

MALAYSIAN GOVERNMENT ANNOUNCES INITIATIVES TO BOOST TECH START-UP ECOSYSTEM

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The inaugural KL20 Summit 2024 (“the Summit”) was held in Kuala Lumpur on 22 and 23 April 2024. The Summit witnessed the launch of the [KL20 Action Paper](#) which sets out the roadmap to establish Malaysia as one of the top-20 global start-up hubs by 2030.

Among the speeches delivered at the Summit were the keynote addresses by Datuk Seri Anwar Ibrahim, the Prime Minister of Malaysia, and Rafizi Ramli, the Minister of Economy.

To further the objective of the KL20 Action Paper, a slew of initiatives to boost the high technology start-up ecosystem in Malaysia were announced by the Prime Minister and the Minister of Economy in their respective speeches. The measures announced include the following:

- 1) Khazanah Nasional Berhad, Malaysia’s sovereign wealth fund , will launch a “National Fund of Funds” with an initial allocation of RM1.0 billion to invest in innovative high-growth Malaysian companies;
- 2) To leverage on the country’s position as one of the leading semi-conductor producers in the world, Malaysia will establish the largest Integrated Circuit Design Park in South-East Asia, which will house world class anchor tenants and global leaders in semi-conductor design.
- 3) Twelve international venture capital firms, such as Sequoia Capital, will establish offices and funds in Kuala Lumpur to identify and nurture Malaysian start-ups to become globally successful.
- 4) Agreements involving 25 entities from various sectors of the start-up ecosystem will be signed to help create cutting-edge technology ventures in Malaysia, including the Asean Investment Initiative between Khazanah Nasional Berhad, Kumpulan Wang Persaraan (Kwap) and Blue Chip Venture Capital that will invest RM3.0 billion in the South-East Asian and Malaysian start-up ecosystem.
- 5) The programmes announced include the following:

- Unicorn Golden Pass – incentive packages, including concessionary tax rates, subsidised office rental and relocation services, will be introduced to attract unicorn companies to establish their regional bases in Malaysia;
 - VC Golden Pass – incentives, such as LP funding access opportunities, subsidised office rental and expedited licence registrations, will be introduced to attract leading global venture capital firms to establish a business presence in Malaysia and invest in local start-ups;
 - Innovation Pass – a multi-tier employment pass giving preferential benefits to attract founders, senior management, skilled talents and tech workers to Malaysia;
 - Start-Up Single Window – a one-stop centre to assist start-ups in setting up their business and operations and growth activities.
- 6) The Start-Up City Connection will be established between Kuala Lumpur and several Asian cities to facilitate connectivity, entrepreneur and talent exchange and regulatory harmonisation and remove barriers to movement of capital and talent and market access.
 - 7) An Innovation Belt will be established to concentrate ecosystem players, such as talents, investors, corporates and academia, in geographical clusters to enable collaboration and exchange of ideas.
 - 8) The KL20 GPU Scheme will be introduced whereby start-ups relying on AI-related technologies will be provided access to world class AI infrastructure and given a rebate on the use of cloud services and general processing units (GPU) to enable these start-ups to work on breakthrough solutions at the forefront of AI technology.
 - 9) The previously announced aim to centralise government-linked investment agencies, such as Malaysia Venture Capital Management (MAVCAP) and Penjana Kapital, under Khazanah Nasional Berhad was affirmed.

It is to be noted that certain tax concessions are available to venture capital companies, venture capital management companies and investors in venture capital funds, subject to fulfilment of conditions.





Comments

The KL20 Action Paper is an ambitious roadmap with wide-ranging strategic directions. The initiatives announced will be welcomed by start-ups seeking funding. The aim of attracting leading venture capital firms and existing unicorns to establish their business presence in Malaysia could raise the level of the venture capital industry in the country. As cliched as it sounds, the success of the KL20 Action Paper will ultimately depend on the effective execution of the initiatives comprised in the Action Paper.

Further information on the initiatives announced at the Summit can be obtained from the links provided below.

<https://www.digitalnewsasia.com/startups/malaysia-rolls-out-bold-plans-inaugural-kl20-summit>

<https://www.malaymail.com/news/malaysia/2024/04/24/three-things-we-learnt-from-kl20-summit-2024/130385>

<https://www.thestar.com.my/news/nation/2024/04/23/fund-of-funds-to-fuel-local-firms>

<https://www.thestar.com.my/business/business-news/2024/04/23/enhancing-the-venture-capital-ecosystem>

<https://www.thestar.com.my/business/business-news/2024/04/22/sc-to-introduce-vc-golden-pass-to-streamline-venture-capital-registration>

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