



Asian Strategy & Leadership Institute  
*Dedicated To Creating A Better Society*

Title	Budget deficit must be monitored
Date	10 June 2020
Publication	The Star
Author	Tan Sri Ramon Navaratnam, Chairman, ASLI Centre for Public Policy Studies (CPPS)

STAR 10/6/20

# Budget deficit must be monitored

FINANCE Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz's recent comments about our capacity to finance the stimulus packages are most welcome, assuring and timely.

Most Malaysians would have been wondering how the government would finance the various economic stimulus packages to protect the people's health and arrest the decline of the economy. Can we afford all these necessary but perhaps insufficient subsidies? Would the government be able to sustain the vast pressure now imposed on the budget deficit?

Thankfully, the Finance Minister has said the budget deficit would be allowed to grow to about 6% this year from the estimated 3.4% projected in Budget 2020.

I agree that the World Bank, International Monetary Fund and, hopefully, commercial rating agen-

cies will be able to accept our larger budget deficits, which are inevitable if we are to effectively overcome our national crisis.

Our national debt will also increase, but the government will focus on domestic borrowing and not on foreign debt that could exert pressure on our balance of payments.

But we have to be very careful because if our deficit and debt rise too high, there can be a financial crisis. Hence, we have to do the following:

1. Monitor the deficit very closely. We can easily lose sight of this if we are under pressure to provide more subsidies. We will need periodic reports to keep track of our deficit.
2. Where the government cannot


afford to do more, the private sector must be given more freedom to expand business activities without too much protectionism. Some old restrictive business policies, quotas, licences, approved permits, old rules and regulations and etc. need to be reviewed, revised and reformed to enable genuine businesses to emerge and expand.

3. GLCs must be prepared to invite more competition from businesses that can compete more efficiently for the benefit of the people and economy as a whole.
4. We have to develop a new economic model that can serve the country and people more productively.
5. Our brain drain problem must be plugged by removing policy constraints in order to enrich our own

resources and capacity to attract more foreign investments and higher levels of technology.

6. With the large expenditures approved to stimulate the economy, we have to watch out for a possible increase in corruption and the many leakages that can occur which will erode public confidence in the stimulus packages.

The government must be commended for doing well in our fight against Covid-19 and its adverse effects on the economy. However, the budget deficit must be closely monitored to maintain and strengthen the budget's integrity.

 **TAN SRI RAMON NAVARATNAM**  
 Chairman, Asian Strategy and Leadership Institute