

## EXECUTIVE SUMMARY

<b>TITLE</b>	:	<b>INFORMATION PAPER TO IMPLEMENT PROJECT ON SMART INCENTIVES : DESIGNING AN EFFECTIVE AND PRODUCTIVE INCENTIVE</b>
<b>DATE</b>	:	<b>AUGUST – DECEMBER 2020</b>
<b>BUDGET/COST</b>	:	<p><b>DEVELOPMENT BUDGET – RM292,000</b> (Code: SPN NEXUS MEPN)</p> <p><i>This information paper was made based on current needs and changes to the activities of the Smart Incentive Unit. Changes of activity reflected in Appendix A.</i></p> <p><i>Budget to be utilise from the approved budget allocated in the ‘Development of the smart incentives management strategy to improve productivity at sectoral level’ - Minutes of BOM 149/2020 dated 30 Jan 2020 with total approved budget of RM300,000 for 2020.</i></p>
<b>OBJECTIVES</b>	:	<ol style="list-style-type: none"> <li>1. Assist the Federal and State Government to increase productivity and competitiveness through the formation of effective and impactful incentives (Subsidies, grants, loans etc.).</li> <li>2. To have a platform for discussions on issues, methodology and to get first-hand information from the stakeholders, incentives giver and recipient on how targeted productivity-based incentives should move forward.</li> </ol>
<b>EXPECTED OUTCOME</b>	:	<ol style="list-style-type: none"> <li>1. Study on landscape and ecosystem of incentives in at federal and state level.</li> <li>2. Collaborative innovation with ministries and agencies at in terms of incentives management initiatives. This enable policymakers to look beyond short-term and reactionary measures on incentives offered and how it linked to productivity.</li> <li>3. Recommendation paper on the development of effectiveness of incentives as input to policy makers.</li> </ol>
<b>DEPARTMENT</b>	:	<b>SMART INCENTIVE / PCD</b>
<b>COMMENTS/ SIGNATURE OF ACCOUNTANT</b>		
<b>COMMENTS/ SIGNATURE OF PCT MGR</b>		

**INFORMATION PAPER TO IMPLEMENT PROJECT ON  
SMART INCENTIVES : DESIGNING AN EFFECTIVE AND PRODUCTIVE  
INCENTIVE  
August - December 2020**

**1.0 Purpose**

The purpose of this paper is to inform the BOM on the budget to be obtained from the approved budget allocated to implement project on smart incentives: designing an effective and productive incentive.

**2.0 Background**

Productivity is the single most important factor in a country's long-term growth. High-productivity nations are able to quickly adapt to changes in macroeconomic challenges, as well as fundamental shifts brought on by technological advancement. Realising the importance of productivity to the nation, the 11MP has specified unlocking the potential of productivity as one of the 6 game-changers for the country to achieve high-income status by 2020. Productivity has been identified as the most vital part in the 11MP's implementation, which calls for renewed efforts to boost productivity in a focused and targeted manner, with clear outcomes at the national, sectoral, and enterprise levels. The 11MP has introduced the Malaysia Productivity Blueprint (MPB) in May 2017 as a strategy to realise this aspiration.

The Blueprint aims to propel Malaysian businesses to be on par with best-in-class countries for productivity practices. To realise this aspiration, it puts forth two cross-cutting initiatives:

- Initiative N5: Gradually reduce the reliance on non-critical subsidies, and ensure liberalisation efforts are linked to productivity outcomes
- Initiative N6: Realign key grants, incentives, soft loans and other funding mechanisms to productivity metrics and outcomes

It is proposed that assistance and incentive provided by the government be leveraged to drive productivity. All grants, incentives, soft loans and other of assistance provided by the government must be linked to productivity improvement targets.

For information, the budget to be utilise from the approved budget allocated in the 'Development of the smart incentives management strategy to improve productivity at sectoral level' - Minutes of BOM 149/2020 dated 30 Jan 2020 with total approved budget of RM300,000 for 2020.

### **3.0 Objectives**

- i. Assist the Federal and State Government to increase productivity and competitiveness through the formation of effective and impactful incentives (Subsidies, grants, loans etc.).
- ii. To have a platform for discussions on issues, methodology and to get first-hand information from the stakeholders, incentives giver and recipient on how targeted productivity-based incentives should move forward.
- iii. To enhance capacity building of MPC officers on strategic incentives review/ assessment.

### **4.0 Deliverables**

- i. To conduct series of engagement with key stakeholders in identifying incentives that can improve state productivity and competitiveness.
- ii. To identify specific incentives that have huge impact to productivity and competitiveness.
- iii. Measure the effectiveness of incentives by studying the gap between the given incentives and the set output:
  - Through qualitative review with incentive recipients
  - Mapping the process of giving incentives from agencies to recipients
- iv. To provide specific recommendations to regulators and policy makers on incentives management mechanism that can alleviate sectoral productivity and competitiveness

### **5.0 Expected outcomes**

- i. Report on landscape and ecosystem of incentives in at federal and state level.
- ii. Collaborative innovation with ministries and agencies in terms of incentives management initiatives. This enable policymakers to look beyond short-term and reactionary measures on incentives offered and how it linked to productivity.
- iii. Recommendation paper on the development of effectiveness of incentives as input to policy makers.

## 6.0 Project Milestone

No.	Activities and Tasks	MONTHS (2020)				
		Aug	Sept	Oct	Nov	Dec
<b>A</b>	<b>Baseline study on Incentive at Federal level.</b>					
	i) Phase 1: Desk research on the Landscape of incentive at selected Government Agencies					
	ii) Phase 2: Verification report of the incentive at selected Government Agencies					
	iii) Guideline in Designing New Incentives: Phase 1 - Interviewer Guideline					
	iv) Assessment Tool					
<b>B</b>	<b>Business Case Study on Incentive at State Level.</b>					
	i) Mapping of incentives planning process					
	ii) Recommendations					
<b>C</b>	<b>Capacity Building</b>					
	Training (through Webinar Sharing session)					
	i) Australia					
	ii) Singapore					

Details process flow of activities under Smart Incentive available in **Appendix B.**

## 7.0 Costing

The estimated cost for the projects are as follows:

No	Items Description	Price (RM)
1	<b>Subject Matter Expert Fees:</b> 2 Expert Facilitator Consultant Fees	<b>40,000.00</b>
2	<b>Baseline study on Incentive at Federal level.</b>  <b>(5 workshop x RM16,000 per workshop)</b> Meeting / Seminar /workshop Package Accommodation Flight Ticket Speakers honorarium Rapporteurs Minutes writer Facilitator / Moderator	<b>80,000.00</b>
3	<b>Business Case Study on Incentive at State Level.</b>  <b>(5 workshop x RM16,000 per workshop)</b> Meeting / Seminar /workshop Package Accommodation Flight Ticket Speakers honorarium Rapporteurs Minutes writer Facilitator / Moderator	<b>80,000.00</b>
4	<b>Document and Report Preparation</b> Printing Promotional items	<b>22,000</b>
5	<b>Capacity building</b>	<b>70,000</b>
	<b>TOTAL</b>	<b>292,000</b>

## 8.0 Recommendation & Conclusion

The approval of the Board of Management (BOM) are sought on the budget to be utilise from the approved budget allocated in the 'Development of the smart incentives management strategy to improve productivity at sectoral level' - Minutes of BOM 149/2020 dated 30 Jan 2020 with total approved budget of RM300,000 for 2020.

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10 Ogos 2020

Reviewed by:

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Director  
10 Ogos 2020

## Appendix A: Changes of activity Smart Incentive Unit

No.	Sub-Activities	PREVIOUS ACTIVITIES
1.	Understanding the ecosystem and landscape of incentives in Malaysia:	
2.	Development of the Work Plan, Structure, Framework, Governance of Incentives Review Committee	
3.	Impact Study of the effectiveness of productivity-based incentives to the manufacturing sector	
4.	Awareness / Promotion on Incentives	

### PCD / SMART INCENTIVE

SKT July – Dec 2020

### REVISED ACTIVITIES

NO	PROGRAMME/ ACTIVITY	PROPOSED DATE	OUTPUT	KPI
1.	Baseline Study on Incentives	13/3/2020 – 6/8/2020 10/8/2020 – 30/11/2020	i) Phase 1: Desk research on the Landscape of incentive at selected Government Agencies ii) Phase 2: Verification report of the incentive at selected Government Agencies iii) Guideline in Designing New Incentives: Phase 1 - Interviewer Guideline iv) Assessment Tools (1 research report will be reported to PCD BSC)	2 Report 1 Draft Assessment Tools 1 Interviewer Guideline
2.	Business Case Study: State i) State Kedah ii) State Perak	Aug – Nov 2020	i) Mapping of incentives planning process ii) Recommendations	2 Recommendation Reports (Kedah & Perak)
3.	MPC Research Grant	Jan – Dec 2020	Research Report to be share with Productivity Nexus (8 research report will be reported to PCD BSC)	8 Report
5.	Communication & Promotional Activities	Aug – Nov 2020	i) Webinar ii) Press release	4 Webinar 1 Press release
6.	Capacity Building	Aug – Nov 2020	Training (through Webinar Sharing session) - Australia - Singapore	2 Training programme

## Appendix B: Details process flow of activities under Smart Incentive



