

This is a statement by not-for-profit research institute REFSA (Research for Social Advancement) released on Thursday, 21 March 2013.

A big fat 'F' for Fail (Part 2): The ETP has failed ordinary Malaysians

The perception manipulation and deception surrounding the Economic Transformation Programme (ETP) masks much more than the mediocre economic growth and dodgy math that we spotlighted yesterday. Today, we draw attention to 3 points:

1. The ETP experienced a spectacular reversal in investments in 2012 in its second full year. Committed investments slumped 82% from RM179.2b in 2011 to RM32.1b in 2012;
2. Not only did investments shrink, they were also of lower quality. Each ringgit of committed investments in 2012 is expected to generate less national income and create jobs that pay lower than the investments committed in 2011;
3. The sharp contradiction between the fact that over 20 million Malaysians, nearly 70%, of our population, are poor enough to qualify for the BR1M welfare handouts even while PEMANDU trumpets we are on-track to high-income status.

If PEMANDU and the ETP were truly about transforming our nation for the better, there must be far more emphasis on improving education, skills and the social and business environment. They must also have the political will to combat grand corruption rather than just clear red tape and increase competition by dismantling monopolies which are controlled by political cronies.

Finally they must be honest and transparent about their achievements rather than resort to manipulating statistics in order to deceive the public. Only then can we take real steps towards a future where all Malaysians can have the dignity of decent jobs, housing and security.

ETP Failed: Committed investments collapsed in 2012

The ETP experienced a spectacular reversal in its second full year of existence in 2012. The value of committed investments in 2012, their Gross National Income (GNI) impact and the number of jobs created collapsed compared to the previous year.

- Committed investments slumped 82% from RM179.2b in 2011 to RM32.1b in 2012;
- These investments were also less income accretive. The Gross National Income (GNI) impact of the committed 2012 investments plunged 95% from RM129.5b in 2011 to a mere RM6.6b in 2012;
- Reflecting the low value-added nature of these investments, the number of jobs expected to be created fell too but by a smaller 70% from 313,741 in 2011 to 94,702 in 2012.

In simple terms, each Ringgit of committed investments in 2012 is expected to generate less GNI and create jobs that pay lower than the investments committed in 2011. The GNI for each job created by the 2012 committed investments is 83% lower at RM69,692 GNI per job in 2012 compared to RM412,761 in 2011. In terms of capital intensity, the investments per job fell 41% from RM571,172 in 2011 to RM338,958 in 2012.

Table 1: Committed Investments, GNI Impact in 2020 and number of jobs created from Entry Point Projects collapsed in 2012

	2011	2012	Total	Change	%Change
Investments	RM179.2b	RM32.1b	RM211.3b	-147.1	-82%
GNI in 2020	RM129.5b	RM6.6b	RM136.1b	-122.9	-95%
Jobs	313,741	94,702	408,443	-219,039	-70%

Source: Exhibit E, 2012 ETP Annual Report

ETP failed: What happened to the shovel-ready projects?

Repeating the experience of 2011, the 2012 ETP Annual Report also avoided stating the amount of actual investments compared to committed investments. In our earlier critiques, we called out PEMANDU¹ for failing to declare in its 2011 ETP Annual Report that actual investments in 2011 was only RM12.9b. This is a mere 7% of the committed RM179b².

The 2012 ETP Annual Report is no different. It leaves us all in the dark as to how much of the committed investments from the 2011 as well as 2012 have been actually invested. Any reasonable Malaysian would expect to see a large amount of actual investments in 2012 from the RM179b committed by 2011 Entry Point Projects (EPPs). They have had a whole year or more to be rolled out, and would have had the help of PEMANDU cutting red tape and fast tracking processes.

The 2012 ETP Annual Report also fails to state the breakdown of investments between the public (government) and private sector. This information is important as a major target of the ETP is to have the private sector contribute 92% of the investment necessary to drive the ETP.

The miserable investment, GNI impact and job figures for 2012 coupled with the absence of disclosure on the amount of actual investments and the public-private breakdown suggests the following logical conclusions:

1. That many of the announced EPPs, especially those in 2011, have failed to take off;
2. That the private sector is not driving the EPPs as originally envisioned; and
3. That the private sector is losing confidence and interest in the ETP.

¹ 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.

² Covered in Part 3 of our series Dissecting the ETP Annual Report: *It was only RM12.9 billion of ACTUAL investment.* Available at www.refsa.org.

The 2012 ETP Annual Report attempts to skirt the issue by saying that many of the EPPs were front-loaded³. However, even on that basis, the RM211.3b of total investments for 2011 and 2012 is nearly RM30b short of the RM240b for two years originally targeted by the ETP⁴.

Further evidence of the failure of 2011 EPPs to take off is the fact that the 2012 ETP Annual Report could only highlight the completion of a RM4.9m new restaurant for the RM9.6b Karambunai Integrated Resort City. The absence of any news on the RM3 billion Tanjong Agas Oil & Gas and Logistics Industrial Park in Pahang also points to the possibility that this massive EPP has grounded to a halt. Incidentally, these are two projects which we highlighted as ‘dodgy’ EPPs as far back as February 2012⁵.

ETP Failed: More Malaysians qualify for BR1M payments than before

Ironically, it is another so-called ‘achievement’ of PEMANDU which strips bare the total failure of the ETP in terms of sustainably raising the incomes of those at the bottom of the economic ladder. When launching the ETP, PEMANDU said, “A key focus will be on ensuring that substantial improvements are made for people with the lowest household incomes.”⁶

Sadly, PEMANDU’s approach has been mega contracts for the big boys, while placating poor Malaysians with crumbs that momentarily lift their incomes. The number of Malaysians eligible for welfare has been steadily increasing under PEMANDU’s tenure. It was originally estimated that only 3.4m households comprising 53% of total households in Malaysia earned less than the RM3,000 per month threshold for entitlement to the RM500 Bantuan Rakyat 1 Malaysia (BR1M) handout⁷. But ultimately, approximately 4.2 million applications were approved which resulted in RM2.1b being paid instead of the originally anticipated RM1.8b. Under the latest BR1M 2.0, which also includes individuals earning less than RM2000 per month, a total of 6.1m applications have been approved⁸.

If GNI per capita has indeed soared 48.8% in two years as PEMANDU claims, why has the number of Malaysians who are eligible for welfare handouts increased rather than decreased? Over 20 million Malaysians, or nearly 70% of our population are on welfare while PEMANDU trumpets projects and investments under the ETP.

³ Pg.10, 2012 ETP Annual Report

⁴ The ETP calls for investments of RM120 billion per year. Pg.20 of ETP – A Roadmap for Malaysia Report.

⁵ Covered in our Focus Paper A Critique of the ETP (Part 3(iii)) - *Doubtful EPPs; doubtful achievements and due diligence*. Available at www.refsa.org

⁶ Pg. 60 of the ‘ETP - A Roadmap for Malaysia’ report

⁷ pg 35, 2012 Budget speech by Finance Minister and Prime Minister Dato Sri Najib Razak.

⁸ <http://www.nst.com.my/latest/5-3-million-br1m-2-0-vouchers-claimed-1.237738>

ETP Failed: To Transform Malaysia

The ETP Annual Reports and publicity focusing on investments, projects and US\$ income proves our view that the ETP is only there to help the ‘big boys’ who can lobby PEMANDU to fast track their projects rather than measures that help ordinary Malaysians sustainably improve their livelihoods⁹.

If PEMANDU and the ETP were truly about transforming our nation for the better, there must be far more emphasis on improving education, skills and the social and business environment. They must also have the political will to combat grand corruption rather than just clear red tape and increase competition by dismantling monopolies which are controlled by political cronies. Finally they must be honest and transparent about their achievements rather than resort to manipulating statistics in order to deceive the public. Only then can we take real steps towards a future where all Malaysians can have the dignity of decent jobs, housing and security.

Teh Chi-Chang, CFA
Executive Director
chichang@refsa.org

Dr. Ong Kian Ming BSc (LSE), MPhil (Cantab), PhD (Duke)
Visiting Contributor
im.ok.man@gmail.com

---About REFSA ---

REFSA (Research for Social Advancement) is a not-for-profit research institute providing relevant and reliable information and analyses on social, economic and political issues affecting Malaysians with the aim of promoting open and constructive discussions that result in effective policies to address those issues. Topics REFSA has covered include the deployment of the national police force, the national Budget, procurement policy in the state of Penang, and the federal government's Economic Transformation Programme (ETP).

--- About our earlier critique of the ETP ---

REFSA scrutinised the Economic Transformation Programme (ETP) Roadmap¹⁰, 2011 ETP Annual Report¹¹ and related material. Our extensive analysis of the ETP, all freely available at www.refsa.org found basic numbers that did not add up, dubious projects, decisions which made little economic sense and worst of all, perception manipulation and outright lies by this powerful unit in the prime minister's department. Just a few examples:

1. Economic progress is actually much slower than PEMANDU would have us perceive:
2. Erroneous assumptions were made that resulted in the national income and job creation numbers being slashed by a massive 45% and nearly 20% respectively¹². This begs the question, “*Were projects with grossly inflated forecasts accepted as Entry Point Projects (EPPs) over other projects that were more truthful and conservative in their projections?*”
3. Most shockingly, we discovered that PEMANDU was lying. The most audacious lie is PEMANDU claiming 100% credit for the construction of a 200mm wafer fab in Dec 2011 when in actual fact the company that was supposed to build and operate this RM1.9 b wafer fab was in the process of being declared insolvent¹³!

⁹ Covered in our Focus Paper A Critique of the ETP (Part 3(i)) - *PEMANDU strengthens the ‘know-who’ cancer* and also in Part 5 of our series Dissecting the ETP Annual Report, *The EPPs do not seem to be creating high-income jobs*. Available at www.refsa.org

¹⁰ The ETP in its Roadmap published in Oct 2010 called 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. These targets have not been changed, the massive ‘recalibrations’ notwithstanding.

¹¹ The report was released on 2 Apr 2012. It can be downloaded at <http://etp.pemandu.gov.my/annualreport/>

¹² Covered in Part 4 of our series Dissecting the ETP Annual Report, *45% of GNI and 20% of Jobs Disappeared in Recalibration*. Available at www.refsa.org

¹³ Covered in Part 2 of our series Dissecting the ETP Annual Report, *The Mystery of the Disappearing EPPs*. Available at www.refsa.org