This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Note by Turkey
The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union
The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

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The COVID-19 crisis has caused a deep economic contraction in Malaysia. A recovery is projected to unfold in the second half of 2021, thanks to government intervention to control the contagion, but mutations of the virus could jeopardise the return to growth. The pandemic has revealed acute policy issues that need to be addressed. Vulnerable groups were hit severely, despite social protection support from the government, and the SME sector has more suffered from the economic downturn than large firms. This chapter discusses the macroeconomic and social impacts of the pandemic and policy responses that will be required to achieve a sustainable and inclusive recovery and progress towards high-income status, including a strategy to decarbonise economic growth.
would bring about multiple economic benefits. Increasing labour input would push up economic growth. It would also help reduce old-age income poverty and thus government social spending, and raise government revenue. While the statutory retirement age of public sector workers has risen to 60, the pensionable age of private sector employees is still 55, which is much lower than most OECD countries (assuming a full career from age 22, the average age across the OECD countries, at which individuals are eligible for retirement benefits, was 64.2 in 2018 (OECD, 2019[9]).

**Anti-corruption remains a priority**

Public sector integrity is essential to establish trust in governments, which in turn helps promote higher compliance of citizens with laws, including the payment of taxes. Malaysia has progressively strengthened its public sector integrity for years. In 2009, the Anti-Corruption Agency (ACA) established in 1967 was converted to the Malaysian Anti-Corruption Commission (MACC). The Whistleblower Protection Act was introduced in 2010, much earlier than in many other countries. In addition, a major reform started after the general election in 2018, upon a still-disputed large-scale embezzlement case related to a state-owned fund, 1Malaysia Development Berhad (1MDB) (OECD, 2019[10]). The Special Cabinet Committee on Anti-Corruption (JKKMAR) led by the Prime Minister, and its secretariat, the National Centre for Governance, Integrity and Anti-Corruption (GIACC), were set up to monitor anti-corruption measures enshrined in the National Anti-Corruption Plan (NACP) 2019-2023 (Table 1.6).

The new government formed in March 2020 inherited the reform programmes that had started in 2018. Together with the Malaysian Anti-Corruption Commission (MACC), the Special Cabinet Committee on Anti-Corruption (JKKMAR) and the National Centre for Governance, Integrity and Anti-Corruption (GIACC) continue to be the core of the government’s anti-corruption undertakings. The 115 initiatives in the NACP have been steadily implemented. For example, in 2019, the Parliament passed a bill to establish the National Anti-Financial Crime Centre (NFCC), which would strengthen the coordination of government bodies in combating financial crimes and integrating enforcement. The amendment of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Section 17A) passed in 2018 by the Parliament was enforced in 2020. Under the revised Act, all commercial organisations or associated persons can be found guilty by the courts if these persons are charged for committing corruption offences for the benefit of their organisations. Further reforms are under way, such as the improvement of the public procurement rules and regulations, among others. Accordingly, overall Malaysia has improved its evaluations in a range of international assessments for the past years (Figure 1.17) (Figure 1.18).

<table>
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<th>Table 1.6. Past recommendations on public sector integrity</th>
</tr>
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<tbody>
<tr>
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The strong anti-corruption momentum should be maintained, and needs to evolve towards a more robust framework. Particularly, recent cases highlighted the close and opaque relationship between public and private sectors, resulting in heightened risks of undue influence, nepotism, and regulatory and policy capture (Dettman and Gomez, 2020[11]). This calls for policy reforms in the area of political party financing, as unlimited anonymous party donations are still allowed and political parties can own businesses. The Public Service Act needs to be introduced to ensure an apolitical public service with greater clarity and accountability, and lobbying needs to be regulated as well as pre- and post-public employment. Moreover, the independence and enforcement power of the Malaysian Anti-Corruption Commission (MACC) could be further enhanced. Currently, the MACC is given mandate of investigation as MACC officers can arrest a suspect without warrant. Nevertheless, prosecutorial discretion remains with the Attorney General’s Chambers. Moreover, a Chief Commissioner is appointed by the King on the advice of the Prime Minister for the period specified at the appointment. The appointment of the Chief Commissioner would be more transparent if a Parliamentary committee could recommend the nomination, and the tenure would be secured by law. In addition, there may be room for improvement in the Whistleblower Protection Act, as the Legal Affairs Division of the Prime Minister’s Department (BHEUU) has been working on this issue. The enforcement of the Act is under the purview of each government agency. This would discourage potential whistleblowers in fear of weak protection (Bajpai and Myers, 2020[12]), and the Act does not provide protection for those who disclose allegations to the media.
The governance of state-owned enterprises has also been strengthened. In 2018, the government issued a directive to require all state-owned enterprises (SOEs) to establish an Integrity and Governance Unit (IGU) in order to strengthen internal controls and prevent the risk of corruption and abuse of power. The Malaysian Anti-Corruption Commission (MACC) is mandated to monitor the implementation of this directive. From 2019, preparing an Organisational Anti-Corruption Plan (OACP) has become mandatory for all government agencies, including SOEs, to assess corruption risks in their administrative or business operations. Nevertheless, despite efforts to limit the role of politicians in statutory bodies and SOEs, political appointments continue to be made for board and chairman positions and threaten the autonomy of SOE decision-making bodies. In this regard, Malaysia could benefit from adopting the recommendations of the OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises (OECD, 2019[13]) (OECD, 2020[14]).

The pandemic-hit labour market calls for more social protection

**A decade-long inclusive progress before the pandemic is being challenged**

Before the pandemic, Malaysia’s labour market saw a distinctive advancement in its inclusiveness. Female labour force participation increased dramatically in the last decade (Figure 1.19). Although it was short of a 59% target set in Malaysia’s 11th five-year Plan for 2020 and still low compared with some other countries, the participation of women aged 15-64 rose to 56% in 2019 from 47% in 2010. As a result, the increase in the number of females employed was larger than that of males. While the rise of education attainment played a significant role, participation of female workers increased in all age categories. The entry of more women in the labour force pushed up the total labour force participation rate (aged 15-64) from 64% in 2010 to 69% in 2019, helping the economy achieve high growth.
Like many other countries, Malaysia was hit hard by the COVID-19 pandemic starting in early 2020. Its past policy prudence has allowed Malaysia to react swiftly and boldly to the public health and economic crisis. Nevertheless, the crisis revealed the necessity of further reforms that Malaysia needs to pursue in order to achieve more inclusive and high growth after the pandemic. Vulnerable workers have been more affected during the pandemic and many firms have been urged to use digital tools, such as e-commerce and teleworking, for the first time. Going forward, strengthening social protection is of utmost important to improve the well-being of the Malaysian people, including self-employed workers, and prepare for the ageing society. Easing government regulations further is crucial to stimulate business dynamism and restore vigorous growth. Accelerating digitalisation will be key for Malaysian firms to become more productive in the post-pandemic era. Along with its further economic development, Malaysia needs to transform itself into a greener economy.

SPECIAL FEATURES: PRODUCT MARKET REGULATION; DIGITALISATION; TELEWORKING