Report Card: Becoming a Jack of all (digital) trades

“When we put Malaysia digital first, there’s a set of catalytic projects that we feel [and have announced] support all the things we want to do. ” - Mahadhir (Photo by Mohd Izwan Mohd Nazam/The Edge)

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Three changes of government, four ministers, three chief secretaries and three chairmen. This is the environment in which Mahadhir Aziz had to work over the last three years since becoming CEO of the Malaysia Digital Economy Corporation (MDEC).

During that period, a series of road maps were announced for the country’s technological transformation, both digital and physical. Upon examining these road maps, it is evident that there are overlaps, especially on the digital transformation front.

Working against this backdrop inevitably posed challenges, but Mahadhir believes that the corporation still delivered — or even outperformed — as the go-to agency for facilitating the development of Malaysia’s digital economy.

He says one of the agency’s most significant contributions is in the adoption of and investment in e-commerce by micro, small, and medium enterprises (MSMEs). While the initial goal was to have 875,000 MSMEs adopt e-commerce by 2025, as at the fourth quarter of 2023, 1,511,863 such businesses had already done so, surpassing the Council of Digital Economy and the Fourth Industrial Revolution (MED4IRN) top line targets well ahead of schedule.

Another target is to invest RM70 billion in digitalisation by 2025. As at the fourth quarter of 2023, the Digital Investment Office had recorded RM144 billion in investments — more than double the initial target.

But digital transformation requires a skilled workforce, which is why MDEC is focused on increasing talent supply, says Mahadhir. One such effort is the #mydigitalmaker initiative, a joint public-private-academia project aimed at transforming local youth from digital users into creators by nurturing their interest in technology from a young age.

Launched in August 2016, this initiative inspires schoolchildren to adopt skills such as coding, app development and data analytics, creating a nation of digital innovators. As at 2023, over 2.4 million students in Malaysia were receiving education in core tech subjects, representing a significant push for tech-based education in the national school system.

Unlocking new potential

Over the years, MDEC has catalysed Malaysia's e-commerce adoption, hosted digital nomads and spurred the creative content industry, with the aim of developing locally produced intellectual property (IP) for global export. Now that it is under the purview of the new Ministry of Digital led by Minister Gobind Singh Deo, Mahadhir sees even more potential to be unlocked.

The Malaysia Digital Economy Blueprint, launched in 2021, will conclude its second phase next year. Mahadhir emphasises the need for MDEC to "jolt the system", starting with rebranding and restructuring the Multimedia Super Corridor (MSC) into Malaysia Digital. While the MSC was pivotal in the past, Malaysia Digital aims to support the blueprint until 2030.

This rebranding is also a "refresh" to explore new propositions as Malaysia adopts a "digital first" approach, aligning with the country's broader goals. An example is the National Industrial Master Plan 2030 (NIMP 2030), which aims to position Malaysia as a hub for technology and generative artificial intelligence, which is in line with MDEC's aspirations for Malaysia Digital.

"When we put Malaysia digital first, there's a set of catalytic projects that we feel [and have announced] support all the things we want to do. There is also a refresh focused for this year, primarily on the sectors and tech areas that we would like to show to everyone that these are the things that we want to do," Mahadhir says.

In April last year, then Communications and Digital Minister Fahmi Fadzil said MDEC was targeting RM1 billion worth of digital investments by 2025 from both the public and private sectors in nine promoted sectors under the Malaysia Digital Catalytic Programme (Pemangkin). This is expected to generate 49,000 jobs.

The goal, says Mahadhir, is to get more participation and contribution from the private sector to build these ecosystems. Eighty per cent of the targeted RM1 billion contribution will come from the private sector while the remaining 20% will be from the government.

“The government didn’t have much to go on and so we had to look at the GLICs (government-linked investment companies), GLCs (government-linked companies) and MNCs (multinational companies) in Malaysia to help the country go through a digital transformation,” he explains.

Just a year shy of the RM1 billion digital investment target, are we on track? Not exactly. While the numbers have yet to be crunched, Mahadhir explains that it’s difficult to quantify as the private sector has contributed indirectly to the country’s tech stack as well.

An example of a direct contribution is that by Agrobank, which contributed RM30 million to digital infrastructure to aid the agritech sector. It funded farmers who wanted to enter the agritech space and MDEC works closely with the Ministry of Agriculture and Food Security to help the farmers transition digitally.

“In terms of contribution to companies that have gone digital [which are outside of MDEC’s purview], such as the ones done by Petronas (Petroliam Nasional Bhd) and EPF (Employees Provident Fund), those would need to be looked at and considered as well, to be fair to the private sector,” he explains.

“At this point, I don’t have the numbers to show that, but safe to say that the government has been prudent in terms of allocating more funds into the tech ecosystem.”

While the country has yet to achieve that target, a number of projects such as the digital national ID initiative, e-invoicing, NIMP 2030 and the National Energy Transition Roadmap (NETR) have digital aspirations that will push Malaysia to meet the target in the coming year, he says.

Making Malaysia the preferred destination for digital nomads

The lack of a highly skilled workforce has been a problem in Malaysia for decades. This, coupled with the “workcation” trend that gained momentum during the pandemic, prompted the Malaysia Digital Economy Corporation (MDEC) to create DE Rantau — a work and travel visa project under Pemangkin — to establish the country as a preferred digital nomad hub in Southeast Asia.

If all goes according to plan, the local gig market is expected to contribute RM5 billion to the country's gross domestic product (GDP) by 2025. However, this initial income target has been revised to RM2 billion, based on last year's application rate for the DE Rantau Nomad Pass.

As at May 31, the programme had received 3,096 applications, with 1,443 approvals, including 189 renewals. Applicants were from 78 countries, with Russia, Pakistan, Britain, Japan and Australia being the top five. The average annual income of these approved digital nomads is US$69,000 (RM317,865).

A 2023 survey showed that 40% of approved applicants are in Malaysia with their families, boosting spending in tourism, education, food, accommodation and transport. The programme continues to grow, with a diverse network of partners, including co-working spaces, insurance platforms, healthcare providers, accommodation platforms, travel and leisure providers, cashless solution providers, and transport services.

Industry players have brought up the fact that DE Rantau has the lowest barriers of entry for digital nomads in the region. But MDEC CEO Mahadhir Aziz says its goal is to import as much talent as possible, as its regional counterparts such as Indonesia and Thailand are doing the same.

The current DE Rantau scope is limited to tech professionals, but since the response and demand has been promising based on input received by the Ministry of Home Affairs, the authorities are looking at expanding its scope. The Ministry of Investment, Trade and Industry has also requested that tech professionals for the manufacturing industry be permitted to use the DE Rantau pass while awaiting their foreign worker's employment pass.

"Last year, we were not aggressively promoting it but we're going through another set of expansions and looking at Sabah and Sarawak as well to see how we can work with them on this," Mahadhir says.

"We would like to do this as soon as possible so that we can bring more tech professionals into the country, but something should be realised mid-year."

The DE Rantau nomad pass' eligibility has been expanded to include remote workers or digital freelancers who are founders, CEOs, chief operating officers, tax accountants, legal counsel, technical writers, business development managers, public relations professionals, and other related positions, as announced by Minister of Digital Gobind Singh Deo in early June. The minimum income requirement for non-IT and non-digital talents is set at US$60,000 a year, or US$5,000 a month.

MDEC has also been in discussions with the Inland Revenue Board to come up with a taxation system for those under DE Rantau. This is to see how income made by digital nomads is not repatriated to their home countries without first contributing to the Malaysian economy.

“We want them to spend [their money] here and stay with us, but on top of that, we actually want them to enhance the talent we already have in Malaysia,” he explains.
Is the gig economy on track to inject RM5 billion into the country’s GDP by next year? Mahadhir believes so, but says it is hard to quantify.

“[The income] doesn’t come directly from the spending of nomads themselves, but also property players that come in and create homes for the nomads or an ecosystem for them to spend more.

“Things like the use of e-hailing, laundry services or renting an office, as well as other day-to-day things, would need to be factored in as well. We’re working on this together with the Economic Planning Unit (EPU).”

DE Rantau will host several community initiatives this year, including the Scale Summit @ Langkawi, DE Rantau @ Terengganu in the third quarter and DE Rantau Fest 2024 in the fourth quarter.

Lowering barriers to entry for tech companies

On May 31, the Malaysia Digital Economy Corporation (MDEC), with support from the Ministry of Digital and Ministry of Finance, introduced new tax incentive schemes for Malaysia Digital companies. These schemes offer a range of benefits to companies leveraging cutting-edge technologies.

Eligible companies will enjoy a reduced corporate income tax rate on both intellectual property (IP) and non-IP incomes, as well as investment tax allowances for capital-intensive service activities.

MDEC CEO Mahadhir Aziz explains that the Multimedia Super Corridor’s (MSC) original 10 bills of guarantee, established 28 years ago, were investor-centric propositions. To qualify for tax incentives under those terms, companies had to operate within specific locations and employ a certain number of staff.

Malaysia Digital, on the other hand, aims to liberalise the tax incentives, focusing on flexibility, agility and relevance. “[Previously], the MSC-status companies were somewhat exclusive [and] some established companies in Malaysia did not qualify for MSC status. This is why we want to liberate it,” he says.

“It won’t be location-centric because as we learnt from the Covid-19 pandemic, people can be anywhere remotely. So that’s why we say that MSC has outlived its purpose, and it needed to be refreshed to live up to the current reality.”

Since the inception of MSC in 1996, along with the accompanying bills of guarantee, the initiative has attracted RM485 billion in cumulative investments and created over 223,000 high-value jobs as at December 2022.

As at April 30, the number of Malaysia Digital companies had surpassed 5,000, underscoring the initiative’s role in fostering digital innovation across diverse industries and supporting transformation plans outlined in both the MADANI Economy framework and the National Industrial Master Plan 2030 (NIMP 2030).

Championing local and regional policies for technological growth

In Mahadhir Aziz’s previous job as CEO of Futurise, a company under the Ministry of Finance that focuses on innovation, regulation and commercialisation, he introduced the National Regulatory Sandbox (NRS), an initiative to create a safe environment for companies to operationalise and experiment with new products, services or business models.

It also enables regulators to closely monitor and evaluate the market impact with a relaxation of existing regulatory requirements.

Mahadhir was also a supporter of the National Technology & Innovation Sandbox (NTIS) by the Ministry of Science, Technology and Innovation under the Malaysian Research Accelerator for Technology and Innovation (MRANTI).

While Mahadhir’s new role in MDEC no longer involves NTIS and NRS, the corporation still looks at policies that enable investors to make informed decisions on investing in Malaysia’s tech landscape. An example is the test flying of drones, which is permitted in some states but not in others.

As Malaysia is set to be chair of Asean next year, MDEC is looking at efforts and policies to build regional strength. An example is Transport Minister Anthony Loke’s lifting of the cabotage policy for cable-laying ships starting June 1.

“Right now, we are looking at other areas such as cross-border data flow, and that is a project that MDEC is currently undertaking, funded by the Asean Secretariat itself. Part of it is more focused on e-commerce transactions and cross-border data transactions,” Mahadhir explains, adding that the project is to be completed within 12 months and MDEC will need to report to the Asean Secretariat in January.

“E-commerce is under digital trade, so we’re looking at goods being sent from outside of Malaysia into Malaysia, and also for Malaysian sellers to sell their goods over to other countries as well. The information relating to the actual cargo being sent and received will be something that we will be looking at, which is the Asean cross-border data flow.”

MDEC is also in charge of the national e-invoicing initiative, which is a local as well as international project as it sets up businesses to adhere to international compliance measures.

“The Malaysian standard for e-invoicing is already in compliance with the global standards, so it helps us transact with countries like Singapore, Brunei and China especially. This is part of the [policy advocating] that we do.”

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