

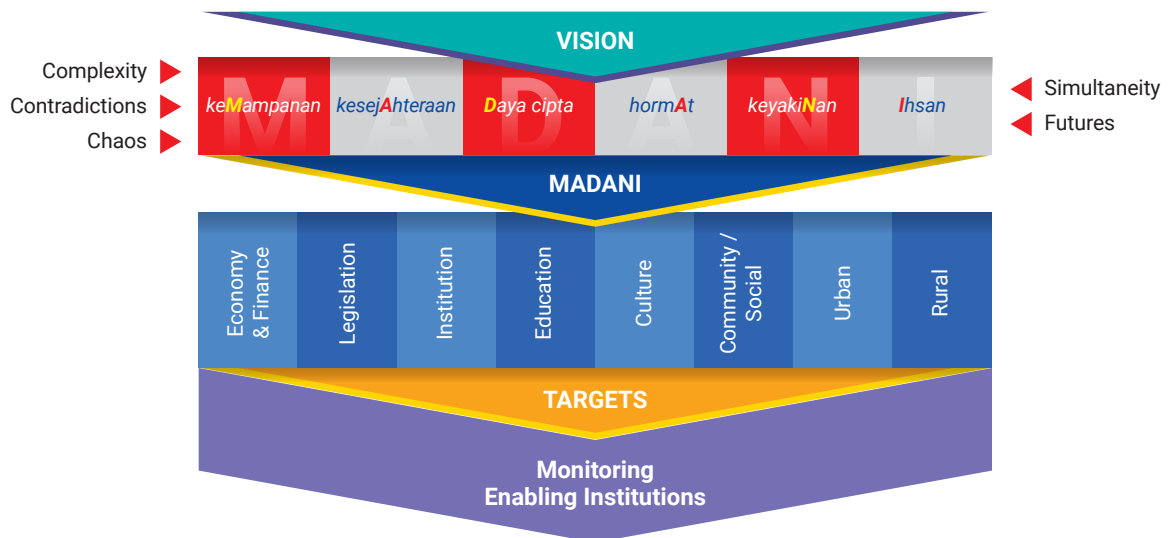
Moving Forward



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Navigating through Malaysia MADANI and MADANI Economy Framework

The Malaysia MADANI policy framework introduced by Prime Minister Datuk Seri Anwar Ibrahim in January 2023 lays out his vision of a civilised, skilled, and inclusive society, proposes with six core values. The values are *keMampanan* (Sustainability), *KesejAhteraan* (Prosperity), *Daya cipta* (Innovation), *hormAt* (Respect), *keyakiNan* (Trust) and *Ihsan* (Compassion). MADANI is targeted to be the basis for each core value that will be explored to strengthen the eight requirements namely economy and finance, legislation, institutions, education, community, culture, urban and rural.

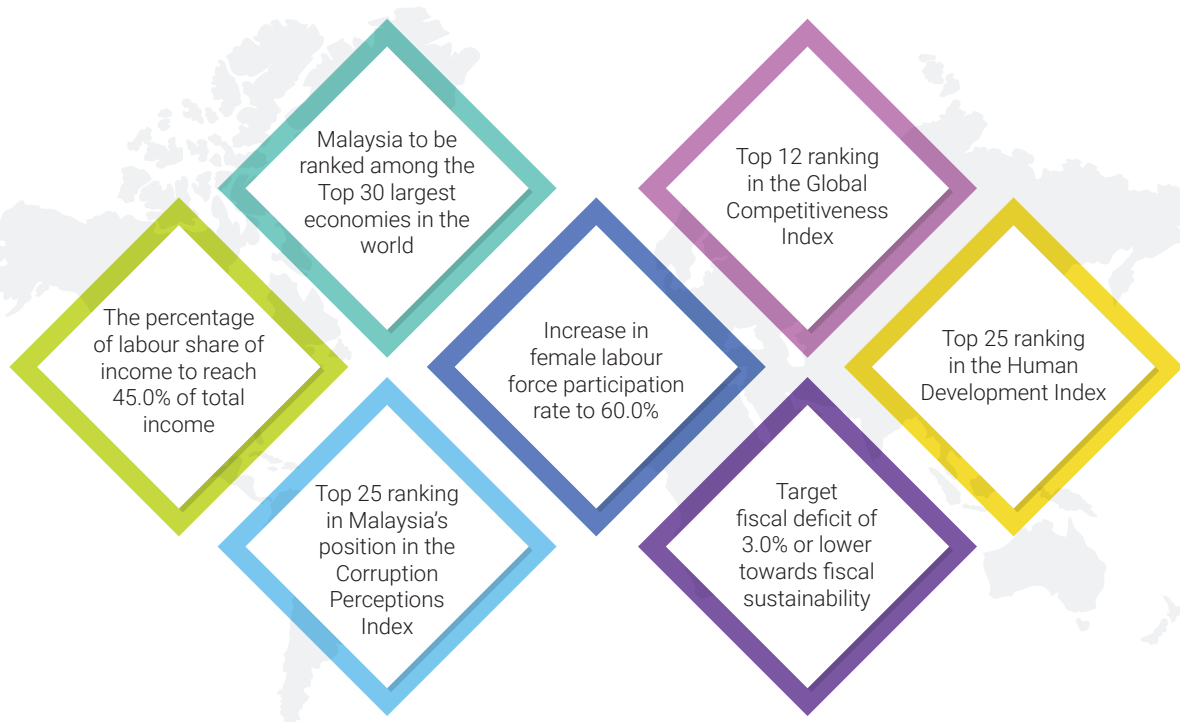


In line with this, in July 2023, the MADANI Economy: Empowering the People Framework was launched which aims at a comprehensive restructuring of the Malaysian economy to enhance growth as well as to uplift the quality of life of all segments of society. The core objectives are to make Malaysia a leading Asian economy and to raise the quality of life of the people through the equitable distribution of the enlarged national wealth from greater economic growth.

The Framework addresses long-term issues related to the country's competitiveness and appeal as an investment destination and current issues which needed to be addressed immediately, such as the impact of the rising cost of living on the people. The short-term targets will address pressing issues that affect the people, such as accelerating the implementation of projects for schools and dilapidated clinics and the eradication of hardcore poverty by 2023.

The medium-term targets comprise seven intermediate indicators that are to be achieved within the next 10 years:

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MAKING MALAYSIA A LEADING ASIAN ECONOMY

In achieving this goal, various initiatives and policies will be implemented towards making Malaysia a regional powerhouse. These will include establishing greater economic integration with neighbouring countries; nurturing more highly competitive local companies to penetrate the ASEAN market; going beyond free trade agreements to trade diplomacy and strategic arrangements; focusing on high-added value or economically sophisticated activities such as E&E, chemicals, petrochemicals and oleochemicals; and introducing outcome-based tax incentives to support and reward companies engaged in high-impact activities.

Malaysia will be made more competitive and easier to do business by:

- Strengthening investment promotion agencies under MIDA to attract investment and facilitate investor affairs proactively;
- Reviewing investment incentives with particular focus on encouraging investments that generate high-income jobs and are sourced locally; and
- Upgrading industrial areas with complete infrastructure and increasing human capital development to meet the needs of investors.



SPURRING DIRECT DOMESTIC INVESTMENT AND MSME DEVELOPMENT

Direct domestic investment (DDI) is set as one of the key performance indicators for the country's investment achievements. Malaysia is currently ranked 20th in the Global Startup Ecosystem Report 2023, with the domestic start-ups ecosystem valued at USD46 billion for the first half of 2020 to 2022. Among the Government incentives and initiatives to spur the DDI and MSME development are:

- i. RM1 billion to match private funds to support local start-ups and technopreneurs;
- ii. RM100 million will be allocated to strengthen the research, development, commercialisation and innovation (R&D&C&I) ecosystem, with the focus on industrial needs, renewable energy, food security and new growth activities.

In encouraging the internationalisation of local start-ups and MSMEs, the Government will assist in growing companies, especially Bumiputera-owned entities, to venture into new growth areas. An additional RM20 million in funding will be allocated to boost growth of exports as well as to support the Mid-Tier Companies Development Programme and Market Development Grant under MATRADE.

Where else, in terms of digital transformation, the implementation of the Digital ID will help accelerate the expansion of online businesses and applications. A matching grant for digitalisation will be increased by RM100 million to assist MSMEs in accelerating their transition to digitalise business processes. Apart from this, entrepreneurial development, training and financing programmes will be enhanced for specific groups, including women and youths. An additional RM400 million was allocated for micro financing under agencies such as SME Corp. Malaysia, TEKUN Nasional and TERAJU.

BUDGET 2024

On 13 October 2023, the Budget 2024 was announced with the theme “Economic Reform, Empowering the People”. This second MADANI Budget is a continuation of the MADANI Economy Framework. Budget 2024 hopes to kickstart Malaysia’s comeback as an economic champion within the ASEAN region through various initiatives and action plans under National Energy Transition Roadmap, New Industrial Master Plan 2030 and the reviewed 12th Malaysia Plan. It focuses on three key areas (i) Best Governance for Service Agility; (ii) Restructuring of the Economy to Boost Growth; and (iii) Improving People’s Living Standards.

Budget 2024 prioritises empowerment of MSMEs to achieve the goals of the MADANI Economic Framework by strengthening competitiveness of MSMEs through capacity building. A total of RM43.6 billion has been allocated for the development of MSMEs through initiatives and programmes that can directly benefit them. Access to financing which is often the main challenge for MSMEs continues to receive the largest allocation of RM32.2 billion or 73.7% of the total allocation for MSMEs.

In conclusion, the Malaysia MADANI and MADANI Economy Framework will further intensify and accelerate the development of the MSME ecosystem through enhancing financial and market access, human capital development, innovation, technology adoption and internationalisation towards one that will elevate its contribution to the socio-economic, as well as contribute towards achieving the nation’s target of making Malaysia among the top 12 (now top 32) in the Global Competitiveness Index in 10 years.

