SEMINAR GRP DAN PELABURAN – MPC BERSAMA UPEN KELANTAN

Kelantan Investment Policy – How to Attract Investors

25 May 2017, Kota Bharu

Dr Sufian Jusoh

Different types of investment not only generate different socio-economic impacts but also different trade patterns

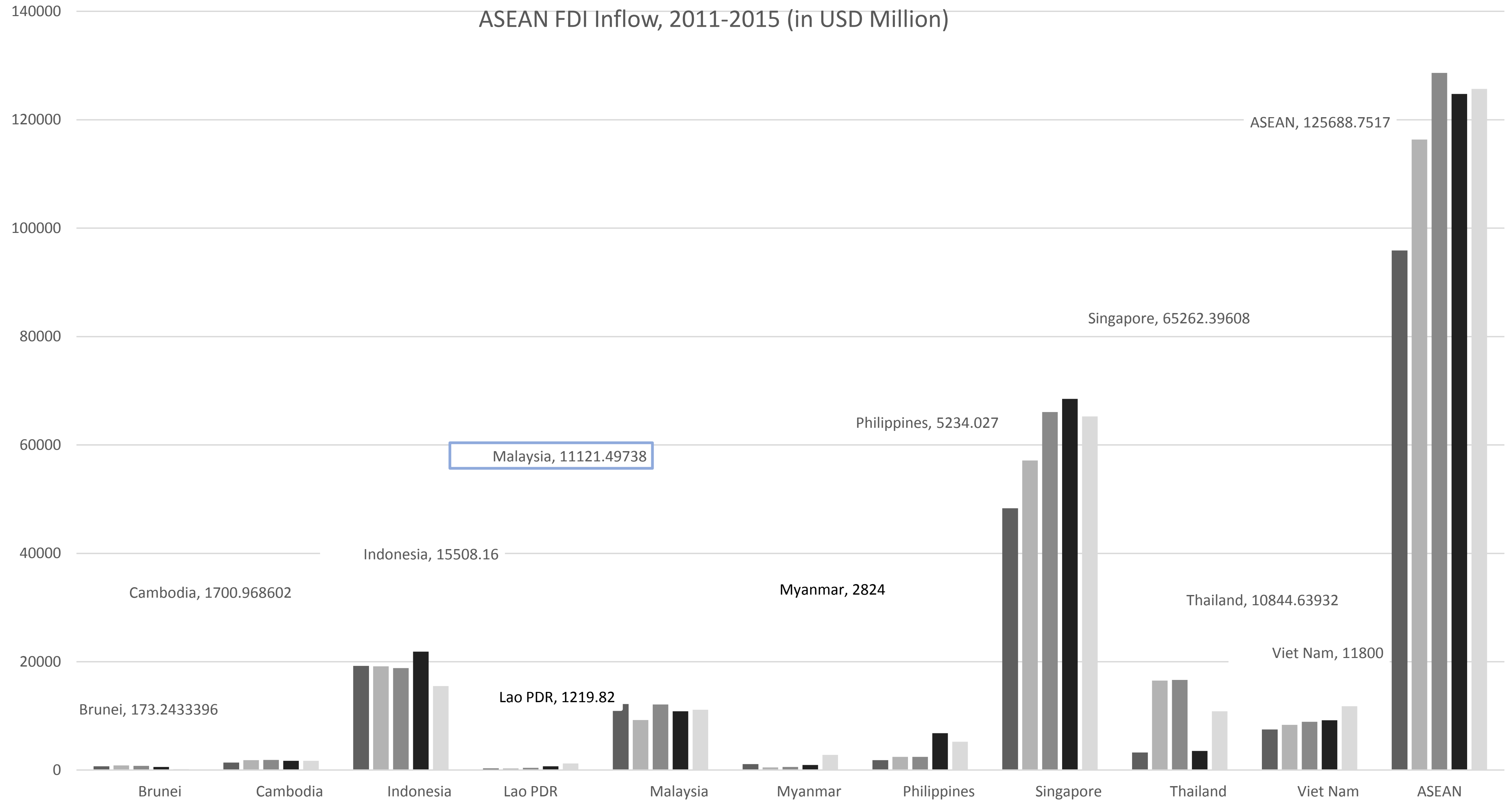
Natural resource-seeking

Market-seeking

Efficiency-seeking

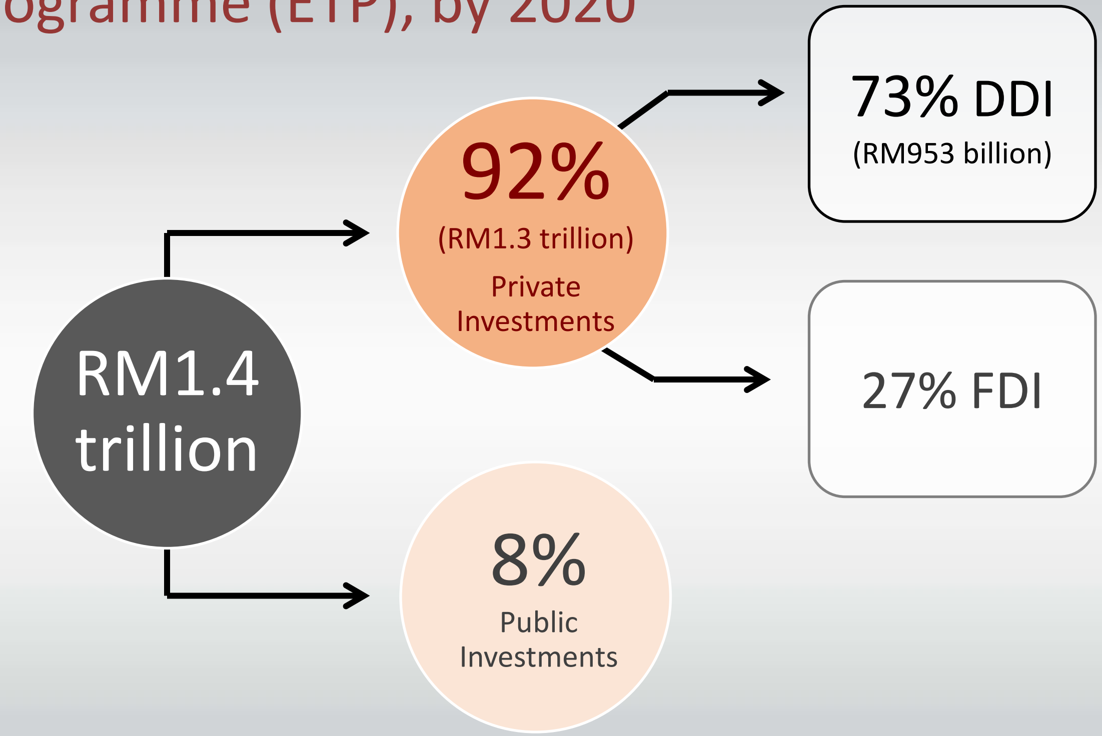
Strategic-asset seeking

ASEAN Inflow 2011-2015



MALAYSIA Investment Targets

Investment Targets under Economic Transformation Programme (ETP), by 2020

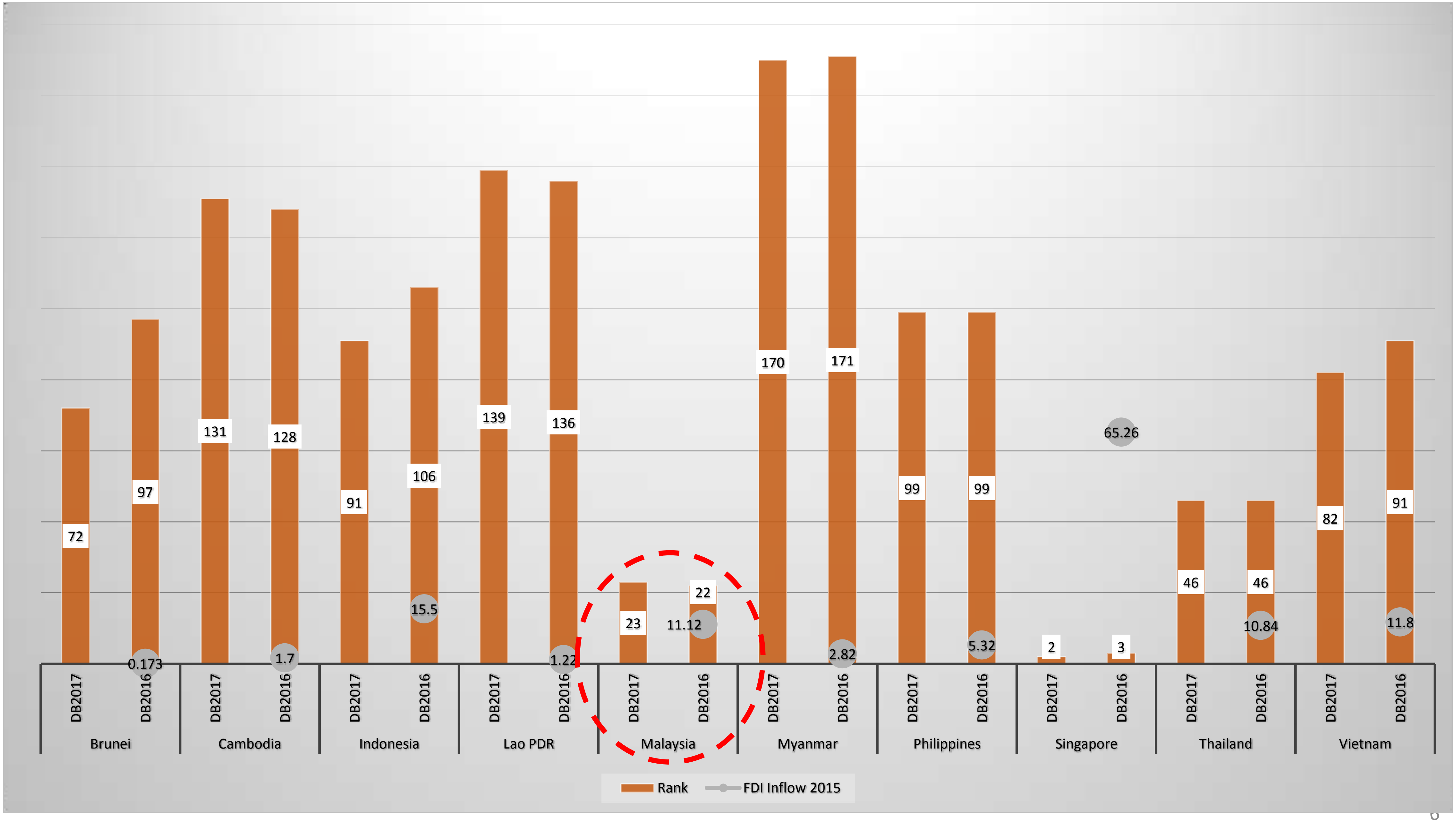


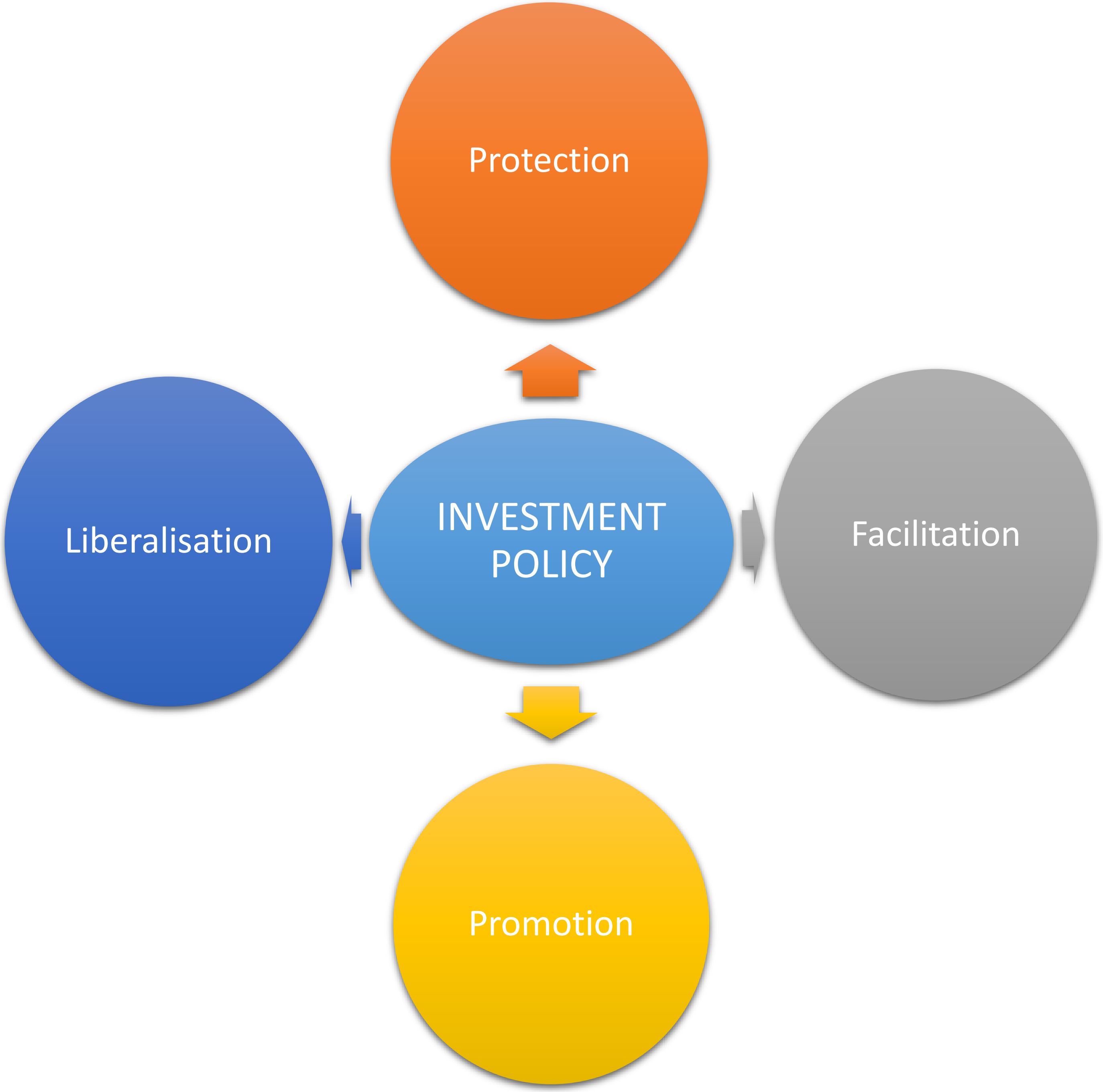
** Industrial Master Plan 3 (IMP3) Investment Ratio, DDI:FDI is 60 : 40*

Kelantan approved investments 2016

State	*No.*	*Domestic Investment (RM)*	*Foreign Investment (RM)*	*Total Proposed Capital Investment (RM)*
Johor D.T.	165	15,215,538,019	11,195,039,986	26,410,578,005
Selangor D.E.	242	4,529,119,807	3,351,647,567	7,880,767,374
Sarawak	13	2,463,576,686	2,171,730,846	4,635,307,532
Pulau Pinang	106	1,236,973,529	3,056,916,908	4,293,890,437
Perak D.R.	55	2,843,925,353	1,102,246,895	3,946,172,248
Kedah D.A.	35	615,397,441	1,567,856,898	2,183,254,339
Sabah	19	1,644,530,791	493,576,189	2,138,106,980
Terengganu D.I.	5	743,533,720	1,368,716,280	2,112,250,000
Negeri Sembilan D.K.	33	288,749,372	1,628,739,875	1,917,489,247
Melaka	23	679,280,110	675,495,170	1,354,775,280
Pahang D.M.	19	385,016,257	498,095,003	883,111,260
Kelantan D.N.	**5**	**238,210,425**	**276,079,000**	**514,289,425**
W.P. - Kuala Lumpur	12	179,937,310	9,029,398	188,966,708
W.P.- Labuan	1	11,485,467	22,295,318	33,780,785
Perlis I.K.	-	-	-	-
TOTAL	733	31,075,274,288	27,417,465,332	58,492,739,620

DOING BUSINESS RANKING AND FDI




Protection
Liberalisation
INVESTMENT POLICY
Facilitation
Promotion

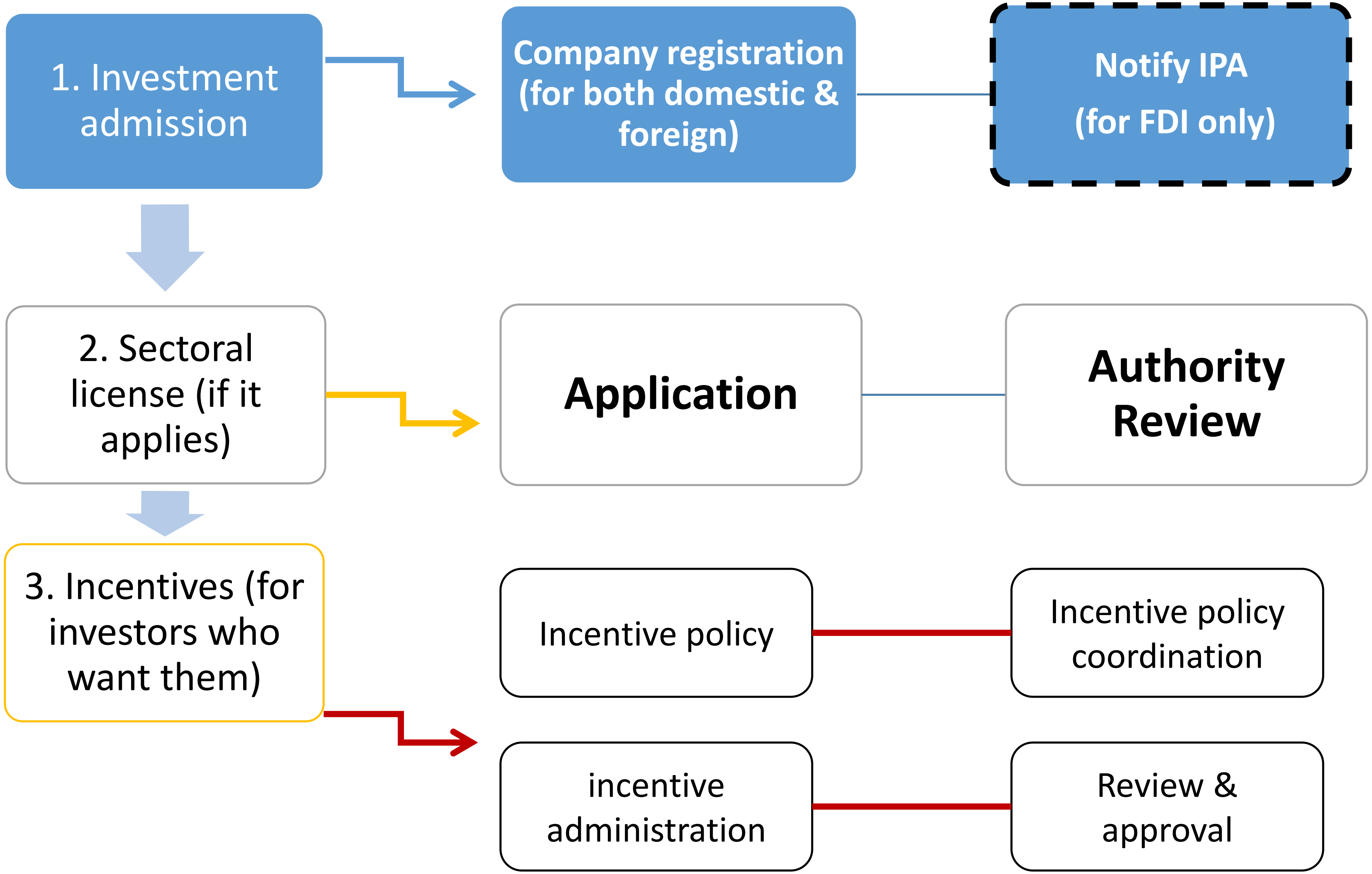
Transparency and Facilitation of Investment Process

- More transparent, consistent and predictable investment rules, regulations, policies and procedures;
- Harmonised investment policies;
- Streamlined and simplified procedures for investment applications and approvals; and
- Dissemination of investment information, rules, regulations, policies and procedures.

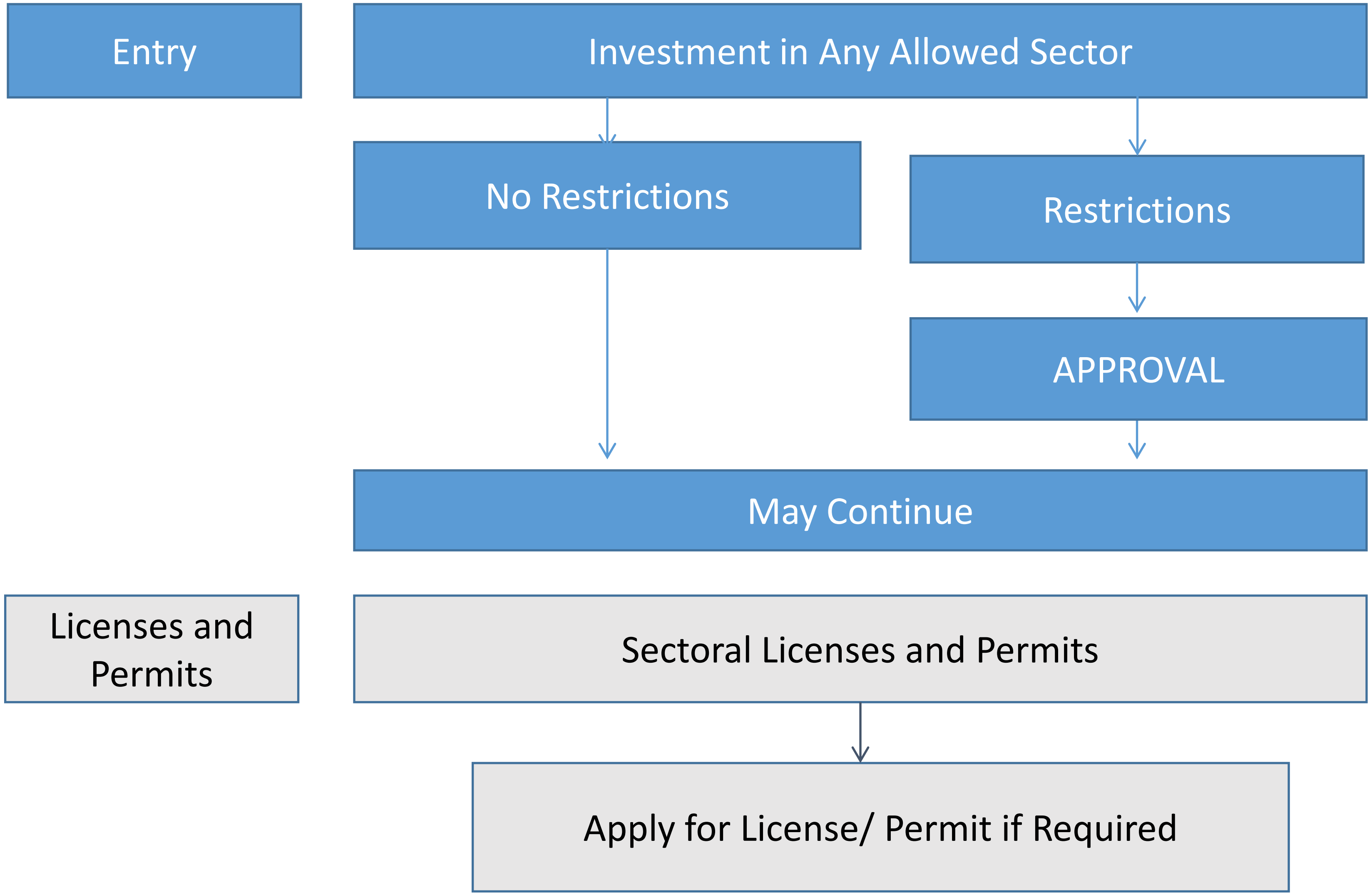
Role of investment promotion agency

- promotion
- Investment Admission/ OSC
- Liaising with Provinces
- Advising on Investment Policies: Liberalisation
- Investor Care

De-linking Entry, Licensing and Incentives



PROPOSED Admission of Investment for Kelantan



Effects of Obligatory Screening

Increase cost of entry

Constraint on screening agencies

Impact on mid-term and long term FDI flow

Criteria for setting promoted sectors

- Engine for Growth
- Economic drivers for complete eco-system
- Horizontal and vertical linkages to value added activity and value chain
- Employment contribution
- Sectors should be focused and specific. Sectors need to be identified by ISIC or other industrial code so that it is clear.

PROPOSED PROMOTED SECTORS and Investment typology

Natural Resource Seeking	• Agriculture, forest plantation, livestock
Market Seeking	• Manufacturing • Industrial zones, township, hotel and tourism • Educational, health, ICT • Constructions of ports airports etc., electricity • Logistics
Efficiency Seeking	• Manufacturing, ICT • Logistics

DO AWAY WITH INCENTIVES?

- Incentives come with costs to the firms and the authorities
- Administrative cost (application, internal monitoring) for firms especially for SMEs
- Monitoring and evaluation cost (for the authorities)
- Lost of revenue to the Government about 1.4 % of GDP in 2012 (Treasury of Malaysia).
- Lost RM13.4 b (USD 3 b (2017 conversion)) in 2012 in Corporate income tax
- Lost of RM 7.3 b (USD 1.6 b) in pre-packaged incentives (pioneer status etc).
- Many firms would have come to Malaysia even without incentives
- Investors look for better investment climate. Malaysia is ranked 23 in the Doing Business Report 2017 (consistently top 25)