Institute of Strategic &
International Studies (ISIS) Malaysia

POLICY BRIEF

Unpacking Budget 2024: fiscal realities and policy priorities

19 October 2023

Ahmad Afandi
Calvin Cheng
Dhana Raj
Lee Min Hui
Qarrem Kassim
Sofea Azahar

Key takeaways

- Budget 2024 reflects a negative fiscal impulse, with a lower allocation compared with the projected expenditure for 2023.
- MSMEs to benefit from RM44 billion allocated for loans, credit guarantees and digitalisation grants, with a focus on green sectors. However, the newly proposed capital gains tax on unlisted shares might impact MSME and start-up funding in the short term.
- Education receives a substantial amount of funding to promote inclusivity and tackle learning gaps, especially among disadvantaged pupils. While STEM and TVET are emphasised, there are ongoing challenges in competency, governance and perceptions.
- Numerous initiatives aim to address environmental risks, biodiversity, the electric vehicle (EV) ecosystem and decarbonisation for sustainable growth. Need for transparency in funds disbursement and a greater focus on nature-based solutions, alternative financing and adequate EV infrastructure.
- Increased focus on social protection for homemakers, along with higher investment in elderly care will benefit women and families, but overall Budget 2024 could be more gender responsive.

1.0 Fiscal strategy and outlook

Budget 2024 records the largest annual budget allocation, but a negative fiscal impulse. Budget 2024 is the largest annual expenditure allocation in Malaysia's fiscal history at RM393.8 billion compared with RM388 billion allocated for 2023. However, Budget 2024 is still about RM3.3 billion lower than the projected expenditure for 2023 of RM397.1 billion. As such, Budget 2024 represents a negative fiscal impulse, indicating a contractionary shift in the fiscal stance for 2024. This consolidation is driven by a reduction in development expenditure in 2024 compared with 2023.

Path to fiscal consolidation remains fragile. The fiscal deficit was reduced to 5.0% in 2023 from 5.6% in 2022, following the expiration of the Covid-19 special fund. Budget 2024 projects that the fiscal deficit will narrow further to 4.3% in 2024, but the projection hinges on a significant reduction (RM10 billion) in economic-related development expenditure in 2024, rather than any sustained improvement in fiscal sustainability.

Debt ratios continue to grow. In 2023, the debt-to-GDP rose 2 percentage points to 62%, with total liabilities-to-GDP reaching 79%. By the end of 2024, the government projects that the debt-to-GDP ratio will increase to 64%, approaching the amended statutory limit of 65%. Persistent fiscal deficits drive an increase in debt stock. If Malaysia's economic growth slows, the debt-to-GDP

ratio could exceed projections, necessitating either a revision of the statutory debt limit or the implementation of further fiscal consolidation measures.

Figure 1. Expenditure allocation

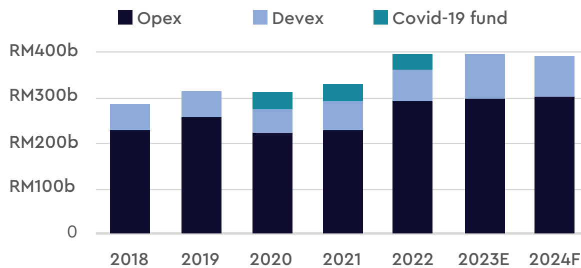


Figure 2. Revenues and oil revenues

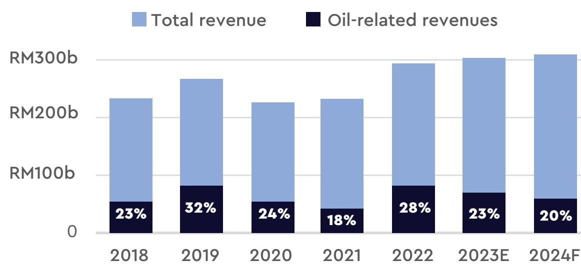


Figure 3. Budget deficit

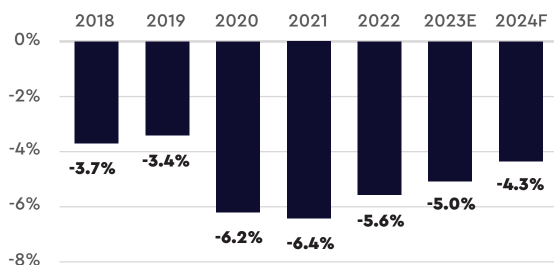
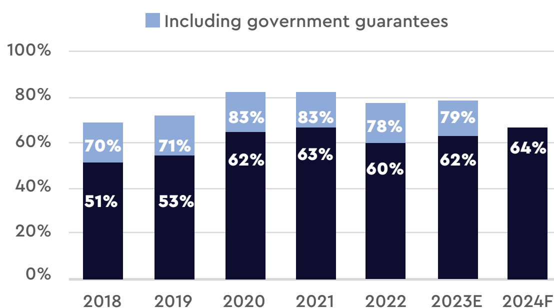


Figure 4. Government debt to GDP



Source: Ministry of Finance, Bank Negara Malaysia, ISIS Malaysia estimates

Projected fiscal savings from subsidy changes will be offset by growing operating expenditure items. Budget 2024 introduces a major change to the subsidy regime with the phased implementation of targeted subsidies for electricity and diesel. Government projections indicate that these changes may reduce total subsidies and social assistance spending by about RM11.4 billion in 2024. Nonetheless, these savings are largely offset by a projected RM8 billion surge in emoluments and debt service charges in the coming year.

Proposed tax measures are unprecedented but may have limited fiscal impacts. Key tax measures in Budget 2024 include an increase in the service tax rate from 6% to 8% (excluding food and telecommunications) and a broadening of the service tax coverage basket. Budget 2024 also proposes a capital gains tax on the disposal of unlisted shares by companies and a luxury goods tax. While many details of these new measures are missing, their narrow scope will likely not lead to a significant long-term improvement in government revenues. Overall, government projections suggest that amid these changes, indirect tax revenue will only increase by about RM2.6 billion in 2024. Indeed, projections show that despite a slight uptick in tax revenues in 2024, the tax-revenue-to-GDP ratio remains close to multi-decade lows.

Ultimately, while the fiscal measures in Budget 2024 represent foundational steps towards fiscal reforms, there is a long way to go. Budget 2024 shows commitment to higher capital taxation and expenditure rationalisation through the phased implementation of targeted commodity subsidies. However, its limited reach in capital taxation and selected subsidies, coupled with a lack of longer-term revenue base-broadening measures, means that to ensure longer-term fiscal sustainability and address equitable taxation, there is room for decisive reforms.

Figure 5. Tax revenue (% of GDP)

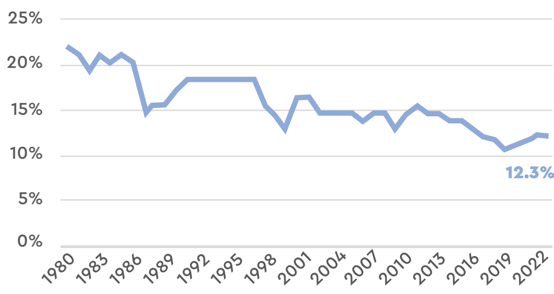
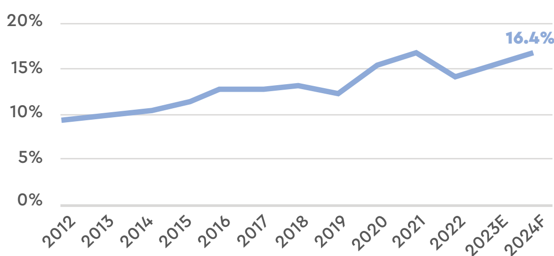


Figure 6. Debt service (% of operating expenditure)



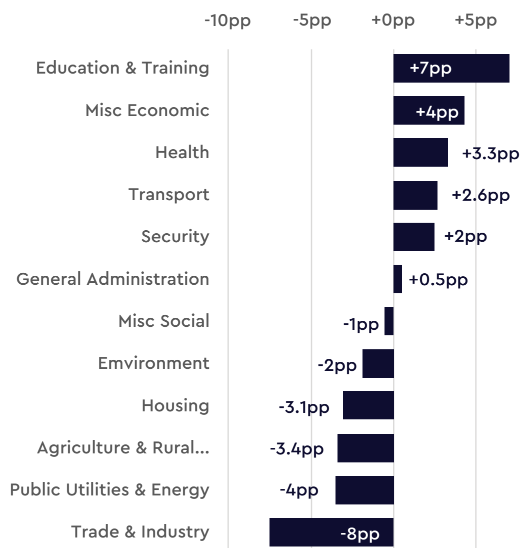
Source: Ministry of Finance, Bank Negara Malaysia, ISIS Malaysia estimates

2.0 Development spending and policy priorities

Under development expenditure, Budget 2024 prioritises three key spending areas – expenses categorised under Trade and Industry (+31% year-on-year), Environment (+25%) and Health (+25%). Budget 2024 continues the multi-year shift away from development spending on trade, industry, housing, and agriculture to a higher proportion of development spending on education, health, and transport (fig. 7). Overall, these allocations reflect the government's intended operationalisation of the initiatives under the MADANI Economic Framework.

In absolute ringgit terms, transportation made up the highest spending item, accounting for 21% of total development expenditures or RM19.1 billion. High-ticket infrastructure projects include among others, include the revival of several LRT stations worth RM4.7 billion, and various sections of the Pan-Borneo Highway in Sabah and

Figure 7. Percentage point changes in development expenditure allocation in Budget 2024 vs 2016 (as % of total development expenditure)



Source: Ministry of Finance, ISIS Malaysia estimates

Sarawak. This is followed by Education and Training, at RM14.3 billion or 16% of the total, where 26 new schools are slated for construction, along with an allocation for the maintenance of all schools at RM3.5 billion.

The additional fiscal firepower given to infrastructure development bodes well for bulwark economic sectors, such as construction and energy, as the government seeks to support its national green energy transition. Further, key measures that cover digitalisation and industry-related services are expected to bolster the developmental aims under the key national industrial policy plans.

The budget encompasses key elements by its outlined objectives stated in the New Industrial Master Plan (NIMP2030), National Energy Transition Roadmap (NETR) and the Mid-term Review of the 12th Malaysia Plan (MTR). Broadly, the three overarching strategies emphasise the need for a transition towards high-impact industrial sectors, fiscal recalibration and targeting, promoting sustainable energy, and enhancing the overall quality of life to ensure inclusive distributional outcomes.

In line with NIMP2030, the budget seeks to realign manufacturing potential towards tech-reliant and heavier industries. There is substantial allocation for the development of new industrial clusters, such as the proposed high-tech industrial park in Perak and the Pengerang Integrated Petroleum Complex. This indicates industrial expansion plans for capital and skill-intensive manufacturing. The RM200 million initial allocation fund for the NIMP2030 will give its industrial policy architects the needed fiscal firepower to reorganise industrial activities for the coming years.

A key enabler of the NIMP involves both strengthening the domestic supply chain and encouraging the international presence of Malaysian SMEs. The strategic deployment of corporate state organs, GLCs and GLICs to foster SME internationalisation through an RM1.5 billion funding facility directed at high-growth sectors –digital economy, aerospace and E&E – could deepen economic complexities among SMEs while strengthening domestic linkages.

Nevertheless, questions remain surrounding the practical aspects of its implementation, including the disbursement process, selection of partners and governance of funds. While industry-targeted concessionary loans are indispensable for national development, transparency, openness, and good governance must complement these efforts – particularly when corporate national entities, established to serve the public's interest, are involved in such initiatives.

Unfortunately, the budget speech did not disclose sufficiently how the measures aimed to achieve the seven industrial targets of the MADANI Economic Framework nor was there mention of the highly discussed progressive wage system, which could have been a game-changer for MSMEs in enhancing productivity and improving wages.

In line with the NETR, critical funding for sustainability-based projects was allocated in Budget 2024. The issuance of RM1 billion in biodiversity sukuk bonds and RM2 billion for a national energy transition facility are intriguing and could help companies build their green supply chains, conservation investments and a catalyst for energy transition projects. An additional tax deduction of RM300,000 for expenses related to carbon-credit measurement and verification on Bursa is commendable, potentially improving the nascent carbon-credit trading ecosystem, which suffers from low corporate participation, necessitating a broader whole-of-government approach to address current market deficits.

The budget's emphasis on promoting green energy investments among private venture capital through tax incentives, concessionary loans and guarantees will help attract private capital towards renewable energy sources, which currently make up around 4% of Malaysia's total primary energy supply and are targeted to reach 17% by 2050. However, given the tendency for Malaysia's foreign direct investment (FDI) to be centred around electronics and electricals (E&E), petrochemicals and transport equipment amid the challenging global investor environment, it remains to be seen how effective such incentives will be to attract investors towards relatively nascent, capital-intensive and riskier projects in renewables and hydrogen.

3.0 Key measures by focus area

3.1 MSME development and digitalisation

Overall, Budget 2024's impact on MSMEs is varied, though leaning positive. An estimated total of RM44 billion is directed at MSME-related measures, encompassing loans, credit and financial guarantees.

A notable top-line increase of RM716 million is allocated for microcredit schemes managed by BSN, TEKUN and BNM, primarily benefiting hawkers, women and young entrepreneurs. A further RM100 million allocation for Amanah Ikhtiar Malaysia (AIM), a rural microcredit provider serving more than a million borrowers, may indicate that Budget 2024 attempts to adopt a more bottom-intensive approach towards MSME development as part of a push towards inclusive rural economic development.

Encouragingly, an RM8 billion allocation in BNM funding has been earmarked for MSMEs. From the total, RM600 million will be devoted towards the adoption of ESG standards. In line with the MADANI framework, this is likely to enhance efforts towards improving ESG compliance amid growing pressure on SMEs to manage and measure their non-financial risks, practically a must-do for SMEs looking to secure contracts with international supply networks. Currently, only 28% of SMEs have adopted elements of ESG practices in their business according to a UN Global Compact Report, suggesting a lack of awareness, necessitating efforts for promotion and awareness to coincide with the rollout of this fund.

The budget also affirms the stance on building the digital economy, earmarking RM100 million to provide digital grants for 20,000 enterprises. An RM900 million SME digital financing facility will also allow smaller businesses to facilitate their readiness for IR4.0 adoption. Nevertheless, according to DOSM, Malaysia still has a substantial deficit in the digital services trade, outsourcing much of its needs abroad. Therefore, while the budget allocates resources to the digitalisation of conventional sectors, there is a pressing need to ensure the development of a strong domestic ecosystem for technology solution providers. This emphasis is crucial not only for shoring up local technological capabilities but also for ensuring Malaysia's long-term sustainability amid a dynamic global digital landscape.

The RM20 billion to prioritise loan guarantees for SMEs in the green economy, technology and halal sectors could afford SMEs greater financial liquidity and access in those sectors conventionally perceived as riskier, helping to stimulate industry growth. This could spur innovative research among MSMEs and encourage greater adoption of ESG in other sectors through increased market competition. However, the exclusion of other conventional sectors suggests that MSMEs may avoid making the riskier investments necessary to move up the value chain without sufficient financial guarantees.

While the decision to introduce a capital gains tax is timely to broaden the tax base and promote equity, its limited scope that only taxes the disposal of unlisted shares could have adverse impacts on MSMEs and start-ups. Because MSMEs and start-ups are far less likely than larger established companies to be listed, a capital gains tax that targets unlisted shares could disproportionately affect smaller firms. This could disincentivise investment in these enterprises and, in turn, lower the supply of capital for smaller firms. Nonetheless, it is important to note that the magnitude of these effects hinges on the exemptions and thresholds available under the new proposed capital gains tax. Allowing partial or full exemptions for qualified shares, or "entrepreneurs' reliefs" could limit the negative impacts on smaller firms.

3.2 Social assistance and subsidies

Budget 2024 presents two main changes to social assistance and subsidies: the removal of blanket subsidies for certain commodities and amendments to the Sumbangan Asas Rahmah (SARA) and Sumbangan Tunai Rahmah (STR) transfer programmes. Overall, the total expenditure allocated for social assistance and subsidies in Budget 2024 is about RM11.5 billion lower than in 2023, primarily due to decreased subsidy expenditures.

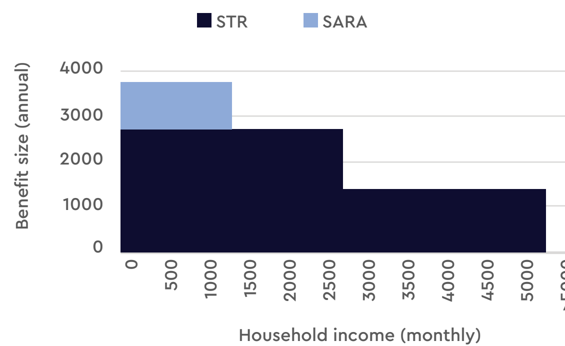
Phased implementation of targeted subsidies for selected commodities in 2024. Blanket subsidies for poultry, electricity and diesel will be removed gradually in 2024. Subsidies will be maintained for the bottom 90% of electricity users and freight transport vehicles using diesel. Notably, there was no mention of whether this re-targeting of subsidies will be broadened to include other commodities like RON95 petrol nor was there mention of the long-awaited central database hub (PADU), which was reported to be used to implement targeted subsidies.

A portion of fiscal savings from current subsidy changes will be reinvested into existing social-transfer programmes. An extra RM2 billion is set aside for social assistance. Yet, despite mentions of a rise in the maximum STR transfer from RM3,100 in 2023 to RM3,700 in 2024, this is only applicable to singles, not households. This touted increase reflects an RM600 bump in the supplementary SARA programme, a cash-equivalent transfer for the extremely poor STR recipients to purchase essential goods (Fig 8)

Higher SARA benefits raise income replacement rates but STR's existing challenges remain. The additional RM600 SARA cash-equivalent benefit increases the STR+SARA estimated pre-transfer income replacement rate to about 26% for a hardcore poor family with more than five children and 19% for a hardcore poor family with two children. This means that STR+SARA now meets international benchmarks for the adequacy of cash-transfer programmes. However, this does not address the existing issues with the STR programme, including large targeting errors (both exclusion and inclusion errors) and work disincentives from high effective marginal tax rates at the income eligibility thresholds (at RM1,169 and RM2,500). Reinvesting a larger proportion of subsidy savings to improve the design and targeting of the STR programme will improve the poverty and welfare impacts.

Figure 8. STR and SARA benefits for a household in hardcore poverty with more than five children

Figure 9. STR and SARA benefits for a household with more than five children, by household income



Source: Ministry of Finance, ISIS Malaysia estimates
Note: Hardcore poverty is defined as a household earning less than RM1,169 per month

A gradual widening of the scope of targeted subsidies would be a significant source of additional funds for social assistance spending. Expansion of subsidy retargeting to include RON95 would realise significant savings. Reallocating these savings into increasing direct transfers to low-income families (such as through the STR and SARA programmes) would optimise the welfare impacts of each ringgit spent on social assistance and subsidies.

3.3 Education and TVET

The Education Ministry continues to receive one of the highest allocations in 2024 (RM58.7 billion compared with RM55.2 billion in 2023). A significant portion of this allocation emphasises the government's commitment to enhancing the wellbeing of the underprivileged and marginalised

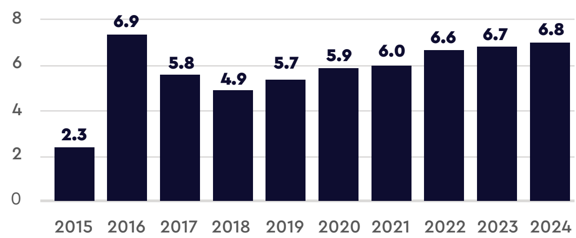
through improved access to education and infrastructure. Measures to facilitate this include the expansion of aid under Kumpulan Wang Amanah Pelajar Miskin (RM100 million), upgrading and maintenance of dilapidated schools (RM930 million), and an increased number of facilities and equipment for disabled pupils (RM210 million).

The long-term ramifications of pandemic-related school closures on education were considered in Budget 2024. Given the extensive learning losses suffered during the pandemic, particularly among the disadvantaged, the budget allocated RM100 million to assist those who dropped out of school. However, the implementation details for this allocation were not clarified during the budget announcement.

Budget 2024 renews efforts to produce an industry-ready workforce through two focus areas: STEM and TVET education. On the former, science, technology, engineering and mathematics (STEM) education will be strengthened further with the establishment of a special inter-ministerial STEM committee, the upgrading and maintenance of computer labs and learning tools, as well as further involvement of industry players. While these initiatives may address the declining interest in STEM, more needs to be done to fix other challenges in STEM education – including the competency gap among STEM educators and a lack of career exposure within the field. Research has emphasised the significant influence of TVET teacher quality on the viability of STEM education, underscoring the importance of investing in continual professional development to improve educational outcomes.

On the latter, the plan to uplift Malaysia's TVET system is reflected in the higher allocation of RM6.8 billion for TVET – the largest in nearly a decade (fig. 10). Of this, RM100 million is designated for professional certificates co-accredited with private industry players. This signals a renewed effort

Figure 10. Total allocation for TVET (RM billion)



Source: Official budget documents, research papers

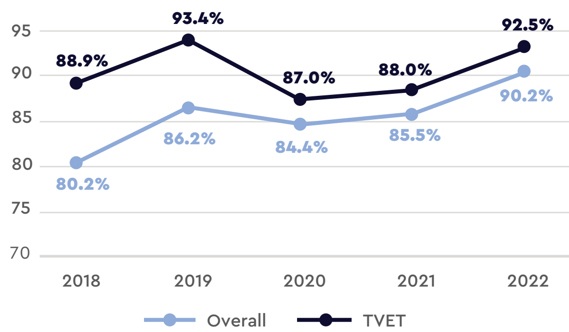
to enhance public-private partnerships in the TVET sector, addressing historical challenges, such as inconsistent curriculums and unrecognised certifications. The recent signing of 61 memorandums of understanding, as highlighted in the budget, indicates steps towards collaborative curriculum development and shared expertise and resources.

Priority for students to gain hands-on experience. This is through incentives worth RM30 million for industry players to train local talent and the increased allocation to the Academy in Industry programme (RM70 million vs RM50 million in 2023) to provide on-the-job training. A similar allocation amounting to RM180 million will be distributed to the Skills Development Fund Corporation (PTPK) to provide loans to students. This initiative has aided the purchase of learning equipment but based on 2023's allocation, concerns have been raised over the possibility of a loan application freeze because of rising demand.

The government also offers equitable opportunities for Malaysians to reskill and upskill through TVET. This is reflected in the range of measures, including HRD Corp's MADANI training programme for the MSMEs, the disabled, retirees, the elderly and former prisoners (RM1.6 billion), implementation of TVET programmes for tahfiz students (RM17 million), as well as PEKA TVET programme for offenders (RM10 million).

Despite overall efforts, Budget 2024 does

Figure 11. Graduate marketability rate (%)



Source: Higher Education Ministry
Notes: Graduate marketability includes those who have started working, furthering studies or undergoing skills training. The overall rate includes those in academic-oriented HEIs.

little to address long-standing social stigma and governance issues associated with the TVET system. Although the TVET graduate marketability rate has been higher than the national percentage (fig. 11), more needs to be done to improve the TVET "branding" by showcasing success cases of TVET trainees through ambassadorship programmes. Likewise, to address the fragmented governance, the National TVET Council can lead efforts to consolidate the myriad of different TVET programmes, streamline certifications and implement proactive monitoring.

3.4 Sustainability, energy and green economy

The Ministry of Natural Resources, Environment and Climate Change (NRECC) received 1.8% of the total budget allocation for 2024. It is positive that the allocation for environment and climate change, including for sectors outside of NRECC, increased from about 0.8-1% in past budgets to 4.3% in 2024. The biggest focus in the budget this year includes the energy transition, biodiversity conservation and disaster preparedness.

Natural resources and biodiversity

Malaysia continues to prioritise conservation funding for the protection of its natural assets. A key initiative is the Ecological Fiscal Transfer for Biodiversity Conservation (EFT), an intergovernmental fiscal transfer aimed at incentivising state governments to conserve and gazette forest reserves and protected areas within their jurisdiction. The allocation for EFT exhibited a positive trend, with the 2024 allocation increasing to RM200 million, representing a 25% rise from 2023 at RM150 million and a significant increase from 2022's budget of RM70 million. While this is a positive development, the 2024 EFT allocation still falls short of compensating fully for the opportunity costs associated with land-based revenue for all state governments. It is also significantly short of the RM1 billion EFT allocation pledged in the Pakatan Harapan manifesto for the 15th general election. While the EFT's implementation mechanism has been institutionalised under the Pemberian TAHAP, challenges, such as how the funds are allocated and utilised and the extent of their impact on the ground, persist at the state level. There is a pressing need for greater transparency and state-level communication in the disbursement of EFT funds, including whether it is premised on outcome-based ecological criteria and for measuring the conservation outcomes. Beyond EFT, the government also augmented funding for wildlife management and conservation through the community ranger programme, with RM10 million earmarked to mitigate losses caused by wildlife conflicts.

To enhance conservation financing, the government has introduced several new measures. Notably, the issuance of the first biodiversity sukuk worth RM1 billion is a significant step. More information on its implementation is needed but this initiative will address the insufficient funding for conservation at the state level because it will be undertaken in collaboration with state governments to rehabilitate degraded forests and generate carbon credits, thereby ensuring "additionality" – a critical criterion for international standards. To encourage greater private sector participation in

Malaysia's voluntary carbon market, the government is also offering tax incentives of up to RM300,000 to companies that spend on measurement, reporting and verification (MRV) for carbon projects. This move is welcomed as credible MRV is often a top priority for carbon-credit buyers. However, while this may increase the number of carbon projects and credits in the Bursa Carbon Exchange (BCX), the creation of a robust market for carbon and conservation projects might still face challenges. A more comprehensive approach that incentivises the private sector through carbon pricing and the development of domestic expertise in creating and maintaining carbon projects is needed. Nonetheless, this initiative underscores the continued preference for incentive-based instruments in Malaysia's climate policies, including financial and tax incentives for low-carbon technologies, such as renewable energy and carbon capture and storage. This approach contrasts with the utilisation of "hard" regulations or "first-best policies" aimed at internalising negative externalities, such as pollution pricing, which send direct price signals and have market effects.

Disaster-risk reduction

On disaster preparedness, flood mitigation was allocated a substantial 70% of the climate and environment budget, amounting to RM11.8 billion. This is in addition to allocations for slope repairs and drainage maintenance. While it is positive to see the government continue to prioritise measures to prevent more losses from flooding, this budget, as well as the 2023 and 2022 budgets, have not placed sufficient emphasis on nature-based solutions for flooding and disaster-risk reduction. This is despite both the mid-term review of the 12th Malaysia Plan and the updated Nationally Determined Contributions (NDC) highlighting their importance in tackling floods. Traditional flood-engineering approaches continue to dominate government spending, potentially because of GDP growth considerations and how flooding is seen as solely the responsibility of the Department of Irrigation and Drainage.

Given the ongoing fiscal constraints, it is imperative to ensure economic efficiency in disaster-risk planning expenditures in future budgets. An economically efficient approach could involve reallocating a modest portion of the flood mitigation budget, for example, RM1 billion, towards the EFT programme, specifically for nature-based solution (NBS) projects. These funds could be directed at ecological restoration initiatives in climate-risk areas, including water-stressed basins and degraded flood-catchment areas. This approach offers a more comprehensive and cost-effective strategy, maximising the value of investments by harnessing the multiple co-benefits that NBS provide to society. By incentivising state governments to designate forests in disaster-prone areas, such as flood-control forests (one of the 11 forest classifications under the National Forestry Act 1984), this will help address the current situation with potentially misaligned incentives, in which the federal government bears all flood-mitigation costs despite state government activities, such as land clearing and deforestation.

Climate adaptation

Besides flood-mitigation projects and disaster aid for affected communities, such as farmers and fishermen, there are no specific allocations for climate-adaptation initiatives. This is even though the government continues to stress the importance of adaptation. This may be due to Malaysia still being without a national adaptation plan or any holistic strategy to outline adaptation needs that can then inform specific allocations in the budget. However, various initiatives announced in the past have failed to materialise in the budget. For example, 12MP mentioned the need to explore alternative disaster-risk financing

mechanisms, such as disaster-risk transfer, while the NRECC minister has mentioned in Parliament that the government plans to introduce a flood insurance scheme. Without adequate financing mechanisms to spread disaster risks, coupled with the increasing intensity and frequency of climate-related deaths, the government may need to continue spending on post-disaster liabilities, including aid, increasing the pressure on government coffers.

Energy transition and decarbonisation

The National Energy Transition Roadmap (NETR) estimates that investments of more than RM1 trillion by 2050 will be necessary to achieve Malaysia's decarbonisation goals. As initially mooted in the NETR, the budget commits to providing a seed fund of RM2 billion for a National Energy Transition Facility (NETF) aimed at accelerating growth in clean energy investment. An additional provision of RM200 billion from financial institutions further illustrates the collective effort required to overcome the financial challenges in realising a low-carbon economy.

Ramping up the deployment of solar energy is among the NETR's main initiatives and the budget underscores this with several measures. The Net Energy Metering 3.0 (NEM 3.0) programme, initially intended to be in effect from 2021 to 2023, has been extended until 31 December 2024. Nonetheless, about 80% of the quotas for the NEM rakyat scheme for domestic consumers and the net offset virtual aggregation (NOVA) scheme for commercial and industrial consumers have been utilised as of October 2023, according to the Sustainable Energy Development Authority (SEDA). Therefore, it may be necessary to increase the quotas to accommodate greater demand from these sectors, as done previously in March 2023.

Conversely, the government's use of solar energy has not progressed as expected, evidenced by the NEM GoMEn quota utilisation of only about 38% over the past 2½ years. The budget aims to address this by installing solar panels on government buildings to model Putrajaya as a low-carbon city. However, a significant amount of rooftop solar potential for government facilities nationwide – such as offices, hospitals, universities and schools – remains untapped, with only 100MW currently allocated as the quota under NEM GoMEn, compared with about 4,400MW of potential capacity as estimated by SEDA.

Other announcements to facilitate the development of renewable energy include encouraging the wider practice of the "zero capital cost" subscription model for residential solar currently offered by several service providers. Other announcements include developing a rooftop solar buyback programme which can signal a minor but positive step towards eventually realising an effective end-of-life management framework for solar panels. Lastly, the continued liberalisation of the electricity grid infrastructure by exploring third-party access (TPA) models.

Measures directly related to energy efficiency (EE) are conspicuous by their absence, especially since the long-awaited Energy Efficiency and Conservation Act (EECA), a flagship NETR project, was passed in Parliament just a few days before the budget. No funds have been explicitly allocated for the major retrofit of government buildings identified as one of the EE initiatives under the NETR. To be noted, however, is that it may be possible that these funds could come from the amount already committed to the NETF.

The EV ecosystem continues to receive attention in the budget, with focus given to the electric two-wheeler (E2W) segment in line with one of the NETR initiatives for land transport. Rebates of up to RM2,400 will be provided for the purchase of electric

motorcycles for those with annual incomes below RM120,000. However, the wider availability of support facilities, such as public charging and battery swapping stations, is still required to accelerate the acceptance and utilisation of E2W, especially among the lower-income groups.

Funds from TNB, Gentari and Tesla Malaysia amounting to RM170 million will be invested in the installation of 180 new EV charging stations, a 14% increase over the 1,246 existing ones as of September 2023. It is yet unclear if these are in addition to the units planned to be installed separately by Gentari and TNB that were mentioned in the revised Budget 2023 announced in February. However, these quantities are still a far cry from the target of 10,000 public charging stations by 2025 earmarked as one of the NETR's flagship projects.

Existing EV incentives of individual tax relief up to RM2,500 for EV charging facilities and tax deductions for EV rentals have been extended by four and two years respectively. The government is also proposing to begin using EVs as its official vehicles. While this is a laudable step to reduce fossil fuel consumption, its implementation should be carried out in tandem with the phasing out of the current internal combustion fleet and supported with cost-benefit and emissions life-cycle analyses to realise fully its intended goals and prevent wastage.

3.5 Gender and care

Budget 2024 suggests a reduced focus on gender-responsive policymaking compared with Budget 2023. Budget 2023 made important references and commitments to gender mainstreaming – a strategy which integrates a crucial gendered lens at all stages of policymaking. This was exemplified in the announcement of implementing gender-focal teams (GFTs) in all ministries. However, there has been no mention of any gender mainstreaming initiative in Budget 2024, except for a carry forward of the 30% target of women in decision-making positions on the boards of GLCs and GLICs. Notably, this 30% target was neither increased nor extended to include women's representation in policymaking. There were also missed opportunities to integrate a gendered lens in various policy areas, especially in education, climate mitigation, public facility maintenance and overall governance frameworks.

Budget 2024 features a marginally higher allocation for care services, but focuses on a narrower range of initiatives, especially for childcare. The previous budget provided allocations for more diversified initiatives related to care, including public, private and community-run care centres – to reduce the operating cost of care for service providers and consumers. The bulk of this year's budget is funnelled towards early childcare and education (ECCE) centres under KEMAS and the establishment of new kindergartens under the Ministry of Economy. These are necessary investments in the public ECCE system but focus needs to be paid to coverage and location of centres while addressing issues related to fragmentation in the ECCE system. There are four different ministries, including Education, Rural Development, National Unity and Women, Family and Community Development ministries, involved in the system. To align with Budget 2024's focus on improving governance, efforts should be made to streamline the governance of the ECCE system, centralise the various models of each ministry under a working committee, and put in place monitoring and evaluation systems.

Similarly, diversifying allocations to a wider range of care institutions, such as community-based care and ensuring that services span the full workday to accommodate working parents will also be important ways to enhance and deepen care provision. Notably, the Budget 2024 does not offer tax incentives for employers to set up

workplace childcare facilities – a generally preferred care model for working parents. To this end, increasing budgetary allocation to increase workplace childcare facilities can more effectively fill gaps in childcare services.

While Budget 2024 aims to boost women's labour force participation, the proposed return-to-work tax incentives favour higher-income, higher-educated women in formal employment. Extending the timeframe for the tax incentives to 2027 to encourage women to return to work after a career break is a welcome move. However, this incentive will not benefit women in informal work who are more economically vulnerable, as they often lack a consistent taxable income. Additionally, the higher tax exemptions for childcare allowances paid by employers from RM2,400 to RM3,000 will be similarly limited in scope and coverage, as they cater predominantly to employees in multinational companies. This may leave out the vast majority of workers in MSMEs, who make up about 70% of the nation's workforce.

Additionally, it is crucial that monitoring and evaluation be undertaken to assess the efficacy of such tax incentives. While these measures may help facilitate women's return to paid work, it does little to ensure that they remain in the labour force. Women tend to take career breaks because of household and care obligations. Without concerted policy efforts to reduce and redistribute the disproportionate care burdens that women face relative to men, these tax incentives may have limited impacts on women's workforce participation in the long run.

Similarly, to address the exclusion of informal women workers, policymakers will need to recognise the unique challenges faced by this group, including that they tend to earn less, have less access to employment-linked social protection and have poorer job security. Facilitating their workforce participation requires more inclusive care subsidies that will defray the costs of care and allow them to join the labour force. Making these subsidies conditional on enrolling children at registered childcare centres can also simultaneously ensure children receive quality formal care in line with standards.

Among the most notable gender-responsive components of Budget 2024 was the expansion of social-protection measures for women in unpaid home production. Matching the contribution limit to the EPF's i-Suri programme aimed at housewives and continuing the Housewives' Social Security Scheme for those under the e-Kasih database indicate the government's understanding of providing social safety nets for women who carry out the bulk of unpaid care work at home. However, there are age limits to these programmes, and given that women's care responsibilities extend well into their later years, this needs to be supplemented with more gender-responsive social safety nets for women in old age, recognising that women tend to outnumber elderly men and often have less social insurance. Future budgets could enhance gender-responsiveness by also including men in these initiatives, acknowledging and normalising their roles in care work. The decision in Budget 2024 to allow women to transfer 2% of their EPF contributions via the i-Sayang scheme reflects this understanding and could be broadened further. Future policies also need to consider financial support for informal caregivers that adequately replace income lost to care work.

As Malaysia ages, the RM1 billion allocation to provide senior citizens with cash assistance and funding for care institutions will help to address growing care needs. This is also supplemented by an industry building allowance for private nursing homes for the elderly. These investments will go a long way towards supporting the elderly in accessing care as well as growing the care economy. However, there is a need to increase spending to make private care more

affordable, improve coverage of assistance to senior citizens, and diversify care institutions, such as adult daycares, to suit the varied realities and circumstances of an ageing population – especially as old-age dependency is expected to see a threefold surge to 21.7% by 2040.

More allocation is needed to address gender-based violence. The RM50 million channelled to Skuad Waja 3.0 and anti-sexual harassment programmes represents a good step towards addressing gender-based violence. However, greater fiscal and institutional investment in the overall legal and support system for victims of gender-based violence is necessary. For example, domestic violence survivors often face challenges reporting their cases. More funding needs to be allocated to the Sexual, Women and Children's Investigations Division (D11) of the Royal Police Malaysia (PDRM), a division which has long faced issues with manpower. At the same time, a systematic healthcare response to domestic violence is also necessary. Investing in public health providers to be able to identify and respond to domestic violence cases among patients is key towards addressing concerns of gender-based violence.