

**Unearthing Najib's budget patterns**  
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COMMENT The 2015 National Budget is dawning upon us, and coincidentally it is also the last budget of the 10th Malaysia Plan. It also signifies the sixth ever budget under the premiership of Najib Abdul Razak.

Last but not least, this is a budget that is six years away from our former prime minister Dr Mahathir Mohamad's grand vision of Wawasan 2020 and it will be remembered as a 'GST Budget' - the implementation of the Goods and Service Tax (GST) as a new tax regime in Malaysia - to reduce continuous fiscal deficit in the federal budget over past 16 years.

There is always a huge media coverage whenever the finance minister announces the country's budget, but perhaps like every other news in Malaysia, the attention span given by the rakyat from all classes is at most, minimal.

Typically, the parliamentary debate on the federal budget both at the policy as well as committee stages will usually last about two months. During the committee stage of the debate, the contents are usually relatively boring, this in turn leads to the rakyat's focus on the issue dissipating with the passage of time.

Consequently, if some hidden crucial details are not being unearthed within first three weeks after the announcement of the budget, chances are the parliamentarians may not have the exposure needed to elevate the issue to the rakyat's eyes; or because of the nature of the budget is esoterically drafted, therefore the media will find difficulties in digesting it over such a short time span, and turn into a news item worthy of reporting.

Nevertheless, a closer examination of the budget will still shed light on some of the policies and approaches that are exclusive to Najib's budget. Before delving deeper into the issue, there is a need to bring ourselves back in time in order to discern the pattern which is embedded in his budget all along.

Former prime minister and finance minister Abdullah Ahmad Badawi presented his last national budget on Aug 29, 2008. Nineteen days later, on Sept 17, 2008, he passed on his duties as the finance minister to the then-defence minister, Najib.

Responding to the news of the transfer of power, the Kuala Lumpur Stock Exchange suffered a backlash, the Composite Index fell by 39.70 points, or 3.96 percent, to 963.29 points. As a result, the 2009 National Budget was not presented by Najib although he was the finance minister at that time.

Since then, Najib was officially sworn in as the prime minister and concurrently finance minister in the subsequent year. Thus, Najib tabled a total of five national budgets from

2010 till 2014 under his premiership. On Oct 10, 2014, Najib will table his sixth national budget, i.e. Budget 2015.

### Economic stimulus packages

When the global financial crisis happened so suddenly during the third quarter of 2008, which coincidentally occurs just after Najib took over the post, this proved to be a big test on our prime minister's economic capability. He responded to the challenge by introducing a series of economic stimulus packages, including passing a 2009 supplementary budget which increased the government expenditure hoping to stir Malaysia away from the crisis.

Since then, although the country has not faced similar economic hardships similar to the 1997-98 Asian financial crisis, or the Indian Ocean earthquake and tsunami, Najib's regime is still habitually presenting and passing supplementary budgets in the parliament. In the meantime, the federal government continues having a fiscal deficit.

Najib's annual budget has a few similar characteristics, which is reflected on the nation's fiscal deficit, debt, and the passing of supplementary budget itself.

Despite the warning given by the international financial reporting that our national debt has reached 55 percent of our gross domestic product (GDP) threshold, but government's economic report still set out the tone that the federal government debt is still well below the 55 percent threshold and therefore within manageable level.

It is undeniable there is no accountability from the government's side in dealing with the federal government debt problem faced by Malaysia right now.

In the latest edition of the Edge Weekly dated Oct 6 - Oct 12, 2014, Mahathir has said in an interview, by referring to 1MDB - or "1Malaysia's Debt of Billions", as described by Opposition Leader Anwar Ibrahim - that "when the government stands guarantee, it is equivalent to government borrowings", and that "the debts are too high. It is not very transparent".

Similarly, when the national budget was tabled each year, the worrisome data of fiscal deficit will hit the headlines of all if not most of the media outlets. However, the frustrating part is there is hardly any serious debate or discussion in the mainstream media on why with the increase in national income each year, the country is still living beyond its financial depth.

Adding on the fact that how the supplementary budget was used as a political tool by a regime trying hard to manage increasing federal government debt does not get a fair share of reporting is equally bewildering. Malaysia will continue to worry herself with an ever-burgeoning debt crisis, but never bother to think of why was it in this precarious juncture at the first place.

It is a norm that under the premiership of Najib, there will always be two supplementary

budgets each year followed closely after the national budget, as if the spending of the first was never enough (never mind the actual national budget).

#### A tool in time of crisis

A supplementary budget was originally a tool to exercise it in time of crisis, when substantial government intervention was needed to kick-start the economy. However, it will only serve to push the country to the brink of another financial crisis with the fiscal debt shows no sign of declining.

Given that the state has not experienced any economic turmoil, and society is still largely peaceful and safe from natural disaster, the onus should fall on the government to be prudent in its spending to ensure there is sufficient capital to manoeuvre around if a crisis is ever around the corner, yet we see supplementary budgets still preposterously being passed in the parliament.

A crisis as subtle as this could be exacerbated by a suddenly unforeseen financial collapse. Malaysia's irresponsible and non-transparent debt could give rise to the volatility of our financial system, and it is akin to a bubble waiting to burst.

Till October this year, Najib has proposed a total of six annual national budgets, as well as 11 supplementary budgets. Although, the 2009 National Budget was proposed by Abdullah Badawi, the 2009 controversial supplementary budget was indeed proposed by Najib. The first was for RM10 billion and the second was for RM11.4 billion.

Recently, Parliament had passed two supplementary budgets i.e. the Supplementary Supply (2013) Bill 2014 in March 2014 and the Supplementary Supply (2014) Bill 2014 in June 2014. The former is a budget that is meant to supplement the financial year of 2013 and it was tabled in 2014. The latter is a budget that is meant to supplement the financial year of 2014 and it was also tabled in 2014.

The first supplementary budget of 2013 is up to RM15 billion, the second is RM3 billion. The first supplementary budget of 2014 is RM4.6 billion. Will the second supplementary budget of 2014 be tabled early next year?

Since Najib has been in power, every year there are always two supplementary budgets. Therefore, we boldly predict that the treasury will finance the second half of 2014, by presenting a second supplementary budget. This has always been the trait of Najibnomics under Najib's budget features.

Another feature of Najib's distinctive budget is the ever-rising operational expenditure, and operational expenditure accounted for a high proportion of the total cost of the budget. Generally, high income advanced countries would allocate its total cost of budget more on operational expenditure than development expenditure. The developing countries would spend more on development expenditure given its vastly untapped potential.

Malaysia is ranked among the middle income nations. Theoretically, the government, in the preparation of the budget, should give more attention on the development expenditure rather than the operational expenditure. Unfortunately, Najib's budget is inclined on allocating more towards operational expenditure.

The first budget he proposed during 2010 has a ratio of 75:25 between operational expenditure and net development expenditure. The next budget is even more disproportionate and has a ratio of 80:20. The 2012 Budget has an operating expenditure accounted for 82 percent, and net development expenditure accounted for only 18 percent.

Both the 2013 and 2014 Budgets have estimated operating expenses accounted for 84 percent while estimated net development expenditure accounted for only 16 percent!

This tells us conclusively that whether is the debt-ridden problem, the fiscal deficit, or the passing of supplementary budget, Najib lacks the discipline of a prudent financial minister to govern the country's economy. Furthermore, he lacks the political will to initiate a change in our unhealthy allocation between operational and development expenditure.

Although at times like this, an ill-advised budget might not have a severe effect towards the country, but this does not mean that there were not any hidden risks that will affect the country and rakyat's future.

#### Ineffective Budget scrutiny

A national budget presentation is a premier parliamentary occasion held during the third sitting of parliament each year. Although Malaysia's state-run television broadcasts half an hour of the morning's Question Time in the Parliament, it is a selective broadcast wherein the live broadcasting would be intercepted whenever the cabinet member is confronted or questioned by an opposition member of Parliament (MP).

Nevertheless, during the first Friday of the third meeting of the Parliament each year, state-run television would then broadcast any information and issue related to national budget since afternoon while awaiting the budget presentation by Prime Minister-cum-Finance Minister Najib at 4pm on that particular Friday.

For this year, Oct 10, 2014 will be the 'Budget Day' of Malaysian Parliament. People from all walks of life are, more or less, expecting for the announcement of new measures that are beneficial to their own interest.

According to the proceedings set this year, three days before the Budget Day, there will be a first reading of the budget in the Parliament. A first reading is the first stage of a Bill's passage through the Parliament, where only the short title of the Bill is read out and it takes place without debate.

The important proceedings kick-start only during the second reading of the budget. On the first day i.e. during Budget Day, a second reading is wherein the key principles and main

purpose of a bill is introduced, and thereafter the MPs are given their first opportunity to debate the main principles and to flag up any concerns or specific issues.

The parliamentary term for the Budget is known as the Supply Bill. During the first reading, only the title '2015 Supply Bill' is read out and the budget reports and estimates are not presented yet. Therefore, MPs especially those from the opposition have no access to the detailed report beforehand.

For those MPs who are from the ruling party, if any of them got the opportunity to access the report prior to the actual budget presentation and moreover leak it out, it is in fact a violation of the Official Secrets Act 1972, and such a violation is not protected under the parliamentary privilege enjoyed by MPs.

This is the difference between a 'Supply Bill' and an ordinary bill. On the first reading of an ordinary bill, all MPs can already access the bill to prepare for their "participating in the legislation process" on the second reading.

As for the 'Supply Bill', MPs can only access to the budget contents on the first day of second reading (which is on the day of Budget Presentation itself, i.e. the Budget Day) and thereafter participating in the legislation process not less than two days as set by the Standing Orders of the Parliament.

#### Five important budget documents

On the first day of the Second reading, all MPs will get at least five important official budget documents. The first document is the text of budget content which will be presented and enunciated by the finance minister, introducing the government's plans concerning fiscal, economic and social policy (the budget) for the forthcoming year - this is also commonly known as the 'Budget Speech'.

However, the 'Budget Speech' does not comprise all the policies and measures that will soon be introduced and implemented for the next fiscal year. For instance, the previous Budget Speech did not even mention about the cutting sugar subsidies but it was 'hidden' in other official documents.

The second document is the thickest among all the budget documents, it is the estimates and details of the allocations and projects of every ministry. The third one is regarding the national macroeconomics, which is a report of national economy of the past, current trends and future prospects. The fourth is the details of federal government's income sources and forecast.

Last but not least, the fifth document is the actual financial expenditures of the federal government, containing information on government finances and related matters in the previous year.

Generally, the last two documents will be ignored by the media, as well as the MPs due to

time constraint. After the Budget Day, MPs, especially the Leader of the Opposition can only grasp the weekends (Saturday and Sunday) to go through all these five documents quickly, to research, analyse and study the related data and issue, and finally come out with his/her budget speech for the debate session on the very Monday.

The policy debate session will be held from Oct 13 to 30, and after that from Nov 3 to 6, every cabinet member will answer the questions and doubts raised by the MPs, as well as to response to their criticisms and suggestions. In short, this is the deliberation sessions of policy stage.

The conclusion of policy stage does not lead to the third reading of the 'Supply Bill' directly. This is because before the third reading, the bill has to be deliberated in detail at the committee stage, and this will be carried out from Nov 10 to 25.

### Institutional design

This article aims to introduce the proceedings of the 'Supply Bill', and whenever a national budget is tabled in the Parliament, the focus is neither merely on the Budget Day itself, nor the Budget Speech, not even the highlights of the media coverage. This article attempts to articulate that the advantages and disadvantages of the entire proceedings within the institutional design will undeniably affect the role of MPs in their participation in the legislation process.

When a national budget that is dominated by the executive power is brought to and tabled in the Parliament, how is it being scrutinised and questioned by the legislative power, or in other words, how MPs participate in the legislation process has become particular significant to highlight how the cabinet system can give weight to the public opinion.

Hence, it is necessary for those civil organizations, which always stress on the public opinion, to recognise the operation of the Parliament, and to focus on how the public opinion being delivered and conveyed, as well as on how the legislative power to effectively scrutinise the executive power.

As a starting point, we should question the effectiveness of such a system of institutional design that only give two days to the first batch of MPs, three days to the second batch, four days to the third batch and five days to the forth batch, to get ready to participate in the legislation process, in conveying public opinion and in ensuring that executive power is being scrutinised by the legislative power.

This article further questions the deliberation session of committee stage between Second and third reading of 'Supply Bill'. By following the parliamentary tradition in Malaysia, the deliberation sessions of both policy stage and committee stage are being carried out in the Parliament hall. In other words, the committee stage at the Parliament/ House of Representative is in fact a full-house-style committee, i.e. Committee of the Whole.

Unfortunately, the national budget consists of all details and elements of government's

income and ministries's fundings, allocations and expenditures, which further involved complicated technicalities and complex details, can hardly be studied and inspected comprehensively and thoroughly within the institutional design of a Committee of the Whole in the Parliament.

That is to say, not only that the MPs can hardly play their legislative role to introduce a new law, but even at the level of "participating in the legislation process", they fail to play their essential role effectively.

A rubber stamp of the cabinet?

Under such circumstances, the limitations of such a system of institutional design have rendered the Parliament a mere rubber stamp of the cabinet, given that the budget approved by the Dewan Rakyat or the House of Representative is actually drafted by the Attorney-General's Chambers and finalised by the cabinet.

Clearly, when legislative institution fails to make legislation, and does not even able to participate in legislative process effectively, it can merely act as a rubber stamp. This is the institutional drawback. How to transform it in terms of institutional design is thus a crucial part for parliamentary reform.

This article argues that in order to enable the legislative institution to throw off the shackle of being a rubber stamp, the institutional reform should be done from the committee stage. The full-house-style committee is in favor of the executive-led legislative process, but not conducive for the legislative power to play its role in participating in the legislative process.

On the contrary, it is also essential to explore on how to add to existing design a new institutional arrangement that enables cabinet members, together with the civil servants to be held accountable to the Parliament collectively, as to play their role legitimately through demonstrating the credibility of executive power, and through manifesting the public opinion and public participation of legislative mechanisms.

Thus, this article advocates that the budget deliberations session, particularly regarding the detailed estimates for each ministry, should be referred to newly established estimates committees, consisting of appropriate select committees and standing committees for extensive and in-depth consideration. Let the professionals handle it in a professional way, and let it be separated from politics.

An absolute separation, nonetheless, will create other problems, and neither will be practical. There must be space remaining between professional and politics for interaction, and the tension in between created by the new institutional design will be even more conducive to highlight the importance of legislative power.

Such a proposition goes beyond partisan politics and instead aiming to strengthen the role of legislative power, and adding significance to budget scrutiny. To those civil organisations vigorously talking about public opinion, are you ready to push for such reform agenda?

The provision of Article 43(3): “The cabinet shall be collectively responsible to Parliament” in the federal constitution is the basic connotation of the representative system that actually operates in Malaysian Parliament.

In doing so, cabinet members, as well as ministries, can be held accountable to the people's representative or ‘wakil rakyat’. In other words, in the context where legislative power is overpowered by executive power, executive power can still be held responsible to legislative power, and hence be held accountable to the people or rakyat.

In the light of such basic connotation, the committee stage is the key. The best description of the characteristics of budget is that “the devil is always hidden in the details”.

Hence, the Malaysian Parliament needs estimates committees consisting of small committees wherein different groups of small number of specialised professionals appointed to deal with particular areas or issues of different ministries, in order to look at individual aspects of the budget in detail and to have independent analytical capacity at its disposal to scrutinise the budget.

Over the years, the budget had been approved in the Parliament in a rough manner and the financial legislations had then be made. Civil organisations, either those which stress on public opinion or emphasise on reform movement, should not shun away from parliamentary reform. To advocate small scale committee that is of non-full-house-style for the deliberations at the committee stage is the starting point for such parliamentary reform.