

The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

## COUNTRY FACTSHEET

MARCH 2020



# IBEP Malaysia

### PROJECT OVERVIEW

The IBEP Malaysia project aims to provide advisory and analytical support to reforms in selected areas of investment, competition and business environment policy leading to the removal of market barriers and distortions and sustained private sector-led growth. The project targets a range of reforms across four main components:

#### COMPONENTS

##### Improving the Effectiveness of Investment Incentives and Strengthening Investment Promotion Administration

This component is contributing to a revision of the strategic direction for investment policy by clarifying the expected development objectives of incentives and promotion activities and identifying priority sectors for investment. The work evaluates the cost effectiveness of corporate income tax investment incentives and propose new approaches for their administration, monitoring and evaluation. It also examines the institutional framework of the current investment promotion landscape with the aim of strengthening the coordination and coherence in investment promotion administration and the provision of investor services at the national and subnational levels.

##### Boosting Competition in Key Markets

This component aims to promote competition in selected markets and subsectors by assessing competition policy implementation, including competition law enforcement and the restrictiveness of regulations in key product markets.

##### Improving the Effectiveness of SME Support Program

This component will review SME and entrepreneurship support programs to assess their performance, the intended objectives of their expenditures, and their actual results, providing recommendations on improving the allocative and technical efficiency as well as future program design.

#### REFORMS TARGETED

- 1 Strengthen the investment incentives framework in line with new development objectives
- 2 Improve arrangements for investment promotion and administration
- 3 Legal and regulatory pro-competition reforms and capacity building, including the design and implementation of competition policy
- 4 Enhance the efficiency of government expenditures in SME and entrepreneurship support programs

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### Subnational Engagement for Economic and Investment Policy

This component will provide analysis and advisory support on issues related to subnational growth, fiscal, investment and competition policy with an initial focus on the state of Sabah in East Malaysia.

5 Improve the business and investment climate in the lagging regions and states

III

## RESULTS AS OF MARCH 2020

- Several policy recommendations have been delivered and adopted by the government, including through the annual Budget Statement and the work of the high-level Tax Reform Committee. These include recommendations on the articulation of a new set of National Investment Aspirations for Malaysia, on the need to streamline investment promotion efforts, and on establishing SMART-based eligibility criteria for tax incentives and to improve transparency and accountability. The World Bank Group is now at the center of the policy debate on investment and competition policy issues in the country.
- The project is also undertaking an efficiency review of all SME programs in Malaysia which will provide pivotal information for current and future policymaking around SME and entrepreneurship development.
- Further, the project collaborated with the State Economic Planning Unit of Sabah, the state with the highest incidence of poverty in Malaysia, to develop a workplan for the project to provide technical assistance related to subnational-level growth.
- **COVID-19:** Upon the outbreak of the COVID-19 pandemic, the project engaged in a series of discussions and provided timely inputs to the government's COVID-19 stimulus package (approx. 17 percent of GDP) as well as participated in discussions on the preparation of Malaysia's Economic Recovery Plan post-COVID-19. Further, the project prepared a series of inputs and policy notes for the government on key COVID-19 topics such as growth, commodity prices, fiscal space, real-time monitoring, and options for supporting the private sector.

## PROJECT COUNTERPARTS

Bank Negara Malaysia (Central Bank of Malaysia), Ministry of Finance, Ministry of International Trade and Industry, Ministry of Economic Affairs, Ministry of Entrepreneurship Development, SME Corporation of Malaysia, Malaysia Competition Commission, and Sabah State Economic Planning Unit (Chief Minister's Office).

## CONTACT US

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