

Budget's key aim to speed up projects under 9MP

NST- 2/9/2006

■ **By Rajan Moses**
news@nst.com.my

If all goes well, Budget 2007 with its huge spending initiatives, should take the Malaysian economy to a higher plane while breathing a "feel good" factor among the people and the private sector.

A key objective of the budget is to ensure that the philosophy expounded in the Ninth Malaysia Plan — to move the economy and the people up the value chain — are translated into programmes and projects speedily.

Towards this end, the Government has been candid in the Budget.

Inherent weaknesses in the Malaysian system have been clearly spelt out and addressed. Solutions, many driven by the Government itself, have also been offered.

And the Government has shown its readiness to spend vast amounts of money to en-

able the people and the corporate sector to reap the benefits.

Development expenditure, for example, has been raised by a hefty 31 per cent over last year to RM46.5 billion.

Significant measures have also been announced in the Budget to upgrade and improve shortcomings in the national education system that have constantly fallen under the spotlight.

And employability of graduates, with up to 30,000 unemployed graduates from local universities in the job market, should be enhanced with re-training initiatives.

The Budget also fosters an environment to promote vital private sector-government partnership via Private Financing Initiatives (PFI). It details plans to stimulate and turn around the flagging construction sector that has been contracting since 2004, with the roll-out of a host of Ninth

Malaysia Plan development projects.

The projects worth RM20 billion, to be financed and owned by the Employees' Provident Fund and the Pension Trust Fund, have already been identified by the Government and will be implemented on a build-and-lease basis to jump start construction. They will be mainly schools, quarters and office buildings that could provide steady work for needy construction firms.

A further RM5 billion has been injected into a PFI Facilitation Fund to support projects identified by the private sector with significant spin-off on economic growth.

Growth imbalances between regions and between the rural and urban areas have also been addressed. With plans under way to spur development in the Northern Economic Corridor, East Coast Corridor and the Southern Johor Economic Region,

there should be plenty of jobs available for the corporate sector that should render multiplier effects.

In a surprise move, the Government cut corporate tax by two per cent to 26 per cent over two years (2007-2008). The measure is seen as friendly to the corporate sector, although the Malaysian tax level remains much higher than Hong Kong's 17.5 per cent and Singapore's 20 per cent. This will help attract more local and foreign investment.

Tax breaks to promote Malaysia as an Islamic banking and financial hub are seen as steps in the right direction that should yield the desired results.

Civil servants have been given carrots in the form of bonuses for 2006. But the carrots also come with sticks. The Budget makes it clear that the nation's more than 900,000 civil servants will have to raise their game after this as they

too will be covered by key performance indicators that will dictate promotions and remunerations.

Public concerns over the poor state of security and rising crime in many parts of the nation have also been addressed.

With around RM5 billion allocated to ensure greater public safety, more police cars and police drivers will be taken on with more CCTV cameras installed in crime-prone areas.

The Budget initiatives and incentives include human capital building, luring of foreign professionals to work in the country and meeting pressing needs in the tourism industry.

So wide is the spectrum of Budget coverage that when its effects eventually trickle down, the various sectors, a large cross-section of the economy and the people stand to gain.

That, of course, will depend on how well implementation is shepherded along the way.