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National Budget 2020 – MDEC’s Budget Commentary
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This Budget Commentary provides the Malaysia Digital Economy Corporation’s (MDEC’s) preliminary views on the proposed Budget 2020 initiatives announced by the Government of Malaysia (“GoM”) on Friday, 11 October 2019 that are related to the digital economy. Budget 2020 shows that the government is serious in accelerating digital adoption for micro-, small-, mid-sized and large entrepreneurs.

Under the 2020 Budget helmed “Driving Growth And Equitable Outcomes Towards Shared Prosperity”, all these allocations will empower the digital economy initiatives championed by MDEC and will directly support the recently launched Shared Prosperity Vision (SPV) 2030. The digital transformation agenda for Malaysia continues to be a major catalytic driver for the nation’s economy. We are encouraged to note this Budget 2020 includes proposals, which will further accelerate Malaysia’s rapidly-maturing digital economy.

Elevating Digital Transformation
The Budget 2020 made today demonstrates that the Government is actively encouraging more local businesses to move rapidly into the technology sphere. In line with this, a new programme – 100 Go Digital – has been launched to enable traditional Malaysian businesses to embrace digitalisation.

Using the tagline ‘Making Digital Tangible’ 100 Go Digital aims to:
1. Enable local businesses to fully leverage on digital transformation to address their common pain points
2. Quickly and seamlessly adopt digital solutions to achieve meaningful value for their business operations

The pilot programme was recently launched in conjunction with visit Malaysia Year 2020 (Visit Malaysia 2020) initiative. The primary goal is to attract more international tourists, most of whom are increasingly digital savvy. The pilot was launched in Langkawi.

Under the budget allocation, MDEC will also continue to manage and improve its Digital Transformation Acceleration Programme (DTAP). Launched approximately a year ago, it offers Malaysian companies a structured approach to digital transformation. This is to help mid-tier companies and large corporations achieve increased productivity, reduce foreign labour dependency, and create a new source of growth or business model.
We are also pleased to note the allocation of RM70 million to build 14 one-stop Digital Enhancement Centres (DEC). This initiative will strengthen the nation’s position as the region’s tech and digital hub as it will facilitate access to financing and capacity building for businesses, specifically for small- and medium-sized enterprises (SMEs). This will be achieved through assisting Malaysian businesses that are keen to embrace digital transformation, in line with Fourth Industry Revolution (4thIR). The DEC network, which will also support the expansion of the 100 Go Digital programme, will facilitate capacity building for SMEs as they will have immediate access to advisory services, enhancement training, and direct financing, including grants.

**The Rise of Digital Creative Content**

The Government has also allocated RM20 million towards creating a conducive, inclusive, and competitive Digital Content Ecosystem. The Malaysian digital content ecosystem represents an industry that has tremendous export potential, and is greatly reliant on our talent and ingenuity, and resonates very strongly with young Malaysians. With over RM7.6 billion in revenue, a fast growing RM1.3 billion export revenue and over 10,000 jobs, this industry is poised for the next stage of growth.

The digital content industry is a critical sector within our Digital Economy and has seen significant success encouraged by MDEC’s on-going programmes and policies.

The allocation RM20 million represents another wonderful opportunity for all Malaysians and talented content creators from around the world to continue to build on that success. This move reinforces the confidence that we, as a nation, have for the creative content industry. By increasing opportunities to participate in this industry, Malaysia can, and will, step up its competitive efforts in this space and push the nation as the destination for digital content production. This will also send a vital signal to the region and the global digital content industry that Malaysia is both serious and committed to develop world class animation, games, visual effects, and digital content platforms.

This will directly leverage off the Malaysia’s strong position as the regional hub for the creative content industry as it continues to locally produce world-class intellectual properties in animation and games. To-date, this includes Boboiboy, Upin & Ipin, No Straight Roads, CryptantCrab, and Re:Legend just to name a few.

Similarly, we expect esports to raise its game with the additional RM20 million it has received.

Malaysia’s digital creative industry is now a regional powerhouse that has the potential to become a global leader. The digital content industry has become a fast-growing
export sector for Malaysia, generating RM1.3 billion in exports at a 28 per cent compound annual growth rate since 2014. In fact, Malaysia ranks at #21 in global game revenue, with estimates for 2018 at US$654 million; ahead of Netherlands and Poland.

Most importantly, MDEC will champion the DICE (Digital Content Ecosystem) 2020-2030 policy. It is a comprehensive paper that MDEC developed for the Ministry of Communications and Multimedia (KKMM) with the goal of fortifying the local digital content industry and, ultimately, and positioning the nation as a leader in digital content creation/production.

**Advancing Digital Social Responsibility**

MDEC warmly welcomes the announcement of Digital Social Responsibility (DSR). This is a novel concept we introduced to enable companies that have made significant strides in the digital industry to give back to Malaysia to spur digital adoption or digital entrepreneurship among Malaysians. We would define it as a commitment, made by businesses and individuals that contribute to inclusive equitable and sustainable digital economic development. This also includes improving the digital skills of the workforce, reducing waste and increasing energy efficiency.

With this announcement, MDEC will identify opportunities that companies and individuals can contribute to, including scholarships for undergraduate and post graduate tech talent, sponsoring digital economy related capability development events, spending on training courses to upskill school and university students, lecturers, workers, or latent talent, and more.

For these activities, MDEC will work with Ministry of Finance Malaysia to incentivise participation by the private sector and individuals.

**Growing Entrepreneurs and Technologists**

In Budget 2020, the Government also set aside RM10 million for MDEC to train micro-digital entrepreneurs and technology experts to leverage e-market places and social media platforms.

The new allocation will allow us to further drive entrepreneurship and innovation to greater heights, bringing the positive impact of technology to more Malaysians, creating a more digitally inclusive nation.

**Enabling Digital Experiences**

Beyond providing avenues for businesses to make that digital leap, the general public needs more encouragement for digital adoption. The announcement of a one-off RM30
credit for e-wallets, will spur the development of a cashless society. It will be given to all Malaysians who are earning less than RM100,000 annually.

This initiative, which will start on January 1 and end on February 29 2020, is a key incentive for Malaysians who have yet to try an e-wallet. We expect this to spark a significant jump in interest to get involved with the digital economy.

**Building an Accelerator Ecosystem**
Small and medium enterprises (SMEs) and startups will continue to flourish next year thanks to the incentives that Budget 2020 is allocating. The emergence and continuous growth of Tech Startups will enhance the capabilities of Malaysia’s support ecosystem. This dynamic growth has been made possible through the Government’s policies and implemented by relevant agencies.

Tech Startups, comprising SMEs and potential micro-SMEs, are key contributors to the GDP of the country. These businesses are among the primary disruptors within various sectors and will be in the forefront of our Digital Economy. With ongoing Government support, including annual packaged investments and grants for digital applications, technology development, and smart automation. These are all strategic drivers that will spur digitisation among businesses, accelerate operation growths, and even attract Fortune 500 companies and global unicorns to invest in Malaysia.

Of course, we hope to soon realise the ultimate vision to produce our own Malaysian Global Unicorn.

**Turbo-charging Digital Economy with SPV2030**
In our view, Budget 2020 marks an inflection point in the Government’s steering of the Digital Economy. We are turbo-charging Malaysia to become a nation driven by technology and innovation by building world-class infrastructures, investing in people and ecosystems, as well as implementing various catalytic industry programs and initiatives. Budget 2020 has fueled new energy for us at MDEC. As the lead agency for Digital Economy, we are determined and committed to realise the vision of a Digital Malaysia. We believe 2020 will bring the best benefits of the Digital Economy and Shared Prosperity to all Malaysians.