Why fewer hospitals have been built under Najib
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COMMENT | The recent call by noted economist KS Jomo to slash the development expenditure allocated to the Prime Minister's Department, and to scrutinise big infrastructure projects such as the East Coast Rail Line (ECRL) is a timely reminder of an issue that has been previously raised by opposition MPs.

But what has been lacking thus far is a more systematic analysis of the details of the development expenditure, especially under Prime Minister Najib Abdul Razak's tenure as finance minister, and specifically, the development expenditure allocated to the Prime Minister's Department.

Think-tank Penang Institute has produced a report detailing the evolution of development expenditure in the federal budget over the past decade. The highlights of this report include:

1. The allocation for development expenditure has dropped from RM53.7 billion in 2009 to RM48 billion in 2018 during Najib's tenure as finance minister.

At the same time, the share of development expenditure in the total budget has fallen from 27.8 percent in 2010, a year into Najib's tenure, to a paltry 17 percent in Budget 2018.

2. The share of the PMD development expenditure as a percentage of overall development expenditure jumped from 7.62 percent in 2008 to 19.15 percent in 2009. In absolute terms, it increased from RM3.7 billion in 2008 to RM10.3 billion in 2009.

Incidentally, the 2009 budget was Najib's first budget as finance minister. He became the prime minister in March 2009. The share of the PMD's DE reached a high of 27.5 percent or RM14.3 billion in 2016, before falling to 25.5 percent or RM12.2 billion in 2018.

The average allocation to the PMD from 2005 to 2008 was RM3.25 billion, or 8.3 percent of the total development expenditure budget, but under Najib, the figure increased to an average of RM10.75 billion or 21.4 percent of the total development expenditure budget.

3. The allocation of a significant proportion of the development expenditure to the PMD is done in an opaque and non-transparent manner. Big amounts of spending are lumped together and classified under very general descriptions such as "special projects" without clear definitions as to how these are to be spent.

The absence of clear definitions of spending for these “special projects” heightens the risk of potential abuse and corruption. It gives room, for example, to the prime minister to allocate a proportion of funds reserved for ‘Special Projects’ to politically connected contractors in BN areas.

These funds have been called “slush funds” by the Kluang MP, Liew Chin Tong. From 2010 to 2018, a total of RM43.7 billion of the allocations to PMD DE can be categorised as “slush funds”. They include:

- Dana Fasilitasi (Facilitation Fund) allocated a total of RM20.28 billion;
- 2) Penyusunan Semula Masyarakat (Restructuring of Society), RM5.46 billion;
- 3) Projek Khas (Special Projects), RM5.43 billion;
- 4) Program Pembangunan (Development Programmes), RM4.27 billion;
- 5) Projek Mesra Rakyat (People Friendly Projects), RM4.26 billion;
- 6) Projek-Projek Kecil (Small Projects), RM1.91 billion;
- 7) Penyelarasan Program Pembasmian Kemiskinan (Coordination Programmes for Poverty Eradication), RM1.08 billion; and,
- 8) Projek Kemiskinan Semenanjung, Sabah, dan Sarawak (Poverty Programmes in Peninsular Malaysia, Sabah and Sarawak), RM1.01 billion

4. In the four years between 2012 and 2015, these “slush fund” projects consistently received over 55 percent of the share of PMD development expenditure; in fact, in 2013 and 2014, the “slush funds” share of PMD development expenditure was over two-thirds.

Figure 4 illustrates graphically the breakdown of total development expenditure allocations to the PMD between 2010 and 2018, between “slush fund” and “non-slush funds” uses.

It highlights the fact that since 2012, the “slush funds” has attained a very significant component of total PMD development expenditure (it formed the majority of PMD development expenditure from 2012 to 2015).

Table 2 below shows that the “slush funds” allocation reached a peak of 67.2 percent of the PMD’s development expenditure budget in 2014 before falling to 45.4 percent in 2018.

5. The negative effect of an increase in the allocation to these “slush funds” projects is the corresponding decrease in development expenditure allocations to the Education, Higher Education and Health Ministries.

able 3 below shows the decrease in development expenditure allocations for these three ministries, from 24.6 percent in 2010 to 12.3 percent in 2018.

At the same time, the allocation for the “slush funds” projects in the development expenditure for the PMD increased from 0.47 percent in 2010 to 11.6 percent in 2018.

Figure 5 graphically depicts the cumulative “slush funds” allocation between 2011 and 2018, against the cumulative decrease in the DE allocations to the three ministries based on 2010 baseline figures.

This means that fewer schools, institutions of higher learning, hospitals and community clinics were built as a result of the “slush funds” allocation ‘crowding out’ the DE spending for these three key ministries.

To conclude, this report has shown that both the absolute total, and percentage allocation, to the development expenditure in the federal budget has decreased during the Najib era.

At the same time, the overall allocation to the PMD has increased significantly, by roughly threefold, during this period.

Moreover, the development expenditure allocation in the PMD to “slush funds” projects has increased significantly to an average of half of the PMD’s development expenditure.

This increase has "crowded out" and reduced the development expenditure allocated to other key ministries resulting in fewer schools, fewer institutions of higher learning such as community colleges and universities and fewer hospitals being built under the Najib era.

It is clear from this analysis that the pattern of federal budget allocations must be reconsidered and reprioritised.

The amount of development expenditure allocation given to the PMD must be cut significantly, starting with these “slush funds.”

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