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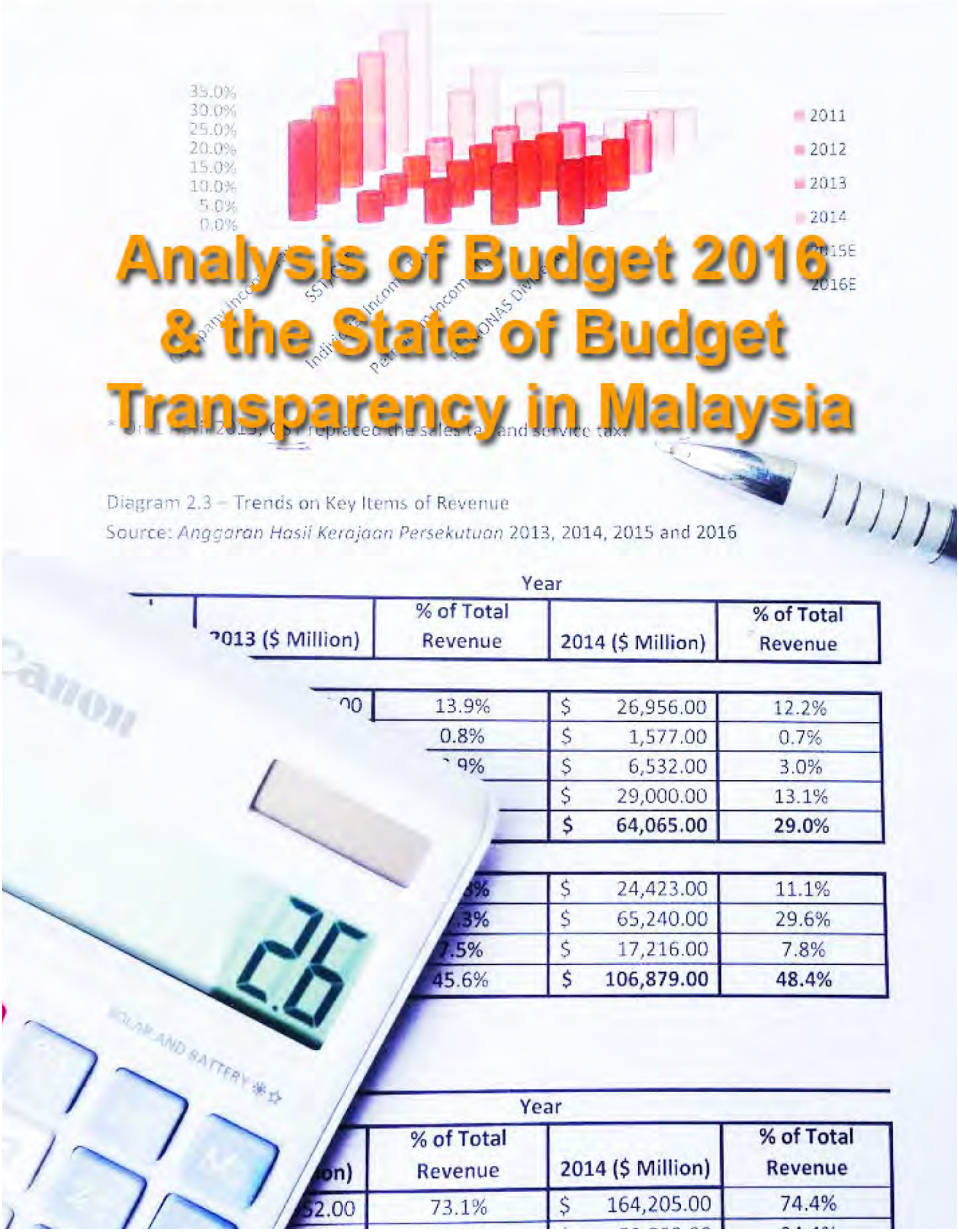
Analysis of Budget 2016 & the State of Budget Transparency in Malaysia



Analysis of Budget 2016 and the State of Budget Transparency in Malaysia

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1.0 Executive Summary

1.1 Background

Following the announcement of Budget 2016, various Members of Parliament and civil society organisations had attempted to point out shortcomings and anomalies in the most recent budget with the intention of recommending improvements to the governance of public resources.

Set on the same premise, while the budget is pending Parliamentary approval, we at the C4 Centre, have analysed Budget 2016 by contrasting key aspects of it to the past five years' budgets. We have outlined key themes identified in Section 2 below.

Further, consistent with the Centre's promotion of transparency, competency and accountability at all levels of government, we have analysed the budget framework comprising the budget setting process, monitoring and reporting activities. We have outlined our findings and recommendations in relation to the budget framework in Section 3 below.

1.2 Introduction

Each year, the government formulates policies through consultation with ministries, departments and agencies at central and local levels. These public bodies, and their executives, are accountable to the political leadership. Politicians, in turn, are accountable to the *rakyat* for the implementation of policies, in healthcare and education for example.

The budget is essentially the link between policies and their implementation or in other words, the government's plan on how it is going to use the public's resources to meet the public's needs. Fiscal transparency, specifically budget transparency and accountability for spending are therefore critical to ensure the public's resources are appropriately utilised to meet the public's needs.

The C4 Centre advocates public interest and participation in governance issues and promotes transparency, competency and accountability at all levels of government. The Centre seeks to facilitate platforms for empowerment and public advocacy across the country, and fill the need for a strong citizens backed anti-corruption movement, to help promote competency, accountability and integrity in Malaysia. The budget framework comprising budget setting process, monitoring activities and reporting is no exception to this.

Considering the significance of transparency and accountability surrounding the budget and perceived lack of budget transparency in Malaysia, we have performed an analysis of Budget 2016 and the underlying budget framework as it relates to Malaysia with a view to identify areas for improvement.

1.3 Summary of Key Findings

Through our analysis of Budget 2016 and the budget framework, we made the following observations:

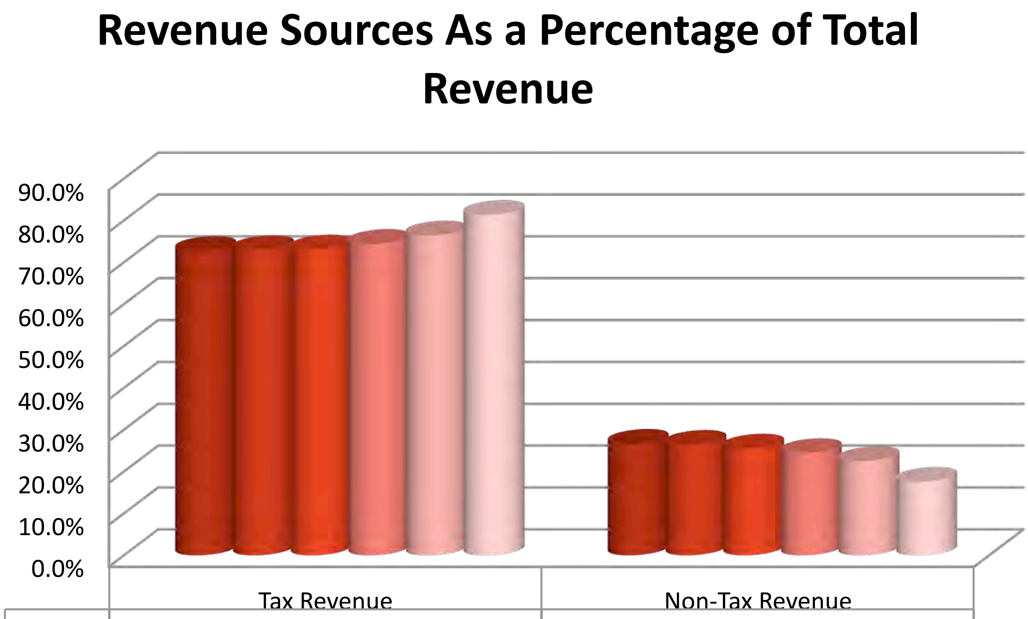
- Although themed *Prospering the Rakyat*, as a result of the government's reluctance to cut spending in non-essential areas, Budget 2016 increasingly taxes the *rakyat* as commodity related revenues decline.
- The government's investment in companies, statutory bodies and international agencies including investments in Government Linked Companies (GLC) and Government Linked Investment Companies (GLIC) such as 1Malaysian Development Berhad (1MDB) and government guarantees on loans for these companies and statutory bodies are steadily increasing.
- Three out of eight key budget documents recommended by international good practice including a pre-budget statement, a citizens budget and a mid-year review report are not published by the government, resulting in an adverse impact on budget transparency.
- There is a lack of mechanisms to enable the public and civil society organisations to participate in the budget setting process and the monitoring of budget implementation.
- Parliament does not provide its own oversight mechanism over implementation of the budget. Additionally, unlike the annual budget process which is approved upfront, the supplementary budget process allows for spending to be presented in Parliament retrospectively, often the following year for ceremonial approval.
- Key budget documents which are currently published are scattered in various locations, spanning across the websites of various ministries and institutions. This adversely impact the usefulness of the published documents as the documents do not provide a comprehensive picture when read in isolation.

Refer to Section 2.3 for findings from our analysis of Budget 2016 and Section 3.5 for findings and recommendations relating to budget framework as it relates to Malaysia.

2.0 Budget 2016 Analysed

2.1 Federal Government's Revenues

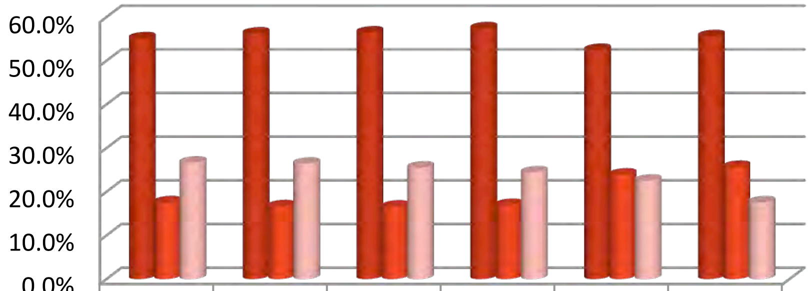
From analysing the Federal government's estimated revenues since 2011, we noted that there has been a decline in non-tax revenues such as dividends from PETRONAS and an overall increase in taxes across various segments. Diagrams 2.1 and 2.2 below illustrates this trend since 2011.



	Tax Revenue	Non-Tax Revenue
2011	72.7%	26.7%
2012	72.9%	26.4%
2013	73.1%	25.5%
2014	74.4%	24.4%
2015E	76.4%	22.5%
2016E	81.3%	17.6%

Diagram 2.1 – Revenue Sources as a Percentage of Total Revenue
Source: *Anggaran Hasil Kerajaan Persekutuan* 2013, 2014, 2015 and 2016

Revenue Sources As a Percentage of Total Revenue



	2011	2012	2013	2014	2015E	2016E
Direct Tax Revenue	55.1%	56.2%	56.5%	57.4%	52.5%	55.6%
Indirect Tax Revenue	17.6%	16.7%	16.6%	17.0%	23.9%	25.7%
Non-Tax Revenue	26.7%	26.4%	25.5%	24.4%	22.5%	17.6%

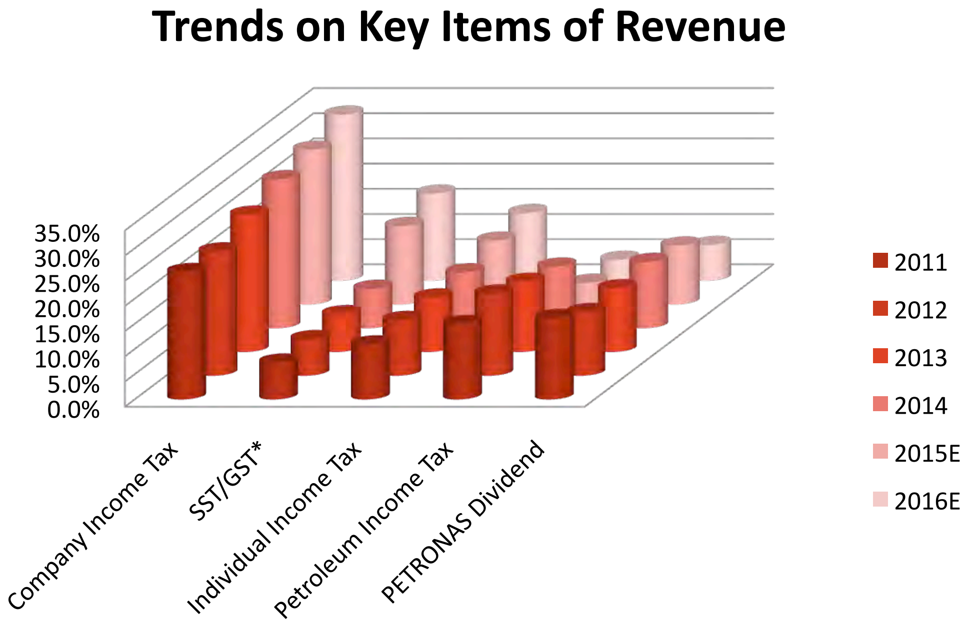
Diagram 2.2 – Revenue Sources as a Percentage of Total Revenue
Source: *Anggaran Hasil Kerajaan Persekutuan* 2013, 2014, 2015 and 2016

As illustrated in Diagram 2.2 above, since 2011, as a percentage of total revenue, while contributions from direct taxes revenues remained consistently high, contributions from indirect tax revenues such the Goods and Services Tax (GST) (from 17.6% in 2011 to 25.7% in 2015) had almost precisely replaced contributions from non-tax revenues such as dividends from PETRONAS (from 26.7% in 2011 to 17.6% in 2015).

Through further analysis of specific items that comprise these broad revenue categories, we found that the key sources of decrease in revenues 2011 was commodity related revenues such as dividends from PETRONAS, petroleum taxes and royalties. This is primarily due to decline in the price of commodities such as crude petroleum and crude palm oil, resulting in the decline of proceeds related to these commodities such as levies, royalties and other distributions.

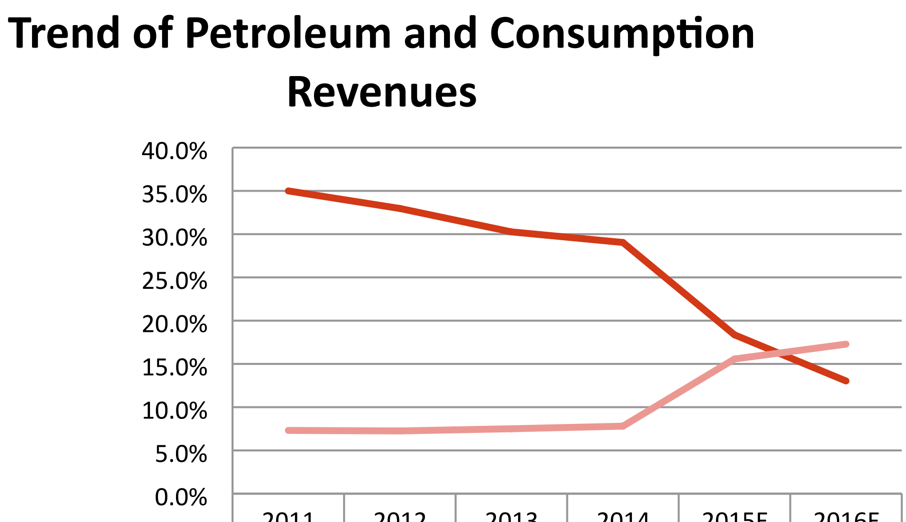
The decline in revenues from these sources was compensated by an increase in revenues from taxes, especially the indirect taxes such as GST based on percentage increase. The Prime Minister confirmed that following the reduction in oil-related revenues, the collection from GST has helped with declining oil revenues.[1] This reaffirms a programme which increasingly taxes the *rakyat* as revenues from the government's economic activities decline. Diagrams 2.3 and 2.4 further illustrate this trend in key areas of revenue since 2011.

[1] http://www.thestar.com.my/News/Nation/2015/10/27/PM-GST-saved-the-economy-Tax-helped-to-cushion-impact-of-falling-crude-oil-prices/



* On 1 April 2015, GST replaced the sales tax and service tax.

Diagram 2.3 – Trends on Key Items of Revenue
Source: *Anggaran Hasil Kerajaan Persekutuan* 2013, 2014, 2015 and 2016



	2011	2012	2013	2014	2015E	2016E
Petroleum-related Revenues	35.0%	33.0%	30.3%	29.0%	18.4%	13.0%
Sales and Services Related Tax Revenues	7.3%	7.3%	7.5%	7.8%	15.6%	17.3%

Diagram 2.4 – Trend of Petroleum and Consumption Revenues
Source: *Anggaran Hasil Kerajaan Persekutuan* 2013, 2014, 2015 and 2016

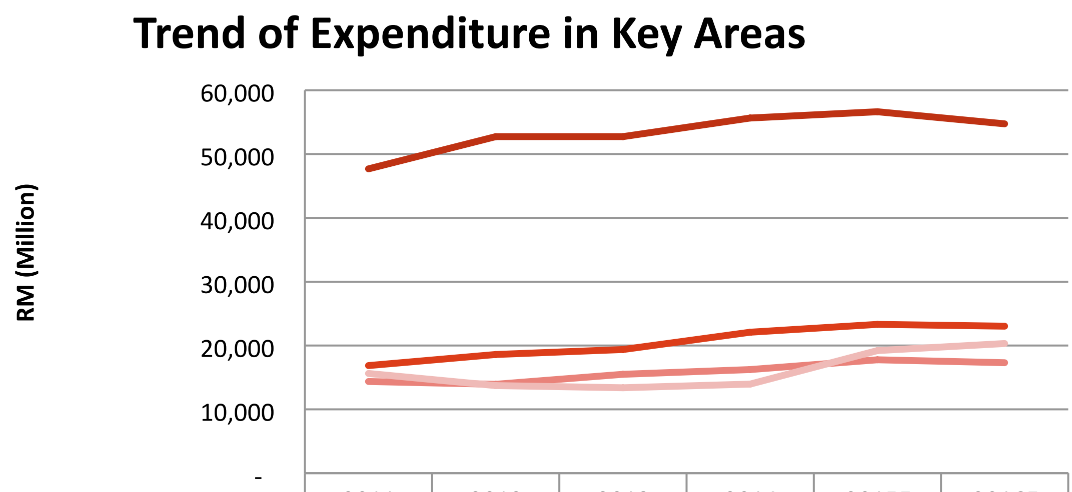
To elaborate on the degree to which the budget is dependent on the GST, in 2011, the sales and services taxes, which the GST replaced from 1 April 2015, was RM13.6 Billion or 7.3% of the total revenue, whereas in 2016, the GST is expected to contribute RM39 Billion or 17.5% of the total revenue – an increase of 10%.

Apart from GST, with the increased cost of conducting business – including transportation costs stemming from toll hikes and increase in bowser prices of petrol and diesel, it is reasonable to expect that the additional cost pressures will ultimately be passed on to consumers, the *rakyat.*

Put simply, the *rakyat* are increasingly shouldering the burden of a shortfall in the Federal Government's revenues to support budget spending.

2.2 Expenditure in the Budget

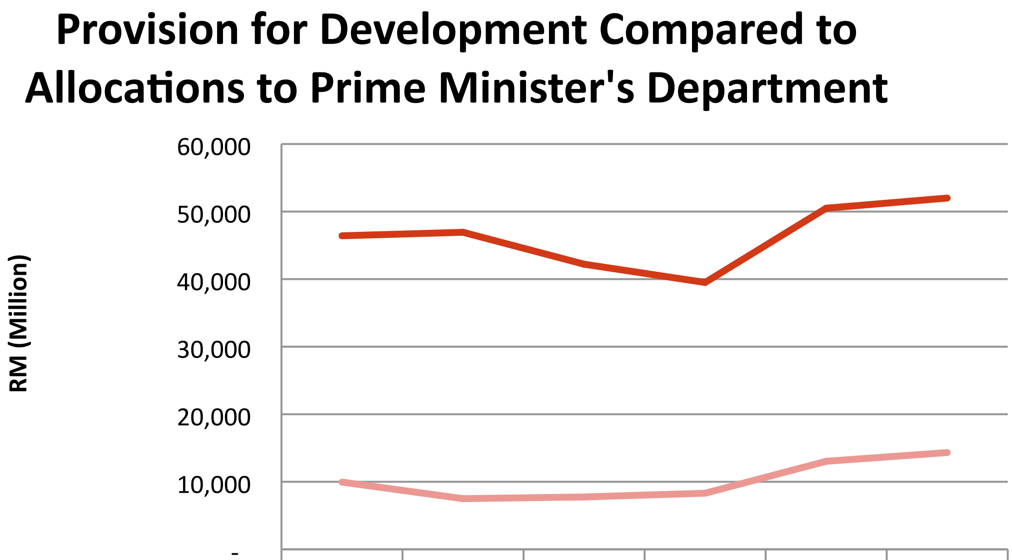
While the *rakyat* are increasingly shouldering the burden of a shortfall in revenues from the government's economic activities, curiously, in formulating the current budget, rather than revisit the necessity of spending as a whole and reducing unnecessary spending, the treasurer has opted to maintain the level of spending in most areas, boost spending in some areas such as allocations to the Prime Minister's Department with budget cuts focused on areas of essential spending such as education, healthcare and defence. Diagram 2.5 below illustrates the trend of expenditure in key areas.



	2011	2012	2013	2014	2015E	2016E
Education and Higher Education	47,681	52,730	52,732	55,647	56,633	54,738
Health	16,856	18,593	19,370	22,084	23,312	23,031
Defence	14,359	13,922	15,489	16,231	17,763	17,304
Prime Minister's Department	15,617	13,721	13,381	13,955	19,204	20,310

Diagram 2.5 Trend of Expenditure in Key Areas
Source: *Anggaran Perbelanjaan Persekutuan* 2014 and 2016

Further, from comparing the provision for development in the annual budget since 2011 to allocations of development funds to the Prime Minister's Department over the same period, we found that the allocation to the Prime Minister's Department is on an incline, irrespective of reductions in the provision for development in 2013 and 2014. Diagram 2.6 below illustrates this trend.



	2011	2012	2013	2014	2015E	2016E
Development Expenditure	46,416	46,932	42,210	39,503	50,500	52,000
Allocation of Development Expenditure to PMO	9,952	7,502	7,753	8,309	13,035	14,326

Diagram 2.6 Provision for Development Compared to Allocations to Prime Minister's Department
Source: *Anggaran Perbelanjaan Persekutuan* 2014 and 2016

During our analysis of the various items of expenditure, we also noted that expenditure relating to government borrowings, another source that the government relies on significantly to maintain spending, is on a steady incline since 2011. Diagram 2.7 below illustrates the expenditure relating to these borrowings. The sustainability of government borrowings requires further investigation and attention.

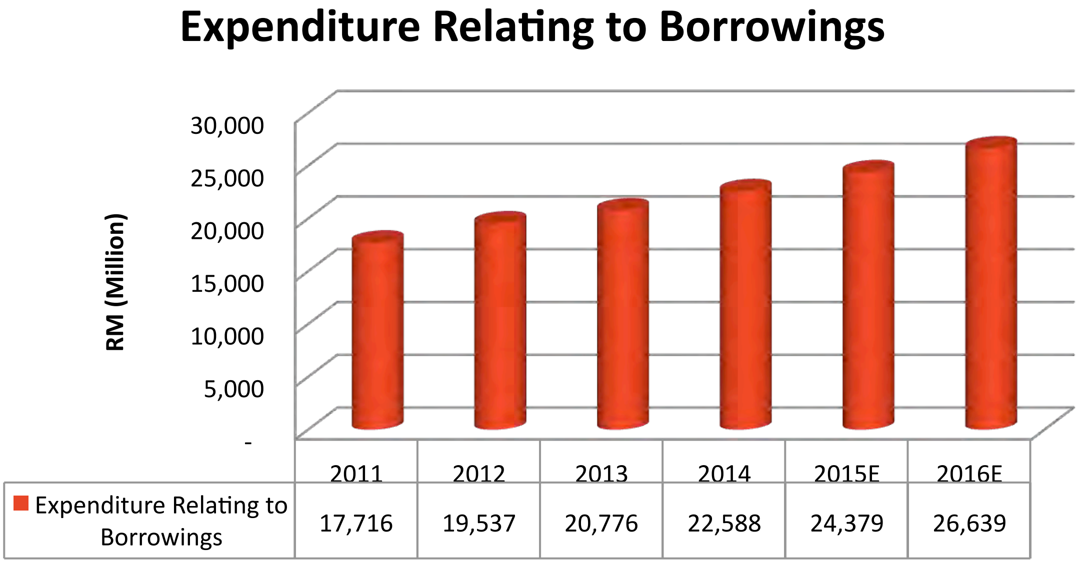


Diagram 2.7 Expenditure Relating to Government Borrowings
Source: *Anggaran Perbelanjaan Persekutuan* 2014 and 2016

2.3 Key Findings From Budget 2016 Analysis

In all, Budget 2016 appears to be inconsistent. Although themed *Prospering the Rakyat*, it is a budget that increasingly taxes the *rakyat* as commodity related revenues decline. Budget cuts appear to be focused on areas of essential spending such as education, healthcare and defence while spending in discretionary areas such as allocations to the Prime Minister's Department are either maintained or on the incline.

With an increasing reliance on the *rakyat* to finance the annual budget, in the event that the price of commodities such as crude petroleum decline further, the question that needs to be posed is how a government that is reluctant to cut unnecessary spending will react and on the contrary, in the event that commodity prices recover, will the *rakyat* continue to be taxed at astronomical levels while the treasurer finds new ways to spend the increase in revenue.

2.4 Other Observations – Potential for Spending of the Budget through Investment Companies

As part of our analysis, apart from the published *Anggaran Hasil Kerajaan Persekutuan 2016* and *Anggaran Perbelanjaan Persekutuan 2016*, for historic budget and actual spending data, we referred to the respective year's Supply Act, Supplementary Supply Acts and *Penyata Kewangan Kerajaan Persekutuan* where available. The latest available *Penyata Kewangan Kerajaan Persekutuan* at the time of our analysis was for the year-ended 31 December 2013.

Through our perusal of the *Penyata Kewangan Kerajaan Persekutuan 2013*, we note that investments in companies, statutory bodies and international agencies are part of the Federal Government's financial assets. These include investments in Government Linked Companies (GLC) and Government Linked Investment Companies (GLIC) such as 1Malaysian Development Berhad (1MDB). According to the *Penyata Kewangan Kerajaan Persekutuan 2013,* these investments are charged to operating or development expenses and not reported in the Statement of Financial Position (Off-Balance Sheet) but reported in the Statement of Memorandum Account of Investments.[2]

As at 31 December, reported at cost and not their present value, these investments amounted to RM29.6 Billion. To elaborate, 1MDB which is valued in the billions today is listed in the statement as being valued at RM1 Million. See Appendix 1 for an Extract of the Statement of the Memorandum Account of Investments as at 31 December 2013. Diagram 2.8 below illustrates the trend of these investments (at cost) between 2011 and 2013.

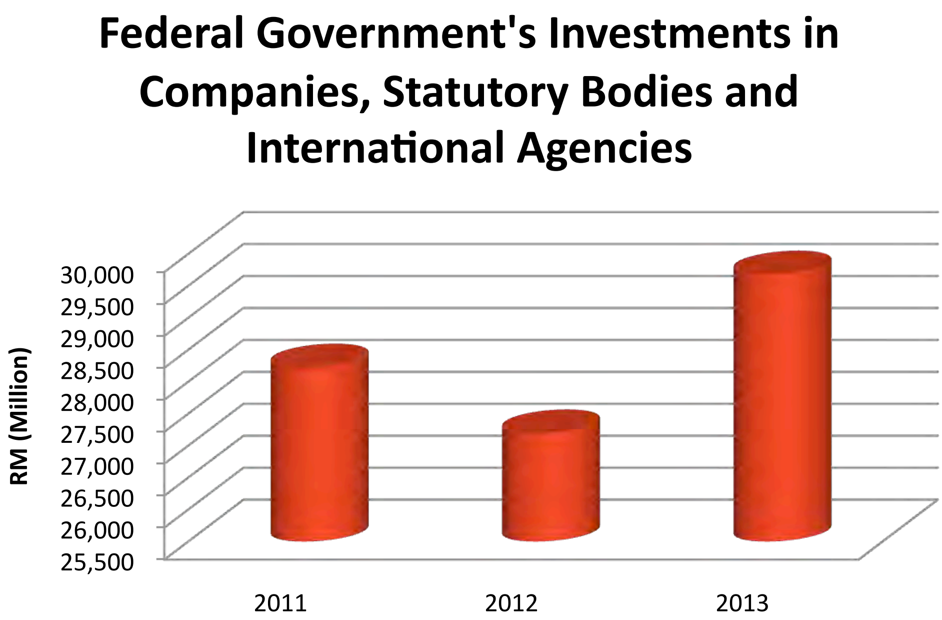


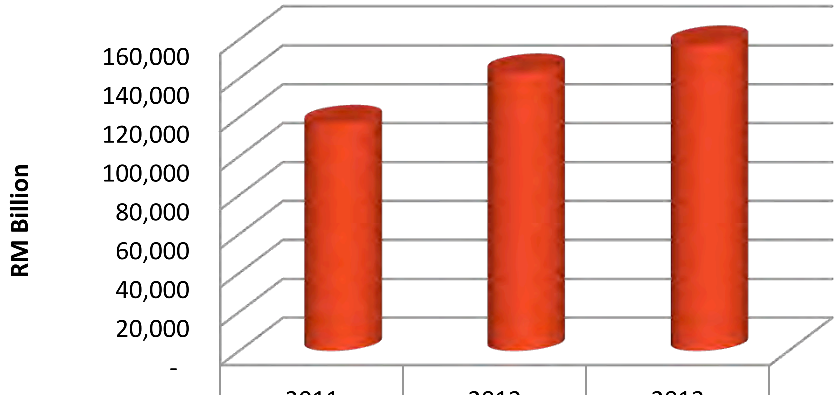
Diagram 2.8 Federal Government's Investments in Companies, Statutory Bodies and International Agencies
Source: *Penyata Kewangan Kerajaan Persekutuan 2013*

Further, through perusal of the *Penyata Kewangan Kerajaan Persekutuan 2013*, we also note that contingent liabilities in the form of government guarantees, specifically guarantees on loans for these investment companies and statutory bodies as at 31 December 2013, amounted to RM 157.5 Billion.

These loan guarantees become actual government liabilities upon failure of the entities to fulfil their obligations or upon occurrence of specified events. See Appendix 2 for an Extract of the Statement of Memorandum Account of Statutory Guarantees as at 31 December 2013. Diagram 2.9 below illustrates the trend of growth in government guarantees between 2011 and 2013.

[2] Page 19 (page 328 of 410), *Penyata Kewangan Kerajaan Persekutuan 2013*

Federal Government's Loan Guarantees for Statutory Bodies and Companies



	2011	2012	2013
Federal Government's Loan Guarantees for Statutory Bodies and Companies	116,758	143,109	157,500

Diagram 2.9 Federal Government's Loan Guarantees
Source: *Penyata Kewangan Kerajaan Persekutuan 2013*

Although we do not suggest that there is any wrongdoing as a result of the nature of these arrangements, with limited transparency on how amounts allocated in the budget are being spent, there is an increased risk that amounts allocated in the budget could be channelled to these entities and utilised for purposes other than the original intent of Parliament.

While we appreciate the National Audit Department audits the *Penyata Kewangan Kerajaan Persekutuan*, documentary evidence and confirmations of investments being made in these entities would suffice to conclude that monies had been invested in these entities. These audits are unlikely investigate whether the invested monies are utilised for the intended purpose.

We do appreciate that the National Audit Department may at random select GLCs and GLICs to audit in more detail. However, given the nature and timing of these random audits, there could be periods where the existence of the amounts invested in these entities remain unascertained and their activities unscrutinised.

Therefore, there is an increased risk that activities of these entities are susceptible to financial misconduct such as fraud. Coupled with the growth in government guaranteed loans, an act of financial misconduct within these entities could cause a devastating impact on the nation's finances.

It is therefore pertinent to enhance fiscal transparency to ensure there are robust mechanisms to provide consistent oversight over implementation of the budget and activities of GLCs and GLICs.

Refer to Section 3 below for our analysis of the budget framework and state of fiscal transparency in Malaysia.

3.0 Budget Framework Analysed

3.1 Fiscal Transparency

One of the core principles of open government, as supported by the Open Government Partnership (OGP), is fiscal transparency. Fiscal transparency, defined as the comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the state of public finances including the publication of essential budget documents is a critical element of effective fiscal management and accountability.[3]

Fiscal transparency has the effect of (i) helping ensure that governments have an accurate picture of their finances when making economic and policy decisions; (ii) providing legislatures, markets, and citizens with the information they need to hold governments accountable[4] and (iii) helping prevent emergence of previously unreported fiscal deficits and debts and the crystallisation of large, mainly implicit, government liabilities.[5]

The 1997 Asian financial crisis first prompted the international community to set out a comprehensive codification of fiscal transparency resulting in the International Monetary Fund (IMF) adopting the Code of Good Practices on Fiscal Transparency in 1998 (and revised in 2001 and 2007) comprising four pillars: clarity of roles and responsibilities; open budget processes; public availability of information; and assurances of integrity.[6]

The focus of our analysis in this section is budget transparency as transparent budgets can help foster fairness in matching public resources with the public's needs. It can also help expose inefficiencies and ineffectiveness of budget expenditures.

3.2 Importance of Transparent Budgets

Having transparent budgets means that the *rakyat* can access information on how much is allocated to different types of spending, what revenues are collected and how public resources are used. Transparent budgets could be empowering as they allow the *rakyat* to be the judge of whether or not government officials are good stewards of public funds.[7]

Transparency is an important condition for ensuring an effective budget discussion and appropriate budget monitoring is able to take place. Creating the conditions under which governments are consistently held to account for managing public funds efficiently and effectively also requires[8]:

(i) establishing meaningful opportunities for the *rakyat* and civil society to participate in the budget process; and
(ii) requires strong formal oversight from the legislature and the national audit office.

[3] http://www.imf.org/external/np/fad/trans/
[4] http://www.imf.org/external/np/fad/trans/
[5] https://www.imf.org/external/np/pp/eng/2012/080712.pdf
[6] http://www.imf.org/external/np/fad/trans/code.htm
[7] http://internationalbudget.org/opening-budgets/open-budget-initiative/
[8] http://internationalbudget.org/wp-content/uploads/OBS2015-Report-English.pdf

While providing the public with comprehensive and timely information on the government's budget and financial activities and opportunities to participate in decision making can strengthen oversight and improve policy choices, keeping the process closed can have the opposite effect. Restricting access to budget information creates opportunities for governments to hide unpopular, wasteful, and corrupt spending, ultimately reducing the resources available to address people's needs.[9]

3.3 Open Budget Initiative

The Open Budget Initiative is an initiative developed by the International Budget Partnership (IBP) which promotes public access to budget information aimed at promoting greater transparency of government budgets. The initiative has evolved to cover three pillars of budget accountability through the Open Budget Survey (OBS) and the associated Open Budget Index (OBI):

(i) Budget transparency – covers availability of eight key documents over the annual budget cycle.
(ii) Public participation – rates opportunities for public participation in budget preparation and implementation.
(iii) Strength of oversight – rates the involvement of the Parliament and the National Audit Department in overseeing the budget development and implementation

The OBS uses publicly available information as indicators to measure budget transparency. Among other things, these indicators are used to assess whether the government publishes eight key budget documents in a timely manner. The eight documents are expected to be produced in an effective public budget framework. The OBS also uses the indicators to assess whether the data contained in these documents are comprehensive and useful. Based on the survey, each country is given a score out of 100 which determines its ranking on the OBI.

3.4 An Analysis of Malaysia's Budget Transparency

OBS 2015 found that Malaysia scored 46 out of 100 in its budget transparency, sharing the same ranking as Namibia and Mali while ranking behind Papua New Guinea, Bangladesh and Indonesia among others.[10]

The survey found that out of eight key budget documents, Malaysia publishes the Executive's Budget Proposal, the Enacted Budget, In-Year Reports, Year-End Reports and Audit Reports. Malaysia has failed to make progress in producing a Pre-Budget Statement, a Citizens Budget and a Mid-Year Review since the OBS commenced in 2008.[11]

Specifically in relation to public participation in the budget process, the OBS through its assessment of the degree to which the government provides opportunities for the public to engage in budget process, found that Malaysia scored 12 out of 100, indicating that the provision of opportunities for

[9] http://internationalbudget.org/opening-budgets/open-budget-initiative/
[10] http://internationalbudget.org/wp-content/uploads/OBS2015-OBI-Rankings-English.pdf
[11] http://internationalbudget.org/wp-content/uploads/OBS2015-CS-Malaysia-English.pdf

the public to engage in the budget process is weak. In regional comparison, this places Malaysia behind Papua New Guinea, Indonesia, Vietnam and Thailand and Philippines among others.

In relation to budget oversight, the OBS through its assessment of the extent to which the Parliament and the National Audit Department (NAD) are able to provide effective oversight of the budget found that the Parliament provides weak oversight during the planning stage of the budget cycle and no oversight during the implementation stage of the budget cycle. Further, our analysis found that unlike the annual budget process which requires the budget to be approved upfront, the supplementary budget process in Malaysia allows for spending to be presented in Parliament retrospectively, often the following year for ceremonial stamp of approval.

In contrast, the OBS found that the NAD provides adequate budget oversight, regularly reporting results from audits to the Parliament. Under the law, the NAD has significant discretion to undertake audits as it sees fit. Moreover, the Audit General cannot be removed without legislative or judicial approval, which bolsters the independence of the NAD, although the Auditor General is appointed on the advice of the Prime Minister and may at any time resign from office.

3.5 Areas for Improvement

Our findings and recommendations relating to the Malaysia's budget framework are consistent with recommendations stemming from the OBS.

<table>
<tr><th>Ref</th><th>Detailed Finding</th><th>Recommendation</th></tr>
<tr><td>3.5.1</td><td>Key Budget Documents Not Published Resulting in The Lack of Budget Transparency

Our research found that within Malaysia's budget framework, three out of eight key budget documents recommended by international good practice are not published by the government. The three documents not published and their intended purposes are outlined below:

i. Pre-budget statement – outlines the government's long-term economic policy objectives and serves to encourage debate on the budget and how it interacts with the economy

ii. Citizens budget – a non-technical presentation of the budget that it is designed to make budgets understandable to the public

iii. Mid-year review report – provides an update on the implementation of the budget, including an updated forecast. The economic assumptions underlying the budget should be reviewed and the impact of any changes on the budget disclosed.

Further we noted that while in-year reports are published, these reports focus on the performance of the economy rather than tracking budget spending and revenue trends. The reports do not highlight any deviations from the forecasted key economic assumptions underlying the budget either.

Implication
In combination, the above impact the quality of budget information available to the public. This hampers the public's ability to ascertain the effectiveness of the budget and its implementation. This increases the risk of public resources being deployed in a manner inconsistent with public needs, misused or misappropriated.</td><td>Consideration should be given to the following to improve budget transparency:

• Publishing a pre-budget statement, a citizens budget and a mid-year review report

• Enhancing the relevance of the in-year reports by highlighting any deviations from the forecasted key economic assumptions underlying the budget and disclosing the impact of such deviations on the budget

• Implementing a freedom of information law that provides the public access to information which is essential to fiscal transparency</td></tr>
</table>

3.5.2	**Lack of Public and Civil Society Participation in the Budget Process** We observed that there is no opportunity for the public and civil society organisations to participate in the budget process. Whilst civil society groups typically produce responses and commentary to the budget following the budget speech, we note that the government does not facilitate public and civil society participation in the budget process. Further, we also noted that there is no mechanism for the public and civil society organisations to monitor and scrutinise implementation of the budget. **Implication** Without adequate participation from the public and civil society organisations in the budget process, there is an increased risk of public resources not being utilised in an optimal and accountable manner.	Consideration should be given to the following to improve public and civil society participation in the budget process: • Establishing mechanisms such as public meetings and focus groups to capture a range of public perspectives before the budget is enacted • Establishing mechanisms for the public to monitor and scrutinise implementation of the budget to ensure delivery of initiatives and programs as provided for in the budget to the prescribed specifications
3.5.3	**Lack of Parliamentary Oversight Over Budget Implementation and Supplementary Budgets** We found that whilst Parliament debates the budget prior to approval, once the budget is enacted, reliance is placed on the National Audit Department (NAD) for oversight over its implementation. The NAD carries out its oversight role through its audit of the *Penyata Kewangaaan Kerajaan Persekutuan* and random audits of government agencies and departments. However, bearing in mind that the Head of the NAD, the Auditor General is appointed on the advice of the Prime Minister and may at any time resign from office, we noted that the Parliament does not provide its own oversight mechanism over implementation of the budget. Further, we found that Parliamentary approval is not required prior to spending amounts that exceeds the budget. Unlike the annual budgets process which requires the budget to be approved upfront, the supplementary budget process allows for spending to be presented in Parliament retrospectively, often the following year for ceremonial approval.	Consideration should be given to the following to enhance budget oversight: • Establishing a Parliamentary Select Committee for budget monitoring • Implementing an approval process for supplementary budgets and any spending the deviates from the approved budget prior to incurring the expenditure

3.5.4	**Key Budget Documents Published Are Scattered Through The Websites of Various Ministries and Institutions** Through our analysis, we found that the key budget documents which are currently published are scattered across various locations, spanning across the websites of various ministries and institutions. For example the *Anggaran Hasil Kerajaan Persekutuan* and *Anggaran Perbelanjaan Persekutuan* are published in the Ministry of Finance website while the *Penyata Kewangan Kerajaan Persekutuan* is published in the Accountant General's Department website. Meanwhile, although the respective year's Supply Act and Supplementary Supply Acts were listed as available in the e-Federal Gazette website, these documents were not available in some instances. **Implication** Read in isolation, the key budget documents do not provide a comprehensive picture and this adversely impact the usefulness of the published documents.	Consideration should be given to enhancing the usefulness of the key budget documents currently published by making these available through a central repository, such as the Ministry of Finance website.

Compiled & Analyzed By:

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Appendix 1 – Statement of Memorandum Account of Investments

Statement of Memorandum Account of Investments
as at 31 December 2013

Entities	Issued/ Paid-up Shares Capital	Holding			Book Value	
		Particulars	Nominal Value	%	2013	2012
	RM		RM		RM	RM
INTERNATIONAL AGENCY						
International Finance Corporation	USD 2,372,000,000.00	15,222 share USD1,000	USD 15,222,000.00	0.6	38,574,228.53	38,574,228.53
Total International Agency					38,574,228.53	38,574,228.53
STATUTORY BODIES						
Bank Pertanian Malaysia Berhad	1,000,000,000.00	262,502,558 ord. share RM1.00	262,502,558.00	99.9	240,752,180.87	240,752,180.87
Bank Simpanan Nasional	–	Capital	749,900,000.00	–	749,900,000.00	749,900,000.00
Central Bank of Malaysia	100,000,000.00	100,000,000 ord. share RM1.00	100,000,000.00	100.0	100,000,000.00	100,000,000.00
Labuan Offshore Financial Services Authority	–	Capital	2,000,000.00	–	2,000,000.00	2,000,000.00
Port Klang Authority	–	Capital	9,134,494.58	–	9,134,494.58	9,134,494.58
Railway Asset Corporation	–	Capital	117,066,201.00	–	117,066,201.00	117,066,201.00
Total Statutory Bodies					1,218,852,876.45	1,218,852,876.45
COMPANIES						
1Malaysia Development Berhad (Formerly known as Terengganu Investment Authority Berhad)	1,000,000,001.00	1,000,000,000 ord. share RM1.00	1,000,000,000.00	99.9	1,000,002.00	–
		1 preference share RM1.00	1.00	–	–	–
1Malaysia Sukuk Global Berhad	2.00	1 ord. share RM1.00	1.00	50.0	1.00	1.00
Aerospace Technology Systems Corporation Sdn. Bhd.	40,000,000.00	1 preference share RM1.00	1.00	–	–	–
AES Solutions Sdn. Bhd.	2.00	1 ord. share RM1.00	1.00	–	–	–
Amanah Raya Berhad	6,000,002.00	6,000,001 ord. share RM1.00	6,000,001.00	99.9	6,000,001.00	6,000,001.00
ASEAN Potash Mining Public Co. Ltd.	Baht 1,516,337,300.00	1,673,100 ord. share Baht 100.00	Baht 167,310,000.00	11.4	15,118,001.47	15,118,001.47
Aset Tanah Nasional Berhad (Fomerly known as National Content Development Corporation Berhad)	100,002.00	100,001 ord. share RM1.00	100,001.00	99.9	100,000.00	100,000.00
Assets Global Network Sdn. Bhd. (Formerly known as Terusan Timur Barat Sdn. Bhd.)	10,000,000.00	9,999,998 ord. share RM1.00	9,999,998.00	99.9	9,999,999.00	9,999,999.00
		1 preference share RM1.00	1.00	–	1.00	1.00
Astronautic Technology (M) Sdn. Bhd.	62,579,000.00	62,578,999 ord. share RM1.00	62,578,999.00	99.9	62,579,000.00	62,579,000.00
Bank Pembangunan Malaysia Berhad	3,078,724,049.00	2,878,724,048 ord. share RM1.00	2,878,724,048.00	99.9	2,823,361,474.72	2,823,361,474.72
Bintulu Port Holdings Berhad	460,000,001.00	1 preference share RM1.00	1.00	–	1.00	1.00
Bintulu Port Sdn. Bhd.	65,000,001.00	1 spc. share RM1.00	1.00	–	1.00	1.00
Boustead Naval Shipyard Sdn. Bhd.	130,000,003.00	1 spc. share RM1.00	1.00	–	1.00	1.00
Bursa Malaysia Berhad	266,305,900.00	86,200,000 ord. share RM0.50	43,100,000.00	16.2	–	–
Commerce Dot Com Sdn. Bhd.	40,000,001.00	1 preference share RM1.00	1.00	–	–	–
Composites Technology Research Malaysia Sdn. Bhd.	481,836,740.00	– –	–	–	–	251,028,067.00
Cradle Fund Sdn. Bhd.	5,000,000.00	4,999,999 ord. share RM1.00	4,999,999.00	99.9	5,000,000.00	–
Cyberview Sdn. Bhd.	676,640,398.00	624,140,397 ord. share RM1.00	624,140,397.00	92.2	779,650,000.00	764,650,000.00
		1 spc. share RM1.00	1.00	–	–	–
DanaInfra Nasional Berhad	10,000,000.00	9,999,999 ord. share RM1.00	9,999,999.00	99.9	10,000,000.00	10,000,000.00
Danajamin Nasional Berhad	1,000,000,000.00	500,000,000 ord. share RM1.00	500,000,000.00	50.0	500,000,000.00	500,000,000.00
Export-Import Bank of Malaysia Berhad	2,708,665,284.00	350,000,000 ord. share RM1.00	350,000,000.00	99.9	350,000,000.00	350,000,000.00
		1 preference share RM1.00	1.00	–	1.00	1.00
FELCRA Berhad	500,000,002.00	500,000,001 ord. share RM1.00	500,000,001.00	99.9	–	–
FELDA Global Ventures Holdings Bhd.	3,648,151,501.00	1 spc. share RM1.00	1.00	–	–	–
FELDA Holdings Berhad	220,000,000.00	1 spc. share RM1.00	1.00	–	1.00	1.00
GovCo Holdings Berhad	100,002.00	100,001 ord. share RM1.00	100,001.00	99.9	100,000.00	100,000.00
Halal Industry Development Corporation Sdn. Bhd.	95,000,002.00	95,000,001 ord. share RM1.00	95,000,001.00	99.9	95,000,000.00	95,000,000.00
HICOM Holdings Berhad	1,100,253,628.00	1 preference share RM1.00	1.00	–	1.00	1.00
HVD Holdings Sdn. Bhd.	10,000,000.00	3,000,000 ord. share RM1.00	3,000,000.00	30.0	20,000,000.00	20,000,000.00
IJN Holdings Sdn. Bhd.	221,619,213.00	221,619,212 ord. share RM1.00	221,619,212.00	99.9	416,619,211.00	416,619,211.00

Statement of Memorandum Account of Investments
as at 31 December 2013

(continuation)

Entities	*Issued/ Paid-up Shares Capital*	*Holding*				*Book Value*	
		Particulars		*Nominal Value*	*%*	*2013*	*2012*
	RM			*RM*		*RM*	*RM*
COMPANIES - (CONT.)							
Indah Water Konsortium Sdn. Bhd.	100,000,001.00	99,999,999	ord. share RM1.00	99,999,999.00	99.9	192,540,000.00	192,540,000.00
		1	spc. share RM1.00	1.00	–	1.00	1.00
Inno Bio Ventures Sdn. Bhd.	300,000,000.00	292,400,000	ord. share RM1.00	292,400,000.00	97.5	292,400,000.00	261,300,000.00
Institut Terjemahan & Buku Malaysia (Formerly known as Institut Terjemahan Negara Malaysia Berhad)	29,410,000.00	29,409,998	ord. share RM1.00	29,409,998.00	99.9	29,409,998.00	29,409,998.00
		1	spc. share RM1.00	1.00	–	1.00	1.00
International Rubber Consortium Limited	Baht 179,772,048.00	10,656,000	ord. share Baht 10.00	Baht 106,560,000.00	59.3	3,939,776.53	3,939,776.53
Jambatan Kedua Sdn. Bhd.	772,000,003.00	772,000,001	ord. share RM1.00	772,000,001.00	99.9	772,000,000.00	570,000,000.00
		1	golden share RM1.00	1.00	–	1.00	1.00
Jaring Communications Sdn. Bhd.	141,484,002.00	–	–	–	–	–	73,200,002.00
JKP Sdn. Bhd.	10,250,002.00	10,250,000	ord. share RM1.00	10,250,000.00	99.9	10,250,001.00	10,250,001.00
		1	preference share RM1.00	1.00	–	1.00	1.00
Johor Port Berhad	330,000,000.00	1	preference share RM1.00	1.00	–	1.00	1.00
K.L. International Airport Berhad	200,000,002.00	200,000,001	ord. share RM1.00	200,000,001.00	99.9	200,000,001.00	200,000,001.00
Keretapi Tanah Melayu Berhad	1,203,159,172.00	1,166,895,170	ord. share RM1.00	1,166,895,170.00	97.0	1,166,895,169.00	1,006,895,169.00
		1	preference share RM1.00	1.00	–	–	–
		57,000,000	preference share RM0.10	5,700,000.00	0.5	57,000,000.00	57,000,000.00
Khazanah Nasional Berhad	5,443,953,229.00	4,739,321,789	ord. share RM1.00	4,739,321,789.00	99.9	5,687,907,846.29	5,687,907,846.29
Konsortium Pelabuhan Kemaman Sdn. Bhd.	10,000,000.00	1	preference share RM1.00	1.00	–	1.00	1.00
Kuantan Port Consortium Sdn. Bhd.	120,000,001.00	1	preference share RM1.00	1.00	–	–	–
KUB Malaysia Berhad	222,585,876.00	125,466,950	ord. share RM0.40	50,186,780.00	22.5	125,466,950.00	125,466,950.00
Kumpulan Modal Perdana Sdn. Bhd.	30,000,003.00	2	ord. share RM1.00	2.00	99.9	3.00	3.00
Malaysia Airports (Sepang) Sdn. Bhd.	50,000,002.00	1	preference share RM1.00	1.00	–	–	–
Malaysia Airports Holdings Berhad	1,232,443,880.00	1	preference share RM1.00	1.00	–	1.00	1.00
Malaysia Airports Sdn. Bhd.	360,113,847.00	1	preference share RM1.00	1.00	–	–	–
Malaysia Batek and Handicraft Berhad	300,002.00	300,000	ord. share RM1.00	300,000.00	99.9	300,000.00	300,000.00
Malaysia Debt Ventures Berhad	250,000,000.00	249,999,999	ord. share RM1.00	249,999,999.00	99.9	250,000,000.00	250,000,000.00
Malaysia Development Holding Sdn. Bhd. (Formerly known as Radio Televisyen Malaysia Berhad)	2.00	1	ord. share RM1.00	1.00	50.0	–	–
Malaysia Venture Capital Management Berhad	360,000,002.00	360,000,000	ord. share RM1.00	360,000,000.00	99.9	360,000,000.00	300,000,000.00
		1	spc. share RM1.00	1.00	–	–	–
Malaysian Airline System Berhad	1,671,078,171.00	1	preference share RM1.00	1.00	–	1.00	1.00
Malaysian Biotechnology Corporation Sdn. Bhd.	245,000,002.00	245,000,001	ord. share RM1.00	245,000,001.00	99.9	245,000,000.00	95,000,000.00
Malaysian Maritime Academy Sdn. Bhd.	10,000,000.00	1	preference share RM1.00	1.00	–	1.00	1.00
MARDEC Berhad	125,709,001.00	1	preference share RM1.00	1.00	–	1.00	1.00
Mass Rapid Transit Corporation Sdn. Bhd.	34,000,002.00	34,000,001.00	ord. share RM1.00	34,000,001.00	99.9	10,000,000.00	10,000,000.00
Medical Online Sdn. Bhd.	22,000,001.00	1	preference share RM1.00	1.00	–	–	–
MIMOS Berhad	100,000,000.00	99,999,999	ord. share RM1.00	99,999,999.00	99.9	99,999,999.00	99,999,999.00
MISC Berhad	4,463,793,104.00	1	preference share RM1.00	1.00	–	–	–
Multimedia Development Corporation Sdn. Bhd.	620,475,003.00	476,905,002	ord. share RM1.00	476,905,002.00	99.9	476,905,002.00	476,905,002.00
MyCreative Ventures Sdn. Bhd.	20,000,000.00	19,999,999	ord. share RM1.00	19,999,999.00	99.9	20,000,000.00	20,000,000.00

Appendix 1 – Statement of Memorandum Account of Investments (continued)

Statement of Memorandum Account of Investments
as at 31 December 2013

(continuation)

Entities	*Issued/ Paid-up Shares Capital*	*Holding*				*Book Value*	
		Particulars		*Nominal Value*	*%*	*2013*	*2012*
	RM			*RM*		*RM*	*RM*
COMPANIES - (CONT.)							
National Aerospace & Defence Industries Sdn. Bhd.	226,898,956.00	13,016,393	ord. share RM1.00	13,016,393.00	5.7	11,584,589.29	11,584,589.29
		1	spc. share RM1.00	1.00	–	1.00	1.00
National Feedlot Corporation Sdn. Bhd.	1,110,003.00	1	preference share RM1.00	1.00	–	–	–
NINEBIO Sdn. Bhd.	50,000,002.00	–	–	–	–	–	50,000,002.00
Northport (Malaysia) Berhad	308,530,432.00	1	spc. share RM1.00	1.00	–	1.00	1.00
Padiberas Nasional Berhad	470,401,501.00	1	preference share RM1.00	1.00	–	–	–
PDX.Com Sdn. Bhd.	8,800,001.00	1	preference share RM1.00	1.00	–	1.00	1.00
Pelabuhan Tanjung Pelepas Sdn. Bhd.	728,989,157.51	1	spc. share RM1.00	1.00	–	1.00	1.00
		114,051,351	preference share RM 0.01	1,140,513.51	0.2	114,051,351.00	114,051,351.00
Pembinaan BLT Sdn. Bhd.	100,000,000.00	99,999,999	ord. share RM1.00	99,999,999.00	99.9	100,000,000.00	100,000,000.00
Pembinaan PFI Sdn. Bhd.	10,000,000.00	9,999,999	ord. share RM1.00	9,999,999.00	99.9	10,000,000.00	10,000,000.00
Penang Port Sdn. Bhd.	73,450,003.00	–	–	–	–	–	73,450,002.00
		1	golden share RM1.00	1.00	–	1.00	1.00
Pengurusan Aset Air Berhad	410,000,000.00	410,000,000	ord. share RM1.00	410,000,000.00	100.0	409,999,998.00	409,999,998.00
Pengurusan Danaharta Nasional Berhad	1,500,000,000.00	1,500,000,000	ord. share RM1.00	1,500,000,000.00	100.0	1,500,000,000.00	1,500,000,000.00
Perbadanan Nasional Berhad	751,012,180.00	747,262,178	ord. share RM1.00	747,262,178.00	99.5	747,262,178.00	747,262,178.00
Percetakan Nasional Malaysia Berhad	65,000,000.00	64,999,999	ord. share RM1.00	64,999,999.00	99.9	64,999,999.00	64,999,999.00
Permodalan Nasional Berhad	100,000,000.00	1	ord. share RM1.00	1.00	–	1.00	1.00
Perwaja Terengganu Sdn. Bhd.	979,000,000.00	552,500,000	ord. share RM1.00	552,500,000.00	56.4	350,000,002.00	350,000,002.00
		300,000,000	preference share RM1.00	300,000,000.00	30.6	300,000,000.00	300,000,000.00
Petroliam Nasional Berhad	100,000,000.00	99,990	ord. share RM1,000.00	99,990,000.00	99.9	9,990,000.00	9,990,000.00
Piramid Pertama Sdn. Bhd.	2.00	1	ord. share RM1.00	1.00	50.0	2.00	2.00
Pos Malaysia Berhad	268,513,043.50	1	preference share RM1.00	1.00	–	1.00	1.00
Professional Services Development Corporation Sdn. Bhd.	30,500,002.00	30,500,001	ord. share RM1.00	30,500,001.00	99.9	30,500,000.00	30,500,000.00
Projek Lebuhraya Usahasama Berhad	50,000,000.00	1	preference share RM1.00	1.00	–	1.00	1.00
Prokhas Sdn. Bhd.	50,000,000.00	49,999,999	ord. share RM1.00	49,999,999.00	99.9	50,000,000.00	50,000,000.00
Pyrotechnical Managers Holdings Sdn. Bhd. (Formerly known as Prokhas Managers Sdn. Bhd.)	2.00	1	ord. share RM1.00	1.00	50.0	–	–
Rangkaian Hotel Seri Malaysia Sdn. Bhd.	159,559,144.00	125,200,934	ord. share RM1.00	125,200,934.00	78.5	118,925,000.00	118,925,000.00
		1	preference share RM1.00	1.00	–	1.00	1.00
Sabah Electricity Sdn. Bhd.	9,733,612.00	1	spc. share RM1.00	1.00	–	–	–
Sarawak Hidro Sdn. Bhd.	1,155,813,364.00	1,155,813,362	ord. share RM1.00	1,155,813,362.00	99.9	630,279,999.00	630,279,999.00
		1	preference share RM1.00	1.00	–	–	–
SDE Solutions Sdn. Bhd.	2.00	1	ord. share RM1.00	1.00	–	–	–
Senai Airport Terminal Services Sdn. Bhd.	20,000,001.00	1	preference share RM1.00	1.00	–	–	–
Sepang International Circuit Sdn. Bhd.	10,000,000.00	9,999,999	ord. share RM1.00	9,999,999.00	99.9	1.00	1.00
SIRIM Berhad	70,000,002.00	70,000,001	ord. share RM1.00	70,000,001.00	99.9	70,000,001.00	70,000,001.00
Small Medium Enterprise Development Bank Malaysia Bhd. (Formerly known as Bank Perusahaan Kecil Dan Sederhana Malaysia Berhad)	1,350,000,000.00	464,818,023	ord. share RM1.00	464,818,023.00	99.9	417,303,292.32	1,212,000,000.00
Syarikat Bekalan Air Selangor Sdn. Bhd.	71,550,001.00	1	golden share RM1.00	1.00	–	–	–
		655,000,000	preference share RM0.01	6,550,000.00	9.2	655,000,000.00	655,000,000.00

Appendix 1 – Statement of Memorandum Account of Investments (*continued)*

Statement of Memorandum Account of Investments
as at 31 December 2013

(continuation)

Entities	*Issued/ Paid-up Shares Capital*	*Holding*				*Book Value*	
		Particulars		*Nominal Value*	*%*	*2013*	*2012*
	RM			*RM*		*RM*	*RM*
Syarikat Jaminan Kredit Perumahan Berhad	100,000,000.00	99,999,999	ord. share RM1.00	99,999,999.00	99.9	–	–
Syarikat Jaminan Pembiayaan Perniagaan Berhad	50,000,002.00	50,000,001	ord. share RM1.00	50,000,001.00	99.9	50,000,000.00	50,000,000.00
Syarikat Perumahan Negara Berhad	210,000,002.00	210,000,001	ord. share RM1.00	210,000,001.00	99.9	10,000,000.00	10,000,000.00
Syarikat Perumahan Pegawai Kerajaan Sdn. Bhd.	117,000,000.00	35,000,000	ord. share RM1.00	35,000,000.00	29.9	26,000,000.00	26,000,000.00
Syarikat Prasarana Negara Berhad	6,832,552,634.00	6,832,552,633	ord. share RM1.00	6,832,552,633.00	99.9	6,928,648,759.12	4,741,648,759.12
Syarikat Tanah dan Harta Sdn. Bhd.	60,002.00	60,001	ord. share RM1.00	60,001.00	99.9	60,001.00	60,001.00
Technology Park Malaysia Corporation Sdn. Bhd.	59,691,502.00	59,691,501	ord. share RM1.00	59,691,501.00	99.9	59,691,501.00	59,691,501.00
Telekom Malaysia Berhad	2,504,184,312.00	1	preference share RM1.00	1.00	–	–	–
Tenaga Nasional Berhad	5,643,611,171.00	1	preference share RM1.00	1.00	–	–	–
Turus Pesawat Sdn. Bhd.	3.00	2	ord. share RM1.00	2.00	99.9	–	–
UDA Holdings Berhad	334,717,187.00	334,717,186	ord. share RM1.00	334,717,186.00	99.9	662,871,558.00	662,871,558.00
		1	preference share RM1.00	1.00	–	–	–
Wakala Global Sukuk Berhad	2.00	1	ord. share RM1.00	1.00	50.0	–	–
Westports Malaysia Sdn. Bhd.	893,000,001.00	1	spc. share RM1.00	1.00	–	–	–
Total Companies						28,421,710,693.74	26,852,985,472.42
TOTAL INVESTMENTS						29,679,137,798.72	28,110,412,577.40

Appendix 2 – Statement of Memorandum Account of Statutory Guarantees

Statement of Memorandum Account of Statutory Guarantees
as at 31 December 2013

Agencies	Domestic	External	Total	
			2013	2012
	RM	RM	RM	RM
CONTRIBUTORS / DEPOSITORS GUARANTEES				
Bank Simpanan Nasional	26,552,762,254.87	–	26,552,762,254.87	22,195,721,445.55
Kumpulan Wang Simpanan Guru-Guru	1,839,193.00	–	1,839,193.00	1,599,298.00
Kumpulan Wang Simpanan Pekerja	538,634,066,578.56	–	538,634,066,578.56	489,276,019,278.84
Lembaga Tabung Haji	45,719,459,000.00	–	45,719,459,000.00	35,835,608,607.79
TOTAL CONTRIBUTORS / DEPOSITORS GUARANTEES	610,908,127,026.43	–	610,908,127,026.43	547,308,948,630.18
LOAN GUARANTEES				
Statutory Bodies				
Perbadanan Tabung Pendidikan Tinggi Nasional	29,200,000,000.00	–	29,200,000,000.00	24,200,000,000.00
Federal Land Development Authority (FELDA)	5,720,464,286.00	–	5,720,464,286.00	3,816,250,000.00
Perbadanan Kemajuan Negeri Pahang	200,000,000.00	–	200,000,000.00	200,000,000.00
Total Statutory Bodies	35,120,464,286.00	–	35,120,464,286.00	28,216,250,000.00
Companies				
1Malaysia Development Berhad	5,000,000,000.00	–	5,000,000,000.00	5,000,000,000.00
1MDB Real Estate Sdn Bhd	800,000,000.00	–	800,000,000.00	800,000,000.00
Asset Global Network Sdn. Bhd.	961,020,000.00	–	961,020,000.00	1,011,600,000.00
Bank Pembangunan Malaysia Berhad (BPMP)	10,500,000,000.00	486,894,490.72	10,986,894,490.72	12,321,495,678.06
Bank Pertanian Malaysia	–	–	–	20,326,889.62
Small and Medium Enterprise Bank (SME Bank)	1,300,000,000.00	55,781,544.28	1,355,781,544.28	1,413,074,913.88
Danainfra Nasional Berhad	6,500,000,000.00	–	6,500,000,000.00	2,400,000,000.00
Govco Holdings Berhad	3,000,000,000.00	–	3,000,000,000.00	3,000,000,000.00
Jambatan Kedua Sdn Bhd	3,620,794,781.44	1,095,732,000.00	4,716,526,781.44	3,787,034,297.81
Johor Corporation (Jcorp)	3,000,000,000.00	–	3,000,000,000.00	3,000,000,000.00
Khazanah Nasional Berhad	18,700,000,000.00	–	18,700,000,000.00	17,700,000,000.00
K.L. International Airport Berhad	4,860,000,000.00	472,275,874.75	5,332,275,874.75	5,987,220,558.55
Malaysia Debt Ventures Sdn Bhd	1,000,000,000.00	–	1,000,000,000.00	1,000,000,000.00
Malaysian Industrial Development Finance Bhd. (MIDF)	–	27,890,772.14	27,890,772.14	60,312,663.72
Pelabuhan Tanjung Pelepas Sdn Bhd	1,870,000,000.00	–	1,870,000,000.00	1,555,000,000.00
Penerbangan Malaysia Berhad (PMB)	5,828,768,080.45	–	5,828,768,080.45	6,553,249,169.37
Pengurusan Air SPV Berhad (PAAB)	9,850,000,000.00	–	9,850,000,000.00	9,500,000,000.00
Projek Lebuhraya Usahasama Berhad (PLUS)	11,000,000,000.00	–	11,000,000,000.00	11,000,000,000.00
Sykt Prasarana Negara Berhad (SPNB)	11,914,000,000.00	–	11,914,000,000.00	9,914,000,000.00
Sabah Electricity Sdn. Bhd. (SESB)	–	16,803,366.49	16,803,366.49	23,124,343.45
Sarawak Capital Resources Ltd.	99,612,000.00	–	99,612,000.00	309,928,620.00
Sarawak Hidro Sdn. Bhd. (SHSB)	6,350,000,000.00	–	6,350,000,000.00	5,350,000,000.00
Senai Airport Terminal Service Sdn Bhd	330,000,000.00	–	330,000,000.00	330,000,000.00
Silterra Malaysia Sdn. Bhd.	1,800,000,000.00	–	1,800,000,000.00	1,800,000,000.00
SRC International Sdn Bhd	4,000,000,000.00	–	4,000,000,000.00	4,000,000,000.00
Tenaga Nasional Berhad (TNB)	–	2,629,876,035.55	2,629,876,035.55	3,656,193,067.35
Turus Pesawat Sdn Bhd	5,310,000,000.00	–	5,310,000,000.00	3,400,000,000.00
Total Companies	117,594,194,861.89	4,785,254,083.93	122,379,448,945.82	114,892,560,201.81
TOTAL LOAN GUARANTEES	152,714,659,147.89	4,785,254,083.93	157,499,913,231.82	143,108,810,201.81
TOTAL GUARANTEES	763,622,786,174.32	4,785,254,083.93	768,408,040,258.25	690,417,758,831.99