

# Generous allocations for ICT in Budget 2004

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**W**ithout a doubt, Information and Communications Technology (ICT) is gradually becoming a greater part of our lives. ICT is also an enabler of the country's digital economy, which is now shaping up the economy.

The recent Budget 2004 announcement clearly reflects this through generous allocations for the development of the industry and the country in general. Although about 60 per cent of PIKOM's (Association of the Computer and Multimedia Industry of Malaysia) proposal to the Ministry of Finance for Budget 2004 has been met, there is much room for the development of ICT namely in education, small and medium industries and the service industry. Such efforts are in line with our objective to move up the value chain.

## Shared services hub

The Prime Minister has stressed that the country needs to boost the service sector as the hub for shared services and outsourcing. This will result in an increase not only in the demand for hardware and software but also in value-added services.

In the ICT and professional service sector, this is a positive sign for the Malaysian call centres and also the data or information centres that are fast gaining popularity. Currently, Malaysia has about 120 call centres while multinationals who have set up their shared services centres and data processing centres in Cyberjaya include DHL, Shell, HSBC and Ericsson.

Call centres, a fast growing industry locally, are able to tap into the multi-lingual capability of local

knowledge workers. It is no doubt that call centres should easily be able to take the country to greater heights as a global centre of excellence for call centres.

## Internet & Broadband access

The proposed merger of the two leading Internet Service Providers (ISPs) is welcomed by the industry, especially because the Government has taken into account the welfare of consumers. The fat discounts for Internet and broadband access also show that the Government is serious in its effort to bridge the digital divide. More companies will be able to get connected since it is now more affordable to do so.

However, in order to gain access to the Internet, a personal computer is a prerequisite. PC loans should be made easily available and various PC ownership programmes are still needed by consumers. For the less affluent consumers, getting a PC is a luxury, what more Internet or broadband access. MIMOS Bhd's recent Internet Subscriber Study report indicated that western Peninsular Malaysia had a higher Internet penetration rate at 83.7 per cent. Hence, broadband services should be offered to the whole nation and not merely confined to urban areas if digital divide is to be bridged.

## Technopreneurship Funds

The Government is also visionary in promoting research and development in the areas of biotechnology. Although not directly related to ICT, this will surely inspire a creative culture among Malaysians even in the ICT industry. The same goes with the additional RM300 million allocations for Malaysia Venture

Capital Management Berhad (Mavcap) that is touted to spur new ventures in the ICT arena. The various funds provided by the government, including to Mavcap, Malaysia Debt Ventures and Malaysia Technology Development Corporation, augur well for the ICT development in the country.

## Benefiting small and medium industries (SMIs)

Budget 2004 was also very favourable to the SMIs, giving generous corporate tax breaks. With the additional funds derived from the tax breaks, SMIs should seriously consider investing some of this money towards computerisation and automation, for example, value adding to their Enterprise Resource Planning (ERP) systems, supply chain management or even business process outsourcing.

Such investments are crucial in the long term to have the competitive edge in the globalisation of economies.

## Local products and services promotion

Under PIKOM's Budget proposal, we sought greater emphasis and assistance in promoting local ICT products and services and we are pleased that the Government has responded by providing an additional RM100 million for this initiative.

PIKOM is also pleased that the Government will review its procurement system to encourage usage of local content and value-added services. Perhaps, in order to encourage local technology development, all Government tender specifications should be made to include Made-in-Malaysia products as a policy. **mb**