

THE 2011 BUDGET SPEECH

By

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**INTRODUCING THE SUPPLY BILL (2011)
IN THE DEWAN RAKYAT**

15 OCTOBER 2010

TRANSFORMATION TOWARDS A DEVELOPED AND HIGH-INCOME NATION

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Mr. Speaker Sir,

I beg to move the Bill intituled ***“An Act to apply a sum from the Consolidated Fund for the service of the year 2011 and to appropriate that sum for the service of that year”*** be read a second time.

INTRODUCTION

1. Praise be to Allah, for enabling me to table the 2011 National Budget. Indeed, this is a significant budget. This Budget is a precursor in our final efforts towards achieving Vision 2020, which is 3,365 days or 9 years, 2 months and 17 days away.

2. On this auspicious Friday, I present a budget that lays the foundation for Malaysia to become an advanced nation. Over the last 18 months, the Government has taken measures to propel the country towards becoming a developed and high-income economy.

3. The 2011 Budget is formulated with firm determination to bring significant changes to the nation's development and the well-being of the *rakyat*. This transformation process is holistic, encompassing economic, social and political aspects.

4. The Government upholds the concept of 1Malaysia as the fundamental philosophy in driving the nation's development path. The Government Transformation Programme or GTP and Economic Transformation Programme or ETP will be a guiding force in this journey. The six National Key Result Areas (NKRA) and the New Economic Model with its eight Strategic Reform Initiatives will be the framework for the nation's economic transformation. The implementation of the development programmes will be realised through the Tenth and Eleventh Malaysia Plans (10MP and 11MP).

5. The era of "the Government knows best" is over. Therefore, in formulating this Budget, the Government consulted and took into consideration views from various parties comprising the public and private sectors, focus groups, media, 1Malaysia blog as well as lab sessions.

6. I appreciate the contributions of all those involved. This is the strength of 1Malaysia. With these ideas and unrelentless efforts, I am confident that we shall overcome challenges and obstacles. More so, we can free ourselves from the middle-income trap and leap to a higher level of development.

ECONOMIC PERFORMANCE AND CHALLENGES

7. Malaysia has recovered from the global economic recession as a result of proactive measures undertaken by the Government and the successful implementation of two Economic Stimulus Packages amounting to RM67 billion. The effectiveness of these measures is reflected by the 9.5% expansion in gross domestic product (GDP) in the first half of 2010 compared with -5% during the same period last year. The global economy is also expected to recover 4.8% compared with -0.6% in 2009. Likewise, international trade is expected to expand 11.4% compared with -11% in 2009.

8. On the domestic front, key indicators also reflected strong economic growth. The FTSE Bursa Malaysia KLCI surged to 1,496 points on 14 October 2010, the highest since February 2008. Trade performance was encouraging in the first eight months of 2010, with exports increasing 22% and imports 28%, particularly imports of capital goods which rose 18%.

9. The ringgit is among the best performing currencies in the region, strengthening 11% against the US dollar since 31 December 2009 to RM3.0833 on 14 October 2010. Malaysia's international reserves remained strong at RM310.8 billion or USD100.7 billion on 30 September 2010, sufficient to finance 8.5 months of retained imports and 4.3 times the nation's short term external debt.

10. In line with these positive developments, the Government revised growth for 2010 to 7% compared with 6% previously. It is significantly higher than -1.7% in 2009. The sterling performance is contributed by the expansion of the manufacturing sector at 10.8%, services 6.5% and construction 4.9%. Private investment expenditure is expected to increase 15.2%, private consumption 6.7% and exports 11.6%.

11. In 2011, the global economy and trade are expected to grow moderately by 4.2% and 7%, respectively. In line with this, the Malaysian economy is expected to expand between 5% and 6%. However, the Government will strive to achieve growth of 6%. Growth will be supported by private investment, expanding 10.2%, private consumption 6.3% and exports 6.7%. The manufacturing sector will continue to spearhead growth, expanding 6.7% and the services sector 5.3%.

12. Income per capita will increase 6.1% to RM28,000 while income in terms of purchasing power parity to USD16,000. These estimates are based on moderate inflation of 2% to 3% and low unemployment rate of 3.5%.

2011 BUDGET STRATEGIES

13. To attain developed nation status, we cannot remain complacent. We must change our mindset. Business is not as usual. Success demands drastic changes, not incremental. It requires a quantum leap. The choice before us is clear. Change is not an option but an imperative. We must change or risk being left behind.

14. We succeeded in transforming Malaysia from an agricultural economy to among the largest exporters in the world. Therefore, the challenge now is to make a quantum leap to the next stage of development. This is possible with careful planning and clear strategies. Indeed, we shall succeed.

15. The trend of external trade is increasingly challenging, while there is heightened competition to attract foreign investment. The global economic environment is rapidly changing. To rise to these challenges, the private sector must be dynamic, creative and innovative to drive economic growth. They must be bold to undertake risks and seize opportunities. The Government will, in turn, provide a conducive ecosystem to facilitate private sector activities.

16. The 2011 Budget will emphasise efforts to transform the nation into a developed and high-income economy with inclusive and sustainable development, spearheaded by the private sector as well as focus on the well-being of the *rakyat*. With the theme "***Transformation Towards a Developed and High-Income Nation***", the 2011 Budget will centre on the following four key strategies:

- First: Reinigorating Private Investment;**
- Second: Intensifying Human Capital Development;**
- Third: Enhancing Quality of Life of the *Rakyat*; and**
- Fourth: Strengthening Public Service Delivery.**

FIRST STRATEGY: REINVIGORATING PRIVATE INVESTMENT

17. The Government has been assuming a significant role in driving economic growth since the financial crisis in 1997/1998. The time has come for the private sector to resume its role as the engine of growth. In this context, the Government announced and strategised that the 10MP commencing in 2011 will emphasise the role of private sector. In 2011, private investment is estimated to expand 12.5% to RM86 billion. The implementation of the 12 National Key Economic Areas (NKEA) is expected to generate investment exceeding RM1.3 trillion or USD444 billion and create 3.3 million job opportunities. The private sector will finance 92% of the NKEA and the remaining by the Government.

Public-Private Partnership Initiatives

18. The Government will further intensify the Public-Private Partnership (PPP) initiative to enhance private sector involvement in economic activities. The Government will provide allocation as a tipping point for infrastructure support to ensure viability of private sector-led projects. Several PPP projects identified under the 10MP will be implemented in 2011 through private investment of

RM12.5 billion. The Government will allocate RM1 billion from the Facilitation Fund. Among the PPP projects are:

First: Construction of highways such as the Ampang-Cheras-Pandan Elevated Highway, Guthrie-Damansara Expressway, Damansara-Petaling Jaya Highway, Pantai Barat-Banting-Taiping Highway, Sungai Dua-Juru Highway and Paroi-Senawang-KLIA Highway;

Second: Construction of a 300-megawatt Combined-Cycle Gas Power Plant in Kimanis, Sabah to increase electricity generation capacity to meet rising demand; and

Third: Development of projects such as the International Islamic University Malaysia Teaching Hospital in Kuantan, Pahang, the Women and Children's Hospital as well as the Integrated Health Research Institute Complex in Kuala Lumpur.

19. Another PPP project identified is the Academic Medical Centre. This project is a joint venture between Academic Medical Centre Sdn. Bhd. and Johns Hopkins Medicine International as well as Royal College of Surgeons Ireland. This project involves private investment of RM2 billion.

High-Impact Strategic Development

20. Private investment has increased through various strategic high-impact projects. Recently, the 1Malaysia Development Berhad (1MDB) in collaboration with Mubadala Development Company, an investment arm of the Government of Abu Dhabi, agreed to develop the Kuala Lumpur International Financial District (KLIFD) valued at RM26 billion, commencing in 2011. Major international banks and professional financial services firms, including *syariah* experts will be located in the KLIFD. More importantly, such strategic development will further

strengthen Malaysia's position as the premier international Islamic financial hub. The Government is prepared to consider special incentive packages to attract investors to the KLIFD.

21. The Mass Rapid Transit (MRT) in Greater KL (Klang Valley) will be implemented beginning 2011. This project, with an estimated private investment of RM40 billion, is expected to be completed by 2020. Upon completion, the utilisation rate of public transport is expected to increase to at least 40%. This project will provide an efficient and comfortable transport system, reduce travelling time as well as strengthen connectivity in Klang Valley and be integrated with other modes of transportation, including buses and taxis.

22. Another major project is the development of the Malaysian Rubber Board land in Sungai Buloh covering an area of 2,680 acres. The Employees Provident Fund (EPF) will undertake mixed development comprising affordable houses as well as commercial, industrial and infrastructure facilities. The entire development is estimated at RM10 billion and is expected to be completed by 2025.

23. We take pride in our national icon, the Petronas Twin Towers. It signifies the spirit of *Malaysia Boleh*. Another landmark to be developed by *Permodalan Nasional Berhad* is *Warisan Merdeka*, expected to be completed by 2020. This is an integrated development project comprising a 100-storey tower, the tallest in Malaysia. The project will retain *Stadium Merdeka* and *Stadium Negara* as national heritage buildings. The total project cost is RM5 billion, with the tower expected to be completed by 2015.

Revitalising Capital Market

24. To support the financial liberalisation policy, the Government will implement bold measures to revitalise the domestic capital market, particularly diversifying investment products, liberalising equity holding requirements and investment limits,

providing attractive incentives as well as enhancing cooperation with foreign bourses. Therefore, the following measures will be implemented:

- First: Government-Linked Investment Companies (GLICs) will divest their shareholdings in major companies listed on Bursa Malaysia to increase liquidity and trading velocity in the market;
- Second: GLICs will be allowed to increase investment in overseas markets to explore opportunities for better returns. For example, the EPF's investment overseas is currently at 7% and will be raised up to 20% of the total assets managed;
- Third: Listing of Petronas Chemicals Sdn. Bhd. and Malaysia Marine & Heavy Engineering Sdn. Bhd., subsidiaries of Petronas and MISC, respectively, to offer higher public shareholding this year;
- Fourth: Bursa Malaysia will launch *sukuk* and conventional bonds to meet retail investors' demand for fixed income instruments in order to boost the bond market;
- Fifth: The Securities Commission (SC) will offer three new stock broking licences to eligible local, foreign or joint venture companies to increase retail market participation;
- Sixth: The SC will increase the number of Proprietary Day Traders operating in the market; and
- Seventh: The SC will facilitate process and procedures for the listing of companies and products, particularly Exchange Traded Funds.

Islamic Capital Market

25. Efforts will be taken to strengthen Malaysia's position as a premier Islamic capital market. Bursa Malaysia will develop an international board to enable foreign securities to be listed including *syariah*-compliant products.

26. To further promote innovation in Islamic securities products, the Government proposes that expenses for the issuance of Islamic securities which adopt the principles of *Murabahah* and *Bai' Bithaman Ajil* based on *tawarru'* be given tax deduction. This will strengthen Malaysia's position as the leading *sukuk* market and promote transactions in *Bursa Suq al-Sila*, the world's first *syariah*-compliant commodity trading platform. The Government proposes that *takaful* contributions for export credit be given double tax deduction.

Intensifying Venture Capital Industry

27. The venture capital industry plays an important role in contributing towards economic growth, particularly in high technology sectors such as information and communication technology (ICT), biotechnology and the creative industry. For this, the Government will implement the Entrepreneurship Enhancement Training Programme to train 500 new technopreneurs and attract more angel investors. Both programmes will be managed by Cradle Fund Sdn. Bhd, an MOF Inc. company. Malaysian Technology Development Corporation (MTDC) will be provided a start-up fund amounting to RM100 million to provide soft loans which allow loan repayments only after the companies generate income. MTDC will also host an International Venture Capital Symposium in 2011 to enable networking and partnering of foreign and local venture capitalists to boost high technology industries.

Bumiputera Property Trust Scheme

28. To ensure meaningful and sustainable participation of Bumiputera, the Bumiputera Property Trust Foundation (BPTF) will provide opportunities for Bumiputera ownership of prime commercial properties in major towns. The BPTF will establish a fund to enable ownership of prime commercial properties in the Klang Valley, through a group ownership scheme. For this, the BPTF will launch a *syariah*-compliant Bumiputera Property Trust Scheme of RM1 billion this year.

Private Pension Fund

29. To revitalise capital market activities, I wish to announce that the Government will launch a Private Pension Fund in 2011. This Fund will benefit private sector employees and the self-employed. The existing income tax relief of up to RM6,000 for employee's contributions to the EPF will be extended to the contributions made to the Private Pension Fund, including the self-employed. Employers will also be given tax deduction on contributions made on behalf of their employees. This will provide an option for the *rakyat* to invest for their old age.

Enhancing Electrical and Electronics Industry

30. The electrical and electronics (E&E) industry remained the largest contributor to exports with 41% or RM228 billion in 2009. However, the E&E industry is still focused on assembling activities. We should leverage on our strengths to develop local E&E companies to compete at the international level. A sum of RM857 million is allocated for local companies to invest in high value-added activities, particularly in Penang and the Kulim High-Tech Park in Kedah.

Propelling Oil, Gas and Energy Industry

31. The oil, gas and energy industry is one of the main contributors to the economy. In 2009, the industry contributed 10.2% to GDP with export revenue amounting to RM56 billion. This industry has the potential to expand, particularly in downstream activities. To achieve this objective, the Government will allocate RM146 million to support the sector. Among the projects to be implemented include the establishment of the Oil Field Services and Equipment Centre in Johor with private investment of RM6 billion over a period of 10 years. To meet the increase in gas demand by industries, Petronas will implement a regasification project with an investment of RM3 billion in Melaka, which will be operational in 2012.

Advancing Green Technology

32. The Government is committed to develop green technology to ensure sustainable development. In this regard, the Government will continue to provide several incentives:

First: Pioneer Status and Investment Tax Allowance for the generation of energy from renewable sources and energy efficiency activities be extended until 31 December 2015;

Second: Import duty and sales tax exemption on equipment for the generation of energy from renewable sources and energy efficiency be extended until 31 December 2012;

Third: Tax exemption on the income derived from trading of *Certified Emission Reductions* certificate be extended until year of assessment 2012; and

Fourth: Full import duty and 50% excise duty exemption was granted to franchise holders of hybrid cars up to 31 December 2010. To further encourage ownership of hybrid cars, import duty and excise duty exemption will be extended until 31 December 2011 with excise duty to be given full exemption. This incentive is also extended to electric car as well as hybrid and electric motorcycles.

33. Malaysia is committed to reducing carbon emission intensity to preserve the environment. For this purpose, the Government will implement among others, the Programme on Blending of Biofuels with Petroleum Diesel (B5 Programme) on a mandatory basis beginning in Putrajaya, Kuala Lumpur, Selangor, Negeri Sembilan and Melaka in June 2011.

34. The Government will also implement the Feed in Tariff (FiT) mechanism under the Renewable Energy (RE) Act, to allow electricity generated from RE by individuals and independent providers to be sold to electricity utility companies.

Invigorating Agriculture Sector

35. The Government allocates RM3.8 billion in 2011 to increase productivity and generate higher returns in the agriculture sector. For this, the following measures will be taken:

First: Develop large-scale integrated Aquaculture Zones in Pitas, Sungai Telaga and Sungai Padas in Sabah as well as Batang Ai and Tanjung Manis in Sarawak that meet standards as well as produce high quality products, with an allocation of RM252 million;

Second: Upgrade the drainage and irrigation system as well as use high quality paddy seeds to enhance productivity in Muda

Agricultural Development Area (MADA), Kedah and other areas.
For this, RM235 million is allocated;

Third: Encourage farmers participation in high value agriculture activities, including swiftlet nests, aquaculture, seaweeds, ornamental fish as well as herbs and spices with an allocation of RM135 million for basic infrastructure;

Fourth: Foster partnership between small-scale fruit and vegetable farmers with anchor companies through an allocation of RM80 million;

Fifth: Improve the Agriculture College in Kubang Pasu, Kedah by constructing a diagnostic lab involving an allocation of RM70 million;

Sixth: Build an International Centre for Crops of the Future in Semenyih, Selangor with an allocation of RM15.7 million; and

Seventh: Extend income tax deduction incentive for investors and income tax exemption for companies undertaking food production activities for another 5 years until 2015.

Energising Tourism Industry

36. The tourism industry, which generated revenue of RM53 billion in 2009, has the potential to provide more business and employment opportunities as well as further increase the nation's income. In the 2009 United Nations World Tourism Organisation Report, Malaysia was ranked ninth in the world in terms of tourist arrivals. Efforts will be intensified to attract more foreign tourists by

offering innovative tourism packages and products. For this, the Government will implement the following initiatives:

First: Provide infrastructure facilities with an allocation of RM85 million to facilitate construction of hotels and resorts in remote areas with the potential to attract tourists;

Second: Construct several shaded walkways in the KLCC-Bukit Bintang vicinity with an allocation of RM50 million;

Third: Restructure the Department of Civil Aviation to Civil Aviation Authority; and

Fourth: Nexus Karambunai, a renowned resort in Sabah is committed to develop an integrated eco-nature resort, the first in the world, by leveraging on the natural beauty and uniqueness of Karambunai. The RM3 billion project will commence next year. To support the tourism industry, the Government will allocate RM100 million.

37. To promote Malaysia as a shopping haven in Asia by providing branded goods at competitive prices, the Government proposes that import duty on approximately 300 goods preferred by tourists and locals, at 5% to 30% be abolished. Such goods are apparel, handbags, shoes, shampoo, suits, children's apparel, wallets, hair colourants, golf balls, imitation jewellery, talcum powder, curtains, table cloth, blankets, bed sheets, shirts, undergarments, lingerie, nightwear, perfumes and mosquito nettings.

Revitalising Palm Oil and Related Industries

38. Currently, export revenue from crude palm oil totalled RM37 billion, while that of palm oil related products reached RM13 billion in 2009. The industry has

the potential to be developed further in downstream activities to generate higher income for estate owners and smallholders. In efforts to further expand the palm oil and related products industries, several measures will be implemented:

First: Enhance productivity by encouraging replanting activity to replace aged trees with high-quality new clones, through a fund of RM297 million; and

Second: A sum of RM127 million is allocated to support domestic oleo derivatives companies as well as a sum of RM23.3 million to expand downstream palm oil industries including production of vitamins.

Enhancing Information and Communication Technology

39. The Multimedia Development Corridor enters its third phase in 2011. The focus is on creation of an innovative digital economy to achieve the target of a high-income nation. To enhance the potential of the ICT industry, MY Creative Content Programme will be implemented to encourage the development of local content creation, hosting local content and unlocking new channels for content. This programme involves an allocation of RM119 million.

40. The Government will extend the investment allowance period for the last mile broadband service providers. In addition, import duty and sales tax exemption on broadband equipment are also extended for two years until 2012.

41. Currently, ordinary mobile phones are subject to 10% sales tax but mobile phones with various applications such as internet and personal digital assistant (PDA) are exempted from sales tax. For the purpose of streamlining tax treatment, the Government proposes that sales tax be exempted on all types of mobile phones.

Business Services Industry

42. In line with the increasing demand for repair and maintenance of aircraft and helicopters, the Government will promote the development of the business services industry. The Sultan Abdul Aziz Shah Airport, Subang will be developed as a centre for maintenance and overhaul of aircrafts as well as provide specific training to develop experts in this field. The Government will allocate a sum of RM91 million for capacity building in the maintenance, repair and overhaul (MRO) services industry, aerospace and aeronautical engineering training programmes as well as promotion of business outsourcing services.

Corridor and Regional Development

43. Corridor and regional development will be accelerated, focusing on several clusters with specialisation and geographical advantages. Efforts to develop the corridors will focus on joint venture projects between local and foreign investors as well as high-impact industries with competitive edge. For this purpose, the Government allocates RM850 million for infrastructure support.

44. For Iskandar Malaysia, a sum of RM339 million is allocated, including for the construction of highways, development of housing areas as well as providing and improving public transportation services. The amount of investment committed by the private sector as at June 2010 was RM62 billion, surpassing the targeted RM47 billion. Total actual investment up to June 2010 was RM25 billion. The Newcastle University Medicine Malaysia and Chelsea Factory Outlet are expected to be completed in 2011 while Legoland and Marlborough College in 2012.

45. The Northern Corridor Economic Region (NCER) is allocated RM133 million, which includes the development of an Agricultural Products Processing Centre, Tourism Infrastructure and a Biotechnology Incubator Centre.

The East Coast Economic Region (ECER) is allocated RM178 million for projects, including Industrial Parks, Water Treatment Plants, development of tourist areas as well as redevelopment of former Pahang Tenggara Development Authority and Jengka Region Development Authority areas.

46. For Sarawak Corridor of Renewable Energy (SCORE), a total of RM93 million is allocated for facilities, including telecommunication, water supplies, airport and roads as well as *halal* food industrial parks. For the Sabah Development Corridor, a sum of RM110 million is allocated, among others, for palm oil industry cluster projects, agro-industrial precinct and integrated farming centre.

Promoting R&D&C Activity

47. To accelerate the economy towards a high-income nation, research, development and commercialisation (R&D&C) activity will be the platform for enhancing value-added activities across economic sectors. For this, a sum of RM411 million is allocated in 2011 for R&D&C activities.

48. The Government has established a Special Innovation Unit (UNIK) under the Prime Minister's Department as a one-stop centre to formulate policies and strategies for a conducive ecosystem to drive innovation. An Act will be formulated to enable UNIK to commercialise R&D findings by universities and research institutions. Several programmes and activities will be designed to enhance innovation, creation and commercialisation of new products. For 2011, a sum of RM71 million is allocated for UNIK.

Reforming Insolvency Law

49. During the recent economic crisis, there were entrepreneurs and individuals who faced financial problems with a number of them declared

bankrupt. They were blacklisted and unable to conduct businesses or apply for loans. To assist these individuals, the new Insolvency Act will consolidate the Bankruptcy Act 1967 and Part 10 of the Companies Act 1965, including introduction of provision relating to relief mechanism for companies and individuals with financial problems. The review will also involve amending the current minimum bankruptcy limit of RM30,000.

Advancing Creative Industry

50. The creative industry has great potential for further development to generate national income. This industry encompasses animation, advertising, films, fashion design, crafts and cultural heritage. To fully tap the potential of this industry, the Government will develop a creative industry policy in an integrated manner. A sum of RM200 million is allocated to purchase creative products such as high quality locally-produced films, dramas and documentaries.

51. A strong financial position is crucial to ensure the well-being of the nation. To achieve this objective, the Government proposes that the rate of service tax be increased from 5% to 6%. The Government is confident that this measure will not unduly burden the *rakyat* as the increase in the tax rate is minimal. Moreover, the services tax is not imposed on all services. In fact, the sales value thresholds for such services are still retained. In tandem with this aspiration, the Government also proposes that service tax be imposed on paid television broadcasting services.

Strengthening Nation's Financial Position

52. The Government is committed to strengthen the nation's financial position by increasing revenue collection and ensuring prudent spending. This includes emphasis on value-for-money and value management. For example, measures undertaken include open tender, restricted tender and competition for best

design of Government hospitals. The Government will strengthen the revenue collection system by increasing enforcement and audit as well as expanding coverage on all parties that should be paying taxes.

SECOND STRATEGY: INTENSIFYING HUMAN CAPITAL DEVELOPMENT

53. The most important asset of a nation is its human capital. It is proven that a nation without natural resources but which effectively manages its human capital will achieve greater success than a nation that relies on natural resources. Malaysia cannot afford to be too dependent on its depleting natural resources. Although we have successfully managed our natural resources, we have a responsibility to plan human capital development in a sustainable manner, failing which we will not be able to optimise the nation's potential.

54. A quality, skilled, knowledgeable, creative and innovative human capital is a prerequisite towards achieving a developed and high-income nation. As such, education and training will be restructured and strengthened. For this, a sum of RM29.3 billion is allocated for Ministry of Education, RM10.2 billion for Ministry of Higher Education and RM627 million for Ministry of Human Resource.

Intensifying Efforts to Attract Talent

55. Education is always close to my heart. The Government will not compromise on quality of education. Our children must be equipped with all the prerequisites to compete in the challenging environment.

56. To increase the number of talented and quality workforce in the domestic market, the Government will undertake efforts to attract, motivate and retain talented human capital from within the country and abroad. For this, the Government will establish a Talent Corporation (Talent Corp) under the Prime Minister's Office in early 2011. Talent Corp will formulate a National Talent

Blueprint and develop an expert workforce database as well as collaborate closely with talent networks globally.

Expanding Access to Quality Education

57. The national education system will be revamped to focus on thinking skills, character building, creativity, innovation and competitiveness. For the Ministry of Education, a sum of RM6.4 billion is allocated for development expenditure to build and upgrade schools, hostels, facilities and equipment, as well as uphold the status of the teaching profession. A total of RM213 million is allocated to reward high-performance schools as well as for the remuneration of Principals, Head Teachers and Excellent Teachers.

Strengthening Early Education

58. To nurture children with good values and knowledge, human capital development must begin from childhood. To achieve this, the Government will increase pre-school enrolment rate to a targeted 72% by end-2011 through an additional 1,700 classes, strengthen the curriculum as well as appoint 800 pre-school graduate teachers.

59. The Government also allocates RM111 million for PERMATA programmes, including the construction of the second phase of *Sekolah PERMATA Pintar* School Complex, 32 PERMATA Children Centres (PAPN) and financing the operations of 52 completed PAPNs as well as continuing PERMATA *Pintar, Seni, Insan* and *Remaja* Programmes.

Strengthening Primary and Secondary Education

60. Every child regardless of race is a national asset and a future leader. Education must be apolitical. Towards this, the Government allocates

RM250 million for development expenditure to religious schools, Chinese-type schools, Tamil national schools, missionary schools and Government-assisted schools nationwide.

61. Recognising the importance of Islamic education, the Government will provide assistance per capita for primary and secondary *rakyat* religious schools with an allocation of RM95 million.

62. To provide competent and quality teachers and instructors to better guide and educate students, the Government allocates RM576 million in the form of scholarships for those wishing to further their studies.

63. A sum of RM213 million is allocated to enhance proficiency in *Bahasa Malaysia*, strengthen the English Language as well as streamline the Standard Curriculum for Primary Schools (KSSR). In this regard, the Government will recruit 375 native-speaking teachers including from the United Kingdom and Australia to further enhance teaching of English.

Strengthening Higher Education

64. Strengthening institutions of higher learning to be world-class is a key agenda of the Government in view of its significant contribution to the socioeconomic development of the nation. The following measures will be implemented:

First: Increase the number of PhD qualified academic staff to 75% in research universities and to 60% in other public institutions of higher learning with an allocation of RM20 million; and

Second: Improve opportunities for promotion of lecturers in public institutions of higher learning. Lecturers can be considered for promotion to the

highest grade of Staff III, II and I as well as conferred Premier Professors without holding administrative positions.

Intensifying Training and Skills Programmes

65. The Government allocates RM60 million to further intensify the Industrial Skills Enhancement Programme in State Skills Development Training Centres. This programme will enhance skills of engineering graduates and technical employees in line with market requirements. A sum of RM220 million is also allocated to ensure graduates from other fields are able to enhance their competence and employability. These include the Professional Certification Programme, Sports Development, Entrepreneurship Development and Graduate Employability Management Scheme. The Government will also allocate a sum of RM50 million to Multimedia Development Corporation to train graduates in ICT to enhance their employability and to meet the demand of the ICT industry.

66. A sum of RM474 million is provided to enhance productivity and skills of non-graduates, including school leavers, youths and workers as there is high demand for skilled workforce in technical fields.

1Malaysia Training Programme

67. The nation requires human capital that continually enhances knowledge through upskilling and reskilling. In this regard, I am pleased to announce the 1Malaysia Training Programme, which will commence in January 2011 with an allocation of RM500 million.

68. The training programme comprises three components. First, a sum of RM200 million is allocated to conduct part-time training in the evenings and weekends in selected training centres nationwide. It will be conducted by Community Colleges, National Youth Training Institutes, *Giat Mara* Centres and

Industrial Training Institutes, utilising the existing facilities. Among courses to be offered in the evenings include language classes in *Bahasa Melayu*, Mandarin, Tamil, English and Arabic as well as music classes. During the weekends, skills and technical courses will be conducted, including baking, tailoring, spa therapy, mechanical, electrical and welding.

69. Second, the 1Malaysia Training Programme also includes an allocation of RM200 million from the Human Resource Development Fund to be used by companies to fund specific training programmes for their employees. Third, the Ministry of Human Resource will provide RM100 million to enable employees to enhance skills in various technical fields.

Enhancing Employees Productivity

70. In tandem with the increase in productivity, employees should be remunerated with higher salaries and wages to enable them to cope with the rising costs of living. I am pleased to announce the establishment of a National Wage Consultation Council as the main platform for wage determination. The Council will comprise representatives from employers, trade unions, non-unionised employees, Government agencies, academia, NGOs and individuals. The Ministry of Human Resource will be the Secretariat for this Council.

71. The National Wage Consultation Council will determine the rate and mechanism of minimum wage. The basic salary of postmen was raised to RM710 on 1 July 2010 from RM610 per month. With this adjustment, the monthly salary of postmen including fixed allowances increased to RM1,285 from RM1,035. The Government will enforce basic minimum wages for security guards, to between RM500 and RM700 a month depending on location, compared with RM300 and RM400 currently. With this increase, security guards will enjoy a monthly salary

including allowances exceeding RM1,000. The increase will be effective January 2011.

72. The Government will continue to reduce the number of foreign workers by increasing in stages the levy according to sector. It is also mandatory for employers to procure health insurance for their foreign workers.

Expanding Women Participation

73. Women account for half of the population and play a very important role in family and national development. As such, the Government recognises the role of women in the nation's development. To enhance women's participation in entrepreneurship, the Government allocates RM30 million, among others, to introduce the Single Mother Skills Incubator Programme and the Prime Entrepreneur and Women Activist Award in conjunction with Women's Day commencing 2011.

74. The Work Regulations (Part-Time Workers) 2010 was enforced by the Government effective 1 October 2010 to encourage the participation of more women as part-time workers. I urge the private sector to hire female part-time workers, particularly those who are married. The Government will also implement a pioneer Small Office Home Office programme to train disabled women in various skills for a period of three months.

75. The Government will provide and re-brand 40 1Malaysia TASKA, managed by the Department of Social Welfare to assist women to obtain quality childcare and early education for their children.

76. The Government is concerned with the career prospects and welfare of female civil servants as they need to take care of their families, particularly newborn babies. To improve the maternity leave facility for female civil servants,

the Government will allow flexibility to self-determine fully-paid maternity leave, not exceeding 90 days from the current 60 days. This facility is subject to a total of 300 days of maternity leave throughout the tenure of service.

77. The Government continues to provide opportunities for qualified female civil servants to hold key executive posts. As at end-2009, 30.5% of key posts in the public sector were held by women. I urge the private sector to provide opportunities for more women to hold posts at decision-making level, particularly as Board of Directors and Chief Executive Officers.

Developing National Sports

78. The Government will continue to encourage sports research and development, organise more international games, provide facilities and expertise to mould competitive athletes and develop high-performance sports. For sports development and management, a sum of RM365 million is allocated to the Ministry of Youth and Sports. To develop football, the Government will establish a Football Academy in Pahang with an allocation of RM20 million to produce quality and highly skilled football players.

79. I would like to take this opportunity to congratulate all athletes who took part in the 19th Commonwealth Games in New Delhi. I would also like to congratulate the medal winners who have made the nation proud at the international arena. They won 12 gold medals, surpassing the target of 10 gold medals. This is Malaysia's best achievement in the Commonwealth Games.

THIRD STRATEGY: ENHANCING QUALITY OF LIFE OF THE RAKYAT

80. It is widely accepted that the main role of the Government is to enhance the well-being of the *rakyat*. Achieving a developed and high-income economy is meaningless if the quality of life of the *rakyat* deteriorates. In efforts to become a

developed and high-income nation, we need to strengthen socioeconomic development in an inclusive manner. It is important to attain a more balanced development and ensure a better quality of life.

Assisting the Less Fortunate

81. The Government is concerned with the difficulties faced by the less fortunate and will continue to ensure their welfare. In 2011, the Government will allocate RM1.2 billion to the Ministry of Women, Family and Community Development to carry out various welfare and community programmes as follows:

First: Welfare assistance for senior citizens with an allocation of RM166 million. This group is estimated to increase to more than 15% of the total population by 2030;

Second: Children's assistance programme with an allocation of RM121 million to enable them to receive quality childcare and early education. This programme will benefit 97,000 children;

Third: Assistance programme to benefit 80,000 disabled individuals with an allocation of RM218 million;

Fourth: Excise duty exemption be increased from 50% to 100% on national vehicles purchased by the disabled; and

Fifth: Construction of an intervention centre for the homeless by providing employment opportunities, housing facilities and counselling.

82. Since 2008, the Government provided a rebate on electricity bill payment for monthly consumption of below RM20. The rebate has benefited more than

one million consumers nationwide. The Government will continue this rebate programme with an allocation of RM150 million to ease the burden of the low-income group.

83. Currently, tax relief on expenses incurred for parents is limited to medication in clinics and hospitals including treatment in nursing homes as well as dental treatment. In an effort to lessen the cost burden in caring for parents, the Government proposes that the existing tax relief of up to a maximum of RM5,000 be extended to cover other expenses such as day care centre, cost incurred to employ caretakers for parents and other daily needs such as diapers.

Increasing House Ownership

84. The Government empathises with the *rakyat's* need to own affordable houses, particularly the poor and low-income group. A sum of RM568 million is provided to build 300 units under *Projek Bantuan Perumahan Bandar*, 79,000 units under *Program Perumahan Rakyat* and 8,000 units under *Projek Bantuan Rumah Sewa*. To assist estate workers to own houses, the Government will provide *Skim Pembiayaan Perumahan Kos Rendah* with an allocation of RM50 million, managed by *Bank Simpanan Nasional*. The scheme is open to all Malaysian permanent estate workers to assist them to obtain housing loans with a maximum of RM60,000 for the purchase of low-cost houses at 4% interest rate and a repayment period up to 40 years extending to the second generation.

85. The Government is aware of the difficulties faced by the *rakyat*, particularly young adults who have just joined the workforce with income less than RM3,000, to own a house. To assist this group, the Government will introduce *Skim Rumah Pertamaku* through *Cagamas Berhad* which will provide a guarantee on down payment of 10% for houses below RM220,000. This scheme is for first-time house buyers with household income less than RM3,000

per month. In other words, the house buyers will obtain a 100% loan without having to pay the 10% down payment.

86. In addition, first-time house buyers will also be given stamp duty exemption of 50% on instruments of transfer on a house price not exceeding RM350,000. The Government also proposes that stamp duty exemption of 50% be given on loan agreement instruments to finance such first-time purchase of houses.

Enhancing Quality of Life of Rural Population

87. Efforts to develop rural areas began a long time ago. At the end of Emergency, the Government established the Ministry of Rural and National Development to lead efforts to bring development to rural areas. The Government is still committed to this endeavour, although today, approximately 60% of the population of Malaysia live in urban centres. In efforts to transform the country towards a developed nation, the Government will not neglect the rural population. Development projects and programmes to improve the quality of life of the rural population will be given priority. A sum of RM6.9 billion is allocated to implement basic infrastructure such as water and electricity supply as well as rural roads. Among the main projects to be implemented are to:

First: Build and upgrade rural roads in Sabah and Sarawak with an allocation of RM2.1 billion and RM696 million in Peninsular Malaysia;

Second: Provide water and electricity supply in rural areas of Sabah with an allocation of RM1.5 billion, Sarawak RM1.2 billion and Peninsular Malaysia RM556 million;

- Third: Implement the housing assistance programme to provide comfortable houses for the poor and hardcore poor in rural areas with an allocation of RM300 million. This programme will involve the construction and repair of 12,000 houses nationwide, particularly in Sabah and Sarawak; and
- Fourth: Provide *Unit Khas Bergerak Jabatan Pendaftaran Negara* to facilitate *rakyat* in the interiors of Sabah, Sarawak and Peninsular, to register for citizenship.

Easing Burden of the Rakyat

88. To increase food production, the Government will allocate RM974 million as price subsidy for paddy, fertilisers and paddy seeds as well as RM230 million for production incentives and increasing paddy yield. The Government will also allocate RM170 million in incentives for fishermen as well as boat owners and workers to increase fish landing.

89. The Government is concerned with the issue of higher prices of goods faced by the rural population, particularly in Sabah and Sarawak as well as selected areas in Peninsular Malaysia due to high transport costs. To standardise the prices across areas, the Government introduced the Distribution of Essential Goods Programme for goods such as rice, cooking oil, sugar, flour, gas, petrol and diesel in 2010 with an allocation of RM100 million. For 2011, a sum of RM200 million is allocated for the programme.

90. In the Government's dealings with the *rakyat*, the prices of retail goods are often highlighted. In this context, the Government will establish a "1Malaysia Smart Consumer" portal to help the *rakyat* keep abreast with price movements of goods in almost 7,000 business premises nationwide. Through this portal, consumers have the option to purchase goods at competitive prices. Consumers

can also utilise short messaging services (SMS) to obtain latest information on prices of goods.

91. To strengthen the wholesale and retail sector, the Government will also introduce the Retail Shop Transformation Programme (TUKAR), Automotive Workshop and Community Market projects to upgrade and modernise facilities with an allocation of RM73 million.

92. The assumption that the Government is ignoring small contractors is unfounded. The Government will continue implementation of *Projek Penyelenggaraan Aset Awam* or better known as PIA/PIAS with an allocation of RM500 million. Among the activities are repairing and upgrading of public amenities, drains, drainages, small bridges and rewiring as well as construction of agriculture and *kampung* roads. The implementation of these small projects will assist Class F contractors nationwide.

Appreciating Contributions of Community Leaders

93. The Government has always appreciated the role and contributions of community leaders. In line with this, the Government will increase the monthly allowance for the Chairman of *Jawatankuasa Kemajuan dan Keselamatan Kampung* (JKKK) and *Persekutuan* (JKKP), *Tok Batin*, Chairman of *JKKK Orang Asli*, Chairman of *Kampung Baru* to RM800 compared with the RM450 currently.

94. To ensure this allowance is enjoyed by all community leaders, this allowance will also be extended to *Ketua Kampung Baru Rangkaian* and *Ketua Kampung Bagan*. The Government will also increase the meeting attendance allowance for all committee members from RM30 to RM50.

95. Effective January 2011, the monthly allowance of *Imam* will be increased from RM450 to RM750, while the monthly allowance for KAFA teachers will be increased to RM800 compared with RM500 currently.

Development of Orang Asli and Pribumi

96. As we are aware, Malaysia is made up of multi-ethnicity and cultures. We have never discriminated the minority for they are also citizens of the country. Efforts to accelerate the nation to a developed and high-income economy will be implemented inclusively by enhancing the socioeconomic status of *Orang Asli* and *Pribumi*. A sum of RM100 million is allocated to implement various programmes, including resolving *Orang Asli* land rights and border settlement issues as well as formulating a new development model for *Orang Asli*. In line with this, *Jabatan Hal Ehwal Orang Asli* will be restructured and strengthened as *Jabatan Kemajuan Orang Asli*.

Reducing Transport Cost

97. The Government is very concerned with the rising transport cost borne by the *rakyat*. To alleviate the burden of highway users, I am pleased to inform that the toll rates in four highways owned by PLUS Expressway Berhad will not be raised for the next five years, effective immediately.

Expanding Public Health Services

98. The Government is committed to ensure that access to quality healthcare is available to all *rakyat*. To achieve this objective, a total of RM15.2 billion is allocated to construct new hospitals, increase the number of doctors and nurses as well as to obtain supplies of medicines and equipment. Since 2009, 51 1Malaysia Clinics are in operation and the Government will provide an additional 25 1Malaysia Clinics.

Combating Crime, Securing Safety

99. Public safety is important in creating a safe environment. In the first nine months of 2010, the street crime index declined 38% while overall crime index declined 16%. In line with this, the Government will allocate RM350 million to implement various programmes to combat crime, including burglaries, motorcycle and car thefts as well as promoting safe townships and Voluntary Patrol Scheme in high-risk areas. The Government will establish an additional 25 special courts to expedite prosecution.

Empowering Non-Governmental Organisations

100. The Government appreciates the contribution of civil society in providing services which have always been under the purview of the Government. This has to be viewed positively and as a complimentary effort as well as should be encouraged. The Government recognises the contribution of Non-Governmental Organisations (NGOs) in overcoming social problems in assisting the less fortunate and providing shelter facilities as well as conducting training and generating income.

101. In appreciation, the Government will allocate RM70 million for programmes and activities involving selected NGOs to assist the Government in strengthening family institution and addressing social ills such as baby dumping, *mat rempit* and gangsterism. The selected NGOs will undertake an integrated programme with Government agencies, particularly in high-risk crime areas to prevent crime at its root cause.

Preservation of Environment

102. To preserve, sustain and protect the environment, the Government will allocate RM1.9 billion to finance environmental preservation projects, including

implementing the River of Life Programme and greening of Kuala Lumpur. The Government will also undertake efforts to preserve marine sources and coastal areas including Pantai Siring in Melaka, Pantai Sabak in Kelantan, Teluk Lipat in Terengganu and Rompin in Pahang.

Corporate Social Responsibility

103. Corporate Social Responsibility (CSR) is important in the implementation of community projects. In 2011, Khazanah Nasional Berhad (Khazanah) in collaboration with the Ministry of Education, will establish 10 Trust Schools which will be managed more professionally to ensure students obtain quality education. Apart from the normal Government allocation, the Trust Schools will also receive contributions from Khazanah.

104. To assist children, particularly those from the low-income group excel academically, the 1MDB will provide multi-vitamins for primary school students. It is hoped this programme will enhance mental development and strengthen immune system of students.

105. Following a proposal from the youth lab, 1MDB will provide RM20 million to the 1Malaysia Youth Fund. This fund will be utilised to instil the 1Malaysia spirit. In addition, 1MDB will implement 1Malaysia Mobile Clinics with four buses as mobile clinics in collaboration with the Ministry of Health.

FOURTH: STRENGTHENING PUBLIC SERVICE DELIVERY.

106. In steering Malaysia towards a developed nation, the Government, comprising 1.2 million civil servants needs, to continuously improve to enhance productivity.

Facilitating Dealings with Government Agencies

107. It is clear that the role of the Government is to facilitate and not frustrate. Dealings with any Government agency should be made easy. The Government will ease private sector dealings with its agencies. Towards this, the MyCoID Gateway initiative utilising the Companies Commission of Malaysia's single reference number has been implemented. This initiative will be extended to other ministries and agencies.

108. The Government will introduce a point system to facilitate applications for permanent resident status (PR). The application for PR may be submitted after 5 years of residence compared with 10 years previously. With this system, applications for PR will be more transparent, expeditious and objective based on clear criteria.

109. To expedite the process of property registration, the Stamp Act 1949 was amended to enable the Valuation and Property Services Department assess properties after the payment of stamp duty to the Inland Revenue Board. This improvement will reduce the property registration process from 30 days to one day.

Refining Appraisal System

110. Civil servants are important in the nation's effort to realise its vision. Without efficient, effective and dynamic policy formulators, the nation's vision will remain a dream. In relation to this, in our continuous effort to provide a more responsible, relevant and holistic framework of assessment as well as taking into account the feedback from civil servants, the Government agrees to abolish the Competency Level Assessment or PTK and replace it with a more suitable evaluation system by June 2011, which is acceptable to civil servants.

Appreciating Civil Servant's Contributions

111. The Government appreciates the contribution and full commitment of civil servants in ensuring the success of Government initiatives including the GTP and the ETP. The Government will:

First: Reduce the burden of civil servants in coping with schooling expenses by providing a Special Financial Assistance amounting to RM500. This assistance will be provided to all civil servants from Grade 54 and below, including contract officers and retirees. The payment will be made in December 2010;

Second: Increase the rate for Funeral Arrangement Assistance to RM3,000 from the current RM1,000 in line with rising funeral expenses. This assistance is also extended to retired civil servants; and

Third: Extend the services of *Pegawai Khidmat Singkat* (PKS) for an additional period of one year from December 2010. However, Ministries and agencies are not allowed to increase the number of PKS.

112. To facilitate civil servants in owning houses as well as improving the terms and conditions for housing loans, the Government will:

First: Allow the purchase of properties from parents, children and siblings;

Second: Raise the amount of loan from RM10,000 to RM20,000 for additional works on low-cost houses for Support Group II; and

Third: Raise the maximum loan eligibility to RM450,000 compared with RM360,000 currently.

The above improvements to housing loans will be effective 1 January 2011.

2011 BUDGET ALLOCATION

113. The Government is committed towards accelerating the transformation process by ensuring projects and programmes under the 10MP, NKRA and NKEA are implemented successfully. To implement these strategies and measures, I propose an allocation of RM212 billion for the 2011 Budget, which is 2.8% higher than the allocation for 2010. Of this, RM162.8 billion is for Operating Expenditure and RM49.2 billion for Development Expenditure.

114. Under Operating Expenditure, RM45.6 billion is allocated for Emoluments, RM28.2 billion for Supplies and Services, RM86.4 billion for Fixed Charges and Grants as well as RM1.4 billion for Purchase of Assets and RM1.2 billion for Other Expenditures.

115. As for Development Expenditure, a sum of RM28.3 billion is allocated to the economic sector for infrastructure, industrial, agricultural and rural development. A total of RM15.5 billion is allocated to the social sector, including education and training, health, welfare, housing and community development. A sum of RM4.4 billion is allocated for development of the Security Sector, RM955 million for General Administration and RM2 billion Contingencies.

116. Federal Government revenue collection is estimated to increase 2.3% to RM165.8 billion in 2011, compared with RM162.1 billion in 2010. Taking into account the estimated revenue and expenditure, the Federal Government deficit for 2011 is expected to further decline to 5.4% of GDP, compared with 5.6% in 2010.

CONCLUSION

117. The strategies and programmes in this Budget have been designed to meet the aspirations of the *rakyat*. We want to build a nation where every *rakyat* will be able to enjoy the benefits of development. We want a Malaysia where everyone can attain success through hard work and perseverance.

118. This Budget has taken into account the needs of the *rakyat*. This Budget is possible due to the efficient and prudent financial management thus far.

119. My Cabinet members and I share the vision to continue the noble tradition of bringing prosperity to all segments of society. This is not impossible, neither is it wishful thinking. Facts and history have proven that the Government is capable of bringing development.

120. We have successfully transformed the nation from a low-income agriculture-based to a modern middle-income industrial-based economy.

121. We succeeded in increasing the income per capita from USD260 during early independence to more than USD8,000 today.

122. We have reduced poverty from 60% to 3.8% and are on target to eliminate hardcore poverty as well as succeeded in creating a dynamic middle class.

123. In fact, prudent financial management has enabled us to weather the 1997/1998 financial crisis through firm and unorthodox measures. As a result, criticism has turned to praise and prejudice to admiration.

124. Despite challenges, we will not retreat from this noble mission, as truth is in our favour based on our record of excellent performance.

125. We are not dreamers. We are realists. Our success is not mere coincidence but the result of clear and careful planning as well as firm implementation.

126. The Government will not take the easy way out nor sacrifice the nation's long-term interests for short-term popularity. Rest assured, we will not leave a country laden with problems to the future generations.

127. Thus, the *rakyat* must realise that they and their children's future is invaluable to be surrendered to irresponsible parties.

128. Indeed, this Budget is the 53rd Budget tabled by the same Government since independence. Through 53 Budgets, 10 Development Plans, three Outline Perspective Plans and one National Mission, the 2011 Budget is crucial and is the first step towards positioning Malaysia as a developed and high-income economy.

129. We must remember that Malaysia is our blessed homeland where we were born, where we were raised, where we seek opportunities, where we achieve success and here we shall be laid to rest.

130. To Allah, we seek His blessings.

Mr. Speaker Sir,

I beg to propose.