

PARLIAMENT: Subsidy Rationalisation To Continue For People's Well-being
Bernama
1 Apr, 2014

KUALA LUMPUR, April 1 (Bernama) -- Gains from the ongoing subsidy rationalisation will be channelled for national development to improve the well-being and quality of life of the people, Prime Minister Datuk Seri Najib Tun Razak said Tuesday.

They would also be utilised for supplementary projects, particularly in Sabah and Sarawak, he told the Dewan Rakyat.

"When the revenue base expands, many projects, including infrastructure development, can be implemented. The government is committed to carrying on with the subsidy rationalisation to help boost the national economy.

"The annual development allocation now stands at RM46 billion, and subsidies and incentives touched RM43 billion last year. Of course, this is inequitable. As such, it is only proper for the government to implement a sustainable subsidy rationalisation," he said.

Najib was replying to a supplementary question from Datuk Ahmad Hamzah (BN-Jasin) who had wanted to know whether the government would continue with its subsidy rationalisation and what measures had been taken to that effect.

Najib said the subsidies given before the rationalisation were offered in bulk and this led to much wastage and leakage and benefited the high-income group more than the low-income and lower middle-income groups.

As such, he said, the government now gave subsidies targeted at the needy groups, such as the 1Malaysia People's Aid (BR1M), and was looking into ways to improve this assistance.

Replying to a supplementary question from Tan Seng Giaw (DAP-Kepong), Najib said: "In implementing subsidy rationalisation, the government must ensure consolidation of the Social Safety Net so that the low-income group does not feel the pressure from the higher expenses they face."

Tan had wanted to know what philosophy the government utilised for implementing the subsidy rationalisation.

Najib said part of the savings from the subsidy rationalisation would be utilised for the social safety net to improve economic growth and ensure the people's well-being.

He also said that part of the savings would be used to finance development that could raise the

national productive capacity, such as infrastructure development including rural and urban roads, hospitals and housing.

The savings would also enable the government to build more schools and educational institutions and provide training much-needed for human capital development, he said.

Replying to the original question from Datuk Ahmad Hamzah (BN-Jasin), Najib said the government had decided to implement the Fiscal Transformation programme (FTP) to strengthen the sustainability of the country's financial position, including reducing the fiscal deficit and the national debt and ensure the welfare of the people in a comprehensive and holistic manner.

"Of course, this transformation includes the subsidy rationalisation to increase the efficiency of expenditure and distribution of government financial resources.

"Malaysia has taken the gradual approach to support continued economic growth and, at the same time, maintain the well-being of the people," he said.

The prime minister explained that subsidy rationalisation was necessary as subsidy expenditure was increasing due to the rising price of world crude oil and an increase in the number of vehicles.

For example, he said, in 2010, the government spent RM23.1 billion or 15 per cent of the operating expenditure to finance subsidies, aid and incentives.

"Last year, after three years, the amount rose to RM43.4 billion or 21 per cent of the operating expenditure.

"Too large a subsidy will undermine the country's financial position and render it not sustainable for the long term," he said.

As such, Najib said, fiscal reform was important to strengthen the financial position and ensure that the targeted fiscal deficit remains at 3.5 per cent of the Gross Domestic Product (GDP) this year and three per cent in 2015 and a balanced budget is achieved in 2020.

Najib said the government was committed to ensuring that the national debt did not exceed 55 per cent of the GDP.

"The subsidy rationalisation has been implemented with care to ensure minimum burden on the people, particularly those in the low-income and lower middle-income groups.

"It also took into account various aspects, including the rate of inflation, cost of living and the global economic position as well as the target mechanism," he said.

Najib said that overall the subsidy rationalisation and direct aid reflected the seriousness of the

government to implement various reforms to ensure that the country achieved the status of a high-income developed nation and the people enjoyed a better quality of life.

-- BERNAMA

Copyright © 2014 BERNAMA

Source: <http://www.bernama.com/bernama/v7/newsindex.php?id=1026666>