

by Datuk Mustapa Mohamed



Benefits For All

To ensure continued progress for the country, the government has set a number of economic priorities and is steadily working on them. The end result will be beneficial to the government, business and the *rakyat*.

WITH the many policy implementations going on, this is an interesting time for those in business as well as in government. There are many things that the government wants to do which will benefit the private sector and the *rakyat*.

We are fortunate that our economic priorities have been well set, and a lot of progress has been made in the pursuit of our economic priorities. Our strong and stable government will continue to be our biggest asset in meeting future challenges.

In line with this, the government has identified three levels of performance priorities for the economy. They are:

- Public performance as we pursue a commitment to a better public delivery system and fiscal discipline;
- Corporate sector performance in pursuing a commitment to productivity improvement and enhanced global competitiveness, as well as a search for new growth engines; and
- Human resource performance as we pursue a commitment to 'software' development and enlarging our talent pool.

These priorities were revealed by Prime Minister Datuk Seri Abdullah Ahmad Badawi at a dialogue organised by the National Economic Action Council (NEAC) on Jan 13, 2004 involving top economic policy-makers, corporate captains, senior government officials, professionals and academics.

The government is making great headway in pursuing these economic priorities.

In public performance, a key factor is to improve delivery of services of the public sector in order to lower the cost of business as well as enhance transparency.

The fight against corruption has started in earnest and this has resulted in a number of people being brought to court. We are determined in our fight against corruption in order to provide a more conducive environment for businesses to operate.

According to the Transparency International Corruption (TI) Perception Index (2003), Malaysia was ranked 37th. But with the determination of the current leadership to address corruption, TI has put Malaysia as the 8th nation seen with full commitment to combat corruption consistently.

We are also putting efforts in improving

the operating systems for delivering services to the public. This involves not only a system change but adopting a new way of doing things. These will take time if they are to be reworked properly, as it is usually flaws in the systems that give rise to opportunities to twist the rules.

On the whole, we have done very well in developing our country. Growth appears to be sustained at a higher level. A main agenda of the present administration is to strengthen the country's economy and build on the good momentum of economic growth that we have achieved so far.

But we have to build our resilience so that we are less vulnerable or easily affected by external factors, such as the financial crisis in 1997-98. We simply have to run a tighter ship, and ensure better management of our resources.

Changes announced to enhance performance in the public sector have been extended to government-linked companies (GLCs), with emphasis on improving corporate efficiency and performance in order to enhance shareholder value.

The government has already instituted a set of key performance indicators (KPIs) for GLCs. This is a clear signal that it is serious in its intention and effort. There was also a proposal to extend the use of such indicators to the government sector.

In fact, our efforts at improving the public sector delivery system and performance of the GLCs are pivotal in our new economic thinking. In the world of intense global competition, the only way to survive is to improve our global competitiveness.

Besides that, we also work to reduce the cost of doing business and instill investor confidence in Malaysia. To compete with emerging economic giants like China and India, we have no choice but to move up the value chain.

We have significant strengths in our economy which can be exploited further. For example, we need to capitalise on our English language capability, which gives us

a significant advantage over other countries in the region including China. High technology and high value-added industries from around the world are constantly on the lookout for economies with high-quality human resources.

This, of course, does not mean we have to repatriate all the immigrant workers in the country. We still need some of them to work our plantations and in the more labour-intensive industries. We cannot deny that many developed countries still demand a lot of immigrant workers to fuel their growth. Singapore, Japan, Germany and the United States all have a large number of foreign workers.

Identifying new sources of growth for the economy is an important item on our economic agenda. At the NEAC, we have worked hard to identify some of these crucial areas of new growth. Our manufacturing sector has grown tremendously in the last few decades, but we also recognise the significant potential growth of the services sector, notwithstanding, of course, agriculture as a new source of wealth creation.

With the manufacturing sector, a large part of our services sector has already grown, namely, transportation, logistics, storage and communications.

There are also other non-manufacturing services such as private health, private education, tourism, financial services, ICT, business process outsourcing (BPO) and biotechnology. We have to be more aggressive in promoting these sectors.

In addition, more attention should be focused on professional services such as consultancy, accountancy and legal services. There is a need to have a more coordinated approach for the services sector.

The government is also putting a lot of emphasis on skills training. Unemployment among graduates is a worrying trend. It has been suggested that local universities review their curriculum to ensure graduates match market requirements. Correspondingly, the country must identify new growth areas and create more employment opportunities.

The next step of our development effort is to supply human capital to match the first-class infrastructure facilities that we already have. While our education system has been augmented by the expansion of private education, we are not complacent. Efforts

are being made to review and improve the system, with a new ministry set up specifically to look at higher education.

Much has been said about creativity and innovation, in relation to education, industry and economic progress. What we can do is to provide as open and flexible a platform as we can. We have policies to ensure the best can rise to the top, and to attain the glory and distinction that the country seeks.

The government will not abandon its stance of fiscal prudence and consolidation. Fiscal prudence and discipline are economic priorities of the government. The aim is to bring down the fiscal deficit gradually so that no excessive shock is introduced to the economy.

The government is also encouraging many bright professional Malaysians working abroad to return and serve the country. We will push to create the investors and innovators that the country needs.

On June 24, the Prime Minister announced an additional allocation of RM10 billion under the Eighth Malaysia Plan, bringing the total to RM170 billion. The purpose is to generate economic activity and ensure all small- and medium-scale projects continue to be implemented.

On July 7, the Prime Minister announced that RM8.5 billion has been budgeted for construction, housing, infrastructure and education-related projects. They include the RM1.5 billion East Coast Highway Project Phase Two, RM2 billion for the building of roads and schools, and RM5 billion for smaller projects relating to education, infrastructure, housing and flood-mitigation.

The EPU will ensure that selection of projects will be based on economic and social considerations to ensure they contribute to higher quality of life and alleviate poverty. In addition, it also takes into consideration high economic multiplier and geographical spill-over effects, and scrutinises the technical specifications as well as usage of materials and fittings. This is to ensure value for money and consistency of standards for government projects.

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priorities of the government. The aim is to bring down the fiscal deficit gradually so that no excessive shock is introduced to the economy.

We have already managed to do this last year, when the fiscal deficit was brought down from 5.6% of our Gross Domestic Product (GDP) in 2002 to 5.3% in 2003. The projected fiscal deficit for 2004 is expected to be around 4% of GDP for 2005 and will continue to be reduced thereafter.

The government realises it cannot continuously pump-prime the economy as there is a limit to its effectiveness and resources. Hence, the private sector has to catch up and re-take its former role as the engine of growth.

To revitalise the private sector, the government will continue to pursue its pro-business policies including further deregulation of the economy, as well as identify new sources of growth in the manufacturing and service sectors.

Privatisation continues to be an essential part of our overall strategic economic development. The policy, launched in 1983, has generated huge savings in capital expenditure and reduced the government's administrative burden through the sale of assets and equity by transferring or divesting its holding to the private sector.

About 111,000 employees had been transferred to the private sector between 1983 and 2003.

Nevertheless, there are numerous concerns raised by the public about privatisation, particularly on charges, quality of service and efficiency of the privatised entity, that we must address. Again, stricter monitoring is essential. As such, the government will continue to improve the terms and conditions in new privatisation agreements. **mb**

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