



11 October 2023

PAC MEDIA STATEMENT

PAC REPORT REGARDING RECEIPT AND PAYMENT UNDER SOCIAL OBLIGATIONS OF THE CONCESSION AGREEMENT FOR THE NATIONAL PADDY AND RICE INDUSTRY MANAGEMENT, MINISTRY OF AGRICULTURE AND FOOD INDUSTRIES

Good afternoon,

1. Today, the Public Accounts Committee (PAC) has tabled the Report Regarding Receipt and Payment Under Social Obligations of the Concession Agreement for the National Paddy and Rice Industry Management under the Ministry of Agriculture and Food Industries (MAFI).
2. PAC will conduct a proceeding regarding this issue on 14 June 2023 by calling the following witnesses:
 - i. Datuk Lokman Hakim bin Ali, Secretary-General of MAFI;
 - ii. Datuk Azman bin Mahmood, Secretary Division of Rice Industry Development under the Ministry of Agriculture and Food Industries, concurrently serving as the Director-General of Paddy and Rice Control; and
 - iii. Tuan Abdul Rahman bin Mohd. Nasri, Head Division of BERNAS.

3. The preparation meeting for the report was held on 24 August 2023 and was also attended by, seven PAC's ex-officio, from the Attorney General's Chamber, Public Service Department, Ministry of Finance, National Audit Department, Malaysian Anti-Corruption Commission, Ministry of Economy and National Accountant Department, who agreed with the report, summary and recommendations.

4. PAC has made eight summary points from the proceedings, which are:
 - i. The BERNAS concession agreement, which commenced in 1996 and originally expired in 2011, has been extended twice and will now conclude in 2031. This concession agreement will span a period of 35 years. The cost of the Third Agreement concession amounts to RM3.216 billion, starting from 11 January 2021 until 10 January 10 2031.

 - ii. The establishment of a trust account for the distribution of social obligation funds is more transparent and efficient compared to the method of fund distribution through the Paddy Disaster Fund (Tabung Bencana Padi), LPP. The BERNAS Obligation Fund Trust Account Committee was established to oversee the receipt and management of these trust accounts.

 - iii. Until 14 June 2023, BERNAS has yet to disburse the remaining amount of RM25 million from RM37 million for the social obligation fund in 2021.

 - iv. The update of SSHP (Paddy Price Subsidy Scheme) data is not monitored by MAFI, leading to irregular management of SSHP

payments by BERNAS and resulting in payments of RM0.73 million being made to 300 farmers who have passed away.

- v. The usage of the latest technology like Telegram application to disseminate info on BERNAS as well as the introduction of Smart Card system to makes it easier for the farmers to update their personal information.
 - vi. MAFI's KPI report in July 2021 contradicts the actual performance of BERNAS machinery supply.
 - vii. The usage of rice farming machines and mechanisation that is not regularly maintained has led to damages. However, based on the AG Dashboard, it has been repaired and used.
 - viii. MAFI in the process of preparing a need of statement and specifications regarding the paddy and rice information system and the soil profile and nutrient management system to allow obligation funds for the development of both information systems to be utilised.
5. As an improvement measures, PAC recommends eight actions to be implemented by the Government, as follows:
- i. The Government needs to consider alternatives to ensure the stability of the national rice industry to avoid dependence on the BERNAS concession agreement and promote a transition towards an open rice market.

- ii. MAFI needs to supervise the BERNAS Social Obligation Fund Trust Account to ensure all distribution and usage of the funds are in accordance to the conditions stipulated in the concession agreement and Trust Deed.
- iii. MAFI needs to ensure BERNAS distribute the obligation fund on time in accordance to the BERNAS concession agreement.
- iv. MAFI, BERNAS and JPN need to immediately integrate and update farmers data to ensure the payment of SSHP can be done in a more transparent, efficient and orderly manner.
- v. MAFI and BERNAS need to immediately develop a Paddy and Rice Information System and Soil Profiling and Nutrient Management System to ensure the effectiveness of the Smart Card System.
- vi. MAFI and BERNAS need to jointly prepare a KPI Performance Report that is more accurate, transparent and realistic based on the actual farm management performance.
- vii. MAFI and BERNAS must ensure the machinenaries and its mechanisation are well maintained to ensure it can be used by farmers at any time.
- viii. MAFI shall enforce the remedy by demanding the relevant penalty, in relation to the concession company's failure to comply to its obligations, in accordance to the KPI set in the agreement. This included and is not limited to the failure to pay the RM25 million social obligation fund within the stipulated time.

Public who are interested to read and review the PAC Report regarding this matter can download the report from PAC's website at www.parlimen.gov.my/pac.

OTHER MATTERS

6. PAC has decided to start its proceeding on the Human Resources Development Berhad or also known as HRD Corp.
7. Under the Standing Orders 77 (1) (d), of the Dewan Rakyat Standing Orders, Treasury Directive 301 (Amendment) 2023 and Section III Article 11 (b) of General Circular No. 2 (1982), the proceeding will begin on 23 October 2023 under the title "**Management of Training Funds and the Effectiveness of the HRD Corp Training Programme**".
8. The witnesses will be the Controlling Officer from the Human Resources Ministry (KSM), **YBhg. Dato' Haji Amran bin Haji Ahmad**, Deputy Secretary-General (Policy and International) KSM and **YBhg. Datuk Wira Shahul Dawood**, CEO of HRD Corp.
9. The purpose of PAC starting this proceeding is to study and examine the management and effectiveness of HRD Corp. programmes to ensure the Government's funds and allocation are managed efficiently and effectively in accordance with the guidelines and procedures stipulated. At the same time, programmes and trainings provided will also be examined to ensure the funds and allocation given for the purposes of strengthening the country's competencies and skilled manpower are in line with the needs of the employers as well as industry and current economy.

Thank you.

Hon. Puan Wong Shu Qi
Deputy Chairman of PAC Parlimen