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RM4.3b to stimulate economic activities (HL)

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THE Government yesterday unveiled a new RM4.3 billion stimulus package designed to generate economic activities with the biggest spin-off effects possible.

The new package, on top of the RM3 billion pump-priming measures announced in March, will help Malaysia contain the effects of a global economic slowdown which has taken a turn for the worse since the terrorist attacks in the US on September 11.

Prime Minister Datuk Seri Dr Mahathir Mohamad said with these new measures, gross domestic product (GDP) growth for this year will stay positive at between 1 and 2 per cent.

The Government had earlier forecast GDP growth of 5-6 per cent for 2001.

The new measures include RM1 billion for rural development projects, disbursement for which will begin within three months to build roads, bridges, new wells, and implement other small projects.

"Money will be allocated directly to the state governments for immediate implementation. About 70 per cent will be paid to banks directly so that when the projects are approved, progress payments can be made immediately," the Prime Minister said.

Other projects include upgrading and maintenance work for government buildings, quarters and facilities; construction of computer labs in schools; and upgrading of Kemas (Kemajuan Masyarakat) kindergartens.

Funds are also set aside for unemployed degree and diploma holders to learn new skills, including a RM150 million allocation to retrain retrenched workers.

Another RM110 million will go towards efforts to boost tourism.

The Prime Minister said the stimulus package will be financed from domestic sources, which will increase the deficit in this year's budget but will remain at an acceptable level.

"In addition, other measures which are part of the package will be announced during the (2002) Budget on October 19," Dr Mahathir said at a press conference in Putrajaya.

Also present were National Economic Action Council members, including its executive director Datuk Mustapa Mohamed and Bank Negara Governor Tan Sri Dr Zeti Akhtar Aziz.

Economists contacted by Business Times are confident that the new stimulus will be able to buffer the domestic economy against adverse external factors.

RAM Consultancy Services Sdn Bhd chief operating officer Dr Yeah Kim Leng said the measures could see GDP growing by 1.7 per cent this year, based on the total multiplier effect of the Government's spending of 1.22 times.

This means for every ringgit spent by the Government, 22 sen of additional value is added across all sectors of the economy, particularly in respect of consumer spending.

"The funds would have a multiplier effect across a wide economic base, and the benefits filter through to a wide range of recipients. Projects outlined in the stimulus package shows that the Government is putting money in areas where it can bring direct benefits to the public and businesses," Yeah said.

A government economist said small development projects are emphasised precisely because they can be implemented immediately.

"In the past, some of these projects were put on hold because they had to compete for funds with projects of higher priority and national urgency. By implementing them now, the Government hopes to realise the benefits in a shorter time," the economist said.

Dr Mahathir said the Government is turning to the domestic economy to promote growth, as the terrorist attacks have scaled back expectations of an economic recovery in the US.

"The world economy appears to have taken a negative turn following the recent events in the US. A global economic slowdown appears imminent. As an open economy, this will have implications on Malaysia," he said.

Dr Mahathir said the Government is also looking at how to stimulate private sector activities, to increase manufacturing capacity and exports to countries that are not affected by the terrorism crisis.

"We believe things will not be too bad if we do these things. If we do nothing at all we will go down together with the rest of the world. (Now) even if the whole world goes down, we will not go down that far," he added.

The Prime Minister said the Government has also taken steps to enhance efficiency in project implementation, like speeding up payments to contractors and removing bureaucratic delays.

"Weekly meetings will be held between the relevant parties and government authorities to enhance the Government's delivery system. With the implementation of this package, the Government is confident that the downside to the Malaysian economy can be minimised," he said.

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