people with disabilities, there should be programs in place to help them address concerns, and make sure that they are included in the implementation of the digital blueprint.

6. Skills and Talent Development

Puan Surina, MDEC : There is an initiative from MDEC called Premier Digital Technology Institutions where we work closely with private and public tertiary institutions. Within this program, one of the criterion set is to work closely with the private sector in terms of consultation in the curriculum or the internship.

Internships are another example of private public sector collaboration in relation to talent. Before, when it comes to training, we will just train and there is no connection to the job. Now we are looking at "place and train". We first ensure the jobs are there and then the training is conducted as part of the required job. In addition to a digital-first mindset, and meaningful training, life-long learning is absolutely the key.

John Low, Roland Berger : We should not limit the responsibility to government. Nowadays, there are tons of courses available from renowned universities globally. We have access to short training programs, and we should not limit ourselves to local resources when we can also leverage global resources.

The private corporates also play an important role because they must invest in the workforce to ensure they remain relevant. Spending money on their workforce actually helps themselves, helps the country's talent development, and they play a key role.

Dr Jasmine, Microsoft : I think the opportunity we have is how we could provide employment not just for the companies and individuals locally, but for us to become a talent hub, for companies in the region, and attract companies from around the world to hire Malaysian talents.

We have an opportunity to develop the digital workforce, not just for Malaysia, but the global digital workforce as a national agenda. While other countries are looking to close their market to prevent others from coming in, I think every country looks to protect its industry and that is expected of the government, but I also think industry players run and embrace opportunities. And I think that's where we need to look at. It's a balance between maximising opportunities and protecting people via government strategies. Technology has driven policy, technology has changed the way we work, and I think there is a great opportunity here.

7. Execution – what is required?

Puan Surina, MDEC : 4 P's – Partnerships: look for partnerships as you cannot do it alone, Products: What is it that we're doing, what brand that we're offering, Pace: to execute fast, and Pride: It is so easy to say that this is not working that is not working, but there are a lot of success stories that are out there. Our team needs to continue to scale that.

8. The Way Forward

John Low, Roland Berger : Awareness is very important. As I said earlier, the 4A's. The Ability and Attitude should also come from the rakyat and private sector. While government and corporates need to drive awareness, we should all do our part to search for information and strive to understand the opportunities better. We cannot just depend on the private sector and government, but we must also find out more, perhaps by talking to the people within the public sector or even just conducting a desktop search. The right attitude and right mindset will greatly help Malaysia benefit from this blueprint.

Dr Jasmine, Microsoft : The Digital Economy Blueprint is a policy document. All of us have a duty to understand what is in the document. A pakcik or makcik may not be able to or may not want to read a policy document. How do we now synthesize this information to ensure that it is relevant for everyone?

I think there is a huge element of education within the blueprint. There is a huge element of e-commerce and opportunities which must be broken down into bite-sized information. We talked about everyone here having a hand in the Blueprint – the government, the private sector, and the media have a big role to play. The partnership of the media is critical to ensure that the information will be sent to the most remote parts of Malaysia, allowing people the opportunity to learn. We need to make sure that this information goes to everyone.

Puan Surina, MDEC : To sum up, we have 104 pages of blueprint. Ultimately what it comes down to is the collective effort to improve life, so we need the infrastructure and enabling policies. And I echo what John has said, that there are benefits for individuals as well. For example, we have a campaign right now on digital literacy called #SayaDigital, which seeks to empower individuals to embrace the digital world.

Dato' Sri Mustapa : We should not underestimate this digital economy blueprint, especially as we have young people who have a promising future, are tech-savvy, and can help contribute. Having said that of course, we are mindful that we are in a competitive situation with the ASEAN countries. This is why we should be constantly improving ourselves.

It is a challenge for all of us to position ourselves as a leader in the digital economy landscape. Let us work with the businesses, together, as the people of Malaysia. As the private sector, the public sector, civil society, we all play a very important role. Digital economy can lead to driving efficiency, job creation and we have mentioned many times that the implementation is the key to all of this.

Conclusion

Data provides the necessary fuel for emerging technologies such as Artificial Intelligence and Quantum Computing. "We welcome the Government's bold and progressive vision as set out in the Malaysia Digital Economic Blueprint", shared **Dr Jasmine Begum, Microsoft**. "With data being the lifeblood of the digital economy, unlocking the potential of the digital era will be reliant on the people's ability to innovate, compete, and transact across borders. The digital-first, cloud-first policy outlined in the Blueprint will further propel innovation in the public and private sectors and accelerate the nation's transformation to become a regional leader in the digital economy."

"The key to bridging the divide is to understand how ready the nation is in embracing digitalization, what the barriers are, and what more needs to be done to ensure digital equity. Roland Berger's Digital Inclusion Index assesses the state of digital inclusiveness, considering four key aspects: accessibility, affordability, ability, and attitude", explained **Mr John Low, Roland Berger**. "Malaysia is considered a frontrunner in Southeast Asia, ranking at number 2 right behind Singapore. Globally, Malaysia ranks at number 21. While we lag behind in terms of accessibility and affordability, Malaysia performs highly in relation to ability, and is best in the region for attitude."

The Blueprint seeks to equip the current and future workforce with digital skills to thrive in the digital era. While the digital economy provides an impetus for upskilling, reskilling, and talent development at various levels of education, we must ensure that learning opportunities are democratised – an effort which has been advanced by the Malaysia Digital Economy Corporation (MDEC). "MDEC pledges its unequivocal support and commitment towards making the Malaysia Digital Economy Blueprint – MyDIGITAL, a key driver of national development, a success.

Our vision of Malaysia 5.0 complements the holistic MyDIGITAL, encouraging the creation of a society deeply integrated with technology. I believe Malaysia has got what it takes to succeed in the era of 4IR and a focus on execution with private-public sector collaboration will help get us there. We at MDEC will give what we have got to ensure that together, we will make MyDIGITAL the way forward towards realising a shared future of prosperity for all Malaysians," said **Puan Surina Shukri, MDEC.**

"COVID-19 has forced educational, social, and economic interactions into online spaces. Through this Blueprint, we aim to digitalize our public sector, build digital infrastructure, develop our workforce to be digital-ready, boost our economy, and foster a more inclusive society", shared **Dato' Sri Mustapa Mohamed.** "Aligned to our vision to create inclusive, responsible, and sustainable development, the Blueprint seeks to enable internet access in all households. Digitalization will enable us to uplift productivity across all sectors and industries by 30% and ensure our children have access to quality education. We must ensure no one is left behind."

Given the remote working practices of the new normal, we have an opportunity to mainstream accessibility as a horizontal consideration in realising Malaysia's digital economy aspirations. Malaysia could take the lead in the region, by implementing a digital economy that is both inclusive and resilient by design, by consciously enabling the active participation of people with disabilities.

"With the digital economy currently contributing 19.1% to Malaysia's GDP, and forecasted to reach 20% this year, we look forward to inclusive implementation of the blueprint which will accelerate Malaysia's efforts to exceed the blueprint's target of 22.6% digital economy contribution to GDP by 2025," shared **Dr Helmy Haja Mydin, CEO of SERI.** "As the Government works towards its vision of trusted, inclusive, and sustainable socioeconomic development, we must ensure that the implementation matches the aspirations of this comprehensive Blueprint. We look forward to playing our role in advancing evidence-based policies to address inequality, bridge divides, and ensure all of us are able to reap the benefits of an inclusive digital economy powered by data and anchored on trust."

SERI is a non-partisan think-tank dedicated to the promotion of evidence-based policies that address issues of inequality. For more information, please visit seri.my or send an e-mail to hello@seri.my

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