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New committee to be set up to recover state loans

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PUTRAJAYA: The National Finance Council has agreed to set up a Loan Recovery Committee (LRC), to be spearheaded by the Finance Ministry, to identify outstanding loans at the state level.

Speaking after a meeting with state leaders and relevant ministries and agencies yesterday, Prime Minister Datuk Seri Najib Razak said LRC would suggest ways to settle the loans.

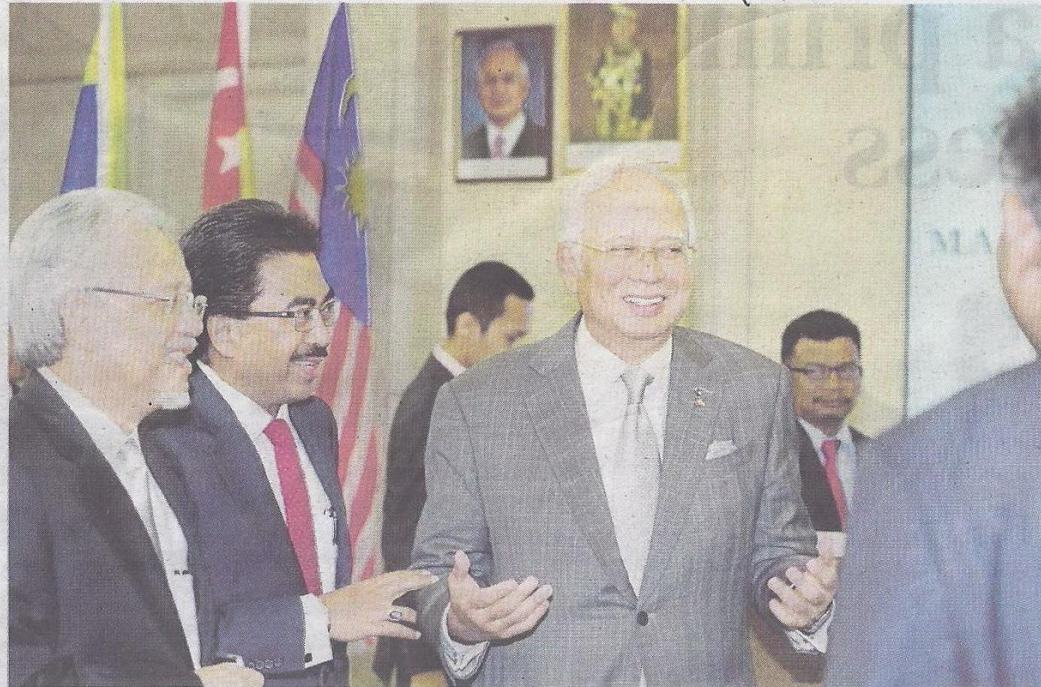
The committee, he said, would be chaired by Treasury secretary-general Tan Sri Dr Mohd Irwan Serigar Abdullah.

"The (committee's) term of reference is to identify outstanding loans and suggest appropriate ways to settle them. In addition, the committee has to monitor and report to the council on actions taken by the state governments.

"The council has decided to take continuous proactive measures to reduce outstanding loans from the state governments."

Najib said this was in view of the RM2 billion in uncollected revenue annually in the states between 2011 and last year.

Najib, who chairs the council, said the state governments had implemented several measures to increase revenue collection, including giving a 10 per cent discount for early tax payment and setting up mobile revenue collection counters.



Prime Minister Datuk Seri Najib Razak having a discussion with **Second Finance Minister Datuk Seri Ahmad Husni Mohamad Hanadzlah** (left) and **Deputy Finance Minister Datuk Johari Abdul Ghani** (second from left) after a meeting with state leaders, ministries and agencies in Putrajaya yesterday. Pic by Mohd Fadli Hamzah

Asked why there was a delay in recovering the loans, Najib said several state governments faced "problems" when collecting revenue.

"Water is a big problem. In some states, the non-revenue water is high. For example, in Sabah and Sarawak, many illegal immigrants

steal water.

"Another problem is that people don't pay their housing loans."

Najib said the council would seek

a consensus from all stakeholders on how best to resolve the issue of outstanding loans.

"There was a suggestion to cut yearly allocations to states (that have problems paying back their loans to the Federal Government).

"There was even a suggestion for states to provide collateral (for the Federal Government to release loans to states)."

The council had, in the past, called on state governments to ramp up efforts to improve revenue collection.

Present were Second Finance Minister Datuk Seri Ahmad Husni Mohamad Hanadzlah and Deputy Finance Minister Datuk Chua Tee Yong.

Najib said the council received a positive report on the Malaysian Road Record Information System (Marris) allocation from the Federal Government to maintain roads.

"Expenditure performance in 2015 is at 110.4 per cent, compared with 91.3 per cent the year before."

Najib said the council had agreed to allocate RM330 million to the State Reserve Fund in 2018.

The fund was to help states that faced a shortfall in their management accounts, he added.

He said the contribution allocated by the Federal Government to the fund this year was RM580 million and RM530 million next year.