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

BY CINDY YEAP

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

Those looking for clues as to whether the government can convincingly roll back blanket subsidies — especially for fuel, once and for all — would have noticed that the information asked of Malaysians by the Padu database includes the distance between one's residence and workplace. Treasury secretary-general Datuk Johan Mahmood Merican, for example, had previously said floating RON95 fuel prices and providing a general cash transfer to targeted groups would be good news for his colleagues living in Putrajaya but not civil servants commuting daily from, say, Seremban.

Putrajaya needs to act fast. Apart from the RM55.44 billion subsidies spent under operating expenses (opex) in 2022 — of which 81.5%, or RM45.18 billion, was on petroleum products — audited financial figures in 2022 show that the federal government had spent RM6.3 billion under the Special Covid-19 Fund to subsidise diesel (RM2.97 billion), RON95 petrol (RM2.76 billion) as well as liquefied petroleum gas (LPG) (RM554 million) in November and December 2022. The latter pushes total subsidies spent on petroleum products to RM51.48 billion, or about 3% of GDP in 2022, which is sizeable relative to the budget deficit of RM99.48 billion, or 5.6% of GDP, that year.

Total subsidies were RM70.3 billion in 2022, of which RM58 billion was spent under opex and the rest under the Special Covid-19 Fund, which ceased to exist in 2023, and RM5.87 billion was tapped for electricity discounts in 2022. High-consumption domestic users have already been paying more for electricity since last year, hitting the 83,000 households, or 1%, consuming above 1,500kWh a month (RM708 bill at the time) since July 1, 2023, and 15% of households consuming more than 600kWh since Jan 1, 2024. The next adjustment is due at end-June for the second half of this year.

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

The fiscal deficit is currently pencilled in at RM85.4 billion, or 4.3% of GDP, in 2024 and it is likely that only about RM40 billion had been budgeted for subsidies under opex

in 2024, versus RM41.4 billion in 2023, according to the 2024 Fiscal Outlook report. It is understood that some forms of social assistance had previously been paid from allocations under development expenditure.

Data-readiness

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

"The sooner we get the data, the faster we can administer ... So, we need to push the timeline and be ambitious about this," Rafizi told reporters in Putrajaya on Jan 4, noting that the latest information would help the government better determine who should get aid.

Even though "sensitive data" such as income cannot be seen when one logs on to the Padu interface, Rafizi says Padu "has all the information" — ahead of the tabling of the Omnibus bill in parliament later this year — because the assigned civil servants have worked tirelessly to negotiate data-sharing agreements to source relevant data from more than 400 government databases nationwide, including those from the National

Registration Department (JPN), Inland Revenue Board (IRB), Employees Provident Fund (EPF), Social Security Organisation (Socso) and Social Welfare Department (JKM).

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

As at 4pm on Jan 4 — 52 hours since the launch at noon on Jan 2 — 516,168 Malaysians had registered on Padu, with just over 50%, or 261,158, having completed the know-your-customer (e-KYC) process, which requires the submission of a selfie as well as a front and back snapshot of one's national registration identity card (NRIC). Only information on accounts with e-KYC would be checked for integration with Padu.

Rafizi told reporters that the number of registrations is "as per expectation" but noted that the challenge would be to keep the numbers up in the coming weeks, as this type of registration usually sees a rush at the launch and near the deadline. The civil service, he says, will be mobilised to help vulnerable groups in both rural and urban areas update their information on Padu.

"It is a dynamic process," Rafizi says, when asked about how the government cross-checks the authenticity of data provided by Malaysians. "This is only the second day," he adds, declining to elaborate on whether Padu has already helped weed out inclusion errors among the nine million recipients of Sumbangan Tunai Rahmah (STR) cash aids. By March 31, Rafizi says, Padu would be able to flag and exclude, for example, people who say they earn only RM500 a month but own two Mercedes Benz.

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

Raise trust and data security

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

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

Prime Minister Datuk Seri Anwar Ibrahim, when launching Padu on Jan 2, said the failure to digitise the government delivery system would see the affluent rather than those truly in need benefiting from subsidies



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

"Any government can only do its best to minimise risks. Even Singapore has lost data to hackers, including information on Prime Minister Lee Hsien Loong," says an observer, referring to the 2018 and 2019 attack on Singapore's public health system that compromised data from more than 1½ million people, which made global headlines and put a dent in the city state's reputation as a "smart nation" and cutting-edge technology hub.

"The rich, those who can afford to worry about data security and those who have not been entirely truthful to IRB may not register, but I think those desperate for aid would ... Those who think they can lie and get money might, too," the observer adds, expecting more teething problems to be raised and resolved in the coming weeks.

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

"It is therefore crucial that initial flaws in the system be corrected in order for the database to meet its intended objectives efficiently and effectively. Further, the public would benefit from more clarity over the mechanism of how Padu will be utilised to roll out targeted subsidies as intended," Yeoh said in a statement dated Jan 4. "Upgrading data security measures leads to improved public trust, which will then improve updates among the general public."

To address concerns over personal data protection, IDEAS director of research Juita Mohamad says: "It is crucial that the government introduces the Omnibus Act swiftly to include provisions on the treatment of personal data by the public sector." She notes that the Act "will also enable data sharing and cloud storage to take place among government agencies".

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

Ambitious but not impossible

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

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

Malaysians who may not need aid or think they would not qualify for subsidies now are also encouraged to register on Padu, as the database would serve as the "back-end" portion of the "GovTech" digital government services platform to provide more services to Malaysians. According to Rafizi, apart from targeted subsidies, the information in Padu would be continuously updated to enable more timely delivery of aid and form the base for a universal protection system in preparation of an ageing society. "Someone who is 50 and is T20 or M40 today may think they don't need or qualify for aid, but their income would fall when they retire," Rafizi elaborates.

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

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

"It is an ambitious project and it will take time to perfect, but bigger countries have successfully made progress, not just small countries such as Singapore or Estonia. India managed to register more than a billion people over 10 years, with the highest being close to 300 million in 2014," the observer says, referring to the 1.3 billion biometric Aadhaar digital identification system, which covers more than 90% of India's population and enables access to a range of services (including the delivery of aid and welfare payments) built on top of the "India Stack", the backbone of India's digital infrastructure.

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

A snapshot of information asked by the Padu database

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

See also "Padu could turn out to be a mere data collection exercise" on Page 47