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Package to boost economic efficiency, competitiveness

Zainul Arifin

THE much-awaited economic package, which is expected in the next few days, will likely be more expansive than one reacting only to the economic fallouts.

It is expected to extend beyond the economic consequences of the Severe Acute Respiratory Syndrome (SARS) and the war in Iraq, but will contain elements aimed at moving resources, taking advantage of opportunities and improving the nation's efficiency and competitiveness.

Government officials, when contacted, took great pains to point out that the package to be announced by Prime Minister Datuk Seri Dr Mahathir Mohamad is not a stimulus package, as many have been anticipating, but an "economic package".

It is understood that the thrust of the package, prepared by the Treasury, will be less of direct government expenditure and more on streamlining and fine-tuning the processes to make the economy more efficient.

Unnecessary bureaucratic tangles and red tapes are among issues likely to be addressed so that the impact of any economic activity could be felt faster.

Total direct government expenditure in the package is likely to be modest, some suggesting between RM2 billion and RM3 billion, slated only for projects of great socio-economic importance.

The package will be funded by the various existing and newly-created funds to be disbursed, and recovered later, by the banking system

"The common theme running through the package will be hope, opportunity and confidence," said a source.

He said the package will likely contain something for everyone, especially for the lower income group to improve their quality of life.

A broad range of issues that have been on the back burner are expected to be addressed, including access to funds, especially for small businesses, and the property overhang.

Since domestic consumption and investment have been identified as the driving force of the economy, much emphasis is expected to be put on them.

A stimulation of the property sector, to reduce the current overhang that runs into billions of ringgit, will have a significant multiplier effect on consumption.

To do this, the Government may ease credit access for home ownership, make more funds available for the rehabilitation of abandoned projects, as well as drastically change the policy approach in handling housing demands

of the lower income group.

It is also likely that the package will again try to encourage foreign investment in the property sector.

The Government is also said to be seriously looking at ways to improve access to credit by small businesses after reports of rampant loan-shark activities for those seeking funds to start businesses.