

A Critique of the ETP: Part 3 (iii) - Execution (iii) - *Doubtful EPPs; doubtful achievements and due diligence*

Some PEMANDU 'achievements' are doubtful. The Karambunai Integrated Resort and Tanjong Agas Oil and Gas Park do not appear viable and their private sector developers are financially weak. These two EPPs alone account for 7% of the total investments trumpeted by PEMANDU during the first year of the ETP. Their inclusion weakens the credibility of the headline investments, national income and job accretion that PEMANDU claims to have achieved.

Karambunai IR - expensive and crowded? The investment cost for this project in rural Sabah soared from RM3 billion to nearly RM10 billion in the six short months from its first mention before the ETP was launched to its final incarnation as an EPP. At this price, we estimate it needs 2.8 million visitors per year to break-even - more than all the passengers arriving at Kota Kinabalu airport!

Aghast at Tanjong Agas. The massive investment and construction work in this fishing village will result in infrastructure that duplicates the thriving towns of Kertih and Gebeng, which are the stated focus areas for oil and gas activities in the Eastern Corridor Economic Region. PEMANDU will no doubt deny that the infrastructure is redundant, and maintain that the transformation of this village is unrelated to its location in Pekan, the parliamentary constituency of Prime Minister Datuk Seri Najib.

"D' for execution - where is the due diligence? Karambunai in its current form is clearly unviable. Tanjong Agas is contrary to the government's own Eastern Corridor master plan. Taxpayer funding for Karambunai soared 6-fold in 6 months, from RM100 million to RM600 million. The single largest investor in Tanjong Agas is reportedly contributing barely any equity funding. Straight answers from PEMANDU would be appreciated.

Some very large EPPs are potential 'duds'. The projects do not appear viable and their shareholders are financially weak.

Karambunai IR needs more visitors than all the arrivals at Kota Kinabalu airport to break-even; Tanjong Agas goes against the government's own Eastern Corridor master plan.

Stripping these out would dent the massive investments, income and job creation that PEMANDU trumpets.

PEMANDU gets a 'D' for Execution. The whole process from the labs that selected the EPPs to the actual implementation is riddled with defects.

The execution process at PEMANDU troubles REFSA

Success of the ETP (Economic Transformation Programme)¹ boils down to execution of the individual EPPs (Entry Point Projects). All the EPPs collectively add investments, national income and jobs to the ultimate goal of taking Malaysia to high-income status by 2020.

PEMANDU², based on its updates, is showing a crisp pace of execution³. But below the surface gloss, REFSA sees deeper issues surrounding the execution of the ETP - The 'E' in the DEEDs framework with which we are evaluating PEMANDU and the ETP.

- Part 3 (i) *PEMANDU strengthens the know-who cancer*:
 - a. Suggested that some of the quick pace of implementation was due to PEMANDU taking credit for projects already under way which were subsequently named as EPPs; and
 - b. Pointed out that PEMANDU is institutionalising the role of middleman if it cuts red tape on a case-by-case basis for EPPs. This reinforces the 'know-who' culture that is killing Malaysian innovation, creativity and productivity. It does not matter *how* good your product or idea is, or how efficiently you can make it, it depends on *who* you know to get it through the system.
- Part 3 (ii) *The hothouse labs probably killed innovation* examined the NKEA lab process. We highlighted:
 - a. The high-pressure NKEA lab process was more conducive to incumbent companies with pre-existing business plans rather than start-ups with genuinely transformative ideas; and
 - b. The private sector participants would be championing their own interests first and national transformation second. A glaring example is the missing automotive sector. It is not one of the NKEAs, despite the huge sums of taxpayer and Petronas money that have gone into supporting our national cars.

In this third and final part of our evaluation we use the examples of two massive but economically tenuous EPPs to illustrate potential shortcomings in the due diligence process while selecting EPPs.

¹ The ETP calls for 131 entry point projects (EPPs) within 12 National Key Economic Areas (NKEAs), which will pour RM1.4 trillion worth of investment into the economy and create 3.3 million new jobs by 2020.

² The acronym that the Performance Management and Delivery Unit within the prime minister's department is better known by. PEMANDU is the government agency that created and is now steering the ETP.

³ In the short period of just over a year since the launch of the ETP in Sept 2010, PEMANDU announced a total 113 EPPs worth RM177 billion and with the potential to create nearly 390,000 jobs.

Some EPPs are questionable

We see possible ‘dud’ projects - projects with very little hope of success - among the EPPs announced. We shall illustrate by spotlighting the Karambunai Integrated Resort City EPP under the Tourism NKEA and the Tanjong Agas Oil and Gas Logistics and Industrial Park EPP under the Oil, Gas and Energy NKEA.

Our concerns:

- Start with the financial feasibility of these EPPs;
- Extend to the qualifications, experience and track record or lack thereof of the private sector partners; and
- Widen to the reliability of the investment, GNI and job creation figures associated with these EPPs

Karambunai - how to triple your investment in 6 months!

Perhaps the most serious example of a possible dud EPP is the RM9.6 billion Karambunai Integrated Resort City (Karambunai IR) announced in the 5th ETP Update on 19 Apr 2011.

Karambunai IR is actually an example of a pre-ETP project that was subsumed as an EPP. It received its first major mention in early Oct 2010, by no less than the prime minister himself:

- At that time, during the Budget speech, it was presented as a RM3 billion project to develop an integrated eco-nature resort in Karambunai⁴;
- A few weeks later, in mid-Oct, Karambunai IR was presented as an EPP in the ETP Roadmap Report with a projected RM6.7 billion investment value⁵;
- 6 months later, when announced as an EPP in the 5th ETP Update in Apr 2011, the investment cost had jumped to RM9.6 billion⁶!

All in, the project investment cost had more than tripled in the span of just ½ a year from RM3 billion in Oct 2010 to nearly RM10 billion by Apr 2011. This massive escalation in the project cost has never been explained, which is particularly astonishing given the huge sum involved.

⁴ Item 36, pg.14, of the 2011 Budget Speech. Prime Minister Najib said the government would allocate RM100 million for this project.

⁵ EPP 5: Developing an Eco-nature Integrated Resort in Sabah, pg.330 ETP Roadmap Report.

⁶ Announcements - 19 Apr 2011: Karabunai Integrated Resort City. Available at http://etp.pemandu.gov.my/Progress_Update-@-Karambunai_Integrated_Resort_City.aspx. Retrieved on 9 Jan 2012.

It may be asserted that the inflated investment between the time of the prime minister's budget speech and its inclusion in the ETP Roadmap Report a fortnight later was due to value-enhancing activities by PEMANDU.

That might indeed be the case. But under PEMANDU's watch, in the short six-month period from Oct 2010 when the ETP Roadmap was launched to Apr 2011 when Karambunai IR was highlighted in the 5th ETP Update:

- The investment numbers ballooned from RM6.7 billion to RM9.6 billion;
- The expected GNI (gross national income) contribution soared 13-fold from RM707 million to RM9.3 billion⁷;
- The jobs created were inflated from 7,700 to 11,000.

It beggars belief how the Karambunai IR's business model could have been restructured to add so much more value, income and jobs in such a short span of time:

- Either the initial model was deeply flawed and left too much low-hanging fruit to reap, or the new plans are way too optimistic.
- Neither explanation reflects well on PEMANDU's due diligence process for selecting EPPs and verifying the expected contributions to GNI and job creation.

In fact, investment analysts and market observers were already querying the viability of the initial RM3 billion project, particularly doubting the ability of project developer Karambunai Corp Berhad. The Star reported the following in Oct 2010:

Still, scepticism abounds on Karambunai's ability to execute this grand plan, not least because of its weak financial status. The company has been in the red for the past three financial years.... In addition, it has piled on huge debts with short-term borrowings of RM192.07mil and long-term borrowings of RM283.77mil⁸.

⁷ Interestingly, Karambunai Corp's own announcement indicates RM1.3 billion GNI from this project - <http://www.karambunaicorp.com/Announcement/KIRCFactSheet.pdf>. Is the RM9.3 billion figure a typo?

⁸ Karambunai in the limelight after Budget. Tee Lin Say, the Star, 20 Oct 2010. Available at <http://biz.thestar.com.my/news/story.asp?file=/2010/10/20/business/7249320>. Retrieved on 9 Jan 2012.

It was widely perceived that such a massive investment in rural Sabah would be financially viable only if the project included a licence to operate a casino. In Karambunai IR's case, such conjectures gained further credence from:

- The 'integrated resort' terminology used to describe this project. 'Integrated resort' was the less-emotive term used by the Singapore government to help persuade its citizens that tourism resorts incorporating casinos were in the best long-term interests of the country;
- Three of the four integrated resorts named as examples in the ETP Roadmap Report have significant casino operations - Marina Bay Sands and Resorts World Sentosa in Singapore and the Atlantis in the Bahamas⁹. The third - Palm Resort in Dubai - is backed by a government that had to be rescued by its neighbour Abu Dhabi during the 2008/09 financial crisis;
- The majority shareholder of Karambunai Corp Berhad, Tan Sri Chen Lip Keong, also controls Nagacorp, which operates a casino in Cambodia¹⁰; and
- The fact that the project appears financially unviable without a casino.

Both Karambunai and PEMANDU have denied that Karambunai IR would include a casino. Malaysians may well be sceptical of such denials. The case of Ascott Sports comes to mind; the government initially denied a sports-betting licence had been issued, then admitted a 'conditional' licence had been given and subsequently withdrew the licence following public opprobrium.

There is also another interesting denial. Petaling Tin, which owns some of the land involved, denied signing 'any agreement with any parties pertaining to the resort project, and there are no corporate developments that warrant future disclosures to the stock exchange at this juncture¹¹. This announcement was made on 19 Apr 2011, the day of the 5th ETP Update in which Karambunai IR was announced.

⁹ EPP 5: Developing an Eco-nature Integrated Resort in Sabah. Pg 330 ETP Roadmap Report. One also has to remember that these integrated resorts were backed by listed companies with deep pockets and long experience.

¹⁰ He is the single-largest shareholder in Karambunai with a 44% stake; Petaling Tin has 34%. Tan Sri Chen is also the founder of NagaCorp, of which he holds 63%, and is its CEO and Executive Director. Reported in Chen-led consortium to invest RM9.6 billion in Karambunai resort. Chua Sue-Ann, 20 Apr 2011, The Edge. Available at <http://www.theedgemaalaysia.com/in-the-financial-daily/185355-chen-led-consortium-to-invest-rm96b-in-karambunai-resort.html> . Retrieved on 17 Jan 2012.

¹¹ Chen-led consortium to invest RM9.6b in Karambunai resort. Chua Sue-Ann, The Edge Malaysia 20 Apr 2011. Available at www.theedgemaalaysia.com/in-the-financial-daily/185355-chen-led-consortium-to-invest-rm96b-in-karambunai-resort.html . Retrieved 17 Jan 2012.

But taking the denials at face value, it is startling that PEMANDU accepted this project as an EPP. Even a cursory examination suggests the project is unviable without the boost from a lucrative casino licence.

Our analysis shows that Karambunai IR would have to attract an exceptionally large crowd spending extraordinary amounts of money on lodging, entertainment and food and beverage to be viable.

Table 1: Karambunai IR has to attract more visitors than *all* the passenger arrivals at Kota Kinabalu airport to be viable

Total investment	RM9.6 billion	It was RM3.0 billion in early Oct 2010, rising to RM6.7 billion a few weeks later and then RM9.6 billion by Apr 2011. Assume 50% is financed by bankers, and 50% by investors.
Assume 50% borrowings	RM4.8 billion	
Annual loan repayments	RM240 million	Assume borrowings are repaid over 20 years. Assume 8% per year interest rate. We acknowledge this is simplified - interest payments will be reduced as the loan is repaid, but this does not significantly affect our argument.
Annual interest payments	RM384 million	
Return required by investors	RM480 million	Assume investors would be satisfied with a modest 10% per year net return, after tax. In reality, returns in excess of 15% will likely be demanded.
Corporate tax paid	RM160 million	Assume 25% tax rate
Total annual EBITDA required	RM1,264 million	EBITDA = earnings before interest, tax, depreciation and amortisation. It is from EBITDA that a company repays borrowings and pays interest charges and corporate taxes, with the balance going to investors.
Revenue needed <i>per year</i>	RM4.2 billion	RM11.95 million <i>per day</i> . This assumes a high 30% EBITDA margin. The Walt Disney Company has an EBITDA margin of just 23%.
Average capacity required (number of visitors per day)	23,000	This is nearly as much as the 25,000 visitors per day capacity at Universal Studios Singapore. Note that Karambunai IR should be more 'exclusive' and cater to fewer people (Our calculation assumes each visitor spends RM500 per day).
No. of visitors per year required	2.8 million	Assume each visitor stays an average 3 days. Kota Kinabalu airport welcomed just 2.5 million arrivals in 2011.

Source: REFSA. Note that this calculation does not include costs for maintenance capital expenditure and upgrading work. The revenue per visitor and visitors needed would be even higher to cover this.

Even after giving Karambunai IR the benefit of the doubt by assuming it manages to attract very big spenders and earns high profit margins, Karambunai IR would have to entertain over 2.8 million visitors per year just to cover its basic costs. This is more than the 2.5 million passengers arriving at Kota Kinabalu airport every year¹²!

¹² Significant increase in passenger traffic at airports. Bernama, 28 Jul 2011. The report says Kota Kinabalu airport handled 2.5 million passengers in the six months ended June 2011. This covers both arriving and departing passengers. Taking a 50:50 split, 2.5 million passenger arrivals would be expected for the whole year.

It is mind-boggling that PEMANDU accepted this project as an EPP given the obvious doubts about its financial viability. It is astounding that PEMANDU has committed at least RM600 million of government funds to this project¹³. And we wonder about the veracity of the rapidly increasing investment, gross income contribution and job creation numbers.

Tanjong Agas - or Tanjong Tanpa-gas?

The issues surrounding the Tanjong Agas Oil and Gas and Logistics Industrial Park in Pahang announced in the 2nd ETP Update are similar to those afflicting the Karambunai IR.

Firstly, like Karambunai IR, this is a 'recycled' project. It was originally launched in Feb 2009, but featured in Oct 2010 as an EPP during the launch of the ETP Roadmap.

Secondly, like Karambunai, it is likely that this project will require taxpayers' money from the Facilitation Fund:

- At its launch in 2009, it was said that RM8 billion would be invested to equip the park with shipyards, fabrication yards, supply-based fabrication for repairs and lay-ups, liquefied natural gas and petroleum terminals, dredger yards, liquid-bulk terminals and dockyards;
- Under the ETP Update, the initial investment listed for this EPP was RM3 billion from 2011 to 2012. Of this amount, RM300 million will come from the Facilitation Fund from the 10th Malaysian Plan¹⁴.

Thirdly, like Karambunai, the investment requires fund-raising which seems beyond the ability of the companies involved in the project:

- The concessionaire to develop the park, Tanjong Agas Supply Base and Marine Services Sdn Bhd (TASBMS), 30%-owned by the Pahang State Development Corporation (PKNP), is to invest RM2 billion;
- The balance RM6 billion is to come from 7 private companies¹⁵.

¹³ This RM600 million amount was based on the RM6.7 billion investment value cited in the ETP Roadmap Report in Oct 2010. It was not disclosed if the amount was subsequently raised to match the RM9.6 billion value cited in the 5th ETP Update in Apr 2011.

¹⁴ Presumably the federal government contribution will be from the RM300m facilitation fund under the Tenth Malaysia Plan. Reported in 'RM300m more for Tanjong Agas Park'. Available at http://www.tgagas.com/index.php?option=com_content&view=article&id=48:rm300m-more-for-tanjong-agas-park-&catid=1:latest-news. Retrieved 10 Jan 2012.

¹⁵ Vantech Dockyard (M) Sdn Bhd, Tec-Steel Manufacturing Sdn Bhd, Usatech Marine (M) Sdn Bhd, Bitari Abadi Sdn Bhd, Core Competence Sdn Bhd, Competent Selection Sdn Bhd and Damini Corp Sdn Bhd.

TASBMS itself reportedly aims to borrow the entire RM2 billion needed from KAF Investment Bank and ‘hoped the federal government would financially support the state’s growth’¹⁶. Is it furnishing any equity at all?

Next, one wonders how 7 unknown private companies can hope to raise RM6 billion, particularly when details of the park are poorly publicised¹⁷.

Taking a step back, why Tanjung Agas in the first place? Tanjung Agas does not feature in the Eastern Corridor Economic Region (ECER). Kertih and Gebeng were identified as the two focus areas for oil, gas and petrochemical clusters¹⁸.

Gebeng already houses major oil and gas industry names including BP Chemicals and BASF Petronas Chemicals. It is also well connected, with direct pipelines and a railway line to Kuantan Port, a mere 5 kilometres away, with centralised tankage facilities and container and bulk liquid port services¹⁹.

Tanjung Agas is a greenfield requiring massive investment. One cannot help but wonder who will be the beneficiaries of the contracts to conduct land reclamation, deepen the harbour, construct the port facilities and build the roads leading to this new industrial park.

Would our readers be aghast to learn that Tanjung Agas is located in Pekan, which also happens to be the parliamentary constituency of Prime Minister Najib? Perhaps we are being too cynical. Perhaps the massive development of this particular fishing village, instead of others, is completely unrelated to its illustrious parliamentary representative.

With all these questions surrounding this Tanjung Agas project, it is not surprising that some have drawn parallels between this project and the Port Klang Free Zone fiasco²⁰. Would the taxpayer once again be left to pick up the bill if this project fails to take off?

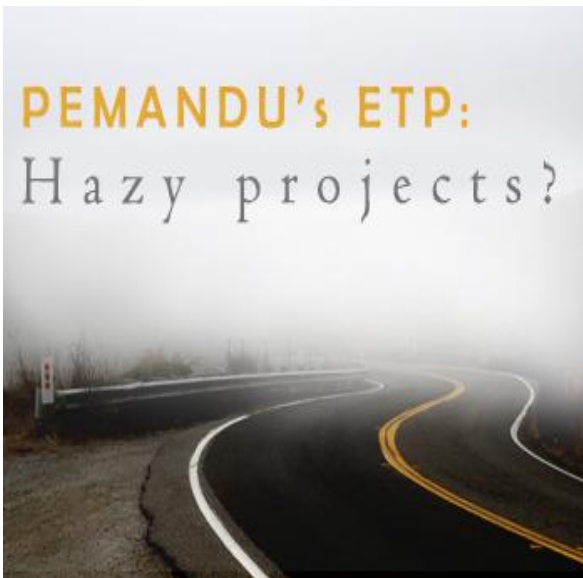
¹⁶Tanjung Agas mega project to kick off soon. Danny Yap, the Star , 23 Feb 2009. Available at <http://thestar.com.my/maritime/story.asp?file=/2009/2/23/maritime/3298307&sec=maritime>. Retrieved 9 Jan 2012.

¹⁷ A cursory examination of the TASBMS website www.tgagas.com would cast doubts on its ability to attract over RM30 billion in investments over the next 10 years. For example, there is no master plan of the park nor an outline of the phases of development needed to develop and grow the park.

¹⁸ <http://www.ecerdc.com.my/ecerdc/oil.htm>

¹⁹ http://www.investinpahang.gov.my/index.php?ch=en_opportunities&pg=en_chemical. Retrieved 9 Jan 2012.

²⁰ PKNP and its industrial park in Tanjung Aga, Pekan and Taman industri gas, minyak dan maritim Tanjung Agas, Pekan. Available at <http://sakmongkol.blogspot.com/2009/02/taman-industri-gas-minyak-dan->



“D” for execution - where is the due diligence?

PEMANDU rates poorly on the entire value chain from conceptualisation to execution of EPPs:

1. Firstly, the financial viability of at least some projects is dubious. This brings to mind the practice of ‘recycling’ - the naming of existing projects as EPPs. Cynics would ask why these projects would need the shot in the arm of being declared EPPs if they were already viable in the first place. And we have pointed out that PEMANDU stepping in to give its ‘seal of approval’ even for good projects reinforces the *know-who* rather than *know-how* culture;
2. Secondly, the qualifications, expertise and track record of some investors and project owners are weak. Besides the owners of the Karambunai IR and Tanjong Agas projects highlighted here, another example is the widely disparaged 1Malaysia email ETP for which financially-distressed Tricubes Berhad²¹ was selected as the private sector partner;
3. Thirdly, this leads us to regard with scepticism the attainability of the vital statistics of these projects that are included in the ETP progress updates - the investment values, gross national income (GNI) contributions and jobs created;
4. Which then leads to doubts about the veracity of the astounding achievements touted at each ETP update. The two possible ‘dud’ projects highlighted here have investments that total RM12.6 billion or 7% of the projected RM177 billion of total investments committed during the first year of the ETP;

What if these are just the tip of the iceberg? How many other potential ‘duds’ are there among the 113 EPPs announced so far?

maritim.html and <http://sakmongkol.blogspot.com/2009/02/pknp-and-its-industrial-park-in-tanjung.html>. Retrieved 9 Jan 2012.

²¹ Tricubes CEO Khairun Zainal had admitted that the project was a ‘financial lifeline’ for the company. This company had also made ‘typo errors’ in its 2011 annual report. The ‘typos’ showed the company lost just RM7.3 million in the financial year ended 31 Mar 2011, whereas the actual loss was RM17.2 million. Source: Tricubes says losses higher last year, blames typos. Yow Hong Chieh, Malaysian Insider, 29 Dec 2011.

It might be suggested that the highly-paid team at PEMANDU and its expensive consultants²² are not in a position to question the investment value, GNI contribution and jobs created by private stakeholders involved in any EPP. But this would be irresponsible for three reasons:

1. Some of these projects involve the spending of taxpayers' money. For example, the government will contribute at least RM600 million to the Karambunai IR project²³;
2. The amount of public money involved is tied to the expected investment value of the project. This is a very important point. There is an incentive for the private stakeholders to inflate the expected cost of their projects in order to increase the amount of Facilitation Funds which they can apply for from the Public Private Partnership Unit (UKAS)²⁴;

Continuing with the Karambunai IR example, it is unclear if the public funding requirement has also increased with the subsequent ballooning of the project cost from RM6.7 billion to RM10 billion;

3. These figures contribute to the overall investment, GNI contribution and jobs created targets which are trumpeted by PEMANDU in its ETP updates and press releases. If the basis of these numbers is suspect, then the validity of PEMANDU's claimed progress in taking us to the end goal of a high income nation is questionable.

²² Its eight directors reportedly pocket RM39,000 each per month; while consultants McKinsey were paid RM36 million to set up PEMANDU. Covered in Part 1: Introducing DEEDS.

²³ EPP 5: Developing an Eco-nature Integrated Resort in Sabah, pg.330 ETP Roadmap Report.

²⁴ This Fund is to be "utilised to finance the development of basic infrastructure of a project such as access road, bridges, utilities as well as land acquisition for highway projects .. Generally the funding limit ... is capped at 10% of the total project cost". Facilitation Fund Guidelines retrieved 17 Jan 2012 from www.ukas.gov.my/html/themes/miu/images/miu/Guideline%20FF%20in%20English.pdf.

What should Pemandu do?

Doing the following will bolster credence of PEMANDU's claimed progress and lead to more confidence in the economic viability as well as the numbers and figures associated with EPPs:

1. Back up the impressive headline numbers in each ETP update with a detailed progress update on each EPP including the amount of public and private investment already spent²⁵;
2. Work with the potential EPP owners to make sure that the figures of interest are economically and financially sound;
3. Be willing to oust EPPs from the ETP if subsequent analysis or events render them economically unsound. On this matter, PEMANDU should:
 - a. Avoid projects such as 1Malaysia Email which explicitly seek the government or government agencies as a core customer;
 - b. Be especially careful with projects backed by the politically influential. These projects must be able to pass exceptional scrutiny; and
 - c. Avoid 'recap' projects, especially those which have been in existence before the ETP such as Karambunai IR²⁶; and
4. Be ready to exclude investment, incremental GNI and job figures from individual EPPs which have been announced but cannot be executed.

²⁵ Our discussions with PEMANDU indicate that this will be included in the ETP's Annual Report.

²⁶ Avoiding these projects also has the additional benefit of avoiding the criticism that PEMANDU is desperate and is simply 'recycling' old projects instead of seeking new projects that are genuinely transformational and add new incremental GNI.

About this series

Critics of PEMANDU and the ETP thus far have tended to focus on the expensive costs incurred by PEMANDU and its consultants, accusations of style prevailing over substance, the execution of specific projects and its apparently lofty, unrealistic targets.

We think these issues can be further debated, but these questions ultimately boil down to PEMANDU's *raison d'être*. PEMANDU is already a *fait accompli*. Debating its existence serves no useful purpose at this point. Instead, we evaluate PEMANDU and the ETP on its own terms by looking at the goals, plans and targets outlined in the ETP Roadmap document. Doing so facilitates constructive debate as it uses the same framework which PEMANDU has chosen to work within.

In that vein, and in keeping with the spirit of the alphabet soup of NKEAs, NKRA's, SRIs, EPPs, GNI surrounding the entire GTP, we evaluate PEMANDU and the ETP on its DEEDS:

1. Data transparency - the ease with which an independent analyst can evaluate the figures relevant to the ETP and its targets;
2. Execution - the progress, or lack thereof, of announced EPPs (Entry Point Projects);
3. Enterprise - whether the target of stimulating private investment is being achieved. The ETP aims for a 92:8 split between private and public investments;
4. Distribution - the distribution of EPPs across the NKEAs (National Key Economic Areas), which shows whether a healthy balance of projects is being maintained; and
5. Socio-economic impact - an evaluation of the main beneficiaries of the economic activities generated by the EPPs.

The story so far

Part 1, [*Let's evaluate PEMANDU on its DEEDS*](#), introduced our evaluation framework.

Part 2, [*We won't really be twice as rich in 2020*](#), found us declaring "It does not compute!" PEMANDU's target is to double nominal income per capita to RM48,000 by 2020. But using its forecasts for income and population growth, and inflation, the target should be RM54,145, not RM48,000. Can this 'roadmap to transformation' be trusted when the highly-paid PEMANDU team and its costly consultants cannot even get the basic math right?

Part 3(i), [*PEMANDU strengthens the 'know-who' cancer*](#), focuses on the practice of taking credit for pre-existing projects and PEMANDU's role in cutting red tape. PEMANDU is institutionalising the role of middleman if it cuts red tape only for EPPs. If long-term policy changes are not made, Malaysian innovation, creativity and productivity will continue to lag. It does not matter *how* good your product or idea is, or how efficiently you can make it, it depends on *who* you know to get it through the system.

Part 3(ii), [*The hothouse labs probably killed innovation*](#) highlights that the tight timeframe of the lab process incentivised lab participants to favour incumbent companies with pre-existing business plans rather than start-ups with genuinely transformative ideas. Also, the labs would be dominated by incumbents striving to maintain their dominance. Start-ups would not have been able to afford to release staff just to attend the labs for 8 weeks.

Note on PEMANDU's response

Upon hearing that we were writing an evaluation of the ETP, the communications team at PEMANDU kindly arranged interviews with a Director from the Minister's Office who is also the Director of the Oil, Gas and Energy & Financial Services NKEAs, the Director of the Wholesale and Retail (W&R) NKEA and the Assistant Director of the Tourism NKEA. We are grateful for these interviews and will include clarification points from these interviews in our evaluation. These interviews were recorded by the ETP communications team and we hope that they would be made available online for public access.

About the authors

Visiting contributor Dr Ong Kian Ming holds a PhD in Political Science from Duke University and Economics degrees from the University of Cambridge and the London School of Economics. He is attached to UCSI University, which has been named as the project owner of two Entry Point Projects (EPPs). To avoid any potential conflict of interest, he will not make references to or analyse these two EPPs. He can be reached at im.ok.man@gmail.com.

REFSA (Research for Social Advancement) Executive Director Teh Chi-Chang holds a first class degree in Accounting & Financial Analysis from the University of Warwick, an MBA from the University of Cambridge and the CFA (Chartered Financial Analyst) charter. Prior to joining REFSA, he headed highly-regarded investment research teams covering Malaysia, and was himself highly-ranked as an analyst. He can be reached at chichang@refsa.org.

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