

Gov't expected to table supplementary budget
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A World Bank economist surmises the government may table a RM5.2 billion supplementary budget even though it announced a RM5.5 billion budget cut in its operating expenditure on Jan 20 in the wake of falling oil prices.

Frederico Gil Sander, a senior economist of the World Bank, reasoned this because he noticed a difference of RM5.2 billion in expenditures between Prime Minister Najib Razak's revised 2015 Budget and the original version.

Gil Sander (left) pointed out there was a "gap" after factoring in the RM5.5 billion spending reduction, the RM10.7 billion of fuel subsidy cuts, as well as the government's targeted revenue and 3.2 percent reduction of the deficit.

This, he said, meant the government may table a supplementary budget this year, as it has in previous years, to accommodate measures announced in Budget 2015 such as the bonus to civil servants.

"There were expenditures of about RM5.2 billion that were included in the new estimates. Some of that, for example, are the bonuses for the civil servants," Gil Sander told a seminar yesterday.

The seminar was on the World Bank report titled 'Malaysia Economic Monitor: Towards a Middle-Class Society'.

RM5.2bil mentioned in 2015

Gil Sander, however, clarified that the spending of RM5.2 billion was "not new" per se, as the items were mentioned by Najib, who is also finance minister, when he tabled the 2015 Budget to Parliament last year.

He explained that this arose because there are differences between the 2015 Budget report prepared by the Finance Ministry and the actual announcement by Najib in the Dewan Rakyat.

"There's a lag from the time when they prepared all the Budget documents and the Budget speech because the Budget speech was finalised at the very last minute.

"So the prime minister, based on various considerations, decided to include several things in the speech," he said.

Gil Sander stressed that this additional spending would not affect the targeted 3.2 percent deficit reduction as it had been incorporated in the 2015 Budget right from the beginning.

However, he advised the government not to have a supplementary budget every year.

“Ideally, when you do the Budget the first time, you should include all the policy measures. If you want a bonus for civil servants, that’s fine, but it should actually be in the Budget.

“And if that doesn’t fit with your deficit target, prioritise it,” he added.

‘More mid-term plans, less one-off’

Gil Sander said the government should come out with more medium-term plans to trim expenditures instead of one-off measures.

“The government announced a lot of one-off things, such as cutting the National Service.

“So if the oil prices remain low for 2016, which is quite a likely scenario - certainly something the government would want to prepare for - it’s less clear that it can do these one-off measures again in 2016,” he said.

For example, he said, each ministry should be given a medium-term budget, guiding them with the fact that resources are not unlimited when the oil prices are low, which may persist to next year.

He added the government should also come up with ways to prevent the revival of the fuel subsidy when the oil price goes up.

“Now is the time to do it because you have the time of one or two years to think about what mechanism would be better to implement in order to protect the vulnerable households when the oil price increases,” he said.