

KERATAN AKHBAR

TARIKH : 28 NOVEMBER 2023
AKHBAR : NEW STRAITS TIMES
MUKA SURAT : 4

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RON95

TARGETED SUBSIDY IN SECOND HALF OF 2024

Economists say Padu needs to be well tested before programme is rolled out

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THE government will roll out a targeted RON95 subsidy programme in the second half of next year.

Economy Minister Rafizi Ramli said a country where the top 20 per cent received 53 per cent of blanket fuel subsidies was neither a sustainable model, nor an equitable one.

"These efforts are in line with the government's central position of widening the fiscal paradigm we work in."

"Given that our public finances ran a fiscal deficit of more than five per cent for three consecu-

five years, we must find new avenues to mobilise our resources and reduce wastages within the system," he said at the National Economic Outlook Conference.

Rafizi added that avoiding issues of duplication enabled the government to take a decisive move away from previous administrations.

He said in 2024, the current administration would switch gears from policy curation to policy implementation.

This kicks off with the establishment of the central database hub (Padu) in January, which gives access to granular data necessary to implement targeted programmes, such as subsidy rationalisation or social welfare reform.

Rafizi said another unavoi-

able aspect of exploring new avenues to mobilise resources involved addressing revenue inadequacy by increasing the country's tax collection.

News of the rollout of the targeted subsidy programme for RON95 fuel, however, has somewhat concerned economists, who say the government should thoroughly test the Padu hub.

Putra Business School economic analyst Associate Professor Dr Ahmed Razman Abdul Latiff said, however, if there were loopholes in the Padu system, the economic consequences would not be as severe as the current subsidy leakages and wastages.

"Perhaps the government is opting to roll out the RON95 (only in the second half of 2024) to ensure that all infrastructure and databases are in order, as well as after all trial runs have been performed."

"It is a good move in line with the intention of the government



Economy Minister Rafizi Ramli speaking at the National Economic Outlook Conference in Kuala Lumpur yesterday. PIC BY HAIRUL ANUAR RAHIM

under the 2024 Budget to reduce the allocation of subsidy further, which will be lower than this year," he said.

He also said any prospective inflation increase next year, after the planned subsidy was implemented, would be minimal, given the current rate of 1.8 per cent.

Malaysian University of Science and Technology economics professor Geoffrey Williams said the Padu scheme needed to be well tested before the targeted subsidy programme was rolled out.

He said the data in Padu must also be accurate to allow it to be used efficiently.

"Padu is more efficient. It removes the complexity of applying for multiple welfare payments from different agencies and also provides an incentive to work by

removing the welfare trap.

"In addition, it saves administration costs and cuts out middlemen in the subsidy schemes.

"There must also be good data protection."

He added that the Padu system should be able to identify individuals in greatest need based on their low incomes.

"The best way to help them is to raise their income by providing a monthly cash transfer to bring their income up to a minimum threshold or living wage.

"This is a form of Universal Basic Income through a reverse income tax or cash transfer which is essentially the same thing.

"Under this scheme almost all of the hundreds of the other welfare payments can be replaced. This is by far the best way to deal with social protection."