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Incentives rather than subsidies on energy transition and digitalisation, says Rafizi

Economy Minister Mohd Rafizi Ramli speaking at the Invest Malaysia 2023 event on Wednesday (March 8). (Photo by Zahid Izzani Mohd Said/The Edge)

KUALA LUMPUR (March 8): There will be no subsidies but incentives to help businesses on energy transition and digitalisation, said Economy Minister Mohd Rafizi Ramli.

Speaking at Invest Malaysia 2023, Rafizi told the audience that the government intends to adopt an approach to incentivise the ongoing trend of energy transition and digitalisation in the country in various forms, instead of providing more subsidies to businesses moving forward.

“It is common for industries to come to the government and say ‘we need assistance, we need subsidies’. Our approach now is no subsidies. But we can consider working together on energy transition with some government incentives,” Rafizi commented when asked about his thoughts on sustainability.

“It's the same with digitalisation. I have mentioned in the past that as a market, we (Malaysia) are quite small. So, the best candidate for digital adoption in this country is actually public service, because you have 30 million people who deal with the government every day.

"That is the best way to get economies of scale when it comes to digital adoption,” he explained.

Large bulk of development expenditure not spent on developments

The minister also told the audience that the government is not revising the RM400 billion development expenditure commitment in the 12th Malaysia Plan (12MP), which spans from 2021 to 2025.

“We have a lot of frameworks and blueprints, and I don’t intend to add new blueprints. Most probably, we will stick to the previous policy framework. Next is the 12MP midterm review,” he told an audience at the Invest Malaysia 2023 event on Wednesday (March 8).

The longevity of the government tenure, Rafizi said, is more crucial to see fruition of policy changes and implementation.

“We will be able to stick to the RM400 billion development expenditure all the way up to 2025. What I am concerned about is the amount earmarked for development expenditure [that] actually goes into developments.

“What we had to contend with in the last few years were development expenditure that had to be used to pay debts, some PFIs (private financing initiatives) that didn’t work, some bailouts. So, whatever amount that we announced, more or less, only 50% actually went into infrastructure or catalytic sectors,” he said.

It is worth noting that the Revised Budget 2023 tabled in the Parliament last month allocated RM97 billion for development expenditure. The amount, however, includes the redemption of one tranche of 1Malaysia Development Bhd's (1MDB) US dollar bond, which is estimated to be roughly RM15 billion, including interest expenses.

Commitment to fiscal discipline

Rafizi also reiterated that the government is committed to narrowing its fiscal deficit to 3.2% by 2025.

“It is very tough for us, because we came in after Covid, and there was a huge jump in government debt, much higher deficit compared to what was planned in the 12MP. We have to make sure that we reallocate resources and financial means in the most catalytic manner possible, getting much better value.

“Budget 2023 is just a glimpse of what is coming. Budget 2024 will be the first full-fledged budget — we will be focusing on the most vulnerable,” he said.