

03 MAY 1999

DAIM-EXPENDITURE

TREASURY DIRECTED TO STUDY SHORTFALLS IN DEVELOPMENTAL EXPENDITURE

BANGI, May 3 (Bernama) -- The treasury has been directed to study why shortfalls in developmental expenditure for projects are so pronounced, First Finance minister, Tun Daim Zainuddin said here today.

He said the National Economic Action Council (NEAC) executive committee, at its meeting on April 23, 1999, has asked the treasury to cooperate with the Implementation and Coordination Unit (ICU) and the Economic Planning Unit (EPU) of the Prime Minister's Department to improve their budgetting and planning systems as well as the implementation rate of projects.

Presenting a paper entitled, "The Role of District Officers In Economic Recovery" at the District Officers Conference 1999, Daim said: "This shows that the time has come to review existing approaches used to plan and prepare budgets as well as project implementation which is probably not suitable during times of crisis."

Prime Minister Datuk Seri Dr Mahathir Mohamad earlier opened the conference.

He said the executive committee has also decided that all ministries establish a development action committee, chaired by the respective ministers, to examine the progress and bottlenecks experienced in the implementation of developmental projects. The committee will meet once every two weeks.

Daim, who is also the executive director of the NEAC, also expressed discontentment at the slow pace at which developmental expenditure were being used.

He said in the first quarter of this year, only 5.3 percent of the 11.1 percent funds allocated in the 1999 Budget had been spent.

For the same quarter, 16 out of the 34 ministries and departments experienced shortfalls of between 50 percent and 100 percent.

"Infact, six ministries have yet to spend even one sen of the funds allocated in the first quarter.

"This cannot go on, and I will personally call up each ministry to seek clarification as to why this is happening," he added.

Daim added that seven of the 16 ministries and agencies have shortfalls of between 80 and 100 percent, and seven others between 30 and 80 percent.

At the same time, management expenditure was satisfactory where 20 percent of the amount allocated had been spent in the first quarter of this year.

"We did not expect any problem in management expenditure because a bigger portion of this allocation comprise of emoluments, borne expenditure, utility payment and others.

"Therefore, the shortfalls in operating expenditure for the whole year are not expected to be big," he said.

Daim said that the pronounced shortfalls in development expenditure could not be taken lightly because it affected the country's productivity, revenue flow as well as its social objectives.

"If the shortfalls in development expenditure are significant, and on the other hand there are no shortfalls in management expenditure, this mean that many of the government officials had become inefficient or, they are not doing their jobs for which they were paid for," he said.

As such, there is a need to resolve this matter fast and that Malaysia would have to prove to the world that "we are competent administrators and

efficient managers."

Daim also said that the one percent growth expected for this year was still not satisfactory since the country has a higher growth potential, that is, at seven percent per annum.

As for economic growth in the medium term, he said that it would be more challenging due to three factors.

Firstly, the role of short term funds "hedge funds" may continue to be the source of uncertainty at international level.

Secondly, the regional economic situation which is unclear and uncertain, could raise several questions on the direction of the country's economic planning, for example, the possibility of a "devaluation" of the Chinese currency.

"Even so, I believe that the Chinese government would not devalue their currency," he said.

Thirdly, the direction of long-term capital flows in the next two or three years is still not clear since the world economy is not showing a solid trend which could act as an indicator to international trade and investments. -- BERNAMA

AD/SHO FR