PRESS RELEASE

MOF committed to RM400-billion allocation for development expenditure under The 12th Malaysia Plan (2021–2025)

PRESS RELEASE | 28 SEPTEMBER 2021

MEDIA STATEMENT

MINISTER OF FINANCE
MINISTRY OF FINANCE MALAYSIA

Following the tabling of the 12th Malaysia Plan (12MP) by the YAB Prime Minister, Dato' Sri Ismail Sabri Yaakob in Parliament on 27 September 2021, the Ministry of Finance (MOF) is committed to provide adequate fiscal allocation to finance the development expenditure of the 12MP for the period 2021 to 2025.

MOF fully supports the objectives of the 12MP, which is a blueprint aimed at returning economic growth to a sustainable trajectory, strengthening socio-economic inclusivity and enhancing environmental sustainability.

In line with 12MP's theme, namely Keluarga Malaysia - Prosperous, Inclusive, Sustainable, MOF will coordinate t priority areas of the 2022 Budget to reflect the 12MP's main focus areas. Budget 2022 will focus on recovery, rebuilding national resilience and catalysing reform, or the 3Rs namely Recovery, Resilience and Reform.

The **development expenditure (DE) allocation for the 12MP** is estimated at **RM400 billion**. This is a significant increase compared to **RM248.5 billion** for the 11MP. The DE allocation for Budget 2022 will be enhanced to drive socio-economic recovery activities and the national development agenda.

Among the Budget 2022 focus areas are:

1. **To restore and rebuild the country's resilience** to deal with any potential crisis in the future by, among others, **strengthening the public health care system**. To this end, Budget 2022 will support the 12MP strategy to enhance the preparedness of our nation's hospitals and ICU capacity, which include joint venture efforts with private health care providers.
2. **Building national resilience through the concept of inclusivity**, especially in terms of **reducing the income gap among communities and development gaps between states.**

The MOF will also **catalyse reforms** in line with the policies and strategies outlined in the 12MP. In this regard, Budget 2022 will focus on the **digitalisation agenda that includes the implementation of 5G, the JENDELA programme as well as increasing digital adoption, especially among SMEs**. The 12MP's focus on **sustainable development** will also be prioritised in Budget 2022 towards achieving net zero carbon emissions, such as through policies that promote electric vehicles (EVs).

Furthermore, with the launch of the **Fourth National Industrial Revolution Policy (4IR)**, **digitalisation and technology utilisation** will be prioritised to enhance Malaysia's longterm economic prospects and resilience, in line with the Malaysian Digital Economy Blueprint. This is also in line with the Government's structural reforms currently implemented in the medium term, including through the implementation of the **National Investment Aspirations (NIA)** framework, as well as the **Government-Linked Investment Company (GLIC) transformation initiative under the PERKUKUH Pelaburan Rakyat programme.**

To ensure that there is sufficient fiscal space to fund all development programmes under the 12MP, the Government remains committed to fiscal consolidation measures based on the **Medium Term Fiscal Framework** and supported by the **Medium Term Revenue Strategy** to broaden the country's tax base and increase the Government's affordability for its debt commitment.

In the short term, there is a need to increase the statutory debt limit to provide additional fiscal space to support the opening up of economic sectors and ensure a sustainable recovery. Although this will increase Malaysia's deficit target, which is estimated to increase to 6.5 per cent to 7.0 per cent of Gross Domestic Product (GDP) in 2021, the Government remains committed to fiscal consolidation measures in the medium term. In addition, the proposed enactment of the **Fiscal Responsibility Act (FRA)** will also help improve governance, transparency and accountability in the country's fiscal management.

The Government's current priority is to protect lives from the COVID-19 threat, and ensure the country's economic growth prospects remain strong in the medium and long term. These priorities will not only be implemented in line with the 12MP's core thrusts and the Shared Prosperity Vision 2030, but will also be based on the principles of prudent financial management to meet the challenging COVID-19 situation, as well as to minimise the longterm scarring on the economy due to this crisis.

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28 September 2021