

2022 Fiscal Outlook and Federal Government Revenue Estimates



FOREWORD



**PRIME MINISTER
MALAYSIA**

The year 2021 has been difficult and challenging for Malaysia. Along with the rest of the world, we are still battling the impact of COVID-19 on our people and businesses, particularly economic losses and decline in the *rakyat's* well-being due to containment measures. We have also seen how the pandemic has impacted the Government's financial position, with our fiscal deficit rising to 6.2% of GDP in 2020, deviating from our consolidation trajectory. Consequently, not only are we forced to defer the country's goal of becoming a high-income, inclusive, and developed economy by 2020, we are also faced with the risk of long-term economic scarring, undermining decades of what we have developed in terms of competitiveness, productivity, national wealth, and socioeconomic inclusivity, among others.

Following the proclamation of a public health and economic emergency ("Emergency Ordinance") by KDYMM Seri Paduka Baginda Yang di-Pertuan Agong in January 2021, the Government took swift actions and rolled out several bold steps to contain the socioeconomic fallout from the pandemic. These include decisive policy interventions, such as redirecting and reprioritising budget resources towards additional assistance and stimulus packages. Packages that were launched to enable timely, effective, and efficient management of a fast-evolving virus began with PERMAI in January, followed by PEMERKASA in March, PEMERKASA Plus in May and later PEMULIH in June, all with a combined value of RM225 billion.

Immediately after the launch of PEMULIH, the Government also unveiled the National Recovery Plan (NRP), which is a comprehensive strategy to exit the pandemic in a safe and systematic manner, based on a phased approach and backed by data and science. This has since placed the country firmly on its recovery path, enabling us to effectively build on green shoots of recovery achieved in the second quarter of this year. Once we secured vaccine supplies, the acceleration of our National COVID-19 Immunisation Programme (PICK) – which helped us register one of the world's fastest vaccination rates – played a key role in bringing down the number of positive cases and most importantly, the serious ones.

Alhamdulillah, we are now close to completing the full vaccination of the entire adult population and have expanded PICK to include young adults to facilitate a safe resumption of our education segment. Overall, our ongoing policy support aimed at building resiliency and adaptability to the new normal will provide a foundation for us to rebound quickly and emerge from this crisis with better capabilities for growth. To this end, the Government has been mindful of managing its finances responsibly and

prudently, guided by the principles of transparency and accountability. I would like to reassure the *rakyat* and business community that the country's fiscal position remains intact, backed by a well-regulated financial system.

Even as we go through recovery in 2022, we must think beyond the span of 12 months, to firmly place the nation on a much stronger footing in the medium and long term. Hence, the Government is committed to push for more refined, targeted policies to drive economic recovery, rebuild resilience and catalyse reforms. To achieve that, the 2022 Budget is formulated to address both near-term economic revitalisation efforts, as well as medium-term rebuilding and reform strategies which will bring to life the aspirations espoused in the Twelfth Malaysia Plan (12MP). As much as the Government's short-term policies are important to drive our socioeconomic recovery in 2022, it is equally critical that we strengthen the foundations of longer-term institutional and fiscal reforms for rebuilding our resilience post-pandemic, so that we are ready to face any similar major setback in the future.

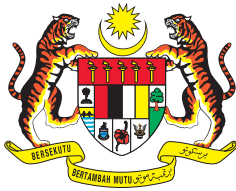
Fiscal accountability goes beyond responsible spending of revenue and ensuring sufficient development budget for socioeconomic growth. It is also about transparency and inclusivity of the budgeting process, as well as empowering institutions to address leakage and corruption. On the former, for the first time in Malaysia's annual budgeting history, a Pre-Budget Statement in August as well as four Public Consultation Papers were issued in September 2021. The four papers were on improving Government procurement; improving cash assistance programmes; reviewing of tax incentives; and drafting the Fiscal Responsibility Act. On the latter, the Government has launched the National Anti-Corruption Plan, which aims to improve the accountability of law and enforcement agencies; enhance the efficiency and responsiveness in public service delivery; and promote integrity in business.

In the past 19 months or so, the Government has repeatedly proven that despite our tight fiscal space, we delivered as best as we could to, among others, save jobs, support employers, implement mass vaccination and help the vulnerable put food on the table. However, when it comes to strengthening our fiscal position, ultimately it depends on a sustained economic recovery, which must be driven based on a whole-of-nation approach. This can be achieved via a more holistic collaboration between the Government and the private sector, non-governmental organisations, community leaders and the *rakyat* themselves. Together, we must capitalise on Malaysia's strong fundamentals in the form of skilled human capital; sound institutional and policy framework; abundant natural resources as well as our extraordinary will and indomitable "*Keluarga Malaysia*" spirit to rebuild our economic and fiscal resilience, so we can grow *and* face any future challenge head-on.

Moving forward, we must look beyond ethnic and religious lines, or even political ideology, to cut out the white noise and 'hear' the voices that represent the true Malaysian soul: *this* is the foundation of our strength and collective narrative to help this nation heal. This is also the least we can do to honour all our frontliners, who reflect the true essence of the Malaysian caring spirit by risking their lives daily for the lives of their fellow Malaysians. *Insyah-Allah*, if we work and advance together every step of the way, we *will* recover from the challenges of this pandemic and in due time, we *will* claim true victory.



DATO' SRI ISMAIL SABRI BIN YAAKOB
29 October 2021



PREFACE



**MINISTER OF FINANCE
MALAYSIA**

The COVID-19 pandemic continues to impact countries around the world, where the emergence of highly-transmissible variants caused protracted health and economic crises. But, global economic recovery is beginning to pick up, driven by accelerated vaccination in developed economies and record high fiscal support. However, the recovery has been uneven, as obstacles to mass vaccination continue to weigh heavily on many emerging markets and developing economies. While advanced economies are recovering, many of the world's poorest countries are lagging behind, and much work remains to be done to reverse the pandemic's staggering human and economic costs.

Closer to home, since the onset of the COVID-19 pandemic, the Government has implemented eight stimulus and assistance packages totalling RM530 billion, where RM225 billion has been announced this year. Having benefitted more than 20 million people and 2.4 million businesses, these packages, which are complemented by the 2021 Budget measures, aided growth throughout the first half of 2021, with GDP increasing by 7.1% compared to a contraction of 8.4% during the same period last year.

Despite ongoing challenges on SOP compliance, targeted containment measures and teething issues on reopening of borders and physical mobility, the outlook for the second half of 2021 remains positive, sustained by the gradual reopening of economic and social sectors. As more states transition into Phases 3 and 4 under the National Recovery Plan, and the National COVID-19 Immunisation Programme (PICK) being expanded to cover teenagers and younger children, we are paving the way for a safe and systematic resumption of our education sector, as well as more economic and social activities. These developments, supported by the ongoing aid and support measures, will further support our recovery prospects to register growth at between 3% and 4% this year.

Going into 2022, we will remain agile and flexible in providing the necessary fiscal support to people and businesses in getting back on their feet to ensure a sustainable recovery. Fiscal policy will remain expansionary, and properly curated to nurture shoots of recovery and sustain growth in the face of ongoing uncertainties and COVID-19 resurgence risks. Due to additional stimulus packages announced to support the economy, the fiscal deficit in 2021 has been officially revised to 6.5% to GDP. As a result, the Government has also raised the statutory debt level to 65% to GDP in October 2021 to facilitate the implementation of existing stimulus and the 2022 Budget measures, which will help us achieve the objectives in the Twelfth Malaysia Plan, 2021-2025 (12MP).

In terms of funding resources, utilising the investment returns from the National Trust Fund (KWAN) to expedite PICK was both timely and appropriate. Moving forward, the Government is committed to replenish KWAN and resume its fiscal consolidation path in line with economic recovery, with realistic but firm debt reduction targets to ensure fiscal sustainability in the medium to long term.

Reiterating the commitment made in the first Pre-Budget Statement issued in August, the Medium-Term Fiscal Framework will guide the pace of fiscal consolidation, while improving revenue capacity, spending efficiency and debt affordability. Concurrently, fiscal reforms to improve discipline and governance will be pursued, with the Fiscal Responsibility Act (FRA) expected to be introduced in 2022. Moreover, through the adoption of the Medium-Term Revenue Strategy, strategies to broaden the tax base, strengthen the tax system, and review tax incentives will be implemented, while public expenditure will be reviewed on a regular basis to optimise spending.

Moving forward, as much as the Government's short-term policies are important to drive our socioeconomic recovery in 2022, it is equally critical that we strengthen our economic foundation with longer-term institutional and fiscal reforms for rebuilding our resilience, so that we are better prepared to face any similar eventuality in future. As such, the 2022 Budget will continue to prioritise our people and economic sectors affected by the pandemic, particularly by creating job opportunities and ensuring targeted assistance is available for vulnerable groups. The 2022 Budget will also build the foundations for reforms detailed in the 12MP.

Concurrently, in achieving our digital ambitions in line with the Fourth Industrial Revolution (4IR), the Government will prioritise strengthening the nation's digital capacity and capabilities, while also equipping our workforce with the right skill sets. This will entail enhancing our digital backbone to support internet connectivity as well as capitalising on 5G technology. Further, reforms outlined in initiatives such as the National Investment Aspirations (NIA) and the PERKUKUH Pelaburan Rakyat, will also feed into our plans aligned to the Sustainable Development Goals (SDGs) and the 12MP for medium- and long-term sustainable economic growth, improved socioeconomic inclusion and enhanced environmental sustainability.

On economic outlook, our GDP is expected to grow between 5.5% and 6.5% in 2022, driven by the reopening of more economic and social sectors, as well as increased external demand from major trading partners. Other factors that will support Malaysia's economic growth include higher commodity prices, as well as the implementation of infrastructure projects with a high multiplier effect. These will further strengthen our economic fundamentals, which have remained resilient even during these difficult times, underpinned by the economy's increasing sophistication, depth and diversity.

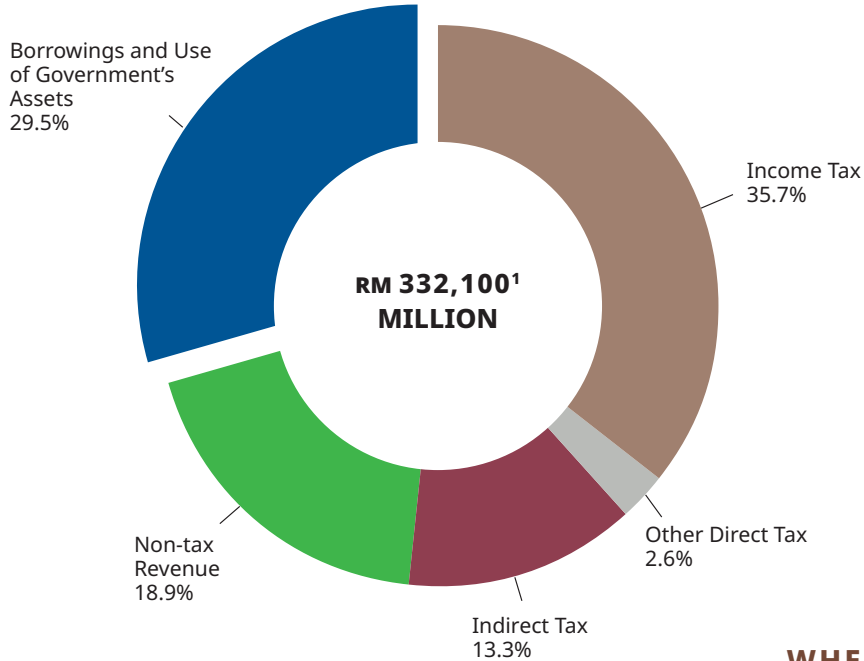
The Government will ensure that the country recovers from the pandemic crisis without incurring long-term economic damage but it is equally critical for all Malaysians to embrace the *Keluarga Malaysia* spirit in working together to overcome any future challenges. Through the proverbial rain and dark clouds, with our collective efforts, we can now see the sun shining down on our beloved nation for better days ahead to help us emerge stronger and more united as a nation, *Insyaa-Allah*.



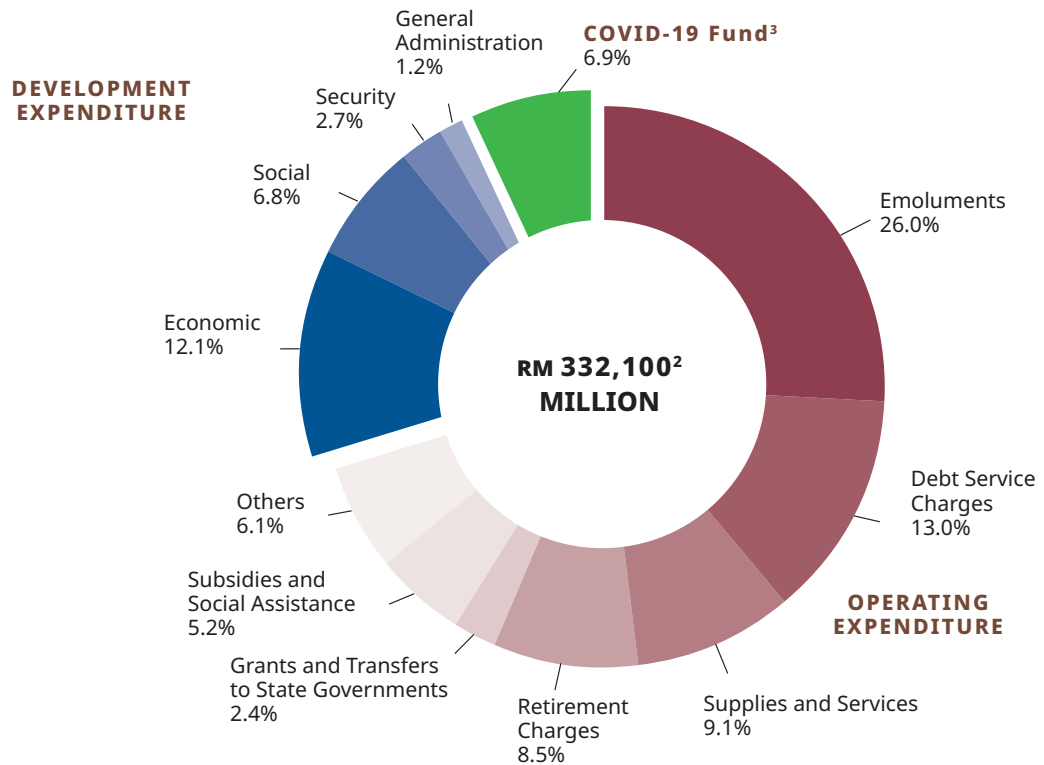
TENGGU DATUK SERI UTAMA ZAFRUL TENGGU ABDUL AZIZ
29 October 2021

THE 2022 FEDERAL GOVERNMENT BUDGET

WHERE IT COMES FROM



WHERE IT GOES



¹ Consists of revenue and borrowings

² Excludes contingency reserves

³ COVID-19 Fund under the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020

Source: Ministry of Finance, Malaysia

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ACRONYMS AND ABBREVIATIONS

11MP	Eleventh Malaysia Plan	e-Tanah	electronic land management system
12MP	Twelfth Malaysia Plan		
1MDB	1Malaysia Development Berhad	FELDA	Federal Land Development Authority
AG	Accountant General's Department of Malaysia	FPC	Fiscal Policy Committee
BCG	budgetary central government	FRA	Fiscal Responsibility Act
BEPS	Base Erosion and Profit Shifting	GDP	Gross Domestic Product
BNM	Bank Negara Malaysia	GFSM 2014	Government Finance Statistics Manual 2014
BPN	Bantuan Prihatin Nasional	GGs	Government guarantees
BPR	Bantuan Prihatin Rakyat	GKP	SME Prihatin Grant
bps	basis points	GLC	government-linked companies
BSH	Cost of Living Aid	GoM	Government of Malaysia
BTC	bid-to-cover	GSSS	Green, Social, Sustainability and Sustainability-linked
CCM	Companies Commission of Malaysia	IMF	International Monetary Fund
CENDANA	Dana Pemasaran dan Promosi Pendigitalan di bawah Agensi Pembangunan Ekonomi Kebudayaan	IPSAS	International Public Sector Accounting Standards
CIA	Collection Intelligence Arrangement	IRB	Inland Revenue Board
CITA	companies income tax	KHAZANAH	Khazanah Nasional Berhad
COVID-19	Coronavirus Disease 2019	KWAP	Retirement Fund (Incorporated)
CPO	crude palm oil	KWC-19	COVID-19 Fund
CPS	consolidated public sector	LPPSA	Public Sector Home Financing Board
DanaInfra	DanaInfra Nasional Berhad	LRT	light rail transit
DE	development expenditure	MAA	Malaysia Automotive Association
DSA	Debt Sustainability Analysis	MACC	Malaysia Anti-Corruption Commission
DSC	debt service charges	MCO	Movement Control Order
EPF	Employees Provident Fund	MGII	Malaysian Government Investment Issues
ESG	environmental, social and governance	MGS	Malaysian Government Securities

ACRONYMS AND ABBREVIATIONS

MIDA	Malaysia Investment Development Authority	PETRONAS	Petroleum Nasional Berhad
MITB	Malaysian Islamic Treasury Bills	PFI	private financing initiative
MOF	Ministry of Finance	PICK	National COVID-19 Immunisation Programme
MOF Inc.	Minister of Finance Incorporated	PITA	petroleum income tax
MPC	Monetary Policy Committee	PPP	public private partnership
MRT	mass rapid transit	PPR	People's Housing Project
MSMEs	micro-,small- and medium-sized enterprises	PRIHATIN	PRIHATIN Rakyat Economic Stimulus Package
MTB	Malaysian Treasury Bills	PRIHATIN PKS+	Additional PRIHATIN SME Economic Stimulus Package
MTFF	Medium-Term Fiscal Framework	PENJANA	National Economic Recovery Plan
MTRS	Medium-Term Revenue Strategy	REITs	real estate investment trusts
MWSB	Malaysia Wakala Sukuk Berhad	RMCD	Royal Malaysia Customs Department
NCI	National Committee Investment	RPGT	real property gains tax
NFPCs	non-financial public corporations	SDG	Sustainable Development Goal
NRP	National Recovery Plan	SME	small and medium enterprise
NTF	National Trust Fund	SPK	Government Housing Sukuk
OE	operating expenditure	SPV	special purpose vehicle
OECD	Organisation for Economic Co-operation and Development	SRI	Sustainability and Responsible Investing
OPR	overnight policy rate	SRR	Statutory Reserve Requirement
PBLT	PBLT Sdn. Bhd.	SST	Sales Tax and Service Tax
PDRM	Royal Malaysian Police	SVDP	Special Voluntary Disclosure Program
PEMULIH	National People's Well-Being and Economic Recovery Package	SWF	sovereign wealth fund
PERMAI	Perlindungan Ekonomi dan Rakyat Malaysia	TIV	total industry volume
PEMERKASA	Strategic Programme to Empower the People and Economy	TRC	Tax Reform Committee
PEMERKASA+	Strategic Programme to Empower the People and Economy Plus	TVET	technical and vocational education and training
		WGBI	World Government Bond Index
		WSP	Wage Subsidy Programme
		VAT	value-added tax

SECTION 1

Fiscal Policy Overview

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SECTION 1

Fiscal Policy Overview

Overview

Against the backdrop of the prolonged COVID-19 pandemic, fiscal policy assumes a primary role in economic recovery. The third wave of the COVID-19 outbreak poses a major challenge to the Government's fiscal burden, particularly in balancing its impact on the future generation. With an exponential rise in positive cases, a national state of emergency was declared effective from 11 January until 1 August 2021 to enhance enforcement, improve containment measures and tighten border control. In view of the extraordinary situation, the Government has proactively extended its policy flexibility and pragmatism to protect the people and businesses as well as supporting the economy.

The Government continues to provide substantial fiscal support in 2021 in the form of additional assistance and stimulus packages to cushion the adverse impact of the pandemic and containment measures. A series of four packages totalling RM225 billion has been introduced this year, namely the *Perlindungan Ekonomi dan Rakyat Malaysia* (PERMAI), Strategic Programme to Empower the People and Economy (PEMERKASA), Strategic Programme to Empower the People and Economy Plus (PEMERKASA+) and National People's Well-Being and Economic Recovery Package (PEMULIH). Additional fiscal injection under these packages, estimated at RM25 billion, aims to boost healthcare spending, ensure business continuity and ease the burden of the rakyat. Overall, the Government has announced eight assistance and stimulus packages totalling RM530 billion since the pandemic last year with fiscal support of RM80 billion provided under the COVID-19 Fund.

Recognising that vaccination is the key factor in addressing the pandemic, the Government launched the National COVID-19 Immunisation Programme (PICK) on 24 February 2021. The rollout of PICK signifies the Government commitment to ensure at least 80% of the adult population receives full vaccination by the end of October 2021. Subsequently, in June 2021, the Government unveiled the National Recovery Plan (NRP), a roadmap to exit from the pandemic and accelerate economic recovery. The NRP, tabled in Parliament in July 2021, provides clear guidance for reopening the economy and social activities through a four-transitional phase strategy based on data analytics. As a policy continuation, the NRP consolidates all containment and economic assistance measures into a comprehensive and whole-of-nation approach in uniting the country to combat the pandemic.

Expansionary Fiscal Policy Underpins Economic Recovery

The Federal Government's fiscal stance continue to prioritise steering the nation out of the pandemic crisis. The provision of significant fiscal support is expected to contain the outbreak, sustain domestic economic activity, generate investments, stimulate consumer spending and create job opportunities. The rollout of more targeted recovery measures has positively impacted the economy, as reflected by the strong economic growth of 7.1% in the first half of this year. The Government is confident that with the smooth political transition as well as policy

continuation and clarity, the economy will recover and record positive growth in 2021.

As the global economic recovery continues to be uneven and volatile, fiscal operations remain proactive and agile to respond to dynamic economic environments and policy priorities. Efforts to enhance spending effectiveness and efficiency will be supported by prudent expenditure measures as well as optimising the operating environment in adjusting to the new normal. Furthermore, strategies to improve revenue buoyancy will be implemented more orderly without disrupting the recovery momentum.

To drive health and economic recovery, the Government has mobilised various fiscal tools to balance the spending needs and fiscal sustainability. This includes partial utilisation of the National Trust Fund (NTF) to ensure sufficient funding and accelerate the implementation of vaccination programmes under PICK. As a result, Malaysia's vaccination rate is among the fastest globally, thus allowing the Government to reopen more economic sectors to boost the economy. The number of daily vaccinations has recorded a sharp increase to around 500,000 doses in July

2021 compared to 30,000 in the early stages of implementation due to a higher supply of vaccines. As at end-August, the Government has secured more than 87 million vaccine doses worth around RM4.3 billion to ensure a smooth PICK implementation. Malaysia achieved its target of inoculating 80% of the adult population in September 2021.

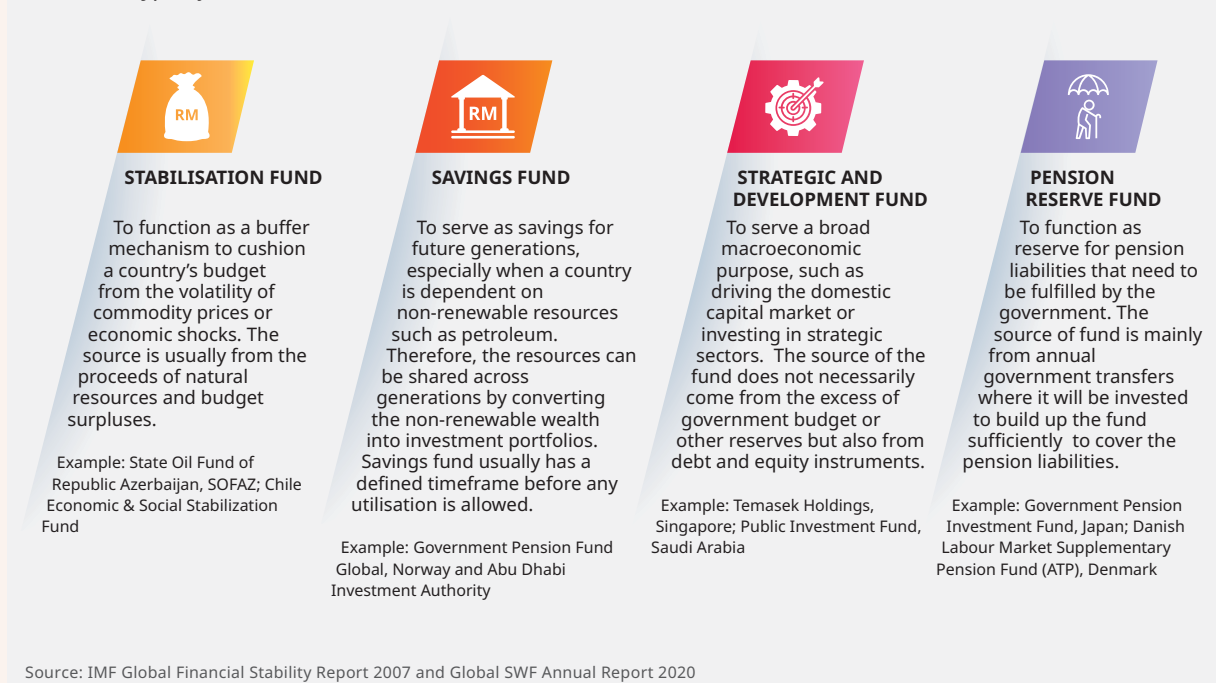
In addition, the socioeconomic and development agenda remains the top priority for the Government in the medium term, as stipulated in the Twelfth Malaysia Plan, 2021 – 2025 (12MP). Consequently, fiscal resources will also be directed to implement programmes and projects under the 12MP, which will serve as a catalyst in charting the path for a prosperous, inclusive and sustainable nation. In this extraordinary situation, the Government has tabled a motion in Parliament to increase its statutory debt limit, taking into account the financing needs of the recovery measures and the implementation of 12MP. In ensuring medium-term fiscal sustainability, the fiscal consolidation trajectory is envisaged to be more gradual than initially projected. This is to provide sufficient fiscal support for the nation's economic recovery and development agenda.

INFORMATION BOX

National Trust Fund

Introduction

A sovereign wealth fund (SWF) is a fund established by a government to manage and grow the country's wealth. The source of the wealth may be in various forms, such as revenue from natural resources, fiscal or budgetary surpluses and even direct transfers from the government to achieve specific economic and development purposes. SWF usually serves as a contingent asset to preserve the wealth from the country's non-renewable resources and may be utilised to cushion any unexpected shocks such as an economic downturn or impact from a natural disaster. There are various types of SWF established around the world based on their source of funds and purpose, which is summarised as follows:

FIGURE 1. Type of SWF

Each SWF has its own investment strategy and risk appetite to achieve its objective and ensure its sustainability. For example, a stabilisation fund usually invests in more liquid and less risky instruments, such as bonds and sukuk. However, SWFs with a long-term obligation such as savings, strategic and pension funds, focus on a long-term investment strategy to achieve stable and consistent returns while balancing its risks and return profile.

Malaysia has several SWFs with different purposes, such as the Khazanah Nasional Berhad (Khazanah), Retirement Fund (Incorporated) (KWAP) and also the National Trust Fund (NTF). Khazanah was established as a Minister of Finance Incorporated (MOF Inc.) company that serves as the Government's strategic investment arm, while KWAP was formed in 2007 to assist in funding the Government's pension liability. Both entities are governed by their own board of directors with a dedicated management team.

The National Trust Fund

The NTF was established in 1988 through the National Trust Fund Act 1988 [Act 339]. The objective of the NTF is to ensure the optimisation of the country's non-renewable natural resources as a more sustainable source of revenue for future generations.

Governance

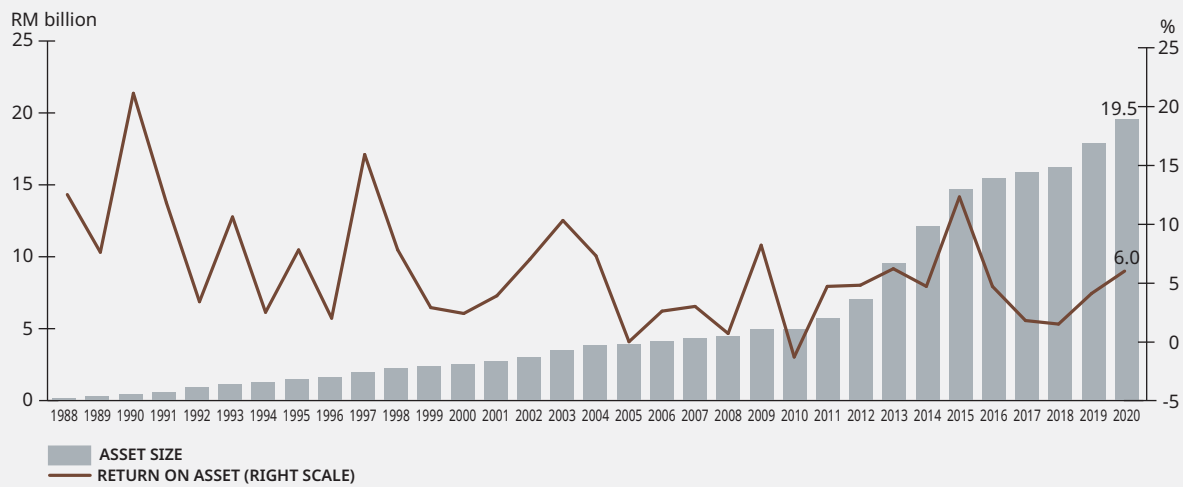
Section 4 of Act 339 provides for the establishment of a panel of trustees as an oversight committee to monitor and govern the operations of the NTF. Members of the Panel consist of a Chairman, a Deputy Chairman (an officer from the Ministry of Finance), a representative from the Prime Minister's Department and two members with business and financial experience. Trustees are responsible for investment decisions, accounting and reporting of the Fund to the Finance Minister, while Bank Negara Malaysia (BNM) is mandated for the daily operation of the NTF.

The Act also requires the NTF account to be annually audited by the National Audit Department no later than three months after its financial year ends. The NTF's audited financial statement, together with an annual report, which includes its investment profile, are submitted to the Finance Minister, which will then be laid in Parliament.

Performance

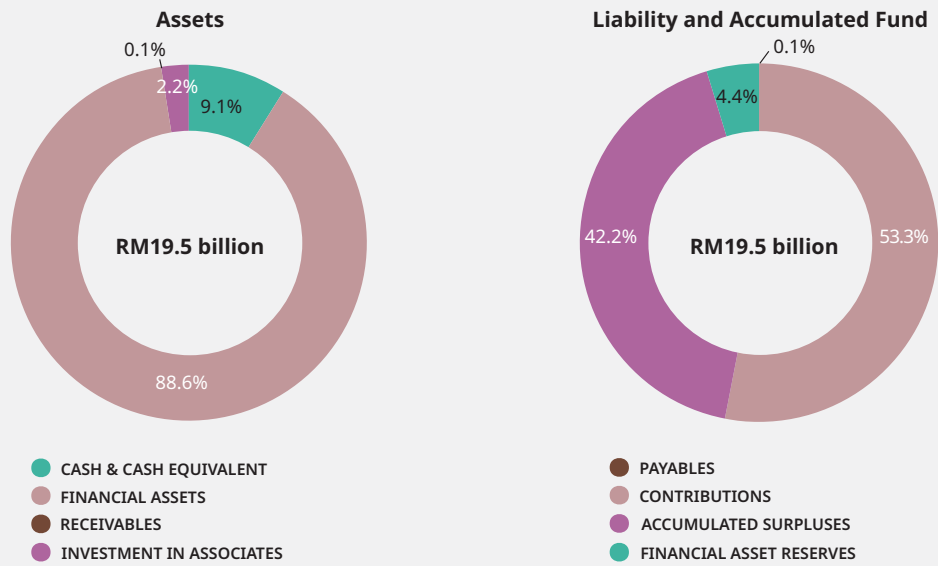
According to Section 5 of Act 339, parties that should contribute to the Fund include Petroleum Nasional Berhad (PETRONAS), state governments that receive royalties from the exploitation of petroleum or other non-renewable natural resources and any parties that are involved in the research and development of natural resources. The NTF started with a fund of RM114 million in 1988, which subsequently grew to RM19.5 billion as at end December 2020. The growth of the fund was on account of the increased contribution from PETRONAS as well as returns on investment through strategies and a diversified portfolio. Investment portfolio of the NTF include, among others, in equity, bonds, real estate investment trusts (REITs), gold and deposits. As of 31 December 2020, accumulated surpluses of the NTF stood at RM8.2 billion while contribution to the fund totalled RM10.4 billion.

FIGURE 2. Growth and Return on Asset of the NTF



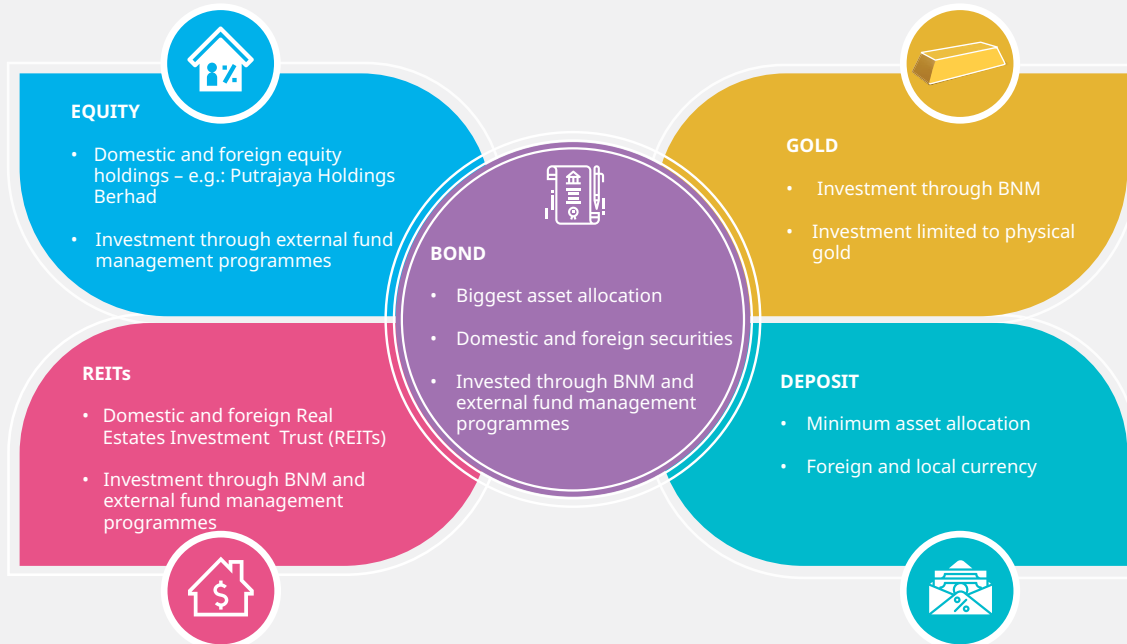
Source: NTF Annual Report

FIGURE 3. Financial Position of the NTF, as at 31 December 2020



Source: NTF Audited Financial Statement 2020

FIGURE 4. Summary of the NTF's Investment Portfolios



Source: NTF Annual Report

Utilisation

Section 6 of the Act 339 authorises the utilisation of the NTF after ten years from the commencement of the Act, with prior approval of the Finance Minister. Section 6(a) provides for the utilisation for development expenditure as specified in the First Schedule of the Development Funds Act 1966 [Act 406], while Section 6(b) allows for loans or advances to the Federal Government or state governments. Since its inception, the NTF was utilised in 1998 to finance the development of Paya Indah Wetlands, amounting to RM42 million. However, no loan or advance was ever provided to either the Federal Government or state governments. Nevertheless, the NTF holds Malaysian Government Securities (MGS) as part of their investment portfolio, as provided under Section 7 of Act 339.

In early 2020, Malaysia was hit by the COVID-19 pandemic, which necessitated the implementation of various movement control orders (MCO) to curb the spread of the virus. To cushion the economic impact of the MCO and to assist the rakyat, several stimulus packages and recovery plans were introduced by the Government. As vaccines became available in 2021, the COVID-19 National Immunisation Programme (PICK) was initiated with an initial cost estimated at RM3 billion as announced in the 2021 Budget. Given the Government's limited fiscal space, a total of RM5 billion is earmarked to be utilised from the NTF to widen the coverage and expedite the nationwide vaccination programme. The expenditure under this programme is allocated for the procurement of vaccines and costs related to administering the vaccine, such as equipment, logistics, venues and others.

The utilisation of the NTF for PICK was made in consideration of the following factors:

- a) Malaysia was hit by the second and third waves of the COVID-19 pandemic that came with highly contagious variants of the virus. This has led to an exponential increase in infection cases that strained the national health system. Hence, it demands the Government to expedite PICK to achieve the target of inoculating 80% of the adult population by October 2021, ahead of the initial target by first quarter of 2022;
- b) The extended MCO necessitated the roll-out of various stimulus and assistance packages to protect the livelihood of the rakyat (such as *Bantuan Prihatin Nasional* and Food Basket programmes) and survivability of businesses (such as Prihatin SME Grant and Wage Subsidy Programme). This situation requires the Government to optimise its financing to provide certainty in managing cash flows, given the slower revenue performance that limits its fiscal space;
- c) The fiscal space was also limited by increasing financial obligations arising from liabilities that have to be served by the Federal Government. Thus, the Government has to look for an alternative financing option that is readily available and will not incur additional debt burden in the short and medium term; and
- d) The Government will only utilise the accumulated profits and not the accumulated contribution. The Government's intention is not to burden future generations with debt if procurement of vaccines is to be financed through additional borrowings.

Though Act 339 provides for the utilisation of development expenditure, among others, for the health sector (First Schedule, Act 406), such as the construction of hospitals and clinics as well as procurement of medical equipment and assets, the procurement of vaccines is not part of the expenditure list. Therefore, the Government had to amend Section 6 of Act 339 for vaccine procurement, which was executed through an Emergency Ordinance in April 2021 with a temporary clause added to the Act as follows:

“Section 6(c)

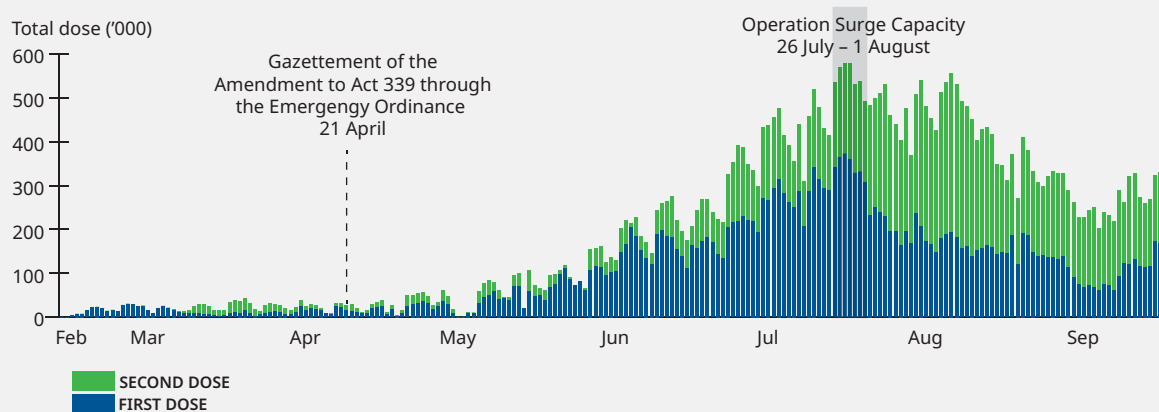
the procurement of vaccines and any expenditure incurred in relation to the vaccines for an epidemic of any infectious disease as specified under the Prevention and Control of Infectious Diseases Act 1988 [Act 342].”

This amendment was subsequently tabled in Parliament in October 2021 to maintain this clause in Act 339.

The Progress of PICK

With financial support from NTF, Malaysia is progressing well in its vaccination drive, where the nation is currently ranked among the highest in the world in terms of daily COVID-19 vaccination rate. As at 30 September 2021, a total of 20 million individuals or 85.7% of the adult population, have been fully vaccinated. This has enabled the gradual opening of economic sectors and subsequently accelerating the economic recovery of the nation.

FIGURE 5. Malaysia: Vaccination Rate, End-September 2021

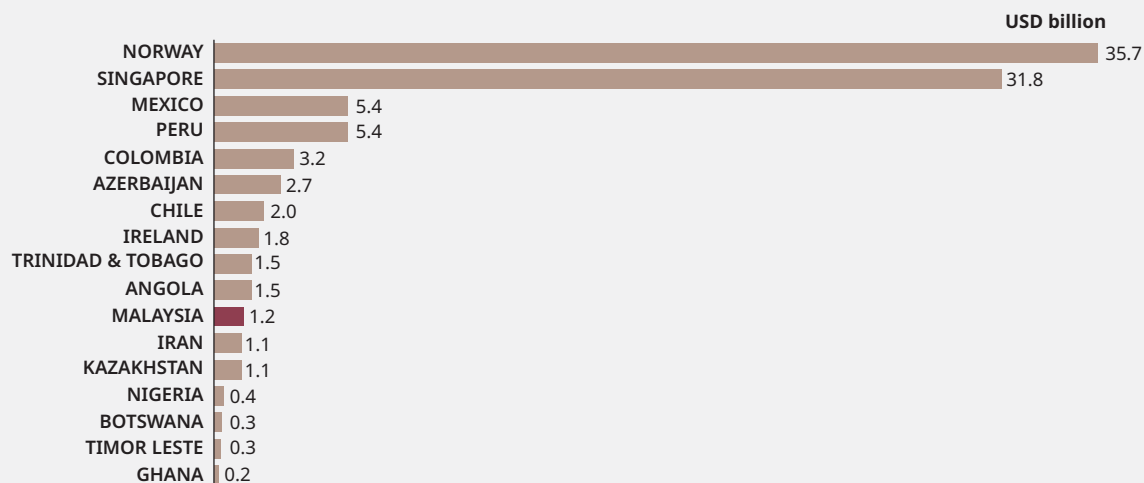


Source: The COVID-19 Immunisation Task Force (CITF)

Experience of Other Global Sovereign Wealth Funds

Like Malaysia, other countries have also utilised their savings and stabilisation funds, particularly funds sourced from natural resources, to finance their assistance and stimulus measures in tackling the COVID-19 pandemic (Figure 6). This is in line with one of the purposes of establishment of the SWFs which is to provide immediate fiscal support during a crisis. For example, the Norway Government Pension Fund Global has contributed USD35.7 billion in 2020 and allocated USD30.7 billion in 2021 to finance Norway's national budget, including measures related to the COVID-19 crisis. Singapore also has earmarked USD31.8 billion from its reserve to finance its COVID-19 Resilience Package in 2020 and USD8.2 billion in 2021.

FIGURE 6. Global Sovereign Wealth Fund Utilisation 2020



Source: Natural Resource Governance Institute, Ministry of Finance Norway and Ministry of Finance Singapore

Conclusion

SWFs are vital for sovereigns to safeguard the interest of future generations. However, with the worst ever crisis brought by the COVID-19 pandemic, SWFs became a useful financial option for sovereigns in financing their recovery strategies. Malaysia is no exception in this case. In view of its limited fiscal space, the Government partly utilised its NTF to combat the pandemic. The utilisation of the NTF for the national vaccination drive is a critical component of Malaysia's national recovery plan to exit from the crisis, accelerate economic recovery and safeguard its future. Once the economy stabilises and returns to its growth trajectory, the Government is committed to replenishing the Fund.

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Fiscal Position in 2021

In the 2021 Budget, the Government initially projected fiscal deficit to reduce to 5.4% to GDP, based on the assumption of steady economic recovery in the second half of 2020 and the expected spillover into 2021. However, the emergence of new COVID-19 variants, which is more virulent and contagious, poses big challenges to the Government in protecting the rakyat, businesses and economy. Consequently, the Government re-imposed the movement control orders (MCO) and announced additional assistance and stimulus packages to ease the burden of the rakyat and businesses.

These initiatives further affected the Federal Government financial position. Revenue is estimated to be lower at RM221 billion or 14.6% to GDP in 2021, a shortfall of 6.7% from the budget estimates. The shortfall is mainly due to lower tax revenue. However, the shortfall will be cushioned by additional revenue from higher average crude oil and palm oil prices as well as additional dividends and a special payment from Government's entities.

Given the growing fiscal needs, the Government has recalibrated its spending priority towards supporting the healthcare system, easing the burden of the rakyat and ensuring business continuity. Consequently, expenditure has been reprioritised to accommodate the additional assistance and economic stimulus packages, resulting in higher spending requirements under the COVID-19 Fund. Thus, total expenditure is expected to remain significant at RM320.6 billion, marginally lower by 0.6% than budget estimates of RM322.5 billion.

The operating expenditure (OE) will be rationalised by 7.1% or RM16.9 billion at RM219.6 billion, mainly from supplies and services as well as grants to statutory bodies with high reserves. Similarly, development expenditure (DE) is expected to fall by 10.1% to RM62 billion from budget estimates of RM69 billion. Several development projects were reviewed and rescheduled following the implementation of the MCO, which affected the progress of the projects. However, the COVID-19 Fund allocation is estimated to increase by 129.4% or RM22 billion to RM39 billion to finance the additional assistance and stimulus packages.

TABLE 1.1. Federal Government Financial Position, 2020 – 2022

	RM MILLION			CHANGE (%)			SHARE TO GDP (%)		
	2020	2021 ³	2022 ⁴	2020	2021 ³	2022 ⁴	2020	2021 ³	2022 ⁴
Revenue	225,076	221,023	234,011	-14.9	-1.8	5.9	15.9	14.6	14.3
Operating expenditure	224,600	219,600	233,500	-14.7	-2.2	6.3	15.9	14.5	14.3
Current balance	476	1,423	511				0.0	0.1	0.0
Gross development expenditure	51,360	62,000	75,600	-5.2	20.7	21.9	3.6	4.1	4.6
Less: Loan recovery	1,259	800	600	-21.5	-36.5	-25.0	0.1	0.1	0.0
Net development expenditure	50,101	61,200	75,000	-4.7	22.2	22.5	3.5	4.0	4.6
COVID-19 Fund ¹	38,019	39,000	23,000		2.6	-41.0	2.7	2.6	1.4
Overall balance	-87,644	-98,777	-97,489				-6.2	-6.5	-6.0
Primary balance²	-53,149	-59,777	-54,389				-3.8	-3.9	-3.3

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Excluding debt service charges

³ Revised estimate

⁴ Budget estimate, excluding 2022 Budget measures

Source: Ministry of Finance, Malaysia

The longer-than-expected pandemic has forced the Government to increase its spending capacity in providing additional fiscal support. Thus, the Federal Government's fiscal deficit is projected to widen to 6.5% to GDP due to additional fiscal injection coupled with lower GDP projections. Similarly, excluding debt service charges, the primary balance is expected to increase to 3.9% to GDP.

Outlook for 2022

As the global economy remains uncertain, there is a need to revitalise domestic economic and social activities to expedite the recovery. The vaccination programme is one of the key enablers in reopening the social and economic sectors. In 2022, the economic outlook is expected to improve further and return to its potential growth trajectory, supported by broader vaccination coverage and stable domestic and external demand. As published in the inaugural Pre-Budget Statement, the 2022 Budget is formulated with three main objectives: protecting and driving the recovery of lives and livelihoods, rebuilding national resilience and catalysing reforms. The Government will continue its expansionary budget policy in supporting the national development agenda, as outlined in the 12MP.

The Federal Government's revenue collection in 2022 is estimated to be higher at RM234 billion or 14.3% to GDP, driven by the anticipated increase in tax revenue collection to RM171.4 billion and non-tax revenue to RM62.6 billion. Similarly, total expenditure is budgeted to be slightly higher at RM332.1 billion or 20.3% to GDP, attributed to higher OE at RM233.5 billion and DE at RM75.6 billion. The remaining RM23 billion is for the disbursement under the COVID-19 Fund. The increase in OE is mainly due to supplies and services, debt service charges as well as emoluments. DE allocation will be mainly directed towards the implementation of programmes and projects under 12MP, among others include the

Electrified Double Track Rail Gemas - Johor Bahru, Rapid Transit System Link and Pan Borneo Highway.

With a higher ceiling for the COVID-19 Fund, the Government will allocate RM23 billion for the stimulus and economic recovery measures. The allocation will support programmes and projects such as wage subsidy and cash assistance programmes as well as small-scale projects. As stipulated under the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 [Act 830], the Fund will continue to remain in operation until end-2022.

After considering revenue growth and expenditure requirement, the fiscal deficit is expected to moderate to 6% to GDP. Similarly, excluding the debt service charges, the primary deficit is estimated at 3.3% to GDP. The Government is committed to providing adequate fiscal support to revitalise the domestic economy back to its growth potential. Hence, the resumption of fiscal consolidation will be on a more gradual trajectory, guided by the medium-term fiscal framework.

Medium-Term Fiscal Framework, 2022 - 2024

In the medium term, fiscal strategy will be guided by the Medium-Term Fiscal Framework (MTFF). MTFF serves as guidance for budgetary planning by setting a three-year macro-fiscal projection, including revenue and expenditure. Hence, the MTFF is an important tool for public finance management and operations to promote fiscal discipline, ensure effective and efficient spending and embark on institutional reforms.

In the 2021 - 2023 MTFF, published in the 2021 Budget, the Government projected the fiscal consolidation to average 4.5% to GDP over the three years. The projection was

based on the assumptions of steady economic recovery with real GDP growth between 4.5% - 5.5%, stable crude oil prices (USD45 - USD55 per barrel) and crude oil production of 580,000 barrels per day. Total revenue was estimated at 14.7% to GDP, while total expenditure was projected at 19.3% to GDP.

However, due to the prolonged COVID-19 pandemic, the Government has provided more fiscal injection and increase its statutory debt ceiling to ensure adequate spending for economic stimulus and recovery measures as well as implementation of 12MP. Consequently, the 2022 - 2024 MTFF has been revised with a more gradual fiscal consolidation on the assumption of nominal GDP growth averaging 7.7%, average crude oil prices at USD67 per barrel as well as average crude oil production of 580,000 barrels per day.

Total revenue in the medium term is projected at RM736 billion or 13.9% to GDP, contributed mainly from non-petroleum revenue estimated at RM600.7 billion or 11.3% to GDP. Petroleum-related revenue is forecast at RM135.3 billion or 2.6% to GDP. Efforts to enhance the revenue base will be guided by the Medium-Term Revenue Strategy (MTRS) that outlines the mobilisation stages of revenue measures, review of tax legislation and modernisation of revenue administration.

The total indicative expenditure ceiling for the 2022 - 2024 period, including the COVID-19 Fund, is estimated at RM999.9 billion or 18.9% to GDP. OE allocation is projected at RM726.9 billion or 13.7% to GDP, while DE at RM250 billion or 4.7% to GDP. The ceiling will provide broad guidance to ministries and agencies for budget planning, hence facilitating a smooth implementation and financing of programmes and projects.

In the medium term, the fiscal consolidation trajectory is expected to be more gradual than initially projected, with the overall fiscal deficit averaging at 5% to GDP for the 2022 - 2024 MTFF period. The Government will continue implementing reform initiatives to ensure fiscal sustainability and improve debt affordability while at the same time continuously supporting economic recovery.

TABLE 1.2. *Medium-Term Fiscal Framework (MTFF), 2022 - 2024*

	2022 - 2024	
	RM BILLION	SHARE TO GDP (%)
Revenue	736.0	13.9
<i>Non-petroleum</i>	600.7	11.3
<i>Petroleum-related</i>	135.3	2.6
Operating expenditure	726.9	13.7
Current balance	9.1	0.2
Gross development expenditure	250.0	4.7
<i>Less: Loan recovery</i>	1.8	0.0
Net development expenditure	248.2	4.7
COVID-19 Fund ¹	23.0	0.5
Overall balance	-262.1	-5.0
Primary balance	-122.6	-2.3
Underlying assumptions:		
Average real GDP growth (%)	5.5	
Average nominal GDP growth (%)	7.7	
Average crude oil price (USD per barrel)	67	
Average oil production (barrels per day)	580,000	

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan
Note: MTFF estimate, excluding budget measures
Source: Ministry of Finance, Malaysia

FEATURE ARTICLE

Fiscal Responsibility Act Framework

Introduction

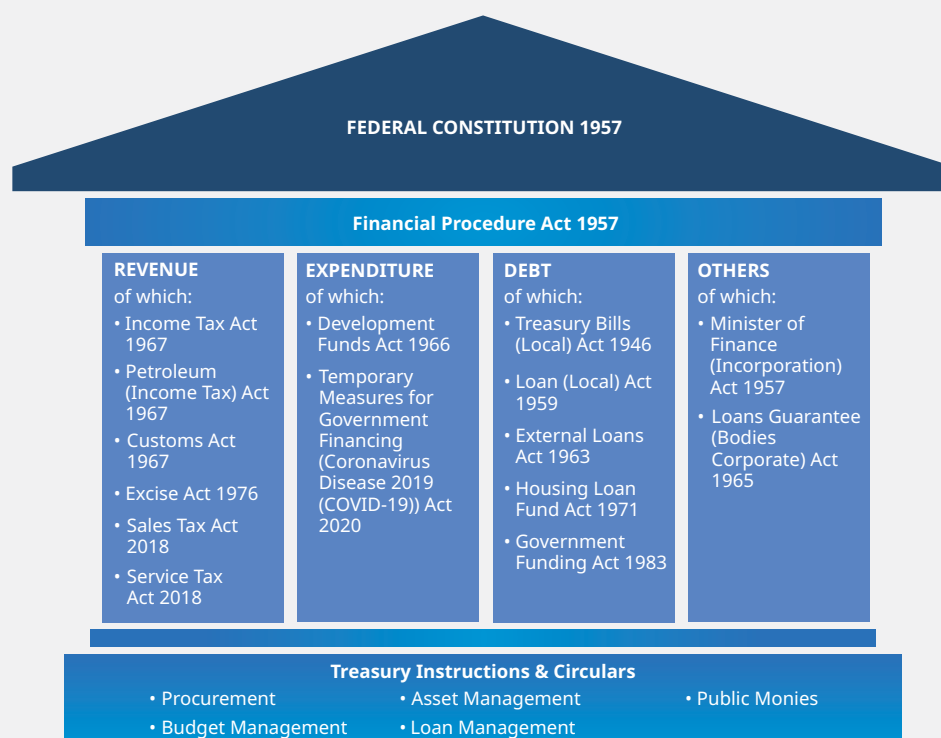
The Malaysian economy has evolved from agriculture-based towards a highly diversified economy through a series of national development plans anchored by effective fiscal and monetary policies and management. The COVID-19 pandemic crisis has elevated, in particular, the role of fiscal policy, which is imperative in supporting economic and health recovery as well as remaining agile in any economic circumstances. At the same time, the Government has to balance the nation's immediate needs with the effort to ensure public finances remain sustainable in the medium- and long-term. This includes initiatives to enhance its institutional and governance structure, transparent reporting and effective risk management through responsible and progressive fiscal reforms.

The Government remains committed to continuing its fiscal reform initiatives to strengthen public finances while supporting economic recovery, although the pandemic has hampered its fiscal consolidation plan. Currently, the Government is formulating the Fiscal Responsibility Act (FRA) to further enhance governance, accountability and transparency in fiscal management. In this regard, the Fiscal Policy Committee (FPC) endorsed the FRA framework in May 2021. Subsequently, a consultation paper on the proposed framework has been made available to the public for feedback.

Current Legal Framework

The current fiscal policy framework is governed by various laws and regulations. The Federal Constitution 1957 is the supreme law of the Federation. It extends to the governance of public monies, particularly budgetary procedures, and the roles and functions of Parliament in approving and monitoring the annual supply bill. The Constitution also specifies the relationship between the Federal Government and state governments, particularly the Federal, State and Concurrent Lists. Under the Constitution, state governments, except Sabah and Sarawak, can only borrow from or with the approval of the Federal Government. Meanwhile, state governments are not allowed to issue guarantees without the Federal Government's approval, hence limiting most of the debt and liabilities exposure at the Federal Government level.

The primary legislation, which provides guidance for controlling and managing public finances, is outlined under the Financial Procedure Act 1957 [Act 61]. The procedure and guidelines are further expanded in Treasury Instructions and Circulars, which are regularly updated. Several other acts provide legal basis for tax administration, collection and governance, such as Income Tax Act 1967 [Act 53], Sales Tax Act 2018 [Act 806], Service Tax Act 2018 [Act 807] and Customs Act 1967 [Act 235]. Meanwhile, the Development Funds Act 1966 [Act 406], which governs development expenditure, only allows expenditures specified in the First Schedule of the Act. In response to the COVID-19 pandemic crisis, the Government has established a temporary trust fund, namely the COVID-19 Fund, to comprehensively finance all pandemic- and stimulus-related measures. In relation to financial governance for the extra-budgetary entity, particularly Federal Statutory Bodies, apart from their respective establishment acts, there are three legislations that need to be adhered to, namely the Statutory Bodies (Accounts and Annual Reports) Act 1980 [Act 240], the Statutory Bodies (Power to Borrow) Act 1999 [Act 598] and the Statutory Bodies (Discipline and Surcharge) Act 2000 [Act 605].

FIGURE 1. Fiscal Regulatory Framework

Source: Ministry of Finance, Malaysia

There are several legislations that govern the Government's debt and liabilities, such as the Loan (Local) Act 1959 [Act 637], Government Funding Act 1983 [Act 275], Treasury Bills (Local) Act 1946 [Act 188], External Loans Act 1963 [Act 403], Minister of Finance (Incorporation) Act 1957 [Act 375] and Loans Guarantee (Bodies Corporate) Act 1965 [Act 96]. In addition, the Government has applied several fiscal rules to enhance the budgetary discipline, such as a debt rule and golden rule. The debt rule refers to the statutory debt ceiling of 65% to GDP, while the golden rule dictates that borrowings are only allowed to finance development expenditure. The debt acts and rules are as in **Table 1**.

TABLE 1: Debt Acts and Rules

Rules	Acts
Domestic debt ¹ ceiling not exceeding 65% to GDP	Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020
MTB ceiling not exceeding RM10 billion	Treasury Bills (Local) Act 1946
Offshore borrowing ceiling not exceeding RM35 billion	External Loans Act 1963

Note: ¹ Refers only to Malaysian Government Securities (MGS), Malaysian Government Investment Issues (MGII) and Malaysian Islamic Treasury Bills (MITB)
Source: Ministry of Finance, Malaysia

The Fiscal Policy Committee (FPC) was established in 2013 as part of the fiscal reform initiative to strengthen public finances and ensure long-term fiscal sustainability. The FPC is chaired by the Prime Minister and members comprised of selected Cabinet Ministers, the Chief Secretary to the Government and several key central agencies. It meets at least twice a year and the Federal Treasury acts as its secretariat.

Proposed FRA Framework

The FRA is intended to be a dedicated law to govern the fiscal policy conduct of the Government. This Act will be formulated based on the Malaysian context to provide a solid framework for prudent fiscal management. Similar to recent fiscal responsibility legislations in most countries, the FRA comprises a set of principles for sound fiscal management with a strong emphasis on transparency and accountability.

In addition, the proposed FRA framework requires the Government to publish its key measurable fiscal objectives that are consistent with the FRA principles. This includes fiscal objectives relating to sustainable budget balance, prudent debt and fiscal risk management. Countries, such as New Zealand and Australia, include principles and fiscal objectives in their fiscal responsibility legislations. In contrast, the United Kingdom's legislation requires the government to publish its key fiscal objectives in a separate document known as the Charter for Budget Responsibility. Some fiscal responsibility laws also include escape clauses that temporarily exempt governments from complying with the fiscal rules, particularly during unexpected events or crises.

There are four key components in fiscal management, namely revenue, expenditure, debt and fiscal risk. These components must be managed effectively and prudently, with a high degree and frequency of transparency and accountability for sound fiscal management. This includes managing fiscal risks associated with contingent liabilities as it may derail the fiscal consolidation objectives of the Government. Therefore, the FRA will include provisions relating to these four components to ensure long-term fiscal sustainability regarding sustainable revenue policy, effective spending, and prudent debt and fiscal risk management.

Another essential feature of fiscal legislation is the reporting requirement. The proposed FRA will include obligatory reporting requirements comprising *ex-ante* and *ex-post* documents such as economic and fiscal forecasts, pre-budget statements, mid-year economic and fiscal updates, fiscal risk statement, tax expenditure, mid-year budget performance and annual financial report. Disclosure of these documents would enhance the transparency of fiscal objectives and performance. Furthermore, FRA would further strengthen the role of FPC by institutionalising the FPC as the high-level advisory committee on fiscal matters.

FIGURE 2. Proposed Fiscal Responsibility Act Framework



Source: Ministry of Finance, Malaysia

Stakeholder Engagement

Public Consultation

As part of its fiscal reform agenda, the Ministry of Finance (MOF) has since published a public consultation paper to obtain inputs and feedback on the formulation of the FRA. The consultation paper includes the rationale, issues related to fiscal management and the proposed framework for FRA. The consultation paper was made available to the public on the MOF Budget 2022 portal from 3 to 15 September 2021.

MOF has received positive feedback from the public on the proposed FRA framework as outlined in the consultation paper. In general, the public are very supportive of the Government's efforts to enhance its governance, transparency and accountability in fiscal management through the introduction of the FRA. All recommendations will be taken into consideration before finalising the FRA. Among the recommendations received are as follows:

- a) Implement accrual accounting in accordance with international accounting standards;
- b) Ensure predictable and stable tax rates;
- c) Improve the management of government assets;
- d) Review the FPC membership by including private sector experts;
- e) Establish an independent fiscal institution;
- f) Review the role of Minister of Finance (Incorporated) companies;
- g) Enhance the management of government guarantees;
- h) Review the pension scheme from defined benefit to defined contribution;
- i) Increase public investment spending; and
- j) Widen the revenue base by introducing new sources of revenue and reducing tax exemptions.

In addition, the MOF will continue to engage with the International Monetary Fund (IMF) for expert advice and technical assistance in formulating the FRA. At the same time, MOF will continue to consult relevant stakeholders for views and feedback in drafting the FRA. The draft bill of the FRA will then be tabled to the Cabinet for approval before tabling in Parliament.

Response from Local and International Communities

Since the announcement of the FRA, the Government has received positive feedback from various parties. Constructive feedback will be taken into consideration in improving the content and process of the FRA. Among the feedback received from local organisations are shown in **Table 2**.

TABLE 2: *Feedback from Local Organisations*

“In the long run, Malaysia’s fiscal position is anticipated to achieve structural improvements through ongoing efforts to enhance its revenue, via achieving the goals set out by the Tax Reform Committee, and by enacting legislation under the Government Procurement Act 2020 and Fiscal Responsibility Act 2021. While details are currently limited, RAM expects better fiscal oversight and budgetary caps to elevate Malaysia’s fiscal sustainability.”

RAM Rating Services Sdn. Bhd., Press Releases, November 2019

“Finally, it is hoped that the government takes fiscal transparency seriously, especially in its intention to table the Fiscal Responsibility Act in 2021.”

IDEAS, Media Statement, November 2020

“Furthermore, with the introduction of the Fiscal Responsibility Act, we believe the management of fiscal policy will likely be reinforced further, whereby the government will continue to introduce measures on fiscal consolidation.”

Affin Hwang Investment Bank Bhd, Economic Update Malaysia – Economic Outlook 2H2020, June 2020

International organisations, such as the IMF, Organisation for Economic Co-operation and Development (OECD) and rating agencies, also shared their views. They have complimented efforts by the Malaysian Government to further enhance its fiscal governance through the formulation of the FRA. This reform initiative will have a positive impact on credit rating assessment, especially on the governance. Among the feedback from international organisations are shown in **Table 3**.

TABLE 3: *Feedback from International Organisations*

“To better prepare for changes in the debt limit and better anchor public finances, the authorities should accelerate the preparation of the Fiscal Responsibility Act (FRA).”

IMF, Staff Report for the 2021 Article IV Consultation for Malaysia, February 2021

“In addition, the Government has announced in 2018 the introduction of a Fiscal Responsibility Act towards 2021. Like in some other countries, such as Ireland, New Zealand and Thailand, where a similar fiscal responsibility legislation was adopted, under the planned Fiscal Responsibility Act, government revenue, expenditure, budget balance and debt will be managed consistently with one another through pre-determined rules and reporting in order to enhance its transparency and accountability.”

OECD, OECD Economic Surveys: Malaysia 2021, August 2021

“The government also continues to work on a Fiscal Responsibility Act to improve fiscal transparency and accountability and enhance overall fiscal management.”

Fitch Ratings, Malaysia Rating Report, August 2021

“The reform agenda on strengthening institutions, governance, and the capacity of the administration remains an important complement to these efforts and should be maintained.”

World Bank, Malaysia Economic Monitor, June 2020

Conclusion

The Government is committed to continuing its fiscal reforms agenda to strengthen public finances once the economy recovers. The formulation of the FRA reflects its commitment and strategy for sound fiscal management. This reform initiative will further enhance the credibility of its fiscal policy conduct towards achieving long-term public finance sustainability and macroeconomic stability. The FRA will also provide a robust framework for the Government to improve transparency and accountability in fiscal management.

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Conclusion

The prolonged COVID-19 crisis has forced the Government to continue providing additional fiscal support to bolster the healthcare system, safeguard the people and facilitate economic recovery. The Government is confident that the rollout of the NRP and the implementation of PICK will facilitate a safe and systematic reopening of the economic and social sectors, thus boosting the growth momentum. Furthermore, the 12MP will provide the overall policy framework for structural reforms and medium-term directions in terms of investment in public infrastructure, human capital, bridging the development gap between regions and narrowing income disparities between groups.

As one of the initiatives to enhance fiscal transparency and accountability and encourage public participation, the Government has published its inaugural Pre-Budget Statement and a series of public consultation papers on fiscal legislation, tax reforms, social

assistance system and public procurement. The publications have received positive and constructive feedback from various stakeholders. These initiatives reinforce the Government's commitment to improving governance in budgetary and public finance management.

Recognising the importance of providing fiscal support to sustain growth, it is also imperative to strengthen public finance management and rebuild fiscal buffers promptly. As a responsible Government, the temporary increase in the statutory debt ceiling will be followed by revenue enhancement measures to reduce its fiscal burden. This will help the build-up of sufficient buffers to provide counter-cyclical measures in mitigating unexpected circumstances in the future. More importantly, institutional reform initiatives, such as the Fiscal Responsibility Act, MTRS and Public Expenditure Review, will be pursued in ensuring fiscal governance and medium-term sustainability.

FIGURE 1.1. Federal Government Overall and Primary Balance

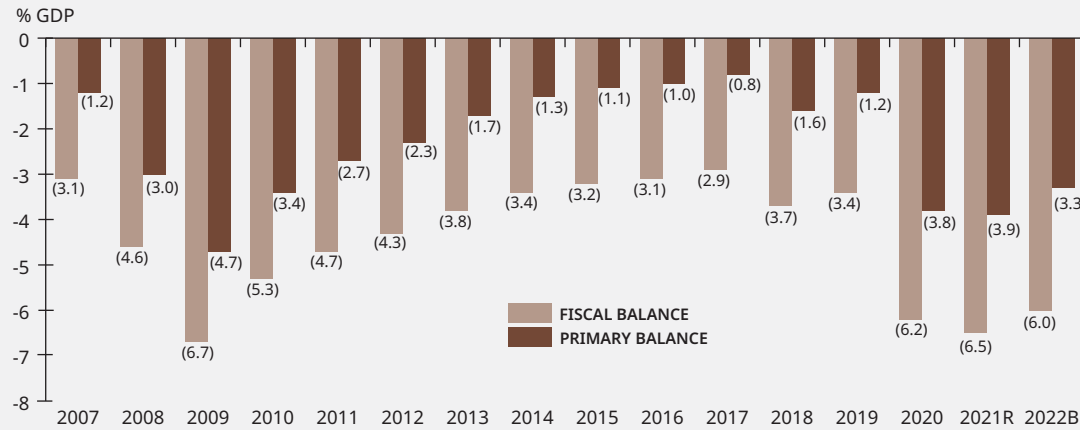


FIGURE 1.2. Federal Government Revenue, Operating Expenditure and Current Balance

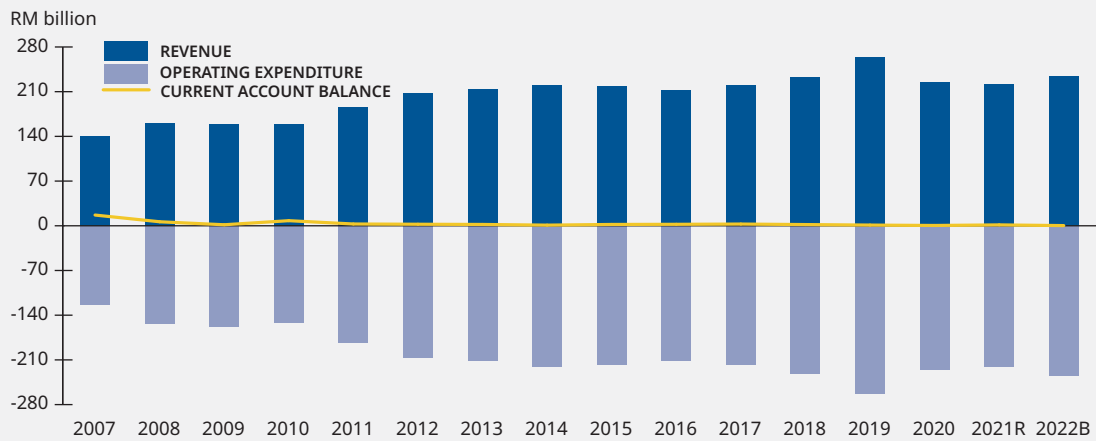


FIGURE 1.3. Federal Government MTFF Overall Balance

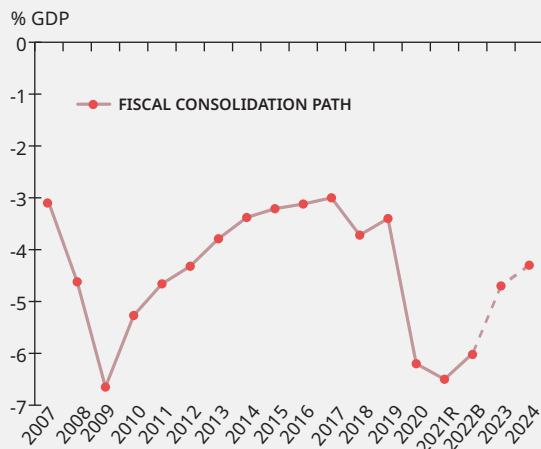
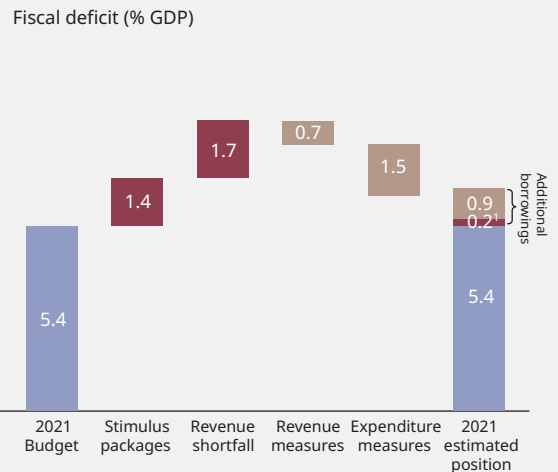


FIGURE 1.4. Revised Fiscal Position in 2021



Note: 2021: Revised estimate
2022: Budget estimate, excluding 2022 Budget measures
Source: Ministry of Finance, Malaysia

¹ Reflecting lower nominal GDP

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SECTION 2

Federal Government Revenue

Overview

The COVID-19 pandemic has led to the re-enforcement of containment measures which have affected the economy, business operations and social interactions. This has resulted in the provision of fiscal support among others via tax incentives and reliefs to cushion the impact of the pandemic. Hence, revenue is expected to underperform for the year, constraining fiscal space and effort to rejuvenate the economy.

However, the implementation of the National Recovery Plan (NRP) and acceleration of the nationwide vaccination programme are expected to boost recovery and revenue with the gradual reopening of the economy. High commodity prices coupled with revenue enhancement initiatives that were undertaken during the year have also provided some upside to revenue collection.

As part of the effort to improve inclusivity and transparency in preparing annual budget, the inaugural Pre-Budget Statement and four Public Consultation Papers were issued. One of the papers, namely Review of Tax Incentives, was published to solicit views on the proposal to review the overall tax incentive framework. This initiative signifies a fresh approach by the Government to engage business communities and the public to strengthen the overall tax administration and compliance.

Revenue in 2021

Federal Government revenue in 2021 is projected to register a lower collection of RM221 billion (14.6% to GDP) compared with

RM225.1 billion (15.9% to GDP) in 2020. The 1.8% decline in total revenue is mainly due to the fall in proceeds from non-tax revenue as a result of lower investment income. In contrast, tax revenue, which constitutes 73.2% of total revenue (10.7% to GDP), is estimated to increase 4.8% to RM161.8 billion (2020: RM154.4 billion), while non-tax revenue is expected to record RM59.2 billion (3.9% to GDP), representing 26.8% of total revenue.

Direct tax is anticipated to turn around by 6.7% to RM120 billion, mainly contributed by higher companies income tax (CITA) collection of RM60.6 billion. The better performance is a consequence of a low base effect, supported by several factors such as higher tax instalment payments from the corporate sector in 2021 following tax deferrals provided in 2020. Higher collection in CITA was also due to improved performance of the services and manufacturing sectors and higher collection from profit-making entities that were not affected by the pandemic, mainly in the banking, pharmaceutical and palm oil industries. However, individual income tax is estimated to decline by 6.6% to RM36.4 billion due to fewer taxable individual taxpayers following higher unemployment rate at 4.5%. Similarly, the petroleum income tax (PITA) is estimated lower at RM11.5 billion (2020: RM12.8 billion) attributed to higher extraction costs borne by petroleum companies, albeit increasing crude oil prices in 2021. Nevertheless, the collection of other direct taxes, mainly consisting of stamp duties and real property gains tax (RPGT), is estimated to increase to RM8.2 billion (2020: RM7.6 billion), supported by higher property market transactions following the rise in value and volume of properties sales from all market and price segments.¹

¹ Valuation and Property Services Department. Retrieved from <https://napic.jpoh.gov.my/portal>

TABLE 2.1. Federal Government Revenue
2020 – 2022

COMPONENT	RM MILLION			CHANGE (%)			SHARE (%)		
	2020	2021 ¹	2022 ²	2020	2021 ¹	2022 ²	2020	2021 ¹	2022 ²
Tax revenue	154,398	161,830	171,374	-14.5	4.8	5.9	68.6	73.2	73.2
Direct tax	112,511	120,048	127,334	-16.5	6.7	6.1	50.0	54.3	54.4
<i>of which:</i>									
CITA	50,065	60,588	65,499	-21.5	21.0	8.1	22.2	27.4	28.0
Individual	38,953	36,400	37,510	0.7	-6.6	3.0	17.3	16.5	16.0
PITA	12,772	11,500	12,400	-38.5	-10.0	7.8	5.7	5.2	5.3
Indirect tax	41,887	41,782	44,040	-8.6	-0.3	5.4	18.6	18.9	18.8
<i>of which:</i>									
SST	26,773	26,528	27,560	-3.2	-0.9	3.9	11.9	12.0	11.8
Excise duties	9,855	9,760	10,200	-6.2	-1.0	4.5	4.4	4.4	4.3
Import duty	2,346	2,330	2,500	-14.2	-0.7	7.3	1.0	1.1	1.1
Export duty	746	1,406	1,610	-33.7	88.5	14.5	0.3	0.6	0.7
Non-tax revenue	70,678	59,193	62,637	-15.7	-16.2	5.8	31.4	26.8	26.8
<i>of which:</i>									
Licences and permits	10,932	10,252	10,958	-24.6	-6.2	6.9	4.9	4.6	4.7
Investment income	46,067	35,989	39,457	-23.3	-21.9	9.6	20.5	16.3	16.9
Total revenue	225,076	221,023	234,011	-14.9	-1.8	5.9	100.0	100.0	100.0
Share to GDP (%)	15.9	14.6	14.3						

¹ Revised estimate² Budget estimate excluding 2022 Budget measures

Source: Ministry of Finance, Malaysia

Indirect tax collection is estimated to decline marginally by 0.3% to record RM41.8 billion (2020: RM41.9 billion), mainly due to lower collection from Sales Tax and Service Tax (SST) and excise duties. SST is expected to record RM26.5 billion, a slight decline by 0.9% attributed to the extension of the sales tax exemptions on passenger vehicles until 31 December 2021 and the impact of the containment measures on consumers and businesses. Similarly, excise duties are forecast to record a lesser collection at RM9.8 billion due to lower motor vehicle production following closures of plants in the entire value chain during the Movement Control Order (MCO) period. This is in line with downward

revision of the projected total industry volume (TIV) for motor vehicles by 12.3% to about 500,000 units for the year.²

However, the lower collection from total indirect tax is cushioned by the increase in the collection from the windfall profit levy and export duty for crude palm oil (CPO). The windfall profit levy increased to RM0.9 billion in 2021 (2020: RM0.2 billion) on account of higher CPO prices of around RM4,000 per tonne, well above the threshold price of RM2,500 per tonne in Peninsular Malaysia and RM3,000 per tonne in Sabah and Sarawak. The windfall profit levy is collected from palm oil producers based on the output of fresh fruit bunches.

² Malaysia Automotive Association. Market Review First Half 2021. Retrieved from <http://www.maa.org.my/news.html>

In contrast, the export duty is collected from exporters based on CPO monthly gazetted market price, while for crude petroleum, export duty is charged at 10% of the exported oil profit. In this regard, the total export duty collection for 2021 is estimated at RM1.4 billion, of which RM0.7 billion is from CPO and RM0.6 billion is from crude petroleum.

Non-tax revenue is estimated lower at RM59.2 billion in 2021 (2020: RM70.7 billion), largely due to lower investment income, particularly dividends from PETRONAS amounting to RM25 billion (2020: RM34 billion). However, the Government received higher dividends from Bank Negara Malaysia (BNM) amounting to RM4 billion (2020: RM3.5 billion) and is expected to receive RM2 billion from Khazanah Nasional Berhad (2020: RM1 billion). Furthermore, the Government has received a special payment of RM5 billion from the Retirement Fund (Incorporated) (KWAP) to partly finance the current year's retirement

charges. Receipts from licences and permits are expected to decline to RM10.3 billion (2020: RM10.9 billion) due to lower proceeds from petroleum royalties. Motor vehicle licences collection is forecast to be stable at around RM2.8 billion, taking into account the relief granted by the Government in renewals of new licences. Similarly, the levy on foreign workers is estimated to maintain around RM1.7 billion.

In 2021, the share of **petroleum-related revenue** is projected to be lower at 19.2% of total revenue (2020: 24.9%). Although its share is lower, the RM42.5 billion revenue is estimated to be higher compared to Budget estimates of RM37.8 billion, resulting from higher PETRONAS dividends in line with improving global crude oil prices. **Non-petroleum revenue** is projected to improve by 5.6% to RM178.5 billion (2020: RM169 billion), anchored by better collection from tax revenue that reflects a mild economic recovery in 2021 compared with the previous year.

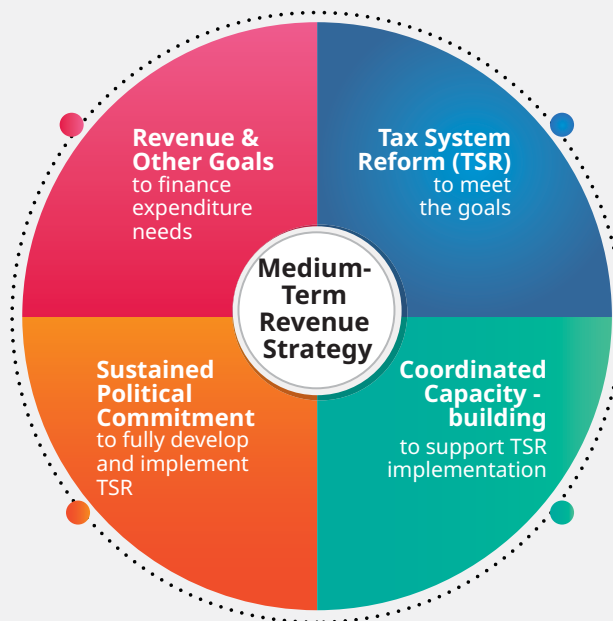
FEATURE ARTICLE

Medium-Term Revenue Strategy: A Call for Revenue Reforms in Malaysia

Introduction

Public finance management involves an efficient mobilisation of fiscal resources to achieve national development agenda. Thus, it is crucial to ensure stable revenue generation to support expenditure needs, particularly in meeting the country's socio economic objectives. The Government has embarked on fiscal reform initiatives, among others, to enhance its revenue base, as evidenced by the formation of the Tax Reform Committee (TRC) in 2018. The TRC is tasked to review the current tax system, propose new tax measures to address tax gaps and incorporate the informal economy into the tax net. As a policy continuation, the Government is formulating a revenue framework, namely the Medium-Term Revenue Strategy (MTRS), that will adopt and adapt international best practices in modernising Malaysia's tax system and administration.

The MTRS is a comprehensive approach in undertaking effective tax reforms to boost revenues and improve the tax system over the medium term through a country-led and whole-of-government approach. In general, there are four main aspects of an MTRS - defining revenue and other goals, reforming the tax system, sustaining political commitment and coordinating capacity building. The framework provides a high-level road map of tax reforms to establish a modern and robust system that is fair and equitable and provides an efficient revenue administration. Nevertheless, the successful implementation of an MTRS will require firm support from key stakeholders in our society.

FIGURE 1. Main Components of the Medium-Term Revenue Strategy

Source: The Platform for Collaboration on Tax

Rationale for MTRS

The introduction of MTRS is timely to address current issues relating to Federal Government revenue, mainly a narrow tax base, ineffective tax incentives, tax avoidance and tax evasion and untapped informal sectors. Total revenue as a percentage to gross domestic product (GDP) has declined from 21.4% in 2012 to 15.9% in 2020, which is relatively low compared with rating peer countries. In addition, a high reliance on direct tax, now constituting half of total revenue, renders the revenue collection susceptible to economic growth and business cycles. Thus, an effective and sustainable revenue collection for Malaysia is crucial to ensure sufficient financing of total expenditures.

MTRS requires a comprehensive reform plan for the tax system, which encompasses a clear policy setting framework, enhancement of revenue agencies, and strengthening the legal framework. The adjustment in policy setting will include detailed diagnoses of the economic and social impact of the tax reforms and a multi-year tax policy plan. These will lead to policy certainty and predictability, and in turn, boost investors' confidence. In addition, the adoption of a quality framework will avoid creating perverse incentives, excessive discretion of legal power and aggressive tax planning. Through the MTRS, Malaysia stands to gain not only in enhancing the potential of revenue collection but, more importantly, in having a more transparent and accountable tax system.

The MTRS Framework in Malaysia

The adoption of MTRS in Malaysia will be implemented based on these objectives:

- a) To ensure sustainable revenue generation in the medium term in line with GDP growth;
- b) To ensure better compliance through effective and efficient tax administration; and
- c) To strengthen the legal framework in enhancing the tax system and policy formulation.

At the initial stage, the formulation will focus on the taxation system anchored on three main pillars as follows:

a) Tax Policy

The main factors influencing the tax policy direction include the business and macroeconomic environment, taxpayers' capacity, and the effectiveness of revenue agencies. The designing of tax policy will incorporate analysis of the socio economic impact and the sources of revenue generation, accompanied by a multi-year roadmap of tax policy options. The roadmap will be subjected to periodical reviews and updated according to national development policy objectives and priorities.

Measures to introduce new taxes or improve the existing system should be based on efficiency, fairness, simplicity, flexibility, transparency and effectiveness.¹ Currently, the Government is considering options to reduce the reliance on direct taxes and widen the revenue base by shifting to consumption-based tax. The latter can be further improved by reviewing the taxation and tax rate scope of the existing Sales Tax and Service Tax (SST). Alternatively, the Government can opt for a more reliable consumption tax base such as value-added tax (VAT). The VAT will be able to mitigate the tax-cascading impact of SST, manage the cost of doing business, and enhance compliance and transparency. MTRS also provides an opportunity for the Government to further reduce its dependency on petroleum-related revenue and introduce revenue initiatives that support its sustainable development agenda. In addition, the Government will intensify its efforts to improve tax incentives for investment and explore new sources of tax revenue, such as taxation on capital gains and the digital economy.

b) Tax Administration

Tax administration reforms should be focused on achieving higher compliance, minimising tax avoidance and tax evasion with minimum cost to the tax payers and the authorities, and managing tax incentives to optimise private investments. A multi-agency collaboration to streamline data sharing was initially introduced under the Collection Intelligence Arrangement (CIA), involving the Inland Revenue Board of Malaysia (IRB), the Royal Malaysian Customs Department (RMCD) and the Companies Commission of Malaysia (CCM). The collaboration is further enhanced with the formation of a task force involving several enforcement agencies including the Malaysia Anti-Corruption Commission (MACC). In addition, the existing National Committee Investment (NCI) was improved and is now being co-chaired by the Malaysia Investment Development Authority (MIDA) and the Ministry of Finance (MOF) to reduce bureaucracy, expedite investment approvals and ensure the effectiveness of the tax incentives administration.

For better tax administration, continuous efforts will be directed to enhance the revenue agencies' effectiveness while ensuring greater taxpayer compliance. Thus, resources will be allocated to build capacity, improve IT infrastructure and invest in big data analytics to modernise the relevant agencies. It is worth noting that advanced economies, such as Canada, have only a single revenue agency to collect and administer national revenues in their countries. This approach has enabled better data integration, resource management and enforcement.

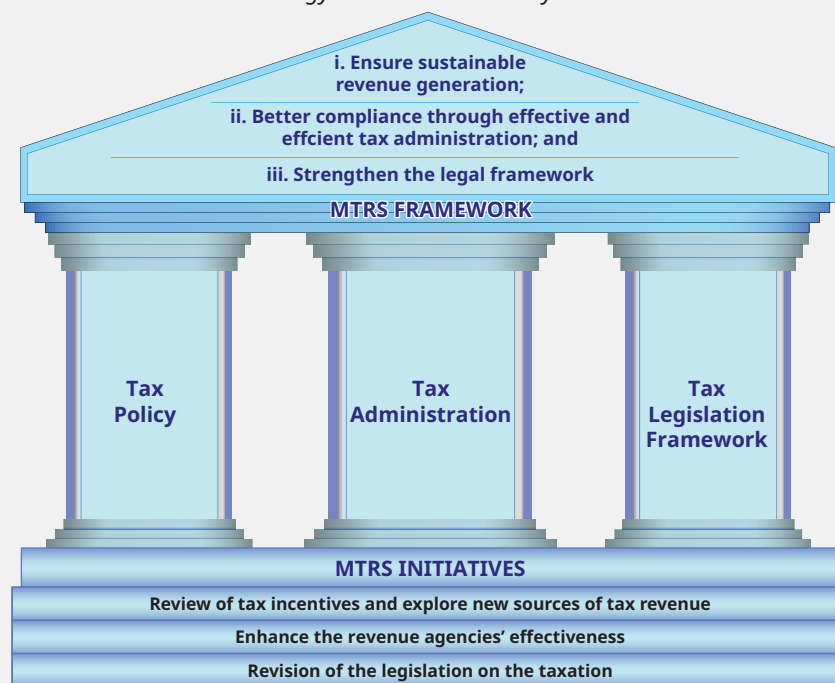
¹ Based on IMF criteria of good tax, revenue forecasting and analysis

c) Tax Legislative Framework

The tax legislative framework will be regularly reviewed and improved to ensure that provisions in the tax law and guidelines on processes and procedures are simplified, consistent, and in line with international best practices. For instance, in response to the new digital economy environment, the Government expanded the scope of services tax to cover digital content provided by non-resident providers. The Government is also considering several measures to strengthen its tax governance framework. These include a revision of the taxation legislation relating to insurance and takaful, and banking industry. In addition, the Government will provide guidelines or public rulings to facilitate the interpretation of the law for specialised industries, such as on Petroleum Act (Income Tax) 1967.

At the international front, Malaysia is a member of the OECD Base Erosion and Profit Shifting Action Plan (BEPS) under the Organization for Economic Co-operation and Development (OECD) Global Tax Initiative to address the issues of cross-border tax evasion. The action plan includes tax-related proposals on the digital economy through Pillar One and Pillar Two to ensure that Malaysia has the right to tax digital economy activities. Pillar One emphasises the determination of a country's tax rights based on BEPS' nexus. Meanwhile, Pillar Two will introduce a global minimum effective tax rate to ensure that tax element does not become the key factor for attracting foreign direct investments, thus addressing aggressive tax planning by multinational enterprises.

FIGURE 2. *The Medium-Term Revenue Strategy Framework in Malaysia*



Source: Ministry of Finance, Malaysia

Current Progress

In 2020, the MOF received technical assistance from the International Monetary Fund (IMF) to formulate an MTRS for Malaysia. Subsequently, Steering and Technical Committees on MTRS were established with representatives from MOF, the Economic Planning Unit, the Central Bank of Malaysia, the RMCD and the IRB. The committees are mandated to plan, administer and monitor to ensure the successful execution of the MTRS.

To date, the Technical Committee is formulating MTRS strategies and measures to be implemented in phases. Upon approval by the Steering Committee, engagement sessions with key stakeholders, industry players and professional bodies will be conducted. Feedback from the sessions will serve as value-added inputs in the final report. It will consist of new tax measures and recommendations for a better tax administration, supported by an improved legal framework. The final report is scheduled to be endorsed by the Government in 2022.

Challenges and the Way Forward

In this challenging pandemic crisis, the Government prioritises economic recovery measures to provide support for businesses and alleviate the burden of the *rakyat*. As such, the formulation of the MTRS will have to accommodate the nation's immediate needs while creating sufficient fiscal space post-crisis. Consensus building at various levels of stakeholders is also critical to managing expectation and compliance, which necessitates continuous engagement by the Government. It is also important to build knowledge and technical capacity to formulate and implement MTRS in an orderly and systematic manner.

The initiatives under MTRS are envisaged to complement the Fiscal Responsibility Act (FRA) initiative, which will further enhance the transparency of the tax system in Malaysia. In addition, the MTRS will be aligned with the Twelfth Malaysia Plan, 12 MP (2021 – 2025), particularly to ensure sufficient revenue generation to finance expenditure needs under the Plan. It will also consider findings from previous studies that have been conducted, such as recommendations from the TRC. Moving forward, Malaysia will extend the scope of the MTRS to non-tax revenue in the next phase of its implementation to further widen the revenue base.

Conclusion

Overall, to ensure sustainable revenue generation, it is time for Malaysia to undertake bold and effective reforms in its tax system and policy design comprehensively and inclusively through the adoption of the MTRS. A successful tax reform initiative will rebuild fiscal space, enhance economic resilience and ultimately return the country to its fiscal consolidation path. The reforms will also provide the Government with the flexibility for countercyclical measures to support economic recovery post-crisis while ensuring fiscal sustainability in the longer term.

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Outlook for 2022

The Federal Government revenue is projected to increase by 5.9% to RM234 billion, in line with better economic prospects. **Tax revenue** remains the major contributor to total revenue, consisting of 73.2% of the total share and is expected to increase to RM171.4 billion. However, as a percentage to GDP, it is estimated to decline slightly to 10.5% reflecting lower buoyancy during the economic recovery period.

Direct tax collection is projected to increase by 6.1% to RM127.3 billion, constituting 74.3% of total tax revenue, driven by better corporate earnings prospects resulting from the acceleration in the vaccination programme and anticipated economic recovery. Hence, CITA remains the largest contributor to the increase in direct tax at RM65.5 billion in 2022. This is followed by individual income tax, which is expected to improve by 3% to RM37.5 billion, consistent with expected improvements in the job market. Similarly, PITA is expected

to record a higher collection of RM12.4 billion. Furthermore, revenue from other components of direct tax, namely stamp duties and RPGT, are expected to be higher at RM6.6 billion and RM1.8 billion, respectively, on expectations of higher value and volume of transactions from the property segment.

Indirect tax is forecast to improve by 5.4% to RM44 billion. This is mainly contributed by SST collection with a share of 62.5% to total indirect tax, registering RM27.6 billion or 1.7% to GDP, supported by improving consumer and business sentiments. Of this, RM14.6 billion are from sales tax while RM13 billion are from service tax, attributed to a higher projection of motor vehicle TIV as well as better outlook anticipated from telecommunications and insurance sectors. In consonance with the expected pick-up in motor vehicle production by 21% in 2022, excise duties collection is projected to improve to RM10.2 billion.³

Given the necessity to support growth, the expansionary fiscal spending will also need to be backed by improving revenue collection. Thus, the Government will continue to enhance tax auditing and compliance to ensure that tax dues are collected accordingly. These initiatives will be complemented by revenue administration enhancements such as simplifying tax procedures and reducing bureaucratic tape to improve clarity and certainties, leading to tax collection efficiency and effectiveness. In addition, to place Malaysia as a preferred investment destination, the tax incentive framework will be continuously enhanced to avoid distortions in resource allocations in line with international best practices.

Non-tax revenue is estimated to increase by 5.8% to RM62.6 billion, primarily due to higher proceeds from investment income. The annual dividends from PETRONAS and BNM are expected at RM25 billion and RM5 billion, respectively. As in 2021, a total of

RM5 billion is expected from KWAP as a contribution to partly finance retirement charges. The collection from licences and permits is expected to increase slightly to RM10.9 billion, attributed to higher proceeds from petroleum royalties at RM4 billion. Other major components under licences and permits, namely motor vehicles licences and levy on foreign workers are estimated to be stable at RM3 billion and RM1.9 billion, respectively.

In 2022, **petroleum-related revenue** is forecast to register RM43.9 billion or 18.8% to total revenue, with PETRONAS dividends accounting for more than half of the total.

Non-petroleum revenue is also projected to increase by 6.5% to RM190.1 billion, reflecting better revenue diversification on the back of a favourable economic outlook. The Government will continue to ensure sustainable non-petroleum revenue generation to meet expenditure commitments, particularly to serve the needs of the *rakyat*.

Conclusion

As a responsible revenue administrator, the Government is committed to enhancing its collection efficiency with the advent of technology and innovation. This initiative will improve service delivery and simplify procedures and thus, increase tax compliance. With the commitment to support fiscal reform initiatives, the adoption of the Medium-Term Revenue Strategy (MTRS) will help streamline its tax policy, improve tax administration and enhance the legal framework. In addition, the Government will continue to assess its revenue ecosystem holistically while engaging the business community in developing a good revenue policy in line with international best practices. These efforts will lead to sustainable revenue generation, which is crucial to rebuilding buffers for fiscal sustainability and debt affordability while facilitating counter-cyclical measures to mitigate any crisis.

³ Malaysia Automotive Association. Market Review 1st Half 2021. Retrieved from <http://www.maa.org.my/news.html>

FIGURE 2.1. Petroleum-Related and Non-Petroleum Revenue
(% of total revenue)

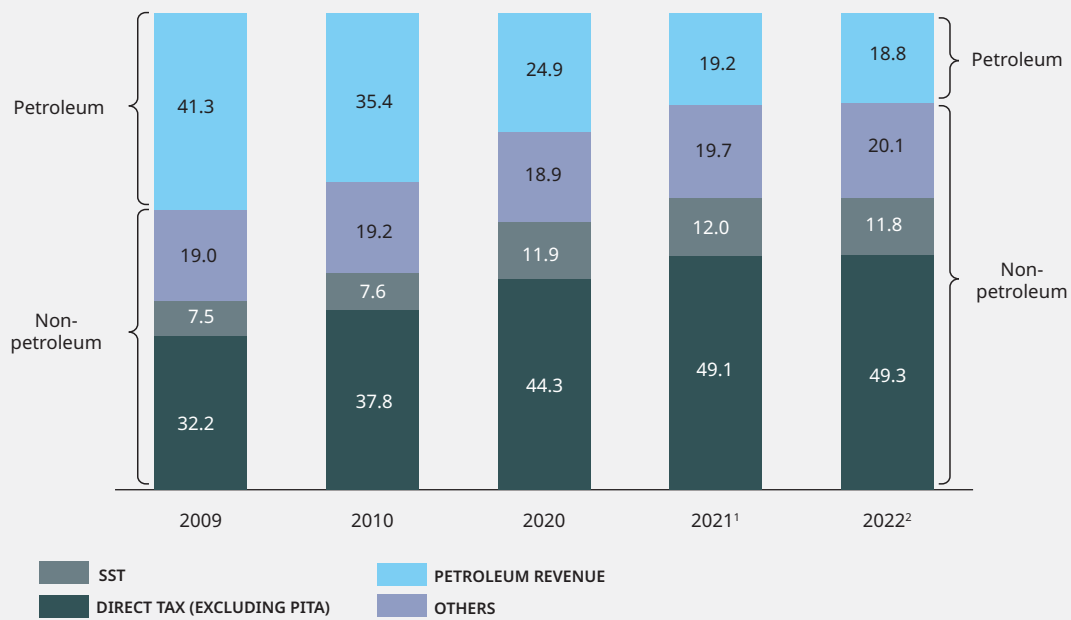
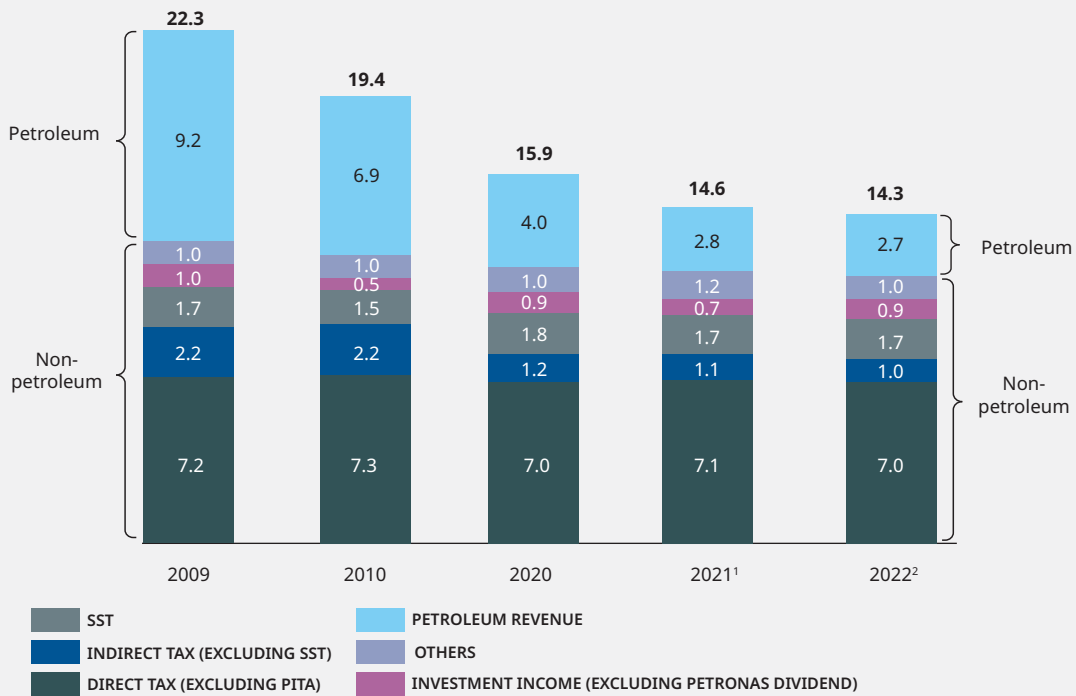


FIGURE 2.2. Revenue as Percentage to GDP



¹Revised estimate

²Budget estimate excluding 2022 Budget measures

Source: Ministry of Finance, Malaysia

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SECTION 3

Federal Government Expenditure

Overview

The resurgence of COVID-19 cases has forced the Government to reimpose movement control orders (MCOs) that impacted almost all economic sectors and limit social activities. A series of assistance and economic stimulus packages was swiftly introduced to provide immediate assistance to the *rakyat* and businesses. These packages adopt a targeted approach in ensuring impactful measures in effectively softening the impact of the pandemic.

The additional fiscal support was mainly for strengthening the public health system and providing cash assistance to households and businesses. This has resulted in higher spending, particularly for commitments under the COVID-19 Fund. The additional spending was offset by a rigorous expenditure recalibration. In addition, the Government continues to manage its fiscal resources by enhancing spending efficiency, reducing leakages and optimising operating expenditure in the new norm. These initiatives are complemented by close monitoring and regular reporting on a weekly basis, in line with principles of accountability and transparency.

In general, the expenditure commitments during the pandemic crisis have expanded due to the Government's priority to provide sufficient support to the economy. The roll-out of the National Recovery Plan (NRP) and the steady progress of the vaccination programme will facilitate the reopening of businesses, thus help the economy return to its potential growth trajectory. The implementation of the Twelfth Malaysia Plan, 2021 – 2025 (12MP) will also catalyse the recovery process and steer the nation towards achieving prosperity, inclusivity and sustainability in the medium term. At the same time, the principles of accountability and good governance will continue to be enhanced in line with global best practices, as illustrated through the

release of the inaugural Pre-Budget Statement and Public Consultation Papers for the preparation of 2022 Budget. In addition, the Government will regularly conduct expenditure reviews to ensure effective and efficient spending, thus support fiscal consolidation in the medium term.

Performance 2021

The Federal Government's total expenditure for 2021 was budgeted at RM322.5 billion. However, during the year, a series of four assistance and economic stimulus packages, namely Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI), Strategic Programme to Empower the People and Economy (PEMERKASA), Strategic Programme to Empower the People and Economy Plus (PEMERKASA+) and National People's Well-Being and Economic Recovery Package (PEMULIH), totalling RM225 billion, were announced with a fiscal injection of RM25 billion. In general, the packages were in the form of cash assistance for *rakyat* and businesses, particularly for those affected by the extended MCOs due to the pandemic. Furthermore, the additional stimulus and containment measures have put pressure on revenue which is projected to be lower than Budget estimates. The situation necessitated an expenditure recalibration, particularly operating expenditure, which has to be fully funded by revenue in line with the Federal Constitution. Hence, the Federal Government's total expenditure for 2021 was revised downwards to RM320.6 billion, albeit higher than total spending in the previous year (2020: RM314 billion).

The recalibration involved a net reduction of RM1.9 billion in expenditure, resulting from expenditure savings amounting to RM23.9 billion, of which RM22 billion was redirected to finance additional direct fiscal injection under the COVID-19 Fund. Savings in expenditure were generated from the deferment of certain

programmes and projects, suspension of non-critical programmes, revision of allocations for budget measures, as well as expected shortfall in spending due to the delayed progress in the implementation of projects during the MCOs.

Of the total revised allocation, operating expenditure (OE) is estimated at RM219.6 billion (14.5% to GDP), development expenditure (DE) at RM62 billion (4.1% to GDP), while the balance of RM39 billion (2.6% to GDP) is for the COVID-19 Fund. The social sector remains as the largest beneficiary at RM128.5 billion (40.1% of the total), followed by economic (RM66.9 billion; 20.9%), security (RM31.5 billion; 9.8%) and general administration (RM16.7 billion; 5.2%) sectors. Charged expenditures and transfer payments consisting, among others, debt service charges, retirement charges, and transfers to states account for 24% of total expenditure.

The **OE** for 2021 is revised lower by 7.1% to RM219.6 billion from the original budget allocation of RM236.5 billion. The downward revision is mainly attributed to savings in grants and transfers as well as supplies and services. The lower allocation for grants and transfers is due to budget cuts in grants to

statutory bodies with high reserves. Similarly, supplies and services are also revised lower due to the reclassifications of development-related items to DE and savings derived from the suspension of allocation for non-critical items.

Compared with 2020, the revised OE at RM219.6 billion is lower by 2.2% (2020: RM224.6 billion). The lower allocation is predominantly due to the reduced provision for supplies and services at RM23.3 billion (2020: RM29.3 billion), particularly for repairs and maintenance, professional services as well as office supplies. In addition, the outlays for subsidies and social assistance declined to RM16.7 billion (2020: RM19.8 billion) mainly due to the financing of the cash assistance programme through COVID-19 Fund. However, the decline is expected to be offset by higher outlays for fuel subsidies. In addition, emoluments and retirement charges are estimated to increase to RM84.5 billion (2020: RM83 billion) and RM27.6 billion (2020: RM27.5 billion), respectively, mainly due to annual salary and pension increment. Similarly, debt service charges are estimated to increase by 13.1% to RM39 billion (2020: RM34.5 billion), following higher financing needs for DE and

TABLE 3.1. Federal Government Operating Expenditure by Component, 2020 – 2022

COMPONENT	RM MILLION			CHANGE (%)			SHARE (%)		
	2020	2021 ¹	2022 ²	2020	2021 ¹	2022 ²	2020	2021 ¹	2022 ²
Emoluments	82,996	84,529	86,510	3.1	1.8	2.3	36.9	38.5	37.0
Retirement charges	27,533	27,581	28,067	6.3	0.2	1.8	12.3	12.6	12.0
Debt service charges	34,495	39,000	43,100	4.7	13.1	10.5	15.4	17.8	18.5
Grants and transfers to state governments	7,669	7,745	7,927	1.3	1.0	2.3	3.4	3.5	3.4
Supplies and services	29,323	23,265	30,367	-6.9	-20.7	30.5	13.0	10.6	13.0
Subsidies and social assistance	19,769	16,701	17,352	-17.3	-15.5	3.9	8.8	7.6	7.4
Asset acquisition	631	415	533	-18.1	-34.2	28.4	0.3	0.2	0.2
Refunds and write-offs	654	511	375	-26.8	-21.9	-26.6	0.3	0.2	0.2
Grants to statutory bodies	10,291	13,190	14,066	-25.3	28.2	6.6	4.6	6.0	6.0
Others	11,239	6,663	5,203	-75.3	-40.7	-21.9	5.0	3.0	2.3
Total	224,600	219,600	233,500	-14.7	-2.2	6.3	100.0	100.0	100.0
Share to GDP (%)	15.9	14.5	14.3						

¹ Revised estimate

² Budget estimate, excluding 2022 Budget measures

Source: Ministry of Finance, Malaysia

COVID-19 related expenses, while grants and transfers to states and statutory bodies are estimated to increase by 16.6% to RM20.9 billion (2020: RM18 billion).

The year 2021 marks the first year of the 12MP. A sum of RM400 billion is allocated for **DE** under the 12MP, a significant increase of 61% compared to the actual expenditure of RM248.5 billion for the Eleventh Malaysia Plan. The allocation will be channelled to fund new and ongoing projects and programmes planned under the economic, social, security and general administration sectors. These projects and programmes are aligned with the three key themes of 12MP, namely resetting the economy; strengthening security, wellbeing and inclusivity; and advancing sustainability. The themes resonate with the country's longer-term aspirations in the Shared Prosperity Vision 2030 and 2030 Agenda for Sustainable Development.

However, with the expenditure recalibration, DE is revised lower to RM62 billion from the original budget of RM69 billion. The downward revision is also in line with the reassessment and deferment of several projects. Nonetheless, the lower DE is offset by the reclassification of several development-related items from OE. Of the total, RM60.8 billion is direct allocation, while RM1.2 billion are loans to state governments and Government-linked entities.

As the Government continues to focus on the economic sector, the allocation for this sector remains the largest with a share of 54.5%, followed by social (28%), security (11.8%) and general administration (5.7%) sectors. Expenditure for the economic sector is estimated at RM33.8 billion, mainly for enhancing public transportation and communication network infrastructure, developing public utilities, escalating trade and industrial activities as well as boosting agriculture. The transport subsector is allocated with RM13 billion, mainly to finance major ongoing projects, such as Electrified Double Track Gemas-Johor Bahru and Pan Borneo Highway projects, as well as the upgrading of federal roads throughout the country. Energy and public utilities and trade and industry subsectors are allocated RM3 billion and RM2.4 billion, respectively. Some of the key projects and programmes under these subsectors include upgrading works

and construction of sewage treatment plants, providing and improving electricity and water supply, improving entrepreneurial skills for micro-, small- and medium-sized enterprises (MSMEs) as well as encouraging and enhancing technological adoption among businesses. The transport, energy and public utilities, and trade and industry subsectors constitute 29.6% of total DE.

Compared with 2020, the outlays for the social sector in 2021 are expected to increase by 25.5% to RM17.3 billion (2020: RM13.8 billion), with education and training, and health remaining as the key subsectors. The education and training subsector receives the biggest provision of RM8.1 billion, higher by 20.5% as compared with RM6.7 billion in 2020 mainly for the enhancement of technical and vocational education and training (TVET) programmes; upgrading and renovation of schools, teachers' quarters and tertiary institutions; and extension of teaching hospitals. While for the health subsector, a sum of RM4.4 billion or 7.1% of DE is allocated for improving healthcare accessibility and facilities, particularly for rural and outskirts areas. Moreover, this expenditure also includes enhancing and maintaining hospitals and clinics, and purchasing vehicles and equipment. Among the construction projects under this subsector include hospitals in Tanjung Karang, Selangor and Pendang, Kedah as well as expansion of Seberang Jaya Hospital in Pulau Pinang. Meanwhile, the housing subsector receives RM1.6 billion for the year, an increase of 55.9% from actual spending of RM1 billion in 2020. The expenditure for the subsector is focused on the People's Housing Project (PPR) as well as upgrading and maintaining civil servants' quarters.

A sum of RM7.3 billion, an increase of 26.5% from the preceding year (2020: RM5.8 billion), is allocated for the security sector. The bulk of the allocation is for projects and programmes aimed at strengthening the nation's defence and internal security, including upgrading of military and security equipment as well as maintaining and upgrading the security integrated network system. Similarly, the allocation for the general administration sector increases by 17.6% to RM3.6 billion (2020: RM3 billion). The outlays for the sector will be mainly channelled to improve public sector delivery and productivity, with the focus on

TABLE 3.2. Federal Government Development Expenditure by Sector, 2020 – 2022

SECTOR	RM MILLION			CHANGE (%)			SHARE (%)		
	2020	2021 ¹	2022 ²	2020	2021 ¹	2022 ²	2020	2021 ¹	2022 ²
Economic	28,712	33,767	40,205	-8.3	17.6	19.1	55.9	54.5	53.2
<i>of which:</i>									
Transport	12,779	13,014	15,509	-7.1	1.8	19.2	24.9	21.0	20.5
Trade and industry	2,576	2,365	2,087	-15.7	-8.2	-11.8	5.0	3.8	2.8
Energy and public utilities	2,315	2,976	3,167	-16.1	28.6	6.4	4.5	4.8	4.2
Agriculture	2,003	2,815	2,860	-13.4	40.5	1.6	3.9	4.5	3.8
Environment	1,324	1,537	2,059	-23.2	16.1	34.0	2.6	2.5	2.7
Social	13,827	17,347	22,671	-4.5	25.5	30.7	27.0	28.0	30.0
<i>of which:</i>									
Education and training	6,737	8,118	11,955	-11.7	20.5	47.3	13.1	13.1	15.8
Health	3,983	4,397	4,457	118.0	10.4	1.4	7.8	7.1	5.9
Housing	1,015	1,582	1,771	-52.3	55.9	11.9	2.0	2.6	2.3
Security	5,785	7,317	8,970	3.0	26.5	22.6	11.2	11.8	11.9
General administration	3,036	3,569	3,754	9.4	17.6	5.2	5.9	5.7	4.9
Total	51,360	62,000	75,600	-5.2	20.7	21.9	100.0	100.0	100.0
Share to GDP (%)	3.6	4.1	4.6						

¹ Revised estimate

² Budget estimate, excluding 2022 Budget measures

Source: Ministry of Finance, Malaysia

empowering digitalisation in the public sector. In addition, the allocation is also for the enhancement and maintenance of government buildings, infrastructure and facilities.

COVID-19 Fund

The Government's initiatives in combating the pandemic continue to be financed under the COVID-19 Fund. The implementation of several assistance and economic stimulus packages has led to an increase in the COVID-19 Fund allocation. The fund ceiling, which was initially capped at RM45 billion in 2020, has been increased to RM110 billion to accommodate the additional expenditure under the new assistance and economic stimulus packages.

In line with the increase in its ceiling, the allocation for the Fund for 2021 has been revised upwards to RM39 billion from the initial budget of RM17 billion, higher by 2.6% compared to the actual spending in 2020. The

upward revision is mainly to accommodate higher requirements for programmes such as Bantuan Prihatin Rakyat (RM16.8 billion); Wage Subsidy Programme (WSP) 2.0 (RM9.7 billion); PRIHATIN SME Grant (RM3.4 billion); COVID-19 related expenses (RM2.9 billion); social assistance support to vulnerable groups (RM2 billion); and small-scale projects (RM1.3 billion) which constitute 92.7% of the total allocation for the Fund in 2021.

In 2022, a sum of RM23 billion (1.4% to GDP) is budgeted for the COVID-19 Fund. The bulk of allocation is provided for cash assistance, social assistance support to vulnerable groups and WSP, which will be carried over from 2021. 2022 will be the final year for the COVID-19 Fund as it is a temporary fund with a lifespan of three years. Thus, the total requirement of the fund is estimated to reach around RM100 billion, below the approved ceiling of RM110 billion. The remaining balance will serve as a buffer for contingencies should the need arise.

TABLE 3.3. COVID-19 Fund Allocation

PROGRAMMES	RM MILLION	
	2021 ¹	2022 ²
Wage subsidy, job retention and workers' hiring incentive and training assistance programmes	9,670	3,000
Bantuan Prihatin Nasional	16,801	8,000
Small scale projects	1,311	2,000
Skill and upskilling programmes	360	1,000
PENJANA SME financing	-	2,000
PRIHATIN SME Grant	3,435	-
Micro credit loans under Bank Simpanan Nasional and TEKUN Nasional	520	1,000
Allocation for COVID-19 related expenses	2,940	2,000
Food security fund	313	-
COVID-19 special allowance for frontliners	-	-
PENJANA National Fund	290	-
ePenjana	151	-
Electricity bill discounts	502	-
Additional RM100 for Bantuan Sara Hidup (BSH)	-	-
Special assistance to students of higher education institutions	-	-
Bumiputera Relief Financing	200	-
MY30 public transport subsidy	200	-
Social assistance for taxi drivers, school bus drivers, tour bus drivers, tour guides, trishaw operators and e-hailing drivers	123	-
Social assistance support to vulnerable groups	1,980	3,540
Smart automation grant	90	460
Soft loan under MyCreative Venture	-	-
Social protection and training for gig economy workers	-	-
E-Dagang campaign for SME and micro enterprises	10	-
"Shop Malaysia Online" for online consumption	40	-
PEKA B40 health care support	-	-
Grant for child care centers and kindergartens	29	-
Digital content fund	-	-
Assistance to non-governmental organisations	10	-
Digitalisation of government service delivery	15	-
Digitalisation marketing and promotion fund under the Cultural Economy Development Agency (CENDANA)	10	-
MyAssist SME One Stop Centre	-	-
TOTAL	39,000	23,000

¹ Revised estimate² Budget estimate, excluding 2022 Budget measures

Source: Ministry of Finance, Malaysia

INFORMATION BOX

COVID-19 Fund Updates

Introduction

The COVID-19 Fund¹ was established in September 2020 to finance economic stimulus packages and recovery plans in addressing the COVID-19 crisis. The establishment of such a dedicated trust fund is in line with international best practices, backed by a strong legal framework, robust gatekeeping arrangements, and solid transparent and reporting standards. In 2020, a sum of RM38 billion was disbursed to finance programmes listed in the Schedule of the Act 830. The expenditure was recorded in the Federal Government Financial Statement, audited by the National Audit Department of Malaysia and subsequently tabled to Parliament.

Current Progress

In December 2020, the Parliament approved an amendment to the Act 830 to increase the COVID-19 Fund ceiling from RM45 billion to RM65 billion to accommodate additional economic stimulus measures. The additional RM20 billion is allocated for Bantuan Prihatin Rakyat (BPR), Wage Subsidy Programme (WSP), PRIHATIN SME Grant and other COVID-19 related expenses. With the COVID-19 pandemic continuing to impact people and businesses in 2021, the Government responded with another four additional assistance packages, namely PERMAI, PEMERKASA, PEMERKASA+ and PEMULIH, totalling RM225 billion with fiscal injection worth RM25 billion. After several recalibrations in the COVID-19 Fund allocation, the requirement for the Fund is estimated to exceed RM65 billion. In this regard, the Government has tabled a second amendment to Act 830 to the Parliament that allows for another increase in the expenditure ceiling up to RM110 billion after taking into account commitments under 2022 Budget. Programmes that require additional allocations are the BPR, WSP, Prihatin SME Grant, small scale projects, microcredit loans under Bank Simpanan Nasional and TEKUN Nasional, other COVID-19 related expenses, and social assistance support to vulnerable groups.

Spending Performance

As at end-August 2021, total spending under the COVID-19 Fund was RM58.9 billion. Major spending was on the cash transfer programme amounting to RM25 billion, constituting 42.4% of total outlays. Under the programme, RM18.6 billion was spent in 2020 and January 2021 for Bantuan Prihatin Nasional (BPN). The balance of RM6.4 billion was subsequently disbursed in several phases under BPR. The BPN benefited almost 10.6 million recipients with income below RM8,000, representing about a third of the population, while BPR benefited more than 8.5 million recipients with income below RM5,000.

In addition, the WSP was introduced through the PRIHATIN economic stimulus package in March 2020 to help eligible employers affected by the COVID-19 pandemic to retain their workers and continue their operations. A total of RM17.3 billion or 29.4% of the total outlays was disbursed for WSP. This programme has benefited more than 350,000 employers and about 2.9 million employees. As for the PRIHATIN SME Grant, the Government has spent about RM5 billion since it was first introduced under the Additional PRIHATIN SME Economic Stimulus Package (PRIHATIN PKS+) package in April 2020. This programme has benefited 0.9 million micro SME entrepreneurs by easing their financial burden and cash flows.

¹ The Fund was established under the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 [Act 830]

TABLE 1: COVID-19 Fund Ceiling and Spending Performance by Programme (RM million)

	Programmes	Ceiling		Disbursement (As at end-August 2021)
		First Amendment	Second Amendment	
1	Wage subsidy, job retention and workers' hiring incentive and training assistance programmes	18,300	31,000	17,280
2	Bantuan Prihatin Nasional	25,200	41,000	25,008
3	Small scale projects	4,000	6,000	3,692
4	Skill and upskilling programmes	2,000	2,000	483
5	PENJANA SME financing	2,000	2,000	-
6	PRIHATIN SME Grant	2,400	6,000	4,986
7	Micro credit loans under Bank Simpanan Nasional and TEKUN Nasional	1,000	2,000	635
8	Allocation for COVID-19 related expenses	5,000	9,000	2,623
9	Food security fund	1,000	1,000	486
10	COVID-19 special allowance for frontliners	600	600	-
11	PENJANA National Fund	600	600	310
12	ePenjana	520	520	650
13	Electricity bill discounts	500	500	604
14	Additional RM100 for Bantuan Sara Hidup (BSH)	300	300	-
15	Special assistance to students of higher education institutions	300	300	225
16	Bumiputera Relief Financing	200	200	200
17	MY30 public transport subsidy	200	200	198
18	Social assistance for taxi drivers, school bus drivers, tour bus drivers, tour guides, trishaw operators and e-hailing drivers	160	160	152
19	Social assistance support to vulnerable groups	110	6,010	994
20	Smart automation grant	100	100	71
21	Soft loan under MyCreative Venture	100	100	30
22	Social protection and training for gig economy workers	75	75	25
23	E-Dagang campaign for SME and micro enterprises	70	70	30
24	"Shop Malaysia Online" for online consumption	70	70	56
25	PEKA B40 health care support	50	50	50
26	Grant for child care centers and kindergartens	50	50	33
27	Digital content fund	35	35	-
28	Assistance to non-governmental organisations	25	25	11
29	Digitalisation of government service delivery	20	20	14
30	Digitalisation marketing and promotion fund under the Cultural Economy Development Agency (CENDANA)	10	10	2
31	MyAssist SME One Stop Centre	5	5	5
TOTAL		65,000	110,000	58,853

Source: Ministry of Finance, Malaysia

Similarly, the spending for small-scale projects stood at RM3.7 billion, or 6.3% of total outlays. The projects identified under this programme are expected to benefit the local community as well as generate spillover effect to the economy. The projects include, among others, repair work of basic infrastructure, public facilities and roads, as well as upgrades of dilapidated schools, public houses and teaching hospitals involved with COVID-19.

For the COVID-19 related expenses programme, a sum of RM2.6 billion was spent for COVID-19 related healthcare services, as well as the purchase of medical apparatus and equipment to increase the capacity of health facilities and ICU wards. Likewise, the spending for social assistance to support and improve the economy of the vulnerable groups stood at RM1 billion with outlays on initiatives such as one-off disbursement for single mothers and disabled persons, Jaringan Prihatin Programme, Food Staples Assistance and Mobile Clinic Programme. The remaining allocation was spent on other programmes, such as ePenjana, Food Security Fund and electricity bill discounts.

Conclusion

The pandemic crisis has necessitated the Government to expand its fiscal support to the economy, mainly the health sector. This was made possible by enactment of the COVID-19 Act, which enables additional borrowing to finance stimulus packages via the COVID-19 Fund. At the same time, transparency and good governance will be upheld through annual tabling and reporting of receipts and expenditures of the Fund to Parliament in line with international best practices. With effective implementation of the stimulus measures and management of the Fund, the Government is confident of achieving its objective of steering the country out of the crisis while maintaining medium-term fiscal sustainability.

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Outlook for 2022

The recovery momentum is expected to gain traction in 2022 in line with the steady progress of the vaccination programme, bolstered by the implementation of the NRP. Furthermore, the recently announced 12MP will be the catalyst to revitalise the economy, promote investments, accelerate digitalisation and strengthen the civil service. Given the need to ensure a durable recovery, the 2022 Budget is formulated with three main objectives: to sustain and spur economic activities, rebuild economic resilience, and catalyse the reform agenda. Hence, the Government will continue its expansionary fiscal stance to steer the country to its potential growth trajectory.

A total sum of RM332.1 billion (20.3% to GDP) will be allocated in the 2022 Budget. Of this amount, RM233.5 billion (70.3%) will be channelled to OE, RM75.6 billion (22.8%) for DE and the balance of RM23 billion for the COVID-19 Fund. In terms of sectoral allocation, RM133.2 billion or 40.1% of the total 2022 Budget will be allocated for programmes and projects under the social sector, followed by

economic (20.3%), security (10.3%) and general administration (4.8%) sectors. The remaining balance amounting to RM81.3 billion (24.5%) will be allocated for charged expenditure and transfer payments.

The **OE** allocation for 2022 is budgeted at RM233.5 billion or 14.3% to GDP. The amount is 6.3% higher compared with the 2021 revised allocation of RM219.6 billion. Emoluments, debt service charges, and retirement charges remain the top three recipients constituting 67.5% of the total OE or 9.6% to GDP.

Emoluments for civil servants account for the largest share of OE in 2022. This component, representing about a third of total OE, is estimated to increase to RM86.5 billion. The increase is partly to cater for the annual salary increment. Likewise, retirement charges are estimated to increase to RM28.1 billion (12% of total OE) due to the annual pension increment, coupled with a higher number of pensioners and beneficiaries estimated at about 628,300. A total of 73.7% of retirement charges comprise monthly pension payments for pensioners and beneficiaries, while the remaining are mainly for gratuity payments and cash awards in lieu of un-utilised accumulated leave.

A total of RM43.1 billion will be allocated for debt service charges in 2022. Of this amount, 98.2% is allocated for coupons on domestic debts, while the balance is for offshore loans. The debt service charges ratio to OE is estimated higher at 18.5%, in line with the use of debt instrument in financing expansionary fiscal stance.

Allocation for supplies and services, which represents 13% of OE, increases by 30.5% to RM30.4 billion. The increase is attributed to higher outlays for medical supplies as well as an allocation for professional services. Ministries that will be receiving the highest allocation among others are the Ministry of Health (33.1%), the Ministry of Home Affairs (12.5%) and the Ministry of Education (11.2%). A substantial amount of outlays will be for the procurement of medical supplies as well as repairs and maintenance of school facilities. Subsidies and social assistance will be allocated a higher allocation of RM17.4 billion (2021: RM16.7 billion), due to higher provision for social assistance. The Government will continuously enhance the current policy and mechanisms to gradually move towards targeted assistance in ensuring more equitable distribution.

A sum of RM14.1 billion will be allocated for grants to statutory bodies, mainly for their operational expenses such as emoluments as well as supplies and services. Grants for public higher education institutions consisting of public universities and teaching hospitals constitute 64.5% of the total allocation. Further, a total of RM7.9 billion is allocated for grants and transfers to state governments. Of this amount, RM5.9 billion are constitutional transfers under the Federal Constitution.

As Malaysia enters the second year of the 12MP, **DE** for 2022 will continue to be distributed to projects and programmes with a high multiplier impact to reinvigorate economic growth, create a conducive investment climate and safeguard the wellbeing of the *rakyat*.

Thus, an allocation of RM75.6 billion will be allocated for DE (2021: RM62 billion). Of the total, RM66.9 billion is allocated for 5,575 ongoing projects, while RM8.7 billion is for 1,180 new projects. The economic sector remains the largest recipient at 53.2% of DE, followed by social (30%), security (11.9%) and general administration (4.9%) sectors.

A sum of RM40.2 billion will be provided for the economic sector to increase economic capacity and enhance the nation's competitiveness. The focus continues to be on projects related to transport, trade and industry as well as energy and public utilities subsectors. The transport subsector will be allocated RM15.5 billion to construct, refurbish, and maintain key infrastructures, such as highways, roads, railways, bridges, ports, and airports. These include existing projects, namely Electrified Double Track Gemas-Johor Bahru, Rapid Transit System Link, Pan Borneo Highway, as well as the expansion of Kuantan Port, Pahang and Sandakan Airport, Sabah. Among the new projects that will be undertaken are upgrading Jalan Marabhai Spur at Tuaran, Sabah, replacing bridges at Sik and Baling, Kedah, and a study on an alternative route for Jalan Seremban-Kuala Pilah, Negeri Sembilan.

Another recipient under the economic sector is the trade and industry subsector, with an allocation of RM2.1 billion. Among programmes under this subsector are for strengthening entrepreneurial capabilities, including MSMEs in line with the National Entrepreneurship Policy 2030. In addition, the focus will also be given to support the growth of industries by providing grants or loans for activities including research and development as well as product commercialisation. These include the PUNB Entrepreneur Financing Programme, Fund for Local Strategic Investment, Fund for High Impact Project, Research and Development Loans for Aerospace and Electric and Electronic field, Special Business Financing Scheme for Women (DanaNITA), and Industry4WRD.

A sum of RM3.2 billion will be allocated to the energy and public utility subsector to provide greater access to the *rakyat*, particularly the supply of electricity and water, telecommunication access and sewerage services. Similarly, the agriculture subsector will be provided with an allocation of RM2.9 billion, mainly for settlers and smallholders development programmes, oil palm and rubber replanting, paddy irrigation system as well as poultry and cattle breedings, which are expected to boost the agro-industry. In addition, the environment subsector will be provided with RM2.1 billion, primarily for river restoration and flood mitigation projects such as the construction of integrated river basins, maintenance of flood reservoir pond, upgrading of dam and stabilisation of river banks.

The social sector, which is the second-largest DE recipient, will be allocated RM22.7 billion. The allocation increases by 30.7% as compared to the RM17.3 billion provided in 2021. Education and training subsector continues to receive the largest allocation under this sector, amounting to RM12 billion, particularly for TVET, research grants, and the construction and expansion of educational institutions. The health subsector will be allocated RM4.5 billion to ensure the availability and accessibility of a comprehensive healthcare system. In addition, the provision will also be utilised for procuring medical service vehicles and equipment. Among the new projects are the construction of Kapar Hospital in Selangor and the upgrading of hemodialysis facilities at the Ministry of Health Malaysia hospitals in Kedah, Penang and Perak, as well as the autopsy room of Sultan Ismail Hospital Forensic Department, Johor.

The Government remain committed to providing adequate and quality affordable houses to the low- and middle-income earners. Thus, RM1.8 billion will be allocated under the

housing subsector, of which the bulk of the allocation will be channeled to the construction of PPR houses and upgrading of civil servant quarters. Other projects under the subsector include Rumah Mesra Rakyat programme and development of zero waste community among selected PPR, such as at Sri Kemuning in Temerloh, Pahang and Seri Sena in Kangar, Perlis.

The security sector will receive RM9 billion to be channelled to defence (60.4%) and internal security (39.6%) subsectors. This involves the enhancement of network systems and services as well as the upgrade of military assets and security equipment. Furthermore, the allocation will be provided for infrastructure projects, such as quarters for security personnel, health facilities and upgrading of prisons.

A sum of RM3.8 billion will be allocated for the general administration sector to strengthen the public sector under the 12MP. Some of the key projects are digitalisation enhancement in the public sector, such as 1GOVNET, MYGOVUC, Court Recording Transcription System or *e-Kehakiman* and the expansion of public sector data centre services. In addition, the allocation is also provided for maintenance of government buildings, assets and facilities, such as quarters, courts and training institutions.

Federal Recoverable Loans

The total outstanding Federal Recoverable Loans¹ as of 31 December 2020 was at RM43.1 billion or 2.6% to GDP. Of the total loans disbursed through the Development Fund, more than half are loans to companies, amounting to RM24.9 billion, followed by state governments at RM13 billion (30.1%) and statutory bodies RM4.9 billion (11.4%).

¹ The Federal Recoverable Loan is part of the Federal Government Financial Assets, which consist of loans facilities due from state governments, local governments, statutory bodies, companies, cooperatives and various organisations.

In addition, the loans were also for local governments amounting to RM143 million (0.3%), other organisations at RM200 million (0.5%) and cooperatives at RM6.8 million (0.02%).

In 2021, the loan disbursement via DE is budgeted at RM1.2 billion or 1.9% of the total DE. Of the total, state governments and companies remain the largest recipients, constituting 91.2% of the total loans disbursed. This is followed by statutory bodies (7.8%) and others (1%). The loans are disbursed to facilitate long-term investment projects, such as road infrastructure, water supply and sewerage.

In 2021, the Government is estimated to receive loan repayments amounting to RM0.8 billion. About 41% of these repayments are expected to be received from state governments. Sabah and Sarawak continue to be the major contributors. Similarly, repayments from companies are also projected at about RM0.4 billion. Bank Pertanian Malaysia Berhad (Agrobank), Pengurusan Aset Air Berhad and Yayasan Tekun Nasional are the top three contributors, with total repayments amounting to RM285.5 million. In addition, total repayments from statutory bodies and local governments are estimated at RM59.2 million and RM5.1 million, respectively. Meanwhile, repayments expected from other organisations such as clubs and associations are estimated at RM35.8 million.

In 2022, the Federal Government is budgeted to provide loans totalling about RM2 billion via DE to state governments, companies, statutory bodies and other organisations. State governments continue to be the highest recipient of loans amounting to RM1 billion, followed by companies (RM0.8 billion), statutory bodies (RM123 million) and

other organisations (RM10.9 million). Loans to companies will be utilised mainly to fund programmes and projects related to water and electricity supply, land rehabilitation for rubber estates, oil palm replanting and highways constructions. Likewise, loans for the state governments, local governments and statutory bodies will be used mainly to upgrade and maintain water supply and sewerage infrastructure, construct dams, and finance crop development projects.

Loan repayments in 2022 are estimated at RM0.6 billion. About half of the total repayments are expected to be received from state governments with major contributions from Sabah, Sarawak and Selangor. Loan repayments from companies are expected at RM0.2 billion, while the balance is from statutory bodies (RM58.6 million), local governments (RM4.2 million) and other organisations (RM11.7 million).

Conclusion

The Government will continue to play its role in mitigating the impact of the COVID-19 pandemic on the *rakyat*, businesses and economy. Its immediate priority is to provide adequate support for the implementation of the NRP, accelerate economic growth and lead the country out of the economic and health crises. Any withdrawal of fiscal injection will depend on the pace of recovery to ensure the economy returns to its growth trajectory. Nevertheless, initiatives to enhance effective and efficient spending will be pursued. At the same time, as illustrated with the inaugural publication of the Pre-Budget Statement and Public Consultation Papers, the Government remain committed to upholding transparency and accountability in its public finance management.

FIGURE 3.1. Total Expenditure by Sector

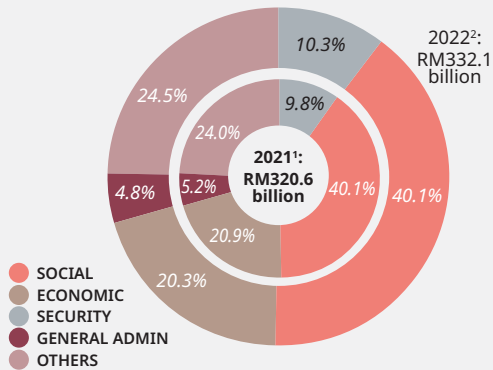


FIGURE 3.2. Total Expenditure by Ministry and Agency

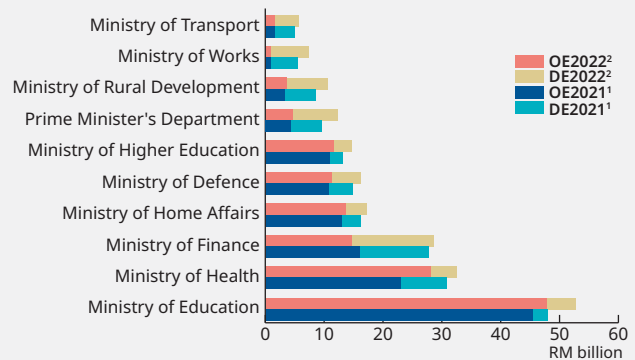


FIGURE 3.3. Operating Expenditure by Component

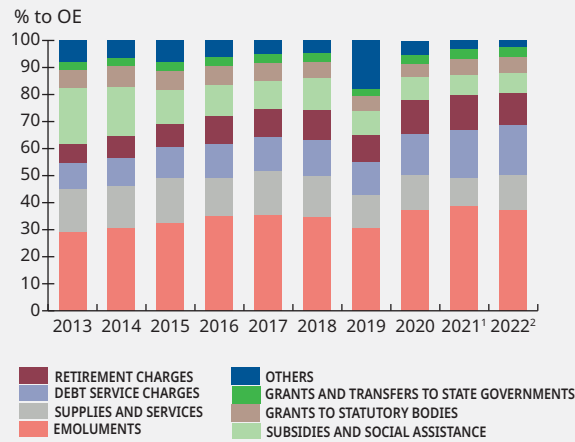


FIGURE 3.4. Operating Expenditure by Sector

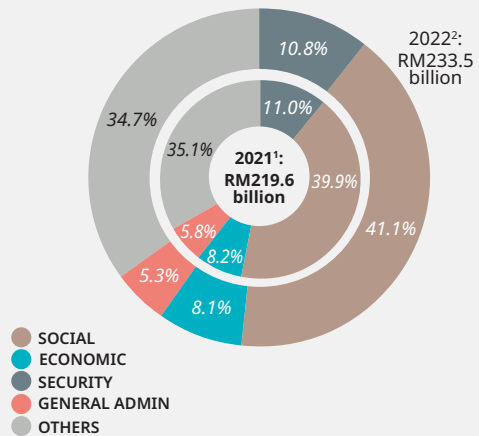


FIGURE 3.5. Development Expenditure by Sector

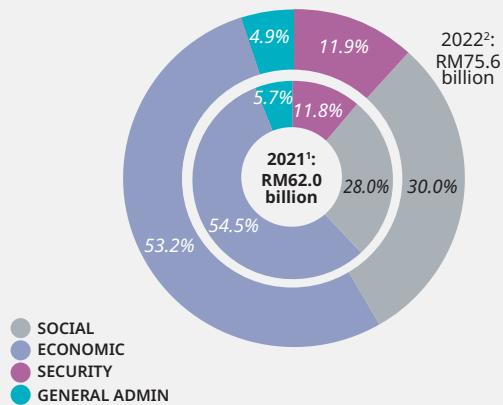
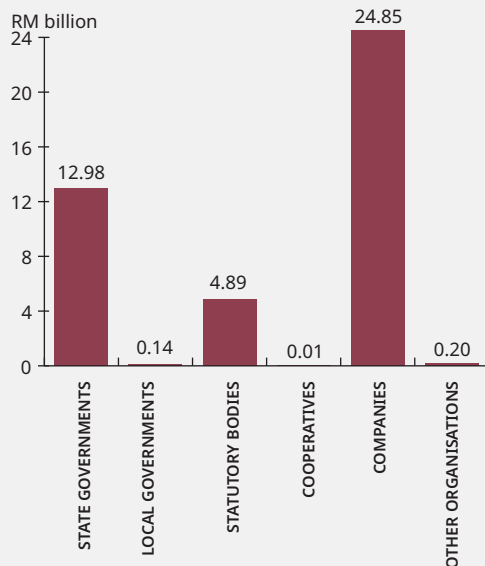


FIGURE 3.6. Federal Recoverable Loans under Development Fund by Debtor, End-2020



¹Revised estimate
²Budget estimate, excluding 2022 Budget measures
 Source: Ministry of Finance, Malaysia

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SECTION 4

Debt Management

Overview

Global government debt reached an unprecedented level, nearing 100% to world gross domestic product (GDP) in 2020 and is projected to remain elevated in 2021 and 2022. Meantime, global economic recovery is progressing, albeit slower than anticipated, due to a high degree of uncertainty resulting from the resurgence of COVID-19 cases with the emergence of new variants. Governments continue to provide fiscal support to accelerate economic recovery with fiscal injections estimated at USD16.9 trillion.¹ Therefore, the supply of government securities in the market is projected to remain high as governments resort to borrowing to fund stimulus measures. Nevertheless, monetary policy easing to address financial market volatility, global economic conditions and inflationary pressures led to a low-interest-rate environment, benefiting governments with lower financing costs.

In line with global trends, the Government unveiled another four assistance and stimulus packages. In addition, the resumption of the strict containment measures beginning May 2021 amid rising COVID-19 cases has led to the downward revision of growth projections which is expected to impact the fiscal deficit. Consequently, to provide fiscal flexibility and enable a smooth implementation of the additional packages, the Dewan Rakyat has approved the increase of statutory debt ceiling from 60% to 65% to GDP under the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 [Act 830]. Nonetheless, the steady progress of the National COVID-19 Immunisation

Programme (PICK), as an integral part of the National Recovery Plan (NRP), is expected to accelerate the resumption of economic and social activities and catalyse the recovery.

Financing

In 2021, the Government announced four additional assistance and stimulus packages, namely Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI), Strategic Programme to Empower the People and Economy (PEMERKASA), Strategic Programme to Empower the People and Economy Plus (PEMERKASA+) and National People's Well-Being and Economic Recovery Package (PEMULIH), totalling RM225 billion with a fiscal implication of RM25 billion. The packages aim to provide assistance to the rakyat and businesses to cushion the impact of the COVID-19 pandemic, which was exacerbated by the emergence of new and more infectious variants, resulting in the prolonged Movement Control Orders (MCO). Thus, the Government reviewed its annual borrowing requirements for the year, taking into account the increase in Federal Government spending and reduced revenue collection. Consequently, the initial fiscal deficit target of 5.4% to GDP has been revised upward to 6.5% to accommodate the additional financing requirement following the announcement of the packages.

The Federal Government's **total gross borrowings** are expected to record RM210.8 billion or 13.9% to GDP in 2021, with RM110.4 billion to be utilised for principal repayments while RM98.8 billion for deficit financing. Principal repayments consist of maturing Malaysian Government Securities (MGS)

¹ IMF October 2021 Fiscal Monitor.

at RM38.7 billion, Malaysian Government Investment Issues (MGII) at RM29 billion, treasury bills at RM33 billion, Government Housing Sukuk (SPK) at RM6 billion and offshore borrowings at RM3.7 billion.

Gross domestic borrowings are estimated to reach RM205.5 billion or 97.5% of total gross borrowings. Given sufficient liquidity in the domestic market, the Government has been able to fund its additional borrowing requirements across various tenures. The issuance of MGS is expected to remain substantial at RM83 billion or 39.4% of total gross borrowings, while MGII at RM77 billion or 36.5%. In addition, treasury bills issuance is estimated to be higher at RM45.5 billion or 21.6% of total gross borrowings to address short-term cash flow needs.

TABLE 4.1. *Federal Government Financing 2020 – 2021*

	RM MILLION		SHARE (%)	
	2020	2021 ²	2020	2021 ²
Gross borrowings	181,067	210,777	100.0	100.0
Domestic	181,067	205,500	100.0	97.5
MGS	73,000	83,000	40.3	39.4
MGII	76,466	77,000	42.2	36.5
Treasury bills	31,601	45,500	17.5	21.6
Offshore	-	5,277	-	2.5
Market loans	-	5,277	-	2.5
Project loans	-	-	-	-
Repayments	94,477	110,376	100.0	100.0
Domestic	94,146	106,700	99.6	96.7
Offshore	331	3,676	0.4	3.3
Net borrowings	86,590	100,401	-	-
Domestic	86,921	98,800	-	-
Offshore	-331	1,601	-	-
Change in assets¹	1,054	-1,624	-	-
Total deficit financing	87,644	98,777	-	-

¹ (+) indicates a drawdown of assets; (-) indicates accumulation of assets

² Estimate

Source: Ministry of Finance, Malaysia

The issuance profile was adjusted with the increase in issuances of short- and medium-term instruments. The composition of short-term papers (less than a year) and medium-term papers (3 to 7 years) is anticipated to be higher at 58.2% of total gross domestic borrowings, while issuances of long-term papers (exceeding 10 years) are expected to be lower at 41.8%. In general, higher issuances of short-term papers lower the overall funding costs and average time to maturity while increase refinancing risk.

The Government financing operations are mostly conducted through open market auctions, constituting 84.7% of total domestic issuances in view of the market's ability to absorb the additional supply. In 2021, the Government increased the re-opening of the benchmark papers, accounting for 94.6% of 37 issuances compared to 88% of 34 issuances in 2020, to ensure a well-distributed supply throughout the year. A higher re-opening will lead to larger outstanding issuance sizes and facilitate investors' index-tracking activities in accessing the domestic debt market, thus further improve the secondary market trading liquidity. Accordingly, the Government has taken a proactive approach in effectively communicating to the market with regard to additional funding needs and revisions to financing strategies. The Federal Government remains committed to its debt management objective of minimising funding costs while maintaining a well-spread debt maturity profile.

The Government received a total bid of RM186 billion for market issuances of RM87 billion during the first eight months of 2021, reflecting a stable demand for government securities. The bid-to-cover (BTC) ratio at 2.14 times indicates the Government's ability to manage surging borrowing needs without undermining the functioning of the domestic bond market despite the challenging economic environment. However, the BTC ratio was lower than the corresponding period in 2020 at 2.27 times. The demand for short- and medium-term papers was slightly lower at the BTC ratio of 1.89 times compared to long-term papers at 2.42 times. Investor preferences and market trends mainly influenced the BTC ratio, with investors' demand for shorter tenure securities hampered by the likelihood of the US interest rate normalisation in June 2021. On the other

hand, institutional investors, namely insurance companies and pension funds favour long-term issuances to match the maturity profile of their liabilities.

Several initiatives were implemented in ensuring an orderly domestic financial market. As at end-September 2021, the Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 1.75%. BNM also announced the extension of temporary flexibility for banking institutions to use MGS and MGII to meet the Statutory Reserve Requirement (SRR) until the end-December 2022 to ensure sufficient liquidity in supporting financial intermediation activity. The SRR ratio remains unchanged at 2.00% and this measure has released approximately RM46 billion worth of liquidity into the banking system. In addition, ongoing initiatives by BNM to enhance the domestic Government bond market has resulted in Malaysia being removed from the FTSE Russell Watch List and retained on the World Government Bond Index.

Despite the increase in the supply of government securities, the cost of borrowing remained low, buoyed by the low-interest-rate environment due to policy easing. However, the outcome of the 2020 US Elections has influenced the dynamics of US Treasury (UST) yields, where the yields rose in tandem with the improvement of the US economy, following the easing of lockdowns and faster-than-expected vaccination rollout. The spillover effect from the rise in UST yields has influenced the performance of MGS yields, with the benchmark coupon rates of 3-, 5- and 10-year MGS increased to 2.34%, 2.68% and 3.20%, respectively as at end-August 2021. Nevertheless, the Government's strategy to re-open papers with lower coupon rates has resulted in a noticeable decline in the Government's weighted average borrowing costs from 4.18% in 2017 to 3.70% as at end-August 2021.

The domestic bond market recorded 14 months of continuous net foreign inflows since April 2020. However, the trend reversed beginning July 2021 due to lower foreign holdings of short-dated securities, particularly the Malaysian Treasury Bills (MTB). This

followed the expectation of the US policy rate normalisation as well as increased domestic risk factors following escalating daily COVID-19 cases, the extension of MCO and political uncertainties. Despite the challenging environment, total net foreign inflows in the first eight months of 2021 reached RM28.4 billion, with foreign demand for MGS registering a net inflow of RM14.4 billion. The positive fund flows also demonstrated investors' confidence in the Government's ongoing effort to expedite the vaccination rate through PICK, an integral part of the NRP.

Malaysia remained the leader in the global sukuk market with a commendable market share of 40.9% of the global sukuk outstanding as at end-June 2021.² The issuance of MGII is expected to account for 36.5% of total gross borrowings, while MITB at 14.2%. Since the beginning of 2021, spreads between the 3- and 5-year Government's bond and sukuk yields have been narrowing, with yields on MGII declining at a faster pace compared to its MGS equivalent. As at end-August 2021, the 5-year yields on MGII were 4 basis points lower than the corresponding MGS yields of similar maturity. In addition, the majority of the bidding interest was skewed towards MGII, which recorded a BTC ratio of 2.34 times compared to MGS at 1.96 times. The oversubscribed issuances reflected strong demand for Shariah-compliant government papers, supported by the enabling environment in the domestic market.

Gross offshore borrowings as at end-August 2021 amounted to RM5.3 billion due to issuances of the dual-tranche sukuk of USD1.3 billion on 28 April 2021. The sukuk issuance with a maturity period of 10-year and 30-year was much anticipated by investors as Malaysia has a successful track record in issuing innovative Shariah-compliant products. The 10-year tranche being the world's first sovereign USD Sustainability Sukuk was priced at 2.070%, while the 30-year tranche was 3.075%. The sukuk structure is unique as its underlying assets are 100% non-physical, comprising travel vouchers of clean energy public transport, which is fully aligned with the concept of sustainability. The issuance further reinforced Malaysia's position as a leading Islamic financial hub in the global market.

² RAM Sukuk Snapshot 2Q2021.

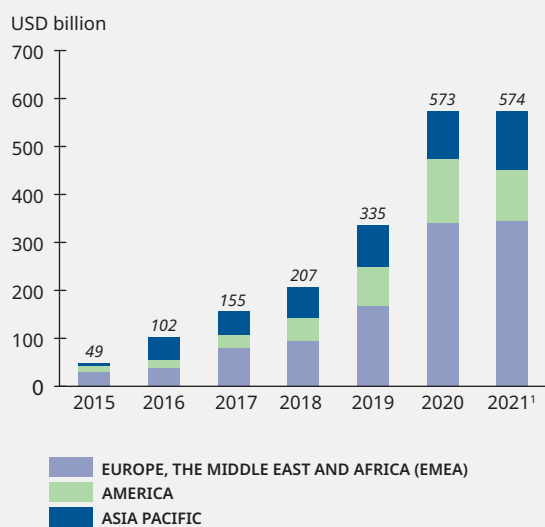
FEATURE ARTICLE

Government of Malaysia's 2021 Global Sukuk

Background

The prolonged COVID-19 crisis and the ensuing fiscal response by countries worldwide have resulted in a huge increase in the sovereign borrowing requirements. Since the beginning of the pandemic in January 2020, a total of USD16.9 trillion in fiscal injections for economic recovery plans has been collectively announced by countries. The heightened focus on COVID-19 response efforts has motivated policymakers and investors to seek different financing strategies as reflected in the recent momentum in environmental, social and governance (ESG) initiative. Furthermore, the 2030 Agenda for Sustainable Development (2030 Agenda), which was established on 25 September 2015, sets a new global framework for sustainable development financing by aligning the policies and flow of funds with economic, social and environmental priorities. Accordingly, the global Green, Social, Sustainability and Sustainability-linked (GSSS) bonds reached USD574 billion in the first half of 2021, more than entire issuances in 2020 (Figure 1).

FIGURE 1. GSSS Global Bond Issuances



¹ End-June 2021
 Source: Bloomberg

Malaysia's venture into sustainable finance commenced in 2014 with the formulation of the Sustainable and Responsible Investing (SRI) Sukuk Framework by the Securities Commission Malaysia. The Framework has paved the way for the alignment of sustainable finance and investment to the values and principles of Islamic finance. In addition, the Sustainable Development Goals (SDG) have been localised and integrated within the national development planning framework since the Government's formal adoption of the 2030 Agenda, as reflected in the alignment to key strategic thrusts of the Eleventh Malaysia Plan (11MP), 2016-2020. To boost the implementation of its sustainable finance plan, the Government has also announced measures to support the development of sustainable finance ecosystem in the 2021 Budget.

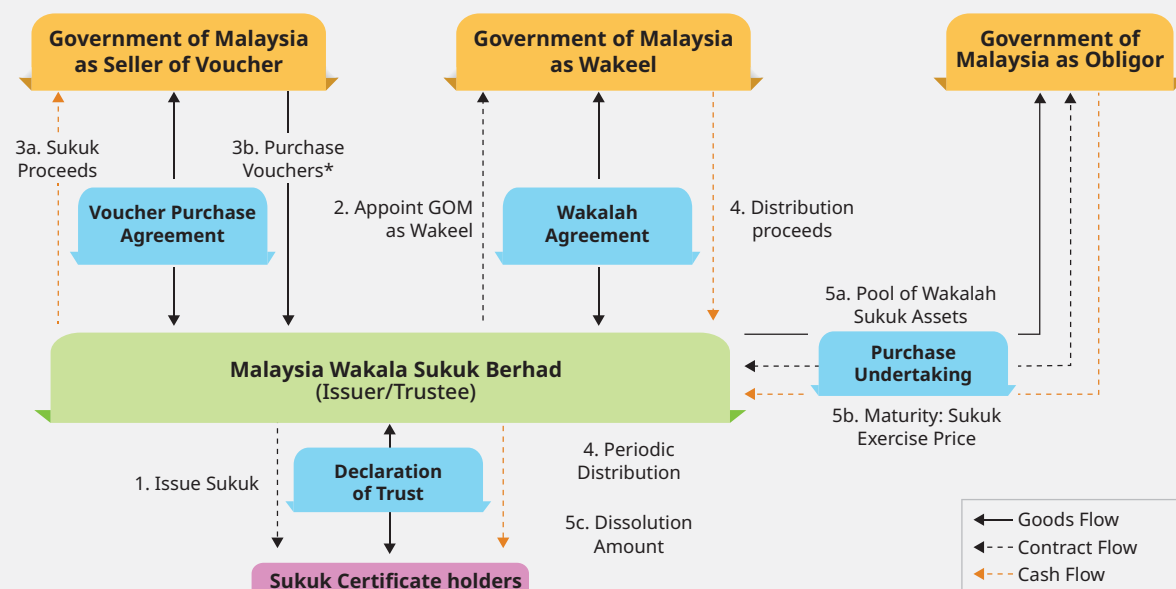
Malaysia's 2021 Global Sukuk Issuance

After a series of successful issuances of USD-denominated sukuk since 2002, the Government once again tapped into the global market with the issuance of a dual-tranche USD1.3 billion sukuk on 28 April 2021. The first tranche of a 10-year, USD800 million issuance records a new milestone as the world's first sovereign USD-denominated sustainability sukuk, signifying Government's latest commitment towards advancing sustainable development. At the same time, the Government also issued a 30-year tranche of USD500 million sukuk. The transaction also set a new benchmark as the lowest priced global USD sukuk by the Government of Malaysia.

The Sukuk Structure and Transaction Flow

The sukuk was structured under the Shariah principle of *Wakalah*. The underlying assets are unique and in line with the spirit of the sustainability tranche, being 100% non-physical assets, namely vouchers representing travel entitlement on Malaysia's Light Rail Transit (LRT), Mass Rapid Transit (MRT) and KL Monorail networks. These modes of clean transportation are fully aligned with the SDG 9 Goal of Industry, Innovation and Infrastructure as well as SDG 11 Goal of Sustainable Cities and Communities. Thus, the transaction also set a new record as the first sovereign issuance with such assets in a sukuk structure, demonstrating Malaysia's global leadership in Islamic finance and reinforcing the country's position as the world's largest sukuk market. The sukuk structure and transaction flows are shown in Figure 2.

FIGURE 2. Sukuk Structure and Transaction Flow



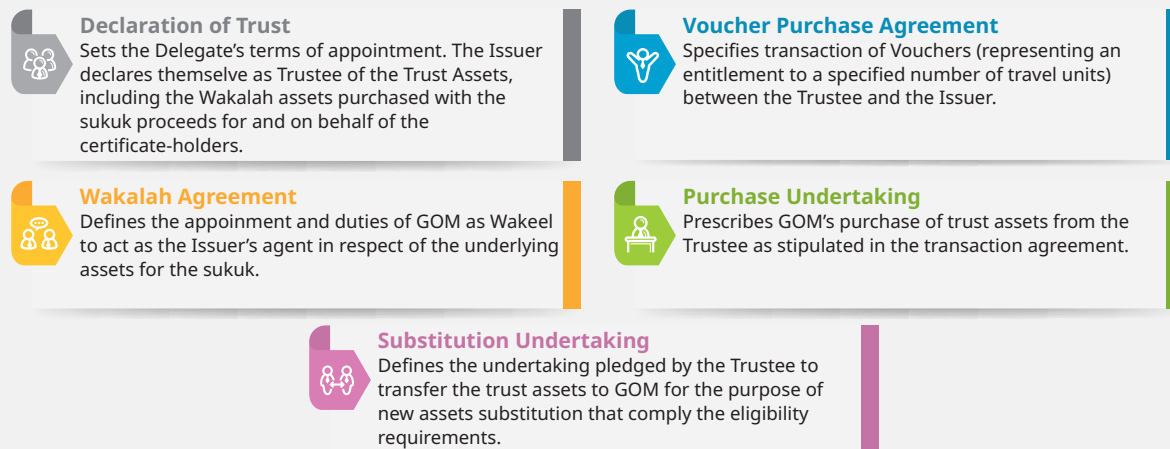
Step	Description
1	Malaysia Wakala Sukuk Berhad (MWSB), a special purpose vehicle (SPV), issued Trust Certificates to sukuk certificate holders in consideration for the proceeds.
2	The Government was appointed as an agent of the certificate-holders (<i>Wakeel</i>) to act as the Issuer's agent in providing certain services in relation to the Wakalah sukuk assets, subject to terms and conditions of the Wakalah Agreement.
3	<p>a) On the issuance date, SPV as the Trustee, would utilise 100% of the proceeds to buy vouchers of travel entitlement on public transport (Vouchers¹)</p> <p>b) In return, the Government will supply the Vouchers to MWSB as the Trustee, which will then declare a trust over the Vouchers for and on behalf of the certificate holders.</p>
4	The returns from the sale of vouchers will be paid by the Trustee to the certificate-holders on each periodic distribution date.
5	<p>a) Upon maturity or redemption date, the Government as an Obligor will purchase the Wakalah sukuk assets from the Trustee at the exercise price on the scheduled maturity date of the Trust Certificates.</p> <p>b) The funds received from the exercise price will be used to redeem the sukuk from the certificate-holders</p> <p>c) holders</p>

¹ The Government has irrevocable rights to substitute the Vouchers with new vouchers and/or replacement assets, provided that such assets are Shariah-compliant tangible assets as approved by Shariah Adviser at the time of substitution

Source: Ministry of Finance, Malaysia

The sukuk transaction involved legal documents based on Malaysian and English Law. The main legal documents binding the transaction are as shown in Figure 3.

FIGURE 3. Main Transaction Agreement



Source: Ministry of Finance, Malaysia

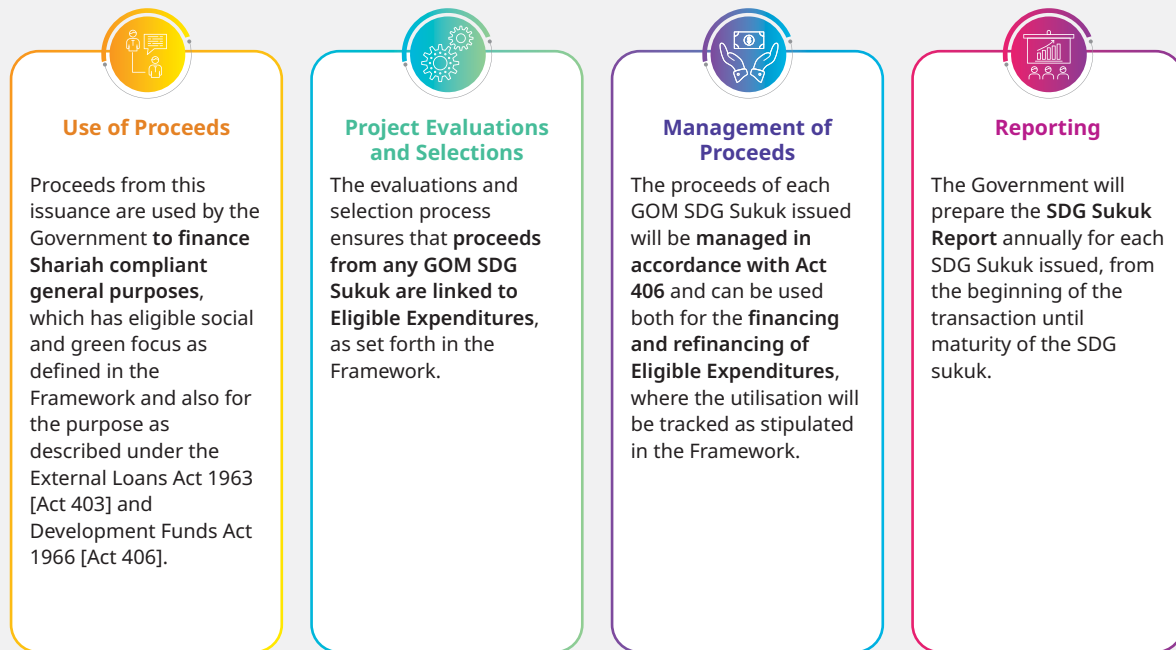
Government of Malaysia's SDG Sukuk Framework

Since national development plan has always been geared towards economic, social and environmental agenda, the formulation of the Government of Malaysia SDG Sukuk Framework¹ is aligned with its five-year national development plans, which utilises the government development budget. The SDGs alignment process is realised through an expenditure mapping exercise involving the coordination of the action plans, initiatives and outcomes of national development plans to the SDGs' goals, targets and indicators.

The Sustainability Sukuk is issued based on the newly established Framework. The Framework was formulated based on four key components, namely use of proceeds; project evaluations and selections; management of proceeds; and reporting (Figure 4). It also outlines the criteria for Eligible Social and Green Expenditure to be made with the Sukuk proceeds (Figure 5).

¹ More information on the Government of Malaysia SDG Sukuk Framework and the Second Party Opinion can be found at www.mof.gov.my/en/economy/sustainability

FIGURE 4. Key Components of the Framework



Source: Ministry of Finance, Malaysia.

FIGURE 5. Eligible Social and Green Expenditures



Source: Ministry of Finance, Malaysia

The Framework received a Second Party Opinion from Sustainalytics, which opined that the Framework is credible and impactful as well as aligned with the country's current development plan. Sustainalytics also considers the proceeds are expected to facilitate the country's transition to a low-carbon economy and lead to positive social impacts in Malaysia. The Framework was also declared as being aligned with the four core components of the Green Bond Principles 2018, the ASEAN Sustainability Bond Standards 2018 and Social Bond Principles 2020.

The Government will update the Framework regularly, taking into account latest developments in the upcoming Malaysia development plans particularly in relation to additional achievable SDG goals and development projects which meets international standards.

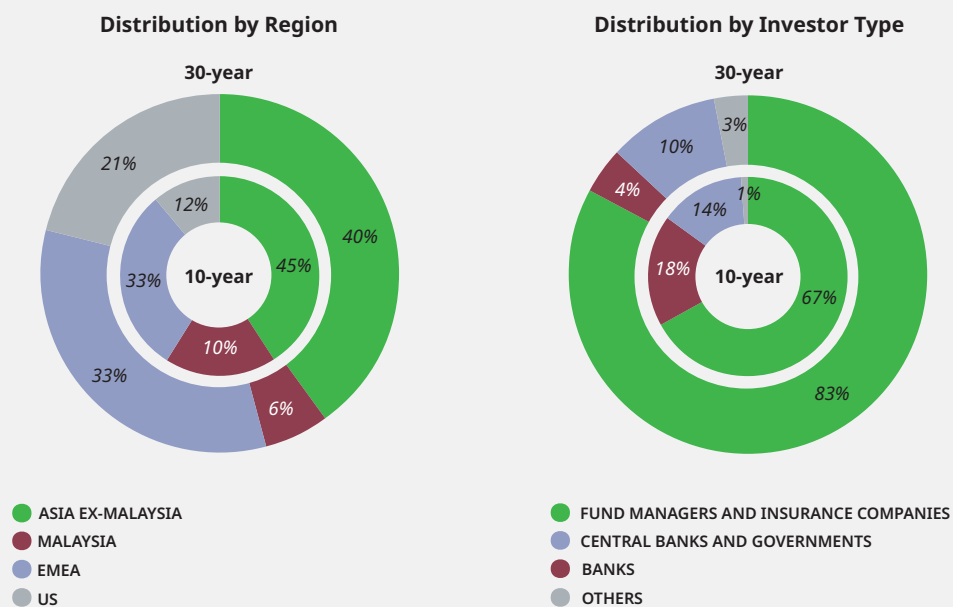
Sukuk Transaction

A two-day virtual roadshow was held prior to the issuance covering Asia, the Middle East, Europe and the US. The issuance received an overwhelming response, attracting orders from over 220 global and domestic investors. This reflected investors' confidence in Malaysia's strong economic fundamentals despite a challenging economic environment due to the COVID-19 pandemic. The strong demand also resulted in the lowest ever yield and spread for a USD sukuk issuance by Malaysia, with both the 10-year and 30-year tranches priced at 2.070% and 3.075%, respectively.

Investors' Distribution and Profile

Following the immense response from investors during the roadshow, the sukuk offerings were oversubscribed by 6.4 times. The final allocation was well-distributed globally, with almost 90% of the 10-year Sustainability Sukuk allocated to investors in Asia, the Middle East and Europe, particularly Singapore, Hong Kong, the United Arab Emirates and the UK. In terms of investors' profiles, fund managers and insurance companies were the largest investors at 67%, followed by banks (18%) as well as central banks and governments (14%).

FIGURE 6. Investors' Profile



Source: Ministry of Finance, Malaysia

In addition, a total of 46% of the 30-year sukuk was distributed to investors in Asia, followed by Europe, the Middle East and Africa (33%) and the US (21%). Fund managers and insurance companies also dominated the subscription of the 30-year tranche at 83%, followed by central banks and governments (10%) and banks (4%), as shown in Figure 6.

Conclusion

Since the successful global sukuk issuance in 2016, Malaysia re-entered the market with the Government's sixth USD-denominated sukuk issuance. Despite the COVID-19 pandemic impacting the global economy, the Government's resilient credit profile has resulted in the lowest yield and spread to the US Treasury. The issuance of the world's first sovereign USD Sustainability Sukuk demonstrates the Government's unwavering commitment to building a sound financing system to support the national sustainable development agenda. The issuance has further reinforced Malaysia's position as a leading international Islamic financial hub in the global market.

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Federal Government Debt

The issuances and management of the Federal Government debt are governed under several legislations according to the types of instruments. Conventional domestic securities, namely MGS and MTB are issued under the Loan (Local) Act 1959 [Act 637] and Treasury Bills (Local) Act 1946 [Act 188], respectively, while the Government Funding Act 1983 [Act 275] regulates Islamic instruments issuance, namely MGII and MITB. In addition, the External Loans Act 1963 [Act 403] governs the issuance of offshore borrowings. These legislations also stipulate the usage of proceeds and the limits on the amount of outstanding debts for each instrument.

As at end-June 2021, the overall Federal Government debt stood at RM958.4 billion or 63.3% to GDP. In terms of statutory debt limits, accumulated domestic debts of MGS, MGII and MITB constituted 58.8% to GDP, below the 65% threshold governed under Act 830. Meanwhile, the MTB has reached the RM10 billion ceiling as provided for under Act 188. Offshore borrowings at RM33.6 billion is still within the permissible amount of RM35 billion under Act 403.

The Federal Government debt is mainly denominated in ringgit, constituting 96.5% of the total, while the remaining 3.5% is in foreign currency. Domestic debt stood at RM924.8 billion, comprising mainly MGS (51.4%) and MGII (42.3%), with maturities ranging between 3 to 30 years. In contrast, treasury bills, comprising MTB (RM10 billion) and MITB (RM24 billion), are short-dated instruments with 3-, 6-, 9- or 12-month maturity totalling RM34 billion. In addition, the outstanding balance of the SPK, which was issued by the Government before the establishment of the Public Sector Home Financing Board (LPPSA), reduced further to RM24.1 billion and will be fully redeemed by 2024.

Offshore borrowings, comprising market and project loans mainly denominated in US dollar (63%) and yen (36.5%), increased to RM33.6 billion as at end-June 2021 due to the USD global sukuk issuance. Market loans, consisting of global sukuk and Samurai bond, stood at RM28.7 billion, while projects loans totalled RM4.9 billion, mainly for financing existing programmes and projects for universities, sewerage plants and water transfer infrastructure under bilateral and multilateral arrangements.

TABLE 4.2. Debt Legislative Guidelines

ACT	STATUTORY LIMIT	END-JUNE 2021
Loan (Local) Act 1959 Government Funding Act 1983 Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020	Outstanding MGS, MGII and MITB not exceeding 65% to GDP	58.8% to GDP (RM890.7 billion)
External Loans Act 1963	Offshore borrowings not exceeding RM35 billion	RM33.6 billion
Treasury Bills (Local) Act 1946	MTB not exceeding RM10 billion	RM10 billion

Source: Ministry of Finance, Malaysia

TABLE 4.3. Federal Government Debt by Instrument 2020 – 2021

COMPONENT	RM MILLION		SHARE (%)		SHARE TO GDP (%)	
	2020	2021 ²	2020	2021 ²	2020	2021 ²
Domestic debt	851,284	924,784	96.8	96.5	60.1	61.1
MGS	436,418	475,418	49.6	49.6	30.8	31.4
MGII ¹	375,266	391,266	42.7	40.8	26.5	25.8
SPK	24,100	24,100	2.7	2.5	1.7	1.6
Treasury bills	15,500	34,000	1.8	3.6	1.1	2.3
Offshore borrowings	28,276	33,604	3.2	3.5	2.0	2.2
Market loans	23,055	28,703	2.6	3.0	1.6	1.9
Project loans	5,221	4,901	0.6	0.5	0.4	0.3
Total	879,560	958,388	100.0	100.0	62.1	63.3
<i>Memorandum item:</i> Non-resident holdings of ringgit-denominated debt securities	208,190	233,826	24.5	25.3	14.7	15.4

¹ Including Sukuk Prihatin² End-June 2021

Source: Ministry of Finance, Malaysia

For 2021, the debt service charges (DSC) to revenue ratio is estimated to increase to 17.6% (2020: 15.3%) due to the anticipated reduction in revenue collection as most of the economic sectors was not allowed to operate during the MCO. The financing costs for domestic debt instruments is expected to reach RM38.1 billion, while the balance of RM0.9 billion is for foreign-currency loans. The weighted average interest rate for outstanding domestic debt is estimated to be lower at 3.957% (2020: 4.032%), reflecting the low-interest-rate environment, despite higher reopenings for current year issuances.

In terms of debt maturity profile, the weighted average time to maturity shortened to 8.1 years as at end-June 2021 (2020: 8.6 years). The share of medium- and long-term papers with a remaining maturity of 6 years and above decreased to 52.1% (end-2020: 56.6%), while the share of securities with a remaining maturity of 5 years and below increased to 47.9% (end-2020: 43.4%). This is in line with the Government debt management strategy to balance the market demand with immediate financing needs.

As at end-June 2021, the share of resident holdings to total debt slightly decreased to 72.6%. Resident holdings amounted to RM696.1 billion, mainly consisting of large and long-term institutional investors, such as Employees Provident Fund (24.1%), insurance companies (4.6%) and Retirement Fund (Incorporated) (2.9%). Other resident holders include banking institutions (33.6%), development financial institutions (1.9%) and others (5.5%).

Non-resident holdings remained stable at RM262.3 billion, accounting for 27.4% of total debt. Long term institutions, such as pension funds, insurance companies as well as central bank, supranational and sovereigns, held a sizeable share of 13.6%, while fund managers accounted for 9.4%. The balance was contributed by banking institutions with 3.6% holdings and other non-residents (0.8%). Furthermore, non-resident investment in MGS was sustained at 40.4% of the total MGS outstanding (end-2020: 40.6%), reflecting renewed investors' confidence and interest in Government bonds.

TABLE 4.4. Federal Government Debt by Holder
2020 – 2021

COMPONENT	RM MILLION		SHARE (%)		SHARE TO GDP (%)	
	2020	2021 ³	2020	2021 ³	2020	2021 ³
Resident	647,697	696,067	73.6	72.6	45.7	46.0
Employees Provident Fund	219,828	230,894	25.0	24.1	15.5	15.3
Retirement Fund (Incorporated)	25,027	27,598	2.8	2.9	1.8	1.8
Insurance companies	40,987	44,057	4.7	4.6	2.9	2.9
Banking institutions	288,475	322,499	32.8	33.6	20.3	21.3
Development financial institutions	16,670	17,817	1.9	1.9	1.2	1.2
Others ¹	56,710	53,202	6.4	5.5	4.0	3.5
Non-resident	231,863	262,321	26.4	27.4	16.4	17.3
Fund manager	77,553	90,237	8.8	9.4	5.5	6.0
Central bank, supranational and sovereigns	70,877	81,654	8.1	8.5	5.0	5.4
Banking institutions	32,684	33,993	3.7	3.6	2.3	2.2
Pension funds	35,913	41,106	4.1	4.3	2.5	2.7
Insurance companies	7,712	7,646	0.9	0.8	0.6	0.5
Others ²	7,124	7,685	0.8	0.8	0.5	0.5
Total	879,560	958,388	100.0	100.0	62.1	63.3

¹ Includes other non-bank financial institutions, statutory bodies, nominees and trustee companies, co-operatives, securities placed by institutional investors at the central bank and unclassified items

² Include nominees/custodians, individuals, non-financial corporations, multilateral and bilateral institutions as well as unidentified sectors

³ End-June 2021

Source: Ministry of Finance, Malaysia

FEATURE ARTICLE

Malaysia's Debt Sustainability Analysis 2021

Introduction

The COVID-19 pandemic has severely affected the global economy and led countries to implement expansionary fiscal measures, particularly providing support to households, businesses and health services. With limited fiscal space, most countries have resorted to raising additional borrowings to cater for additional expenditure to save lives and livelihood, businesses and the economy. Thus, assessing debt sustainability is imperative to ensure medium and long-term fiscal robustness in weathering the impact of external economic shocks.

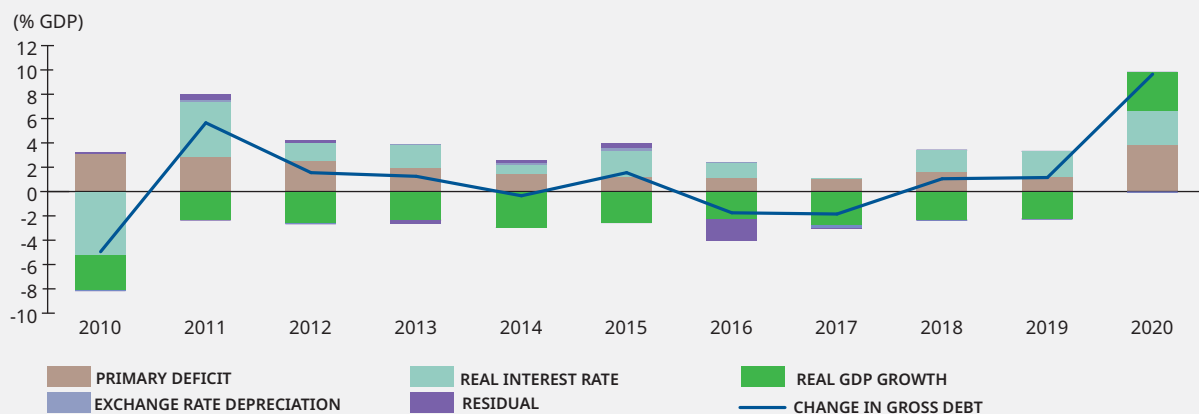
Debt sustainability for a country can be defined as a situation in which a sovereign is expected to be able to continue servicing its current and future payment obligations without exceptional financial assistance or going into default. In general, Debt Sustainability Analysis (DSA) framework, developed by the International Monetary Fund (IMF), aims to:

- Assess the current debt situation, its maturity structure, whether it has fixed or floating rates, whether it is indexed, and by whom it is held;
- Identify vulnerabilities in the debt structure or the policy framework far enough in advance so that policy corrections can be introduced before payment difficulties arise; and
- In cases where such difficulties have emerged or are about to emerge, examine the impact of alternative debt-stabilising policy paths.

Based on this framework, the debt burden threshold for emerging markets is benchmarked at a debt-to-GDP ratio of 70% and gross financing needs-to-GDP ratio of 15%.

In the last decade, the two main factors contributing to debt creation are primary deficit and real interest rate. Meanwhile, real GDP growth has led to a lower fiscal deficit and subsequently lowered the debt ratio, indicating an inverse correlation between the debt-to-GDP ratio and economic growth. In contrast, for 2020, the COVID-19 pandemic has resulted in a GDP contraction, thus disrupting the fiscal consolidation path. Hence, as illustrated in Figure 1, macro-fiscal factors namely primary deficit, real GDP growth and real interest rate, contributed to the surge of debt-to-GDP ratio in 2020.

FIGURE 1. Debt-Creating Flows



Source: Ministry of Finance, Malaysia and IMF

Scenario Analyses

In the baseline scenario, the gross financing needs are estimated at 13.8% to GDP in 2021 and are expected to reduce to 7.1% by 2026. Consequently, the overall debt-to-GDP ratio¹ is estimated at around 65% in 2021 and projected to stabilise to around 64% by 2026. These projections are still below the DSA's debt and gross financing needs benchmark of 70% and 15% to GDP, respectively. This scenario is based on the following macro-fiscal assumptions:

¹ For the purpose of this DSA, debt coverage only refers to Federal Government debt

MACRO-FISCAL VARIABLES	AVERAGE (2021-2026)
Real GDP growth (% per annum)	5.1%
Inflation (% per annum)	2.1%
Primary Balance (% to GDP)	-2.1%
Effective Interest Rate (%)	4.3%

In addition to the baseline scenario, the DSA also simulates alternative scenarios to estimate debt ratio and gross financing requirements on the following assumptions:

i. Constant Primary Balance Scenario

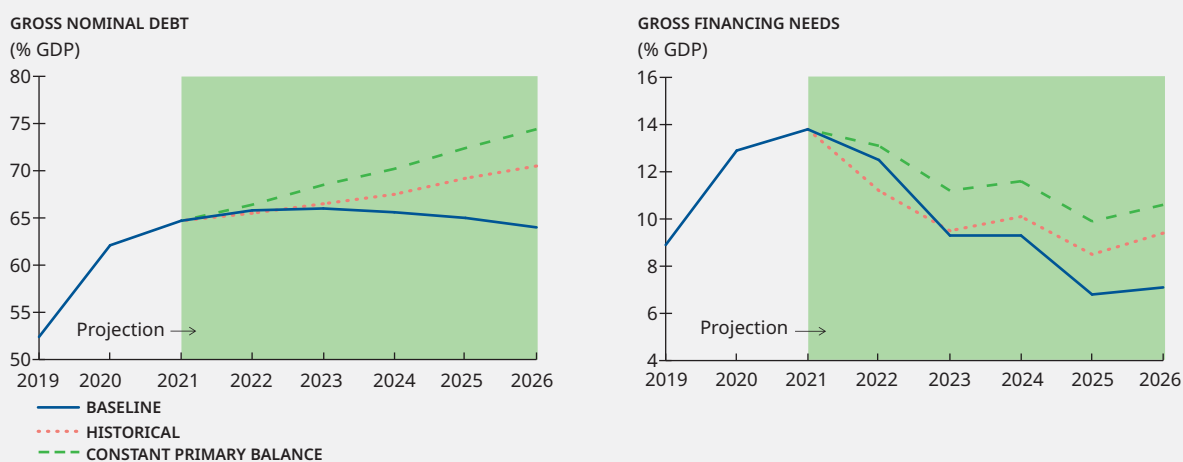
This scenario assumes the primary balance remains constant with no fiscal consolidation over the medium term. With this assumption, the debt level is projected to reach 74.4% to GDP by 2026, exceeding the DSA’s debt benchmark of 70%. The gross financing requirements will also increase to 13.8% to GDP in 2021 and estimated to reduce to 10.6% by 2026.

ii. Historical Scenario

Under this scenario, it is assumed that the historical trend of the macro-fiscal variables will be maintained over the projection years. The debt-to-GDP ratio is forecasted to slightly exceed the DSA’s debt benchmark at 70.7% by 2026, while gross financing needs are projected to decline to around 9% to GDP by 2026. This indicates that assuming the previous fiscal consolidation effort is replicated, the Government may require a longer time frame to reduce its debt-to-GDP ratio.

All the scenarios are featured graphically, as shown in Figure 2 below:

FIGURE 2. Baseline and Alternative Scenarios



Source: Ministry of Finance, Malaysia and IMF

Sensitivity Analyses

Stress tests are conducted to simulate the impact of macro-fiscal shocks on Malaysia's debt sustainability. Furthermore, additional stress tests are applied by simulating combined macro-fiscal shock as well as contingent liabilities shock. The outcome of the analysis highlights the Government's level of indebtedness in the event of any shocks, thus guiding the formulation of mitigation measures before such shocks arise.

i. Primary Balance Shock Scenario

Assuming the primary deficit is higher at 3.6% and 2.7% to GDP in 2022 and 2023, the debt-to-GDP ratio is projected to peak at 66.7% in 2023 and gradually reduce to 65.6% by 2026. Gross financing needs will decline to 7.4% by 2026. Both indicators remain below the DSA benchmark.

ii. Real GDP Growth Shock Scenario

Assuming real GDP growth slows down to 2.5% and 1.9% in 2022 and 2023, the debt level is estimated to peak at 73.6% to GDP by 2023 and will remain elevated at 71.1% in 2026, exceeding the DSA's debt benchmark of 70%. Gross financing needs will reach 13.6% to GDP in 2022 and gradually decline to 7.8% by 2026.

iii. Real Interest Rate Shock Scenario

Assuming effective interest rate increases by an average of 110 basis points annually from 2023 until 2026, the debt-to-GDP ratio will exceed the DSA benchmark by 2025 at 70.2%. Moreover, the gross financing needs are higher than other shock scenarios in 2024 to 2026, ranging between 9% and 11% to GDP.

iv. Exchange Rate Shock Scenario

Assuming the exchange rate spiked by 30% from the baseline assumption in 2022, the debt ratio is projected to average at 61.7% to GDP throughout the projection years. Gross financing requirements will continue to decline from 11.8% to GDP in 2022 to 6.8% by 2026. The shock scenario has the least impact on the debt parameter compared to other shock scenarios due to the low composition of foreign-denominated instruments.

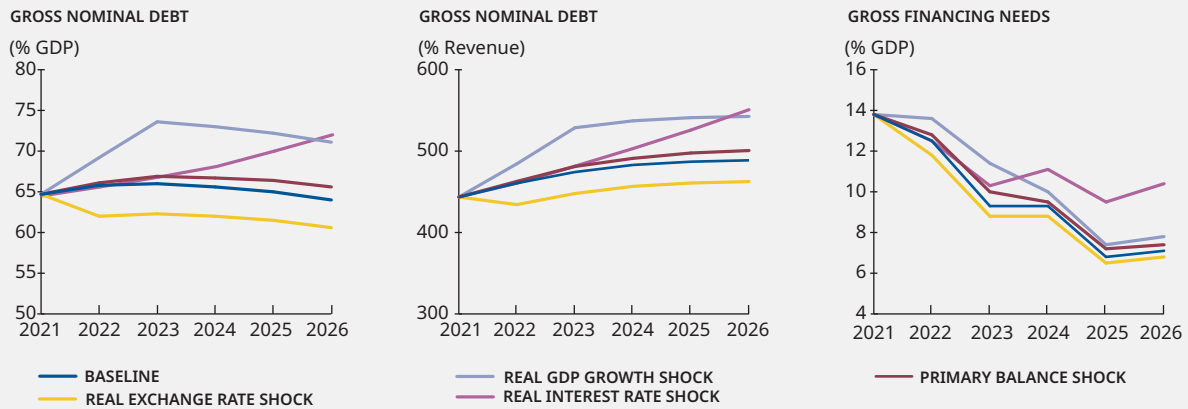
v. Combined Macro-Fiscal Shock Scenario

Assuming all the macro-fiscal shocks occur simultaneously in 2022, the debt is projected to increase to 75.3% to GDP in 2023 and subsequently surge to 81.5% by 2026, significantly surpassing the DSA benchmark. Gross financing needs are expected to remain high at around 12% to GDP throughout the projection period.

vi. Contingent Liability Shock Scenario

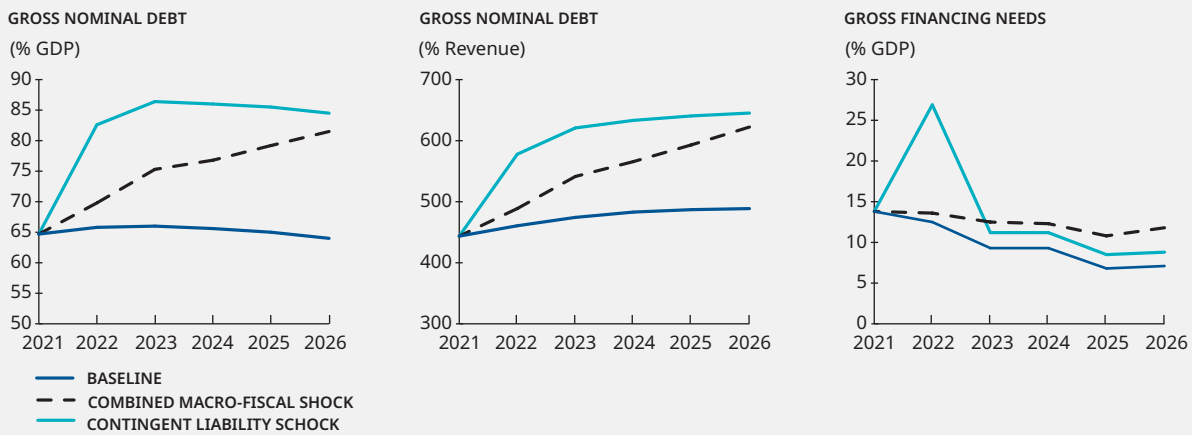
Assuming the Federal Government is obliged to provide an additional allocation of around 13% to GDP in 2022 due to the materialisation of contingent liability, the debt ratio will immediately accelerate to 82.6% to GDP with gross financing requirement also escalating to 26.9% to GDP during the same year. The debt level remain elevated during the projection period, far exceeding the DSA benchmark, representing the worst case of all shock scenarios.

FIGURE 3. Macro-Fiscal Stress Tests



Source: Ministry of Finance, Malaysia and IMF

FIGURE 4. Additional Stress Tests



Source: Ministry of Finance, Malaysia and IMF

Risk Assessment

A heat map provides signals on the impact of external shocks to debt burden indicators under the baseline and shock-imputed scenarios. In addition, it also summarises the outcome of DSA on debt and gross financing requirements, as well as risk assessment on the debt profile. The risk assessment thresholds for each indicator are as follows:

FIGURE 5. Heat Map

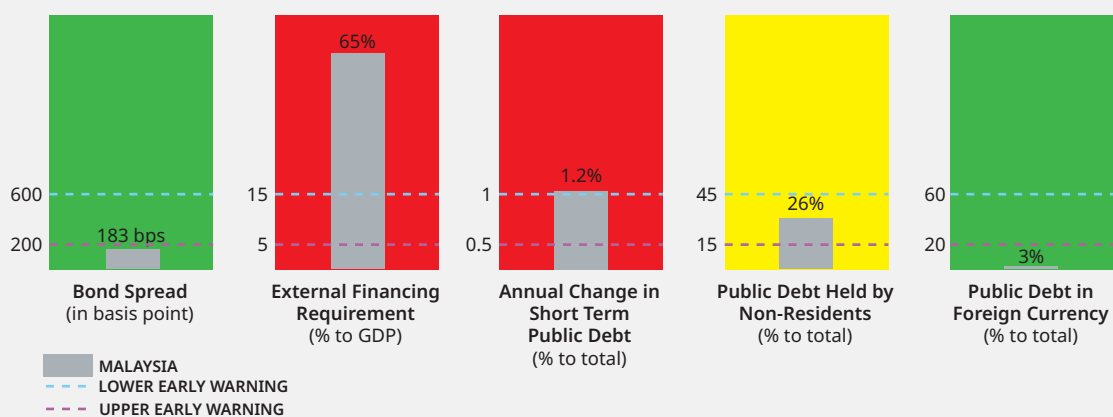
Debt level	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Real Exchange Rate Shock	Contingent Liability Shock
Gross financing needs	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Real Exchange Rate Shock	Contingent Liability Shock
Debt profile	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

HEAT MAP	DEBT LEVEL	GROSS FINANCING NEEDS	DEBT PROFILE
Low Risk	If the debt level does not exceed 70% to GDP under baseline or specific shock scenarios	If the gross financing needs do not exceed 15% to GDP under baseline or specific shock scenarios	If the country's parameter value is less than the lower risk-assessment benchmarks
Moderate Risk	If the debt level exceeds 70% to GDP under the specific shock scenario but not baseline	If the gross financing needs exceed 15% to GDP under the specific shock scenario but not baseline	If the country's parameter value is in between the lower and upper risk-assessment benchmarks
High Risk	If the debt level exceeds 70% to GDP under the baseline scenario	If the gross financing needs exceed 15% to GDP under the baseline scenario	If the country's parameter value exceeds the upper risk-assessment benchmarks

Source: Ministry of Finance, Malaysia and IMF

As illustrated in the heat map, primary balance and real exchange rate shocks pose low-risk exposure to Federal Government debt and gross financing needs. However, real GDP growth and real interest rate shocks result in moderate risk exposure to the debt level, while contingent liability shock presents a moderate risk to debt level and gross financing needs. In terms of debt profile vulnerabilities, it is based on lower and upper risk-assessment benchmarks for each debt profile parameter, as demonstrated in Figure 6.

FIGURE 6. Debt Profile Vulnerabilities



Source: Ministry of Finance, Malaysia and IMF

Based on the assessment, the annual change in short-term debt is susceptible to high risk due to the increased proportion of short-term debt in 2020 compared to the historical average. Similarly, the external financing requirement also carries a high-risk exposure to Malaysia's debt profile. Nevertheless, the availability of ample external assets which can be utilised to meet these obligations will mitigate this risk.

In terms of market perception, Malaysia is assessed as low risk due to its lower-than-benchmarked average long-term bond spread over US bonds, indicating sustained investor confidence in Malaysia's debt instrument. In addition, its debt in foreign currency also poses a low risk given its minimal composition of foreign-denominated debt, at about 3% to GDP. Nevertheless, the debt held by non-residents imposes a moderate risk, albeit mitigated by the presence of a deep and liquid domestic debt market.

Overall, the DSA simulation demonstrates increased debt vulnerabilities to the Government in the event of any shocks, thus limiting the fiscal space and the ability to raise additional borrowing for counter-cyclical responses. Furthermore, the higher debt level will lead to higher debt service charges, thus restraining the Government's capacity to allocate for other expenditures. In this regard, the Government remains committed to fiscal consolidation in the medium term as outline in the 12th Malaysia Plan with a deficit target of 3.5% to GDP by 2025.

Conclusion

The DSA assessment has taken into account the impact of the COVID-19 crisis in the macro-fiscal parameters for 2020. The outcome of this simulation highlights the increased risk exposure of the Government's indebtedness in the medium term in the event of materialisation of external shocks. Nevertheless, the Government's immediate priority is to return the nation to its potential growth trajectory while allowing society and businesses to adapt to new norms and invest for future growth to provide new job opportunities. The continuous provision of fiscal support in the medium term is projected to lead to a more gradual pace of fiscal consolidation, resulting in a moderate decline in the debt-to-GDP ratio, as illustrated in the baseline scenario. However, the planned fiscal reforms, anchored by the introduction of the Fiscal Responsibility Act, adoption of Medium-Term Revenue Strategy and expenditure reviews, will accelerate the resumption of fiscal consolidation post-crisis. These initiatives will build sufficient fiscal buffers in ensuring the country's fiscal and debt sustainability in the medium and long term.

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External Debt

External debt comprises the nation's offshore borrowing, non-resident holdings of ringgit-denominated debt securities, non-resident deposits and other external debt. As at end-June 2021, the external debt increased to RM1,021 billion or 67.4% to GDP, mainly attributed to higher offshore borrowings from the public sector as well as non-resident holdings of ringgit-denominated debt securities. Offshore borrowings remained the largest component of external debt at RM589.5 billion, with a share of 57.8%. The higher public sector offshore borrowings were due to

the issuance of the global sukuk by the Federal Government and foreign currency bonds and sukuk by public corporations. Meanwhile, non-resident holdings of ringgit-denominated debt securities and deposits collectively accounted for RM338.4 billion, with a higher share of 33.2% of the total.

In terms of maturity profile, the medium- to long-term external debt stood at 62.2% of the total, reflecting low refinancing risk. Short-term external debt accounted for 37.8%, backed by an adequate level of international reserves. Furthermore, the external risk is also mitigated by sizeable external assets and export earnings.

TABLE 4.5. External Debt
2020 – 2021

COMPONENT	RM MILLION		SHARE (%)		SHARE TO GDP (%)	
	2020	2021 ³	2020	2021 ³	2020	2021 ³
Offshore borrowings	559,560	589,479	58.4	57.8	39.5	38.9
Medium-and long-term debt	360,997	382,627	37.7	37.5	25.5	25.3
Public sector	143,934	164,736	15.0	16.2	10.2	10.9
Federal Government	23,672	28,415	2.5	2.8	1.7	1.9
Public corporations	120,262	136,321	12.5	13.4	8.5	9.0
Private sector	217,063	217,890	22.7	21.3	15.3	14.4
Short-term debt	198,563	206,853	20.7	20.3	14.0	13.6
Non-resident holdings of ringgit-denominated debt securities	220,103	244,828	23.0	24.0	15.5	16.2
Medium-and long-term debt	210,811	233,045	22.0	22.8	14.9	15.4
Federal Government	200,060	220,612	20.9	21.6	14.1	14.6
Others ¹	10,751	12,434	1.1	1.2	0.8	0.8
Short-term debt	9,292	11,782	1.0	1.2	0.6	0.8
Non-resident deposits	94,497	93,542	9.8	9.1	6.7	6.2
Others²	83,983	92,816	8.8	9.1	5.9	6.1
Total	958,144	1,020,665	100.0	100.0	67.6	67.4

¹ Include private sector and public corporations

² Comprise trade credits, IMF allocation of Special Drawing Rights and miscellaneous

³ End-June 2021

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

Public Sector Debt

Public sector debt comprises outstanding debt obligations of the Federal Government, state governments, non-financial public corporations (NFPCs), and sovereign-guaranteed debts of statutory bodies. As at end-June 2021, public sector debt increased to RM1,355 billion or 89.5% to GDP, mainly contributed by higher Federal Government debt resulting from borrowings to finance deficit and COVID-19 assistance and stimulus packages announced during the year. The Federal Government debt

remains the largest component with a share of 70.7% of the total, followed by NFPCs (22.9%) and statutory bodies guaranteed debts (6.4%).

The net increase in NFPCs debt to RM309.9 billion was attributed to the loan drawdown for ongoing infrastructure projects as well as issuances of bonds abroad by public corporations. In addition, the statutory bodies' debt increased to RM86.7 billion due to additional guaranteed loans raised by the Federal Land Development Authority (FELDA) and LPPSA for their investment and refinancing purposes.

TABLE 4.6. *Public Sector Debt*
2020 – 2021

COMPONENT	RM MILLION		SHARE (%)		SHARE TO GDP (%)	
	2020	2021 ¹	2020	2021 ¹	2020	2021 ¹
Federal Government	879,560	958,388	70.1	70.7	62.1	63.3
Domestic	851,284	924,784	67.8	68.2	60.1	61.1
Offshore	28,276	33,604	2.3	2.5	2.0	2.2
Statutory bodies	80,660	86,735	6.4	6.4	5.7	5.7
Domestic	80,660	86,735	6.4	6.4	5.7	5.7
<i>of which: Guaranteed</i>	80,660	86,735	6.4	6.4	5.7	5.7
Offshore	-	-	-	-	-	-
Non-financial public corporations	294,875	309,948	23.5	22.9	20.8	20.5
Domestic	181,809	180,440	14.5	13.3	12.8	11.9
<i>of which: Guaranteed</i>	181,809	180,440	14.5	13.3	12.8	11.9
Offshore	113,066	129,508	9.0	9.6	8.0	8.6
<i>of which: Guaranteed</i>	25,106	26,510	2.0	2.0	1.8	1.8
Total	1,255,095	1,355,071	100.0	100.0	88.6	89.5

¹ End-June 2021

Source: Ministry of Finance, Malaysia

Outlook for 2022

The Government will continue its expansionary fiscal policy in the 2022 Budget to ensure the rakyat's well-being, protecting businesses continuity and revitalising the economy. In addition, the Twelfth Malaysia Plan (12MP),

2021 – 2025, with a development expenditure ceiling of RM400 billion, is expected to increase Federal Government borrowings. As such, gross financing requirements, including additional allocation for the COVID-19 Fund, are expected to remain sizeable at around 12% to GDP.

Given the sufficient liquidity, the Government's borrowing strategy will continue to prioritise domestic market issuance to balance the financing costs with acceptable risk exposure over the medium term. The composition of conventional and Shariah-compliant instruments will be distributed over a range of maturities to ensure a well-spread maturity spectrum in view of market demand. Furthermore, the accommodative monetary policy, availability of a deep domestic market and the diversity of investor base will further support the Government's funding needs.

The COVID-19 pandemic has elevated the Federal Government's debt level due to the provision of additional assistance and stimulus packages. Thus, the Federal Government overall debt is projected to reach 66% to GDP, while its statutory debt at 63.4% by the end of 2022, lower than the new debt threshold of 65% to GDP as approved by the Parliament. In this regard, the Government remains committed to adhering to the statutory debt limit stipulated in the respective Acts. Moving forward, the degree of fiscal consolidation

will be contingent on the pace of economic recovery. Subsequently, the Government aims to gradually reduce its level of indebtedness and strengthen debt affordability.

Conclusion

The Federal Government has demonstrated a credible track record in consolidating its debt level post-crisis, aided by pragmatic fiscal policy and strong execution of national development plans. As the country relies on expansionary measures to ensure a durable and sustainable recovery, it is crucial for the Government to optimise the utilisation of resources to bolster the economy while cognisant of its medium-term fiscal sustainability. Thus, the gradual reopening of economic sectors will facilitate the transition towards the new norm, which will further boost growth and ease the need for further fiscal support. Debt management policy will continue to uphold the principles of accountability and transparency while ensuring debt sustainability in the medium term.

FIGURE 4.1. Issuance by Maturity

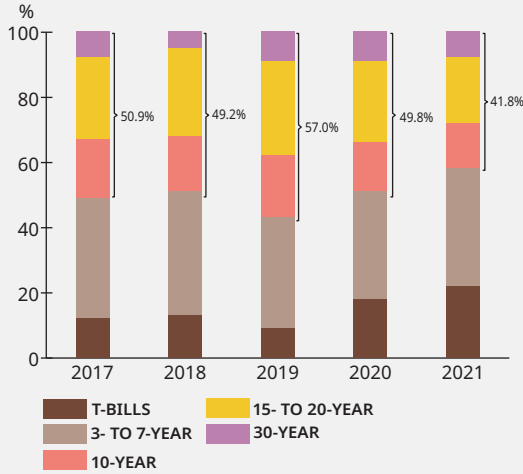


FIGURE 4.2. BTC Ratios of MGS and MGII

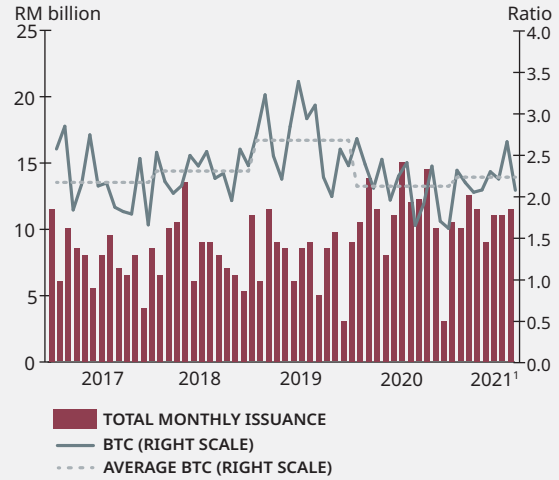


FIGURE 4.3. MGS Benchmark Yield Curve

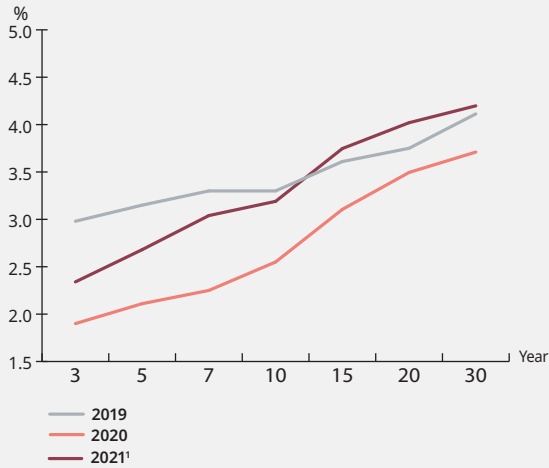
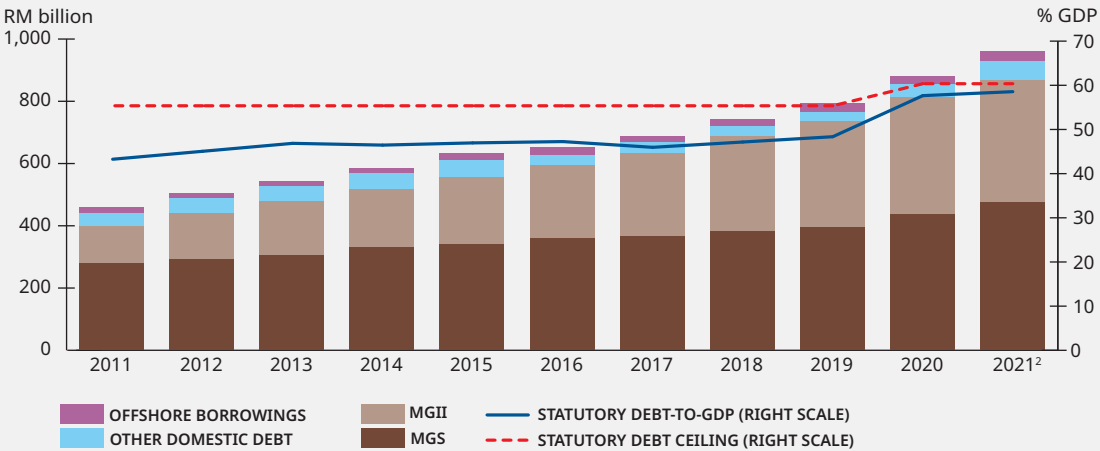


FIGURE 4.4. MGS Indicative Yields



FIGURE 4.5. Federal Government Debt Composition



¹End-August 2021

²End-June 2021

Source: Ministry of Finance, Malaysia, Bank Negara Malaysia and Bloomberg

FIGURE 4.6. Federal Government Debt by Holder¹

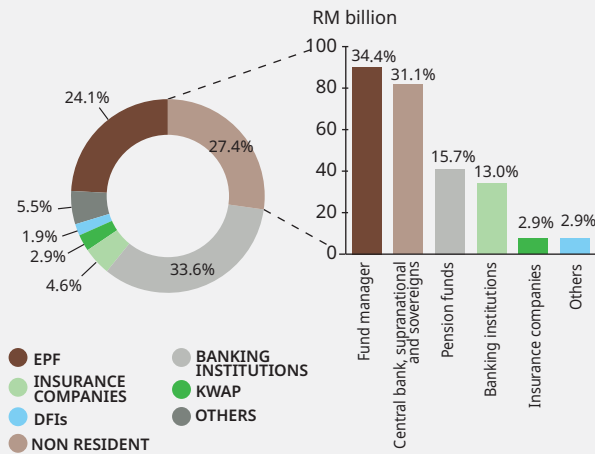


FIGURE 4.7. Non-Resident Holdings of Ringgit-Denominated Debt Securities

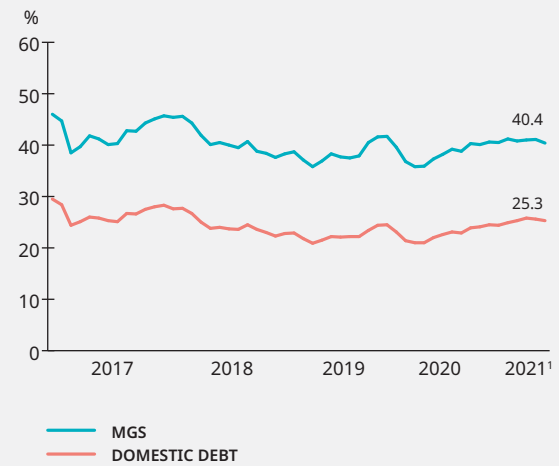


FIGURE 4.8. Federal Government Debt by Remaining Maturity

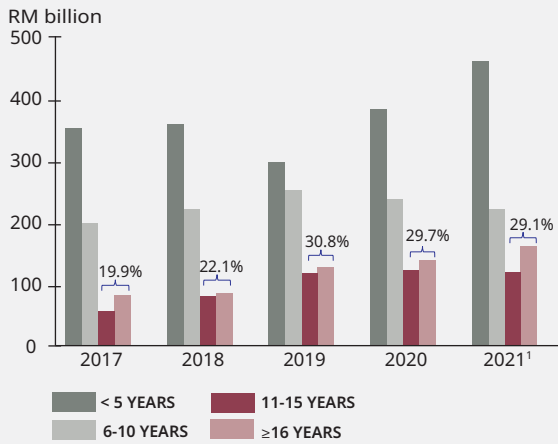


FIGURE 4.9. Debt Service Charges

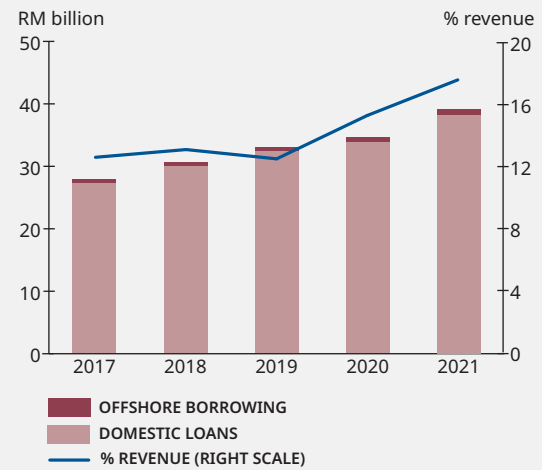
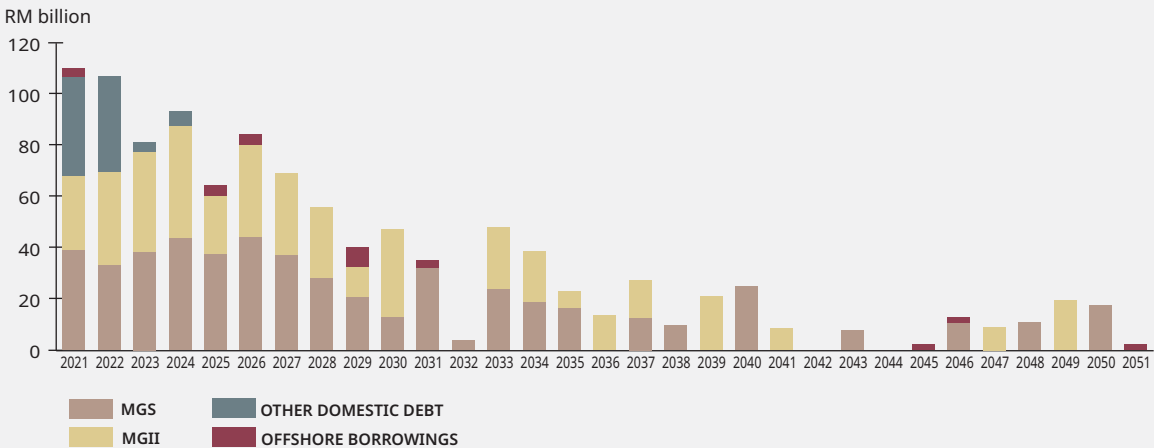


FIGURE 4.10. Debt Maturity Profile



¹End-June 2021
Source: Ministry of Finance, Malaysia

SECTION 5

Fiscal Risk and Liability

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SECTION 5

Fiscal Risk and Liability

Overview

The prolonged COVID-19 pandemic has disrupted business activities and the livelihood of the *rakyat*. The situation requires the Government to further support economic activity through various stimulus and assistance packages, either from direct fiscal injection or non-fiscal measures such as special relief funds and micro-credit schemes as well as through quasi-fiscal instruments such as guarantee facilities for businesses. The current situation, where the pandemic is still unfolding, and the provision of fiscal stimulus and assistance measures needs to be continued, has elevated the Government's risk exposure. Nevertheless, mitigating measures, in particular rigorous evaluation as well as continuous monitoring and adjustments of financials and debts, are implemented to reduce the impact of the exposure.

Government guarantees continue to increase, albeit at a much slower pace, as existing development and infrastructure projects are being carried out sparingly. The continuation of strategic infrastructure projects is to catalyse recovery momentum while spurring economic activities amid the pandemic. However, the extended movement restrictions imposed to curb the spread of the pandemic have increased the Government's risk exposure in terms of support provided to entities operating in the services sector, such as the public transport operators and highway concessionaires. The situation demands the Government to heighten the monitoring and evaluation of financial conditions of these companies to quantify the risks and formulate mitigating measures to reduce its fiscal exposure.

In the effort to contain the exposure of other liabilities, the Government has proceeded with the recovery of 1Malaysia Development Berhad's (1MDB) assets. The actions consist of negotiations with related parties, legal proceedings and civil suits. The recovery exercise has enabled the Government to reduce the financial impact from 1MDB's

liabilities on the fiscal position. The Government will continue to pursue recovery actions to mitigate this risk exposure from 1MDB's obligations.

Debt and Liabilities Exposure

The debt and liabilities exposure of the Federal Government discloses the overall indebtedness of the Government. The position comprises the Federal Government debt and other liabilities in the form of committed guarantees, 1MDB's debt as well as cash commitments of projects under public-private partnership (PPP), private finance initiative (PFI) and PBLT Sdn. Bhd. (PBLT). The reporting of a comprehensive debt and liabilities position is also consistent with the Government's efforts to progress towards accrual accounting standards and statistical treatment under the International Public Sector Accounting Standards (IPSAS) as well as the Public Sector Debt Statistics by the International Monetary Fund (IMF). As at end-June 2021, the Federal Government debt and liabilities exposure was estimated at RM1,333.7 billion or 88.1% to GDP.

TABLE 5.1. *Federal Government Debt and Liabilities Exposure, 2020 – 2021*

COMPONENT	RM BILLION		SHARE TO GDP (%)	
	2020	2021 ¹	2020	2021 ¹
Federal Government debt	879.6	958.4	62.1	63.3
Committed guarantees	185.7	190.4	13.1	12.6
1MDB	31.1	32.0	2.2	2.1
Other liabilities (PPP, PFI, PBLT)	171.8	152.9	12.1	10.1
Total	1,268.2	1,333.7	89.5	88.1

¹ End-June

Source: Ministry of Finance, Malaysia

Government Guarantees

Government guarantee (GG) is one of the fiscal tools mobilised by the Federal Government to provide a guarantee on financing raised by an entity to execute strategic infrastructure projects and programmes which will boost economic and social impact on national development. GG issuance is governed under the Loans Guarantee (Bodies Corporate) Act 1965 [Act 96], which requires each guaranteed entity to be gazetted as a body corporate under the Act. Currently, the GG facility is only granted to government-related entities, such as government-linked companies (GLCs), statutory bodies as well as agencies under state governments.

As at end-June 2021, total outstanding GGs increased slightly to RM300.4 billion or 19.8% to GDP (2020: RM294.7 billion; 20.8% to GDP), mainly attributed to new issuances by the Public Sector Home Financing Board (LPPSA) and DanaInfra Nasional Berhad (DanaInfra) to finance civil servants housing

loan facility and ongoing public infrastructure projects, respectively. In terms of proportion by segment, more than half (54.2%) of the GGs issued are for infrastructure-related financing, followed by services (26.6%), investment holding (8.3%), utilities (6.8%) and others (4.1%). The ten main GGs constituted more than 80% of the total guarantees.

The weighted average time to maturity of the GGs stood at 10.9 years as at end-June 2021, while in terms of maturity profile, 52.8% is expected to mature within ten years, whereas 47.2% is expected to mature beyond ten years. Currency risk is largely reduced as more than 90% of the GGs is denominated in ringgit while the remaining is a mixture of other currencies, such as renminbi, yen and the US dollar.

Conventionally, GG is a facility given to financially sustainable entities to undertake strategic projects that have a longer gestation period. It also facilitates the entities in accessing borrowing at a more competitive

TABLE 5.2. Major Recipients of Loan Guarantees, 2020 – 2021

ENTITY	RM MILLION		SHARE (%)		SHARE TO GDP (%)	
	2020	2021 ¹	2020	2021 ¹	2020	2021 ¹
Total loan guarantees	294,675	300,435	100.0	100.0	20.8	19.8
<i>of which:</i>						
DanaInfra Nasional Berhad	72,320	76,020	24.5	25.3	5.1	5.0
National Higher Education Fund Corporation	39,800	40,000	13.5	13.3	2.8	2.6
Prasarana Malaysia Berhad	38,914	38,914	13.2	12.9	2.8	2.6
Public Sector Home Financing Board	30,150	34,150	10.2	11.4	2.1	2.3
Malaysia Rail Link Sdn. Bhd.	21,530	23,177	7.3	7.7	1.5	1.5
Projek Lebuhraya Usahasama Berhad	11,000	11,000	3.7	3.7	0.8	0.7
Khazanah Nasional Berhad	11,300	9,000	3.8	3.0	0.8	0.6
Pengurusan Air SPV Berhad	9,760	8,025	3.3	2.7	0.7	0.5
Suria Strategic Energy Resources Sdn. Bhd.	6,951	7,276	2.4	2.4	0.5	0.5
GovCo Holdings Berhad	7,200	5,700	2.5	1.9	0.5	0.4
Total of major recipients	248,925	253,262	84.4	84.3	17.6	16.7

¹ End-June

Source: Ministry of Finance, Malaysia

financing rate. However, in certain situations, entities with GG facilities may also require funding from the Government to assist them in debt servicing, working capital assistance or cash flow support. Hence, GGs provided to such entities are categorised as **committed guarantees**. The entities under this category are provided guarantees under Act 96 or financial undertakings under Section 14¹ of the Financial Procedure Act 1957 [Act 61].

As at end-June 2021, committed guarantees saw a slight increase to RM190.4 billion (12.6% to GDP) from RM185.7 billion (13.1% to GDP) in 2020, primarily due to issuances by DanaInfra and Malaysia Rail Link Sdn. Bhd. in carrying out existing transport infrastructure projects. With various movement restrictions enforced to contain the spread of COVID-19, there is an increased risk from GG recipients, particularly those operating in the services sector. Hence,

Turus Pesawat Sdn. Bhd., a Minister of Finance Incorporated (MOF Inc.) company that funds aircraft procurement for Malaysia Airlines, was classified as a committed guarantee, in line with its restructuring exercise, which involves funding from the Government for debt repayment.

In this regard, the Government will continuously monitor the impact of the COVID-19 crisis on all GG recipients in assessing the risks of the entities requiring assistance from the Government. Concurrently, the financial performance of the companies under committed guarantees is closely monitored while ensuring implementation of a recovery plan to reduce the risk exposure to the Government. The entities will be removed from the list under committed guarantees once they no longer require financial assistance from the Government.

TABLE 5.3. *Committed Guarantees, 2020 – 2021*

ENTITY	RM MILLION		SHARE (%)	
	2020	2021 ¹	2020	2021 ¹
DanaInfra Nasional Berhad	72,320	76,020	38.9	39.9
Prasarana Malaysia Berhad	38,914	38,914	21.0	20.4
Malaysia Rail Link Sdn. Bhd. ²	21,530	23,177	11.6	12.2
Urusharta Jamaah Sdn. Bhd.	20,683	21,097	11.1	11.1
Suria Strategic Energy Resources Sdn. Bhd. ²	6,951	7,276	3.7	3.8
GovCo Holdings Berhad	7,200	5,700	3.9	3.0
Jambatan Kedua Sdn. Bhd. ²	5,528	5,514	3.0	2.9
Turus Pesawat Sdn. Bhd.	5,310	5,310	2.9	2.8
MKD Kencana Sdn. Bhd.	3,500	4,500	1.9	2.4
SRC International Sdn. Bhd.	2,485	1,785	1.4	0.9
Sentuhan Budiman Sdn. Bhd.	800	750	0.4	0.4
TRX City Sdn. Bhd.	253	192	0.1	0.1
Assets Global Network Sdn. Bhd.	253	202	0.1	0.1
Total	185,727	190,437	100.0	100.0

¹ End-June

² Subject to exchange rate valuation

Source: Ministry of Finance, Malaysia

¹ Section 14(1) Act 61: No guarantee involving a financial liability shall be binding upon the Federal Government, unless it is entered into with the written authority of the Treasury or in accordance with federal law.

1Malaysia Development Berhad

1MDB was established as a MOF Inc. company in 2009 to spearhead strategic development in the country. However, its heavy reliance on debt capital and poor corporate governance led to cash flow complications beginning late-2014 and subsequently requiring assistance from the Government. As at end-June 2021, 1MDB's outstanding debt remained at RM32 billion.

A total of RM18.2 billion worth of assets linked to 1MDB has since been seized or recovered and placed into the Assets Recovery Trust Account under the custody of the Accountant General's Department. The assets recovered include the seizure of physical assets and cash as well as cash settlements by related parties with the United States Department of Justice, settlement proceeds from financial institutions and other parties such as audit firms, and cash recovered from individuals and companies. In addition to the settlement proceeds paid to the Government, the former arranger of bond issuances for 1MDB, Goldman Sachs, will assist and guarantee a minimum of USD1.4 billion asset recovery.

As of September 2021, the Government has paid up to RM12.8 billion for 1MDB's financial commitments and debt servicing via loans and advances from the Government or MOF

TABLE 5.4. 1MDB's Debt, as at end-June 2021

COMPONENT	RATE (%)	MATURITY PERIOD	PRINCIPAL	
			(USD BILLION)	(RM BILLION)
Government Guarantee				
Sukuk	5.75	May 2039	-	5.00
IPIC-MOF Inc.				
1MDB Energy Ltd	5.99	May 2022	1.75	7.27 ¹
1MDB Energy (Langat) Ltd	5.75	October 2022	1.75	7.27 ¹
Letter of Support				
Global bond	4.44	March 2023	3.00	12.46 ¹
Total				32.00

¹ Subject to exchange rate valuation
Source: Ministry of Finance, Malaysia

Inc., amounting to almost RM10 billion as well as utilisation of the Trust Account. The outstanding balance of the Trust Account, which also earns placement profits (*hibah*), stood at RM15.3 billion and is currently sufficient to cover 1MDB's obligations up to 2022. 1MDB's overall outstanding financial obligations, composing of both principal (RM32.2 billion) and interests or profits on the debt (RM7.1 billion), amounted to RM39.3 billion.

1MDB'S Asset Recovery Progress



Other Liabilities

Other financial liabilities of the Government include commitments under the PPP and PFI projects as well as financing raised by PBLT to develop infrastructure projects for the Royal Malaysia Police. Projects implemented under the PPP approach may involve a certain fiscal cost to the Government, while some are fully funded by the private sector. As at end-June 2021, one new project was added to the list of PPP projects, namely electronic land management system (e-Tanah) for Perak with a commitment of about RM249 million up to 2032. The total outstanding cash commitments based on 98 PPP projects agreements from 2021-2047 were estimated at RM102.8 billion.

Liabilities under PFI projects are in the form of financing provided by the Employees Provident Fund (EPF) and Retirement Fund Incorporated (KWAP) to facilitate the implementation of infrastructure development projects, including construction and refurbishment of schools, hospitals, universities and training centres as well as maintenance of government buildings. As at end-June 2021, outstanding PFI liabilities were estimated at RM46.1 billion.

PBLT, a wholly-owned company by MOF Inc., was established in 2005 to raise funding and undertake infrastructure projects, including the construction of quarters, police stations, training centres and other facilities for the police force. There has been no new funding raised by PBLT since 2015, and the outstanding liabilities of PBLT were estimated at RM4 billion as at end-June 2021.

Conclusion

Moving forward, risk disclosure by the Government will continue to be enhanced to provide a more comprehensive assessment of the Government's exposure. With heightened risk exposure stemming from the effects of the pandemic, increased oversight and scrutiny as well as the formulation of mitigation measures is pertinent to cushion the impact on Government's fiscal position. As such, the Government is embarking on reforms to strengthen its fiscal discipline and enhance its governance, particularly in the management of state-owned enterprises, to minimise the risk exposure from possible distressed companies.

FIGURE 5.1. Outstanding Loan Guarantees

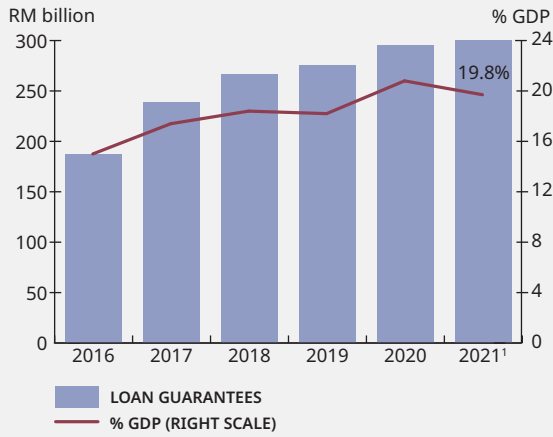


FIGURE 5.2. Maturity Profile of Loan Guarantees¹

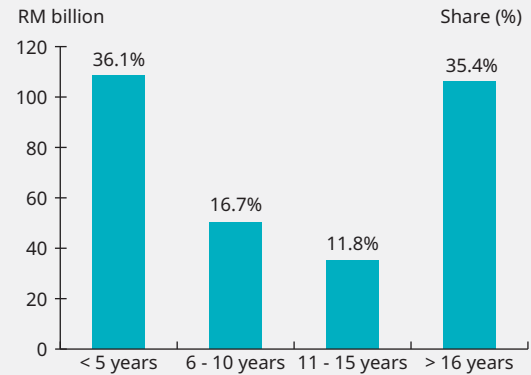


FIGURE 5.3. Loan Guarantees by Segment¹

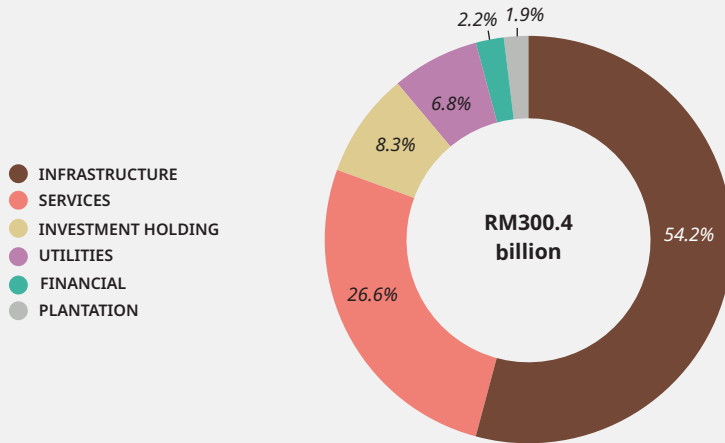
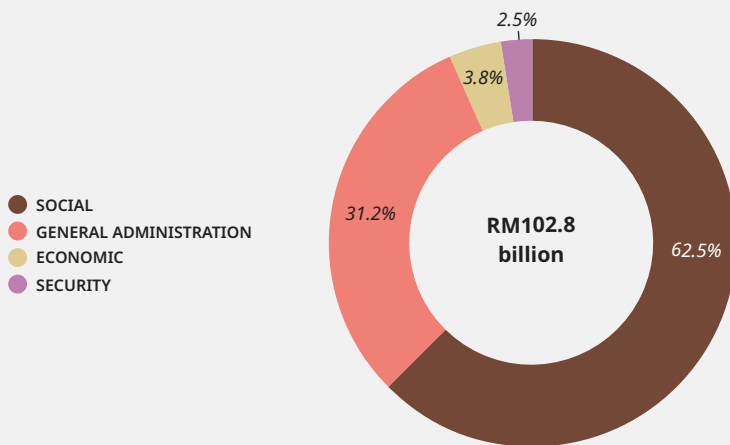


FIGURE 5.4. Outstanding PPP Obligations by Sector¹



¹End-June 2021

Source: Ministry of Finance and Public Private Partnership Unit (UKAS), Prime Minister's Department, Malaysia

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SECTION 6

Consolidated Public Sector

Consolidated Public Sector

Malaysia's consolidated public sector (CPS) consists of general government units and non-financial public corporations (NFPCs). The purpose of reporting CPS financial position is to estimate the overall size of the public sector, measure the impact of its activities on the economy and identify the sources of fiscal risks. The CPS framework requires all intra-transfers and net lending to be netted off from each public sector unit to represent its financial position as a consolidated entity.

The assessment of the financial performance of the general government differs from the assessment of NFPCs. As a social-oriented unit, general government balance tend to

incur deficit due to sizeable development expenditure (DE), reflecting significant capital investments to yield long-term social and economic benefits. In contrast, NFPCs' deficit reflects capital expenditure that is commercial in nature for income generation.

In 2021, the CPS current surplus is anticipated to rise to RM61.8 billion (2020: RM55.9 billion), mainly due to higher Federal Government revenue. In addition, the consolidated DE of the public sector is expected to rise by 19.3% to RM140.1 billion (2020: RM117.5 billion), in line with higher investments to revive economic activities, particularly by the Federal Government and NFPCs. After taking into account the COVID-19 Fund expenditure and netting off intra-transactions between units, the overall deficit of the public sector is anticipated to rise to RM117.4 billion or 7.7% to GDP in 2021 (2020: RM99.5 billion; 7%).

TABLE 6.1. Consolidated Public Sector Financial Position, 2020 - 2022

	RM MILLION			CHANGE (%)		
	2020	2021 ²	2022 ³	2020	2021 ²	2022 ³
Revenue	248,349	254,334	257,268	-1.7	2.4	1.2
Operating expenditure	263,556	258,830	271,947	-11.6	-1.8	5.1
Current balance	-15,207	-4,496	-14,679	-66.6	-70.4	226.5
NFPCs current surplus	71,152	66,260	87,969	-44.6	-6.9	32.8
Public sector current balance	55,945	61,764	73,290			
Development expenditure	117,460	140,095	155,478	-12.6	19.3	11.0
General government	55,621	66,158	80,766	-4.0	18.9	22.1
NFPCs	61,839	73,937	74,712	-19.2	19.6	1.0
COVID-19 Fund ¹	37,980	39,039	23,000		2.8	-41.1
Overall balance	-99,495	-117,370	-105,188			
% to GDP	-7.0	-7.7	-6.4			

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Revised estimate

³ Budget estimate, excluding 2022 Budget measures

Source: Ministry of Finance, Malaysia

INFORMATION BOX

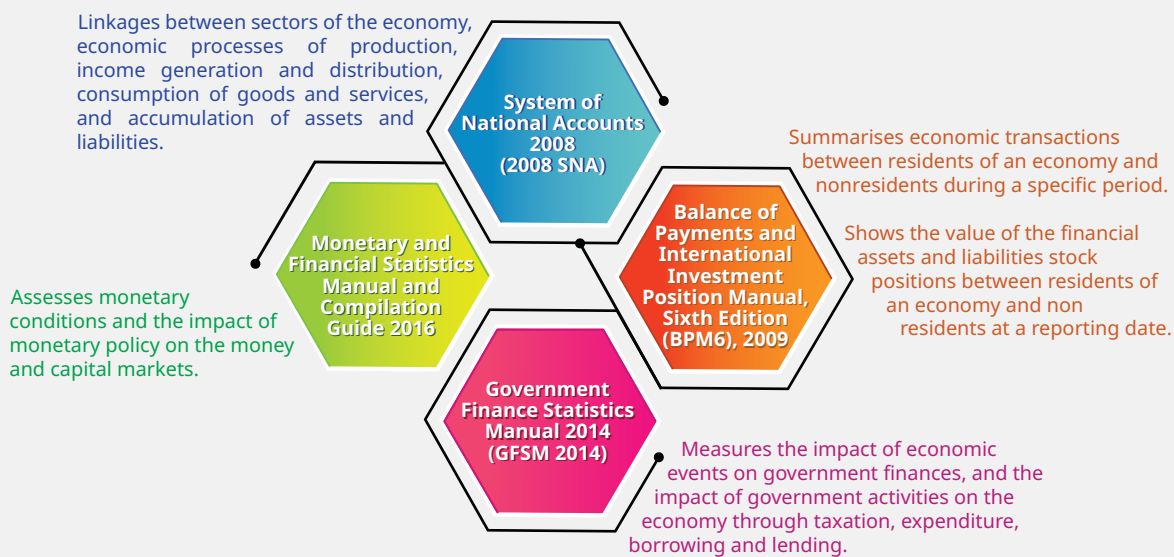
Government Finance Statistics

Introduction

As the custodian of member countries' fiscal statistics, the International Monetary Fund (IMF) has published the Government Finance Statistics Manual 2014 (GFSM 2014). Based on the accrual accounting standard, their methodology provides internationally comparable financial data to support fiscal analyses. This include, for example, taxes proportion to total revenue when assessing revenue sustainability or social assistance benefits when measuring fiscal injections into the economy during a crisis. More importantly, GFSM 2014 facilitates countries to monitor and evaluate the impact of fiscal policies on the economy as well as crafting effective policy responses.

GFSM 2014 is harmonised with other international statistical manuals in aligning the basic concepts, classifications, and definitions to ensure consistency between macroeconomic and fiscal data. Compared to the previous edition, GFSM 2014 also improves on comprehensiveness of data presentation. In view of the importance of aligning to the guideline, the Malaysian Government is in the process of adopting GFSM 2014 through the implementation of accrual accounting to enhance the quality of public sector financial reporting.

FIGURE 1. Government Finance Statistic Manual 2014 and Other Related Macroeconomic Statistical System



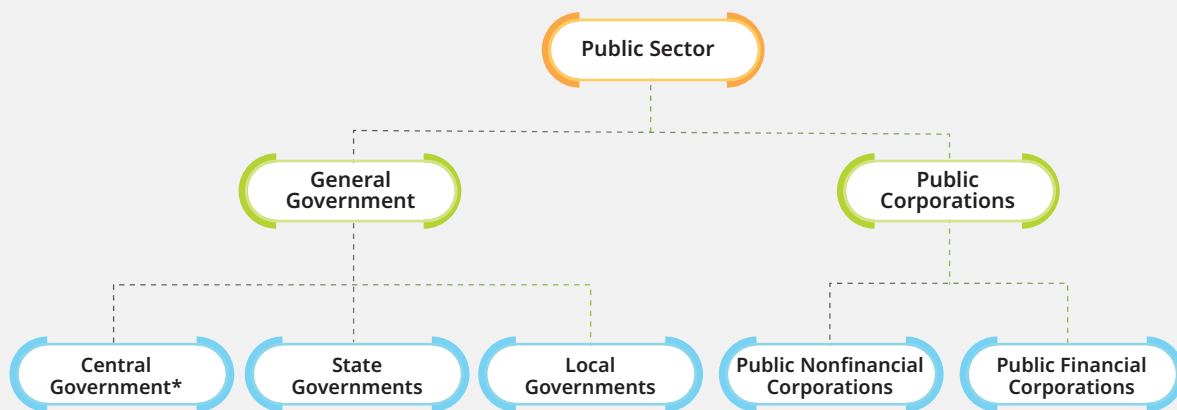
Note: For consistency of debt-related issues, GFSM 2014 is also supplemented with the Public Sector Debt Statistics: A Guide for Compilers and Users (PSDS Guide) and the External Debt Statistics: Guide for Compilers and Users 2013 (2013 EDS Guide)

Source: GFSM 2014, IMF

Coverage of Government Finance Statistics

Government finance statistics reporting covers the public sector, comprising all units of the general government and public corporations. This comprehensive coverage enables a government to identify fiscal risks associated with all public sector entities. The capability of identifying the risks may assist policymakers in managing internal and external shocks to the economy. While general government data is important for international assessments of government financial performance, interest in public corporations is also growing.

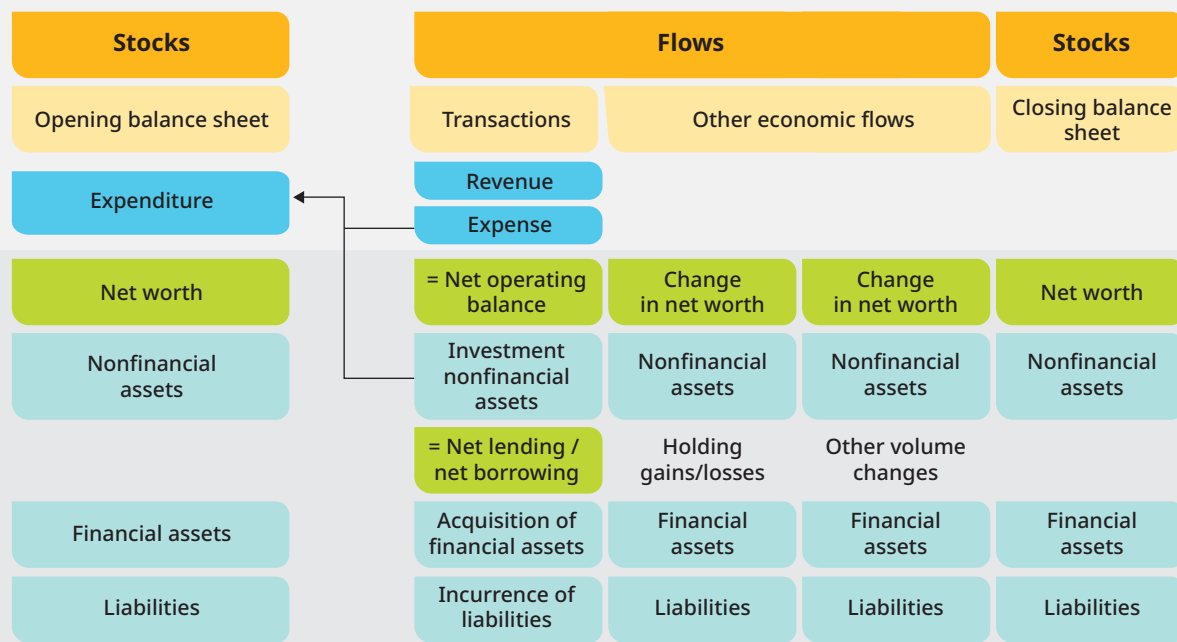
FIGURE 2. Main Components of The Public Sector



Note: *Central government consists of budgetary central government (BCG) and extrabudgetary funds. In the context of Malaysia, BCG is the Federal Government while extrabudgetary funds are Federal Statutory Bodies.

Source: Government Finance Statistics Manual 2014, IMF

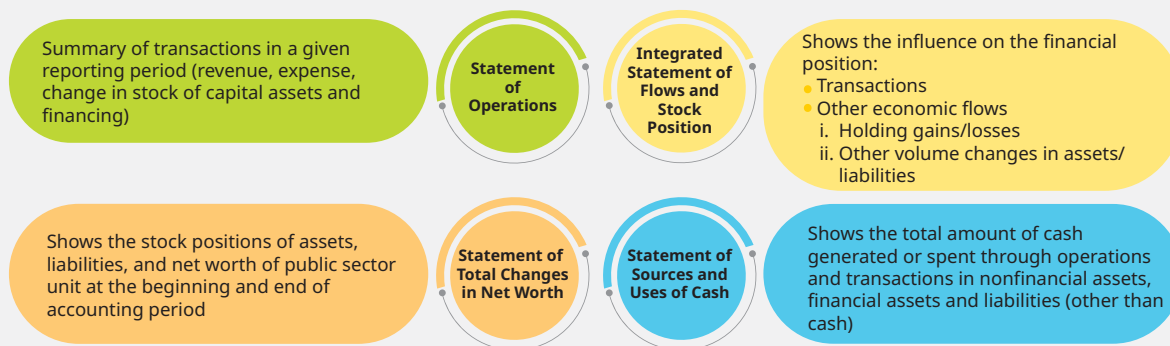
FIGURE 3. Government Finance Statistics Manual 2014 Analytic Framework



Source: GFSM 2014, IMF

GFSM 2014 framework underlines the integrated balance sheet approach by incorporating all flows and stock positions on an accrual basis while maintaining cash-flow data to evaluate the liquidity of a government. The framework summarises the overall performance and financial position of the general government or the public sector using balancing items measured within the framework, such as the net operating balance, net lending/net borrowing, and the change in net worth. GFSM 2014 reporting also produces core statements, as shown in Figure 4.

FIGURE 4. *Government Finance Statistics Manual 2014 Core Statements*






Source: GFSM 2014, IMF




Update on the Adoption of GFSM 2014 in Malaysia

GFSM 2014 implementation in Malaysia is a collaboration mainly between the Ministry of Finance (MOF) and Accountant General's Department of Malaysia (AG), supported by the Economic Planning Unit, Department of Statistics of Malaysia and Bank Negara Malaysia. The Government has received three series of technical assistance from the IMF, funded by the Government of Japan through Japan International Cooperation Agency, to assist migration efforts from GFSM 1986 (cash basis) to GFSM 2014 (accrual basis). The most recent technical assistance was held virtually in early 2021, where efforts were focused on synchronising AG's accrual accounting codes for Federal Government to GFSM 2014 codes and improving data reporting for other public sector units.

Currently, the MOF submits annual fiscal data on a cash basis at budgetary central government (BCG) level for GFSM 2014 data submission, while the progress of other public sector units for the reporting is shown in Table 1.

TABLE 1. Status for Government Finance Statistics Manual 2014 Reporting: Malaysia

INSTITUTIONAL SECTORS			
Budgetary central government (BCG) – Federal Government	<ul style="list-style-type: none"> • Official GFSM 2014 submission based on cash data • Development of Chart of Accounts to map AG accrual accounting codes to GFSM 2014 codes • Development of BCG data compilation sheet for GFSM 2014 reporting 	<ul style="list-style-type: none"> • Statistical discrepancy checking of BCG data for GFSM 2014 reporting, simulated using Federal Government's 2018 accrual data 	<ul style="list-style-type: none"> • Official GFSM 2014 submission based on accrual data
Extrabudgetary funds – Federal Statutory Bodies	<ul style="list-style-type: none"> • Redesign, restructure and adopt new data collection template to align with GFSM 2014 classification 	<ul style="list-style-type: none"> • Refinement of data collection template • Checking of consolidated data for statistical discrepancy 	<ul style="list-style-type: none"> • Revision of Federal Statutory Bodies' coverage to be more comprehensive
State governments			<ul style="list-style-type: none"> • Engagement with state governments to improve data collection as per GFSM 2014 requirements
Local governments	<ul style="list-style-type: none"> • Redesign, restructure and adopt new data collection template to align with GFSM 2014 classification • Comprehensive coverage of local governments 	<ul style="list-style-type: none"> • Refinement of data collection template • Checking of consolidated data for statistical discrepancy 	

 Completed
  In progress
  Action required

Source: Ministry of Finance, Malaysia and Tillmann-Zorn, H. (2021). Report on The Government Finance Statistics Technical Assistance Mission (February 1 – March 31, 2021), IMF

Currently, Malaysia reports GFSM 2014 data at the BCG level based on Federal Government cash data. Likewise, state governments are also adopting cash accounting, while Federal Statutory Bodies, local governments and public corporations have adopted accrual-based reporting. The implementation of accrual accounting at the Federal Government level will expedite the progress of GFSM 2014 reporting. Moving forward, accrual accounting-related Acts are expected to be tabled in Parliament by the end of 2021, followed by the publication of the Federal Government's accrual financial statements by the AG.

Depending on the availability and readiness of resources, countries have different timelines for implementing GFSM 2014, as shown in Table 2. In supporting the full implementation of the framework, important aspects for consideration include converting the existing cash-based to accrual-based accounting system, adopting the GFSM 2014 classification structure for all economic flows, and improving the data availability of the balance sheet.

TABLE 2. ASEAN Countries' Reporting for Government Finance Statistics Manual 2014

	COUNTRIES	BUDGETARY CENTRAL GOVERNMENT (BCG)	CENTRAL GOVERNMENT	GENERAL GOVERNMENT
1	Brunei	NA	NA	NA
2	Cambodia	/	/	NA
3	Indonesia	NA	/	/
4	Lao PDR	/	NA	NA
5	Malaysia	/*	NA	NA
6	Myanmar	/	/	/
7	Philippines	/	NA	NA
8	Singapore	/	/	/
9	Thailand	/	/	/
10	Viet Nam	NA	NA	NA

Note: *Submission is based on cash data since Malaysia is in the pre-transition period of implementing accrual accounting for BCG level (Federal Government)
NA: Not Available

Source: IMF Data - Government Finance Statistics, IMF

Conclusion

Overall, GFSM 2014 provides an inclusive and analytical framework towards enhancing transparency and improving public sector financial reporting. Events such as episodes of economic and financial crises, which have resulted in rising fiscal deficits and debt levels, highlight the importance of comparable, reliable and timely financial statistics for early risk detection and formulation of appropriate prevention measures. GFSM 2014 reporting is essential for fiscal analysis and plays an important role in sound fiscal management and economic policies.

Implementation of accrual accounting benefits public sector financial reporting in terms of full compliance with GFSM 2014. Thus, detailed information obtained from GFSM 2014 reporting allows policymakers to effectively analyse and make decisions for sustainable policies for economic development. Furthermore, it will support the enactment of the Fiscal Responsibility Act, which aims to strengthen fiscal institutions through better governance, accountability and transparency based on international best practices.

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General Government

The general government sector in Malaysia comprises the Federal Government, state governments, local governments and Federal Statutory Bodies¹ that undertake principal economic functions of the government. The functions include providing non-commercial public goods and services, ensuring income and wealth redistribution, and financing activities primarily through taxation or transfers. The purpose of reporting the general government's financial position is to evaluate its performance and the overall impact of government operations on the economy.

The consolidated general government revenue is expected to decline by 3.3% to RM282.9 billion in 2021, particularly due to the lower revenue of the Federal Government and Federal Statutory Bodies. Similarly, the consolidated operating expenditure (OE) is estimated to be lower by 1.8% at RM259.3 billion, mainly attributed to the expenditure rationalisation by the Federal Government.

With revenue declining at a faster pace than OE, the general government's current surplus is expected to fall to RM23.5 billion (2020: RM28.3 billion). In contrast, the consolidated DE is projected to rise by 22.3% to RM68.5 billion, mainly due to higher Federal Government DE. With the Federal Government's additional spending from the COVID-19 Fund, total expenditure is expected to increase to RM366.8 billion (2020: RM358.1 billion). Consequently, after netting off intra-transfers and net lending, the general government's overall deficit is expected to increase to RM84 billion or 5.5% to GDP in 2021 (2020: RM65.6 billion; 4.6%).

The general government's overall deficit is primarily financed by Federal Government borrowings and accumulated reserves. All state governments² and Federal Statutory Bodies may borrow only from or with the approval of the Federal Government, while local governments³ may borrow with the consent of the respective state governments. Thus, the credit risk exposure of the general government is contained at the Federal Government level.

TABLE 6.2. Consolidated General Government Financial Position, 2020 – 2022

	RM MILLION			CHANGE (%)		
	2020	2021 ²	2022 ³	2020	2021 ²	2022 ³
Revenue	292,427	282,859	294,347	-10.4	-3.3	4.1
Operating expenditure	264,090	259,316	272,317	-11.5	-1.8	5.0
Current balance	28,337	23,543	22,030			
Development expenditure	55,987	68,464	82,052	-3.7	22.3	19.8
COVID-19 Fund ¹	37,980	39,039	23,000		2.8	-41.1
Overall balance	-65,630	-83,960	-83,022			
% to GDP	-4.6	-5.5	-5.1			

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Revised estimate

³ Budget estimate, excluding 2022 Budget measures
Source: Ministry of Finance, Malaysia

¹ Federal Statutory Bodies are governed by Federal ministries and are subjected to respective acts to carry out specific Government functions in various sectors, including education, health and agriculture. Revenues comprise mainly grants from the Federal Government.

² Articles 111 and 112 of the Federal Constitution (except Sabah and Sarawak, which are allowed to borrow, upon the approval by the Central Bank).

³ Section 41 and 42 of the Local Government Act 1976.

State Governments

The state governments' consolidated revenue in 2021 is estimated to increase by 3% to RM35.4 billion or 2.3% to GDP, of which RM28.7 billion or 81.1% is from state-generated revenue (2020: RM27 billion; 78.5%), while the balance is from Federal Government transfers and grants. The main sources of their revenue are sales tax, petroleum royalties, investment income, land premiums and land taxes. In terms of state-generated revenue, Sarawak, Sabah, Selangor, Terengganu and Johor are the main contributors, accounting for 85.5% or RM24.5 billion.

Tax revenue is estimated at RM9.5 billion or 26.7% of the total consolidated revenue. Direct tax collection is projected at RM3.5 billion, mainly tax on natural resources such as land, mines and forestry. Indirect tax is expected to record RM6 billion or 63.3% of tax revenue, mainly attributed to sales tax⁴ on petroleum products amounting to RM4.2 billion.

Non-tax revenue is expected to register RM12.6 billion or 35.6% of the total consolidated revenue. The main components are petroleum royalties (RM3.7 billion), investment income (RM3.2 billion) and land premiums (RM2.1 billion). Non-revenue receipts of RM13.3 billion comprise mainly grants from the Federal Government. The grants include Capitation Grants, which is based on annual population projection, operating grants under the Concurrent List of the Federal Constitution and service charges for the involvement of states' employees in Federal development projects.

The consolidated state government OE is projected to increase by 8.7% to RM15.2 billion (2020: 13.2%; RM14 billion) mainly due to higher supplies and services as well as emoluments. Similarly, consolidated DE is expected to increase by 22.6% to RM12 billion (2020: -11.5%; RM9.8 billion). For the year, major development projects undertaken include developing rural areas in Sarawak, agriculture programmes and projects in Sabah, construction and upgrading

roads in Selangor, and implementing water supply projects in Pahang and Kedah. Hence, the consolidated total expenditure of state governments is forecast to be higher by 14.4% to RM27.2 billion.

Overall, the consolidated state governments' current balance is estimated at RM20.2 billion or 57% of total consolidated revenue. The state governments' overall balance is also estimated to register a surplus of RM8.7 billion.

TABLE 6.3. Consolidated State Governments' Financial Position, 2020 - 2021

	RM MILLION		CHANGE (%)	
	2020	2021 ¹	2020	2021 ¹
Revenue	34,414	35,435	2.1	3.0
Operating expenditure	14,003	15,221	13.2	8.7
Current balance	20,411	20,214		
Gross development expenditure	9,782	11,996	-11.5	22.6
Development Fund	9,774	11,832	-11.3	21.1
Water Supply Fund	8	164	-78.4	1950.0
Less: Loan recovery	666	476	-11.5	-28.5
Net development expenditure	9,116	11,520	-11.5	26.4
Overall balance	11,295	8,694		
% to GDP	0.8	0.6		

¹ Estimate
Source: Ministry of Finance, Malaysia

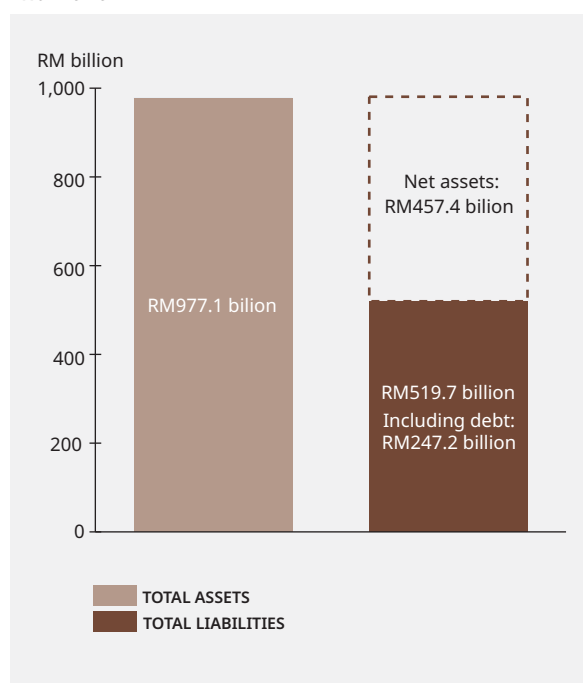
Non-Financial Public Corporations

The inevitable economic downturn has forced many economic sectors to adapt quickly to survive the crisis, particularly from the impact of the movement control restrictions to curb the spread of the pandemic. While

⁴ Sales tax in Sabah and Sarawak is under the jurisdiction of the respective states and is one of the main sources of revenue for the states as stipulated in the Federal Constitution, Tenth Schedule, Part V, Additional Sources of Revenue Assigned to States of Sabah and Sarawak.

continuing to operate, the non-financial public corporations (NFPCs) are also adapting to the new normal and better prepared to face future disruptions. As at end-2020, the consolidated net assets of NFPCs were lower at RM457.4 billion (2019: RM515.1 billion) due to high impairment. Nevertheless, the availability of quality assets and robust revenue streams enable the NFPCs to finance their investments through retained earnings and borrowings.

FIGURE 6.1. NFPCs' Assets and Liabilities, End-2020



Source: Ministry of Finance, Malaysia

With some countries and sectors recovering faster than others, the NFPCs' consolidated financial position is expected to record a modest current surplus of RM40.5 billion in 2021 (2020: RM28 billion), compared to the pre-crisis level averaging RM60 billion. Nevertheless, the global economic, regulatory, and political dynamics require NFPCs to incur a significant capital expenditure of RM73.9 billion. Hence, the overall deficit for 2021 is projected to slightly improve at RM33.4 billion (2020: RM33.9 billion) or 2.2% to GDP.

Most economic sectors continue to grow at a slower pace due to Movement Control Order (MCO). However, the telecommunication, healthcare and energy subsectors are expected

to record better performance as providers of essential services during the pandemic. Meanwhile, the pandemic has led companies, in particular, in the transportation and utility subsectors to reformulate their business strategies through digitalisation. Consequently, NFPCs' revenue is projected to register a slower growth of 4.4% to RM310.2 billion or 20.5% to GDP as most NFPCs' business portfolio is not under telecommunications, healthcare, and energy subsectors.

The NFPCs' total expenditure for 2021 is estimated to increase to RM343.6 billion (2020: RM331 billion) or 22.7% to GDP in line with business expansion and investment requirements. Of the total, current expenditure is expected to account for 78.5%, while the balance is for capital expenditure. Given the Government's policy to support the economy and gradually relax the MCO through the National Recovery Plan, NFPCs will continue their investment activities. Among the ongoing projects include the Mass Rapid Transit Putrajaya Line and Light Rail Transit Line 3. However, the MCO affects other projects such as the construction of the gas development project in Sabah and Sarawak, hydropower development, and digitalisation infrastructure. With further widening of vaccination program coverage and the gradual reopening of the economy, NFPCs are expected to normalise their operations and improve their financial performance in 2022.

TABLE 6.4. Consolidated Non-Financial Public Corporations' Financial Position, 2020 – 2021

	RM MILLION		CHANGE (%)	
	2020	2021 ²	2020	2021 ²
Revenue	297,146	310,154	-22.8	4.4
Current expenditure	269,172	269,627	-18.4	0.2
Current balance	27,974	40,527		
Capital expenditure	61,839	73,937	-19.2	19.6
Overall balance	-33,865	-33,410		
% to GDP	-2.4	-2.2		

¹ Refers to 26 major NFPCs

² Estimate

Source: Ministry of Finance, Malaysia

Statistik Kewangan

Awam

Public Finance

Statistics

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1.1. KEWANGAN KERAJAAN PERSEKUTUAN
 RM juta

1.1. FEDERAL GOVERNMENT FINANCE
 RM million

	2018	2019	2020	2021 ⁴	2022 ⁵
Hasil					
Revenue	232,882	264,415	225,076	221,023	234,011
% perubahan					
% change	5.7	13.5	-14.9	-1.8	5.9
Perbelanjaan mengurus					
Operating expenditure	230,960	263,343	224,600	219,600	233,500
% perubahan					
% change	6.1	14.0	-14.7	-2.2	6.3
Baki semasa					
Current balance	1,922	1,072	476	1,423	511
Perbelanjaan pembangunan kasar					
Gross development expenditure	56,095	54,173	51,360	62,000	75,600
% perubahan					
% change	25.0	-3.4	-5.2	20.7	21.9
Perbelanjaan langsung					
Direct expenditure	54,405	52,058	49,331	60,814	73,617
% perubahan					
% change	28.7	-4.3	-5.2	22.2	22.6
Pinjaman kasar					
Gross lending	1,690	2,115	2,029	1,186	1,983
Tolak: Terimaan balik pinjaman					
Less: Loan recovery	788	1,603	1,259	800	600
Perbelanjaan pembangunan bersih					
Net development expenditure	55,307	52,570	50,101	61,200	75,000
% perubahan					
% change	28.5	-4.9	-4.7	22.2	22.5
Kumpulan Wang COVID-19¹					
COVID-19 Fund¹	-	-	38,019	39,000	23,000
Baki keseluruhan					
Overall balance	-53,385	-51,498	-87,644	-98,777	-97,489
% KDNK					
% GDP	-3.7	-3.4	-6.2	-6.5	-6.0
Baki primer²					
Primary balance²	-22,838	-18,565	-53,149	-59,777	-54,389
% KDNK					
% GDP	-1.6	-1.2	-3.8	-3.9	-3.3
Sumber pembiayaan					
Sources of financing					
Pinjaman bersih luar pesisir					
Net offshore borrowings	-320	6,977	-331	1,601	-
Pinjaman bersih dalam negeri					
Net domestic borrowings	54,427	44,755	86,921	98,800	-
Perubahan aset ³					
Change in assets ³	-722	-234	1,054	-1,624	-

¹ Kumpulan wang amanah khusus di bawah Akta Langkah-Langkah Sementara bagi Pembiayaan Kerajaan (Penyakit Koronavirus 2019 (COVID-19)) 2020 untuk membiayai pakej rangsangan dan pelan pemulihan ekonomi

² Tidak termasuk bayaran khidmat hutang

³ (+) menunjukkan pengurangan aset; (-) menunjukkan pertambahan aset

⁴ Anggaran disemak

⁵ Anggaran belanjawan tidak termasuk langkah Bajet 2022

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Excluding debt service charges

³ (+) indicates drawdown of assets; (-) indicates accumulation of assets

⁴ Revised estimate

⁵ Budget estimate, excluding 2022 Budget measures

2.1. HASIL KERAJAAN PERSEKUTUAN

RM juta

2.1. FEDERAL GOVERNMENT REVENUE

RM million

	2018	%	2019	%	2020	%	2021 ³	%	2022 ⁴	%
Cukai langsung <i>Direct tax</i>	130,034	(55.8)	134,723	(51.0)	112,511	(50.0)	120,048	(54.3)	127,334	(54.4)
% perubahan % change	12.1		3.6		-16.5		6.7		6.1	
Cukai pendapatan <i>Income taxes</i>	122,486	(52.6)	126,507	(47.8)	104,884	(46.6)	111,811	(50.6)	118,722	(50.7)
Syarikat <i>Companies</i>	66,474	(28.5)	63,751	(24.1)	50,065	(22.2)	60,588	(27.4)	65,499	(28.0)
Individu <i>Individual</i>	32,605	(14.0)	38,680	(14.6)	38,953	(17.3)	36,400	(16.5)	37,510	(16.0)
Petroleum	20,082	(8.6)	20,783	(7.9)	12,772	(5.7)	11,500	(5.2)	12,400	(5.3)
Pegangan dan lain-lain <i>Withholding and others</i>	3,325	(1.4)	3,293	(1.2)	3,094	(1.4)	3,323	(1.5)	3,313	(1.4)
Lain-lain ¹ <i>Others¹</i>	7,548	(3.2)	8,216	(3.2)	7,627	(3.4)	8,237	(3.7)	8,612	(3.7)
Cukai tidak langsung <i>Indirect tax</i>	44,026	(18.9)	45,843	(17.3)	41,887	(18.6)	41,782	(18.9)	44,040	(18.8)
% perubahan % change	-28.6		4.1		-8.6		-0.3		5.4	
Duti eksport <i>Export duty</i>	1,725	(0.7)	1,126	(0.4)	746	(0.3)	1,406	(0.6)	1,610	(0.7)
Petroleum	1,513	(0.6)	1,091	(0.4)	634	(0.3)	626	(0.3)	850	(0.4)
Lain-lain <i>Others</i>	212	(0.1)	35	(0.0)	112	(0.0)	780	(0.3)	760	(0.3)
Duti import <i>Import duty</i>	2,897	(1.3)	2,733	(1.0)	2,346	(1.0)	2,330	(1.1)	2,500	(1.1)
Duti eksais <i>Excise duties</i>	10,779	(4.6)	10,511	(4.0)	9,855	(4.4)	9,760	(4.4)	10,200	(4.3)
Cukai jualan <i>Sales tax</i>	3,971	(1.7)	15,385	(5.8)	14,767	(6.6)	14,241	(6.4)	14,560	(6.2)
Cukai perkhidmatan <i>Service tax</i>	1,473	(0.6)	12,283	(4.7)	12,006	(5.3)	12,287	(5.6)	13,000	(5.6)
Cukai barang dan perkhidmatan <i>Goods and services tax</i>	20,236	(8.7)	0	(0.0)	0	(0.0)	0	(0.0)	0	(0.0)
Lain-lain <i>Others</i>	2,946	(1.3)	3,805	(1.4)	2,167	(1.0)	1,758	(0.8)	2,170	(0.9)
Hasil bukan cukai² <i>Non-tax revenue²</i>	58,822	(25.3)	83,849	(31.7)	70,678	(31.4)	59,193	(26.8)	62,637	(26.8)
% perubahan % change	37.6		42.5		-15.7		-16.2		5.8	
Jumlah <i>Total</i>	232,882	(100.0)	264,415	(100.0)	225,076	(100.0)	221,023	(100.0)	234,011	(100.0)
% perubahan % change	5.7		13.5		-14.9		-1.8		5.9	

¹ Termasuk hasil daripada duti setem dan cukai keuntungan harta tanah

² Termasuk lesen, fi dan permit, bayaran perkhidmatan, sewaan, faedah dan pulangan pelaburan, denda dan penalti, hasil daripada Wilayah Persekutuan dan terimaan bukan hasil

³ Anggaran disemak

⁴ Anggaran belanjawan tidak termasuk langkah Bajet 2022

¹ Include revenue from stamp duties and real property gains tax

² Include licences, fees and permits, service fees, rental, interest and return on investment, fines and penalties, revenue from the Federal Territories and non-revenue receipts

³ Revised estimate

⁴ Budget estimate, excluding 2022 Budget measures

**3.1. PERBELANJAAN MENURUS KERAJAAN
PERSEKUTUAN MENGIKUT KOMPONEN**
RM juta

**3.1. FEDERAL GOVERNMENT OPERATING
EXPENDITURE BY COMPONENT**
RM million

	2018	%	2019	%	2020	%	2021 ³	%	2022 ⁴	%
Emolumen <i>Emoluments</i>	79,989	(34.6)	80,534	(30.6)	82,996	(36.9)	84,529	(38.5)	86,510	(37.0)
Bayaran persaraan <i>Retirement charges</i>	25,177	(10.9)	25,894	(9.8)	27,533	(12.3)	27,581	(12.6)	28,067	(12.0)
Bayaran khidmat hutang <i>Debt service charges</i>	30,547	(13.2)	32,933	(12.5)	34,495	(15.4)	39,000	(17.8)	43,100	(18.5)
Dalam negeri <i>Domestic</i>	29,891	(12.9)	32,239	(12.2)	33,770	(15.0)	38,104	(17.4)	42,316	(18.1)
Luar negeri <i>External</i>	656	(0.3)	694	(0.3)	725	(0.4)	896	(0.4)	784	(0.4)
Pemberian dan serahan kepada kerajaan negeri <i>Grants and transfers to state governments</i>	7,605	(3.3)	7,574	(2.9)	7,669	(3.4)	7,745	(3.5)	7,927	(3.4)
Pemberian di bawah Perlembagaan <i>Constitutional grants</i>	5,495	(2.4)	5,619	(2.1)	5,739	(2.5)	5,705	(2.6)	5,887	(2.5)
Pemberian/pindahan lain ¹ <i>Other grants/transfers¹</i>	2,110	(0.9)	1,955	(0.7)	1,930	(0.9)	2,040	(0.9)	2,040	(0.9)
Perkhidmatan dan bekalan <i>Supplies and services</i>	35,283	(15.3)	31,507	(12.0)	29,323	(13.0)	23,265	(10.6)	30,367	(13.0)
Subsidi dan bantuan sosial <i>Subsidies and social assistance</i>	27,516	(11.9)	23,901	(9.1)	19,769	(8.8)	16,701	(7.6)	17,352	(7.4)
Pembelian aset <i>Asset acquisition</i>	447	(0.2)	770	(0.3)	631	(0.3)	415	(0.2)	533	(0.2)
Bayaran balik dan hapus kira <i>Refunds and write-offs</i>	883	(0.4)	893	(0.3)	654	(0.3)	511	(0.2)	375	(0.2)
Pemberian kepada badan berkanun <i>Grants to statutory bodies</i>	13,763	(6.0)	13,780	(5.2)	10,291	(4.6)	13,190	(6.0)	14,066	(6.0)
Lain-lain ² <i>Others²</i>	9,750	(4.2)	45,557	(17.3)	11,239	(5.0)	6,663	(3.0)	5,203	(2.3)
Jumlah Total	230,960	(100.0)	263,343	(100.0)	224,600	(100.0)	219,600	(100.0)	233,500	(100.0)
% perubahan % change	6.1		14.0		-14.7		-2.2		6.3	

¹ Termasuk pemberian/pindahan selain pemberian yang ditetapkan di bawah Perlembagaan Persekutuan

² Termasuk pemberian kepada Kumpulan Wang Terkanun, syarikat awam, pertubuhan antarabangsa, tuntutan insurans dan pampasan serta lain-lain

³ Anggaran disemak

⁴ Anggaran belanjawan tidak termasuk langkah Bajet 2022

¹ Include grants/transfers other than those listed in the Federal Constitution

² Include grants to Statutory Funds, public corporations, international organisations, insurance claims and gratuities as well as others

³ Revised estimate

⁴ Budget estimate, excluding 2022 Budget measures

**3.2. PERBELANJAAN MENURUS KERAJAAN
PERSEKUTUAN MENGIKUT SEKTOR**
RM juta

**3.2. FEDERAL GOVERNMENT OPERATING
EXPENDITURE BY SECTOR**
RM million

	2018	2019	2020	2021 ³	2022 ⁴
Ekonomi Economic	14,064	15,605	16,737	17,992	18,799
Pertanian <i>Agriculture</i>	4,618	3,457	2,506	3,020	3,184
Tenaga dan kemudahan awam <i>Energy and public utilities</i>	297	243	642	263	440
Perdagangan dan perindustrian <i>Trade and industry</i>	2,703	2,936	1,891	3,633	3,956
Pengangkutan <i>Transport</i>	3,448	5,638	5,914	6,316	6,529
Perhubungan <i>Communications</i>	96	87	11	89	88
Alam sekitar <i>Environment</i>	70	135	131	121	125
Lain-lain <i>Others</i>	2,832	3,109	5,642	4,550	4,477
Sosial Social	90,968	93,494	94,740	87,548	95,967
Pendidikan dan latihan <i>Education and training</i>	56,233	56,546	56,508	56,331	59,361
Kesihatan <i>Health</i>	26,435	27,873	27,133	23,113	28,319
Perumahan <i>Housing</i>	13	10	14	0.4	0.4
Lain-lain <i>Others</i>	8,287	9,065	11,085	8,104	8,287
Keselamatan Security	27,229	23,429	24,790	24,197	25,158
Pertahanan <i>Defence</i>	16,283	10,633	11,032	10,715	11,098
Keselamatan dalam negeri <i>Internal security</i>	10,946	12,796	13,758	13,482	14,060
Pentadbiran am¹ General administration¹	17,597	16,901	13,675	12,827	12,319
Lain-lain² Others²	81,102	113,914	74,658	77,036	81,257
Jumlah Total	230,960	263,343	224,600	219,600	233,500
% perubahan % change	6.1	14.0	-14.7	-2.2	6.3

¹ Termasuk perkhidmatan am, bayaran balik dan bayaran ganti serta perkhidmatan luar negeri

² Termasuk bayaran khidmat hutang, bayaran persaraan dan bayaran pindahan

³ Anggaran disemak

⁴ Anggaran belanjawan tidak termasuk langkah Bajet 2022

¹ Includes general services, refund and reimbursement, and foreign affairs services

² Include debt service charges, retirement charges and transfer payments

³ Revised estimate

⁴ Budget estimate, excluding 2022 Budget measures

**3.3. PERBELANJAAN PEMBANGUNAN KERAJAAN
PERSEKUTUAN MENGIKUT SEKTOR**
RM juta

**3.3. FEDERAL GOVERNMENT DEVELOPMENT
EXPENDITURE BY SECTOR**
RM million

	2018	%	2019	%	2020	%	2021 ³	%	2022 ⁴	%
Ekonomi <i>Economic</i>	36,103	(64.4)	31,300	(57.8)	28,712	(55.9)	33,767	(54.5)	40,205	(53.2)
% perubahan % change	49.3		-13.3		-8.3		17.6		19.1	
Pertanian <i>Agriculture</i>	2,133	(3.8)	2,314	(4.3)	2,003	(3.9)	2,815	(4.5)	2,860	(3.8)
Tenaga dan kemudahan awam ¹ <i>Energy and public utilities¹</i>	2,254	(4.0)	2,760	(5.1)	2,315	(4.5)	2,976	(4.8)	3,167	(4.2)
Perdagangan dan perindustrian <i>Trade and industry</i>	2,512	(4.5)	3,054	(5.6)	2,576	(5.0)	2,365	(3.8)	2,087	(2.8)
Pengangkutan <i>Transport</i>	17,004	(30.3)	13,750	(25.4)	12,779	(24.9)	13,014	(21.0)	15,509	(20.5)
Perhubungan <i>Communications</i>	68	(0.1)	71	(0.1)	75	(0.1)	182	(0.3)	975	(1.3)
Alam sekitar <i>Environment</i>	1,665	(3.0)	1,723	(3.2)	1,324	(2.6)	1,537	(2.5)	2,059	(2.7)
Lain-lain <i>Others</i>	10,467	(18.7)	7,628	(14.1)	7,640	(14.9)	10,878	(17.6)	13,548	(17.9)
Sosial <i>Social</i>	12,873	(22.9)	14,484	(26.7)	13,827	(27.0)	17,347	(28.0)	22,671	(30.0)
% perubahan % change	3.6		12.5		-4.5		25.5		30.7	
Pendidikan dan latihan <i>Education and training</i>	6,505	(11.6)	7,629	(14.1)	6,737	(13.1)	8,118	(13.1)	11,955	(15.8)
Kesihatan <i>Health</i>	1,773	(3.2)	1,827	(3.4)	3,983	(7.8)	4,397	(7.1)	4,457	(5.9)
Perumahan <i>Housing</i>	1,285	(2.3)	2,126	(3.9)	1,015	(2.0)	1,582	(2.6)	1,771	(2.3)
Lain-lain <i>Others</i>	3,310	(5.8)	2,902	(5.3)	2,092	(4.1)	3,250	(5.2)	4,488	(6.0)
Keselamatan <i>Security</i>	4,929	(8.8)	5,614	(10.4)	5,785	(11.2)	7,317	(11.8)	8,970	(11.9)
% perubahan % change	-7.6		13.9		3.0		26.5		22.6	
Pertahanan <i>Defence</i>	3,262	(5.8)	2,931	(5.4)	3,197	(6.2)	4,478	(7.2)	5,415	(7.2)
Keselamatan dalam negeri <i>Internal security</i>	1,667	(3.0)	2,683	(5.0)	2,588	(5.0)	2,839	(4.6)	3,555	(4.7)
Pentadbiran am² General administration²	2,190	(3.9)	2,775	(5.1)	3,036	(5.9)	3,569	(5.7)	3,754	(4.9)
% perubahan % change	-25.5		26.7		9.4		17.6		5.2	
Jumlah Total	56,095	(100.0)	54,173	(100.0)	51,360	(100.0)	62,000	(100.0)	75,600	(100.0)
% perubahan % change	25.0		-3.4		-5.2		20.7		21.9	

¹ Sebahagian besarnya bekalan elektrik dan air

¹ Mainly electricity and water supply

² Termasuk perkhidmatan am, penyenggaraan dan pengubahsuaian

² Includes general services, maintenance and renovations

³ Anggaran disemak

³ Revised estimate

⁴ Anggaran belanjawan tidak termasuk langkah Bajet 2022

⁴ Budget estimate, excluding 2022 Budget measures

**4.1. PINJAMAN BERSIH
KERAJAAN PERSEKUTUAN**
RM juta

**4.1. FEDERAL GOVERNMENT
NET BORROWINGS**
RM million

	2017	2018	2019	2020	2021 ²
Pinjaman bersih dalam negeri Net domestic borrowings	40,732	54,427	44,755	86,921	98,800
Sekuriti Kerajaan Malaysia <i>Malaysian Government Securities</i>					
Terbitan kasar <i>Gross issuances</i>	60,416	51,030	57,200	73,000	83,000
Bayaran balik prinsipal <i>Principal repayments</i>	53,166	35,327	43,412	30,715	38,700
Bersih <i>Net</i>	7,250	15,703	13,788	42,285	44,300
Terbitan Pelaburan Kerajaan Malaysia <i>Malaysian Government Investment Issues</i>					
Terbitan kasar <i>Gross issuances</i>	53,500	64,305	58,500	76,466 ¹	77,000
Bayaran balik prinsipal <i>Principal repayments</i>	20,000	27,500	24,000	40,000	29,000
Bersih <i>Net</i>	33,500	36,805	34,500	36,466	48,000
Bil perbendaharaan <i>Treasury bills</i>					
Terbitan kasar <i>Gross issuances</i>	15,269	16,229	11,778	31,601	45,500
Bayaran balik prinsipal <i>Principal repayments</i>	15,287	14,310	13,711	20,731	33,000
Bersih <i>Net</i>	-18	1,919	-1,933	10,870	12,500
Sukuk Perumahan Kerajaan <i>Government Housing Sukuk</i>					
Terbitan kasar <i>Gross issuances</i>	-	-	-	-	-
Bayaran balik prinsipal <i>Principal repayments</i>	-	-	1,600	2,700	6,000
Bersih <i>Net</i>	-	-	-1,600	-2,700	-6,000
Pinjaman bersih luar pesisir Net offshore borrowings	-342	-320	6,977	-331	1,601
Projek <i>Project</i>					
Terimaan <i>Receipts</i>	63	36	134	-	-
Bayaran balik prinsipal <i>Principal repayments</i>	405	356	327	331	310
Bersih <i>Net</i>	-342	-320	-193	-331	-310
Pasaran <i>Market</i>					
Terimaan <i>Receipts</i>	-	-	7,170	-	5,277
Bayaran balik prinsipal <i>Principal repayments</i>	-	-	-	-	3,366
Bersih <i>Net</i>	-	-	7,170	-	1,911
Jumlah Total	40,390	54,107	51,732	86,590	100,401

¹ Termasuk Sukuk Prihatin

² Anggaran

¹ Include Sukuk Prihatin

² Estimate

**4.2. HUTANG KERAJAAN PERSEKUTUAN
MENGIKUT PEMEGANG**
RM juta

**4.2. FEDERAL GOVERNMENT DEBT
BY HOLDER**
RM million

	2017	2018	2019	2020	2021 ⁶
Hutang dalam negeri <i>Domestic debt</i>	665,572	719,545	764,233	851,284	924,784
Bil perbendaharaan <i>Treasury bills</i>	4,500	6,500	4,500	15,500	34,000
Institusi perbankan <i>Banking institutions</i>	855	2,481	2,989	8,656	21,939
Pemilik asing <i>Foreign holders</i>	3,331	3,733	1,511	6,045	10,905
Lain-lain <i>Others</i>	314	286	-	799	1,156
Terbitan Pelaburan Kerajaan Malaysia <i>Malaysian Government Investment Issues</i>	268,000	304,300	338,800	375,266⁵	391,266⁵
Kumpulan Wang Simpanan Pekerja <i>Employees Provident Fund</i>	91,350	105,281	118,676	116,826	115,803
Kumpulan Wang Persaraan (Diperbadankan) <i>Retirement Fund (Incorporated)</i>	11,163	8,968	9,273	9,576	8,612
Syarikat insurans <i>Insurance companies</i>	9,395	10,861	11,858	14,326	15,176
Bank Negara Malaysia	4,040	3,569	1,549	4,255	5,813
Institusi perbankan <i>Banking institutions</i>	100,760	125,432	138,829	161,357	170,422
Institusi kewangan pembangunan <i>Development financial institutions</i>	17,638	17,869	17,459	15,250	16,357
Pemilik asing <i>Foreign holders</i>	18,496	15,893	21,095	24,816	30,786
Lain-lain ¹ <i>Others¹</i>	15,158	16,427	20,061	28,860	28,297
Sekuriti Kerajaan Malaysia <i>Malaysian Government Securities</i>	364,672	380,345	394,133	436,418	475,418
Kumpulan Wang Simpanan Pekerja <i>Employees Provident Fund</i>	90,969	99,791	100,876	90,493	102,545
Kumpulan Wang Persaraan (Diperbadankan) <i>Retirement Fund (Incorporated)</i>	10,729	14,559	14,742	14,597	18,105
Syarikat insurans <i>Insurance companies</i>	21,544	24,153	23,002	25,970	28,283
Bank Negara Malaysia	4,616	6,715	2,680	14,407	11,415
Institusi perbankan <i>Banking institutions</i>	55,995	75,074	68,926	86,663	99,708
Institusi kewangan pembangunan <i>Development financial institutions</i>	796	1,256	530	780	720
Pemilik asing <i>Foreign holders</i>	164,399	146,152	163,888	177,329	192,135
Lain-lain ² <i>Others²</i>	15,624	12,645	19,489	26,179	22,507
Sukuk Perumahan Kerajaan <i>Government Housing Sukuk</i>	28,400	28,400	26,800	24,100	24,100

**4.2. HUTANG KERAJAAN PERSEKUTUAN
MENGIKUT PEMEGANG (samb.)**
RM juta

**4.2. FEDERAL GOVERNMENT DEBT
BY HOLDER (cont'd.)**
RM million

	2017	2018	2019	2020	2021 ⁶
Pinjaman luar pesisir <i>Offshore borrowings</i>	21,265	21,504	28,765	28,276	33,604
Pinjaman pasaran³ <i>Market loans³</i>	15,580	15,907	23,347	23,055	28,703
Kumpulan Wang Simpanan Pekerja <i>Employees Provident Fund</i>	1,107	1,130	1,118	1,085	1,122
Kumpulan Wang Persaraan (Diperbadankan) <i>Retirement Fund (Incorporated)</i>	820	837	828	803	831
Syarikat insurans <i>Insurance companies</i>	227	232	230	223	264
Bank Negara Malaysia	41	42	41	40	41
Institusi perbankan <i>Banking institutions</i>	1,566	1,599	1,582	1,534	1,749
Pemilik asing <i>Foreign holders</i>	10,883	11,111	18,603	18,453	23,514
Lain-lain ⁴ <i>Others⁴</i>	936	956	945	917	1,182
Pinjaman projek <i>Project loans</i>	5,685	5,597	5,418	5,221	4,901
Pemilik asing <i>Foreign holders</i>	5,685	5,597	5,418	5,221	4,901
Jumlah Total	686,837	741,049	792,998	879,560	958,388

¹ Termasuk institusi kewangan bukan bank; badan berkanun; syarikat penamaan dan amanah; syarikat kerjasama dan butiran yang tidak dapat diklasifikasikan

² Termasuk sekuriti yang disimpan oleh pelabur institusi dalam bank pusat

³ Pegangan dikenal pasti semasa terbitan

⁴ Termasuk institusi kewangan bukan bank; orang perseorangan; syarikat bukan kewangan dan sektor yang tidak dapat dikenal pasti

⁵ Termasuk Sukuk Prihatin

⁶ Akhir Jun 2021

¹ Include non-bank financial institutions; statutory bodies; nominees and trustee companies; co-operatives and unclassified items

² Include securities placed by institutional investors at the central bank

³ Holders were identified at time of issuance

⁴ Include non-bank financial institutions; individuals; non-financial corporations and unidentified sectors

⁵ Include Sukuk Prihatin

⁶ End-June 2021

4.3. HUTANG LUAR
 RM juta

4.3. EXTERNAL DEBT
 RM million

	2017	2018	2019	2020	2021 ⁶
Pinjaman luar pesisir¹ Offshore borrowings¹	508,583	565,800	563,643	559,560	589,479
Hutang jangka sederhana dan panjang² Medium- and long-term debt²	321,094	331,973	348,184	360,997	382,627
Sektor awam <i>Public sector</i>	132,464	138,238	129,007	143,934	164,736
Kerajaan Persekutuan <i>Federal Government</i>	16,567	16,708	24,021	23,672	28,415
Syarikat awam ³ <i>Public corporations³</i>	115,897	121,531	104,986	120,262	136,321
Sektor swasta <i>Private sector</i>	188,630	193,735	219,178	217,063	217,890
Sektor perbankan <i>Banking sector</i>	46,284	47,980	56,039	55,484	54,729
Sektor bukan perbankan <i>Non-bank sector</i>	142,346	145,754	163,139	161,579	163,161
Hutang jangka pendek⁴ Short-term debt⁴	187,489	233,827	215,459	198,563	206,853
Sektor perbankan <i>Banking sector</i>	172,199	204,759	199,729	182,078	187,587
Sektor bukan perbankan <i>Non-bank sector</i>	15,290	29,068	15,730	16,485	19,266
Pemegangan sekuriti hutang dalam denominasi ringgit oleh bukan pemastautin Non-resident holdings of ringgit- denominated debt securities	207,389	180,224	201,015	220,103	244,828
Hutang jangka sederhana dan panjang² Medium- and long-term debt²	196,074	169,158	193,270	210,811	233,045
Kerajaan Persekutuan <i>Federal Government</i>	182,855	158,406	182,151	200,060	220,612
Lain-lain <i>Others</i>	13,220	10,752	11,119	10,751	12,434
Hutang jangka pendek⁴ Short-term debt⁴	11,314	11,066	7,745	9,292	11,782
Kerajaan Persekutuan <i>Federal Government</i>	3,331	3,733	1,511	6,045	10,905
Lain-lain <i>Others</i>	7,983	7,333	6,234	3,247	878
Deposit bukan pemastautin Non-resident deposits	92,025	98,109	103,014	94,497	93,542
Lain-lain⁵ Others⁵	77,221	78,896	79,768	83,983	92,816
Jumlah Total	885,218	923,029	947,440	958,144	1,020,665

¹ Bersamaan dengan hutang luar negeri di bawah definisi terdahulu terutamanya merangkumi hutang mata wang asing diperoleh dan nota serta bon terbitan luar pesisir

² Hutang jangka sederhana dan panjang merujuk kepada hutang yang bertempoh matang melebihi satu tahun

³ Terdiri daripada hutang syarikat awam yang dijamin dan tidak dijamin

⁴ Hutang jangka pendek merupakan hutang yang bertempoh matang setahun atau kurang

⁵ Merangkumi kredit perdagangan, peruntukan SDR IMF dan lain-lain
⁶ Akhir Jun 2021

Nota: Angka tidak semestinya terjumlah disebabkan pembundaran
Sumber: Bank Negara Malaysia

¹ Equivalent to the external debt as previously defined, comprise mainly foreign currency loan raised, and bonds as well as notes issued offshore

² Medium- and long-term debt refers to debt with tenure of more than one year

³ Includes both guaranteed and non-guaranteed debt of public corporations

⁴ Short-term debt refers to debt with tenure of one year and below

⁵ Comprise trade credits, IMF allocation of SDRs and miscellaneous

⁶ End-June 2021

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

5.1. JAMINAN PINJAMAN¹
RM juta

5.1. LOAN GUARANTEES¹
RM million

	2016	2017	2018	2019	2020
1Malaysia Development Berhad	5,000	5,000	5,000	5,000	5,000
Assets Global Network Sdn. Bhd.	658	556	455	354	253
Bank Pembangunan Malaysia Berhad	6,518	6,400	6,350	5,900	4,250
DanaInfra Nasional Berhad	29,700	42,180	52,740	63,820	72,320
GovCo Holdings Berhad	4,600	8,800	7,300	7,200	7,200
Jambatan Kedua Sdn. Bhd.	7,395	6,318	5,751	5,648	5,528
Johor Corporation	3,000	2,600	2,600	1,800	1,800
K.L. International Airport Berhad	291	181	94	-	-
Khazanah Nasional Berhad	18,000	17,000	15,000	12,500	11,300
Lembaga Kemajuan Tanah Persekutuan	4,150	4,100	4,000	3,900	3,850
Lembaga Pembiayaan Perumahan Sektor Awam	4,000	11,500	17,750	22,450	30,150
Malaysia Debt Ventures Berhad	1,200	900	930	1,200	1,000
Malaysia Rail Link Sdn. Bhd.	-	14,493	18,862	18,506	21,530
Malaysian Industrial Development Finance Berhad	5	-	-	-	-
MKD Kencana Sdn. Bhd.	-	1,000	3,500	3,500	3,500
Pelabuhan Tanjung Pelepas Sdn. Bhd.	1,925	1,840	1,995	1,910	325
Penerbangan Malaysia Berhad	661	530	469	388	259
Pengurusan Air SPV Berhad	12,710	13,110	13,310	12,210	9,760
Perbadanan Kemajuan Negeri Pahang	200	120	120	60	60
Perbadanan PR1MA Malaysia	-	3,718	5,000	5,000	5,000
Perbadanan Tabung Pendidikan Tinggi Nasional	40,350	40,200	37,700	37,300	39,800
Prasarana Malaysia Berhad	18,700	26,614	31,414	32,264	38,914
Projek Lebuhraya Usahasama Berhad	11,000	11,000	11,000	11,000	11,000
Sabah Electricity Sdn. Bhd.	8	2	-	-	-
Sarawak Hidro Sdn. Bhd.	1,000	1,000	1,000	1,000	1,000
Senai Airport Terminal Services Sdn. Bhd.	330	330	330	330	330
Sentuhan Budiman Sdn. Bhd.	650	800	800	800	800
Small Medium Enterprise Development Bank Malaysia Berhad	2,310	2,600	2,600	2,500	1,850
SRC International Sdn. Bhd.	4,000	3,900	3,600	3,485	2,485
Suria Strategic Energy Resources Sdn. Bhd.	-	2,940	7,925	6,708	6,951
Syarikat Perumahan Negara Berhad	-	-	530	530	530
Tenaga Nasional Berhad	2,866	2,555	2,547	2,434	2,366
TRX City Sdn. Bhd.	699	595	485	372	253
Turus Pesawat Sdn. Bhd.	5,310	5,310	5,310	5,310	5,310
Jumlah Total	187,234	238,191	266,468	275,379	294,675
% KDNK of GDP	15.0	17.4	18.4	18.2	20.8

¹Jaminan yang diluluskan di bawah Akta Jaminan Pinjaman (Pertubuhan Perbadanan) 1965

Nota: Angka tidak semestinya terjumlah disebabkan pembundaran

¹Guarantees approved under the Loans Guarantee (Bodies Corporate) Act 1965

Note: Total may not add up due to rounding

**6.1. KEDUDUKAN KEWANGAN
SEKTOR AWAM DISATUKAN**
RM juta

**6.1. CONSOLIDATED PUBLIC SECTOR
FINANCIAL POSITION**
RM million

	2018	2019	2020	2021 ²	2022 ³
Hasil Revenue	240,976	252,671	248,349	254,334	257,268
Perbelanjaan mengurus Operating expenditure	265,987	298,243	263,556	258,830	271,947
Baki semasa <i>Current balance</i>	-25,011	-45,572	-15,207	-4,496	-14,679
Baki semasa syarikat awam bukan kewangan <i>Non-financial public corporations' current balance</i>	128,174	128,318	71,152	66,260	87,969
Jumlah baki semasa sektor awam Total public sector current balance	103,163	82,746	55,945	61,764	73,290
Perbelanjaan pembangunan Development expenditure	144,494	134,454	117,460	140,095	155,478
Kerajaan am <i>General government</i>	63,672	57,936	55,621	66,158	80,766
Syarikat awam bukan kewangan <i>Non-financial public corporations</i>	80,822	76,518	61,839	73,937	74,712
Kumpulan Wang COVID-19¹ COVID-19 Fund¹			37,980	39,039	23,000
Baki keseluruhan Overall balance	-41,331	-51,708	-99,495	-117,370	-105,188
% KDNK % GDP	-2.9	-3.4	-7.0	-7.7	-6.4

¹ Kumpulan wang amanah khusus di bawah Akta Langkah-Langkah Sementara bagi Pembiayaan Kerajaan (Penyakit Koronavirus 2019 (COVID-19)) 2020 untuk membiayai pakej rangsangan dan pelan pemulihan ekonomi

² Anggaran disemak

³ Anggaran belanjawan tidak termasuk langkah Bajet 2022

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Revised estimate

³ Budget estimate, excluding 2022 Budget measures

**6.2. KEDUDUKAN KEWANGAN
KERAJAAN NEGERI DISATUKAN**
RM juta

**6.2. CONSOLIDATED STATE GOVERNMENTS
FINANCIAL POSITION**
RM million

	2017	2018	2019	2020	2021 ⁴
Hasil¹ Revenue¹	21,767	30,260	33,692	34,414	35,435
% perubahan % change	9.4	39.0	11.3	2.1	3.0
Janaan negeri <i>State-generated</i>	16,994	23,560	26,304	27,026	28,723
Pemberian Persekutuan <i>Federal grants</i>	4,724	6,649	7,329	7,332	6,660
Bayaran balik Persekutuan <i>Federal reimbursements</i>	49	51	59	56	52
Perbelanjaan mengurus² Operating expenditure²	12,303	11,870	12,373	14,003	15,221
% perubahan % change	19.8	-3.5	4.2	13.2	8.7
Baki semasa Current balance	9,463	18,390	21,319	20,411	20,214
Perbelanjaan pembangunan Development expenditure	9,456	13,098	11,051	9,782	11,996
% perubahan % change	6.5	38.5	-15.6	-11.5	22.6
Kumpulan Wang Pembangunan <i>Development Fund</i>	9,344	13,070	11,014	9,774	11,832
Kumpulan Wang Bekalan Air <i>Water Supply Fund</i>	113	28	37	8	164
Tolak: Terimaan balik pinjaman <i>Less: Loan recovery</i>	280	292	752	666	476
Perbelanjaan pembangunan bersih Net development expenditure	9,177	12,806	10,299	9,116	11,520
Baki keseluruhan Overall balance	286	5,584	11,020	11,295	8,694
Sumber pembiayaan Sources of financing					
Pinjaman bersih Persekutuan <i>Net Federal loans</i>	6,779	6,572	6,971	6,717	6,764
Perubahan aset ³ <i>Change in assets³</i>	-7,065	-12,156	-17,991	-18,012	-15,458

¹ Hasil meliputi pemberian pembangunan dan bayaran balik daripada Kerajaan Persekutuan yang sebelum ini diletakkan di bawah sumber pembiayaan, selaras dengan *System of National Accounts (SNA)* serta prinsip perangkaan kewangan awam

² Tidak termasuk caruman kepada Kumpulan Wang Pembangunan dan Kumpulan Wang Bekalan Air tetapi termasuk perbelanjaan berulang dalam Kumpulan Wang Bekalan Air

³ Positif menunjukkan pengurangan aset; negatif menunjukkan pertambahan aset

⁴ Anggaran

¹ Revenue includes development grants and reimbursements from the Federal Government, which was previously treated as a source of financing, consistent with the *System of National Accounts (SNA)* as well as conventions in public finance statistics

² Excludes contribution to Development Fund and Water Supply Fund but includes recurrent expenditure from Water Supply Fund

³ Positive indicates drawdown of assets; negative indicates accumulation of assets

⁴ Estimate

**6.3. KEDUDUKAN KEWANGAN
KERAJAAN TEMPATAN DISATUKAN**
RM juta

**6.3. CONSOLIDATED LOCAL GOVERNMENTS
FINANCIAL POSITION**
RM million

	2017	2018	2019	2020	2021 ²
Hasil Revenue	10,845	11,716	12,211	12,433	10,933
% perubahan % change	6.2	8.0	4.2	1.8	-12.1
Janaan Kerajaan Tempatan <i>Local Government-generated</i>	9,802	10,537	10,531	10,872	9,974
Pemberian Persekutuan dan negeri <i>Federal and state grants</i>	1,043	1,179	1,680	1,561	959
Perbelanjaan mengurus Operating expenditure	7,989	8,513	9,450	8,677	8,946
% perubahan % change	1.5	6.6	11.0	-8.2	3.1
Baki semasa Current balance	2,856	3,203	2,761	3,756	1,987
Perbelanjaan pembangunan bersih Net development expenditure	2,215	2,141	2,550	1,855	1,250
% perubahan % change	11.0	-3.3	19.1	-27.3	-32.6
Baki keseluruhan Overall balance	641	1,062	211	1,901	737
Sumber pembiayaan Sources of financing					
Pinjaman bersih Persekutuan <i>Net Federal loans</i>	-8	-2	-3	-3	0
Pinjaman bersih negeri <i>Net state loans</i>	60	4	-12	-10	-15
Perubahan aset ¹ <i>Change in assets¹</i>	-693	-1,064	-196	-1,888	-722

¹ (+) menunjukkan pengurangan aset; (-) menunjukkan pertambahan aset
² Anggaran

¹ (+) indicates drawdown of assets; (-) indicates accumulation of assets
² Estimate

**6.4. KEDUDUKAN KEWANGAN
BADAN BERKANUN DISATUKAN¹**
RM juta

**6.4. CONSOLIDATED STATUTORY BODIES¹
FINANCIAL POSITION**
RM million

	2017	2018	2019	2020	2021 ⁴
Hasil Revenue	47,660	46,989	49,073	47,029	45,274
% perubahan % change	13.4	-1.4	4.4	-4.2	-3.7
Janaan badan berkanun <i>Statutory bodies-generated</i>	18,274	19,320	19,986	20,016	19,604
Pemberian Persekutuan dan negeri ² <i>Federal and state grants²</i>	29,386	27,669	29,087	27,013	25,670
Perbelanjaan mengurus Operating expenditure	37,727	37,094	35,623	36,013	37,442
% perubahan % change	9.0	-1.7	-4.0	1.1	4.0
Baki semasa Current balance	9,933	9,895	13,450	11,016	7,832
Perbelanjaan pembangunan Development expenditure	3,725	2,596	2,472	1,891	2,666
% perubahan % change	18.4	-30.3	-4.8	-23.5	41.0
Baki keseluruhan Overall balance	6,208	7,299	10,978	9,125	5,166
Sumber pembiayaan Sources of financing					
Pinjaman bersih dalam negeri <i>Net domestic borrowings</i>	8,976	8,376	9,756	14,787	7,128
Perubahan aset ³ <i>Change in assets³</i>	-15,184	-15,675	-20,734	-23,912	-12,294

¹ Badan berkanun merujuk kepada badan korporat yang ditubuhkan di bawah peruntukan undang-undang Persekutuan. Data meliputi 88 badan berkanun

² Merujuk kepada pemberian mengurus dan pembangunan

³ (+) menunjukkan pengurangan aset; (-) menunjukkan pertambahan aset

⁴ Anggaran

¹ Statutory bodies refer to any corporate body that is established under Federal law. The data covers 88 statutory bodies

² Refers to both operating and development grants

³ (+) indicates drawdown of assets; (-) indicates accumulation of assets

⁴ Estimate

**6.5. KEDUDUKAN KEWANGAN SYARIKAT AWAM
BUKAN KEWANGAN DISATUKAN¹**
RM juta

**6.5. CONSOLIDATED NON-FINANCIAL PUBLIC
CORPORATIONS¹ FINANCIAL POSITION**
RM million

	2017	2018	2019	2020	2021 ²
Hasil Revenue	329,145	395,182	385,070	297,146	310,154
Perbelanjaan semasa Current expenditure	262,763	317,366	329,859	269,172	269,627
Baki semasa Current balance	66,382	77,816	55,211	27,974	40,527
Perbelanjaan modal Capital expenditure	82,580	80,822	76,518	61,839	73,937
Baki keseluruhan Overall balance	-16,198	-3,006	-21,307	-33,865	-33,410

¹ Mulai tahun 2021, merujuk kepada 26 syarikat awam bukan kewangan (SABK) utama meliputi Axiata Group Bhd., Bintulu Port Holdings Bhd., Boustead Holdings Bhd., Cement Industries (Sabah) Sdn. Bhd., IJN Holdings Sdn. Bhd., Indah Water Konsortium Sdn. Bhd., Keretapi Tanah Melayu Bhd., Kulim (Malaysia) Bhd., Malaysia Airports Holdings Bhd., Malaysian Aviation Group Bhd., Malaysia Digital Economy Corporation Sdn. Bhd., Mass Rapid Transit Corporation Sdn. Bhd., MIMOS Bhd., Penerbangan Malaysia Bhd., Petroliaam Nasional Bhd. (PETRONAS), Prasarana Malaysia Bhd., Rakyat Berjaya Sdn. Bhd., Sabah Energy Corporation Sdn. Bhd., Sabah Ports Sdn. Bhd., Syarikat Perumahan Negara Bhd., Syarikat SESCO Bhd., Telekom Malaysia Bhd., Tenaga Nasional Bhd., TH Plantation Bhd., UDA Holdings Bhd. dan UEM Group Bhd.

² Anggaran

Nota: SABK merupakan agensi sektor awam yang menjual barang dan perkhidmatan industri dan komersial. SABK termasuk syarikat yang dimiliki dan/atau dikuasai oleh Kerajaan. SABK utama merujuk kepada pemilikan melebihi 50% jumlah ekuiti, hasil jualan tahunan minimum RM100 juta dan/atau mempunyai impak yang besar kepada ekonomi

¹ From 2021, referring to 26 major non-financial public corporations (NFPCs) comprising Axiata Group Bhd., Bintulu Port Holdings Bhd., Boustead Holdings Bhd., Cement Industries (Sabah) Sdn. Bhd., IJN Holdings Sdn. Bhd., Indah Water Konsortium Sdn. Bhd., Keretapi Tanah Melayu Bhd., Kulim (Malaysia) Bhd., Malaysia Airport Holdings Bhd., Malaysian Aviation Group Bhd., Malaysia Digital Economy Corporation Sdn. Bhd., Mass Rapid Transit Corporation Sdn. Bhd., MIMOS Bhd., Penerbangan Malaysia Bhd., Petroliaam Nasional Bhd. (PETRONAS), Prasarana Malaysia Bhd., Rakyat Berjaya Sdn. Bhd., Sabah Energy Corporation Sdn. Bhd., Sabah Ports Sdn. Bhd., Syarikat Perumahan Negara Bhd., Syarikat SESCO Bhd., Telekom Malaysia Bhd., Tenaga Nasional Bhd., TH Plantation Bhd., UDA Holdings Bhd. dan UEM Group Bhd.

² Estimate

Note: The NFPCs are public sector agencies undertaking the sale of industrial and commercial goods and services. They include Government-owned and/or Government-controlled companies. Major NFPCs refers to ownership more than 50% of total equity, minimum annual sales of at least RM100 million and/or of significant impact to the economy

**Treasury Memorandum
on the Federal
Government Revenue
Estimates For 2022**

TREASURY MEMORANDUM ON THE FEDERAL GOVERNMENT REVENUE ESTIMATES FOR 2022

1. This Memorandum explains the revenue estimates of the Federal Government for 2022 and the revised estimates for 2021. The Memorandum is prepared in accordance with Article 99 of the Federal Constitution.
2. The Federal Government revenue for 2022 is estimated at RM234 billion. Detailed actual collection for 2020 as well as revised estimates for 2021 and revenue estimates for 2022 are in section Summary and Details of Federal Government Revenue Estimates.

Classification of Revenue

3. The Federal Government revenue is classified into four main categories, namely Tax Revenue, Non-Tax Revenue, Non-Revenue Receipts and Revenue from Federal Territories.
4. **Tax Revenue** is classified into Direct Tax Revenue and Indirect Tax Revenue. Direct Tax Revenue are as follows:
 - a. Income tax (individual¹, companies, petroleum, withholding, cooperative, and others); and
 - b. Other direct tax (stamp duty, real property gains tax (RPGT), Labuan business activity tax, and others).
5. *Indirect Tax* Revenue includes:
 - a. Export duty;
 - b. Import duty;
 - c. Excise duties;
 - d. Sales Tax and Service Tax (SST);
 - e. Tourism Tax; and
 - f. Others.
6. **Non-Tax Revenue** consists of:
 - a. licences and permits including all charges imposed on the granting of rights to individuals, corporations, businesses and other enterprises, among others are in the form of petroleum royalty and motor vehicle licences for purpose of control or regulation;
 - b. service fees which include receipts from services rendered by the Federal Government to the public;
 - c. proceeds from sales of goods including receipts from the sales of Government's physical assets such as land, building and office equipment as well as the sale of miscellaneous goods;

¹ Consists of salary and non-salary

- d. rentals including rentals on land, building, vehicle, machinery and miscellaneous equipment;
- e. interest and return on investment which include proceed from divestment, dividends from shares, interest income and profit payment on financing granted by the Federal Government;
- f. fines and penalties including out-of-court settlement fees and forfeitures;
- g. contributions and compensations received locally and from abroad; and
- h. oil and gas exploration income from Malaysia – Thailand Joint Authority (MTJA).

7. **Non-Revenue Receipts** include:

- a. refund of expenditures which include payments from previous years, refund of salaries arising from resignations, refund of training expenses, refund of trust funds and unclaimed monies; and
- b. transfer of funds between ministries or departments for services rendered between government agencies and reimbursements of the government's contributions under the Employees Provident Fund scheme and contributions from government departments, statutory bodies or government-owned companies.

8. **Revenue from Federal Territories** consists of tax and non-tax revenue including receipts from licences and permits, land premiums and quit rent, sales of assets, rentals, service fees and entertainment duties.

Treasury
Ministry of Finance, Malaysia
29 October 2021

**Ringkasan Anggaran Hasil
Kerajaan Persekutuan**
*Summary of Federal
Government Revenue
Estimates*

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)		PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
		RM	RM	RM
60000	HASIL CUKAI <i>TAX REVENUE</i>	154,397,967,931	161,829,801,000	171,374,072,000
61000	Cukai Langsung <i>Direct Tax</i>	112,511,151,064	120,048,100,000	127,333,574,000
61100	Cukai Pendapatan <i>Income Tax</i>	104,884,438,671	111,810,818,000	118,722,108,000
61900	Cukai Langsung yang Lain <i>Other Direct Tax</i>	7,626,712,393	8,237,282,000	8,611,466,000
62000- 64000	Jumlah Keseluruhan Cukai Tidak Langsung <i>Overall Total Indirect Tax</i>	41,886,816,867	41,781,701,000	44,040,498,000
62000	Cukai Tidak Langsung <i>Indirect Tax</i>	41,818,865,544	41,781,290,000	44,039,998,000
62100	Duti Eksport <i>Export Duty</i>	746,141,231	1,405,672,000	1,610,000,000
62200	Duti Import <i>Import Duty</i>	2,346,001,584	2,330,354,000	2,500,000,000
62300	Duti Eksais Terhadap Barangan Tempatan <i>Excise Duty on Local Goods</i>	4,719,320,979	3,639,645,000	3,803,625,000
62400	Cukai Jualan Tempatan <i>Sales Tax (Local)</i>	6,493,793,033	5,306,264,000	5,425,127,000
62500	Cukai Jualan Import <i>Sales Tax (Import)</i>	8,272,887,002	8,934,734,000	9,134,872,000
62600	Cukai Perkhidmatan <i>Service Tax</i>	12,006,145,761	12,287,000,000	13,000,000,000
62700	Levi <i>Levy</i>	389,338,968	957,000,000	770,000,000
62800	Duti Eksais Terhadap Barangan Import <i>Excise Duty on Imported Goods</i>	5,136,410,396	6,120,621,000	6,396,374,000

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL <i>(Revenue Code)</i>		PENDAPATAN 2020 <i>(2020 Revenue)</i>	ANGGARAN DISEMAK 2021 <i>(2021 Revised Estimate)</i>	ANGGARAN 2022 <i>(2022 Estimate)</i>
		RM	RM	RM
62900	Pelbagai Cukai Tidak Langsung <i>Miscellaneous Indirect Tax</i>	1,708,826,590	800,000,000	1,400,000,000
64000	Cukai Pelancongan <i>Tourism Tax</i>	67,951,323	411,000	500,000
70000	HASIL BUKAN CUKAI <i>NON-TAX REVENUE</i>	62,046,603,183	51,488,445,000	55,876,146,000
71000	Lesen, Bayaran Pendaftaran dan Permit <i>Licences, Registration Fees and Permits</i>	10,931,339,962	10,251,697,000	10,958,096,000
71100	Bayaran untuk Kenderaan <i>Fees for Vehicles</i>	3,637,372,248	3,041,128,000	3,245,767,000
71200	Bayaran untuk Radio, Televisyen dan Alat-Alat Elektrik <i>Fees for Radio, Television and Electric Equipments</i>	90,424	-	-
71300	Bayaran untuk Pendaftaran Individu <i>Individual Registration Fees</i>	2,213,638,213	1,882,744,000	2,011,721,000
71400	Bayaran untuk Berniaga <i>Fees for Business</i>	4,669,962,092	5,222,303,000	5,590,374,000
71500	Bayaran Penerbangan <i>Aviation Fees</i>	18,380	-	-
71900	Pelbagai Bayaran <i>Miscellaneous Payments</i>	410,258,605	105,522,000	110,234,000
72000	Bayaran Perkhidmatan <i>Service Fees</i>	1,565,731,699	1,683,113,000	1,751,756,000
72100	Bayaran Ikhtisas <i>Professional Fees</i>	688,102,017	722,153,000	751,605,000
72200	Bayaran Pelajaran <i>Education Fees</i>	33,247,780	46,073,000	47,950,000
72300	Bayaran Iklan <i>Advertisement Fees</i>	20,336,182	11,197,000	11,656,000
72400	Bayaran Perkhidmatan <i>Service Fees</i>	824,045,720	903,690,000	940,545,000

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL <i>(Revenue Code)</i>		PENDAPATAN 2020 <i>(2020 Revenue)</i>	ANGGARAN DISEMAK 2021 <i>(2021 Revised Estimate)</i>	ANGGARAN 2022 <i>(2022 Estimate)</i>
		RM	RM	RM
73000	Perolehan daripada Jualan Barang <i>Proceeds from Sales of Goods</i>	60,805,300	69,035,000	74,121,000
73100	Jualan Barang-Barang Cetak <i>Sales of Printed Materials</i>	14,857,160	13,807,000	14,826,000
73200	Jualan Barang-Barang Stor <i>Sales of Store Goods</i>	3,819,800	1,382,000	1,482,000
73300	Jualan Harta Benda Kecuali Yang Diperolehi dari Peruntukan Pembangunan (Termasuk Tanah, Bangunan, Kemudahan dan Alat Kelengkapan) <i>Sales of Property Other Than That Procured Under Development Allocation (Include Land, Building and Equipment)</i>	16,231,956	22,282,000	23,923,000
73900	Pelbagai Jualan <i>Miscellaneous Sales</i>	25,896,384	31,564,000	33,890,000
74000	Sewaan <i>Rental</i>	180,319,974	259,170,000	342,232,000
74100	Sewa Tanah <i>Land Rental</i>	76,836,822	118,236,000	156,130,000
74200	Sewa Bangunan <i>Building Rental</i>	94,823,500	130,404,000	172,197,000
74300	Sewa Kenderaan <i>Vehicle Rental</i>	1,463,889	3,452,000	4,559,000
74400	Sewa Jentera <i>Rental for Machinery</i>	17,630	17,000	22,000
74500	Sewa Alat Kelengkapan Pejabat, Perabot, dan Kelengkapan <i>Rental of Office Facilities and Furniture</i>	11,348	13,000	18,000
74600	Sewa Alat Kelengkapan Elektronik <i>Rental of Electronic Equipment</i>	385,215	4,000	5,000
74700	Sewa Alat Kelengkapan Elektrik <i>Rental of Electrical Equipment</i>	2,217	3,000	4,000

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL <i>(Revenue Code)</i>		PENDAPATAN 2020 <i>(2020 Revenue)</i>	ANGGARAN DISEMAK 2021 <i>(2021 Revised Estimate)</i>	ANGGARAN 2022 <i>(2022 Estimate)</i>
		RM	RM	RM
74800	Sewa Alat Kelengkapan Penyiaran dan Perhubungan <i>Rental of Broadcasting and Telecommunication Equipment</i>	125,174	97,000	128,000
74900	Sewa Pelbagai <i>Miscellaneous Rental</i>	6,654,179	6,944,000	9,169,000
75000	Faedah dan Pulangan Pelaburan <i>Interest and Return on Investments</i>	46,067,499,372	35,989,007,000	39,457,483,000
75100	Pulangan dari Pelaburan dalam Perusahaan Kewangan <i>Return on Investment from Financial Institutions</i>	3,800,067,692	4,130,711,000	5,104,194,000
75200	Pulangan dari Pelaburan dalam Perusahaan Bukan Kewangan <i>Return on Investment from Non-Financial Institutions</i>	35,123,037,826	27,060,938,000	26,069,110,000
75300	Pulangan dari Pelaburan Luar Negeri <i>Return on Investment from Overseas</i>	8,706,740	1,134,000	1,134,000
75400	Pulangan dari Pelaburan-Pelaburan dalam Negeri yang Lain <i>Return from Other Internal Investments</i>	7,135,687,114	4,796,224,000	8,283,045,000
76000	Denda dan Penalti <i>Fines and Penalties</i>	1,421,579,016	1,557,330,000	1,573,850,000
77000	Sumbangan dan Bayaran Ganti daripada Luar Negeri dan Sumbangan Tempatan <i>Contributions and Compensation From Overseas and Local Contributions</i>	177,791,986	8,248,000	10,937,000
77100	Bayaran Ganti Bagi Perkhidmatan dari Luar Negeri <i>Compensation For Services from Overseas</i>	31	-	-
77400	Sumbangan Tempatan <i>Local Contributions</i>	177,791,955	8,248,000	10,937,000
78000	Pendapatan daripada Aktiviti Carigali Minyak dan Gas MTJA <i>Income from Exploration of Oil and Gas MTJA</i>	1,641,535,874	1,670,845,000	1,707,671,000

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL <i>(Revenue Code)</i>		PENDAPATAN 2020 <i>(2020 Revenue)</i>	ANGGARAN DISEMAK 2021 <i>(2021 Revised Estimate)</i>	ANGGARAN 2022 <i>(2022 Estimate)</i>
		RM	RM	RM
78100	Pendapatan daripada Operasi Petroleum Pihak Berkuasa Bersama Malaysia-Thailand (MTJA) <i>Income from Petroleum Operation Malaysia-Thailand Joint Authority (MTJA)</i>	1,641,535,874	1,670,845,000	1,707,671,000
80000	TERIMAAN BUKAN HASIL NON-REVENUE RECEIPTS	7,953,680,648	7,005,000,000	6,030,830,000
81000	Pulangan Balik Perbelanjaan Refunds of Expenditure	2,634,409,058	1,228,943,000	1,015,233,000
81100	Pulangan Balik Perbelanjaan Am <i>Refunds of General Expenditure</i>	2,142,781,134	1,168,461,000	963,160,000
81200	Dapatan Balik Wang Amanah <i>Trust Fund Refunded</i>	176,278,285	115,000	100,000
81300	Dapatan Balik Wang-Wang Tak Dituntut <i>Unclaimed Monies Refunded</i>	315,349,639	60,367,000	51,973,000
82000	Terimaan daripada Agensi Kerajaan Receipts from Government Agencies	5,319,231,740	5,776,057,000	5,015,597,000
82100	Terimaan untuk Perkhidmatan <i>Receipts For Services</i>	2,242,831	3,693,000	3,587,000
82200	Bayaran Balik <i>Repayments</i>	3,531,510	8,230,000	7,995,000
82300	Pemberian dan Caruman <i>Transfers and Contributions</i>	5,250,000,000	5,760,000,000	5,000,000,000
82400	Jualan <i>Sales</i>	88,481	65,000	63,000
82500	Pelbagai Terimaan <i>Miscellaneous Receipts</i>	63,368,918	4,069,000	3,952,000
86000	Terimaan Pelarasan Adjustment Proceeds	39,850	-	-
86400	Terimaan Pelarasan <i>Adjustment Proceeds</i>	39,850	-	-

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL <i>(Revenue Code)</i>	PENDAPATAN 2020 <i>(2020 Revenue)</i>	ANGGARAN DISEMAK 2021 <i>(2021 Revised Estimate)</i>	ANGGARAN 2022 <i>(2022 Estimate)</i>
	RM	RM	RM
90000 HASIL DARIPADA WILAYAH PERSEKUTUAN REVENUE FROM FEDERAL TERRITORIES	676,695,480	699,754,000	730,382,000
91000 Hasil Cukai daripada Wilayah Persekutuan Tax Revenue from Federal Territories	617,784,952	631,144,000	658,727,000
91100 Cukai Langsung <i>Direct Tax</i>	577,611,112	628,285,000	656,163,000
91200 Cukai Tidak Langsung <i>Indirect Tax</i>	40,173,840	2,859,000	2,564,000
92000 Hasil Bukan Cukai daripada Wilayah Persekutuan Non-Tax Revenue from Federal Territories	58,910,528	68,610,000	71,655,000
92100 Lesen, Bayaran Pendaftaran dan Permit <i>Licences, Registration Fees and Permits</i>	4,614,246	4,953,000	5,173,000
92200 Perkhidmatan dan Bayaran Perkhidmatan <i>Services and Services Fee</i>	52,648,701	61,207,000	63,923,000
92400 Sewaan <i>Rentals</i>	50,297	26,000	27,000
92900 Pelbagai Hasil Bukan Cukai <i>Miscellaneous Non-Tax Revenue</i>	1,597,284	2,424,000	2,532,000
JUMLAH HASIL KERAJAAN PERSEKUTUAN TOTAL FEDERAL GOVERNMENT REVENUE	225,074,947,242	221,023,000,000	234,011,430,000

**Perincian Anggaran Hasil
Kerajaan Persekutuan**
*Details of Federal
Government Revenue
Estimates*

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)		PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
		RM	RM	RM
60000	HASIL CUKAI TAX REVENUE	154,397,967,931	161,829,801,000	171,374,072,000
61000	Cukai Langsung Direct Tax	112,511,151,064	120,048,100,000	127,333,574,000
61100	Cukai Pendapatan Income Tax	104,884,438,671	111,810,818,000	118,722,108,000
61101	Cukai Pendapatan Individu Individual Income Tax	38,953,123,959	36,400,000,000	37,510,000,000
61102	Cukai Pendapatan Syarikat Companies Income Tax	50,065,452,924	60,588,000,000	65,499,000,000
61103	Cukai Pendapatan Petroleum Petroleum Income Tax	12,771,538,291	11,499,544,000	12,400,000,000
61104	Cukai Pendapatan Koperasi Cooperatives Income Tax	58,645,873	154,372,000	163,548,000
61105	Cukai Pegangan Withholding Tax	2,992,934,878	3,114,709,000	3,105,000,000
	Lain-Lain Others	42,742,746	54,193,000	44,560,000
61900	Cukai Langsung yang Lain Other Direct Tax	7,626,712,393	8,237,282,000	8,611,466,000
61912	Duti Setem Stamp Duty	5,505,763,486	6,200,336,000	6,549,630,000
61913	Cukai Keuntungan Harta Tanah Real Property Gains Tax	1,687,478,506	1,785,981,000	1,794,810,000
	Lain-Lain Others	433,470,401	250,965,000	267,026,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)	PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
	RM	RM	RM
HASIL CUKAI -(Samb.) TAX REVENUE -(Cont.)			
62000- Jumlah Keseluruhan Cukai Tidak 64000 Langsung <i>Overall Total Indirect Tax</i>	41,886,816,867	41,781,701,000	44,040,498,000
62000 Cukai Tidak Langsung <i>Indirect Tax</i>	41,818,865,544	41,781,290,000	44,039,998,000
62100 Duti Eksport <i>Export Duty</i>	746,141,231	1,405,672,000	1,610,000,000
62111 Minyak Kelapa Sawit Mentah <i>Crude Palm Oil</i>	86,690,738	700,000,000	650,000,000
62114 Petroleum Mentah <i>Crude Petroleum</i>	634,005,875	626,075,000	850,000,000
Lain-Lain <i>Others</i>	25,444,618	79,597,000	110,000,000
62200 Duti Import <i>Import Duty</i>	2,346,001,584	2,330,354,000	2,500,000,000
62209 Motokar CBU <i>CBU Motor Vehicles</i>	404,203,639	374,311,000	401,560,000
62210 Motokar CKD <i>CKD Motor Vehicles</i>	21,560,487	24,944,000	26,761,000
62212 Alat-Alat Ganti Kenderaan Bermotor <i>Motor Spare Parts</i>	280,287,658	328,539,000	352,455,000
62213 Minuman Keras <i>Alcoholic Beverage</i>	74,342,681	65,007,000	69,739,000
62227 Mesin dan Alat-Alat Ganti <i>Machines and Spare Parts</i>	236,355,057	262,490,000	281,598,000
62230 Besi Keluli dalam Bentuk Struktur <i>Structured Steel</i>	112,815,566	150,823,000	161,803,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)	PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
	RM	RM	RM
HASIL CUKAI -(Samb.) TAX REVENUE -(Cont.)			
Cukai Tidak Langsung -(Samb.) Indirect Tax -(Cont.)			
62236 Resin dan Bahan Plastik <i>Resins and Plastic Materials</i>	130,818,659	139,457,000	149,609,000
62250 Bahan Keluli untuk Binaan <i>Steel for Construction</i>	40,297,811	38,865,000	41,694,000
62289 Barangan Buatan Logam <i>Metal Products</i>	87,573,386	87,061,000	93,399,000
Lain-Lain <i>Others</i>	957,746,640	858,857,000	921,382,000
62300 Duti Eksais Terhadap Barangan Tempatan <i>Excise Duty on Local Goods</i>	4,719,320,979	3,639,645,000	3,803,625,000
62310 Bir daripada Malt <i>Beer from Malt</i>	1,619,172,733	1,245,105,000	1,301,201,000
62312 Rokok Buatan Tempatan <i>Locally Manufactured Cigarettes</i>	37,404,000	24,444,000	25,545,000
62318 Kenderaan Penumpang <i>Passenger Vehicles</i>	2,372,507,607	1,884,866,000	1,969,786,000
Lain-Lain <i>Others</i>	690,236,639	485,230,000	507,093,000
62400 Cukai Jualan Tempatan <i>Sales Tax (Local)</i>	6,493,793,033	5,306,264,000	5,425,127,000
62408 Kenderaan Bermotor Penumpang <i>Passenger Motor Vehicle</i>	465,790,323	9,029,000	9,233,000
62411 Mesin dan Alat-Alat Ganti <i>Machine and Spare Parts</i>	326,596,446	339,990,000	347,606,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)	PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
	RM	RM	RM
HASIL CUKAI -(Samb.) TAX REVENUE -(Cont.)			
Cukai Tidak Langsung -(Samb.) Indirect Tax -(Cont.)			
62415 Barang Buatan Plastik <i>Plastic Products</i>	510,019,232	612,352,000	626,069,000
62418 Barang-Barang Elektrik <i>Electrical Goods</i>	445,654,305	534,735,000	546,713,000
62499 Barang-Barang Perkilangan Dalam Negeri yang Lain <i>Other Domestic Manufacturing Goods</i>	1,119,403,190	1,044,043,000	1,067,430,000
Lain-lain <i>Others</i>	3,626,329,537	2,766,115,000	2,828,076,000
62500 Cukai Jualan Import <i>Sales Tax (Import)</i>	8,272,887,002	8,934,734,000	9,134,872,000
62508 Motokar CBU <i>CBU Motor Vehicles</i>	263,619,742	214,124,000	218,921,000
62514 Pakaian <i>Clothes</i>	332,592,699	306,790,000	313,662,000
62522 Makanan Dalam Tin dan Lain-Lain <i>Canned Food and Others</i>	387,164,923	464,690,000	475,099,000
62535 Mesin dan Alat-Alat Ganti <i>Machine and Spare Parts</i>	1,127,166,856	1,385,790,000	1,416,832,000
62599 Cukai Jualan Import yang Lain <i>Other Imported Sales Tax</i>	1,822,092,608	2,153,968,000	2,202,217,000
Lain-lain <i>Others</i>	4,340,250,174	4,409,372,000	4,508,141,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)		PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
		RM	RM	RM
HASIL CUKAI -(Samb.)				
TAX REVENUE -(Cont.)				
Cukai Tidak Langsung -(Samb.)				
Indirect Tax -(Cont.)				
62600	Cukai Perkhidmatan <i>Service Tax</i>	12,006,145,761	12,287,000,000	13,000,000,000
62603	Bilik Menginap/ Tempat Tidur <i>Accommodation</i>	252,252,356	12,920,000	13,670,000
62610	Penyediaan Polisi Insurans <i>Insurance Policy</i>	1,389,526,938	1,492,147,000	1,588,735,000
62611	Perkhidmatan Telekomunikasi <i>Telecommunication Service</i>	1,433,061,606	1,480,058,000	1,575,944,000
62627	Perkhidmatan Pengurusan <i>Management Services</i>	1,220,887,818	1,237,211,000	1,289,005,000
62633	Makanan & Minuman <i>Food & Drink</i>	1,402,162,926	1,245,606,000	1,318,741,000
62639	Teknologi Maklumat <i>Information Technology</i>	893,956,543	999,544,000	1,057,547,000
	Lain-lain <i>Others</i>	5,414,297,574	5,819,514,000	6,156,358,000
62700	Levi <i>Levy</i>	389,338,968	957,000,000	770,000,000
62800	Duti Eksais terhadap Barangan Import <i>Excise Duty on Imported Goods</i>	5,136,410,396	6,120,621,000	6,396,374,000
62802	Rokok Yang Diimport <i>Imported Cigarettes</i>	2,748,499,335	3,272,824,000	3,420,276,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)	PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
	RM	RM	RM
HASIL CUKAI -(Samb.) TAX REVENUE -(Cont.)			
Cukai Tidak Langsung -(Samb.) Indirect Tax -(Cont.)			
62803 Minuman Keras yang Diimport Imported Alcoholic Beverage	86,034,575	86,166,000	90,048,000
62806 Motokar CBU CBU Motor Vehicles	2,023,243,139	2,080,422,000	2,174,152,000
Lain-lain Others	278,633,347	681,209,000	711,898,000
62900 Pelbagai Cukai Tidak Langsung Miscellaneous Indirect Tax	1,708,826,590	800,000,000	1,400,000,000
64000 Cukai Pelancongan Tourism Tax	67,951,323	411,000	500,000
70000 HASIL BUKAN CUKAI NON-TAX REVENUE	62,046,603,183	51,488,445,000	55,876,146,000
71000 Lesen, Bayaran Pendaftaran dan Permit Licences, Registration Fees and Permits	10,931,339,962	10,251,697,000	10,958,096,000
71100 Bayaran untuk Kenderaan Fees for Vehicles	3,637,372,248	3,041,128,000	3,245,767,000
71105 Lesen Kenderaan Bermotor Motor Vehicles Licences	2,935,664,238	2,804,000,000	2,998,120,000
Lain-lain Others	701,708,010	237,128,000	247,647,000
71200 Bayaran untuk Radio, Televisyen dan Alat-Alat Elektrik Fees for Radio, Television and Electric Equipments	90,424	-	-

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)		PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
		RM	RM	RM
HASIL BUKAN CUKAI -(Samb.) NON-TAX REVENUE -(Cont.)				
Lesen, Bayaran Pendaftaran dan Permit -(Samb.) Licences, Registration Fees and Permits (Cont.)				
71300	Bayaran untuk Pendaftaran Individu Individual Registration Fees	2,213,638,213	1,882,744,000	2,011,721,000
71309	Levi Pekerja Asing Levy on Foreign Workers	1,798,104,483	1,748,001,000	1,871,026,000
	Lain-lain Others	415,533,730	134,743,000	140,695,000
71400	Bayaran untuk Berniaga Fees for Business	4,669,962,092	5,222,303,000	5,590,374,000
71405	Royalti Petroleum Petroleum Royalty	4,201,966,927	3,698,000,000	3,998,000,000
	Lain-lain Others	467,995,165	1,524,303,000	1,592,374,000
71500	Bayaran Penerbangan Aviation Fees	18,380	-	-
71900	Pelbagai Bayaran Miscellaneous Payments	410,258,605	105,522,000	110,234,000
72000	Bayaran Perkhidmatan Service Fees	1,565,731,699	1,683,113,000	1,751,756,000
72100	Bayaran Ikhtisas Professional Fees	688,102,017	722,153,000	751,605,000
72200	Bayaran Pelajaran Education Fees	33,247,780	46,073,000	47,950,000
72300	Bayaran Iklan Advertisement Fees	20,336,182	11,197,000	11,656,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)	PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
	RM	RM	RM
HASIL BUKAN CUKAI -(Samb.)			
NON-TAX REVENUE -(Cont.)			
Bayaran Perkhidmatan -(Samb.)			
Service Fees -(Cont.)			
72400 Bayaran Perkhidmatan Service Fees	824,045,720	903,690,000	940,545,000
73000 Perolehan daripada Jualan Barang Proceeds from Sales of Goods	60,805,300	69,035,000	74,121,000
73100 Jualan Barang-Barang Cetak Sales of Printed Materials	14,857,160	13,807,000	14,826,000
73200 Jualan Barang-Barang Stor Sales of Store Goods	3,819,800	1,382,000	1,482,000
73300 Jualan Harta Benda Kecuali yang Diperolehi dari Peruntukan Pembangunan (Termasuk Tanah, Bangunan, Kemudahan dan Alat Kelengkapan) Sales of Property Other Than That Procured Under Development Allocation (Include Land, Building and Equipment)	16,231,956	22,282,000	23,923,000
73900 Pelbagai Jualan Miscellaneous Sales	25,896,384	31,564,000	33,890,000
74000 Sewaan Rental	180,319,974	259,170,000	342,232,000
74100 Sewa Tanah Land Rental	76,836,822	118,236,000	156,130,000
74200 Sewa Bangunan Building Rental	94,823,500	130,404,000	172,197,000
74300 Sewa Kenderaan Vehicle Rental	1,463,889	3,452,000	4,559,000
74400 Sewa Jentera Rental for Machinery	17,630	17,000	22,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)	PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
	RM	RM	RM
HASIL BUKAN CUKAI -(Samb.)			
NON-TAX REVENUE -(Cont.)			
Sewaan -(Samb.)			
Rental -(Cont.)			
74500	11,348	13,000	18,000
	Sewa Alat Kelengkapan Pejabat, Perabot, dan Kelengkapan <i>Rental of Office Facilities and Furniture</i>		
74600	385,215	4,000	5,000
	Sewa Alat Kelengkapan Elektronik <i>Rental of Electronic Equipment</i>		
74700	2,217	3,000	4,000
	Sewa Alat Kelengkapan Elektrik <i>Rental of Electrical Equipment</i>		
74800	125,174	97,000	128,000
	Sewa Alat Kelengkapan Penyiaran dan Perhubungan <i>Rental of Broadcasting and Telecommunication Equipment</i>		
74900	6,654,179	6,944,000	9,169,000
	Sewa Pelbagai <i>Miscellaneous Rental</i>		
75000	46,067,499,372	35,989,007,000	39,457,483,000
	Faedah dan Pulangan Pelaburan <i>Interest and Return on Investments</i>		
75100	3,800,067,692	4,130,711,000	5,104,194,000
	Pulangan dari Pelaburan dalam Perusahaan Kewangan <i>Return on Investments from Financial Institutions</i>		
75105	3,500,000,000	4,000,000,000	5,000,000,000
	Hasil Dan Faedah Dari Pelaburan Dalam Bank Negara Malaysia <i>Interest and Return on Investment from Bank Negara Malaysia</i>		
	300,067,692	130,711,000	104,194,000
	Lain-lain <i>Others</i>		
75200	35,123,037,826	27,060,938,000	26,069,110,000
	Pulangan dari Pelaburan dalam Perusahaan Bukan Kewangan <i>Return on Investment from Non-Financial Institutions</i>		

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
 DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)	PENDAPATAN 2020 (2020 Revenue)	ANGGARAN DISEMAK 2021 (2021 Revised Estimate)	ANGGARAN 2022 (2022 Estimate)
	RM	RM	RM
HASIL BUKAN CUKAI -(Samb.)			
NON-TAX REVENUE -(Cont.)			
Faedah dan Pulangan Pelaburan -(Samb.)			
<i>Interest and Return on Investments -(Cont.)</i>			
75213	34,000,000,000	25,000,000,000	25,000,000,000
	Hasil Dan Faedah Dari Pelaburan Dalam Petroliam Nasional Berhad (PETRONAS) <i>Interest and Return on Investment from Petroliam Nasional Berhad (PETRONAS)</i>		
75231	1,000,000,000	2,000,000,000	1,000,000,000
	Hasil Dan Faedah Dari Pelaburan Dalam Khazanah Nasional Berhad <i>Interest and Return on Investment from Khazanah Nasional Berhad</i>		
	123,037,826	60,938,000	69,110,000
	<i>Lain-Lain Others</i>		
75300	8,706,740	1,134,000	1,134,000
	<i>Pulangan dari Pelaburan Luar Negeri Return on Investment from Overseas</i>		
75400	7,135,687,114	4,796,224,000	8,283,045,000
	<i>Pulangan dari Pelaburan-Pelaburan dalam Negeri yang Lain Return from Other Internal Investments</i>		
76000	1,421,579,016	1,557,330,000	1,573,850,000
	Denda dan Penalti Fines and Penalties		
77000	177,791,986	8,248,000	10,937,000
	Sumbangan dan Bayaran Ganti daripada Luar Negeri dan Sumbangan Tempatan Contributions and Compensation From Overseas and Local Contributions		
77100	31	-	-
	<i>Bayaran Ganti Bagi Perkhidmatan dari Luar Negeri Compensation For Services from Overseas</i>		

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL <i>(Revenue Code)</i>	PENDAPATAN 2020 <i>(2020 Revenue)</i>	ANGGARAN DISEMAK 2021 <i>(2021 Revised Estimate)</i>	ANGGARAN 2022 <i>(2022 Estimate)</i>	
	RM	RM	RM	
HASIL BUKAN CUKAI -(Samb.) <i>NON-TAX REVENUE -(Cont.)</i>				
Sumbangan dan Bayaran Ganti daripada Luar Negeri dan Sumbangan Tempatan -(Samb.) <i>Contributions and Compensation From Overseas and Local Contributions -(Cont.)</i>				
77400	Sumbangan Tempatan <i>Local Contributions</i>	177,791,955	8,248,000	10,937,000
78000	Pendapatan daripada Aktiviti Carigali Minyak dan Gas MTJA <i>Income from Exploration of Oil and Gas MTJA</i>	1,641,535,874	1,670,845,000	1,707,671,000
78100	Pendapatan daripada Operasi Petroleum Pihak Berkuasa Bersama Malaysia-Thailand (MTJA) <i>Income from Petroleum Operation Malaysia-Thailand Joint Authority (MTJA)</i>	1,641,535,874	1,670,845,000	1,707,671,000
80000	TERIMAAN BUKAN HASIL <i>NON-REVENUE RECEIPTS</i>	7,953,680,648	7,005,000,000	6,030,830,000
81000	Pulangan Balik Perbelanjaan <i>Refunds of Expenditure</i>	2,634,409,058	1,228,943,000	1,015,233,000
81100	Pulangan Balik Perbelanjaan Am <i>Refunds of General Expenditure</i>	2,142,781,134	1,168,461,000	963,160,000
81200	Dapatan Balik Wang Amanah <i>Trust Fund Refunded</i>	176,278,285	115,000	100,000
81300	Dapatan Balik Wang-Wang Tak Dituntut <i>Unclaimed Monies Refunded</i>	315,349,639	60,367,000	51,973,000
82000	Terimaan daripada Agensi Kerajaan <i>Receipts from Government Agencies</i>	5,319,231,740	5,776,057,000	5,015,597,000
82100	Terimaan untuk Perkhidmatan <i>Receipts For Services</i>	2,242,831	3,693,000	3,587,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL <i>(Revenue Code)</i>	PENDAPATAN 2020 <i>(2020 Revenue)</i>	ANGGARAN DISEMAK 2021 <i>(2021 Revised Estimate)</i>	ANGGARAN 2022 <i>(2022 Estimate)</i>	
	RM	RM	RM	
TERIMAAN BUKAN HASIL -(Samb.) <i>NON-REVENUE RECEIPTS -(Cont.)</i>				
82200	Bayaran Balik <i>Repayments</i>	3,531,510	8,230,000	7,995,000
82300	Pemberian dan Caruman <i>Transfers and Contributions</i>	5,250,000,000	5,760,000,000	5,000,000,000
82400	Jualan <i>Sales</i>	88,481	65,000	63,000
82500	Pelbagai Terimaan <i>Miscellaneous Receipts</i>	63,368,918	4,069,000	3,952,000
86000	Terimaan Pelarasan <i>Adjustment Proceeds</i>	39,850	-	-
90000	HASIL DARIPADA WILAYAH PERSEKUTUAN <i>REVENUE FROM FEDERAL TERRITORIES</i>	676,695,480	699,754,000	730,382,000
91000	Hasil Cukai daripada Wilayah Persekutuan <i>Tax Revenue from Federal Territories</i>	617,784,952	631,144,000	658,727,000
91100	Cukai Langsung <i>Direct Tax</i>	577,611,112	628,285,000	656,163,000
91200	Cukai Tidak Langsung <i>Indirect Tax</i>	40,173,840	2,859,000	2,564,000
92000	Hasil Bukan Cukai daripada Wilayah Persekutuan <i>Non-Tax Revenue from Federal Territories</i>	58,910,528	68,610,000	71,655,000
92100	Lesen, Bayaran Pendaftaran dan Permit <i>Licences, Registration Fees and Permits</i>	4,614,246	4,953,000	5,173,000
92200	Perkhidmatan dan Bayaran Perkhidmatan <i>Services and Services Fee</i>	52,648,701	61,207,000	63,923,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN <i>DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES</i>			
KOD HASIL <i>(Revenue Code)</i>	PENDAPATAN 2020 <i>(2020 Revenue)</i>	ANGGARAN DISEMAK 2021 <i>(2021 Revised Estimate)</i>	ANGGARAN 2022 <i>(2022 Estimate)</i>
	RM	RM	RM
HASIL DARIPADA WILAYAH PERSEKUTUAN <i>-(Samb.)</i>			
<i>REVENUE FROM FEDERAL TERRITORIES</i> <i>-(Cont.)</i>			
Hasil Bukan Cukai daripada Wilayah Persekutuan <i>-(Samb.)</i>			
<i>Non-Tax Revenue from Federal Territories</i> <i>-(Cont.)</i>			
92400	Sewaan <i>Rentals</i>	50,297	26,000
92900	Pelbagai Hasil Bukan Cukai <i>Miscellaneous Non-Tax Revenue</i>	1,597,284	2,424,000
JUMLAH HASIL KERAJAAN PERSEKUTUAN <i>TOTAL FEDERAL GOVERNMENT REVENUE</i>		225,074,947,242	221,023,000,000
		234,011,430,000	

Hasil Kerajaan Persekutuan

(Selepas Mengambil Kira Langkah Bajet
Yang Dicapangkan Dalam Bajet 2022)

Federal Government Revenue

*(After Taking Into Account Budget
Measures Proposed In 2022 Budget)*

JUMLAH HASIL SELEPAS LANGKAH BAJET TAHUN 2022
2022 TOTAL REVENUE AFTER BUDGET MEASURES

		<u>RM</u>
JUMLAH HASIL KERAJAAN PERSEKUTUAN		234,011,430,000
Sebelum mengambil kira langkah bajet yang dicadangkan dalam Bajet 2022		
TOTAL FEDERAL GOVERNMENT REVENUE		
<i>Before taking into account budget measures proposed in the 2022 Budget</i>		
LANGKAH BAJET:		
<i>BUDGET MEASURES:</i>		
60000	HASIL CUKAI TAX REVENUE	
61000	CUKAI LANGSUNG DIRECT TAX	5,196,000,000
61100	Cukai Pendapatan <i>Income Tax</i>	5,027,000,000
61900	Cukai Langsung yang lain <i>Other Direct Tax</i>	169,000,000
62000	CUKAI TIDAK LANGSUNG INDIRECT TAX	1,221,000,000
62200	Duti Import <i>Import Duty</i>	(373,000,000)
62300	Duti Eksais Terhadap Barangan Tempatan <i>Excise Duty on Local Goods</i>	1,036,000,000
62400- 62500	Cukai Jualan <i>Sales Tax</i>	748,000,000
62600	Cukai Perkhidmatan <i>Service Tax</i>	130,000,000
62800	Duti Eksais Terhadap Barangan Import <i>Excise Duty on Imported Goods</i>	(320,000,000)
64000	CUKAI PELANCONGAN TOURISM TAX	(200,000,000)
90000	HASIL DARIPADA WILAYAH PERSEKUTUAN REVENUE FROM FEDERAL TERRITORIES	
91000	HASIL CUKAI DARIPADA WILAYAH PERSEKUTUAN TAX REVENUE FROM FEDERAL TERRITORIES	(37,000,000)
Tambahan Hasil Bersih Net Revenue Gain		6,180,000,000
JUMLAH HASIL KERAJAAN PERSEKUTUAN		240,191,430,000
Selepas mengambil kira langkah bajet yang dicadangkan dalam Bajet 2022		
TOTAL FEDERAL GOVERNMENT REVENUE		
<i>After taking into account budget measures proposed in the 2022 Budget</i>		

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