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#### Broad-based response

COMING just days after a cut in interest rates, the new fiscal stimulus package to bolster economic activities announced yesterday reflects the Government's recognition of the urgency to take appropriate action in the face of an imminent global economic slowdown. The Government has even decided not to wait for another month, when the 2002 Budget would be tabled in Parliament, to respond to the uncertainties in economic outlook arising from events following the terrorist attacks in the US. The RM4.3 billion in new spending outlined by Prime Minister Datuk Seri Dr Mahathir Mohamad is in addition to the RM3 billion package announced in March for infrastructure projects and the RM28 billion allocation in the 2001 Budget. But what stands out about the new measures is that they are designed to achieve "optimal spin-off" for the economy, and in the shortest time possible. Implementation of existing and new small-scale projects will be stepped up to generate business and income opportunities, and special efforts will be taken to safeguard the well-being of the poor.

A sizeable portion of the allocation can and is intended to be disbursed in a matter of weeks, if not immediately. These include RM1 billion for small rural and selected urban development projects; RM300 million for upgrading and maintenance works of government buildings, quarters and facilities; RM150 million to retrain retrenched workers; and a doubling of the rate of welfare payments by the Ministry of Welfare and National Unity which will cost RM80 million. Another RM150 million in special temporary allowance for 10,000 degree and diploma holders to attend information technology, mathematics and language courses; RM110 million to boost tourism; and a special allocation to upgrade kindergartens run by the Community Development Department or KEMAS should likewise see quick disbursement. However, the RM300 million for constructing computer labs in 2,000 schools may take a little longer to farm out, while the rest of the package's strategies will be detailed in 2002 Budget.

And it appears the Government is taking serious note of the fact that the earlier RM3 billion package was not utilised as expeditiously as it had hoped. Earlier reports had said that only one-third of the allocation made in March would be used up by year-end. Granted that the money set aside then was mainly for infrastructure projects, which take time to plan and effect, it is obvious that there are weaknesses in respect of project implementation. As such, weekly meetings will now be held between relevant parties and government departments to enhance the Government's delivery system and head off any bureaucratic delays. Economists had counted on the earlier package to nudge gross domestic product (GDP) growth for this year up by 0.6 per cent through an expected multiplier effect of 1.2 times, which means for every ringgit spent a further 20 sen of economic activities would be generated. This would have been sufficient to serve as a buffer, as the Government had intended, against the effects of a slowdown in the US economy already anticipated even then.

The US and global economic outlook has unfortunately taken a turn for the worse since, requiring governments throughout the world to respond in recent days with various fiscal and monetary measures. Malaysia itself has made funds cheaper only last Thursday, while ensuring that returns for deposits remain reasonable. The Government now expects GDP to grow 1-2 per cent this year, instead of 5-6 per cent forecast earlier, which will still

be a creditable performance compared to other economies, emerging or developed, in this region or elsewhere. There is a good reason for the new measures to stress fair and wide distribution of benefits though; a high level of consumer spending is needed to minimise the economy's downside risks, and this can only be achieved with the cooperation of all segments of society. It ought also to be noted that if not for the Government's foresight to introduce the earlier pre-emptive measures, the challenge faced today would be that much tougher.

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