

Concise steps to meet challenges

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KUALA LUMPUR, Fri. — It was not a Budget which would see people grinning from ear to ear because of huge tax cuts, handouts and benefits that would allow self-indulgence.

But neither was it a Budget that would bring frowns.

In a nutshell, Budget 2006 saw the Government take a few cautious steps forward, increasing spending, the bulk of it on education, to boost capacity-building, and on rural areas to help the needy.

The only "handouts" are the bonuses and cost of living allowance given to the more than one million civil servants. But by and large, the lower-income earners and those eking a living out of agriculture will, deservedly, feel the major part of this Budget's largesse.

Datuk Seri Abdullah Ahmad Badawi's second budget since he assumed the Finance Minister's post in 2003 will see increased spending after two years of cautious spending because of the high 5.6 per cent deficit then. Now, brought down to a more manageable 3.8 per cent, despite the shocks of spiralling world oil prices, Abdullah loosened the purse strings and let the cash flow, a more generous amount going into the sluggish construction industry.

Abdullah announced a slew of proactive measures and incentives to lift the quality of life of the rural poor, create a more business-friendly environment, improve physical infrastructure and develop human capital.

The budget, themed "Strengthening Resilience, Meeting Challenges", however, came with a sobering message — while times are getting tough and the Government will do its best to ensure continued growth and prosperity in the face of serious external challenges, the time has come for Malaysians to share the burden.

And a key part of sharing this burden is for everyone to make conserving energy a way of life.

"The Government will continue to take measures to minimise impact on our economy. The burden of adjustment, however, needs to be shared between the Government and the rakyat," was his message.

In this context, Abdullah said, the higher price of oil and other



goods, for example, would require Malaysians to make adjustments and sacrifices.

"The higher oil price must serve as a wake-up call," he said in his 110-minute speech in Parliament.

Abdullah said higher oil prices translated into higher subsidies for fuel and electricity, taking away resources from other areas such as education, health and rural development.

Therefore, he said, reducing dependency on oil, a depleting resource, must be given priority.

In 2004 and 2005, the Government absorbed 80 per cent of the oil price increase totalling RM15 billion.

"We must not be wasteful," he said, warning that reliance on subsidies would dent Malaysia's competitiveness.

And his speech contained a warning of things to come. In due course, he said, "electricity tariffs will need to be adjusted to discourage wasteful and excessive consumption" but the Government comforted the lower income masses, saying it would ensure they were not burdened.

As such, he announced incentives for the further development of alternative energy sources such as natural gas, bio-diesel and solar energy.

He had another note of cheer. Malaysia's budget deficit would be further reduced in 2006 to 3.5 per cent of gross domestic product from an estimated 3.8 per cent this year and five per cent in 2002, he said. The lower deficit gives the Government greater flexibility to spend on development and sustain growth.

A total of RM136.8 billion will be spent next year — a five per cent increase over 2005. Of this, RM101.3 billion will go to operating expenditure and RM35.5 billion for development, 13 per cent higher than last year. The money will go to:



ALL GEARED: Abdullah entering Parliament yesterday.

- Agriculture, rural industry and infrastructure — RM14.4 billion;
- Education, health and housing — RM9.9 billion; and
- Security — RM5.6 billion.

- 1½ months bonus for civil servants earning less than RM1,000 per month;
- One month bonus, with a minimum of RM1,500, for those earning more than RM1,000; and
- Assistance ranging from RM150 per month in urban areas to RM50 elsewhere to offset rising living expenses for civil servants not living in government quarters.

Pensioners were remembered as well. They will get a special payment of RM200 in October.

Teachers and uniformed personnel will get a total of 26,000 units of quarters costing a total of RM3.6 billion, more police stations with better equipment will be built, and the allowances of lower ranked policemen will be raised.

Close to RM5.7 billion will be spent on agriculture, education and infrastructure to help farm-

ers and another RM2.1 billion on houses for the lower-income group.

A Bumiputera trust foundation, Yayasan Amanah Hartanah Bumiputera, with initial capital of RM2 billion, will purchase commercial properties in major towns to increase Bumiputera presence in strategic locations. Government investment agency Khazanah Nasional will set up a National Agriculture and Food Corporation with a capital of RM500 million. It will play the role of a super agency looking after all facets of agricultural supply management.

The traditional bad tidings for smokers and drinkers — taxes on liquor and cigarettes — were increased by an average of nine per cent and 13 per cent.

No jaw dropping excitement. Just concise pragmatic strides to strengthen the foundations for a stronger economy amid an increasingly unpredictable future. And that is what Budget 2006 is all about.

All Government agencies will be required to target a 10 per cent savings in energy use in 2006.

Abdullah in his speech