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MAHATHIR-PROJECT

GOVT TO STOP UNDERTAKING DEVELOPMENT PROJECTS THROUGH DIRECT NEGOTIATIONS

KUALA LUMPUR, Oct 30 (Bernama) -- In an effort to cut the cost of development, the government will no longer undertake any development projects through direct negotiations, Prime Minister Datuk Seri Dr Mahathir Mohamad said here today.

However, exceptions would be made for projects that are really needed and under special circumstances, he said when tabling the Mid Term Review of the Eighth Malaysia Plan at the Dewan Rakyat.

"Contracts for development projects would be given out only via open tenders or restricted tenders as now that are already many Bumiputera contractors who are efficient and they would need to compete among themselves for the contracts.

"To control costs, all projects would have to be referred to the Cost and Standardisation Sub-Committee," he said.

Dr Mahathir said the government would carry out any fast-track projects if the time factor was of prime importance.

The number of projects that would be carried out through this method is expected to decrease when the country's planning capacity is improved and a two-year budget is introduced.

For projects that are carried out by way of design and build, Dr Mahathir said the government would appoint independent consultants besides the designer contractor who has put in the tender.

He said the government would continue to practise a prudent fiscal policy in the final term of the 8MP (2004-2005) and would enhance its fiscal discipline by way of tighter cost measures.

This move is to prevent a rise in cost and to ensure that only development projects with returns befitting the investments involved are carried out.

The Prime Minister said that the government had carried out development projects in order to provide benefits for the people while giving profits to contractors.

But it is not to the extent of bringing losses to the people such as it has been in the case of building computer laboratories for schools, he said.

"In line with this, the government would also not compromise with contractors who fail to complete their projects in time and in accordance with the quality standards agreed upon," he said.

He said the government would also not hesitate to terminate the contract of a contractor who does not follow the set conditions, blacklist them and prevent them from participating in any future tenders.

This is to ensure that only those with a clean track record, trustworthy, and with the capability to complete a project would be given the opportunity to bid for government projects.

Due to the expansionary fiscal policy during the first three years of the 8MP (2001-2003), 99.3 percent of the development budget set under the Plan is expected to be spent by end of this year.

With this in view, the government plans to increase the budget ceiling for development under the 8MP by another RM50 billion to RM160 billion, he said.

"This increase would mean that for the next two years, the average expenditure on development would amount to RM25.4 billion per year, which would be equivalent to the country's average annual development expenditure

before the economic downturn," he said.

From the total of RM160 billion allocated, more than 80 percent would be for the economic and social sector. A major portion of the allocation for the economic sector will be for the development of infrastructure and utilities.

Education and training would be receiving the highest allocation, more than 25 percent of the total development budget,

The health sector would receive 5.9 percent, housing 3.9 percent and local authorities and welfare services 5.0 percent.

During the 2001-2003 reviewed period, Dr Mahathir said fiscal deficit had been maintained at 5.5 percent to the Gross Domestic Product while the figure is expected to be reduced to 1.8 percent of GDP by the end of the 8MP.

"To optimise on the growth that could be generated from the remaining allocation for the plan, the government would make it a condition that the implementation of the development projects is with the maximum use of local materials and components as this would cut down on the outflow of foreign exchange.

"Selected projects are those that provide the maximum benefits and with a wide network in the domestic economy so as to fully maximise the multiplication effect," he said,

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