

**MINISTRY OF INVESTMENT, TRADE AND
INDUSTRY**

**MALAYSIAN INVESTMENT DEVELOPMENT
AUTHORITY**

**INVESTMENT PROMOTION PROGRAMME FOR THE
MANUFACTURING SECTOR**

Main Points

**What we
examined?**

- Malaysian Investment Development Authority (MIDA) is the main investment promotion agency for the manufacturing and service sectors under the supervision of the Ministry of Investment, Trade and Industry (MITI). MIDA was established as a statutory body in 1967 under the Malaysian Investment Development Authority (Incorporation) (Amendment) Act 2011 [Act 397].
- MITI on 19 May 2010 has delegated authority for all investment promotion approvals under the Promotion of Investments Act 1986 [Act 327], the Industrial Coordination Act 1975 [Act 156] and the Income Tax Act 1967 [Act 53] to the Chairman or Director General of MIDA.
- The investment promotion programme for the manufacturing sector by MIDA is divided into two categories namely incentives and grants. Incentives are offered through tax exemptions equivalent to Pioneer Status (PS) or Investment Tax Allowance (ITA). Whereas, the main grants directly related to the manufacturing sector include the High Impact Fund (HIF), Domestic Investment Strategic Fund (DISF), Industry4WRD Intervention Fund Grant (IF), Smart Automation Grant (SAG) and the Upgrading Industrial Area Infrastructure Grant (GI).
- This Audit covers two key areas, namely the performance of the programme and the management of the investment promotion programme for the period 2016 to 2022. The performance of the programme is evaluated based on the achievement of output and outcome of incentives and grants. The management of the programme is evaluated based on financial allocations and expenses, approved and realized investment values as well as compliance with grant eligibility conditions.

- This Audit involves MIDA as the main auditee, MITI as the ministry that supervises and monitors programme's implementation, MoF as co-chairman of MITI in the National Investment Committee (NCI) and the Ministry of Economy which is also a member of the NCI.

Why it is important to audit?

To assess whether the investment promotion programme for the manufacturing sector has been implemented by MIDA in a prudent, efficient and effective manner to achieve the objectives set for each incentive and grant.

Conclusion

The investment promotion programme for the manufacturing sector by MIDA shows the achievement of outcome covering value creation, spillover effects, creation of job opportunities and social impact. However, the overall impact of the programme cannot be determined because a comprehensive evaluation of all incentive and grant recipients was not conducted.

NO.	AUDIT ISSUES	IMPACT	RECOMMENDATION FOR SOLUTIONS
1.	Investment-related data for each approved incentive and grant project is not fully maintained and not available for analysis.	The overall objectives of the programme and the value of the realized investment cannot be determined.	MIDA must maintain complete investment-related data for each project which is approved for incentives and grants, including the information of realized investment.
2.	<p>The approved investment value does not take into account the following investments:</p> <ul style="list-style-type: none"> • Investment for companies exempted from manufacturing licenses (ICA 10) amounted to RM9.134 billion. • Investment value approved by the Investment Promotion Agency (IPA) amounted to RM9.059 billion. • Capital investment value for companies approved of IF and SAG grants. 	The annual investment performance reported by MIDA every year does not reflect the actual position of the total investment approved and realized.	MIDA shall review the need and appropriateness to report the value of investments for companies approved of ICA 10, investments approved by IPA and investments for companies approved of IF and SAG grants.

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3.	<ul style="list-style-type: none"> Expenditure exceeding the allocation for DISF grants amounted to RM73.78 million Commitments exceeding the remaining ceiling of HIF and DISF grants amounted to RM470.46 million. 	<ul style="list-style-type: none"> The allocation of funds for other grants is reduced and affects the approval of grants under that fund. May affects investor confidence if MIDA is unable to meet commitments that have been approved. 	MIDA must streamline procedures and focus on monitoring and enforcing the terms of agreement to ensure the management of grants can be implemented properly.
4.	Eight HIF dan DISF grants have expired and not been withdrawn amounted to RM54.65 million.	The grants remain recorded as commitment and cannot be offered to other companies.	
5.	Two companies which IF grants were withdrawn have not returned upfront payment amounted to RM0.29 million.	MIDA risks of losing public money amounting to RM0.29 million.	

