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RM4.3b to spur economy (HL)

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PUTRAJAYA, Tues. - The Government today announced a RM4.3 billion stimulus package, to be spent immediately, to cushion the impact of an imminent global economic slowdown.

The new package focuses on small development projects, welfare, training of retrenched workers and the unemployed, and tourism promotion.

A substantial amount, including RM1 billion for small projects and RM300 million for upgrading works, would be spent within the next three months.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who announced the package, said it was aimed at generating economic activities with the biggest spin-off effects.

It would generate business and income opportunities, assist the poor, cushion the impact of unemployment, and facilitate private sector growth by reducing bureaucracy.

The package is in addition to the RM3 billion announced in March, which had focused on large infrastructure projects, and the RM28 billion allocated in 2001 Budget.

The new measures come in the wake of the terrorist attacks on the United States which triggered fears of an American and global recession.

Dr Mahathir said the world economy had appeared to have taken a negative turn following the attacks.

"With the implementation of this package, the Government is confident that the downside to the Malaysian economy can be minimised," he said at a Press conference at his office.

He said it would also ensure fair distribution of benefits including to small Bumiputera contractors and those dependent on welfare. Most of the small Class F contractors were expected to get jobs arising out of the package.

The package includes:

- * RM1 billion for small rural and selected urban development projects like roads, wells and bridges. Part of the allocation, to be spent in the next three months, has already been channelled to the States;

- * RM80 million per annum to double the welfare payments for poor families, with immediate effect. This is a long-term measure which would continue indefinitely;

- * To upgrade Kemas kindergartens which are in a sad state. The undisclosed allocation is to be spent within three months;

- * RM300 million to upgrade and maintain government buildings and quarters, particularly schools and police stations, and rural infrastructure, also to be spent by the end of this year;

- * RM300 million for computer labs in 2,000 schools;

- * RM150 million (until end of 2002) to be used as monthly allowance of RM500 for 10,000 degree and diploma holders to learn information technology, mathematics and languages. This is targeted at those who are unemployed;

- * RM150 million for training of retrenched workers;

- * Improve terms and access to financing under existing funds for small and medium enterprises; and

- * RM110 million to intensify tourist promotion.

Dr Mahathir said that the rest of the measures would be announced in the 2002 Budget to be tabled on Oct 19.

He also said the package would be financed from domestic sources. It was

expected to result in a bigger Budget deficit but would be within the acceptable range.

To ensure that the measures were effective, the Prime Minister said the Government had taken several steps including speeding up payments to contractors and removing bureaucratic delays.

Weekly meetings were also being held between the relevant parties and Government authorities to solve problems.

Responding to a question, Dr Mahathir said it had also taken measures like channelling 70 per cent of a project cost to banks so that progress payments could be made on time.

He added that the Government had the money but had to strive to overcome the lack of capacity to implement projects, which were needed to generate domestic spending to promote growth this year.

Speaking to reporters later, National Economic Action Council executive director Datuk Mustapa Mohamed said the Government had established a mechanism to solve problems of delay.

He said the authorities were meeting contractors and other relevant parties directly to hear their specific problems, at least once a week.

Asked about the slow disbursement of the earlier RM3 billion package, he said action had been taken to speed things up, adding that delays had occurred because of complex procedures for large projects. Land acquisition was one of the problems, he said.