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DISCUSSION PAPER 9/20 | 21 JULY 2020

Social Protection and Fiscal Policy in Malaysia

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Khazanah Research Institute

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This version contains corrections made to Figure 26.

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Summary

- Fiscal policy goes beyond a singular purpose. Hence, funding for social protection must navigate the trade-offs in balancing the multiple objectives of fiscal policy. As a share of total operating expenditure, Malaysia's social protection spending has been moderating since the 2010s, and lower when benchmarked against several other countries.

- One of the constraints that shapes the trade-offs is the amount of fiscal space available. Therefore, it is important to give equal attention to the revenue side of funding social protection. An increased share of revenue had been derived from direct tax and non-tax revenue - away from indirect-tax revenue. At the same time, the share of oil-related revenue remains high, increasing the volatility of our fiscal space amidst unstable global oil prices.

- To ensure fiscal sustainability, fiscal rules exist. However, our assessment highlights that we are fast approaching these limits and is likely worsened by the current crisis. Nevertheless, it is important to recognise that there may be exceptional times when we should relax these rules. Otherwise, we may not have enough funds to provide social protection when people need them the most.

- Within social protection spending itself, there are trade-offs between programmes. We highlight that resources had been spread thinly across many small programmes, raising the probability of fragmentation and diseconomies of scale. The large number of ministries with a purview over these programmes suggest that there is room for consolidation and streamlining.

- There is also the question of whether we had improved the breadth of coverage for our social protection programmes at the expense of the depth of coverage. This comes with the shift from targeting only households in poverty to those in the B40, a much wider target. However, without a commensurate increase in spending, this dilutes the value of social assistance given to poor households.

- Shifting from income to life-cycle targeting has some merits and should be considered in our social protection reforms. However, programmes that address the key risk areas associated with old age and young children had been too low in coverage. This is pressing as care needs are rising at both ends of the age spectrum, on the back of Malaysia transitioning to an ageing population and more women seeking to enter the labour force.

- Programmes for youth and the working age had certainly not been short in number, but spending on promotive programmes for these groups had been moderating. Given the increasing rate of youth unemployment and depressed labour market conditions, active labour market policies translated into promotive programmes play a crucial role in the social protection landscape.

- Social sustainability, particularly with regard to redistribution, is also key. Social protection is redistributive at the aggregate level, but the magnitude was lower compared to other more developed countries. Moreover, the middle-income households, despite having similar standards of living as the bottom, had a much lower share of social benefits. These suggests that there is room to make social protection in Malaysia more redistributive and universal in outlook.

- There is also room to adjust our marginal tax rates to increase progressivity in order to raise revenue for social protection. The increasing top marginal tax rate in Malaysia indicates improving progressivity. However, it is still among the lowest compared to a selected number of countries. Marginal tax rates should be adjusted to optimise average tax rates, which we argue is a better indicator of progressivity.

Section 1: Introduction

In the past several years, there have been initiatives to reform Malaysia's social protection system. These initiatives are given impetus by two factors: first, changing demographics that has seen a growing ageing population; and second, development in the labour market that has gravitated towards informality and non-standard forms of employment. These have not only put pressure on our pension system but also raised new forms of exclusion in our social protection coverage and reach.

At the same time, the sizeable number of social protection programmes, some of which have similar nature and objectives, administered by various government ministries and agencies suggests fragmentation and overlaps. While size itself should not be seen as necessarily engendering fragmentation or overlaps—for an extensive web of social protection programmes can still be coordinated well—the existence of many small programmes does raise the likelihood of overlapping objectives and the lack of economies of scale in the overall ecosystem of these programmes.

Nonetheless, in all these deliberation and discourse on social protection reforms, there is insufficient attention paid to the financing aspects, in particular government revenue and expenditure that are used to fund a broad range of social protection programmes. Fiscal policy - a crucial variable in determining the success and failures of these reforms - is not given sufficient attention when proposals are put forward, with implications for the realisations of these proposed reforms.

Although the financing of social protection in Malaysia is not confined to the fiscal policy space—as we also have mandatory savings and contributory schemes - public funding forms a key pillar of our social protection financing. Moreover, the purported fragmentation and overlaps are primarily attributed to programmes that are financed by government expenditure, mainly the fragmentation and overlaps *between* these government-funded programmes (e.g. between different types of welfare assistance), and to a lesser extent, also the lack of complementarities with mandatory savings and contributory schemes (e.g. between EPF's old-age savings and government's means-tested elderly assistance).

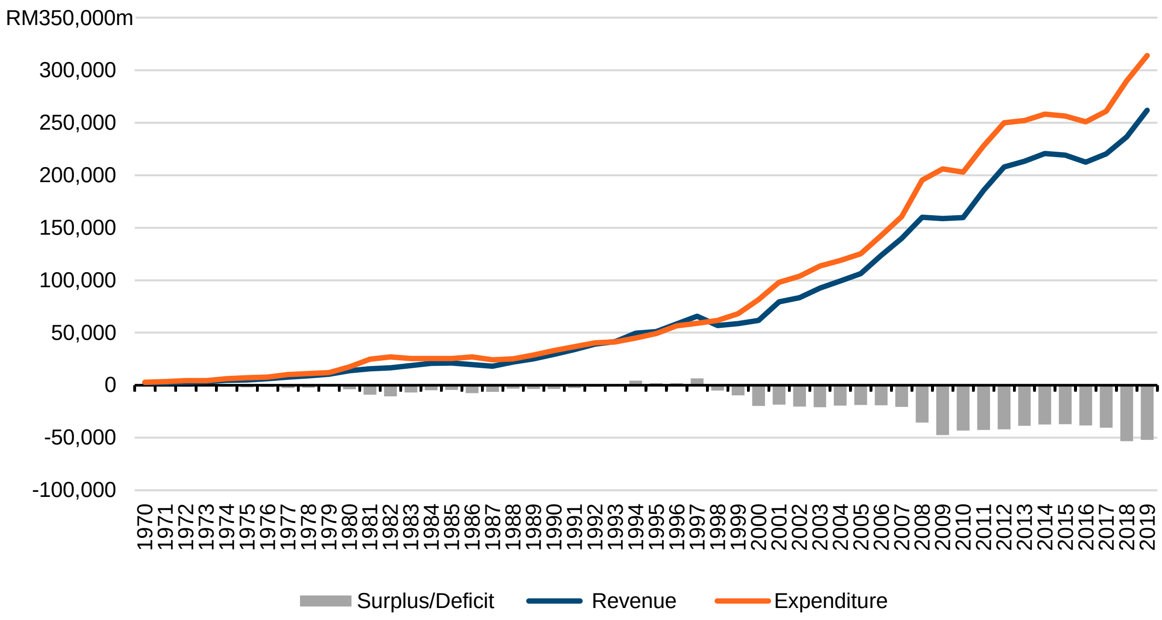
Therefore, this paper focuses on the link between social protection and fiscal policy. In Section 2, we take a broad view of this relationship by locating social protection within broader fiscal policy considerations. In Section 3, we dive deeper into social protection programmes that are funded by government expenditure and analyse how subsidies and social assistance expenditure are allocated across various social policy objectives. In Section 4, we assess the sustainability of our social protection programmes in the longer term, taking into account both fiscal and social considerations. The final section concludes with some policy discussions.

Section 2: The Broad View – Social Protection and Fiscal Policy

Malaysia's fiscal position

First, we look at Malaysia's fiscal position in terms of government revenue and expenditure levels over time (Figure 1). In the 1970s and 1980s, expenditure tracked revenue quite closely, incurring relatively modest deficit levels up until 1992. From 1993 to 1997, the years leading up to the Asian Financial Crisis (AFC), revenue exceeded expenditure for the first time, at least as far as data is available, and hence, we recorded fiscal surplus for those years. In the years after the AFC until 2019, expenditure continued to outpace revenue and its deficits were noticeably larger than the pre-AFC years.

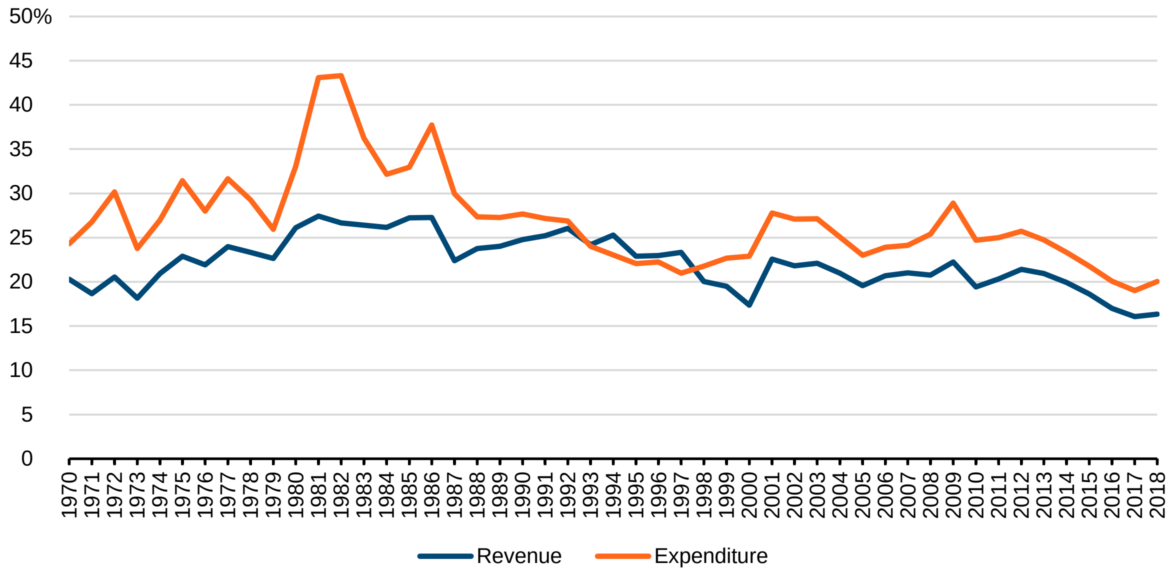
Figure 1: Federal government revenue and expenditure, in RM, 1970 – 2019



Source: MOF (2018), authors' calculations

While government revenue and expenditure had been trending upwards in value, the picture looks quite different when we track these long-term trends as a percentage of GDP (Figure 2). Instead of trending upwards, both revenue and expenditure peaked in the early-to-mid 1980s before setting off on a longer-term trajectory of trending downwards. The average government revenue as a percentage of GDP was 25.7% in the 1980s, then dropping to 23.4% in the 1990s, 20.9% in the 2000s and 18.8% in the 2010s. For expenditure, it dropped from a high of 43.3% in 1982 to a low of 19.0% in 2017. The peaks in expenditure share of GDP often coincided with the crisis years i.e. 37.7% in 1986, 27.8% in 2001 and 28.9% in 2009. However, we didn't see a peak in expenditure share of GDP during the AFC years.

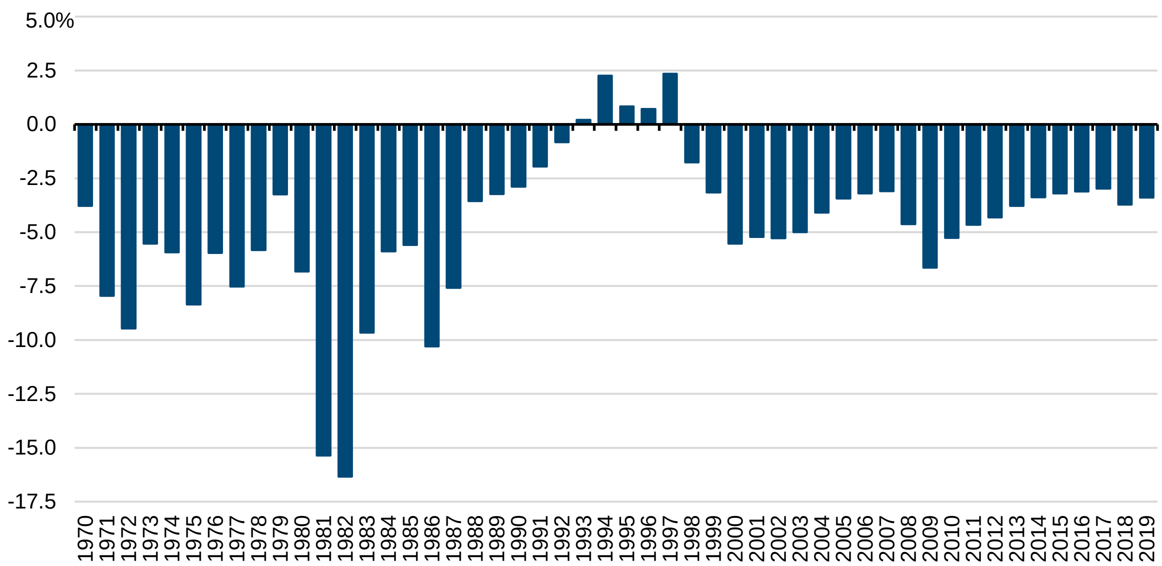
Figure 2: Federal government revenue and expenditure, as percentage of GDP, 1970 – 2018



Source: MOF (2018), authors' calculations

Fiscal surplus and deficit also look different when we analyse them as a percentage of GDP (Figure 3). While deficit levels were larger in absolute, nominal terms post-AFC than pre-AFC, the reverse was the case when we calculate them as a percentage of GDP, where post-AFC deficits were generally smaller than pre-AFC deficits. As mentioned earlier, fiscal surpluses were recorded for a brief period from 1993 to 1997. After that, fiscal deficit as a percentage of GDP increased to -6.7% in 2009 during the Global Financial Crisis (GFC) and has been moderating ever since.

Figure 3: Fiscal surplus and deficit, as percentage of GDP, 1970 – 2019



Source: MOF (2018)

From the perspective of macroeconomic management, fiscal policy is used for macro stabilisation and economic stimulus roles. Fiscal policy is often used together with monetary policy to ensure that there is a stable and sustained growth in aggregate demand. If aggregate demand grows too fast, it will result in inflation. However, if aggregate demand grows too slowly, it will result in unemployment.

Therefore, fiscal policy is essentially the use of government revenue and expenditure to achieve the objective of stable and sustained growth in aggregate demand. In theory, fiscal policy should be expansionary when aggregate demand is too low, and contractionary when aggregate demand is too high. More specifically, we can think of Malaysia's fiscal policy as having to balance between three broad macroeconomic objectives: low unemployment, price stability and economic growth. On the other hand, our monetary policy is more focused on price stability, but it is not strictly based on an inflation targeting framework[1].

Fiscal policy functions as automatic stabilisers for the economy in the sense that money will be extracted from the economy via the tax and transfer system when there is an economic boom e.g. higher household income means higher tax revenue and lower welfare transfers; and money will be ploughed back into the economy when there is an economic contraction e.g. recession means more pay-outs for unemployment insurance. This helps to lower the volatility in business cycle fluctuations.

Sometimes, fiscal policy's role is not automatic but depends on the discretion of policy makers. This is especially the case during economic recessions, where the government will introduce fiscal stimulus in the forms of discretionary spending, government guarantees and tax expenditures to prop up the economy. For the past several economic crises, fiscal stimulus was the largest during the GFC at 8.4% of GDP, followed by the AFC at 2.5% and the dot-com bubble at 2.2%[2]. In the most recent pandemic-induced crisis, the fiscal stimulus is estimated to be around 8.8% of GDP[3].

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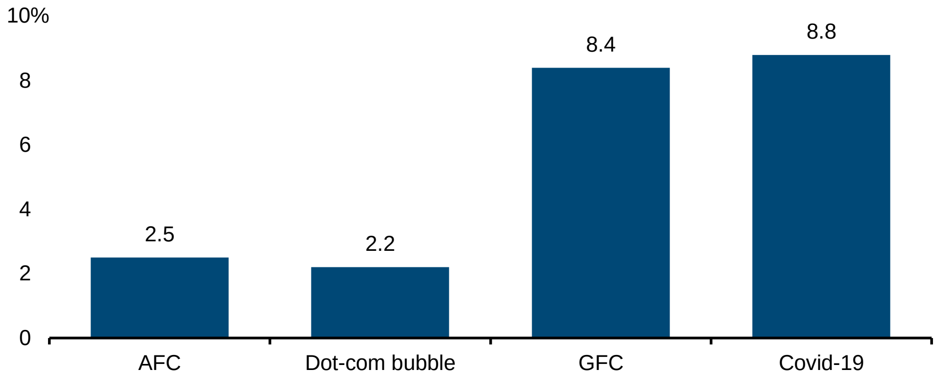
[1] Ibrahim (2018)

[2] Interestingly, the government ruled out expansionary fiscal policy during the commodity crisis in the mid-1980s and opted for neoliberal policies such as privatisation, deregulation and trade liberalisation as a way of recovering from the crisis (Source: Athukorala (2010), Narayanan (1996)).

[3] This is based on a crude estimation of the Prihatin Rakyat Economic Stimulus Package announced by the Prime Minister on 27 March 2020 (Source: PMO (2020b)), the Additional PRIHATIN SME Economic Stimulus Package announced on 7 April 2020 (Source: PMO (2020a)) and the Pelan Jana Semula Ekonomi Negara (PENJANA) announced on 5 June 2020 (Source: PMO (2020c)). The exact amount couldn't be determined at the time of writing as the pandemic is still ongoing and that further measures might be announced.

Figure 4: Fiscal stimulus as a percentage of GDP during economic crises



Source: Abidin et al. (2009), BNM (2001), The Star (2009), PMO (2020b, c, a)

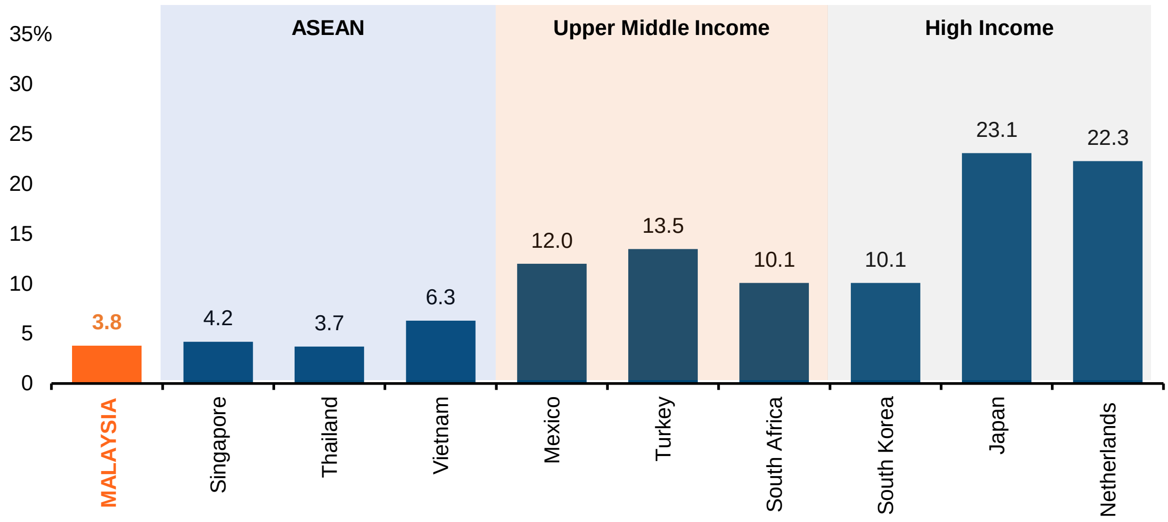
Social protection expenditure within fiscal spending

The expenditure side of fiscal policy is often used to fund a wide range of social protection programmes such as unconditional cash transfers, housing assistance, universal healthcare, basic education. Public funding is especially relevant for developing countries where social protection expenditures are often tied to poverty reduction programmes[4]. For example, post-AFC, Indonesia had undertaken fiscal policy reforms, most prominently the removal of fuel subsidies, to extend healthcare coverage to the entire population, broaden pension coverage and provide income support to low-income families[5]. During the GFC, Mexico expanded consumption subsidies and targeted transfers as part of its overall fiscal policy reforms[6].

Figure 5 provides a comparison of Malaysia's social expenditure with selected countries. It shows that Malaysia's social expenditure as a percentage of GDP was notably lower than the high-income and upper middle-income countries. Among selected ASEAN countries, we are comparable with Thailand in terms of social expenditure, but marginally lower than Singapore and Vietnam.

[4] Durán-Valverde et al. (2012)
[5] Chowdhury (2016)
[6] Scott (2014)

Figure 5: Total social expenditure including health as a percentage of GDP, based on latest available years[7]



Source: ILO (2017)

Besides expenditure, it is also important to pay attention to the revenue side as it is needed to finance a broad range of social protection programmes[8]. Bastagli (2015) extends the argument further by pointing out that we would only get a partial view of the impact on poverty and inequality if we do not factor in tax policy while evaluating social protection. In other words, how much and what are being spent on, together with how they are funded would determine whether a social protection regime is redistributive and socially just.

As mentioned earlier, fiscal policy is used in tandem with contributory and mandatory savings schemes in Malaysia to deliver the objectives of protection, prevention and promotion in social protection[9]. Figure 6 below provides a framework for the social protection system in Malaysia by risk area, life cycle and the available schemes/programmes.

Protective measures provide relief from poverty and deprivation, often through resource transfers. Preventive measures, on the other hand, seek to avert deprivation and are often provided in the form of insurance to help vulnerable groups deal with livelihood shocks. Jointly, they act as instruments that primarily address economic deprivation and vulnerability associated with the risk of becoming poor. Promotive measures focus on skill and knowledge investment to enhance productivity and build resilience of the population to safeguard against potential vulnerabilities.

[7] All 2015 except for Malaysia (2012), Turkey (2014) and Japan (2013): [Source: ILO (2017)]
[8] Claus et al. (2013)
[9] Devereux et al. (2004)

Figure 6: Social protection in Malaysia

	Risk Areas	Children/ Youth	Working-age adults: Public	Working-age adults: Private	Working-age adults: Self-employed	Elderly
PROMOTIVE	Capabilities		Government-funded training schemes (e.g. HRDF) and job-seeking services (MOHR)			
PREVENTIVE	**Core Risk Areas (Guided by Convention No.102)**					
	(1) Medical Care		Insurance	Insurance		
	(2) Sickness		Insurance, LTAT	EPF, SOCSO	EPF	
	(3) Unemployment			SOCSO, EIS		
	(4) Old-age		Pension, LTAT	EPF, SOCSO, WCI*	EPF	
	(5) Employment Injury		Insurance, LTAT	SOCSO, WCI		
	(6) Family					
	(7) Maternity		Maternity benefits	Maternity benefits		
	(8) Invalidity		Pension, LTAT	EPF, SOCSO, WCI		
	(9) Survivors		Pension, LTAT	EPF, SOCSO, WCI		
PROTECTIVE	Basic Needs/Poverty	**Targeted** benefits for the poor such as cost-of-living cash allowance, welfare aid, housing assistance, and care services				
		Universal schemes such as subsidies for food, utilities, petrol, healthcare and education				

Source: Authors' illustration

As highlighted earlier, social protection programmes also function as a form of automatic stabilisers. This is also the case for Malaysia. For example, the cash transfer programme known as Bantuan Sara Hidup (BSH)—where the eligibility criteria references the bottom 40% (B40) household income threshold of RM4,000[10]—would likely see more households falling below the threshold during an economic shock such as the Covid-19 crisis and hence, the number of households eligible for the BSH would increase. Similarly, the increase in retrenchment during the Covid-19 crisis has raised the number of claimants for unemployment insurance under the Employment Insurance System (EIS) administered by Malaysia's Social Security Organisation (SOCSO), thus injecting more money into the economy.

There is also a discretionary element in our fiscal policy focused on social protection programmes. Again, as an example, during the Covid-19 crisis, BSH with a fixed budget was inadequate to cover the increasing number of households that have been rendered vulnerable due to furloughed work or loss of employment. Hence, the government introduced Bantuan Prihatin Nasional (BPN) with an additional allocation of RM10b to extend the coverage of the cash transfer programme to the middle 40% (M40) households. Similarly, to prevent mass unemployment, which would otherwise overwhelm the EIS, the government introduced a wage subsidy programme (RM19.1b) and an employment retention programme (RM240m) by injecting fiscal expenditure into SOCSO in order to deliver social protection to workers.

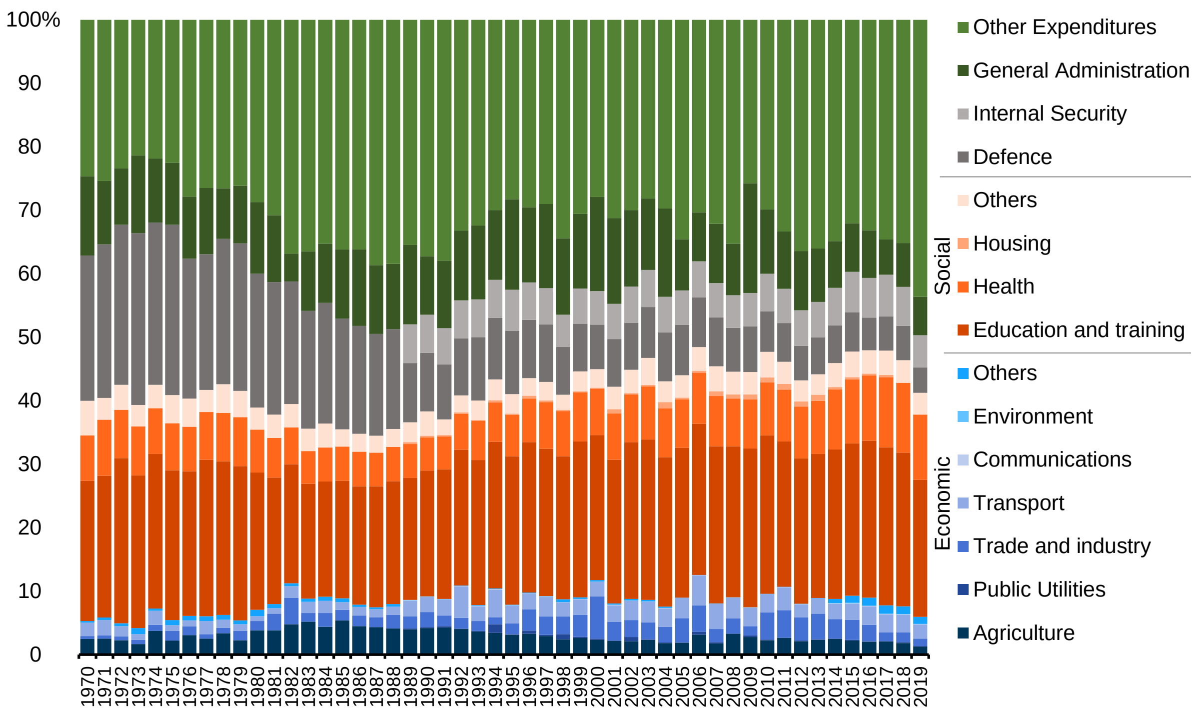
[10] The benefit amount is adjusted based on income range below RM4,000 household income i.e. RM3,001-RM4,000: RM500; RM2,001-RM3,000: RM750; and below RM2001: RM1,000. There is also a child allowance of RM120 per child to take household size into consideration.

When we analyse fiscal policy implications and considerations for social protection programmes, one crucial dimension is to recognise trade-offs when fiscal resources are limited. Broadly, there are two trade-offs: inter-sectoral and intra-sectoral.

On inter-sectoral trade-off, as highlighted above, fiscal policy is not only used for social protection purposes but must also serve the overarching aim of macroeconomic management: to balance between low unemployment, price stability, and economic growth. When we look at government expenditure by sector, we can see that there are other sectors besides the 'social sector' that would pose trade-offs for the government given the fixed budget constraint. The other sectors are economic, security, general administration, and other expenditures[11].

Between 1970 and 2019, the share of operating expenditure (OE) for all the sectors had increased except for the security sector (Figure 7). The share of OE for the security sector had decreased steadily from 22.9% in 1970 to 9.1% in 2019. It should also be noted that the statistical distinction between defence and internal security spending was only made after 1989. Meanwhile, the economic and social sectors had increased only marginally in that period, so the bulk of the increase was from "Other Expenditures". However, the breakdown of what constitute "Other Expenditures" is unavailable in the Economic Reports published by the Ministry of Finance. Generally, the social sector always had the highest share of OE amongst the sectors, except on certain years where it was below "Other Expenditures" (i.e. 1981-93, 1998, 2012-13 and 2019). On the other hand, the economic sector had remained on average below 10% for all the years.

Figure 7: Share of operating expenditure (by sector) in Malaysia, 1970 – 2019



Source: MOF (2018), authors' calculations

[11] The category "Other Expenditures" only applies to operating expenditures and not development expenditure.

In the 1970s, social expenditure averaged 35.5%, decreased to 28.0% in 1980s before increasing to 32.1% in the 1990s, 35.8% in the 2000s and 37.3% in the 2010s (Table 1). The largest share of social expenditure was for education followed by health and then others. Housing expenditure was only recorded from 1989 onwards at 0.3% and had generally remained below 1.0%. Between 1989 and 2019, health expenditure had the highest increase in the share of social expenditure while housing had seen a decrease. The shares for education and others were almost unchanged.

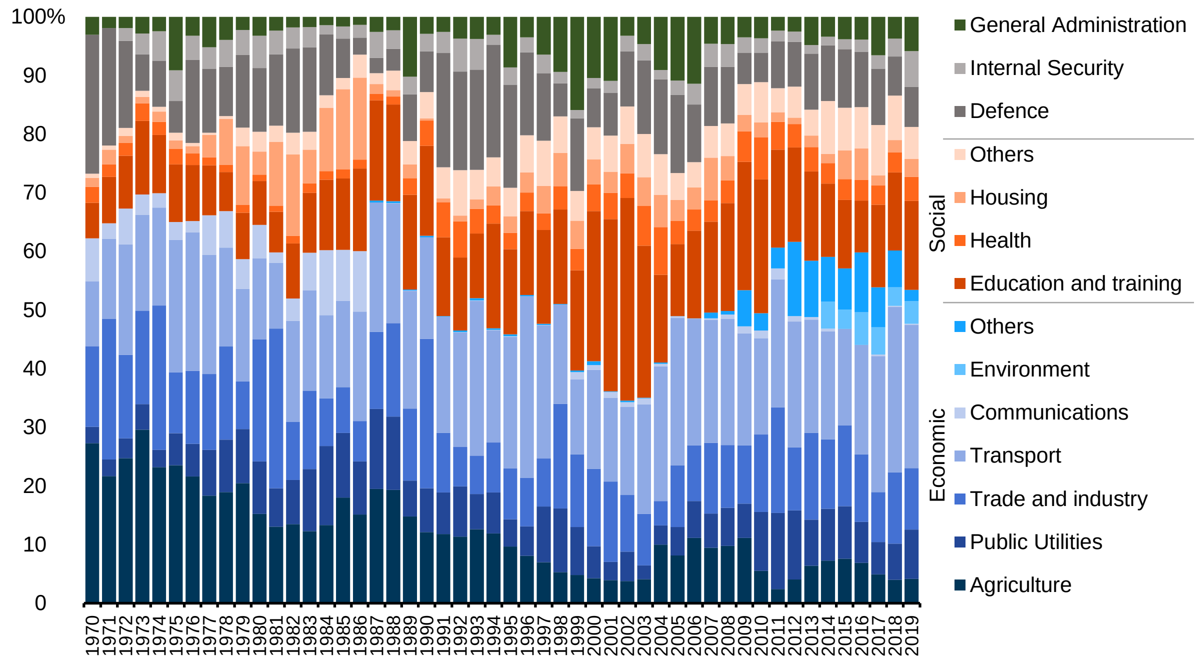
Table 1: Average share of operating expenditure (by sector) in Malaysia, 1970 – 2019

	Economic	Social	Security	General Administration	Other Expenditures
1970s	5.7	35.5	24.1	10.1	24.6
1980s	8.5	28.0	18.0	10.1	35.3
1990s	9.2	32.1	14.8	11.7	32.3
2000s	9.1	35.8	13.0	11.6	30.5
2010s	8.6	37.3	11.4	7.8	34.9

Source: MOF (2018), authors' calculations

As for development expenditure (DE) by sector, the largest share of DE generally went to the economic sector followed by social, security and finally general administration. Nonetheless, between 1970 and 2019, the social sector and general administration had seen an increase in the share of DE, while the economic and security sectors had seen a decrease. For the social sector, the increase in share was across the board - covering education, health, housing and others. As for the economic sector, the increase in share was mainly driven by transport and the emergence of environment in more recent years. The rest of the economic subsectors had seen a decrease in share.

Figure 8: Share of development expenditure (by sector) in Malaysia, 1970 – 2019



Source: MOF (2018), authors' calculations

The share of DE that went to the social sector increased gradually over the decades and peaked at 36.4% in the 2000s before moderating to 27.9% in the 2010s (Table 2). Other than the years 2001 to 2003, the social sector shares of DE were generally lower than the economic sector shares. Within social sector, the highest increase in share was for others, followed by education, housing and finally health.

Table 2: Average share of development expenditure (by sector) in Malaysia, 1970 – 2019

	Economic	Social	Security	General Administration
1970s	65.6	15.2	15.7	3.6
1980s	60.7	24.5	11.9	2.9
1990s	49.4	27.4	17.2	6.0
2000s	43.8	36.4	12.4	7.3
2010s	57.4	27.9	10.6	4.1

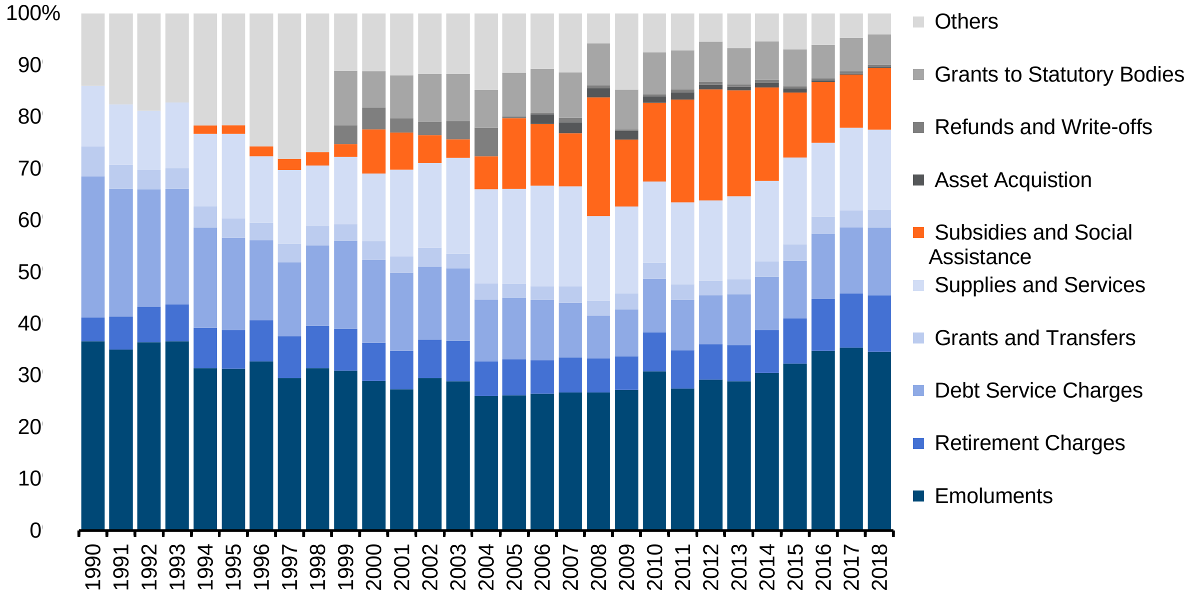
Source: MOF (2018), authors' calculations

We can also look at inter-sectoral trade-off in terms of expenditure components or objects. We can take spending on subsidies and social assistance as the proxy for social protection spending, but it should be noted that the classification by object does not exactly match the classification by sector. Therefore, subsidies and social assistance would not match the expenditure on the social sector, although we have used both to indicate social protection spending.

The actual OE on subsidies and social assistance was only reported as a category on its own starting from the 1999 Economic Report, with reported figures stretching back to 1994. Prior to that, there were estimates on subsidies and social assistance but not the actual numbers.

The OE share of subsidies and social assistance was as low as 1.6% in 1994 when it was first reported but increased by more than five times to 8.5% in 2000, during the lead-up to the dotcom bubble (Figure 9). It peaked at 22.9% share in 2008 during the GFC, likely driven by fuel subsidies as there was a sharp increase in oil prices around the same time. Since the fuel subsidy reforms introduced in 2013, and rolled out in 2014, the share of subsidies and social assistance had since moderated from a high of 21.4% in 2012 to 11.9% in 2018.

Figure 9: Share of operating expenditure (by object) in Malaysia, 1990 – 2018



Source: MOF (2018), authors' calculations

The share of emoluments in the OE was the largest but had remained stable over the years, ranging from 26.0% to 36.6%. However, the share of retirement charges had more than doubled from 4.6% in 1990 to 10.8% in 2018, driven by demographic changes. This would likely still go up in the coming years as more civil servants retire. In addition, our ageing demographics would put further pressure on subsidies and social assistance when retirement savings or pension are deemed insufficient to attain minimum living standards.

The share of debt service charges was at a high of 27.3% in 1990, reeling from the high-debt years of the mid-1980s, but subsequently decreased to a low of 8.3% in 2008 before rising again to 13.1% in 2018. This is important to bear in mind because high debt service charges would have implications for fiscal space that is needed to fund subsidies and social assistance programmes.

On intra-sectoral trade-off, one option is to look at how expenditure is allocated within the social sector i.e. education, health, housing and others. We have done this briefly earlier. Another way is to look at competing options within the social protection framework for example: the nature of social protection spending (i.e. whether they are promotive, preventive, or protective); life-cycle groups that are targeted (i.e. children, youth, working age population or the elderly); the coverage of the programmes (i.e. whether they are universal or targeted); and instruments used to deliver these programmes (e.g. cash assistance, public services, in-kind transfers, subsidies). This is explored further in Section 3 when we analyse the breakdown of subsidies and social assistance by programme.

Government revenue and debt

Even after weighing all the trade-offs and identifying a particular social protection programme as desirable, there should also be considerations on whether we have the fiscal space to do so, as social protection programmes are usually not one-off. This is also the reason why we think that it is more important to analyse the OE rather than the DE. Once committed, a programme will require a stream of funds over the course of several years. The target group can also increase either due to demographic changes or economic shocks, and hence, all these contingencies have to be accounted and planned for.

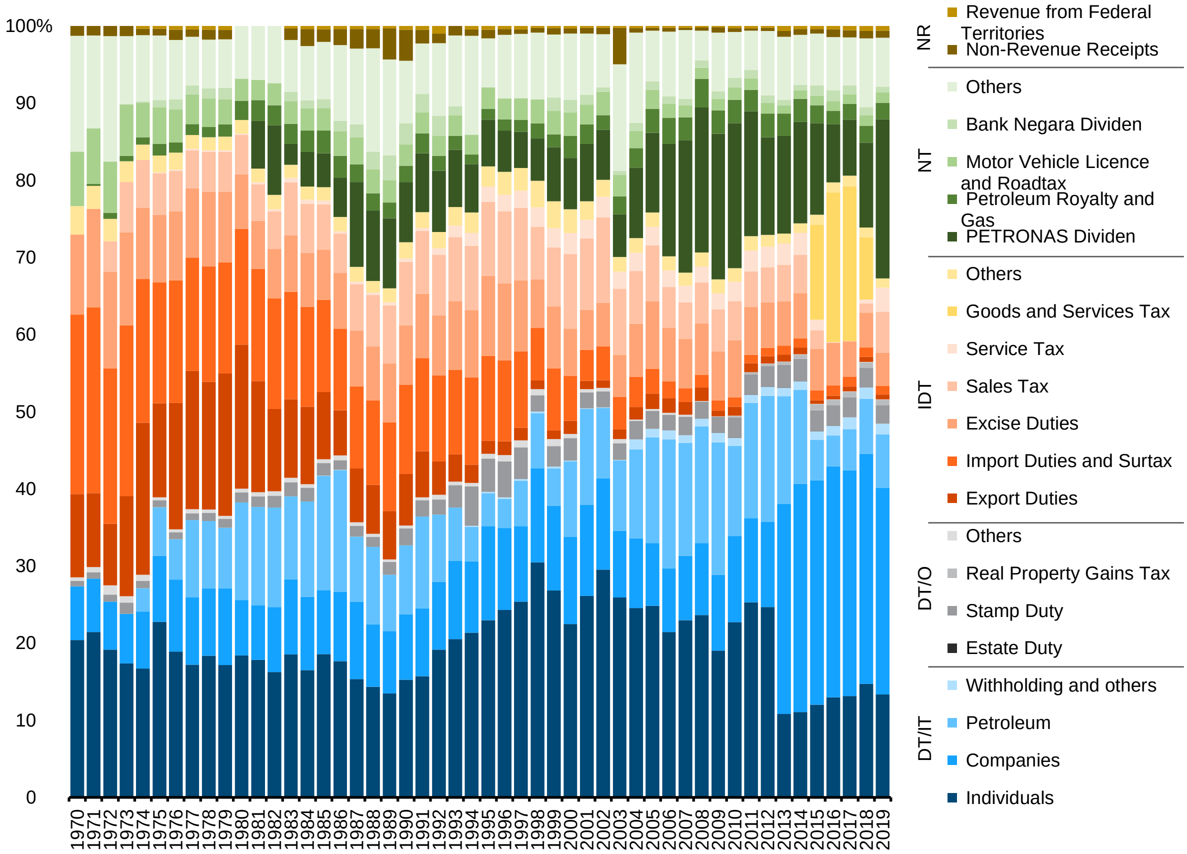
The timing of fiscal policy is also important. Some countries have explicit counter-cyclical or pro-cyclical fiscal policies in place which would determine the feasibility of introducing a new social protection programme at a point in time. There are also fiscal rules put in place as safeguards for prudent management of fiscal resources[12], but this means that they can act as artificial constraints on social protection spending. In Malaysia, our fiscal policy can perhaps be characterised as a-cyclical i.e. we are neither pro-cyclical nor counter-cyclical by design. However, we do have fiscal rules in place.

Therefore, it is also important to pay attention to the revenue and debt side of things, as the capacity to raise revenue or incur debt directly affects the size of the fiscal surplus or deficit as well as debt levels, and subsequently determines the feasibility of a social protection programme.

Figure 10 shows the share of government revenue in Malaysia. Between 1970 and 2019, the increase in the share of direct tax (DT) was mainly driven by the increase in the share of DT on companies whereas the share of DT on individuals had decreased. The share of DT on petroleum also went up since the enactment of the Petroleum Development Act in 1974 and the establishment of Petronas in the same year—it peaked in 2009 but had since decreased. As for indirect tax (IDT), the excise, import and export duties used to make up a large share of our revenue but had since decreased significantly. In 2014, the goods and services tax (GST) took up the largest share of IDT, though it was abolished in 2018. For non-tax (NT) revenue, the largest share was made up from dividends from Petronas.

[12] These are rooted in public choice and partisan theories that assume a disconnect between the welfare of society and the interest of individual policy makers (Froyen (2013)).

Figure 10: Share of revenue in Malaysia, 1970 – 2019



Note: DT/IT = Direct tax (income tax), DT/O = Direct tax (others), IDT = Indirect tax, NT = Non-tax, NR = Non-revenue
Source: MOF (2018), authors' calculations

When we look at the average share of revenue by decade (Table 3), it is clear that the share of DT and NT had increased, while the share of IDT had decreased. The share of non-revenue (NR) receipts had remained generally stable but they constitute only a small share of the total revenue.

Table 3: Average share of revenue in Malaysia, 1970 – 2019

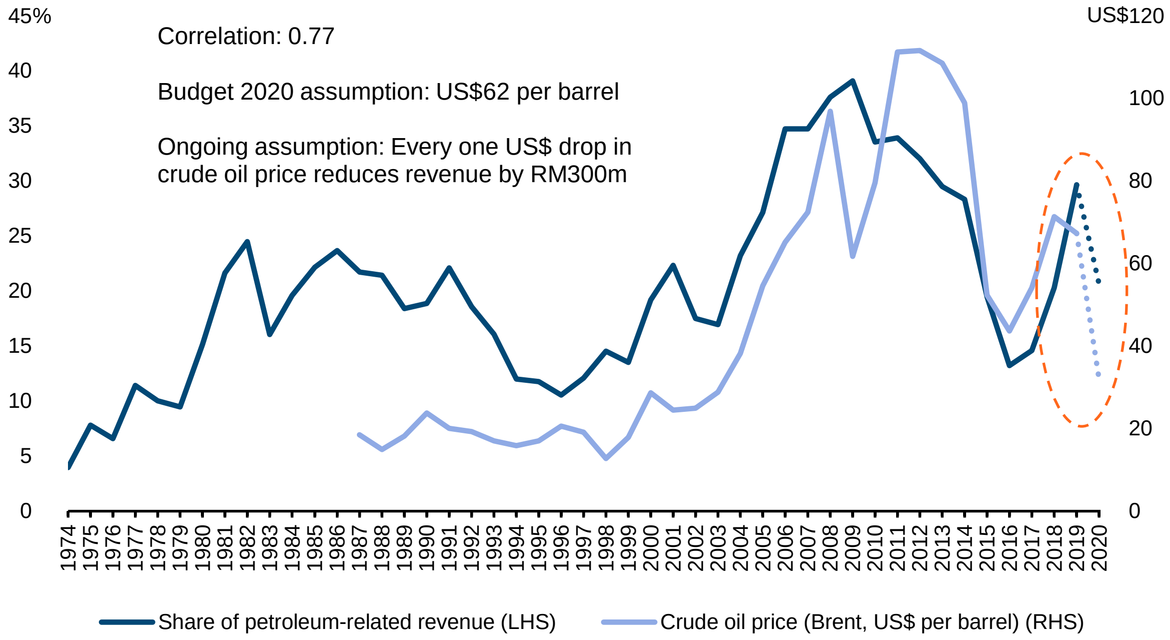
	DT	IDT	NT	NR
1970s	32.6	49.6	16.4	1.4
1980s	39.0	37.4	21.6	1.9
1990s	43.0	34.5	20.8	1.7
2000s	49.9	22.9	26.0	1.2
2010s	53.8	20.1	25.0	1.2

Source: MOF (2018), authors' calculations

One persistent issue on the revenue side is our dependence on oil-related revenue (DT on petroleum, petroleum royalty and dividends from Petronas) and whether we can diversify away from this as we transform our economy. The share of oil-related revenue had been increasing post-AFC and peaked at 39.1% in 2009 during the GFC before moderating in subsequent years (Figure 11). The sharp inversion of the curve in 2019 was due to the one-off RM30b special dividend paid by Petronas to the government, but the share is estimated to be lower at 20.2% in 2020.

We also see from Figure 11 that the share of oil-related revenue correlates with global crude oil prices. This is a concern especially during the pandemic where we witnessed historic lows in oil prices—even going into negative territories for the West Texas Intermediate (WTI)—with dire impact on our revenue source.

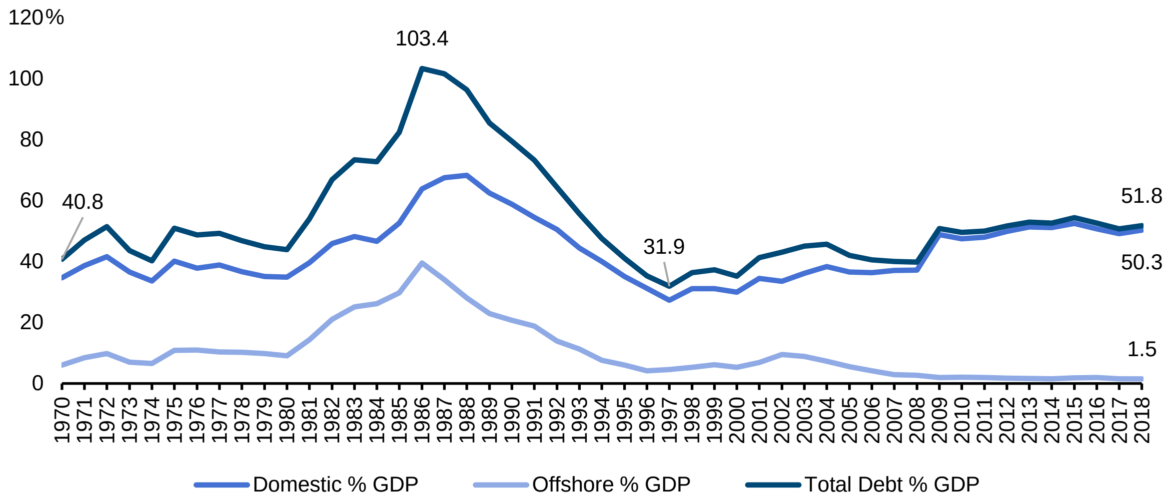
Figure 11: Share of oil-related revenue in Malaysia, 1974 – 2020



Source: MOF (2018), Mchedlishvili et al. (2020) and authors' calculations

As for federal government debt, it was at 40.8% of GDP in 1970 and went up to an all-time high of 103.4% in 1986 during the commodity crisis, which triggered a slew of neoliberal reforms. This eventually led to a decrease in debt to an all-time low of 31.9% in 1997. Post-AFC, debt as a percentage of GDP trended upwards and it stood at 51.8% in 2018, still below our self-imposed debt ceiling of 55% of GDP. The bulk of our debt are raised domestically, denominated in local currency, rather than offshore. Domestic debt was at 50.3% while offshore debt was 1.5% in 2018.

Figure 12: Debt as a percentage of GDP, 1970 – 2018



Source: MOF (2018), authors' calculations

Redistributive impact

A final consideration is on the distributional impact of fiscal policy transmitted via the social protection system. Given the trade-offs and fiscal constraints, the question is not whether there is social stratification in social protection regimes, but what kind of social stratification[13]. For example, with a fixed budget constraint, an expansion of the target group from the B40 to the M40 means that the benefit per capita would be diluted, reducing the depth of social protection for each household. A family allowance that targets women would promote a particular gendered arrangement for households, resulting in more women staying at home. An introduction of universal social pension could mean less allocation to address youth unemployment issues. These are examples, of course, and it is likely that there are compromised solutions, but they suggest that every programme would create winners and losers with different distributional outcomes. This has implications for the social support a programme receives, which in turn affects its overall sustainability. We look at this in Section 4.

[13] Esping-Andersen (1990)

Section 3: The Deep View – Subsidies and Social Assistance

Delving into the specific subsidies and social assistance programmes provides a deeper understanding of the trade-offs in fiscal spending and the extent of fragmentation. This section examines the subsidies and social assistance landscape across these aspects:

1. Coverage i.e. whether they are universal or targeted;
2. Nature i.e. whether they are protective, preventive or promotive;
3. Types of instruments used (e.g. cash transfers, subsidies)

In each aspect, we look into the number of programmes, the total spending incurred and in some cases the number of ministries involved. Our analysis is based on 2006 to 2018 government expenditure data disaggregated at the individual programme level, provided by the Ministry of Finance (via data request). We reclassified subsidies and social assistance programmes into our own analytical categories mentioned above using information provided in the data files and supplemented further by public sources. However, a large part of the data between 2006 to 2011 is not disaggregated at the individual programme level and is instead grouped[14]. To make use of the data between 2006 to 2011, we assign the classifications for these broad groupings of programmes to match the characteristics of individual programmes that are available from 2012 onwards. A list of all programmes available since 2006 and their classification can be found in Appendix A.

Overview

As a backdrop, the number of programmes had increased between 2006 to 2018, from 11 to 123 programmes (Figure 13). However, due to the data structures described above, the numbers up to 2011 are lower because of how the programmes were aggregated and not necessarily because there were fewer programmes in those years. Since 2012, a large jump took place in 2014, as the number of programmes rose from 101 in the prior year to 124. This was followed by a moderation until 2017, after which the number rose again to 123 programmes in 2018.

Despite the overall increase in the number of programmes between 2012 to 2018, the total amount of spending dropped (Figure 14). Given that fuel subsidies made up a large portion of overall spending, the decrease was mainly due to the fuel subsidy rationalisation on the back of high oil prices in 2012. After a sharp peak in total subsidies and social assistance spending at RM44.7b in 2012, spending decreased to RM30.2b by 2018. While it is important to note that there are differences between the requested dataset and public data, the broad trends remained consistent.

[14] For example, between 2006 to 2011, spending on scholarships was aggregated without specifying how much was spent for specific scholarship programmes by the individual ministries and agencies.

Figure 13: Number of subsidies and social assistance programmes, 2006 – 2018

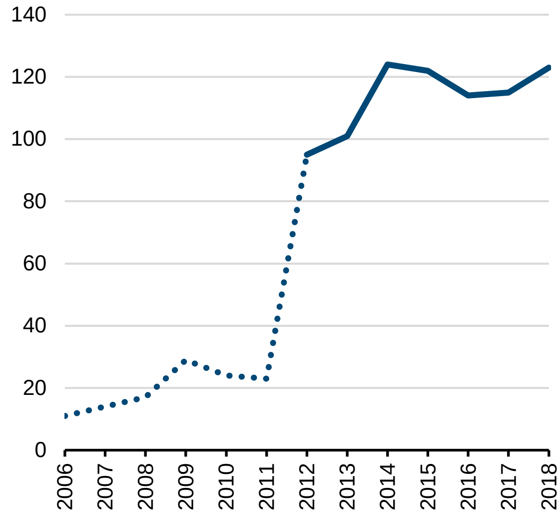
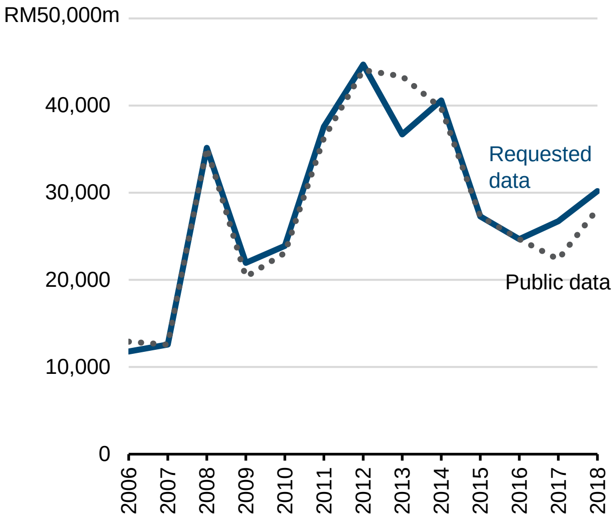


Figure 14: Total fiscal spending in subsidies and social assistance programmes, in RM, 2006 – 2018



Source: MOF (2019a) and authors' calculations

Amidst the overall proliferation of new programmes, the number of programmes had increased for some ministries and had decreased for others (Table 4). This came about not only as new programmes were introduced while others were phased out, but also because some programmes were shifted between ministries. Between the different ministries, a few ministries consistently ranked among the top with regard to the number of programmes, particularly the Ministry of Education (KPM) and the Ministry of Women, Family and Community Development (KPWKM). Furthermore, in 2018, the Prime Minister's Office (JPM) had seen a drastic jump in the number of programmes, as it took over several programmes from other ministries, such as the Ministry of Rural Development (KPLB, formerly KKLW).

In terms of spending, Table 5 shows that MOF far outranked the other ministries despite having only two to four programmes since 2006. This is because among them were the fuel subsidy programme and BR1M/BSH (Bantuan Rakyat 1Malaysia/Bantuan Sara Hidup), both of which made up a large portion of total subsidy and social assistance spending.

Overall, the prevailing backdrop indicates a decreasing level of spending but a steady rise in the number of programmes, and these were spread across a large number of ministries and agencies. This raises the question of what trade-offs were being made, and whether this development had decreased the economies of scale of Malaysia's social protection programmes.

Table 4: Number of programmes by ministry, 2006 to 2018

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
KPM	4	4	3	5	2	2	26	28	32	32	30	25	26
KPWKM				1	1	1	11	12	23	22	21	22	22
JPM				1	1	1	6	6	8	7	5	8	21
MOA	2	5	6	8	7	7	7	7	7	7	8	7	8
KKLW/KPLB							13	14	17	15	13	12	7
KDN							5	6	6	5	5	6	6
MINDEF							2	3	4	5	4	5	5
KPDNKK/KPDNHEP			2	5	4	3	4	4	3	4	4	4	4
MOF	2	2	2	2	2	2	3	3	4	4	4	4	4
JPA							4	2	3	4	4	4	3
KKM			1	1			3	3	3	3	3	3	3
KBS							1	1	1	1	1	1	2
MOT							2	2	2	2	2	2	2
B.12													2
KeTTHA/MESTECC				1	1	1	1	1	1	1	1	1	1
KKR	1	1	1	1	1	1	1	1	1	1	1	1	1
KPKT								1	1	1	1	1	1
KSM							2	2	2	2	1	1	1
KWP								1	1		1	1	1
MOH							2	2	2	2	1	1	1
MOTAC													1
MPIC/MPI										1	1	3	1
KPT							2	2	3	3	3	3	
Unknown				1	1	1							
Various	2	2	2	3	4	4							

Min Max

Source: MOF (2019a) and authors' calculations

Table 5: Spending on programmes by ministry, in RM million, 2006 to 2018

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
MOF	8,081	8,214	18,371	7,131	10,844	21,659	29,211	24,779	23,953	10,900	10,215	12,344	16,069
KPM	1,008	1,163	3,675	2,465	1,991	1,866	3,118	3,293	4,201	4,290	3,387	3,430	3,729
KKLW/KPLB							2,094	164	2,644	2,510	2,362	2,420	2,487
MOA	841	864	2,702	1,928	1,358	2,194	2,304	2,418	2,409	2,297	1,983	1,921	2,041
KPWKM				76	408	488	1,149	1,172	1,314	1,398	1,433	1,427	1,449
JPA							1,856	269	1,935	2,058	1,914	1,660	1,132
KPDNKK/KPDNHEP			653	934	1,633	2,017	2,274	1,537	1,170	1,331	629	910	729
JPM				2,620	1,565	2,600	850	744	704	640	522	650	593
KKM			21	23			286	325	322	309	305	292	573
KKR	135	116	223	484	355	300	562	549	461	235	593	420	450
MOT							140	144	178	240	196	258	245
MPIC/MPI										2	63	163	165
MINDEF							54	323	146	139	133	102	158
B.12													136
KeTTHA/MESTECC				144	128	146	147	142	145	123	128	99	100
KDN							148	177	249	168	187	151	98
KWP								16	11		9	11	11
KBS							16	19	20	20	25	18	7
MOTAC													2
KSM							25	43	40	44	31	11	2
MOH							29	53	44	23	3	1	1
KPKT								8	7	6	4	4	1
KPT							445	536	636	538	568	425	
Unknown				169	460	479							
Various	1,718	2,208	9,521	5,975	5,158	5,845							

Min Max

Source: MOF (2019a) and authors' calculations

Coverage of programmes: universal vs targeted

With regard to whether programmes are universal or targeted, this can be viewed as a spectrum since a programme can be described as universal but still entail some form of categorical targeting. For example, a "universal child benefit" may be universally accessible to all and entail no income requirements, but can only be directed to children or families with children (which we classify as a targeted programme). Thus, we mainly assess coverage of programmes by their explicit eligibility criteria, particularly with regard to the targeted life-cycle groups, income and other criteria such as occupation. Taking these aspects into consideration, we have classified programmes as being universal if they have no eligibility requirements with respect to age, income and other aspects such as occupation, disability or ethnicity.

Based on our classification, we find that the number of targeted programmes outnumbered universal programmes by a multiple of 2.7 times in 2006 and increased to 14.4 times in 2018 (Figure 15).In 2018, there were 115 targeted programmes compared to only eight universal programmes However, in terms of the total amount spent, there were periods when spending on universal programmes exceeded that of targeted programmes (Figure 16). This was between 2006 and 2008 as well as 2010 and 2014. Nevertheless, from 2015 onwards, spending on targeted programmes made up on average more than two-thirds of total spending.

Figure 15: Number of targeted programmes as a multiple of universal programmes, 2006 – 2018

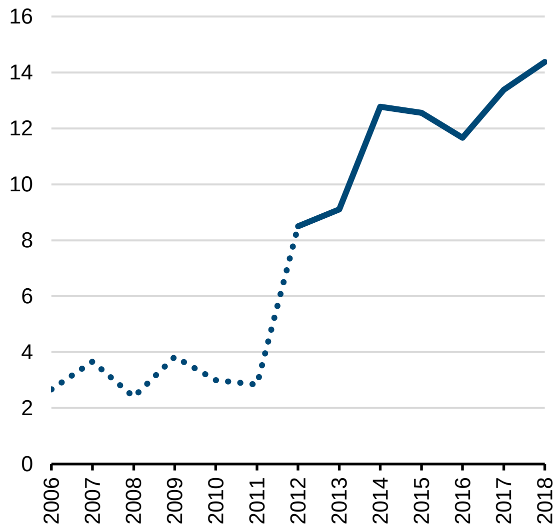
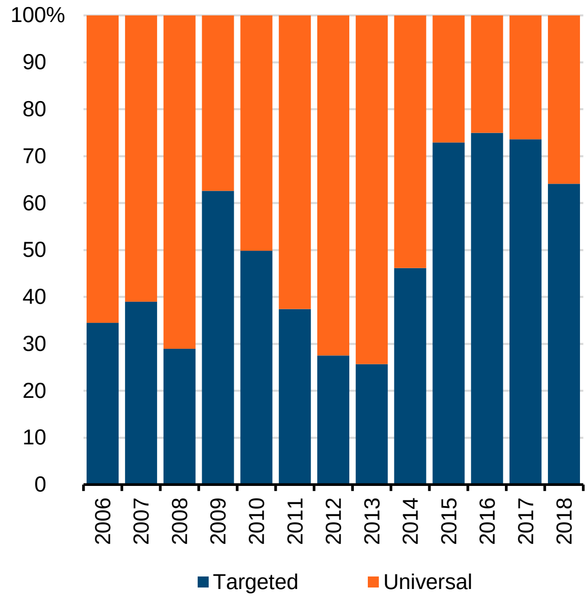


Figure 16: Percentage of spending on targeted and universal programmes, 2006 – 2018



Source: MOF (2019a) and authors' calculations

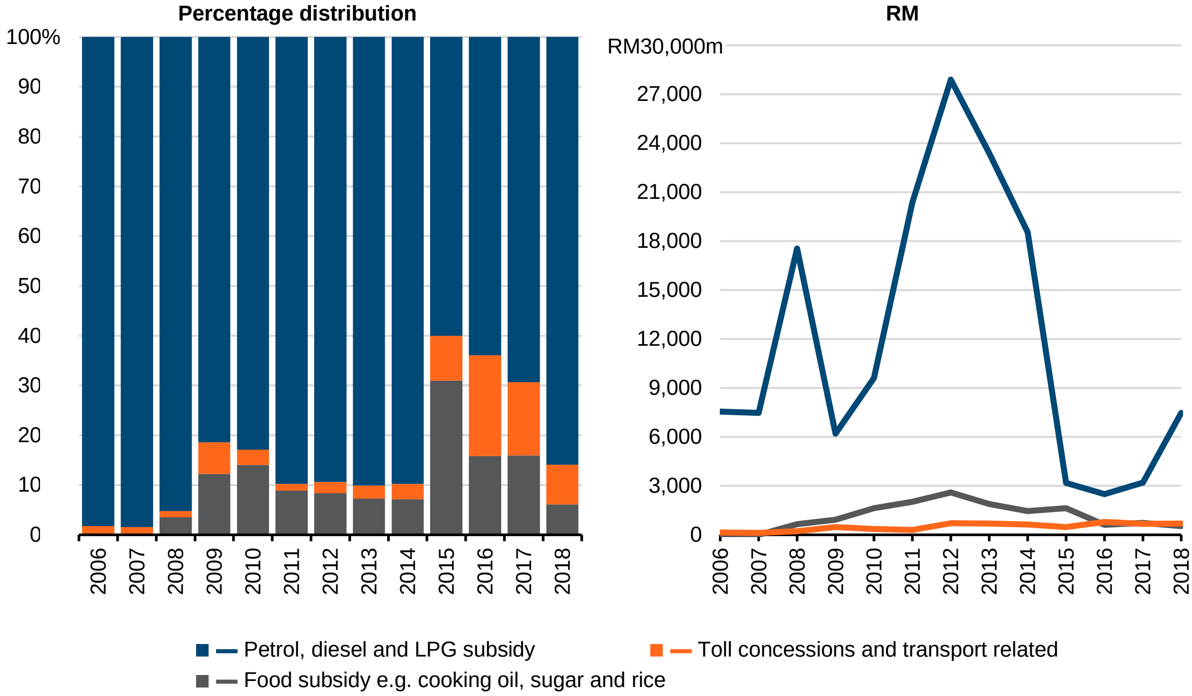
Universal programmes

What sort of universal programmes existed? The bulk of the spending on universal programmes was for fuel subsidies (Figure 17). Fuel subsidies, with an allocation of RM7.6b in 2006, made up 98.2% of universal programme spending, or 64.4% of total subsidies and social assistance spending in 2006. Since then, spending on fuel subsidies grew rapidly, peaking at RM27.9b in 2012, but its share of total universal programme spending moderated to 85.8%. This followed a steady increase in spending on other subsidies, namely those related to food, from zero in 2006 to RM2.6b in 2012, with more than half attributed to cooking oil subsidies.

After 2012, total spending on universal programmes decreased markedly due to the rationalisation of fuel subsidies that bottomed at RM2.5b in 2016. Total spending on other universal programmes also decreased, particularly in food-related subsidies that dropped from RM2.6b in 2012 to RM529.9m in 2018. Nevertheless, 2018 saw the reintroduction of fuel subsidies, resulting in an overall increase in the share of universal programme spending over total subsidies and social assistance, from 26.4% in 2017 to 35.9% in 2018 (seen earlier in Figure 16).

Given that fuel subsidies made up a large portion of universal programme spending since 2006, total universal programme spending would undoubtedly have been much less without it. From 2006 to 2018, universal programmes ranged between 25% and 74.3% of total subsidies and social assistance with fuel subsidies included, but only made up between 0.9% and 15.4% if fuel subsidies were excluded.

Figure 17: Total spending on universal programmes by type, 2006 – 2018



Source: MOF (2019a) and authors' calculations

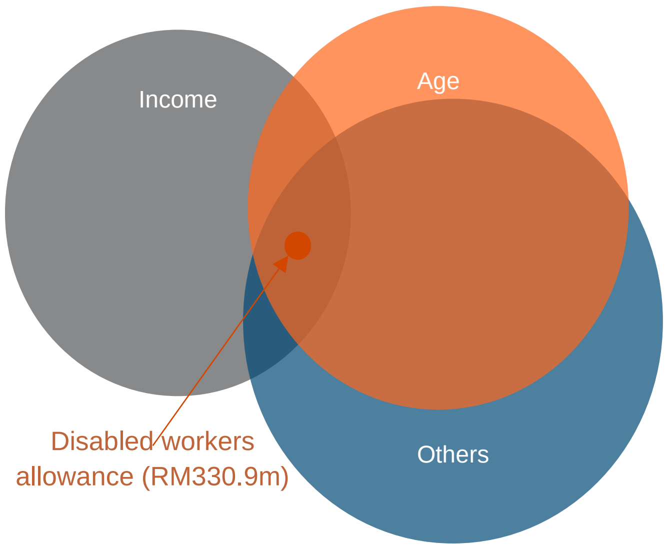
Targeted programmes

What about targeted programmes? Between 2006 and 2011, when the list of programmes was only available at the group level, the number of targeted programmes increased from eight to 17. From 2012 to 2018, when more specific programmes were available, the number increased from 85 to 116. Meanwhile, spending incurred by targeted programmes rose sharply from RM4b in 2006 to RM19.3b in 2018.

In what categories were these programmes targeted? We classify the targeted categories by three groups: income, life cycle and others. "Others" refer to forms of targeting other than income and life cycle, such as ethnicity, occupation or education status— for details, refer to the full list of programmes in Appendix A.

It is important to note that most programmes were targeted in more than one area, such as life-cycle group and income. As such, there are overlaps in how we report the number and spending incurred by programmes across each of the categories. For clarity, Figure 18 visualises these overlaps in spending. As an example, the allowance programme for disabled workers administered by the Department of Social Welfare (JKM) targets by income, life cycle and "Others". This is because it has an income eligibility requirement of below RM1,200; is meant for workers above the age of 16; and is for those with a disability. It incurred RM330.9 million in 2018 and we assign the full amount of RM330.9m to each form of targeting (i.e. income, life cycle, and others). Hence, the spending amount incurred by each form of targeting would not sum up to 100% of total spending. The same principle applies in counting the number of programmes by target category.

Figure 18: Illustration of overlap in spending across targeted programmes



Note: Sizes of circles and overlaps are not to scale
Source: Authors' illustration

Figure 19 shows that the most common form of targeting since 2006 was "Others". In 2018, this comprised 90.2% of programmes. Meanwhile, programmes that targeted specific life-cycle groups involved 80% of programmes in 2018, while the percentage of programmes that were targeted at specific income groups were far lower at 25% in 2018.

In terms of spending, programmes that were "Others"-targeted incurred the highest amount of spending (Figure 20), in line with the fact that the category have the largest number of programmes. From 2006 to 2014, it can be seen that its spending trajectory was quite identical with programmes targeted by life cycle, with a similar drastic jump in 2014, and nearly on par in terms of level. Nevertheless, since 2015, while spending on programmes that were targeted by both "Others" and life cycle moderated, programmes targeted by life cycle fell at a higher rate. Meanwhile, for programmes targeted by income, despite having the lowest number of programmes, spending was not considerably lower than the other two categories. Furthermore, unlike the other categories, its spending since 2014 had not moderated but increased slightly, driven by the increased allocation for BR1M.

Figure 19: Percentage of total number of programmes* by target area, 2006 – 2018

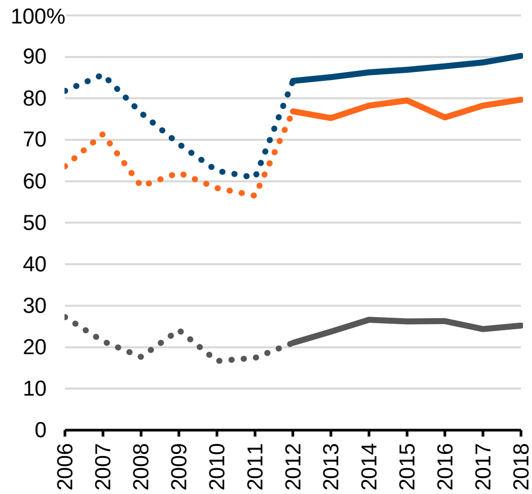
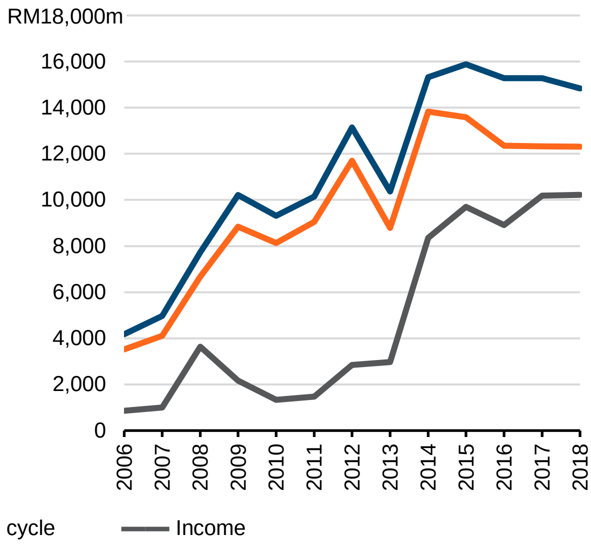


Figure 20: Spending on programmes by target area, in RM, 2006 – 2018



Note: The total number of programmes refers to all programmes, including universal programmes
Source: MOF (2019a) and authors' calculations

What income groups were targeted by subsidy and social assistance programmes? While programmes vary by income eligibility thresholds, nearly all set their thresholds close to approximately two lines, that is the poverty line income (PLI) of RM980 and the approximate threshold of the Bottom 40% (B40) of household income at RM4,000[15]. This was without any upward adjustment in the maximum threshold to account for households that have a greater number of dependants[16]. As such, we classify the programmes by whether their eligibility threshold was closer to either the PLI or the B40 threshold.

[15] In line with the general increase in household incomes, the B40 threshold increased to RM4,360 in 2018 (DOS, 2017). However, most programmes had kept to the RM4,000 cut-off in 2018.
[16] BSH is an example where the total benefit amount can vary according to the number of children a household has up to a maximum of four children, but household income must not be more than RM4,000. This implies an outright exclusion of households with incomes above RM4,000 but with many dependants.

Looking at the number of programmes, Figure 21 shows that there were more programmes that were targeted by the PLI threshold, although the number peaked in 2014 and dropped until 2017. However, by the amount spent, Figure 22 shows that the total number of programmes that targeted the B40 far exceeded programmes that targeted only the PLI, particularly since 2014 following the introduction of BR1M along with other programmes that also targeted the B40. Since then, BR1M (later on BSH) consistently made up more than a third of the spending on programmes that targeted the B40. The large disparity in spending was perhaps no surprise given that the target group had expanded by a multiple of one hundred from about 0.4% of Malaysian households (based on the poverty rate[17]) to 40%.

Figure 21: Number of programs by income group targeted, 2006 – 2018

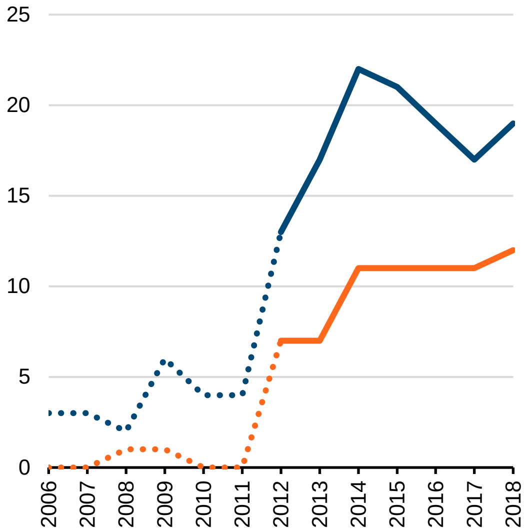
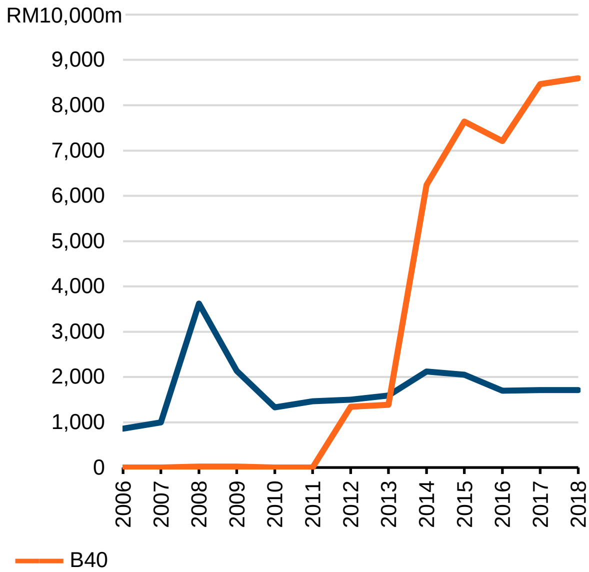


Figure 22: Total spending on programmes by income group targeted, 2006 – 2018



Source: MOF (2019a) and authors' calculations

Indeed, households with incomes under the PLI do fall under the B40 group and can thus benefit from new programmes designed for the B40. However, for programmes meant for households in poverty, which had been largely unchanged since 2010, their higher number of programmes but lower overall spending reflects that each programme received only a small allocation on average. While this can be attributed to the falling poverty rate from 3.6% of households in 2007 to 0.4% in 2016[18], there had been criticisms that the PLI, established using the 2005 methodology, was based on an unrealistic standard of living that had not kept up with Malaysia's overall growth and aspirations[19]. Thus, any programme that provides assistance with the objective of lifting households above an already low poverty threshold are arguably inadequate. However, given concerns on fiscal space, there is a question on whether the expansion of the target group from the poor to the B40 had come at the expense of deepening the depth of coverage for those who are struggling to maintain even a basic standard of living.

[17] DOS (2017)
[18] Ibid. The PLI was revised to RM2,208 for 2019 using a new methodology announced on 10th July 2020.
[19] Alston (2019)

Nevertheless, it is also important to note that some programmes did not entail explicit income criteria, despite their intention to assist groups that can be considered as vulnerable. Instead, these programmes were targeted by occupation - particularly those with unstable incomes and historically higher prevalence of being in the low-income group - such as smallholders and fishermen. There were also programmes that, while they did not set a maximum income limit, prioritised applicants with lower incomes, especially scholarships. In total, programmes without income requirements amounted to 92 programmes in 2018, far more than the 31 programmes that had income requirements.

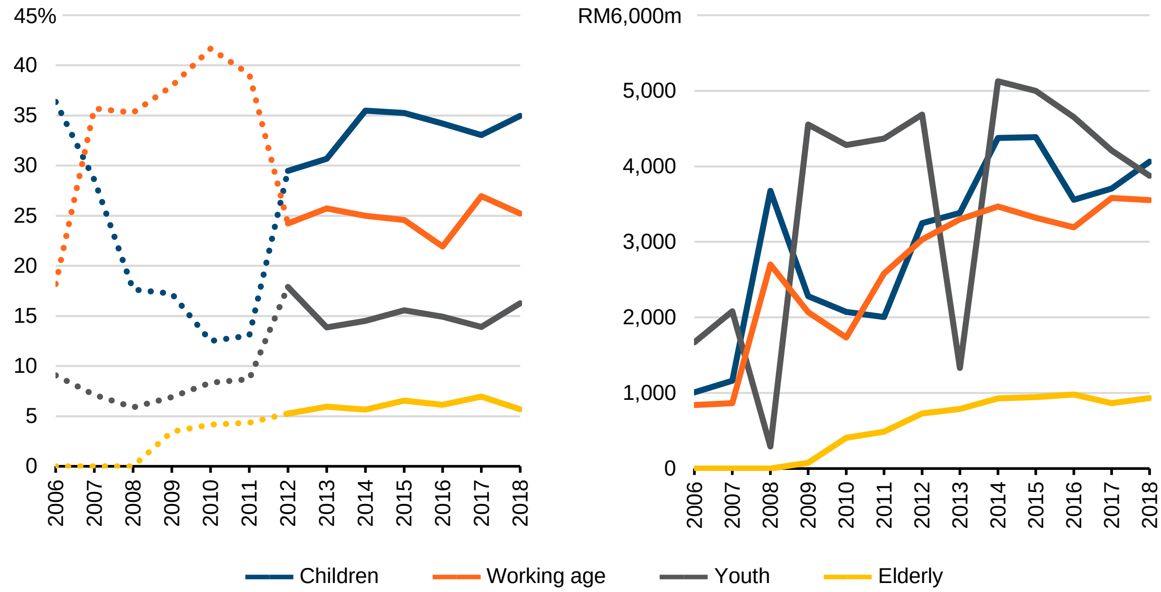
With regard to life-cycle targeting, we demarcate life cycle into four groups: children, youth, working age and elderly. This is opposed to following age-specific ranges of specific programmes, which did not always align with the age criteria of other programmes. Programmes for children was defined as individuals in secondary school and below, while youth programmes were for those in post-secondary education and those transitioning to or in their early years of employment. Programmes for the working age were for those in employment but identified at a broader level such as occupation status. The classification of the working age, which is not age specific, is primarily why we resort to the term "life-cycle" targeting rather than "age-group" targeting. Lastly, programmes for the elderly were those that address risk areas related to old age.

For programmes that benefitted specific life-cycle groups, the highest portion was for children as it involved 35% of all programmes in 2018 (Figure 23). Second were programmes that benefitted the working age with 25.2% of programmes, followed by programmes for youth with 16.3% of programmes. Programmes for the elderly were the lowest, comprising only 5.7% of programmes in 2018. There are overlaps in our calculations as we assign the total number to each life-cycle group when the programmes targeted more than one group, and hence it would not sum up to 100%.

In terms of spending, the lowest amount was for the elderly, following a small but steady increase from 2006 to 2018, when spending stood at just under RM1b (Figure 24). Meanwhile, the allocation made available for children, youth and the working age had been considerably higher. In fact, despite the clear difference in their number of programmes, the spending amount for these groups had generally been on par since 2006, except between 2009 to 2012 when expenditure on youth programmes far exceeded the rest.

Figure 23: Percentage of total number of programmes by life-cycle group targeted, 2006 – 2018

Figure 24: Total spending on programmes by life-cycle group targeted, 2006 – 2018



Note: The total number of programmes refers to all programmes, including universal programmes, programmes not targeted by life-cycle and programmes not classified due to insufficient information.
Source: MOF (2019a) and authors' calculations

Were there any programmes that target by life-cycle group and not income? Programmes without any income requirements made up 65.1% of all programmes for children in 2018, but their spending only made up 38.5% of the total spending on programmes for children. Furthermore, the bulk of this was allocated for the education of schooling-aged children, rather than for the core risk area associated with family and young children via the provision of care-related assistance[20]. The existing care provisions catered only to poor households and thus are too limited and have not been facilitative in expanding the care sector. This is becoming a pressing issue for all households as care needs rise and current provisions are unable to support the needs of working families[21].

Meanwhile, for programmes for the working age, those without income requirements made up 83.9% of the total number of programmes for the working age in 2018, and 85.1% of its total spending. For youth programmes, nearly all had no income requirements—at 95% of the total number of youth programmes and nearly all of its spending. Thus, programmes that had no income requirements made up a high percentage of the total number and spending of programmes for the working age and youth. This is because most of the programmes for the working age and youth were typically tailored for individuals based on their employment or education status rather than their income.

[20] Refer to Figure 11
[21] KRI (2019)

For programmes for the elderly, those without income requirements made up 71.4% of the total number in 2018 but only 44.6% of spending. However, these programmes still entailed some other form of categorical targeting such as those working in specific occupations in the public sector. Other programmes were meant for specific purposes such as providing home-help and health services.

It is important to note that fiscal spending for the elderly had not been limited to programmes that fall under the umbrella of subsidies and social assistance. As shown earlier in Figure 9, the elderly benefited from retirement charges, which was essentially a public pension provided by the government. Although this was limited to public sector retirees, it amounted to RM7b in 2006 and rose to RM25.8b in 2018. This made it far higher than the spending on the other life-cycle groups that had a combined total of RM2.4b in 2018; in fact, it was on par with the spending on total subsidies and social assistance that amounted to RM28.1b.

Meanwhile, those not in the public sector have to rely on contributory retirement schemes in the form of the Employees Provident Fund (EPF). However, there is an issue of coverage as the EPF scheme is mandatory only for employees in the formal sector, who also benefit from employer contributions to the scheme. Those working in the informal sector, estimated to make up at least 9.4% of total employment[22], have to participate on a voluntary basis and can only enjoy a limited additional contribution from the government of up to RM250 per year. In addition, issues of the depth of coverage persist as a large portion of EPF members do not have enough savings for their retirement[23]. These issues of the breadth and depth of coverage for old age highlights its inadequacy as Malaysia transitions towards an ageing nation.

Nature of programmes: protective, preventive and promotive

The extent of a social assistance programme's coverage is closely linked to its nature and objectives, which can go beyond the conventional scope of social protection of providing relief from deprivation. In addition to protective measures, social protection programmes can provide measures that are preventive and promotive. While protective measures seek to provide basic needs and relief from poverty and deprivation, preventive measures avert such deprivation by safeguarding against core risk areas. Promotive measures aim to enhance capabilities and earning potential, entailing skill and knowledge investment that enhances productivity. Adopting this framework[24], we classify the programmes that had been in existence in Malaysia since 2006 based on their primary objective, as some of these programmes can serve more than one function.

[22] This number refers only to firm-based informality (Source: Siti Aiysyah (2020)). A broader definition of informality, to encompass all workers without legally-mandated protection through their employment, has been estimated at a substantial 39% of total employment (Source: Schmillen et al. (2019))
[23] KRI (2016)
[24] Adapted from Devereux et al. (2004)

Figure 25 shows that promotive programmes made up the highest number since 2006. It peaked in 2014, and then decreased all the way to 2017, before picking up again in 2018 to 54 programmes. Some examples of promotive programmes include various scholarship programmes for the youth and incentive programmes for farmers. Ranked second were programmes classified as protective, which also saw a large jump in 2014 followed by a steady moderation to 42 programmes in 2018. Examples of protective programmes include welfare payments to children and the elderly living below the poverty line. Meanwhile, the number of preventive programmes were fewer and had not increased as much as the other two categories since 2012, totalling 27 in 2018. Examples include the free vaccination programme for women and insurance programs for certain occupational groups.

In terms of expenditure, protective programmes incurred the highest spending, far higher than promotive and preventive programmes, especially in 2008, and between 2011 and 2014 (Figure 26). This was mainly due to the provision of fuel subsidies and BR1M/BSH, both of which we classify as protective measures. In 2018, RM18.7b was allocated for protective programmes and at its peak in 2012, RM34b was allocated. Without fuel subsidies and BR1M/BSH, the amount spent on protective programmes would have been significantly lower and on par with what was spent on promotive programmes.

Meanwhile, despite comprising a higher and increasing number of programmes, spending on promotive programmes was lower than protective programmes. Since 2009, it had hardly increased and instead steadily decreased from 2014 onwards. In 2018, spending amounted to RM9.6b. Spending on preventive programmes also appeared largely flat, having seen only a notable increase in 2012. In 2018, it incurred only RM1.9b in spending. While the allocation may seem small, it is important to note that preventive measures have mainly been funded through other means, namely through contributory schemes such as those provided by the EPF and the Social Security Organization (SOCSO).

Figure 25: Number of programmes by nature, 2006 – 2018

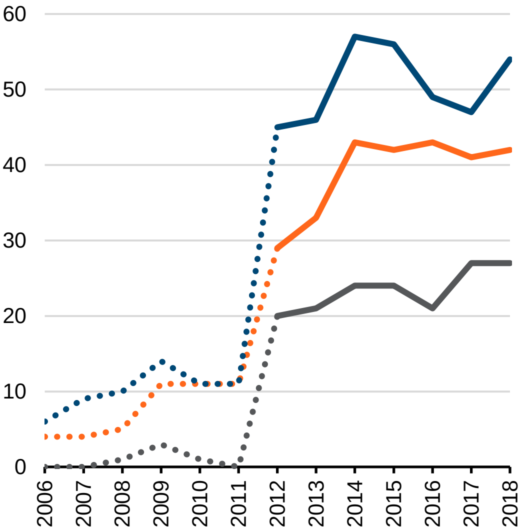
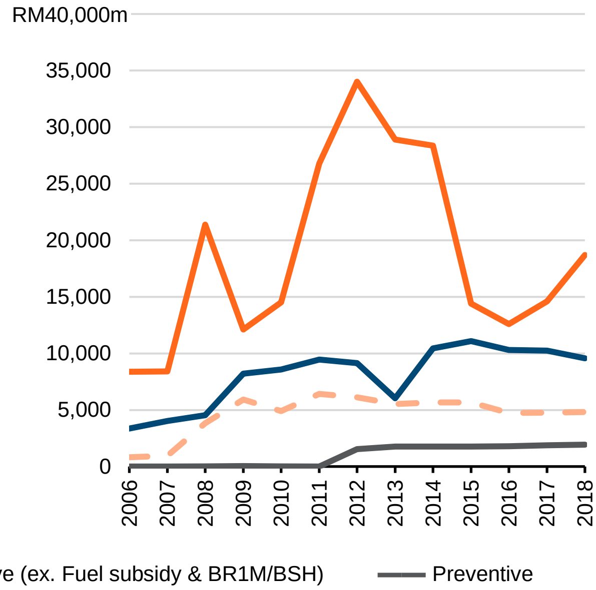


Figure 26: Total spending on programmes by nature, 2006 – 2018



Note: Programme count and spending excludes those not classified by nature due to insufficient information
Source: MOF (2019a) and authors' calculations

Which ministries were these programmes administered under? Table 6 shows that there were 14 ministries that had at least one programme that was protective in nature, which raises a concern on fragmentation and overlaps. KPWKM had the highest number, most of which were for children. However, there were other protective programmes meant for children that were under other ministries. When it comes to protective programmes that had no age requirement or target, there were many other programmes available that were under various ministries. Programmes of the other nature also illustrate a potential presence of fragmentation and overlaps.

Table 6: Number of programmes by nature, life-cycle group targeted and ministry, 2018

Protective

	Children	Youth	Working age	Elderly	Non-age defined
KPWKM	10		2	3	5
KPDNKK/KPDNHEP					4
KPM	4				
JPM	1				2
MOF					2
MOT					2
B.12	1				1
KDN					1
KeTTHA/MESTECC					1
KKLW/KPLB	1				
KKR					1
KPKT					1
KWP					1
MOH	1				

Preventive

	Children	Youth	Working age	Elderly	Non-age defined
JPM			7		1
KDN			5		
MINDEF	1	2	2		
JPA				2	
KKM				1	1
MOA			2		
KPWKM			1	1	
KPLB			1		
MPIC/MPI			1		

Promotive

	Children	Youth	Working age	Elderly	Non-age defined
KPM	15	6	1		
JPM	6	2	2		
MOA			6		
KPLB		2	1		
KBS		2			
KKLW/KPLB	1	1			
MOF					2
KPWKM	1	1			
JPA		1			
KKM		1			
KSM		1			
MINDEF	1				
MOTAC		1			

Min max

Note: Programme count and spending excludes those not classified by nature and life-cycle group targeted due to insufficient information

Source: MOF (2019a) and authors' calculations

With regard to promotive programmes specifically, 44.4% of the number of promotive programmes in 2018 were dedicated to children's education, while 33.3% was for youth, and 18.5% for the working age. None were dedicated to the elderly as the remaining 3.7% were not life-cycle targeted. In terms of spending, programmes for youth commanded the largest chunk at 40.5% in 2018, while it was 20.3% for the working age and 16.2% for children. Meanwhile, promotive programs not targeted to specific life-cycle groups incurred 23% of total spending.

This combination of programmes for youth and the working age translates to 60.8% of promotive programmes spending dedicated to immediate skill and knowledge capital development as well as productivity incentivisation among the current working age group and soon-to-be workers. However, this amount of spending on promotive programmes dedicated to youth and the working age had been largely stagnant, with spending for youth programmes decreasing from RM5.1b in 2014 to RM3.9b in 2018. While this may warrant concern, it is important to note that not all active labour market programmes that incur fiscal spending are classified under subsidies and social assistance.

Typology of programmes

Broadly, the instruments used can be categorised as cash transfers, subsidies/financial assistance and in-kind transfers[25]. Cash transfers are defined as assistance in the form of cash that is directly credited to the intended beneficiaries. In Malaysia, they include cost-of-living-allowances, welfare payments for the poor and disabled, or allowances for certain occupational groups. Meanwhile, programmes delivered via subsidies/financial assistance seek to lower the cost of consuming goods or services, or supply costs for production. In Malaysia, they typically involve some type of remuneration to suppliers in the case of programmes that were intended to benefit consumers, or in the case of farmers, involve inputs sold at a cheaper price as an incentive to raise production or guarantee minimum price for harvests. In-kind transfers assist groups in need by providing much needed goods or services and include supply transfers for farmers in the form of inputs such as fertiliser; learning materials and school feeding programmes for children; and training sessions for prospective jobseekers and workers looking to upskill.

Looking at the total number of programmes by their typology, the highest number were in the form of cash transfers (Figure 27). These had seen a rise since 2012 and more notably from 2015 onwards - cumulating up to 63 programmes in 2018. Programmes delivered through subsidies/financial assistance also saw an increase in 2012 but the number of programmes had largely moderated since 2014. Programmes that involved in-kind transfers followed a similar trend in that they increased in number between 2012 and 2014 and moderated since 2014.

Unsurprisingly, programmes delivered through subsidies/financial assistance incurred the highest spending since 2006, mainly due to fuel subsidies (Figure 28). Meanwhile, spending on programmes delivered through cash transfers, while considerably lower prior to 2013, rose in 2014 with the introduction of BR1M. In subsequent years, total spending on cash transfer programmes maintained roughly at the same level. In 2018, when fuel subsidies were reintroduced, spending on both groups of programmes were on par. As for programmes delivered through in-kind transfers, total spending was relatively flat, mostly sustaining under RM3b since 2012.

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[25] Carter et al. (2019)

Figure 27: Number of programs by typology, 2006 – 2018

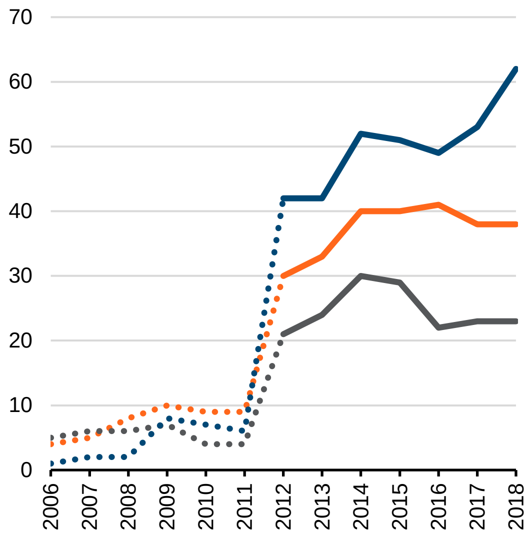
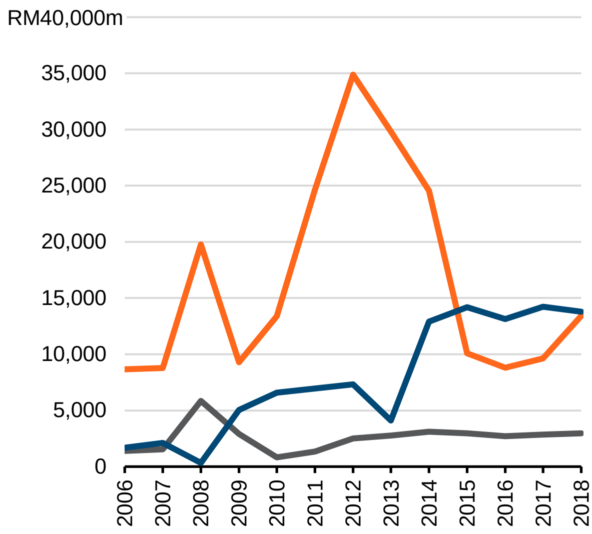


Figure 28: Total spending on programmes by typology, 2006 – 2018



Note: Programme count and spending excludes those not classified by typology due to insufficient information
Source: MOF (2019a) and authors' calculations

What was the nature of the programmes delivered through each of the instruments? The bulk of subsidy/financial assistance programmes were protective in nature, totalling 19 programmes in 2018, followed closely by promotive programmes at 16, while preventive programmes were far fewer at three programmes (Figure 29). In terms of spending, the ranking followed the number of programmes, with protective programmes incurring the highest in spending, followed by promotive and finally preventive programmes (Figure 30).

In terms of in-kind transfers, the highest number of programmes delivered by this method were promotive in nature, at 14 programmes in 2018. This was considerably higher than the six programmes that were protective in nature and the two that were preventive. In terms of spending, promotive and protective measures delivered through in-kind transfers were on par throughout most of the years - except for 2010 and 2011. Meanwhile, spending on in-kind transfers for preventive measures had been relatively far less.

For cash transfers, the number of programmes had been on the rise across the board. By 2018, the highest in number were promotive programmes, followed closely by preventive and lastly protective programmes. In terms of spending on cash-transfers, protective programmes actually incurred the highest spending in 2018, as it had a sharp increase since 2013. Next was spending on promotive programmes, which also had a sharp increase between 2013 and 2014 - though this was followed by a decrease in subsequent years. This was despite the increase in the number of programmes since 2016. Lastly were preventive cash-transfer programmes, which incurred a much lower spending amount, and had not increased much since 2012.

Figure 29: Number of programs by typology and nature, 2006 – 2018

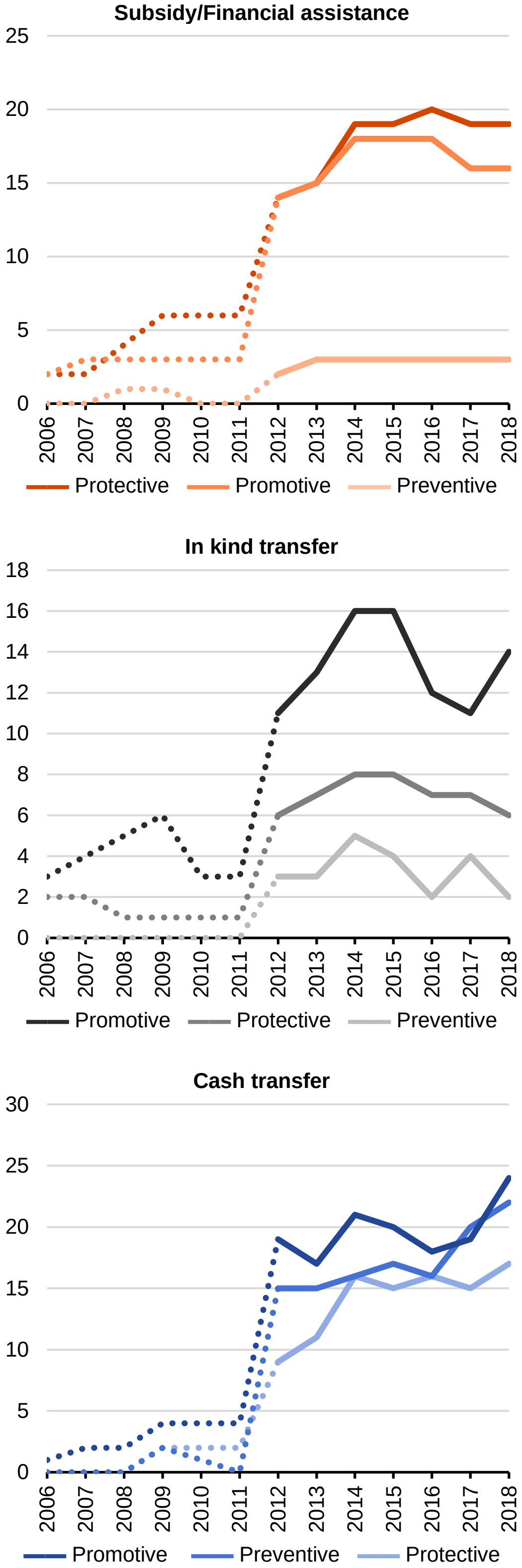
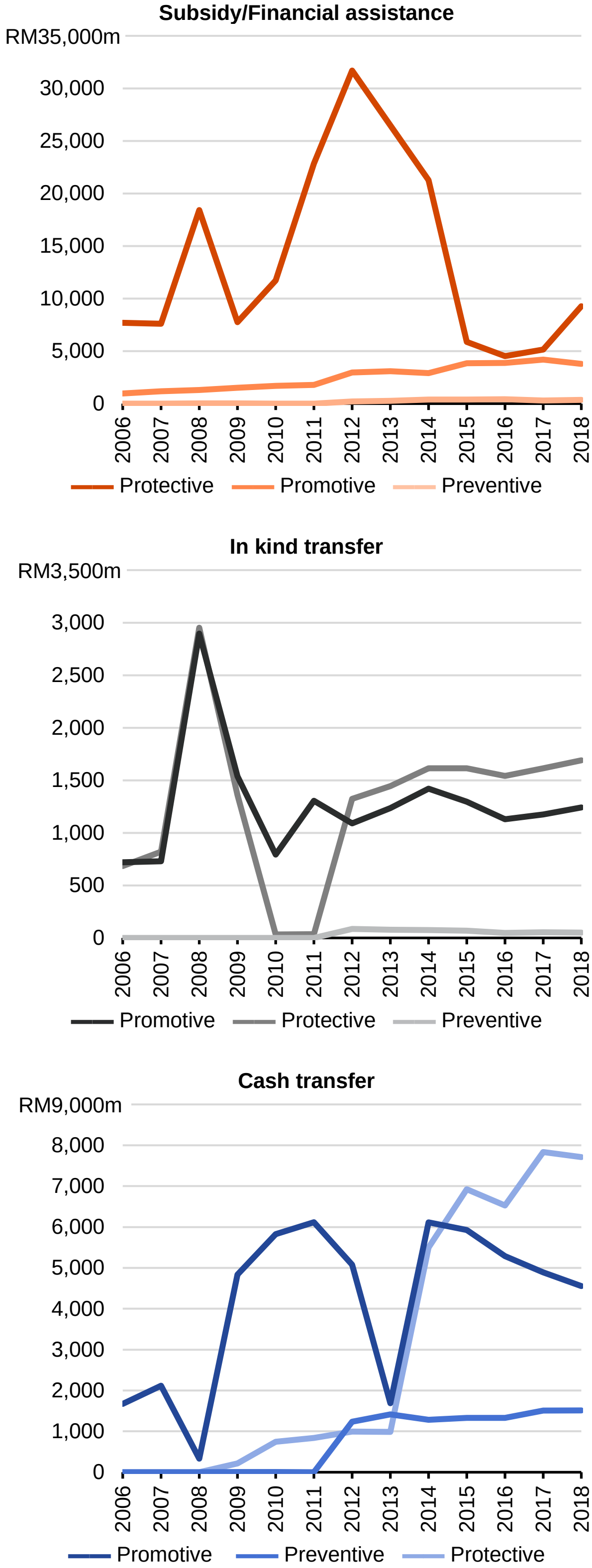


Figure 30: Total spending on programmes by typology and nature, 2006 – 2018



Note: Programme count and spending excludes those not classified by typology and nature due to insufficient information
Source: MOF (2019a) and authors' calculations

From a different perspective, we can see that the highest number of protective programmes were delivered via subsidy/social assistance at 19 programmes in 2018, followed closely by cash transfers at 17 programmes, and the lowest via in-kind transfers with only 6 programmes (Figure 31). For preventive programmes, most were delivered via cash-transfers with 22 programmes in 2018, with very few delivered through other means—with three via subsidy/financial assistance and two via in-kind transfer. For promotive programmes, most were also delivered via cash-transfers with 24 programmes in 2018, followed by subsidy/financial assistance with 16 programmes and in-kind transfers with 14 programmes. When it comes to spending, the ranking mirrored the number of programmes (Figure 32).

Figure 31: Percentage of programmes by nature and typology, 2018

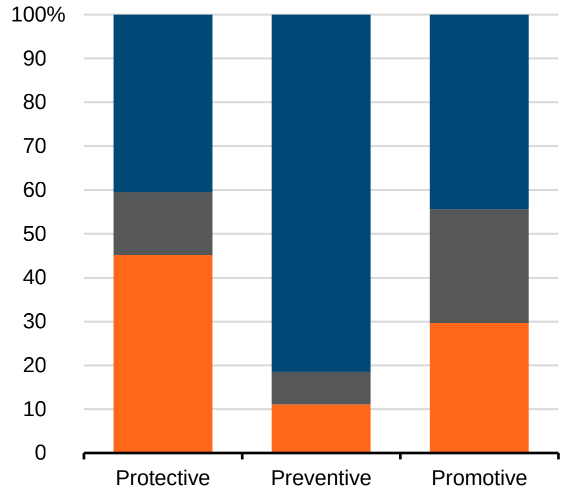
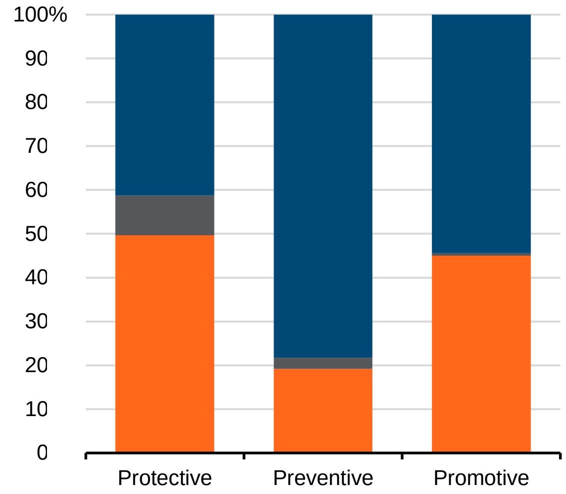


Figure 32: Percentage of total spending on programmes by nature and typology, 2018



■ Subsidy/Financial assistance ■ In kind transfer ■ Cash transfer

Note: Programme count and spending excludes those not classified by nature due to insufficient information
Source: MOF (2019a) and authors' calculations

Section 4: The Long View – Sustainability and Redistribution

We have considered a broad and deep view of social protection and fiscal policy in the earlier sections. In this section, we complement the above by taking a long view of things, considering the sustainability and redistributive impact of our social protection system. First, we look at fiscal sustainability, whether introducing a new social protection programme "can be smoothly financed without generating explosive increases in public debt or money supply over time"[26].

For example, if a country wants to introduce a universal social pension programme, it must not only look at its current levels of revenue and expenditure, but it should also project forward, both fiscally and demographically, to ensure that it has enough fiscal resources to cover the targeted population. Otherwise, a demographic that continues to age would have deep implications for government finances if the universal social pension is introduced.

However, beyond the ability of the government to fulfil its financial obligations, there are other considerations when thinking about the sustainability of funding a social protection programme. The OECD includes growth, stability and fairness[27]. As highlighted in Section 2, the government spends on the economic sector as well, and hence, it is important that finances are used prudently to support growth objectives, as this feedbacks into our ability to raise revenue for social protection. The government also needs to ensure stability in the tax regime so that these obligations can be met without bringing too much volatility to tax rates and tax burden, while fairness here refers to intergenerational fairness where the government does not pass on excessive cost to future generations.

Fiscal sustainability

To achieve fiscal sustainability, international organisations such as the ADB and IMF recommend putting in place fiscal policy framework and fiscal rules[28]. This can be traced back to public choice and partisan theories, which assume that policy makers or politicians responsible for making these fiscal policy decisions would be acting to maximise self-interest instead of optimising public interest, causing a discrepancy between individual welfare and the social good in fiscal policy outcomes[29]. Fiscal policy framework and fiscal rules are safeguards against this intrinsic bias to overspend.

Fiscal policy framework includes making projections for economic and fiscal outlook, provisioning for future liabilities, and undertaking scenario planning via stress testing[30]. On the other hand, fiscal rules impose constraints to ensure that the government does not overspend during good times, or conversely, underspend during bad times. Another way to look at this is that fiscal rules help to achieve the more measured goal of achieving an established debt target by generating a stream of sustainable deficits and surpluses over a period of time.

[26] Adams et al. (2010)
[27] Shaw (2017)
[28] Adams et al. (2010); Syed et al. (2018)
[29] Froyen (2013)
[30] Adams et al. (2010)

Nevertheless, there are also downsides to having rigid fiscal rules. This is because fiscal rules, depending on how they are designed, generally have procyclical tendencies. For example, during the current pandemic-induced economic crisis, a budget balance rule would mean that the drop in revenue would require us to reduce expenditure proportionately. This is especially salient for an oil-exporting country like Malaysia as we are being confronted at the same time with a drastic drop in oil price, which affected our revenue (Figure 11). If we adamantly follow these rules, then we will not have sufficient fiscal space to fund critical social protection programmes when people need them the most. However, this is not an insurmountable problem. The IMF has proposed for countries to put in place exemptions to these rules: (i) identify a limited set of events that can be exempted; (ii) fix the duration on how long we can deviate from the targets; and (iii) put in place a correction mechanism when things resume to normal[31].

While it is important to consider fiscal sustainability for social protection, it is also pertinent to note here that it should not be assessed singularly or narrowly, but within the overall fiscal position of the country. This is because there are other areas of spending mentioned above i.e. economy, defence and general administration - which will require fiscal space and sustainability as well. Thus, they should be considered in totality.

Table 7 describes the fiscal rules that we have in Malaysia, and their respective statutory and administrative powers.

Table 7: Fiscal rules in Malaysia

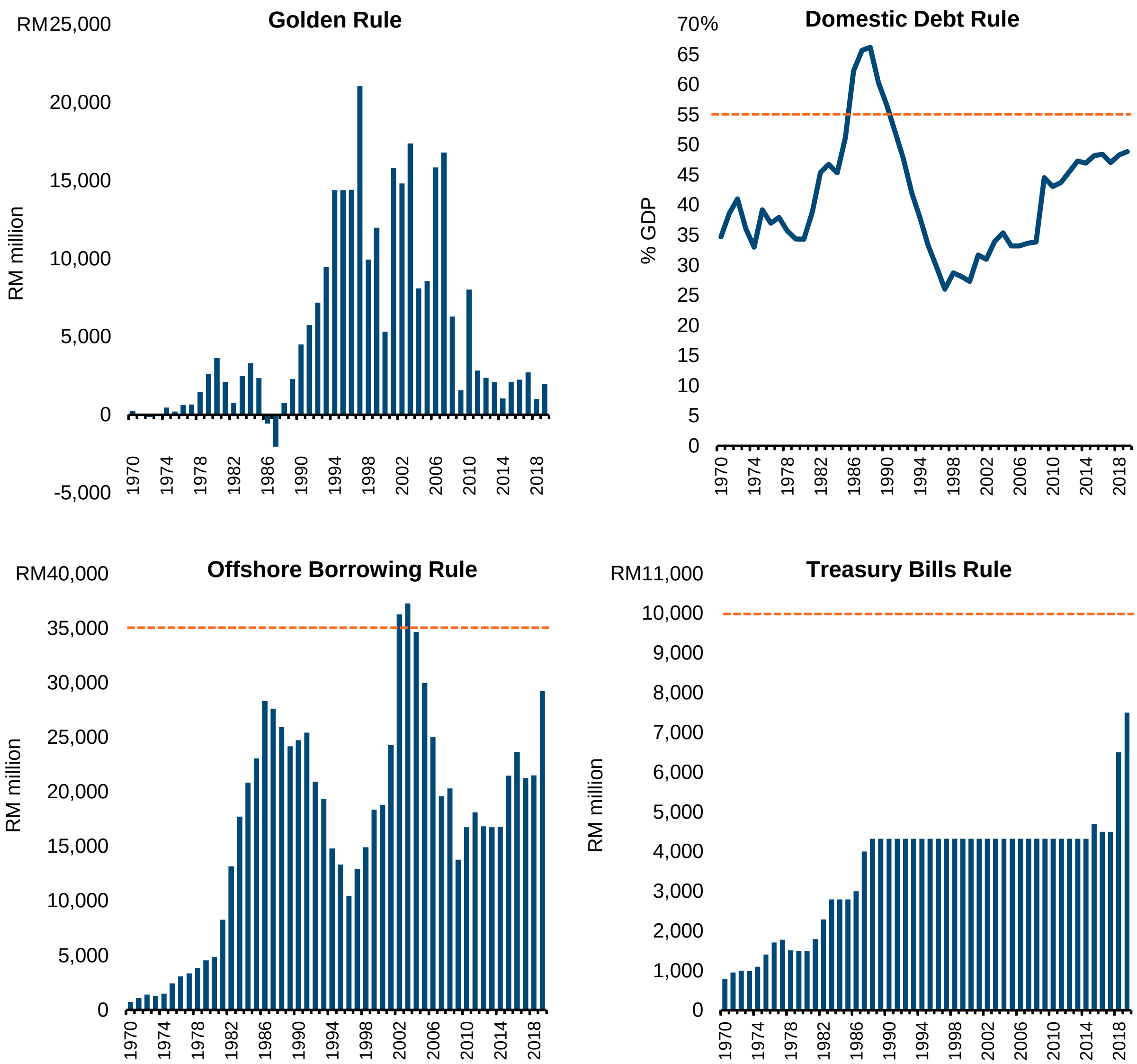
Rules	Statutory	Administrative
Borrowings are only to finance development expenditure (the 'golden rule')	Loan (Local) Act 1959	Current balance always in surplus to ensure operating expenditure is financed by revenue
Domestic debt ceiling (MGS, MGII, MITB)	Not exceeding 55% of GDP Statute Paper 76 of 2009, Loan (Local) Act 1959 and Government Funding Act 1983	Self-imposed limit of 55% of GDP
Offshore borrowing ceiling	Not exceeding RM35b Statute Paper 77 of 2009, External Loans Act 1963	
Issuance of conventional Treasury Bills	Not exceeding RM10b Treasury Bills (Local) Act 1946	
Limit of debt service charges	Allocation for debt service charges are charged items and not required to be tabled to Parliament Federal Constitution Article 98(1)(b)	Debt service charges ≤ 15% of revenue or operating expenditure

Source: MOF (2019b)

[31] Syed et al. (2018)

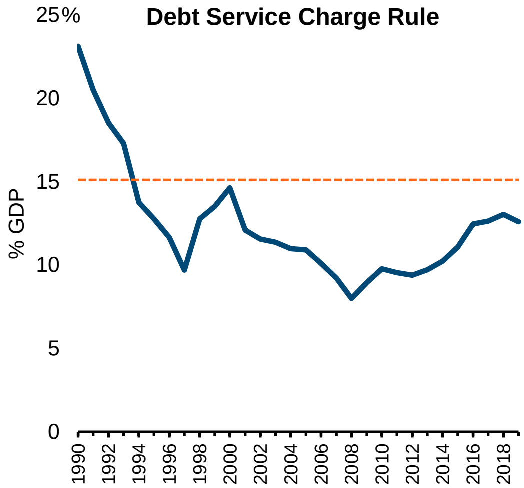
The charts in Figure 33 provide an assessment on where we stand with regard to these rules. We can surmise that while we are still within the constraints imposed, we are fast approaching these limits in recent years. It is also quite likely that the current health and economic crisis would have worsened our fiscal position with regard to these rules. For example, our golden rule has prevented us from borrowing to fund crucial cash transfers for affected households as they are part of the OE instead of the DE. Even if we borrow, our debt-to-GDP ratio of 51.8% (Figure 12) is already close to the self-imposed limit of 55%, and the projected decrease in the GDP means that it will further constrain our capacity to borrow. However, it is important to recognise that these are constructs put in place to ensure fiscal discipline, but there is no reason why we should not relax these rules in the face of exceptional circumstances and apply fiscal discipline judiciously.

Figure 33: Malaysia's fiscal position in relation to fiscal rules



Source: MOF (2018), authors' calculations

Figure 33: Malaysia's fiscal position in relation to fiscal rules (cont.)



Source: MOF (2018), authors' calculations

We can use some of the fiscal rules above to calculate and derive fiscal space. Fiscal space gives us a sense of the budgetary room available to introduce new social protection programmes or enhance existing ones. Introducing or expanding social protection programmes through fiscal policy will require additional resources either through the generation of tax revenues, reallocation from other expenditure items, or taking up additional debt to create the fiscal space. These resources need to be distributed objectively among competing programmes so that they can be sustained over time, taking into consideration changes in the labour market as well as demographic trends.

There are different ways to calculate fiscal space, but we use two methods here i.e. de facto fiscal space[32] and debt sustainability gap[33]. These methods are chosen based on the availability of data and its simplicity of interpretation. There are other methods such as the signal approach[34] and the ability to pay model[35]. However, these methods require more sophisticated projections and may involve consultations on the parameters, and hence best done as a separate exercise. The important point here is that we should not rely on one single indicator but rather have a dashboard to illustrate different facets of fiscal space and sustainability.

For the first method, we calculate two versions of the de facto fiscal space (Figure 34). The first one is the ratio of the federal government debt relative to the tax base, or Fiscal Space 1 (FS1). The tax base is the realised tax collection averaged across the Malaysia Plan period (i.e. five years) in order to smooth for business cycle fluctuations.

The second one is the ratio of the fiscal surplus/deficit relative to the tax base, or Fiscal Space 2 (FS2). The fiscal surplus/deficit is also averaged across the Malaysia Plan period. These can be interpreted as the number of tax years that are required to either repay federal government debt or fiscal deficit. The larger the ratio, the smaller the fiscal space—for FS2, a negative number implies a fiscal surplus.

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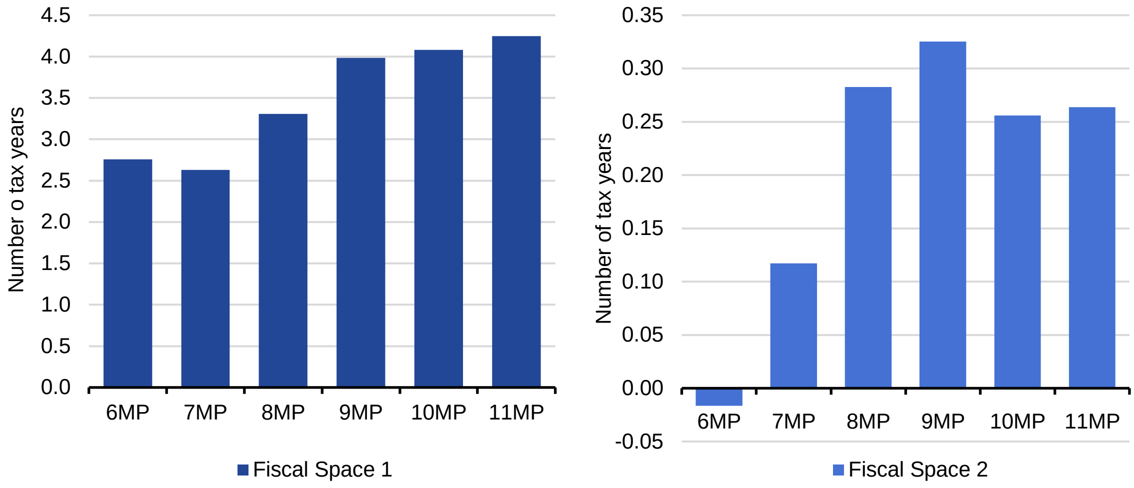
[32] Aizenman et al. (2010)
[33] Cheng et al. (2018)
[34] Kaminsky et al. (1998)
[35] Nerlich et al. (2015)

Figure 34: De facto fiscal space, 6MP – 11MP



Source: MOF (2018), authors' calculations

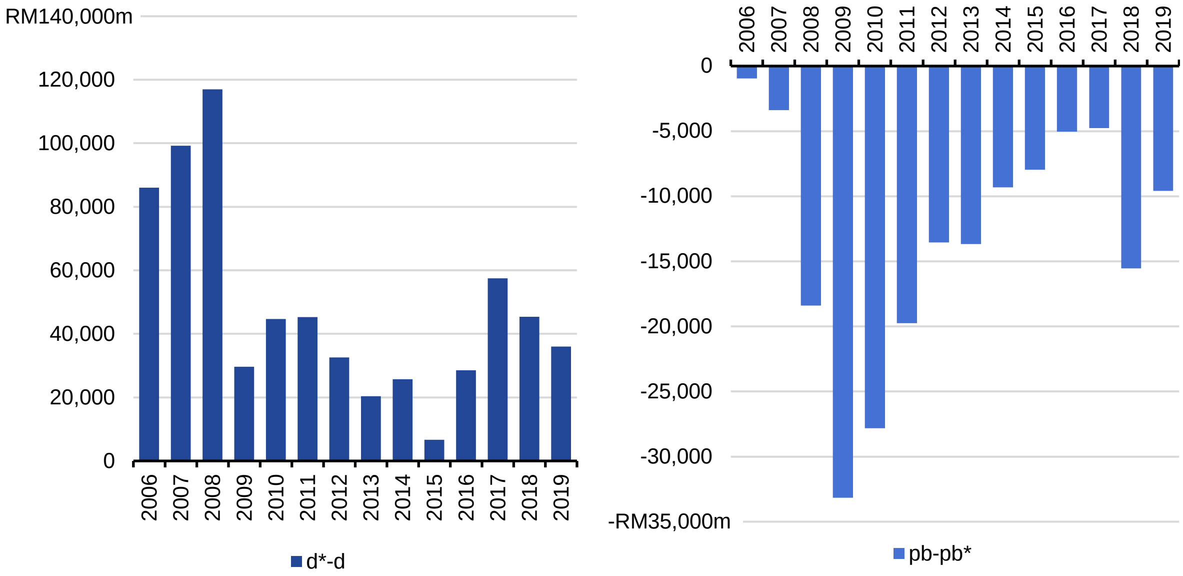
FS1 shows that our fiscal space narrowed from 2.8 in the 6th Malaysia Plan to 4.2 in the 11th Malaysia Plan. It means that it takes more tax years to repay our debt now than before. On the other hand, FS2 shows that our fiscal space was most narrow in the 9th Malaysia Plan but improved afterwards in the 10th and 11th Malaysia Plans (10MP, 11MP). The improvement was due to the larger increase in tax revenue compared to the increase in fiscal deficit in the 10MP and 11MP periods. However, the accrued fiscal deficits contribute to the accumulation of federal government debt, hence FS1 continues to go up when FS2 is decreasing. However, the rate of increase in FS1 decreased since the 8th Malaysia Plan.

As for the second method, we use a simplified version of the debt sustainability gap. For this, we also calculate two versions: a debt sustainability gap and a primary balance sustainability gap (Figure 35). The debt sustainability gap is basically the difference between the current debt level and the sustainable debt level, which we define as 55% of GDP as per the self-imposed debt ceiling. Similarly, the primary balance sustainability gap is the difference between the current primary balance and the debt-stabilising primary balance[36]. We are only able to calculate these from 2006 onwards due to data limitations.

For the debt sustainability gap, the lower the value, the smaller the fiscal space, because it means that the current debt levels are closer to the sustainable debt levels. It works the other way for the primary balance sustainability gap, where the higher the value, the smaller the fiscal space. This is because we are mainly looking at fiscal deficit (instead of surplus), and the further a fiscal deficit is from the sustainable primary balance, the smaller the fiscal space.

[36] The formula for the debt-stabilising primary balance is $pb^* = \frac{(r-g)}{(1+g)}\ x\ d^*$, where r is the long-run real interest rate (we take the Malaysian Government Securities yield for 10 years), g is the long-run growth rate (we take the potential output from BNM's Annual Reports) and d* is the sustainable debt level (55% of GDP).

Figure 35: Debt and primary balance sustainability gaps, 2006 – 2019



Source: MOF (2018), authors' calculations, BNM (2020a), BNM (2019), BNM (2018), BNM (2017), BNM (2016), BNM (2015), BNM (2014), BNM (2013), BNM (2012), BNM (2011), BNM (2010), BNM (2009), BNM (2008), BNM (2007), BNM (2020b)

The debt sustainability gap indicates that fiscal space improved in the years leading up to the GFC before taking a hit in 2009. It was at its worst point in 2015, then improved until 2017, before worsening again in more recent years. Similarly, for the primary balance sustainability gap, it was at its worst in 2009 at the onset of the GFC and subsequently improved all the way until 2017 before worsening again in more recent years. Both the de facto fiscal space and debt sustainability gap affirm the narrowing of fiscal space in Malaysia, largely based on the self-imposed debt limit of 55% of GDP.

Our analysis of fiscal space suggests that we have increasingly more restrictive budgetary room to introduce large scale social protection programmes unless we make adjustments to the self-imposed debt limit or undertake significant reduction in budget for existing programmes. The reduction in budget can be achieved either through reforms in larger programmes, such as fuel subsidies and the BSH, or consolidation of smaller social protection programmes to leverage on economies of scale. In view of the current health and economic crisis, these are important considerations as we may need to find fiscal space to fund better designed social protection programmes for a broader segment of our population.

Social sustainability

Besides fiscal sustainability, there is also social sustainability - particularly related to the redistributive impact of social protection. The distributional outcomes of social protection would determine the level of social support a particular programme receives. This is especially pertinent for Malaysia as we have concrete inequality goals; encompassing ethnic, income class and functional income inequality targets. The introduction and expansion of social protection programmes will directly and indirectly change the income compositions of households. Therefore, the extent that they are perceived as socially just will determine the wider social and political support these programmes receive.

In this context, we look at two aspects, namely the redistributive outcomes of social spending and the progressivity in our personal income tax regime. On the first aspect, it is basically to assess the extent that social protection has contributed to inequality reduction as well as the distribution of benefits across income class, while for the second aspect, it is to examine the extent that our personal income tax regime is progressive and the different understanding of progressivity.

Globally, and not just specific to Malaysia, there are not that many studies comparing the effects of social protection on overall income distribution[37]. The scarcity of cross-country comparisons is due to the lack of comparable datasets[38], coupled perhaps with the lack of impetus when social protection programmes are not designed explicitly with a redistributive objective in mind. Even in the Sustainable Development Goals (SDGs), the target to put in place nationally appropriate social protection systems is parked under Goal 1 on "no poverty" instead of Goal 10 on "reduced inequality", suggesting that the global conceptualisation of social protection into concrete targets and indicators is also delinked from distributional issues.

Nevertheless, reducing income inequality continues to be a policy priority in Malaysia. In the Mid-Term Review of the 11MP, the Gini coefficient is expected to decrease from 0.401 in 2014 to 0.385 in 2020. The Shared Prosperity Vision 2030 maintains a target of reducing the Gini coefficient to 0.340 by 2030. The tax and transfer system, especially for the purposes of social protection, plays an important role in reducing income inequality. However, there is rarely any assessment on which component of social protection contributes to inequality reduction. The Gini coefficient, calculated using post-transfer income, is reported at the headline level to capture the aggregate effects of all social protection measures. In other words, it assumes that all social protection programmes have the same effects on income inequality.

One of the challenges in quantifying the redistributive impact of a particular social protection programme is in linking government expenditure on social protection with how they are received as income by households. Theoretically, this can be done because our household income survey has a tax and transfer component that can be disaggregated. One approach is to conduct a microsimulation using a tax-benefit model known as TAXBEN[39]. Another approach is to do a factor decomposition of the Gini coefficient using pre- and post-transfer incomes, excluding and including different social protection programmes to test the effects of a particular programme on income inequality[40]. However, both approaches require micro data from the household income survey.

A second challenge, as mentioned earlier, is that some social protection programmes are not designed to reduce income inequality. For example, government pension is meant to redistribute income across one's life cycle and not so much to address inter-household income inequality. Therefore, it may not be fair to assess these programmes with an inequality lens (e.g. using the Gini coefficient) when the objective is to achieve something else.

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[37] Heady et al. (2001)
[38] Ibid.
[39] Giles et al. (1995)
[40] Heady et al. (2001); Goudswaard et al. (2010); Adema et al. (2014)

However, we take the view that it is still important to subject these programmes to a redistributive assessment, mainly to review whether there are unintended consequences - in the sense that these programmes, despite not being designed for redistributive purposes, can still offset or contradict other programmes meant to address income inequality. Moreover, we think that the social protection reform agenda will be better guided by such analysis in terms of what programmes to prioritise and the level of progressivity to aim for.

Hawati et al. (2019) calculated the Gini coefficient using gross income to be at 0.403 in 2014 and net income at 0.386. Net income refers to income after deducting all transfers paid by households from their gross income. This is known as disposable income or post-transfer, post-tax income. The difference between the two serves as an indication on the extent that tax and transfers are inequality-reducing. The calculations show that inequality reduced by 4.2% after accounting for tax and transfers. While it does show that our tax and transfers are redistributive, the magnitude of this is lower than other more developed countries e.g. the Gini coefficient for the OECD countries reduced by 30.4% in 2014[41].

Another way to examine the redistribution of social spending is to look at the Social Accounting Matrix (SAM)[42]. Using the SAM, we calculate the income and expenditure composition by strata, and group them by income class[43] (Figure 36). The income component of interest is social benefits and periodical payments (labelled as social benefits), while the expenditure component of interest is income tax and other current taxes (labelled as taxes).

It is quite clear that social benefits made up a larger component of income for the bottom compared to the other income classes, but taxes made up a larger component of expenditure for the top. This is an expected characteristic of a redistributive regime. However, there are substantial urban-rural variation, where the rural bottom had a higher social benefit composition than the urban bottom, while the urban top had a higher tax composition than the rural top.

It is interesting to note that the middle had quite similar social benefit composition as the top, partly driven by periodical payments that are not pro-poor in design. In terms of tax composition, the middle was lower than the top but higher than the bottom. This potentially suggests the middle-income squeeze, where they are generally excluded from pro-poor social protection programmes but taxed higher than the bottom, worsened by the fact that they do not differ much from the bottom in terms of their welfare level[44].

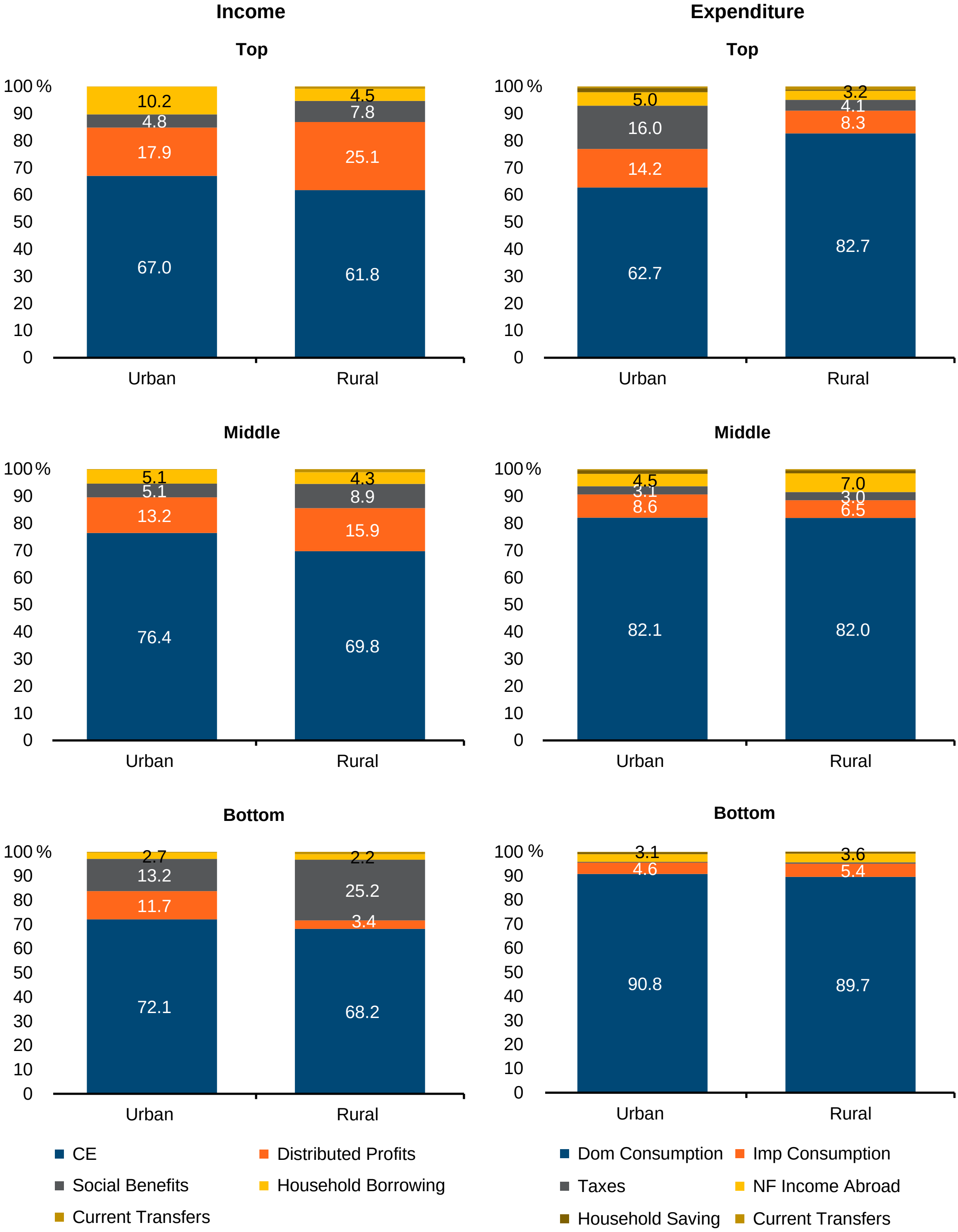
[41] Sander et al. (2015)

[42] A fuller examination of the SAM will be available in our upcoming report "The State of Households 2020".

[43] Income class in the SAM is demarcated using the bottom 40%, middle 40% and top 20% of the compensation of employees.

[44] Hawati et al. (2019) shows this using a consumption-side analysis of the household income and expenditure survey, arguing that the middle income in Malaysia did not reflect middle-class characteristics of consumption.

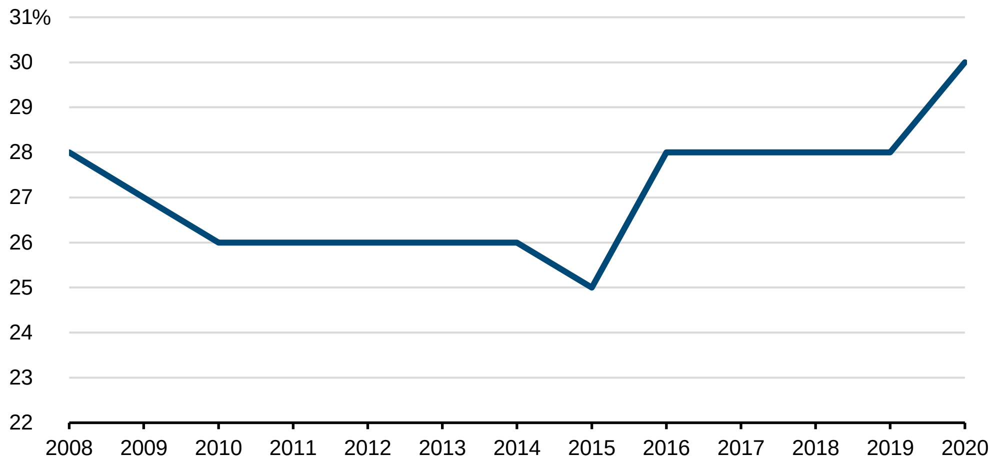
Figure 36: Composition of income and expenditure, by strata and income class, 2015



Note: CE is compensation of employees; NF Income Abroad is non-factor income abroad; Dom Consumption is domestic consumption and Imp Consumption is imported consumption
Source: DOSM (2019), authors' calculations

On the progressivity of the personal income tax regime, the conventional way is to look at the top marginal personal income tax rate. For Malaysia, the top marginal tax rate decreased from 28% in 2008 to 25% in 2015, before increasing to 30% for the assessment year of 2020 (Figure 37). So, if we use this as our indicator of progressivity, then our personal income tax regime has become more progressive since 2015.

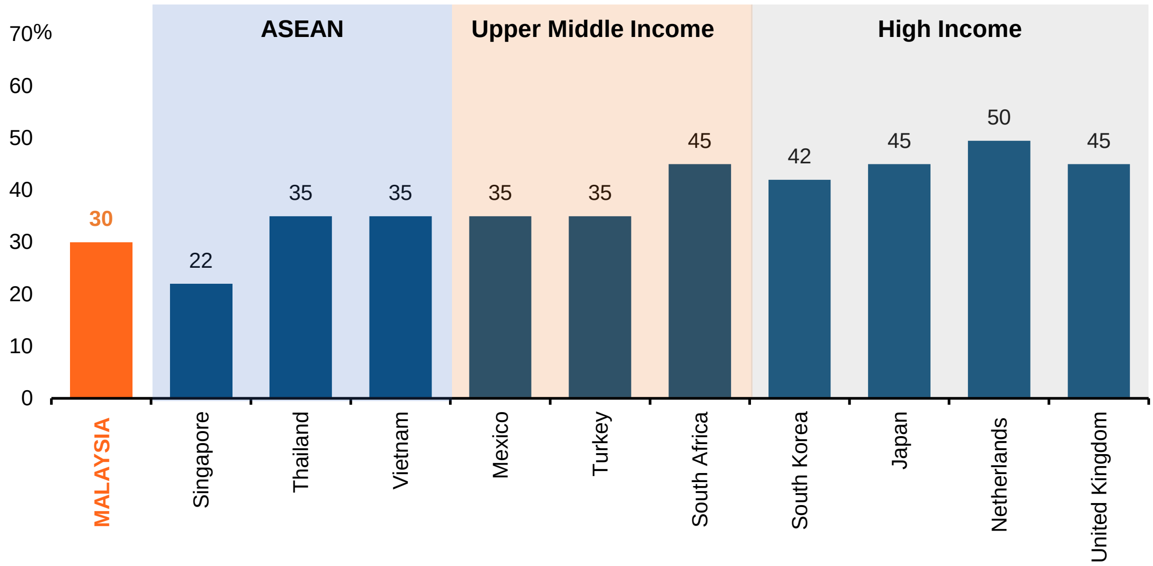
Figure 37: Top marginal tax rate in Malaysia, 2008 – 2020



Source: LDHN (2020)

However, when we compare with a selected number of countries, Malaysia's top marginal tax rate is one of the lowest, only higher than Singapore (Figure 38). In addition, the United Kingdom used to have a top income tax rate of 65% for nearly half a century, even when it was under the Conservative government[45].

Figure 38: Top marginal tax rate of selected countries, based on latest available year



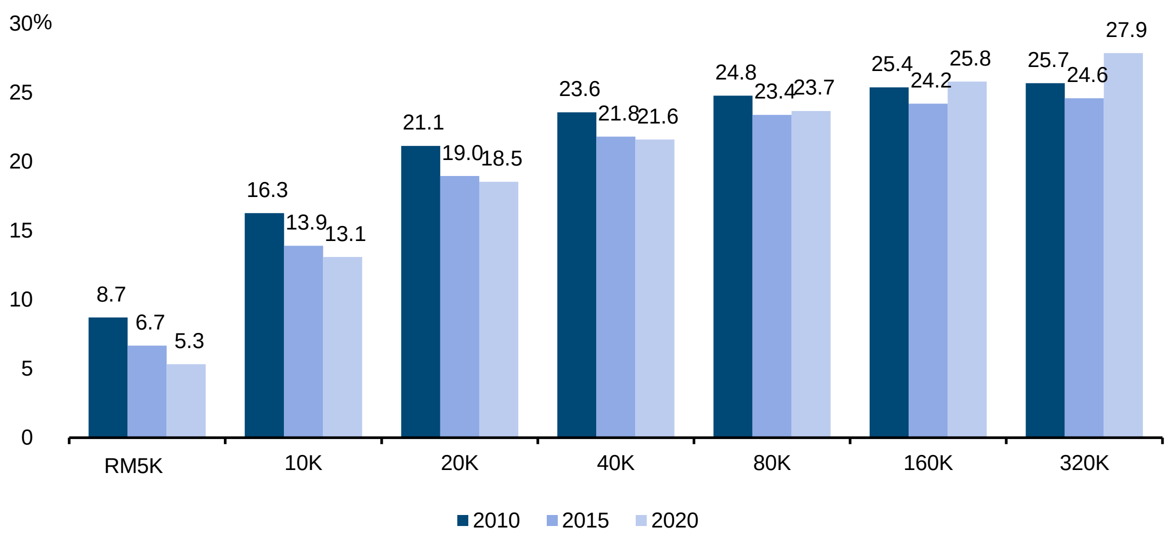
Source: LDHN (2020), IRAS (2020), SARS (2020), MOF Japan (2020), PMO (2020b)

[45] Atkinson (2015)

Atkinson (2015) had also argued that we should not just look at marginal tax rates if we are concerned with progressivity. If policy makers are concerned with the redistributive effects of taxation policy, then the goal of adjusting marginal tax rates is to increase the average tax rate paid by higher-income individuals.

Using the tax structure for the assessment years of 2010, 2015 and 2020, we simulate the average tax rates for individuals earning a monthly income of RM5k, RM10k, RM20k, etc, doubling the amount all the way to RM320k (Figure 39). For those earning between RM5k to RM40k, the average tax rate decreased between 2010 and 2020. For those earning RM80k and above, the average tax rate decreased between 2010 and 2015, but subsequently increased in 2020 to a level higher than 2010 (except for those earning RM80k). Generally, the average tax rates also show that higher-income individuals are required to pay more taxes on average compared to lower-income individuals, indicating improving progressivity over the years.

Figure 39: Average tax rate in Malaysia, by monthly income group, 2010, 2015 and 2020



Source: LDHN (2020), authors' calculations

However, two considerations can be brought up here. First, even though the extreme rich (i.e. those earning RM160k and RM320k per month) has seen a higher average tax rate over the decade, the rate is only marginally higher than those in the RM80k income group. Even after deducting the average tax rate of between 25.8 – 27.9%, the balance income for the extreme rich is still quite substantial in absolute terms. The ratio of post-tax income for those earning RM320k per month to those earning RM5k per month is 49x - an improvement from the ratio of 64x pre-tax, but still suggest an enormous disparity between them.

Second, for those lower down the income scale especially those earning between RM20k and RM80k per month, amounts which are rather hefty relative to the average living standards in Malaysia, the average tax rates had actually decreased to levels lower than 2010. Therefore, there is scope to improve progressivity for those earning income in this range as well. Improving progressivity in tandem with expanding our tax base is one strategy of increasing our fiscal space to fund new social protection programmes or enhance existing ones. While we have only focused our analysis on income tax, similar applications of progressivity can be applied to consumption tax, capital gains tax and new forms of wealth tax.

Section 5: Conclusion

In our discussion on the broad view of social protection within the landscape of fiscal policy, we have described Malaysia's fiscal position from 1970 to 2019, highlighting how we had recorded fiscal deficits for a large part of our economic history, except for a brief period in the 1990s. Since the mid-1980s, we have seen a longer-term trend of moderating fiscal revenue and expenditure relative to GDP. Fiscal policy, working alongside monetary policy, had been used to ensure stable and sustained growth in aggregate demand, meeting the objectives of economic growth, low unemployment and price stability.

Therefore, recognising that fiscal policy goes beyond a singular purpose, funding for social protection must navigate the trade-offs in balancing the multiple objectives of fiscal policy, both in inter-sectoral and intra-sectoral terms. Expenditure on subsidies and social assistance, which can be taken as a proxy for social protection spending, had been moderating as a share of total operating expenditure since the 2010s. Social protection spending in Malaysia was lower than the other upper middle-income countries and several neighbouring ASEAN countries. There is room to increase our overall social protection spending and strengthen our social protection system especially in view of our recent experience with Covid-19.

Within subsidies and social assistance, we have highlighted the trade-offs made between different social protection programmes. We pointed to the contrasting trend of an increasing number of social protection programmes, coupled with the decreasing level of spending since 2012, which suggests that resources were spread thinly across many small programmes, raising the probability of fragmentation and diseconomies of scale. This is especially pertinent given that the bulk of spending had been allocated to fuel subsidies and BR1M/BSH, which implied even less in spending on the other programmes. The large number of ministries and government agencies with a purview over social protection programmes suggest that there is room for consolidation and streamlining.

There is also the question on whether we had improved the breadth of coverage for our social protection programmes at the expense of the depth of its coverage. One classic example is the shift in emphasis from social protection programmes referencing the PLI to targeting using the B40 threshold. Notwithstanding that the B40 approach treats the poor and low income as largely homogenous[46], the shift to a bigger target group had certainly increased the coverage of social protection programmes. However, without a commensurate increase in social protection spending, this means that the average amount allocated per household would be lower, diluting the impact of each social assistance given to poor households.

[46] Hawati et al. (2019)

Shifting from income to life-cycle targeting has some merits and should be considered in our social protection reforms. Our analysis shows that we already have programmes that are targeted based on life-cycle groups—in fact, more than those targeted by income—which provides us with a good starting point in making this shift to focus on emerging forms of life-cycle vulnerabilities and risks. However, programmes that address the key risk area of old age, are arguably too few and too low in terms of spending. In addition, coverage among the elderly by these programmes is arguably low as nearly all are meant for either those in low income households or in other specific categories. The lack of a universal social pension is pressing given Malaysia's transitioning to an ageing population. This implies a shrinking workforce and an increasing number of retiring individuals who barely have enough savings to sustain themselves beyond retirement They are unprotected by existing contributory schemes that are catered primarily for the formal sector.

As for programmes for children, this comprised the highest number of programmes and spending compared to any other life-cycle group. However, we highlighted that the bulk of this was attributed to children in schooling years. More is needed to address the core risk area associated with family and young children via the provision of care-related assistance. As current provisions are unable to support the needs of families, especially those with dual earners, addressing this risk area is key. Increasing support to early childhood care and education can provide great benefits to children and would be pivotal to the development of Malaysia's future talent pool. Furthermore, the benefits in ensuring parents, particularly women, participate and stay in work would allow for a more gender equal society in Malaysia as well as unlock the full potential of the labour force.

Meanwhile, programmes for youth and the working age had certainly not been short in number though the spending on promotive programmes for these groups had been moderating since 2009, along with other promotive programmes more broadly. Given the increasing rate of youth unemployment and depressed labour market conditions, exacerbated by the pandemic, active labour market policies translated into promotive programmes play a crucial role in complementing protective and preventive programmes in the social protection landscape. It can promote the goal of increasing skills and earning potential as a way of safeguarding the welfare of our working age group especially the working poor.

One of the constraints that structures trade-offs is the amount of fiscal space available to introduce or enhance new social protection programmes. Looking at government revenue, the prevailing landscape illustrates an increased share of revenue from direct tax (DT) and non-tax (NT) revenue, and a decreased share from indirect-tax (IDT) revenue. For both DT and NT revenue, oil-related revenue made up an increasing share, adding to concerns about our dependence on oil-related revenue, especially given the volatility of global crude oil prices that we had seen during the Movement Control Order period.

To ensure fiscal sustainability, Malaysia has fiscal rules put in place. Our assessment using two estimations of fiscal space as well as descriptive statistics highlights that we are fast approaching these limits, and likely worsened by the current economic and health crisis. Nevertheless, it is important to recognise that fiscal rules are constructs put in place to ensure fiscal discipline, and that there may be exceptional times when we should relax these rules. Otherwise, we will not have sufficient fiscal space to fund critical social protection programmes when people need them the most.

A final consideration is social sustainability, particularly with regard to the redistributive impact of social protection. This is pertinent given Malaysia's prevailing commitment to inequality reduction goals. While there are certainly challenges in making the link between a particular social protection programme to redistribution, our comparison of post-transfer inequality with pre-transfer inequality indicates lower inequality. This suggests that our expenditure on social protection programmes are redistributive at the aggregate level, although the magnitude was lower than the other more developed countries. The SAM analysis further shows that social benefits made up a larger share of income for the rural bottom, and that the middle-income group, despite having similar standards of living as the bottom, had a much lower share of social benefits.

Finally, we turn to our personal income tax regime to assess its progressivity as a way of initiating the discussion on how we can raise more revenue for social protection. The top marginal tax rate in Malaysia had been increasing since 2015, which has been used as an indication of improving progressivity. However, in comparison to a selected number of upper middle-income and high-income countries, as well as with certain ASEAN countries, Malaysia's top marginal tax rate is still among the lowest. We also made the argument that progressivity is better reflected in terms of increasing average tax rates for the top and high incomes. We simulated the calculations for different income groups using our tax structures to show that there is still room to adjust our marginal tax rates to optimise the average tax collected from the top and high incomes. Striking the right balance in the allocation of fiscal resources among competing social protection programmes and generating sufficient revenue from taxation and other sources to finance them are critical in building an inclusive nation.

Appendix A: List of subsidy and social assistance programmes

Table A1: List of subsidy and social assistance programmes in existence between 2006 to 2018

Programme	Ministry	Coverage	Life cycle	Income	Other	Typology	Nature
Subsidi Harga Padi	MOA	Targeted	Working age	N	Occupation - Farmers (paddy)	Subsidy/Financial assistance	Promotive
Subsidi Baja Padi	MOA	Targeted	Working age	N	Occupation - Farmers (paddy)	In kind transfer	Promotive
Subsidi Benih Padi Sah	MOA	Targeted	Working age	N	Occupation - Farmers (paddy)	Subsidy/Financial assistance	Promotive
Subsidi Harga Beras ST15	MOA	Universal	N	N	N	Subsidy/Financial assistance	Protective
Subsidi Baja Padi Bukit/Huma	MOA	Targeted	Working age	N	Occupation - Farmers (paddy) & Location - Sabah and Sarawak	In kind transfer	Promotive
Bantuan Khas Pesawah (One Off)	MOA	Targeted	Working age	N	Occupation - Farmers (paddy)	Cash transfer	Preventive
Skim Penstabilan Minyak Masak (COSS)	KPDNKK/KPDNHEP	Universal	N	N	N	Subsidy/Financial assistance	Protective
Subsidi Gula	KPDNKK/KPDNHEP	Universal	N	N	N	Subsidy/Financial assistance	Protective
Subsidi Tepung Gandum Kegunaan Am	KPDNKK/KPDNHEP	Universal	N	N	N	Subsidy/Financial assistance	Protective
Subsidi Bekalan Roti	KPDNKK/KPDNHEP	Universal	N	N	N	Subsidy/Financial assistance	Protective
Subsidi Gas Cecair (LPG), Diesel dan Petrol	MOF	Universal	N	N	N	Subsidy/Financial assistance	Protective
Bayaran Pampasan Tol	KKR	Universal	N	N	Location - Sabah, Sarawak	Subsidy/Financial assistance	Protective
Subsidi RAS	MOT	Universal	N	N	Location - Sabah, Sarawak	Subsidy/Financial assistance	Protective
Subsidi Tren Tidak Ekonomik	MOT	Universal	N	N	N	Subsidy/Financial assistance	Protective
Pas bulanan tanpa had perjalanan bagi RapidKL dan Rel	MOT	Universal	N	N	N	Subsidy/Financial assistance	Protective
Subisidi Kadar Faedah Kepada Bank Pembangunan Malaysia Berhad	MOF	Targeted	N	N	Loan recipient	Subsidy/Financial assistance	Promotive
Subsidi Faedah Imbuhan Tabung Pinjaman	MOF	Targeted	N	N	Loan recipient	Subsidy/Financial assistance	Promotive
Subsidi Bil Elektrik	KeTTHA/MESTECC	Targeted	N	PGK	N	Subsidy/Financial assistance	Protective
NKRA Rural Basic Infrastructure	KKLW/KPLB	Targeted	N	N	Location - Rural	In kind transfer	Protective
Subsidi dan Bantuan Lain (Am)	Unknown	Unknown	N	Unknown	Unknown	Subsidy/Financial assistance	Protective
Insentif Pengeluaran Padi	MOA	Targeted	Working age	N	Occupation - Farmers (paddy)	In kind transfer	Promotive
Insentif Peningkatan Hasil Padi	MOA	Targeted	Working age	N	Occupation - Farmers (paddy)	Cash transfer	Promotive
Insentif Hasil Tangkapan Nelayan	MOA	Targeted	Working age	N	Occupation - Fisherman	Cash transfer	Promotive
Bayaran Kpd Pemilik & Pekerja Vessel	MOA	Targeted	Working age	N	Occupation - Fisherman	Cash transfer	Preventive
Pengusaha Bot Penumpang Sungai	KPDNKK/KPDNHEP	Targeted	Working age	N	Occupation	Cash transfer	Preventive
Rebat Tunai Untuk Pengangkutan Bot di Sungai-sungai di Sabah	KPDNKK/KPDNHEP	Targeted	Working age	N	Occupation	Cash transfer	Preventive
Dasar Jaminan Bekalan Makanan (Insentif)*	MOA	Targeted	Working age	N	Occupation - Farmers (paddy)	In kind transfer	Promotive
i. Insentif Peningkatan Pengeluaran Padi	MOA	Targeted	Working age	N	Occupation - Farmers (paddy)	In kind transfer	Promotive
ii. Insentif kepada Pengusaha Pertanian	MOA	Targeted	Working age	N	Occupation - Farmers	In kind transfer	Promotive
iii. Insentif Meningkatkan Pengeluaran Makanan	MOA	Targeted	Working age	N	Occupation - Farmers	In kind transfer	Promotive
iv. Insentif Pasaran dan Pengagihan Hasil	MOA	Targeted	Working age	N	Occupation - Farmers	In kind transfer	Promotive
v. Insentif Kempen Bumi Hijau	MOA	Universal	N	N	N	In kind transfer	Promotive
vi. Insentif Pengurusan Tanah Terbiar	MOA	Targeted	Working age	N	Occupation - Farmers	In kind transfer	Promotive
Elaun Sara Hidup Nelayan Darat (ESHND)	MOA	Targeted	Working age	N	Occupation - Fisherman	Cash transfer	Preventive
Insentif Pengeluaran Getah (IPG)	MPIC/MPI	Targeted	Working age	N	Occupation - Farmers (rubber planters)	Subsidy/Financial assistance	Promotive
Insentif Galakan Tanam Semula KESEDAR	KKLW/KPLB	Targeted	Working age	B40	Occupation - Farmers	Cash transfer	Promotive
Rancangan Makanan Tambahan	KPM	Targeted	Children	PGK	, OKU, Ethnicity - Orang Asli/Penan	In kind transfer	Protective
Rancangan Makanan Tambahan - Snek Bijiran (Energy Bar)	KPM	Targeted	Children	PGK	, OKU, Ethnicity - Orang Asli/Penan	In kind transfer	Protective
Bantuan Makanan Asrama	KPM	Targeted	Children	B40	Students - Asrama	In kind transfer	Protective

Programme	Ministry	Coverage	Life cycle	Income	Other	Typology	Nature
Buku Teks	KPM	Targeted	Children	N	Students	In kind transfer	Promotive
Program Susu 1Malaysia	KPM	Targeted	Children	PGK	Students & Location - Rural	In kind transfer	Protective
Perjalanan dan Pengangkutan Murid	KPM	Targeted	Children	N	Students - Asrama	In kind transfer	Promotive
Projek Khas Murid Sekolah Berasrama Penuh (SBP)	KPM	Targeted	Children	PGK	Students - Asrama	Subsidy/Financial assistance	Promotive
Bantuan Jaket Keselamatan	KPM	Targeted	Children	N	Students & Location - Rural	In kind transfer	Promotive
Bantuan Pakaian Seragam Pasukan Beruniform	KPM	Targeted	Children	PGK	Students	Subsidy/Financial assistance	Promotive
Bantuan Geran Perkapita	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Promotive
Bantuan Bayaran Tambahan Persekolahan (BBTP)	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Promotive
Bantuan Kokurikulum Sekolah	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Promotive
Bantuan Sukan Sekolah	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Promotive
Yuran Khas Sekolah	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Promotive
Asrama Perpaduan	KPM	Targeted	Children	N	Students - Asrama A1M	Subsidy/Financial assistance	Promotive
Bantuan Utiliti Sekolah dan Sekolah Agama Bantuan Kerajaan	KPM	Targeted	Children	N	Students - Specific schools under JAIN etc	Subsidy/Financial assistance	Promotive
Skim Baucar Tusyen	KPM	Targeted	Children	PGK	Students	In kind transfer	Promotive
Bantuan Pelajar Sekolah	KPM	Targeted	Children	Unknown	Students	Cash transfer	Promotive
Bantuan Khas Awal Persekolahan	KPM	Targeted	Children	B40	Students	Cash transfer	Promotive
Elaun Pra Universiti	KPM	Targeted	Youth	N	Students - Sports	Cash transfer	Promotive
Biasiswa Kelas Persediaan Universiti	KPM	Targeted	Youth	PGK	Students	Cash transfer	Promotive
Program Post Graduate Certificate of Education	KPM	Targeted	Youth	N	Students - Unknown	Unknown	Promotive
Elaun Saku Pelajar Matrikulasi	KPM	Targeted	Youth	N	Students - Matriculation	Cash transfer	Promotive
Bantuan Khas Persekutuan	KPM	Targeted	Youth	N	Students - Unknown	Unknown	Promotive
Bantuan Makanan Tambahan KEMAS	KKLW/KPLB	Targeted	Children	B40	Care Institution - KEMAS	Subsidy/Financial assistance	Protective
Bantuan Geran Perkapita KEMAS	KKLW/KPLB	Targeted	Children	B40	Care Institution - KEMAS	Subsidy/Financial assistance	Promotive
Bantuan Makanan Pra-Sekolah	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Protective
Bantuan Geran Perkapita Pra-Sekolah	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Promotive
Bantuan Kokurikulum Prasekolah	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Promotive
Bantuan Yuran Prasekolah Swasta	KPM	Targeted	Children	PGK	Students - Private Preschools	Subsidy/Financial assistance	Promotive
Bantuan Yuran Taska swasta	WANITA	Targeted	Children	PGK	Care Institution - Private	Subsidy/Financial assistance	Promotive
Wang Saku Institusi Kanak-Kanak	WANITA	Targeted	Children	N	Care Institution - Rumah Jagaan & Disadvantaged Children (Orphans, Abused etc)	Cash transfer	Protective
Subsidi Taska Komuniti	WANITA	Targeted	Children	PGK	Care Institution - Taska Komuniti	Subsidy/Financial assistance	Protective
Geran Operasi Pusat Aktiviti Kanak-kanak (PAKK)	WANITA	Targeted	Children	N	Care Institution - Rumah Jagaan & Disadvantaged Children (Orphans, Abused etc)	Subsidy/Financial assistance	Protective
Geran Operasi Rumah Tunas Harapan (RTH)	WANITA	Targeted	Children	N	Care Institution - Rumah Jagaan & Disadvantaged Children (Orphans, Abused etc)	Subsidy/Financial assistance	Protective
Geran Operasi Jawatankuasa Kebajikan Kanak-kanak (PKKK)	WANITA	Targeted	Children	N	Care Institution - Rumah Jagaan	Subsidy/Financial assistance	Protective
Biasiswa	Various	Targeted	Youth	N	Students - Unknown	Cash transfer	Promotive
Jabatan Perkhidmatan Awam	JPA	Targeted	Youth	N	Students - IPT	Cash transfer	Promotive
Biasiswa/pinjaman Majlis Amanah Rakyat (MARA)	KKLW/KPLB	Targeted	Youth	N	Students & Ethnicity - Bumi	Cash transfer	Promotive
Biasiswa Kecil Persekutuan	KPM	Targeted	Children	B40	Students	Cash transfer	Promotive
Biasiswa Sukan	KPM	Targeted	Children	B40	Students	Cash transfer	Promotive

Programme	Ministry	Coverage	Life cycle	Income	Other	Typology	Nature
Bursary	KPM	Targeted	Youth	N	Students	Cash transfer	Promotive
Biasiswa Perguruan Persekutuan	KPM	Targeted	Youth	N	Occupation - Teacher	Cash transfer	Promotive
Program Pra Perkhidmatan (Elaun Pelatih Perguruan)	KPM	Targeted	Youth	N	Occupation - Teacher	Cash transfer	Promotive
Kementerian Pendidikan Tinggi	KPT	Targeted	Youth	N	Students - IPT	Cash transfer	Promotive
Kementerian Kesihatan	KKM	Targeted	Youth	N	Students - KKM	Cash transfer	Promotive
Kementerian Sumber Manusia	KSM	Targeted	Youth	N	Students - IPT	Cash transfer	Promotive
Biasiswa/ dermasiswa/ bantuan pelajaran (Institut Latihan Perindustrian (ILP)/Pusat Latihan Teknologi Tinggi - ADTEC)	KSM	Targeted	Youth	N	Students - ADTEC	Cash transfer	Promotive
Kementerian Belia dan Sukan	KBS	Targeted	Youth	N	Students - Sports	Cash transfer	Promotive
Biasiswa Institut Kemahiran Belia Negara (IKBN)/Institut Kemahiran Tinggi Belia Negara (IKTBN)	KBS	Targeted	Youth	N	Students - IKBN Trainees	Cash transfer	Promotive
Penajaan Pelajar Cemerlang	KKLW/KPLB	Targeted	Youth	N	Students - IPT	Cash transfer	Promotive
Program Pendidikan Tinggi Malaysia-Jepun	KKLW/KPLB	Targeted	Youth	N	Students - IPT Jepun	Cash transfer	Promotive
Elaun Pelatih Institut Kraf Negara	MOTAC	Targeted	Youth	N	Students & Location - Rural	Cash transfer	Promotive
Diploma Pasca Siswazah Kerja Sosial	WANITA	Targeted	Youth	N	Occupation - Public	Cash transfer	Promotive
Biasiswa JAKIM	JPM	Targeted	Youth	N	Students - Religious studies	Cash transfer	Promotive
Biasiswa Sukan Persekutuan	KBS	Targeted	Youth	N	Students - Sports	Cash transfer	Promotive
Bantuan Kanak-kanak	WANITA	Targeted	Children	PGK	N	Cash transfer	Protective
Bantuan Am (Kuala Lumpur, Putrajaya & Labuan)	WANITA	Targeted	N	PGK	N	Cash transfer	Protective
Bantuan Hemodialisis dan Suntikan Erythropoitin (ERT)	KKM	Targeted	N	B40	Care Institution - NGO	Subsidy/Financial assistance	Preventive
Kumpulan Wang Amanah Pelajar Miskin	KPM>B.12	Targeted	Children	PGK	Students	Cash transfer	Protective
Kumpulan Wang Tabung Perubatan	KKM>B.12	Targeted	N	B40	N	In kind transfer	Protective
Lain-lain bantuan keluarga miskin	Unknown	Targeted	N	PGK	N	Unknown	Protective
Bantuan OKU	Various	Targeted	Children, Working Age	PGK	OKU	Cash transfer	Protective
Elaun Pekerja Cacat	WANITA	Targeted	Working age	PGK	OKU	Cash transfer	Preventive
Elaun OKU Tidak Berupaya Bekerja	WANITA	Targeted	Working age	PGK	OKU	Cash transfer	Protective
Kurang Upaya Pemulihan Dalam Komuniti (PDK)	WANITA	Targeted	N	N	OKU	In kind transfer	Protective
Bantuan Alat Tiruan	WANITA	Targeted	N	PGK	OKU	Cash transfer	Protective
Bantuan Penjagaan OKU/Pesakit Kronik Terlantar	WANITA	Targeted	N	B40	OKU	Cash transfer	Protective
Wang Saku Institusi Kurang Upaya	WANITA	Targeted	N	N	OKU & Care Institution - JKM	Cash transfer	Protective
Geran Operasi Taska OKU	WANITA	Targeted	Children	N	OKU & Institution - Taska OKU	Subsidy/Financial assistance	Protective
Elaun Murid Berkeperluan Khas OKU	KPM	Targeted	Children	N	OKU & Students	Cash transfer	Protective
Elaun Khas Kanak-kanak Pemulihan Dalam Komuniti (PDK)	WANITA	Targeted	Children	N	OKU - PDK & Students - PDK	Cash transfer	Protective
Bantuan Warga Emas	WANITA	Targeted	Elderly	PGK	N	Cash transfer	Protective
Wang Saku Institusi Warga Emas	WANITA	Targeted	Elderly	PGK	Care Institution - JKM	Cash transfer	Protective
Bantuan Sosioekonomi Warga Emas	WANITA	Targeted	Elderly	PGK	N	Cash transfer	Protective
Bantuan Orang Asli	Various	Targeted	Children, Working Age	N	Ethnicity - Orang Asli	In kind transfer	Protective
Makanan	KKLW/KPLB>JPM	Targeted	Children	N	Ethnicity - Orang Asli & Students	In kind transfer	Protective
Tambang Bas	KKLW/KPLB>JPM	Targeted	Children	N	Ethnicity - Orang Asli & Students	In kind transfer	Promotive
Bantuan Persekolahan	KKLW/KPLB>JPM	Targeted	Children	N	Ethnicity - Orang Asli & Students	Cash transfer	Promotive

Programme	Ministry	Coverage	Life cycle	Income	Other	Typology	Nature
Asrama	KKLW/KPLB>JPM	Targeted	Children	N	Ethnicity - Orang Asli & Students - Asrama	In kind transfer	Promotive
Bantuan Pakaian Seragam	KKLW/KPLB>JPM	Targeted	Children	N	Ethnicity - Orang Asli & Students	In kind transfer	Promotive
Input Pertanian	KKLW/KPLB>JPM	Targeted	Working age	N	Ethnicity - Orang Asli & Occupation - Farmers	In kind transfer	Promotive
IPTA	KKLW/KPLB>JPM	Targeted	Youth	N	Ethnicity - Orang Asli & Students	Cash transfer	Promotive
Elaun Tok Batin	KKLW/KPLB>JPM	Targeted	Working age	N	Ethnicity - Orang Asli & Occupation - Tok Batin	Cash transfer	Preventive
Kebajikan	KKLW/KPLB>JPM	Targeted	N	N	OKU & Ethnicity - Orang Asli	Cash transfer	Protective
Bantuan Anggota Palsu	KKLW/KPLB>JPM	Targeted	N	N	OKU & Ethnicity - Orang Asli	Cash transfer	Protective
Program Kecemerlangan Pelajar	KKLW/KPLB>JPM	Targeted	Children	N	Ethnicity - Orang Asli & Students	In kind transfer	Promotive
Kelas Dewasa Asli Pribumi	KKLW/KPLB>JPM	Targeted	Working age	N	Ethnicity - Orang Asli	In kind transfer	Promotive
Kelas Dewasa Ibu Bapa Orang Asli dan Penan (KEDAP)	KPM	Targeted	Working age	N	Ethnicity - Orang Asli	In kind transfer	Promotive
Bantuan Sara Hidup	MOF	Targeted	N	B40	N	Cash transfer	Protective
Bantuan Persekolahan RM100/murid	KPM	Targeted	Children	B40	Students	Cash transfer	Promotive
Lain-lain Bantuan	JPM	Targeted	Unknown	Unknown	Unknown	Unknown	Protective
Elaun Penyelia/Elaun Guru Kelas Al-Quran dan Fardhu Ain (KAFA)	JPM	Targeted	Working age	N	Occupation - Religious	Cash transfer	Preventive
Elaun Guru Takmir	JPM	Targeted	Working age	N	Occupation - Religious	Cash transfer	Preventive
Elaun Pegawai Penyelaras Masjid Daerah	JPM	Targeted	Working age	N	N	Cash transfer	Preventive
Elaun Imam	JPM	Targeted	Working age	N	Occupation - Religious	Cash transfer	Preventive
Rukun Tetangga	JPM	Targeted	N	N	Location - Specific neighbourhoods	In kind transfer	Preventive
Geran/Geran perkapita kanak-kanak Tabika Perpaduan/Taska PERMATA	JPM	Targeted	Children	N	Care Institution - Tabika Perpaduan	Subsidy/Financial assistance	Promotive
Elaun Ketua Kampung Baru	JPM	Targeted	Working age	N	Occupation & Location - Kampung Baru	Cash transfer	Preventive
Elaun Majlis Pengurusan Komuniti Kampung Orang Asli (MPKKOA) Menggantikan Elaun Pengerusi JKKKOA	JPM	Targeted	Working age	N	Ethnicity - Orang Asli & Occupation - JKKK, JKKP	Cash transfer	Preventive
Rawatan Perubatan Pesara	JPA>KKM	Targeted	Elderly	N	Occupation - Public	Subsidy/Financial assistance	Preventive
Bantuan Mengurus Jenazah	JPA	Targeted	Elderly	N	Occupation - Public	Cash transfer	Preventive
Bantuan Musim Tengkujuh	MPIC/MPI	Targeted	Working age	N	Occupation - Farmers, Fisherman	Cash transfer	Preventive
Skim Bantuan Tanam Baharu untuk Pekebun Kecil (TBSPK) dan Skim Bantuan Tanam Semula untuk Pekebun Kecil (TSSPK)	MPIC/MPI	Targeted	Working age	N	Occupation - Farmers	Cash transfer	Promotive
Elaun JKKK dan JKKKP	KKLW/KPLB	Targeted	Working age	N	Occupation - JKKK, JKKP	Cash transfer	Preventive
Elaun Majlis Pengurusan Komuniti Kampung (MPKK) Menggantikan Elaun JKKK dan JKKKP	KKLW/KPLB	Targeted	Working age	N	Occupation - JKKK, JKKP	Cash transfer	Preventive
Program Pengedaran Barang Perlu, LPG dan Community Drumming	KPDNKK/KPDNHEP	Targeted	N	N	Location - Rural	Subsidy/Financial assistance	Protective
Program 1Malaysia 1Harga	KPDNKK/KPDNHEP	Targeted	N	N	Location - Rural	Subsidy/Financial assistance	Protective
Diskaun Tambang Feri (50%)	KWP	Targeted	N	N	Location - Labuan	Subsidy/Financial assistance	Protective
Program Vaksinasi HPV	WANITA	Targeted	Youth	N	Women	In kind transfer	Preventive
Subsidi Mamogram	WANITA	Targeted	Working age, Elderly	N	Women	In kind transfer	Preventive
Bantuan Sosioekonomi lain	WANITA	Targeted	Children, Working Age	PGK	, Disadvantaged Children (Orphans, Abused etc), OKU	Cash transfer	Protective
Geran Operasi NGO bagi Institusi Penjagaan Warga Emas/Kanak-Kanak/OKU Swasta	WANITA	Targeted	Children, Elderly	N	Care Institution - Rumah Kebajikan	Subsidy/Financial assistance	Protective
Elaun Pelatih dan Jurulatih PLKN	MINDEF	Targeted	Youth	N	Occupation - PLKN	Cash transfer	Preventive
Elaun Askar Wataniah & Elaun Pasukan Simpanan/PALAPES	MINDEF	Targeted	Working age	N	Occupation	Cash transfer	Preventive

Programme	Ministry	Coverage	Life cycle	Income	Other	Typology	Nature
Insurans PLKN	MINDEF	Targeted	Youth	N	Occupation - PLKN	Cash transfer	Preventive
Veteren Tentera	MINDEF	Targeted	Working age, Children	N	Occupation - Veterans	Cash transfer	Preventive
Perubatan Veteren Tidak Berpencen	MINDEF	Targeted	Working age	N	Occupation - Veterans	Cash transfer	Preventive
Skim Bantuan Kebajikan dan Pendidikan	MINDEF	Targeted	Children	B40	Occupation - Veterans	Cash transfer	Promotive
Bantuan Mengurus Jenazah Veteran Tidak Berpencen	MINDEF	Targeted	Working age	N	Occupation - Veterans	Cash transfer	Preventive
Tuntutan Perjalanan Perubatan Veteran Tidak Berpencen	MINDEF	Targeted	Working age	N	Occupation - Veterans	Cash transfer	Preventive
Ex Gratia Bencana Kerja	MINDEF	Targeted	Working age	N	Occupation - Veterans	Cash transfer	Preventive
Bantuan Bas Sekolah (Lembah Klang)	MINDEF	Targeted	Children	N	Occupation - Veterans	Cash transfer	Promotive
Elaun RELA	KDN	Targeted	Working age	N	Occupation	Cash transfer	Preventive
Catuan DEPO Tahanan	KDN	Targeted	N	N	Detainees	Subsidy/Financial assistance	Protective
Sukarelawan Anggota Pertahanan Awam	KDN	Targeted	Working age	N	Occupation	Cash transfer	Preventive
Sukarelawan Polis	KDN	Targeted	Working age	N	Occupation	Cash transfer	Preventive
Sukarelawan Siswa/Siswi	KDN	Targeted	Working age	N	Occupation	Cash transfer	Preventive
Skim Perlindungan Insurans Berkelompok	KDN	Targeted	Working age	N	Occupation	Subsidy/Financial assistance	Preventive
Pra Diploma Mengubah Destinasi Anak India Malaysia	KPT>KPM	Targeted	Youth	B40	Ethnicity - Indian & Students	In kind transfer	Promotive
Bantuan Pelajar Pendidikan Tinggi	KPT>KPM	Targeted	Youth	N	Students - IPT di Malaysia	In kind transfer	Promotive
Lain-lain Kementerian	Various	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
Bantuan Sara Hidup Bekas Kakitangan Kontrak	JPA	Targeted	Elderly	N	Occupation	Cash transfer	Preventive
Skim Peduli Kesihatan (PEKA) untuk Kumpulan B40	KKM	Targeted	Working age, Elderly	B40	N	In kind transfer	Preventive
Kemudahan Awam (MAYANG, NADI, MPWK)	WANITA	Universal	N	N	N	In kind transfer	Preventive
AZAM Tani	MOH	Targeted	Working age	PGK	N	In kind transfer	Promotive
AZAM Niaga/Khidmat	WANITA	Targeted	Working age	PGK	N	In kind transfer, Subsidy/financial assistance	Promotive
AZAM Kerja 1Malaysia	KSM	Targeted	Working age	PGK	N	In kind transfer	Promotive
Anjung Singgah	WANITA	Targeted	N	PGK	Homeless & Location - Urban	In kind transfer	Protective
Home Help	WANITA	Targeted	Elderly	N	, OKU	In kind transfer	Preventive
NKRA-Education	KPM	Targeted	Children	N	Students	Subsidy/Financial assistance	Promotive
Program 1AZAM Sabah/Sarawak	JPM	Targeted	Working age	PGK	Location - Sabah, Sarawak	In kind transfer	Promotive
Program Titipan Kasih & Kios Sejahtera	KPKT	Targeted	N	PGK	N	Cash transfer	Protective
Community Feeding and Food Basket	MOH	Targeted	Children	N	Ethnicity - Orang Asli, Location - Perak, Kelantan, Pahang, Sarawak	In kind transfer	Protective
Kesihatan	MOH	Targeted	Unknown	Unknown	Unknown	Unknown	Unknown
Housing Repair, Ferry 1Malaysia	KKLW/KPLB	Targeted	N	PGK	, OKU, Single Mothers	Cash transfer	Protective

Note: In the Life cycle and Other column, commas denote that eligibility characteristics that are mutually exclusive, while the ampersand denotes characteristics that must be jointly met
Source: MOF (2019a) and authors' classifications

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