PRESS RELEASE

The Rakyat's Welfare Remains A Priority To The Government

PRESS RELEASE | 07 APRIL 2021

1. Recently, there have been several allegations and misperceptions from various quarters on the Government's transparency and sincerity in prioritizing the wellbeing of the rakyat, particularly in applying specific policies to achieve this objective.

2. One point that needs to be emphasized is that the declaration of a state of emergency is to contain the COVID-19 pandemic, to ensure that the Malaysian economy can recover quickly. In this regard, the Government would like to clarify that **the main priority during the emergency period is the application of all existing policies and legislation to protect the *rakyat's* lives and livelihoods.** Taking into account the need for additional allocations in the ever-changing circumstances and uncertainties of the COVID-19 crisis, **the Federal and State Governments need the flexibility to approve additional spending to address the health crisis, and meet their urgent needs to address the direct impact of this pandemic on their respective economies.**

3. To that end, the gazetting of the **Emergency *(Essential Powers) (Amendment) Ordinance 2021* has taken into account several factors, as follows:**

a. **During the enforcement of emergency, the section on temporary financial provisions allows**

additional expenditure with the approval of the Treasury (Minister of Finance) or the Menteri Besar or Chief Minister of a State. This amendment is in line with the temporary financial provision in Section 3 of the *Emergency (Essential Powers) Ordinance No. 3, 1969* (Ordinance No. 3, 1969) and 14 notifications relating to finance issued from 1969 to 1971, as the basis of drafting amendments to the *Emergency (Essential Powers) Ordinance 2021*.

b. **The section on temporary financial provisions in the emergency ordinances is not a new provision. Matters related to the presentation of the annual budget and supplementary estimates were also carried out during the emergency period from 1969 to 1971.**

c. The promulgation of amendments to this ordinance was also **finalized only after KDYMM Yang di-Pertuan Agong was satisfied with the need for an urgent response to ensure and maintain public health, economic continuity and public order.**

ACCOUNTABILITY AND TRANSPARENCY OF FINANCIAL GOVERNANCE IS MAINTAINED

4. **In terms of accountability and transparency, the Ministry of Finance has published the *Malaysian Treasury Circular PB 1.4, Procedure for Supplementary Expenditure Estimates during period of Emergency*[1]** , which details the guidelines, governance on additional expenditure, as well as the processes for managing additional expenditure during the emergency period.

5. **The governance guidelines will ensure that the additional allocation for the year is a necessary expenditure. The Ministry of Finance also takes into account the Government's fiscal position** before any application is considered. Related to this, I would like to reiterate my commentary on 22 March 2021 whereby I emphasized that:

a. The Government's statutory debt which comprises the issuance of MGS, MGII and MITB is limited to 60% of GDP.

b. Offshore Borrowings and Treasury Bills are capped at RM35 billion and RM10 billion respectively.

c. Despite the enforcement of the Ordinance, **the debt limits are still subject to the respective statutory provisions for each type of debt.**

d. As at end-2020[2] **, the Government's statutory debt stood at RM820.7 billion or 58.0% of GDP, and is expected to reach 58.5% by the end of this year. As for Offshore Borrowings and Treasury Bills, the debt amount of these two instruments are RM28.3 billion and RM6.5 billion respectively.**

6. Aside from that, **the Federal Constitution and the Financial Procedure Act 1957 do not allow borrowings to finance operating expenditure.** Hence, the Government must ensure that operating expenditure must not exceed Government revenue.

7. Overall, **any additional expenditure incurred must comply with existing rules and legislation to ensure** Government discipline and adherence to procedures. **This Ordinance neither waives nor voids the statutory debt limit, or the Current Account Surplus requirement.** In fact, **through the requirement to announce all expenditure through gazetting,** the Government is being transparent and strives to ensure accountability and responsibility in implementing any expenditure, particularly throughout this emergency period.

THE ORDINANCE ONLY COVERS NECESSARY ADDITIONAL CONTINGENT EXPENSES

8. I would also like to clarify on the Federal Government's additional expenditure approval process by the Dewan Rakyat. Typically, **the Ministry of Finance will approve the application for additional allocation in advance through the Contingency Fund, Contingency Reserves or Expenditure Authorisation Letter before obtaining the approval of the *Dewan Rakyat.*** For example, **additional expenditure by the Pakatan Harapan government in 2019 was only tabled by the Perikatan Nasional government in mid-2020 for Parliamentary consensus and approval.** Therefore, one of the purposes of **amending this ordinance is to enable the speedy approval of additional expenditure for 2020,** considering that the additional expenditure for 2020 had already been spent la year. Meanwhile, the Federal Government Public Accounts 2020 is also in the process of being audited befo

finalisation.

9. Furthermore, **this ordinance only touches upon additional expenditure, and not the preparation of the annual budget.** This means **that the Government will present the 2022 Budget (the budget for next year) in Parliament, in line with the provisions of the Federal Constitution.**

10. It should be emphasised **that the purpose of the special emergency announcement by the YAB Prime Minister on 11 January 2021 is to ensure swift and immediate response in addressing the COVID-19 pandemic to ensure the well-being of the rakyat, continuity of businesses and economic recovery.** The measures are also **temporary and not permanent in nature.** Once the state of emergency is declared over, **all measures implemented by the Government during this period will be presented and debated** during the Parliamentary and Dewan Rakyat sessions.

11. Ultimately, **the main and most important factors are the adherence to guidelines on sound financial governance and transparency of Government expenditure during this period.** The ordinance will support expenditure that requires prioritisation to ensure the country remains on track for economic recovery and resilience this year.

GOVERNMENT REMAIN COMMITTED TO TACKLING COVID-19 AND ECONOMIC RECOVERY EFFORTS

12. Recently, **Bank Negara Malaysia projected that the country's economy will recover between 6.0 to 7.5%,** in line with the projections of organisations such as the IMF and the World Bank at 6.5%and 6.0% respectively. With the systematic implementation of the National COVID-19 Immunisation Program, targeted movement control order and strict adherence to SOPs, I am confident that we can achieve good and sustainable economic growth.

13. **The Government remains committed to its fiscal consolidation objectives through the Medium Term Revenue Strategy and the Medium Term Fiscal Framework.** The Fiscal Responsibility Act which is being drafted will strengthen the medium-term fiscal framework such as prioritising expenditure, improving the tax system, ensuring a more efficient enforcement and combating leakages in spending.

14. Currently, **the Government's main focus is to jump-start the economy, as well as address structural problems to ensure socio-economic growth and resilience.** If there is a need for additional spending to support the rakyat and businesses, rest assured that the Government will manage such requirements with a firm and transparent commitment to fiscal discipline.

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7 April 2021

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