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Padu needs the benefit of the doubt to rein in subsidies bill

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BY CINDY TRAP

Whatever one's thoughts are about the Central Database Hub (Padu) and the queries that have been raised about it, the fact that it was launched on the first working day of 2024 — with a March 31 deadline for registration and information updates — indicates the urgency in reinining Putrajaya's hefty subsidies bill, which had ballooned to RM80 billion last year, or more than 4% of GDP in 2023 and underscored the ambition to do more.

Those queries for clues as to whether the government can convincingly roll back blanket subsidies — especially for fuel, once and for all — would have noticed that the information asked of Malaysians by the Padu database includes the distance between one's residence and workplace. Treasury secretary general Derek John Mahwood Meenan, for example, had previously said floating RM200 had prices and providing a general cash transfer to targeted groups would be good for all — would have noticed that the information asked of Malaysians by the Padu database includes the distance between one's residence and workplace. Treasury secretary general Derek John Mahwood Meenan, for example, had previously said floating RM200 had prices and providing a general cash transfer to targeted groups would be good for all — would have noticed that the information asked of Malaysians by the Padu database includes the distance between one's residence and workplace.

Putrajaya needs to act fast, apart from the RM5.4 billion subsidies spent under operating expenses in 2023 — of which RM3.2, or RM16.1 billion, was on petroleum products — and financial products — and that the federal government had spent RM4.1 billion under the Special Covid-19 Fund to subsidise diesel (RM2.37 billion), RM292.5 million for petrol (RM1.73 billion) as well as liquefied petroleum gas (LPG) (RM34 million) in November and December 2023. The latter pushes total subsidies spent on petroleum products to RM51.4 billion, or about 2% of GDP in 2023, which is sizeable relative to the budget deficit of RM290.4 billion, or 4.6% of GDP, that year.

Total subsidies were RM20.3 billion in 2022, of which RM26 billion was spent under open and the rest under the Special Covid-19 Fund, which ceased to exist in 2023, and RM25.7 billion was topped for electricity discounts in 2022. High-consumption domestic users have already been paying more for electricity since last year, hitting the RM200 household 7%, commencing above 1,500kwh a month (RM370 bill at the time) since July 1, 2023, and 3% of households consuming more than 100kwh since Jan 1, 2024. The next adjustment is due at end-use for the second half of this year.

Putrajaya has said it was looking to implement targeted subsidies from the second half of this year. While most crude oil prices came off their peak in 2022, oil prices (WTI) slumped around US\$77 per barrel at the time of writing.

The fiscal deficit is currently projected at RM60.4 billion, or 3% of GDP, in 2024 and it is likely that only about RM40 billion had been budgeted for subsidies under open

in 2024, versus RM61.4 billion in 2023, according to the 2024 Fiscal Outlook report. It is understood that some forms of social assistance had previously been paid from allocations under development expenditures.

Data-readiness

According to Economy Minister Rafiqi Razi's statement, there would never be "data readiness" if the March 31, 2024, deadline were not imposed to get as many Malaysians as possible to provide the latest information about their income, financial commitments, number of dependants, residential address and distance to work place as well as whether they were already receiving aid in the past 12 months.

"The sooner we get the data, the faster we can administer it... so, we need to push the timeline and help the government better determine who should get aid."

Even though "sensitive data" such as income cannot be seen when one logs on to the Padu interface, Rafiqi says Padu "has all the information" ahead of the tabling of the October 2024 bill in parliament later this year — because the assigned civil servants have worked tirelessly to negotiate data sharing agreements to source relevant data from more than 400 government databases nationwide, including those from the National Registration Department (JPN), Land Revenue Board (DGR), Employees Provident Fund (EPF), Social Security Organisation (Socso) and Social Welfare Department (JKM).

While Malaysians show charge of 18 — estimated at 21 million — are target to register with Padu, Rafiqi's target is 80% of the population, who are likely to wait and need some form of government aid, given that the first "use case" for Padu is targeted subsidies.

As at 4pm on Jan 8 — 12 hours since the launch — an noon on Jan 7 — 30,100 Malaysians had registered on Padu, with just over 50%, or 261,186, having completed the know-your-customer (KYC) process, which requires the submission of a selfie as well as a front and back snapshot of one's national registration identity card (NRIC). Only information on accounts with a KYC would be checked for integration with Padu.

Rafiqi told reporters that the number of registrations is "so far expectation" but noted that the challenge would be to keep the numbers up in the coming weeks, as this type of registration usually was a walk-in launch and near the deadline.

The civil service, he says, will be mobilised to help vulnerable groups in both rural and urban areas update their information on Padu.

"It is a dynamic process," Rafiqi adds, when asked about how the government cross-checks the authenticity of data provided by Malaysians. "This is only the second day," he adds, declining to elaborate on whether Padu has already helped weed out inclusion errors among the nine million recipients of Bantuan Tunas Ribu (BTR) cash aids. By March 31, Rafiqi says, Padu would be able to flag and exclude, for example, people who say they earn only RM100 a month but own two Mercedes Benzes.

While expectations are that Malaysians would still be able to update their information after the March 31 registration deadline, given that the latest information should always be welcomed, Rafiqi would not speculate, say so.

Build trust and data security

In theory, the government can proceed with subsidy rationalisation with the information in Padu after March 31, as Malaysians would have had three full months to provide the latest information in Padu. In each, despite concerns raised over data security and privacy, expectations are that those who desperately need government subsidies would register themselves on Padu, observers say.

"This is a big project, there will be issues. I would be more surprised if there isn't any. Of course, it would be ideal if Malaysia already has its version of [the] national Digital ID (MyDigital ID) like Singapore's SingPass, but that would take time, the October Act would take time — there are two new ministers in

charge (Human Resources and Digital), but there is no way any government can guarantee 100% that the [hacking incident] at Socso or the MySelajera breach would not happen again in Padu.

"Any government can only do its best to minimise risks. Even Singapore has lost data to hackers, including information on Prime Minister Lee Hsien Loong," says an observer, referring to the 2018 and 2019 attack on Singapore's public health system that compromised data from more than 10 million people which made global headlines and put a dent in the city-state's reputation as a "smart nation" and cutting-edge technology hub.

"The rich, those who can afford to worry about data security and those who have not been entirely troubled by IDB may not register, but I think those desperate for aid would... those who think they can't afford to get money might, too," the observer adds, expecting more tech-savvy problems to be raised and resolved in the coming weeks.

Institute for Democracy and Economic Affairs (IDEAS) CEO Tricia Weh, for one, reckons that Padu, "if run well, will be a game changer", noting that the targeting of subsidies and aid would prevent waste and minimise target group inaccuracy.

"It is therefore crucial that initial flaws in the system be corrected in order for the database to meet its intended objectives efficiently and effectively. Further, the public would benefit from more clarity over the mechanisms of how Padu will be utilised to roll out targeted subsidies as intended," Weh said in a statement dated Jan 4.

"Upgrading data security measures leads to improved public trust, which will then improve uptake among the general public."

In address concerns over personal data protection, IDEAS director of research Aida Mohamed says: "It is crucial that the government as it includes provisions on the treatment of personal data by the public sector." She notes that the Act "will also enable data sharing and cloud storage to take place among government agencies."

Weh says: "The success of Padu will also depend on the cooperation of different government agencies to share and standardise their existing database at both federal and state levels. This may require time and resources before the database can be fully operational."

Ambitious but not impossible

Asked about limitations to the current data-sharing arrangements between government agencies, Rafiqi

says the existing agreements can be "rigid", as they involve "negotiated scopes" and have "deadlines". He adds, however, that Padu has sourced enough data to work with and preparations for the tabling of the October bill this year is going on concurrently.

Malaysians who may not need aid or think they would not qualify for subsidies now are also encouraged to register on Padu, as the database would serve as the "back-end" junction of the "clouded" digital government services platform to provide more services to Malaysians. According to Rafiqi, apart from targeted subsidies, the information in Padu would be continuously updated to enable more timely delivery of aid and form the base for a universal protection system in preparation of an ageing society, "someone who is 70 or 80 may today say that they don't need or qualify for aid, but their income would fall when they retire," Rafiqi elaborates.

In Britain, the system would be able to flag cases for aid, such as job matching or job openings — for those who have just lost their job — based on a person's residential address, skills, or a student with good results who did not pursue further education because of a lack of financial aid, as the head of the household lost his or her job, he says.

If Padu not only allows more targeted delivery of subsidies but also helps ease Malaysians' income levels by the timely granting of skills training and job opportunities with higher pay, the population would also be better placed to contribute more tax income to government coffers.

"It is an ambitious project and it will take time to perfect, but bigger countries have successfully made progress, not just small countries such as Singapore or Estonia. India managed to register more than 1 billion people over 12 years, with the highest being close to 300 million in 2014," the observer says, referring to the 1.3 billion biometric Aadhaar digital identification system, which covers more than 90% of India's population and enables access to a range of services (including the delivery of aid and welfare payments) built on top of the "India Stack", the backbone of India's digital infrastructure.

If India can sign up as easily as 300 million people within a year, Malaysia should have no problem signing up 21 million, if people are assured that it is worth giving Padu the benefit of the doubt.

A snapshot of information asked by the Padu database

- Basic Information**
Contact details and disability status
- Address**
Current residence and ownership
- Education**
Highest education level and field of study
- Employment**
Job and distance from home to work
- Income**
Monthly wage and other income sources
- Commitments**
Expenses
- Household**
Dependents
- Aid**
Welfare support received the past 12 months

See also "Padu could lead to a new data collection era" on Page 47