

THE 2001 BUDGET SPEECH

By

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MINISTER OF FINANCE MALAYSIA
INTRODUCING THE SUPPLY BILL (2001)
AT THE DEWAN RAKYAT
ON 27 OCTOBER 2000**

**“A NEW MALAYSIA”
“FROM STRATEGIC VISION TO STRATEGIC
IMPLEMENTATION”**

Mr. Speaker Sir,

I beg to move the Bill intituled "**An Act to supply a sum from the Consolidated Fund for the service of the year 2001 and to appropriate that sum for the service of that year**" be read a second time.

I. INTRODUCTION

1. We are grateful to the Almighty for enabling us to be gathered here today for the tabling of the 2001 Budget. We stand at the threshold of the first Budget of the twenty-first century as well as at the beginning of the Eighth Malaysia Plan and the Third Outline Perspective Plan. As such, this Budget is indeed crucial. This Budget goes beyond numbers and statistics on our performance and budgetary allocations. It underscores the implementation of strategic plans that will propel us towards achieving Vision 2020.

Strategic Vision Interrupted

2. The Asian financial crisis almost derailed us from our goal of achieving developed nation status. We have lost precious time and were forced to divert our attention and utilise our scarce resources in overcoming the crisis. The crisis was also a timely wake-up call for some of us. Prior to the onset of the crisis, our Gross Domestic Product (GDP) expanded at an average annual rate of nine per cent during the period 1987 to 1996 while inflation was contained at a low level of 3.5 per cent. The nation was successful in attracting a steady flow of foreign direct investment.

The manufacturing sector grew strongly by more than 14 per cent. The Kuala Lumpur Stock Exchange (KLSE) was also a major destination for international portfolio fund managers. Market capitalisation peaked at 891 billion ringgit in February 1997 while the banking system was accredited as one of the strongest in the region.

3. After two years, our economic growth has resumed and rebounded to levels beyond our earlier expectations. Today, many have come to accept and acknowledge the Government's ingenuity in formulating our own unique strategies and policies. This success has indeed been a source of pride for us. We received accolades from the academia, other Governments and even the International Monetary Fund (IMF) and World Bank. Since the economy has regained its growth momentum, we can once again resume the implementation of strategic initiatives towards achieving developed nation status.

Achievements in the Pre-Crisis Period Towards Vision 2020

4. Before the onset of the crisis, our progress towards Vision 2020 was on track. We had clear objectives and had

invested substantially in the provision of modern infrastructure such as the construction of highways and ports, the provision of telecommunication services and public amenities. We had balanced growth and this has resulted in a decline in the incidence of poverty from 17.1 per cent in 1990 to 6 per cent this year.

5. We have launched several strategic initiatives, including the establishment of the Multimedia Super Corridor (MSC) as well as the bold initiative to target technology and knowledge-based companies to locate within an area provided with world-class infrastructure facilities, attractive financial incentives as well as legislative and regulatory framework, tailor-made for the development of MSC. We have embarked on building a new administrative centre, Putrajaya; a multimedia centre, Cyberjaya and the Kuala Lumpur International Airport (KLIA), to rival any airport in the world. The Government is also committed to developing the nation as a regional financial centre, strengthening the banking system and developing the bond market, thereby further broadening and deepening the nation's financial market.

Moving Ahead

6. Although we have been meticulous in our preparation to move ahead, we realise that the world economic environment is undergoing drastic changes. We are confronted with the challenges of globalisation, liberalisation and the digital wave, in particular their implications on the nation's competitiveness. We need to review and update our implementation plans to take into account the new realities, and where necessary, reformulate strategies.

7. The world is witnessing, among others, trends in the mergers of large conglomerates that now challenge the traditional ways of conducting and managing businesses. The advent of the knowledge-based economy or K-economy is now a reality and threatens the conventional concept of comparative advantage. The global technological revolution and the use of information and communications technology (ICT) have opened up prospects and business opportunities in various new fields. We accept globalisation. We only need to be cautious and vigilant in facing all the challenges and impediments whilst preparing to seize the tremendous opportunities that are emerging.

II. ECONOMIC CHALLENGES

8. The nation's economic recovery has been impressive. It has been a 'V-shaped' recovery with GDP rebounding from a contraction of 7.4 per cent in 1998 to a growth of 5.8 per cent in 1999. GDP is expected to expand by 7.5 per cent this year, far exceeding the earlier forecast of 5.8 per cent. We take even greater pride in the fact that this growth was achieved in an environment of low inflation. Income per capita continued to increase to 12,883 ringgit, exceeding that prevailing in the pre-crisis period. The purchasing power parity of *rakyat* has also risen to 7,716 US dollars. The balance of payments continues to strengthen with the current account surplus totalling 29.8 billion ringgit or 9.9 per cent of Gross National Product (GNP). The external reserves as at 23 October 2000, amounted to 32.3 billion US dollars, sufficient to finance 5.1 months of retained imports. The Kuala Lumpur Composite Index is now at 796.22 points, indicating a recovery of 14.1 per cent compared with the lowest level of 697.80 points registered during this year.

9. Inflows of foreign direct investment (FDI) have increased. Investment applications in the manufacturing sector to the Malaysian Industrial Development Authority (MIDA), increased significantly by 67.6 per cent valued at 17.5 billion ringgit in the first seven months of 2000. In the 2000 Budget, I announced the Pre-Packaged Incentives to encourage investment and business activities. To date, the Government has approved a total of seven projects valued at 11.25 billion ringgit. In addition, investments in high technology projects in MSC totalled 2.8 billion ringgit.

10. Although our economic performance has been remarkable and the strong growth momentum is expected to be sustained, there still exist risks and uncertainties in the economic and business environment both from within and without that can threaten our sustained growth. Among the major challenges are to:

- i. increase inflows of FDI;
- ii. improve the nation's competitiveness;
- iii. sustain the surplus in the balance of payments and contain inflationary pressures;

- iv. improve the efficiency of the services sector;
- v. diversify exports and export markets; and
- vi. ensure that wage increases are commensurate with productivity improvements.

11. As such, we need to redouble our efforts, mobilise our resources and move in concert to face the challenges before us. We need to be more resourceful and vigilant in order to ensure accelerated economic growth. We have to review and update the implementation of our development plans to take into account the new realities. We also need to intensify our determination, strengthen our resolve and confidence in our ability to continue to progress.

III. BUDGET STRATEGY 2001

12. The Government will be more focused in its strategies and measures to propel the nation towards achieving developed nation status. Our goal is clear and we shall not be distracted from

this pursuit. As such, I have outlined five main strategies in this Budget, as follows:

- First** : stimulating the nation's economic growth;
- Second** : identifying new sectors of growth;
- Third** : continuing fiscal and monetary policies to support growth;
- Fourth** : strengthening further the nation's competitiveness; and
- Fifth** : enhancing the quality of life of *rakyat*.

13. From these five strategies, I propose that we direct our focus to three main thrusts, that is:

- First** : stimulating the nation's economic growth;
- Second** : implementing strategic initiatives to enhance the nation's competitiveness; and
- Third** : continuing the agenda of a caring society

FIRST: STIMULATING ECONOMIC GROWTH

14. In our efforts to stimulate the nation's economic growth, the Government will intensify the development of several new growth sectors which characterise the economy of the twenty-first century. This includes K-Economy, ICT and venture capital. In addition, the Government will continue to develop the Eastern Corridor in the Peninsular, Sabah and Sarawak to ensure balanced growth. These efforts will be supported with the provision of tax and non-tax incentives.

K-economy

15. We must accept the realities of the K-economy. We have no other alternative. We shall all become citizens of the K-economy. The Government wants every *rakyat* to be part of it and is convinced that Malaysians will reap enormous benefits from this transformation. The new economy will lead to increased productivity, higher incomes as well as a better quality of life. Survival in a borderless global economy based on knowledge requires everyone to be equipped with new skills and assimilate the culture of high technology and dynamic entrepreneurship.

16. This is not wishful thinking. In fact, the Government has painstakingly endeavoured to build a strong foundation, in particular through education and human resource development. I am confident that there is someone in every village who has acquired skills and knowledge in the field of technology from an institution of higher learning. I believe this was not possible five or ten years ago.

17. Skills and entrepreneurship will together drive the new economy. In future, GDP growth will be spearheaded by knowledge-based industries in all sectors, particularly the manufacturing and services sectors. We are, therefore, intensifying investment in ICT, education and the retraining of workers. We need knowledge workers to constantly upgrade their skills and efficiency, given that the K-economy is part of our daily lives. Human resource development will remain a national priority. This means a culture of life-long learning that does not cease on graduation or job promotion. This is the main ingredient of prosperity. In fact, the nation has many intelligent and bright people who have reaped benefits from these changes. Some of them have

not only worked for large domestic companies, but also multinationals at home and abroad.

18. To ensure success from the new economy, we need a pool of the best talents from at home and abroad. Efforts need to be undertaken to hire the best brains regardless of race and nationality, from Bangalore to California. This is a step towards creating a world-class workforce. At the same time, skilled Malaysians who are working overseas must be encouraged to come home. As such, I propose Malaysian citizens abroad who have the required expertise be given the following incentives:

- i. income remitted to Malaysia within the period of two years be exempted from income tax;
- ii. all personal effects brought into Malaysia, including two motorcars, be given tax exemptions; and
- iii. husband or wife and children who are not Malaysian citizens be given permanent resident status within six months.

19. The nation's aspiration of creating a knowledge society must begin with the school children. The computer literacy programme for students and the Smart Schools programme have been implemented. The first phase of this pioneer project involving 90 schools is expected to be completed by next year. The success of this pioneer project will provide the basis for the extension of this programme nationwide. The Government is also implementing the computer laboratory programme, whereby each school will be provided with between 12 to 43 computers and equipped with multimedia and internet facilities. Priority will be given to rural schools. As a start, work to construct 2,200 computer laboratories has begun throughout the nation. By the end of year 2001, all schools with electricity supply and telephones are expected to be equipped with computers and software through this programme. This measure is undertaken to produce more computer literate students who have initiative and are intelligent, creative and independent. It is my hope that students will also take the opportunity to learn the English language as it is the main language of the ICT world. We cannot deny the fact that there are benefits to be derived from learning more than one language apart from the National Language.

20. The Government has also allowed contributors to the Employees Provident Fund (EPF) to make withdrawals for the purchase of computers for the use of their children in institutions of higher learning and schools. Some contributors, however, have abused this facility. The Government is, however, confident that there are still many among *rakyat* who wish to be in the mainstream of ICT development. I, therefore, propose that all contributors are also allowed to make withdrawals for the purchase of computers for their own use. In addition, I propose the following measures:

- i. new computers given by companies to their employees, which are presently deemed as benefit in kind, be exempted from income tax while such expenses incurred by the company be allowed as tax deductions;
- ii. Government employees be allowed to apply for a computer loan once every five years; and
- iii. contributions in cash and in kind to projects promoting ICT culture be allowed as tax deductions.

21. To supplement the above efforts, the Government will provide tax incentives to nurture and cultivate the reading habit, which is the basis for ensuring the continued acquisition of knowledge in any society. Therefore, I propose that an income tax relief of 500 ringgit per annum be given to individuals for the purchase of books, including school textbooks.

***Developing the Information Communications
Technology Industry and Venture Capital***

22. Emphasis on ICT will be continued as ICT-based applications are necessary to enhance the nation's productivity and competitiveness. The development of infrastructure in MSC marked the beginning of these initiatives. We need to review the overall implementation of MSC. In addition, the Multimedia Development Corporation (MDC) has been entrusted with ensuring that the integration of various MSC flagship applications is implemented efficiently and effectively. In this regard, MDC will be further strengthened with new expertise while opportunities will be given to the younger generation who are more ICT-savvy and have strong inclinations towards ICT revolution. MDC must strive to attract

world-class ICT companies, which will be a pull factor in attracting other ICT companies.

23. The Government is aware of the important role of venture capital as an alternative source of capital financing, particularly for ICT. I, therefore, announce the establishment of another Venture Capital Fund totalling 500 million ringgit. To ensure that the Fund is fully utilised, the Government is prepared to outsource the management of the Fund. The Government recognises that there are high risks associated with the venture capital industry. As such, the Government is prepared to assist business angels in investing equity in capital start-ups. For this purpose, I propose that investments in venture companies at start-up, seed capital and first stage financing be given deductions equivalent to the amount invested against the statutory incomes of the investing companies. However, to prevent abuse of this incentive, the investor is only allowed to divest his shares in the venture company after it has been listed.

24. In addition, an agency to coordinate the national development of venture capital will be established under the

Ministry of Finance. This agency will act as a one-stop agency and be responsible for ensuring that the venture capital industry develops and expands more efficiently and effectively. This agency will formulate, coordinate and monitor all policies, strategies and incentives as well as supervise the development of the venture capital industry. To facilitate the access of venture capital companies to the capital market, several listing requirements on MESDAQ will be liberalised, including reducing the requirement that 70 per cent of the listing proceeds be used in Malaysia.

Research and Development

25. To support Government efforts in developing venture capital and ICT, the Government will broaden the scope of research under the Intensification of Research in Priority Areas (IRPA) to venture capital companies interested in carrying out research and development (R&D) in MSC and other places approved by the Government. Under the Pre-Packaged Incentives, the Government has mandated that one per cent of total annual sales be allocated for R&D. If the company is unable to fully utilise the allocation, the balance will be transferred into the IRPA fund. In this context, R&D efforts are not necessarily confined to research work in new areas

but also encompass work on upgrading, enhancing and adapting existing technologies. Where necessary, the Government is prepared to acquire new technologies through the acquisition of equity in foreign companies. Towards this end, the Government will provide sufficient allocation for the purpose of acquiring technology and commercialising new technology. To create support services as well as R&D work for high technology industries, the Government will allocate a sum of 16.7 million ringgit to equip the Tecno Centre in the Kulim Hi-Tech Park.

Pre-Packaged Incentives

26. In efforts to accelerate growth and further strengthen economic fundamentals, private investment will be encouraged in line with the objective of making the private sector the engine of growth. In this respect, the Government will continue to provide the Pre-Packaged Incentives to attract greater domestic and foreign investment. Thus, the Government welcomes proposals from all sectors for consideration for this special incentive. Besides, I propose that the incentive scheme for reinvestment be enhanced by providing Accelerated Capital Allowance on reinvestments in

promoted activities on the expiry of Reinvestment Allowance. I further propose that tax incentives for promoted areas, expiring at the end of this year, be extended to end- December 2005. Therefore, projects located in the Eastern Corridor of the Peninsular, Sabah and Sarawak will continue to enjoy better tax incentives.

Increasing Domestic Consumption

27. The Government will continue to increase domestic demand, in particular private consumption to generate growth. As a measure to further increase disposable income and encourage consumption, I propose that individual taxpayers from the low and middle-income groups be given a higher tax rebate. With effect from the year of assessment 2001, current tax rebates given to individuals will be increased from 110 ringgit to 350 ringgit. The rebate for the wife is also increased from 60 ringgit to 350 ringgit. The eligible taxable income bracket for this rebate is also increased from 10 thousand ringgit to 35 thousand ringgit. This would benefit 1.23 million taxpayers. However, it would also reduce Government revenue by approximately 434 million ringgit. I hope that taxpayers will utilise this tax rebate to spend wisely to improve their quality of

life while contributing to economic growth. The Government will continue to implement a low-tax regime to encourage domestic consumption as well as enhance the nation's competitiveness.

SECOND: IMPLEMENTING STRATEGIC INITIATIVES TO ENHANCE THE NATION'S COMPETITIVENESS

28. The global economy has evolved to become more sophisticated and competitive in recent years. The implementation of Vision 2020 was somewhat interrupted during the past two years of the crisis. I would like to stress, however, that our Vision remains unchanged. We have to review, however, the implementation strategies to take into account these new changes. As such, in this Budget, I would like to introduce several strategic initiatives that will propel the nation towards achieving Vision 2020. Among others, we will have to give a new perspective to the concept of strategic partnerships, the role of FDI and the development of the capital market. We also need to adopt strategic initiatives to enable Malaysia to become a hub for production, distribution and transshipment in the era of AFTA and WTO.

Strategic Partnerships and FDI

29. The role of FDI should not be confined only to increasing the nation's stock of capital. We also want FDI to play a role in increasing the nation's competitiveness as well as positioning it in the international value chain. Apart from expanding production capacity, we must also encourage foreign companies to invest in human capital and undertake technology transfer.

30. We continue to welcome the presence and participation of foreign investors not only in production but also strategic alliances in sectors such as ICT, energy, ports and the financial sector. As such, foreign investment participation is allowed through smart partnerships not only by way of foreign equity holdings but also at the management level. The Government has also allowed foreign equity participation in the nation's airline as well as the national car industry.

31. Smart partnerships will not only broaden the domestic market but also involve the use of services of foreign expertise in management to gain access to international markets. As such, we

need to be open in our efforts to attract FDI. We must acknowledge that in a borderless world, large international conglomerates have greater choices in their investment decisions while countries are keenly competing to attract FDI.

Malaysia's Position in the Era of AFTA and WTO

32. As we are located strategically in ASEAN and have some of the best infrastructure facilities in the region, most foreign investors see Malaysia as a base for investments in the ASEAN region, particularly in the era of AFTA and WTO. We should, therefore, take advantage of this special position. For example, KLIA which is recognised for its engineering and architectural excellence must be exploited to its full potential. KLIA must be made the regional hub and spoke not only for aviation services but also the regional distribution and transshipment centre. In this regard, foreign expertise can be used, if necessary, and their participation in managing the nation's airports can also be considered.

33. As an open economy that is highly dependent on external trade, we need to further enhance our shipping capacity. In

this regard, I propose that the National Shipping Fund be increased by another 1 billion ringgit as the 1.1 billion ringgit allocated earlier has been fully utilised. To ensure that this Fund benefits domestic shipping companies, the guidelines will be reviewed. I hope that domestic shipping companies will utilise this facility to enable them to compete in a borderless world.

Strengthening the Financial System

34. The Capital Market Master Plan and the Financial Services Master Plan are in the final stages of preparation. Our challenge is to coordinate these two master plans so that we will have a holistic approach in further strengthening the nation's financial system.

35. The capital market will be further accelerated to support national economic development. The Government has undertaken a number of measures to reduce reliance on the banking system for the financing of economic activities. This is aimed at avoiding a recurrence of the mismatch caused by the financing of long-term projects with short-term loans from the banking system as experienced during the last financial crisis. In this regard, the bond

market will be further broadened and deepened to play an expanded role in financing new economic activities. The Government will continue to undertake benchmarking through regular issuance of Government Securities. The 500 million US dollar bond raised recently by the Government in the international market received overwhelming response from foreign investors. To further strengthen the bond market, I propose the stamp duty and Real Property Gains Tax (RPGT) relating to the issuance of asset-backed securities be abolished.

36. The equity market is an important component of the financial system. While KLSE has recovered from the lows of the crisis, we believe that the market is still undervalued due to misconceptions and the lack of understanding among portfolio managers. Efforts need to be intensified in disseminating accurate, timely and effective market information as well as forging better communications with foreign investors. In this regard, a new unit will be established in KLSE that would be responsible for enhancing communications with international fund managers.

37. In further consolidating the equity market, the Government will review policies with respect to the participation of institutional funds, such as EPF in the equity market. In addition, we will standardise the stamp duty rates for all transactions at KLSE involving foreign investors, whether they are undertaken through foreign brokers or directly through local brokers.

38. Restrictions in the movement of the ringgit and the US dollar peg have brought stability to the business and trade environment. The nation's exporters and entrepreneurs have been able to pursue their business activities abroad in an environment of certainty. In contrast, in some countries, exporters and entrepreneurs have incurred large losses as a result of volatility in exchange rates. In addition, foreign investors in Malaysia have also benefited from this regime as the stable exchange rate has preserved the value of their investments and profits. The Government will continue to assess the effectiveness of the ringgit peg with respect to its costs and benefits to the nation.

39. Aside from the ringgit peg, the Government imposed a levy of 10 per cent on profits repatriated from short-term portfolio

investment. This measure is to discourage large outflows of short-term capital that could destabilise the nation's financial system. As the capital market environment has improved, I propose that the levy on portfolio profits repatriated after one year be abolished.

Corporate Governance

40. Initiatives to strengthen the financial system will be complemented with efforts to ensure stronger, more responsible, transparent and accountable management. While many regulations and laws have been put in place, they do not necessarily guarantee good corporate governance. The Government has spearheaded measures in corporate governance, such as restructuring the management of companies to ensure that executive powers are not concentrated in any one individual. However, I regret that the move to improve corporate governance has been viewed with cynicism. It is not the Government's intention to burden the corporate sector with excessive laws and regulations but to ensure that markets remain strong and investor confidence is maintained. Excessive laws and regulations are in fact not needed if the corporate sector adopts best practices in corporate governance. The Government is

aware that excessive laws and regulations can curb entrepreneurship and are adverse to risk taking while returns are not commensurate with risks taken. The main challenge to the corporate sector is to move towards greater self-regulation to ensure that the legal and regulatory environment remains conducive to promoting progress and excellence.

Reducing the Cost of Doing Business

41. The nation's competitiveness will be further enhanced through increasing the level of efficiency and productivity as well as lowering the costs of production. In this regard, domestic manufacturers need to adopt more efficient and technology-intensive production methods. To assist the private sector to reduce the cost of doing business, I propose the following:

- i. companies engaged in promoted manufacturing and service sectors be given import duty and sales tax exemptions on spares and consumables until end-December 2003;
- ii. hauliers be given import duty and sales tax exemptions on prime movers and trailers;

- iii. plantation companies be given import duty and sales tax exemptions on machinery and equipment;
- iv. companies engaged in the provision of services to conserve energy be given income tax exemptions as well as import duty and sales tax exemptions on related machinery and equipment;
- v. capital expenses incurred on purchase of machinery and equipment used by companies to conserve energy be given Accelerated Capital Allowance. Such machinery and equipment would also be eligible for import duty and sales tax exemptions;
- vi. qualifying expenses for capital allowance on new vehicles be increased from 50 thousand ringgit to 100 thousand ringgit provided that the on-the-road price does not exceed 150 thousand ringgit;
- vii. expenses incurred in obtaining *halal* and quality certifications and accreditations be given single deduction in the computation of income tax;

- viii. expenses incurred on the design of packaging of products for exports be given a double deduction in the computation of income tax;
- ix. the highest ad-valorem stamp duty rate on documents relating to the transfer of property be reduced to three per cent; and
- x. specific stamp duty rates on various documents to be standardised at 10 ringgit.

Eliminating Bureaucratic Delays

42. To ensure success in the implementation of the Strategic Vision, the Government will step up its efforts towards eliminating bureaucratic delays. A special task force will be established to monitor the implementation of every initiative that I have announced in this Budget. This is to ensure that all strategic initiatives are implemented expeditiously to generate the intended benefits. We cannot be complacent. Every agency must enhance their state of preparedness and determination to stimulate economic activities. The Government will replace or amend archaic regulations if they hinder development. To ensure that development

projects are implemented as scheduled, all implementing agencies must submit progress reports periodically to the highest authority. Furthermore, all members of the administration are required to closely monitor the implementation of projects so that *rakyat*, particularly those in the rural areas, will benefit from the nation's development apart from accelerating economic activities. For Ministries that do not fully utilise their allocations, such allocations will be withdrawn and reallocated to Ministries that are quick to implement their projects.

THIRD : CONTINUING THE AGENDA OF A CARING SOCIETY

43. The Government is aware that in a rapidly expanding economy there would be those who have not fully enjoyed the benefits of development. As such, the Government will continue to ensure that the benefits are shared by all segments of society. It is important to inculcate community values of sharing and caring in all aspects of life. The Government therefore, is resolved in making caring society as a national agenda.

Continuing the Social Agenda

44. In our pursuit of development and prosperity, the quality of life of *rakyat* will also be enhanced in line with the mainstream of national development. The Government will also ensure sufficient provision of social infrastructure and the upgrading of services for the lower income groups, particularly Orang Asli, elderly and the disabled. As such, more effective programmes, including the provision of micro-credit and support services for these groups will be further intensified. In addition, measures will continue to be undertaken to ensure the conservation of the environment.

Increasing Incomes of the Poor

45. The Government will continue to give emphasis to programmes aimed at increasing the incomes of the poor. A sum of 182 million ringgit is allocated for year 2001 under the Development of the Hard-Core Poor Programme (PPRT) to implement projects relating to rehabilitation of homes, health improvement, provision of micro-credit, development of village economy and agricultural assistance. With these programmes, the poverty level is expected to decline further to 5.4 per cent. The Government is confident that

the hard-core poor can improve their economic status and well being if they are prepared to work harder in seizing the opportunities made available by an expanding economy.

46. Since 1996, the Government has allocated a sum of 300 million ringgit under the *Amanah Ikhtiar Malaysia* (AIM) programme as a revolving fund to improve incomes of the hard-core poor through the implementation of viable projects. To date, loans totalling 240 million ringgit have been extended to 62,243 borrowers. In 1998, funds totalling 150 million ringgit were also channelled to *Yayasan Tekun Nasional* to provide loans to hawkers. To date, loans totalling 46.5 million ringgit have been disbursed to 16,215 hawkers. It is hoped that organisations entrusted with the implementation of these programmes undertake their responsibilities to ensure that these funds benefit the targetted groups and contribute to Government's objective of poverty eradication.

47. The Barisan Nasional Government will continue to take care of the welfare of *rakyat* in Terengganu even though it no longer heads the State Government. To ensure that *rakyat* in

Terengganu continue to enjoy progress and remain in the mainstream of development, the Federal Government has agreed to continue to provide *Wang Ehsan* to the Terengganu State Government through the *Wang Ehsan* Financing Programme. The Committee at the Federal level responsible for this programme has identified seven categories of programmes for implementation that will provide direct benefits, particularly to the poor in Terengganu. These include the provision of water and electricity, village roads, education, infrastructure, housing as well as resettlement programmes. For the agriculture sector, various special programmes will be provided, such as the cultivation of cash crops as well as assistance to coastal and deep-sea fishermen. In addition, *Wang Ehsan* will be allocated for the development of entrepreneurs through programmes like TEKUN-Terengganu, PROSPER-Terengganu and the Special Fund for the development of vendors, franchise and the like. *Wang Ehsan* will also be used to assist the elderly, single mothers, disabled and orphans. As floods often affect Terengganu, especially during the monsoon season, a Natural Disaster Fund will be established. Some of these programmes have already been implemented.

48. The Government is also concerned about the payment of salaries to officers and staff. In this regard, the provision of *Wang Ehsan* will take into account the deficit in the State Government's budget, subject to verification by the National Audit Department. As such, the officers and staff of the Terengganu State Government should not be apprehensive as payment of their salaries is assured.

49. There has been opposition over the Government's decision to disburse *Wang Ehsan* to Terengganu. In fact, Petronas signed similar agreements with all states except that the agreements with Sabah and Sarawak differed slightly. It is, therefore, clear that all states in the Peninsular, including Terengganu, are not entitled for oil royalties. Payments made by Petronas was in the form of *Wang Ehsan* as decided by the late Tun Abdul Razak. To those who oppose this programme, which is aimed at protecting the poor, elderly, single parents and orphans, I propose that they bring this matter to the Courts. Do not question the sincerity of the Government with slogans or emotional outbursts. Let the Courts decide.

Upgrading Health Status

50. Health is an invaluable asset. Healthy citizens make for a prosperous nation. In this regard, the Government has always emphasised the need to improve the health of *rakyat*. A sum of 5.76 billion ringgit has been provided for the year 2001 to continue the construction of a number of new hospitals. Apart from hospitals for regular patients, the Government is also sensitive to the needs of the mentally ill, in particular with the recent spate of amok cases and the dumping of newborns. Hence, the Government will construct new psychiatric hospitals in Sungei Petani and Johor while Hospital Bahagia Tanjung Rambutan will be expanded to provide treatment and assistance to those needing such treatment. A total of 452 new clinics will be constructed nationwide. In addition, the Government will continue to finance health education programmes which include nutrition and the practice of healthy lifestyles as well as the control of infectious diseases.

51. The Government also hopes that voluntary non-governmental organisations will come forward to assist the increasing number of kidney patients requiring treatment. To encourage these organisations to set up haemodialysis centres in

the states, the Government will provide a matching grant on a ringgit for ringgit basis expended by such organisations for the establishment of these centres. The Government will also provide a subsidy of 50 ringgit to each patient using haemodialysis centres run by voluntary non-governmental organisations. This will involve an allocation of about 10 million ringgit in year 2001.

52. Telemedicine aimed at upgrading the level of *rakyat's* general health has been allocated a sum of 10 million ringgit to continue projects that were launched in year 2000. The Government will also equip all hospitals and health clinics with the Total Hospital Information System (THIS). With the implementation of this project, the health sector will be provided with an integrated health information system.

53. To assist families of patients, who cannot afford to pay for medical treatment of serious illnesses, I propose that contributions from individuals and companies for this purpose be allowed as income tax deduction, provided that the contributions are credited into an account approved by the Inland Revenue Board.

54. The public should also be encouraged to take precautionary measures to maintain good health. I propose that tax relief up to 500 ringgit be given to individuals on expenses incurred for complete medical examination.

Public Housing

55. Housing is a basic facility that needs to be provided at affordable prices to the majority of *rakyat* either by the Government or the private sector. One of the reasons for the existence of squatters in urban areas and the outskirts is the short supply of affordable houses, particularly for those who have migrated in search of job opportunities. I therefore, urge private sector employers to fulfil their social responsibility by providing accommodation facilities for their employees.

56. Housing developers should undertake to build houses to meet market demand, in particular low and medium-cost houses. Currently, there still exists a significant overhang in the property sector. The Government has provided assistance in increasing the sales of houses through home ownership campaigns and the provision of various incentives. Developers must be more serious

and determined to reduce this overhang. I urge you not to be over zealous in reaping large profits but to reduce prices in order to encourage sales. State Governments, on the other hand, must not be too liberal in approving land conversions. Local governments too, should not, at will, approve the construction of office space and luxurious condominiums before the property overhang is reduced.

57. To encourage the ownership of houses, the Government will now allow EPF contributors to make withdrawals for the purchase of a second house on condition that they sell the first house. This measure is to enable contributors to upgrade their homes.

58. Efforts to supply low-cost houses will be continued. For this purpose, *Syarikat Perumahan Negara Berhad* (SPNB) is given the responsibility of coordinating and implementing all low-cost housing funds which have been established. At the same time, SPNB will also be responsible to address the problem of abandoned housing projects. A sum of 797 million ringgit is provided to finance low-cost housing projects. In this context, the construction of 37 thousand houses to accommodate all squatters in the Federal

Territory of Kuala Lumpur under the Integrated *Rakyat* Housing Programme, is being accelerated. In two years, the Federal Territory will be free of squatter problems if all enforcement authorities carry out their responsibilities. Similar efforts will be implemented in major towns nationwide.

59. In addition, a large allocation of 770.2 million ringgit is provided for the construction of quarters for teachers as well as the police, armed forces, customs and immigration. For teachers, 341 projects involving 10,252 houses will be constructed. For the armed forces and police personnel, 4,000 houses will be constructed in the Federal Territory of Kuala Lumpur alone.

Rural Development

60. Development programmes to improve the standard and quality of life of the rural community will continue to be implemented. For this purpose, the Government will provide an allocation of 3.08 billion ringgit to implement agricultural projects, development of villages, water and electricity supply as well as health and education. Of this total, a sum of 856 million ringgit is allocated for the supply of electricity and water as well as the

construction of rural and village roads throughout the nation. Electricity supply will be provided for an additional 20,625 houses, benefiting 103 thousand persons while the supply of potable water will be extended to an additional 72 thousand households, benefiting 360 thousand persons. The construction of 4,992 kilometers of rural roads will also benefit close to one million persons.

61. The health of people in rural areas has always been given priority. For this, a sum of 1.74 billion ringgit is provided to enhance health service facilities in rural areas, in addition to the construction of rural and health clinics.

62. A total of 428 secondary and primary schools will be constructed in rural areas. As a measure to narrow the digital gap between the urban and rural areas, 1,262 computer laboratories will be established in rural schools.

63. For the interior, the Government will continue the Water Supply and Environmental Sanitation Programme (BAKAS) for the purpose of not only ensuring potable water supply to the people but

also aimed at conserving the environment through the provision of proper sanitation facilities.

Environment

64. The management of the environment has become increasingly challenging due to the rapid pace of development, involving the levelling of hills for buildings, logging and also the clearing of jungles for agriculture. The threat of water, air and land pollution must be controlled. More determined efforts need to be undertaken to ensure that our national reserves, including rivers, forests and air will be conserved in order to safeguard the health and quality of life of *rakyat*. Hence, apart from the importance of education in environmental conservation, firm action needs to be taken against individuals or companies that ignore the conservation of the environment. In this regard, heavy penalties should be imposed under the relevant laws on property developers who fail to comply with environmental regulations, including blacklisting them.

65. An allocation of 85 million ringgit is provided to the Department of Environment to continue its enforcement, controlling and monitoring efforts as well as the completion of the

Environmental Skills and Training Institute. The Government has also awarded the contract for cleaning drains and rivers to the same company that is managing solid waste so as to prevent the occurrence of flash floods as there will be better coordination of such efforts.

66. Recycling industries should be promoted to reduce environmental pollution. In line with this, I propose that incentives in the form of Accelerated Capital Allowance be extended to companies that incur capital expenses on recycling activities. Import duties and sales tax exemptions on related machinery and equipment would also be made available.

67. The Government is also promoting the development of a new source of energy, biomass, which is environment-friendly and renewable. To encourage energy-generating companies to utilise biomass, I propose that these companies be given income tax exemptions for five years or Investment Tax Allowance of 60 per cent. Import duties and sales tax exemptions on related machinery and equipment would be made available.

Combating Social Ills

68. In addition to the drug abuse problem that has yet to be overcome, a new problem, the use of ecstasy pills, has become widespread among our youth. The Government has allocated a sum of two million ringgit to carry out awareness programmes on the dangers of the ecstasy pill. Moral decadence among youth has to be curbed to uphold the dignity of our religion, race and eastern culture. The Government is also concerned about the involvement of some students in gangsterism, truancy, smoking, vandalism as well as unhealthy activities in video arcades that could destroy their future. As a measure to address this problem, the Government has decided to close all video arcades, in addition to amending the Common Gaming Houses Act and the Electricity Supply Act. The Government appreciates the support of *rakyat* in this action.

69. In addition, the implementation of single session schools is aimed at curbing social ills among students. With this, not only will the quality of education improve, students will also be able to participate in additional co-curricular activities. In line with this, the Government's decision to bring forward the announcement of *Sijil Pelajaran Malaysia* results beginning year 2001 will reduce the

waiting period for students, thereby enabling them to further their studies earlier at higher educational institutions. This will also prevent students from idling away their time and reduce the possibility of their being involved in undesirable activities.

70. To address the problem of social ills in society, the Government has allocated a sum of 94 million ringgit. The substantial allocation is to ensure that a segment of our society, in particular youth, does not continue to ruin their future, especially through drug abuse. The Government alone, however, cannot resolve social ills. As such, I urge all of you to strengthen family ties, enhance your spirituality and love for religion, uphold strong values and self-reliance while safeguarding your dignity and that of your family as these values will assist in combating social ills. Teachers also need to play a more effective role in counselling students. As such, let us work together to support and reinforce each other towards achieving these noble efforts.

71. Excessive smoking and consumption of liquor are serious concerns to the Government as they can lead to addiction, adversely affect health and create other social problems. Smoking

can cause cancer while liquor addiction can ruin families. As a preventive measure, I propose that sales tax on liquor be increased from 15 to 20 per cent while that on cigarettes from 15 to 25 per cent.

Upholding Islam

72. Islam promotes the unification of believers. Unity is crucial to the peace and stability of the nation, which is a prerequisite to enable the nation to continue to progress and develop, thereby allowing the benefits to be enjoyed by all segments of society. However, it is unfortunate that there exists among us a group who claims to be the leaders of Islam as *ad-Din* and promotes division among its followers. While the Government is fostering unity among the various races, there are certain quarters that are actively spreading rumours and lies to sow the seeds of hatred in society.

73. The Government will endeavour to change the narrow view towards Islam and promote the assimilation of good Islamic values which can guide us in our lives both in this world and the

thereafter. In line with this, the Government will continue its efforts in enhancing the development and appreciation of Islamic values among its believers.

74. To achieve the objective of developing together with Islam, the Government has allocated a sum of 204.79 million ringgit through *Jabatan Kemajuan Islam Malaysia (JAKIM)* to undertake various integrated development programmes. Among others, are programmes to develop the family institution and social services, improving understanding and appreciation of Islam, religious school education and *Al Quran* and *Fardhu Ain* classes, the production of Islamic education programmes for radio, television and print media as well as faith renewal programmes. JAKIM will also endeavour to develop the economy of the Islamic society through coordination and cooperation with the Councils and Islamic Departments at the state level to develop *wakaf* lands as well as upgrade and develop *baitulmal* activities.

75. The Government will also provide an allocation under the Ministry of Education of 67.25 million ringgit to conduct Islamic and moral education management programmes. An allocation under

the Prime Minister's Department totalling 51.34 million ringgit is provided for building and renovation of mosques, religious schools, Islamic and missionary training centres and the second phase of *Kompleks Darul Quran*.

Caring Society

76. In our efforts to enhance the nation's economic development and progress, the quality of life of the less fortunate will not be neglected. In order to support the welfare of the disabled, elderly, orphans and abandoned children, the Government has allocated a sum of 185 million ringgit. In addition, I further purpose that disabled persons be given the following assistance:

- i. full exemptions on all medical fees at government hospitals;
- ii. full exemptions on fees on travel documents;
- iii. 50 per cent exemption on excise duty on national car and motorcycle purchased by physically handicapped persons; and

- iv. import duty and sales tax exemptions on all equipment, specifically designed for use by disabled persons.

77. In education, the hearing and visually impaired will have access to special vocational secondary schools offering subjects including graphics, music, carpentry, entrepreneurship and physiotherapy. This programme with an allocation of 29.8 million ringgit is expected to provide greater career opportunities for this group.

78. In recognition of the services and sacrifices of civil servants, I propose that the benefits provided under the Ex-gratia Scheme for civil servants be reviewed to match the benefits under the Social Security Organisation (SOCSO) Benefits Scheme. In this regard, a Government servant who is injured and for example loses two of his fingers will be compensated with a sum of 40 thousand ringgit as provided in the SOCSO scheme, compared with only four thousand ringgit in the present Ex-gratia Scheme. This measure is intended to lessen their financial burden as well as that

of their dependants, in the case of accidents at the workplace. This facility will also provide coverage for Government servants under contract and temporary schemes.

79. The Government is concerned with the difficulties of the lower income category in financing their children's education. The Government is presently providing financial assistance to students from lower income families through the textbooks assistance scheme, supplementary food aid, placement in hostels and scholarships. These programmes will continue to be implemented.

80. Presently, the Federal Minor Scholarship Scheme is given to high achievers as well as students from the lower income group from forms one to five and the Pre-University Scholarship Scheme is provided for form six students. I propose that the amount for both the scholarships be increased by 100 per cent. MARA's scholarships and loans for students studying in local institutions will also be adjusted to match those of the Public Services Department. This increase is expected to encourage students to excel in their academic performance. In addition, children from poor families will not have to drop out on account of financial difficulties. The

Government has also agreed to increase the number of outstanding students under MARA sponsorship from 200 to 400 students per year to well-established universities abroad beginning year 2001.

Orang Asli Community

81. For the Orang Asli community, the Government is providing an allocation of 100 million ringgit to implement various programmes, including financial assistance in education for 6,400 new primary and secondary students. The Stay With The School Programme that was launched this year, involves a total of 1,300 students in six primary schools, and aims to enhance the interest of students in education through extra classes, co-curricular activities, intensive counselling and motivation. This programme aims to reduce the number of dropouts among Orang Asli children. In addition, the Orang Asli Planned Village Settlement Project as well as economic and social services development programmes will continue to be implemented to further enhance the living standards of Orang Asli.

Women

82. The role of women in economic development has never been neglected, as they constitute a large proportion of the national labour force. Although significant progress has been achieved with regards to women's participation in the public and private sectors, there are however certain issues that still need to be addressed, particularly poverty, illiteracy, sexual harassment at the work place and the like. The Government is also sensitive to the problem of single mothers and battered wives that could have adverse impact on children. Therefore, the Government will ensure that women are not marginalised from the mainstream of development and will continue to implement programmes to improve the well being and quality of life of women. Future implementation programmes will involve both Government departments and voluntary non-governmental organisations.

83. As a continuous effort to assist women taxpayers, the Government has recently allowed women to submit separate tax declaration. I propose that tax laws be amended to enable a woman taxpayer whose husband has no taxable income, be given

husband's relief, a similar tax treatment given to a male taxpayer whose wife has no taxable income.

Youth and Sports

84. Youth constitutes the largest pool of the nation's human resources. To face the challenges of the new millennium, the spirit of self-reliance needs to be instilled in youth. For this purpose, an adequate allocation will be provided to implement various youth development programmes, including *Rakan Muda* which will include new appropriate activities, which emphasise the inculcation of good values as well as religious virtues. Leadership programmes will be increased at all levels to nurture strong-willed and quality youth leaders who are more responsible and dynamic and become catalysts for the nation's development and prosperity.

85. We were rather disappointed with the performance of our national contingent at the Olympic Games in Sydney. Although substantial allocations were provided and various facilities and incentives given, the results however, were not up to expectations. Our athletes must be disciplined and be determined to succeed. In addition, they must put the nation above self, set aside all

differences and work as a team. Their success is the nation's success and also that of the people. It is my hope that they will uphold the team spirit. In sports, the unsuccessful must continue to give moral support to their team members who are still competing. In this regard, we urge our athletes to rebuild their team spirit. Let us together project our nation's image in international sports.

Non-governmental and Voluntary Organisations

86. Non-governmental and voluntary organisations are important and must be encouraged to play an active role in our society. These organisations, however, need to ensure that their activities are constructive and do not in any way sacrifice the nation's stability. The Government is always supportive of voluntary organisations that are actively involved in enhancing welfare and social well-being. The Government values the dedication and commitment of selfless volunteers who continually serve the less fortunate. In fact, the spirit of volunteerism has to be nurtured and further developed among *rakyat*. We must be aware that not everyone needs only financial aid. Many are also in need of advice, counselling, care and the like. In this connection, the Government

encourages voluntary activities and hopes that more volunteers would come forward to participate in the work of voluntary organisations to serve *rakyat* and the nation.

87. In order to further promote the role of voluntary organisations, the Government has allocated a total of 41 million ringgit to implement various community activities. They should, however, be responsible and accountable in managing the financial assistance that is provided. In addition to the financial assistance provided by the Government, the private sector is also encouraged to play an active role in participating and providing financial assistance to voluntary organisations. In appreciation of the services of volunteers, I propose an increase in the allowances for volunteer members of the Armed Forces, Royal Malaysian Police and the members of the Civil Defence Department, as follows:

- i. uniform allowance be increased from between four per cent to 50 per cent. In addition, they will also be given a new allowance for ceremonial uniform of 750 ringgit once every five years; and

- ii. attendance allowance at local parades be increased between 45 per cent to 81 per cent.

88. In addition, I propose that members of the Mobilised Personnel of the Volunteer Forces be allowed to contribute on a voluntary basis to the Armed Forces Fund. This would enable them to save for their old age.

IV. BUDGET ALLOCATION 2001

89. I propose a sum of 91.05 billion ringgit be allocated for Budget 2001, an increase of 16.7 per cent compared with the original estimate for the year 2000. Out of this, a sum of 62.21 billion ringgit or 68.3 per cent will be allocated for Operating Expenditure while a sum of 28.84 billion ringgit or 31.7 per cent is allocated for Development Expenditure.

90. With Government revenue estimated at 69.6 billion ringgit, the current account of the budget will register a surplus of 8.9 billion ringgit. After taking into account development expenditure and loan recovery as well as the allocation for contingencies, the

overall account of the Federal Government, however, is expected to register a deficit of 4.9 per cent of GNP.

91. A sum of 32.14 billion ringgit from the Operating Expenditure is allocated for Grants and Fixed Payments. It includes debt service charges, payment of pensions and gratuities and contributions to statutory funds. An amount of 16.92 billion ringgit is for Emolument, 10.08 billion ringgit for Services and Supplies, 1.15 billion ringgit for the purchase of office equipment and facilities and 1.93 billion ringgit for other expenditure, including tax refunds.

92. A sum of 10.935 billion ringgit or 37.9 per cent is set aside for the continuation of the social agenda to implement projects in education and training, health, welfare and community development as well as projects for youth and sports. In addition, a sum of 9.429 billion ringgit or 32.7 per cent is set aside to continue the implementation of projects in the economic sector, involving infrastructure, agriculture, industry, supply of electricity and water and also rural development. In addition, a sum of 3.158 billion ringgit or 11 per cent is allocated for the development of the security

sector and 3.315 billion ringgit or 11.5 per cent is for the general services sector.

Continuing the Economic Agenda

Agriculture Sector

93. Although the Government has provided several incentives to increase the nation's agricultural output, expenditure on imports of food remains high at about 11 billion ringgit last year. In the last Budget, the Government provided various incentives to large plantation companies to venture into the production of food. Unfortunately, not even a single plantation company took up the opportunity as private sector companies still lack confidence in the potential profits that can be derived from investments in the food industry.

94. To promote investment in this sector, incentives have to be further improved. I propose that investments by companies in their wholly owned subsidiaries for purpose of food production be allowed as deductions equivalent to the amount invested against their statutory income. As an alternative, losses incurred by these

subsidiary companies are allowed to be deducted from the income of the holding company. Besides this, companies involved in food production are allowed full exemption from income tax for a period of 10 years, commencing from the first year the companies record profits. Returns from the agriculture sector may not be as lucrative in comparison to returns from other sectors. Nevertheless, large companies should be bold to venture into this field as the agriculture sector has potential if integrated cultivation is undertaken on a large scale, using modern technology. In an effort to improve the efficiency of distribution of food products, I propose that companies which provide cold chain facilities, be given Pioneer Status for a period of five years or Investment Tax Allowance of 60 per cent.

95. The third National Agriculture Policy has identified several positive measures aimed at developing a modern, commercial and technology-intensive agriculture sector, covering packaging, marketing and distribution. To further develop the sector, the Government has provided an allocation of 2.4 billion ringgit in year 2001. Of this, a total of 84 million ringgit has been set aside to develop 18,400 hectares of Permanent Food Production Parks. These Parks will be set aside as permanent agriculture

production zones that can be leased at low rates to entrepreneurs in agriculture and private sector operators. These projects will be joint ventures between the Federal and State Governments and, to date, six memoranda of understanding have been signed with the State Governments of Perlis, Kedah, Kelantan, Johor, Malacca and Sarawak.

Developing the Tourism Industry

96. The Government is aware that the tourism industry is among the important sectors in generating economic growth and foreign exchange. Various programmes have been implemented to accelerate the development of this sector, including providing longer weekends, holding exhibitions, fairs and expos and promoting Malaysia as a shopping destination, in addition to sponsoring the Formula One race to attract international sports enthusiasts. The Government has also provided facilities and improved tourist products, including sports and eco-tourism. Each *rakyat* must, therefore, continue to be more creative and strive to attract more tourists by promoting the richness of our culture and art, in addition to making the nation an attractive tourist destination. We welcome all tourists but we remain concerned about the acts of a few that

could tarnish the nation's good name. An estimated 10 million foreign tourists will visit Malaysia in year 2001 compared with 8.5 million this year. To attract more foreign tourists, the Government will provide sufficient allocation to undertake more effective promotions, in addition to providing better facilities for tourists.

E-Village

97. E-village is also being developed in an area covering 240 hectares, representing phase one of the project. This project is being implemented by the private sector and is aimed at promoting a creative multimedia industry, including the filming industry as well as other multimedia-related activities. E-village will offer state-of-the-art facilities. It is also aimed at attracting international film producers to Malaysia. To date, a film producer in animations from India has signed a technical and marketing agreement with E-village. I also hope that local film producers will make greater use of E-village for their productions so that the quality of local films will be enhanced and capable of competing in world markets.

Developing World-Class Infrastructure Facilities

98. The Government will continue to place importance in the development of infrastructure. A sum of 4.729 billion ringgit will be provided for the development of infrastructure, including projects in the construction of roads and bridges, railways, ports and airports. Of the total, 3.07 billion ringgit will be for the construction of roads and bridges while 591 million ringgit will be for maintenance of 15 thousand kilometers of Federal roads. Among the main road projects that will be constructed and continued are the East Coast Highway, Merotai and Kalabakan and Jalan Betong and Kayu Malam.

99. A total of 1.029 billion ringgit will be provided for implementing transport projects, in particular projects involving railways, ports and airports aimed at improving the quality of transportation and delivery systems. Among the projects that will be undertaken include the Rawang-Ipoh Double-Track, upgrading of Dermaga Merdeka Labuan Port as well as dredging works at the Kuala Perlis Port. New airports will be built in Tawau, Limbang and Bintulu in addition to upgrading works in Miri and Alor Setar airports.

Recently, the Government approved the implementation of double-tracking services between Seremban and Johor Bahru.

***Bumiputera* Development**

100. To continue the agenda for development of *Bumiputera*, the Government has set aside a total of 1.5 billion ringgit for the Ministry of Entrepreneur Development to be channelled to MARA, Handicraft Corporation as well as the State Economic Development Corporations. Attention will be given to programmes in the training and development of entrepreneurs, construction and purchase of business premises, business loans, skills and technical training as well as the sponsorship of students, both domestically and overseas.

101. A more integrated approach is being planned to nurture a larger number of *Bumiputera* entrepreneurs to venture and compete in a greater variety of businesses. Several programmes like Franchise, Vendor, Small and Medium-scale Enterprises (SMEs), State Skills Development Centres and the provision of business premises will be reviewed to improve its effectiveness in

accelerating the development of a *Bumiputera* Commercial and Industrial Community. To date, the achievement of *Bumiputera* in business activities is still low. As such, I urge *Bumiputera* to change and be more positive in their attitudes and work harder as well as be committed in exploiting the opportunities in schemes provided by the Government.

Human Resource Development

102. A skilled, efficient and knowledgeable labour force is a prerequisite towards achieving developed nation status. In this regard, the Government continues to place emphasis on the supply of skilled manpower so that we are equipped to face the challenges associated with an era of rapid changes in ICT and the move towards a knowledge-based economy. For this purpose, a sum of 1.2 billion ringgit is provided to build 14 Industrial Training Institutes and four Advanced Technology Training Centres as well as increase the Skills Development Loan Fund. All these training institutions are expected to be completed in year 2001 and will cater for 17 thousand trainees annually. The Fund with an allocation of 140 million ringgit will cater for 16,000 trainees. In addition, 10 National Youth Skills Development Institutes will be completed with

a capacity to train 8,950 students annually in various skills. In addition, MARA Giat Centres and Skills Development Institutes will expand their capacity to train an additional 30,370 students in year 2001.

103. It is appropriate that the private sector enhances its role in the development of human resources. For this purpose, I propose that companies which provide scholarships to students at local institutions of higher learning be given income tax deduction. In addition, tax relief presently given to individuals for expenses incurred on education be increased from two thousand ringgit to five thousand ringgit. The present scope of eligible courses will also be widened to include ICT. In addition, EPF contributors who intend to further their own education will be allowed to withdraw their contributions.

104. The Government places importance on education in ensuring the continued intellectual development of future generations. For this purpose, the Government has provided a large allocation of 18.6 billion ringgit. A total of 167 primary schools, 120 secondary schools and 42 new hostels will be ready next year

with an additional 11,684 personnel, including 9,424 teachers and 2,260 new staff. The increase in new institutions and personnel will benefit about 168 thousand students nationwide.

105. Teaching and learning methods must be improved in line with developments in an era of new technology and knowledge-based economy. The school curriculum as well as textbooks are being reviewed in tandem with current developments and needs. In this connection, the Government is also studying the possibility of students using the E-book to reduce the number of books that they need to bring to school.

106. For the purpose of expanding the educational facilities available in preparation for entry into universities, the Government will establish five new matriculation colleges in Johor, Perak, Pahang, Selangor and Kedah. For the purpose of providing more educational institutions in the technical field, the Government will also establish three new polytechnics in Mersing, Penang and Miri.

107. For the public institutions of higher learning (IPTA), a sum of 3.5 billion ringgit is provided in year 2001. Four new

universities will be built in Malacca, Negeri Sembilan, Pahang and Perlis. The curriculum and subjects in institutions of higher learning are being reviewed to ensure that students acquire sufficient and appropriate knowledge to fulfil the needs of a K-economy work force. In addition, the Government will continue to provide loan assistance to students who cannot afford to continue their education in IPTA and in local Private Institutions of Higher Learning (IPTS). For this purpose, the Government has allocated a total of 1.3 billion ringgit to the National Higher Education Fund for the provision of education loans to more than 125 thousand diploma and degree students under the IPTA and IPTS. This reflects the Government's commitment in meeting the aspirations of *rakyat* in education.

Small and Medium-Scale Enterprises

108. The role of SMEs is very important in generating economic activities through increasing output to meet domestic demand as well as reducing reliance on imports. SMEs will also serve as incubators for traders and entrepreneurs to start business in industries and subsequently develop as catalysts in enabling Malaysia to achieve industrialised nation status by the year 2020.

Civil Service

109. Our success today in developing the nation is the result of the strong support and unwavering commitment of the civil servants, including the security forces, in particular the police and army. In appreciation of their contribution and sacrifice, the Government increased the salaries of civil servants as well as several allowances, including the housing allowances for selected categories. Civil servants need to be more efficient and dedicated in their work, in addition to being prepared to work longer hours to ensure that all policies and programmes are implemented expeditiously and efficiently.

110. The last time we reviewed the Government housing loan eligibility rates was in 1993. The Government is aware that house prices have since increased. I would like to propose, therefore, that rates for housing loan eligibility for civil servants be increased from between 35 thousand ringgit and 200 thousand ringgit to between 40 thousand ringgit and 300 thousand ringgit. Similarly, the current car loan eligibility rates were last reviewed in 1996. I propose, therefore, that the rates for car loan eligibility for civil servants be

increased from between 23 thousand ringgit and 45 thousand ringgit to between 45 thousand ringgit and 60 thousand ringgit.

111. I would also like to propose an increase in the lowest pensions for civil servants who have served for more than 25 years from 180 ringgit to 280 ringgit per month. This increase will also be given to members of the Malaysian Armed Forces who have served not less than 21 years. This new rate will benefit a total of 9,149 pensioners.

112. In the 2000 Budget, the Government allowed civil servants placed under the pensionable scheme to withdraw all their EPF contributions before turning 55 years. This was, however, not extended to civil service retirees who took optional retirement. As they have served the Government, it is, therefore, appropriate that optional retirees be also allowed to withdraw their contributions to EPF.

113. In appreciation of the services of doctors who undergo a longer period of study and training compared with other professions, I propose that the critical allowance be increased from

five per cent of their salary or a minimum of 116 ringgit per month to a fixed rate of 500 ringgit per month. For headmasters and principals of primary and secondary schools, a total of 4,976 presently receive an allowance of between 60 ringgit and 100 ringgit a month. However, a total of 3,749 headmasters and principals do not receive this benefit. I propose that this allowance be given to all headmasters and principals of schools and the rate be increased to 100 ringgit per month for primary schools and 150 ringgit for secondary schools.

114. For members of the Malaysian Armed Forces, I propose that the rate for cash meal allowances be increased by between 62 per cent to 133 per cent. The ration allowance for the Police Force will also be adjusted accordingly. The allowance for Boys of the Royal Military College is also increased from 35 ringgit to a flat rate of 70 ringgit per month while the monthly allowance of Apprentices of the Army Electrical and Mechanical Engineering School is increased by between 62 per cent to 100 per cent. In addition, uniform and equipment allowance of 200 ringgit is given to Boys of the Royal Military College, Apprentice Trade Schools and Army Apprentice once during the duration of their study.

115. For the Fire Services, the rate of incentive payments is increased from 110 ringgit to 140 ringgit per month for those working twenty-four hours and from 27 ringgit 50 sen to 90 ringgit per month for those working for twelve hours regardless of grade. For members of the Royal Customs and Excise Department and the Anti-Smuggling Unit, the incentive payment is increased from between 70 ringgit and 219 ringgit to 300 ringgit, regardless of grade.

116. I propose that members of the police force be given an allowance in the form of an incentive allowance of 100 ringgit a month for those deemed qualified by the Department, such as investigating officers who have to work long hours to complete their tasks.

Increasing the Effectiveness of Enforcement

117. Given greater linkages between domestic business and economic activities with external developments as well as international trade and capital flows, business and industry

participants require a more predictable institutional environment in which to operate. Such an institutional framework must encompass all areas, including enforcement of laws, regulations and legal processes. It will provide more opportunities for trade and investment and contribute to increasing investor confidence. In this regard, 224 million ringgit is set aside to upgrade judicial and legal institutions, including providing computer facilities for expediting the processing of legal cases.

118. It is through this Honourable House that we have been provided with various laws covering almost all aspects of our lives aimed at ensuring the well being of *rakyat* and the nation. These laws encompass crime, gambling, drugs, corruption, price controls, customs, immigration, road transport as well as laws regarding morality. However, we have only recently been shaken by the disclosure that several thousand illegal driving licences have been issued and several cases of misuse of power have occurred in implementing the law. What is the purpose of legislating laws when enforcement is not effective and what is the meaning of enforcement when those empowered to enforce the law abuse it?

119. Every responsibility and task that is assigned must be undertaken with sincerity and to the best of one's ability. We need to inculcate a culture of integrity, including honesty, responsibility and the need to strive above self-interest, greed and the pursuance of luxuries beyond our means. The Government takes a very serious view of corruption in society as it can become self-destructive if not eradicated. The Government will not compromise in its efforts to wipe out corruption at all levels, be it in the public or private sectors. To overcome the problem of corruption, enforcement of the relevant laws will be further enhanced. In this connection, the Government will provide an allocation of 61.4 million ringgit to the Anti-Corruption Agency.

Rationalising Tax Administration

120. From time to time, the Government strives to improve tax administration to ensure efficiency and equity. For this purpose, I propose to rationalise the imposition of service tax on all telecommunication services except internet, golfing and golf driving range facilities, public houses selling liquor and on forwarding agents.

V. ECONOMIC PROSPECTS IN 2001

121. The Budget strategies that have been presented in this Honourable House will ensure the nation's success in this ever-challenging global environment. While continued expansion of the world economy and trade have been forecast, growth in year 2001 is not expected to be as strong as that achieved in year 2000, given the anticipated slow-down of the US economy, the main engine of world growth. The slower growth however, is expected to be mitigated by the stronger performance of our other major trading partners in East Asia and Europe that together account for 68 per cent of the nation's exports.

122. Given the developments in the external environment and the implementation of pragmatic measures by the Government to accelerate domestic economic activities, the Malaysian economy is expected to continue to register strong growth of 7 per cent in year 2001. This represents a good start in ensuring that we achieve the higher growth rate targeted in the Eighth Malaysia Plan that will be tabled in this Honourable House early next year. The private sector is expected to continue to play a key role in driving economic

growth, in addition to increasing domestic demand while the public sector will continue to play a supportive and complementary role in sustaining growth.

123. The source of economic growth is expected to emanate from the manufacturing sector, with other sectors continuing to contribute positive growth. Value added of the manufacturing sector is expected to expand at 12 per cent, underpinned by the expansion in demand of the domestic and export-oriented industries. The agriculture and mining sectors are projected to expand at a rate of close to 2 per cent while the construction sector, that has recently recovered from the financial crisis, is expected to expand strongly at 5.5 per cent. In tandem with the performance of the other major economic sectors, given the strengthening of domestic demand, in particular private sector consumption and investment, the services sector will expand at a more sustainable rate of 5.2 per cent.

124. In regard to the balance of payments, the current account is expected to continue to register a surplus of 24.8 billion ringgit or 7.6 per cent of GNP. With the surplus in the current account of the balance of payments and a higher level of domestic

economic activities, the nation's competitiveness and resilience will continue to strengthen. At the same time, inflation is expected to be contained at a low level despite the increase in domestic demand, given that the impact of higher world crude oil prices and imported inflation is expected to be moderate. The rate of unemployment is envisaged to be below 3 per cent, in line with the sustained higher level of domestic economic activities. The overall deficit of the Federal Government expenditure is targeted to be contained at 4.9 per cent of GNP in year 2001. This ratio reflects the Government's commitment to reducing the role of the public sector in the economy.

VI. CONCLUSION

125. We are blessed to be able to enter the new millennium with better prospects after having overcome the extenuating circumstances of the economic crisis.

126. This year's Budget is indeed crucial and significant. It is aimed at steering the nation towards achieving Vision 2020 and a new economic era. In fact, it represents the first step in achieving a

New Malaysia. This is the direction for the nation. It promises to reward those who are determined, disciplined, keen in seeking knowledge, prepared to sacrifice as well as willing to improve and diversify their capabilities. Those entrenched in ways of the past, inclined towards baseless criticism will lose out. We are aware that some will be left out, marginalised by the digital divide. The Government, however, is not willing to see anyone marginalised. The detailed programmes that I have tabled today will ensure that this will not happen.

127. This Budget demonstrates the Government's resolve to reduce the divide so that every individual and family will improve their livelihoods. It is also our hope that our children achieve their full potential. For example, many have proven their capabilities by working for large foreign conglomerates and have been entrusted with great responsibilities and earn attractive salaries. Many have succeeded in businesses. Some are operating in Hong Kong, with others in America and Europe. Malaysians are capable and have the qualifications. We need to rid ourselves of negative attitudes and instil a culture that is truly conducive to achieving success.

128. The Budget represents a plan of action for society to become more knowledgeable, dynamic and caring. We have already come across several touching and sad incidents. Families in need can be assured of assistance to enable them to enjoy the benefits of development. Have faith. They must, however, be prepared to exploit opportunities that are available.

129. The Government has the formula to change the lives of the less successful. The Government is sensitive to economic imbalances. We have long endeavoured in this regard. To date, we have provided computers and assistance to rural schools. We want our children to learn, read widely and become more articulate in various languages, in particular the English language so that they can master the internet and ICT and derive benefits from the New Economy. We hope that the middle class living comfortably in Kuala Lumpur can assist the poor. Those who are successful must provide leadership to those who are less fortunate. Every individual has a role to play. Adopt foster children during the school holidays. A friendly and caring culture must be in the nation's agenda. Lecturers, university professors and professionals should return to their villages and share their skills and experiences with village

teachers and children. Make this a caring culture and assist without expecting rewards. On the part of the Government, efforts and financial assistance will continue to be channelled through existing organisations and agencies.

130. I wish to stress that we have no political agenda in our efforts to undertake national development, eradicate poverty and in sharing the fruits of success. Our integrity and reputation should not be questioned. We urge every Malaysian to forge unity, inculcate sincerity and enhance cooperation so that together we will rise to greater heights. We must reject the cynical who sow seeds of hatred and accuse the Government of ill intentions. Do not belittle the hard work and sufferings of Malaysians during our past struggles. Government policies are clear in continuing to develop the nation and ensuring that benefits are enjoyed by all. Our commitment has not changed. Our agenda is to achieve the Strategic Vision and continue to build a caring society.

131. Be open. Acquire knowledge. Help one another. This is my prayer. I am anxious, as the situation becomes more complicated. Sauk has been described as a staged drama. There

are those who refuse to sit at the same table. Those at the universities are being brainwashed. We are concerned that some are sowing seeds of hatred while they should in fact be seeking knowledge. The Government cannot continue to guarantee attractive salaries to graduates when their academic results are poor. They have to compete and prove that they have the edge and excellence. Unfortunately, our students are misled by bad examples that prevent society from moving ahead.

132. Yet others are tirelessly inciting discord at their *ceramah* year in year out, without any conscience. We have to be more constructive instead of destructive. Provide more substance and intellectual input so that we can have more creative ideas and insights to deal with the new economic environment. What about the fate of the poor caught in the wave of the K-economy? Have they considered this?

133. Should we be emotionally driven in the pursuit of political ambitions? Is the culture of hatred a manifestation of those who fear that they would be marginalised? For sure, there are still those who are less fortunate. But what is even more unjust is that

they are being used by those who wish to sow discord and disrupt peace. They will use emotions and sentiments to agitate the poor to oppose those who are successful. In fact, the supporters of any political party need not worry about being left behind in the economy. The Government will provide ample opportunities to every *rakyat* to pursue their ambitions. We will assist everyone, including those who criticise us. We hope they will repent. We want all Malaysians to be knowledgeable and successful.

134. Our nation in fact will continue to open its doors to investors and fund managers to further stimulate economic growth. This is the ultimate reality. Will our children in the poor villages be able to compete if they are always taught hatred? Organise gatherings on knowledge, technology, computer education and English language that are needed to appreciate ICT. The nation will continue to move ahead. We do not want anyone to be left behind.

135. We need to strengthen our resolve, increase our determination and set aside our differences for the sake of stability, peace and racial harmony. In fact, stability, peace and racial harmony are prerequisites and guarantee the nation's continued

achievements in development. Whatever our beliefs and challenges, we are all jointly responsible to safeguard the harmonious environment for our children and future generations. The spirit of self-reliance and struggle will always be kept alive in the minds of the young who will be entrusted to continue the struggle without fear and with greater determination. May the Almighty bless our determination, perseverance and resourcefulness in upholding religion, race and nation.

136. In conclusion, let us together learn from verse 15 of the chapter *Saba'* which tells us to be thankful to the Almighty for our good fortune and the peace and harmony enjoyed by our nation.

Mr. Speaker Sir,

I beg to propose.