

STOP THAT LEAKAGE!

The issue of Bumiputera tenders falling into non-Bumiputera hands has turned the spotlight on government bureaucracy and red tape.

By Norsiah Nurani

In the last couple of months, several Bumiputera associations have been crying foul over the issue of 'leakages' of tenders meant for Bumiputeras. Their lament, it appears, is not unfounded.

The leakage of Bumiputera tenders into the hands of non-Bumiputeras is said to have reached a serious level. The problem is not only rampant at the contractors' level but also at levels involving the government implementation unit, entrusted with carrying out the projects.

Recognising the seriousness of the issue, the Malay Contractors Association, Malaysia (PKMM) and the Economic Bureau of Umno Youth have set up a committee to curb the practice.

Leakages refer to a situation where Bumiputeras do not wholly benefit from the tenders earmarked for them but instead allow these projects to fall into the hands of non-Bumiputeras under the 'Ali Baba' concept.

Among the key factors that led to these leakages is the weakness in the supply chain in the construction sector, particularly in aspects of supply services and financial capability, which undoubtedly are still controlled by the non-Bumiputeras.

Another contributing factor is the irresponsible Bumiputera contractors who sell their projects for quick gains. Such a 'rent-seeking' tradition will not be able to value-add to the continuous effort to



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increase Bumiputera equity.

Leakages can also be seen happening at different stages of the tender exercise, from information to works and implementation.

The issue of tender leakages is just one example of the bureaucratic entanglement that is occurring at various government departments.

But because the majority of Bumiputera companies, particularly smaller ones, are heavily dependent on government projects for survival, the bureaucratic red tape at the implementation stage has, to a certain extent, affected performance of the

companies and livelihood of the community at large.

So how do we overcome the problem of bureaucracy?

'I don't think we can totally stop the leakages by virtue of the existing system we have in place, and with the economic networking that we have, it's impossible to have a total stoppage,' says PKMM president Datuk Roslan Awang Chik.

If this continues, to a certain extent we will not be able to achieve the NEP (New Economic Policy) target of achieving 30% equity,' he adds.

The latest statistics indicate that the NEP's targets have only partially met their objectives. Bumiputera equity in the economic pie is currently at 18% compared with 3% in 1970 when the NEP was launched.

Roslan estimates that for every construction contract given to Bumiputeras, some 60% to 70% of the value goes to non-Bumiputeras, after taking into account material and labour costs. This is on assumption that the company that won the bid is 100% Bumiputera-owned.

On the other hand, if the company is a 51:49 joint venture with non-Bumiputeras, at the end of the day the cut for Bumiputeras is only about 5% to 10%, he says.

Roslan believes that a collaborative effort between the Bumiputeras and non-Bumiputeras is needed to stop the tender leakage.

Towards this end, he says, the non-Bumiputeras must not adopt the attitude that 'wealth is everything'. Instead, they must instill the belief that achieving certain standards in all aspects is more important.

Additionally, the Government must play the role of creating a Bumiputera supply chain. Creating a network of Bumiputera suppliers is very important as building materials account for 60% of construction cost. Incidentally, 95% of the cost of materials goes to non-Bumiputeras at the moment.

The Government is well aware of the problems of red tape within its departments and has highlighted its commitment to reduce bureaucracy, combat corruption and improve the public service delivery systems.

In fighting corruption, the Government has adopted a two-pronged approach that emphasises preventive and punitive measures while enhancing ethics and integrity among civil servants.

Indeed, the Government has taken that stride in cutting red tape, for instance, in the immigration department, police force and in property projects, but much more needs to be done.

While lauding the state's promise to improve the delivery system, the president of the Malaysian Businessmen and Industrialists Association of Malaysia (Perdasama), Datuk Moehamad Izat Emir, says civil servants entrusted to carry out the policies must have the same desire for efficiency.

'This is easy to preach but hard to practise. The leaders and officers must translate this desire into reality; only then will we have every chance of achieving

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success for every Malaysian, in particular the Malays,' he says. 'Making appointments with the various departments is a tedious affair and can take weeks and months. This first step is already a setback.'

Moehamad Izat says the problem arises from weaknesses in enforcement and that any area of abuse should be dealt with without fear or favour.

He says department heads must endorse the official guidelines, reveal to the public what is being done to improve the system and plug loopholes.

'Leaders and officers not supportive of the government machinery should be removed and replaced,' he says.

Kuala Lumpur Malay Chambers of Commerce president Datuk Syed Amin al-Jefri believes that no matter how good a system is, there will always be people who can circumvent it. But the Government must see to it that bureaucracy and corrupt practices don't get out of hand.

He says by and large, civil servants are highly disciplined and capable, with good leadership qualities. But a few are drawn into malpractices. To alleviate the problem, the Government should put only those with integrity in places that undertake evaluation and processing.

It could also instruct the audit team to give assistance to department heads to ensure rules are being followed, and to do it on a more frequent basis.

It is also important to rotate assignments for officers to avoid anyone holding the same position for too long. At the same time, there should be continuous education on corruption.

Syed Amin says the relevant minister or department head should take the rap or even resign if he knowingly failed to take any action to resolve any misconduct.

Roslan says in cases of tender leakages, the Government should penalise and terminate the contracts of those who sell their projects to non-Bumiputeras. 'Although the policies are there, enforcement is weak. Now, the implementation agency closes one eye and allows rent-seeking.'

Tightening the selection criteria for tender contracts would also ensure that genuine contractors are awarded the jobs, he adds.

To do its bit, Umno Youth has urged the



Syed Amin: *The Government must see to it that bureaucracy and corrupt practices don't get out of hand*

Government to revive the Bumiputera participation unit in all ministries to check the problem of leakages.

Complaints on bureaucracy are also heard at the local council level and even banks. A Bumiputera company that holds the sole concession to provide cold room and related services at a wholesale market is peeved that the lack of enforcement by City Hall has led to the sprouting of illegal operators in the area.

This, the company says, had eaten into its revenue in the last few years. 'Without the illegal operators, we would be more competitive and efficient and this would benefit our customers in the long run,' it adds.

It claims that despite numerous written complaints, actions taken by the authorities were not effective or result-oriented. 'They can help us more if they acknowledge the problem and are serious about combating it,' the company says.

Moehamad Izat is also critical of bureaucracy at banks. He says the recent bank mergers, although designed to strengthen and make them more resilient, has affected many Bumiputera companies.

'Following the changes in management, we have lost the long-term relationship with our bankers; the trust and continuity have been destroyed.'

'The banks are only interested in making profits and don't make any effort to re-establish their relationship with clients,' he says. **mb**