

CHECK  
UPON DELIVERY

EMBARGO  
UNTIL DELIVERY

SPEECH BY

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DEPUTY PRIME MINISTER AND  
MINISTER OF FINANCE

IN INTRODUCING  
THE SUPPLEMENTARY SUPPLY (2009) BILL 2009

IN THE DEWAN RAKYAT  
10 MARCH 2009

Mr. Speaker Sir,

I beg to move the Bill intituled **“An Act to apply a sum from the Consolidated Fund for additional expenditure for the service of the year 2009 and to appropriate that sum for certain purposes for that year”** to be read a second time.

2. This Additional Operating Allocation for the year 2009 is tabled in accordance with Article 100 and 101 of the Federal Constitution, for the approval of expenses not provided for or not fully provided for in 2009 Budget, which was approved by this august House.

3. The impact of the current global economic crisis, which originated from the sub-prime financial turmoil in the United States (US) in mid-2007, has since widened and deepened. After almost two years into the global financial crisis, we are yet to see signs of stability in the financial sector or recovery in the advanced economies. In fact, more than half the major world economies, in particular the US, the euro area and Japan, are in recession and experiencing the worst economic contraction since the Great Depression of the 1930s.

4. Although developed countries have announced large economic stimulus packages exceeding USD3 trillion, including substantial amounts to bail out their financial institutions and large corporations, these measures have yet to restore consumer and investor confidence. The latest statistics indicate that the unemployment rate in the US is at 8.1%, the highest since 1983.

5. These negative developments have already impacted our economy in the fourth quarter of 2008. Exports and industrial output have deteriorated and investments declined. Consumer sentiment has also been adversely affected. As a result, Gross Domestic Product (GDP) growth was significantly lower at 0.1%, compared with an average of 6.3% in the first 9 months of the year. The decline was mainly due to the contraction in export value of 13.4%. The fall in exports has adversely affected economic growth, particularly the manufacturing sector, which contracted 8.8%.

6. The global economic environment in 2009 is expected to be more difficult. The US, the world's largest economy and trading nation, is expected to contract by 1.6%, while the United Kingdom 2.8%, and Japan 2.6%. In the region, South Korea, Taiwan and Singapore will also experience recession, with growth contracting 2%, 4% and 4.9%, respectively in 2009. In fact, Singapore's Minister Mentor envisaged that Singapore's economy might contract 10% this year. Although China and India are expected to record positive growth of 6.7% and 5.1% respectively, the growth is significantly lower than in previous years. Following these developments, the International Monetary Fund in January 2009 again revised downwards the world economic growth forecast from 2.2% to 0.5% for 2009. Since then, efforts to revive the financial sector in the developed countries have yet to succeed. Therefore, it is highly likely that the global economy would get worse before it gets better.

7. The Malaysian economy has achieved strong growth in the past, due largely to our success in increasing our international trade, which now accounts for almost 200% of GDP, among the highest in the world. Economic growth was also supported by large foreign direct investment (FDI) inflows as well as a robust capital market. Nevertheless, in the current global economic recession, Malaysia has to accept the fact that, as a highly open economy, it is likely to be impacted through the following four factors:

First: Exports will decline in line with deteriorating world demand. For instance, in January 2009, exports declined 27.8%;

Second: Commodity exports, in particular, crude oil and gas as well as palm oil have experienced sharp decline in prices;

Third: Decline in FDI in line with the global recession. Our FDI inflows is expected to be half of that in 2008, declining to RM26 billion compared with RM51 billion; and

Fourth: The global meltdown in equity markets has led to a significant decline in Bursa Malaysia. The poor performance of Bursa Malaysia has also adversely impacted investor and consumer sentiment as well as the services sector, which normally is a high-growth sector.

8. Given these factors and in the context of the sharp deterioration in the global economy, Malaysia now faces an extremely challenging economic environment. This necessitated a review of the GDP growth forecast for 2009. However, the Government is confident that the original 2009 Budget with an allocation of RM206 billion as well as the First Stimulus Package of RM7 billion and the Second Stimulus Package will contribute towards mitigating the impact of the global contraction on the domestic economy. Taking into account these measures, GDP growth is expected to be in the range of -1% to 1% for 2009. Without these efforts, the economy faces the prospect of a deep recession.

9. The programmes and projects under the First Economic Stimulus Package totalling RM7 billion are being actively implemented. To date, RM6.5 billion has been channelled to various ministries and agencies. A total of RM1 billion has been spent on projects, including 6,267 projects under *Program Penyelenggaraan Infrastruktur Awam* (PIA) and *Projek Infrastruktur Asas* (PIAS) by the Implementation and Coordination Unit (ICU), 2,118 projects by Ministry of Rural and Regional Development, 1,594 projects by Ministry of Education and 1,322 projects by Ministry of Health. It is expected that by June 2009, RM5.2 billion worth of contracts would have been awarded and implemented to meet the target of the First Stimulus Package. As announced, implementation of the First Stimulus Package will be closely monitored by a special unit, namely the Project Management Unit (PMU), Ministry of Finance, which will report directly to the Minister of Finance. With the setting up of this Unit, the Government will ensure that the targets of the First Stimulus Package will be achieved. This Unit will also monitor the Second Stimulus Package, together with ICU and relevant agencies.

10. The Government will continue to implement appropriate measures to strengthen the confidence of the *rakyat* and ease the burden, particularly of the vulnerable groups. I am confident that together, we will be able to face this difficult and challenging environment, just as we have successfully overcome several crises in the past. The Government will continue to ensure that priority is given to protecting the welfare of the *rakyat* and that none are marginalised.

11. In view of the deteriorating global economy, the Second Stimulus Package is significantly larger and more comprehensive, encompassing various economic sectors and target groups. This includes workers, consumers, investors, small and medium businesses, exporters and unemployed graduates. In addition, the measures outlined in the Stimulus Package not only focus on stimulating the economy in the short-term but also on building the long-term capacity of the economy. This will ensure that Malaysia is well prepared to immediately seize the opportunities when the global economy recovers.

12. I would like to record our highest appreciation to YAB Prime Minister as the Chairman of the National Economic Council for his invaluable inputs and guidance on addressing various issues during these difficult times. The thrusts of the Stimulus Package are as follows:

- First : Reducing Unemployment and Increasing Employment Opportunities;
- Second : Easing the Burden of the *Rakyat*, in particular, the Vulnerable Groups;
- Third : Assisting the Private Sector in Facing the Crisis; and
- Fourth : Building Capacity for the Future.

13. I am pleased to announce that the Government will implement a Stimulus Package totalling RM60 billion. The package will be implemented over two years, 2009 and 2010. Of this amount, RM15 billion is fiscal injection, RM25 billion Guarantee Funds, RM10 billion equity investments, RM7 billion private finance initiative (PFI) and off-budget projects, as well as RM3 billion in tax incentives. This RM60 billion accounts for almost 9% of the GDP. The implementation of such a large stimulus package is unprecedented in the nation's economic history.

14. We have faced several crises before, including in 1969, 1972, 1986 and 1997. We have successfully overcome every single crisis, with the economy emerging ever stronger. Today, we face a global economic environment, which is more severe than in any other previous crises. However, with our experience in overcoming several crises before and with the undivided support of the *rakyat*, I am confident we will together overcome these increasingly difficult times.

15. The RM60 billion is allocated to the four Thrusts, as follows:  
RM2 billion for Thrust One;  
RM10 billion for Thrust Two;  
RM29 billion for Thrust Three; and  
RM19 billion for Thrust Four;

16. Of the RM15 billion fiscal injection, RM10 billion is allocated for 2009 and RM5 billion for 2010. The RM10 billion for 2009 consists of RM5 billion for operating expenditure and RM5 billion for development expenditure. The higher expenditure will increase the Federal Government budget deficit from 4.8% to 7.6% this year. The Government is confident that the nation's fiscal policy continues to have the flexibility and capacity to accommodate the higher deficit, as this increase is temporary. The Government's ability to ensure fiscal sustainability is clearly reflected in our success in reducing the deficit from 5.3% in 2002 to 3.2% in 2007. In fact, when Malaysia experienced economic contraction in 1982, we had incurred a deficit of 16.6%, following increased expenditure, particularly for infrastructure projects. These measures increased the growth potential of the nation and enabled us to achieve high economic growth of 9% in the early 1990s. The Government will ensure its fiscal position returns to a sustainable level in the coming years.

17. The Government is confident that the deficit can be financed from domestic sources, given the ample liquidity in the domestic financial system. In addition, the Federal Government debt ratio is still at a prudent level. The financing of the deficit will not crowd out the private sector in sourcing funds, particularly from the bond market, which has expanded rapidly and is currently the second largest in the East Asia region.

## **FIRST THRUST: REDUCING UNEMPLOYMENT AND INCREASING EMPLOYMENT OPPORTUNITIES**

18. Given the current global economic environment, companies particularly in the manufacturing sector, have had to stop or reduce operations. This is expected to increase the unemployment rate in 2009 to 4.5% compared with 3.7% in 2008. Since October 2008, a total of 25,000 workers have been retrenched, while 30,900 have been temporarily laid-off and 23,900 had to take paycuts. In addition, about 100,000 workers have not been given overtime work, resulting in significant reduction in income.

19. The Government is concerned of the difficulties faced by retrenched workers and unemployed graduates and the anxiety felt by their families. To assist them, the Government will create a total of 163,000 training and job placement opportunities in the public and private sectors.

### ***Providing Training and Creating Employment Opportunities***

20. Of the 163,000, a total of 100,000 training opportunities and job placements will be undertaken as joint collaboration between the Government and the private sector. This will be implemented through training programmes by various Government agencies, including government-linked companies (GLCs), and the private sector, including private training institutes. The main objective is to enhance skills to meet industry requirements, as well as employability. The Government will also implement job placements and provide incentives to employers to recruit and train local workers. The intention is also to reduce dependence on foreign labour. An allocation of RM700 million will be provided for this purpose.

21. Among the measures to be taken are the following:

First: Increase the number of participants under the Special Training and Re-Training Programmes for retrenched workers and the Dual National Training Scheme to enhance skills of those currently employed;

Second: Increase the number of training programmes with the cooperation of industries and related companies, such as in electrical and electronics, welding, robotics and construction. In addition, more industrial and technical skills training will be conducted by Skills Training Centres in all states for 10,000 trainees.

Third: Provide on-the-job training for unemployed graduates, in the financial sector by the Securities Commission and Bank Negara Malaysia for a period of 2 years. A total of 1,000 unemployed graduates will participate in this programme;

Fourth: Provide 2,000 training opportunities and job placements in GLCs, particularly in the services sector, such as outsourcing, aviation, utilities, health and creative multimedia;

Fifth: *Perbadanan Usahawan Nasional Berhad* (PUNB) will implement attachment training programmes for graduates and those with skills certificates. Participants will be placed in PUNB investee companies for a period of 6 months to a year. On completion of training, qualified participants will receive financial assistance from *Projek Pembangunan Usahawan Dalam Bidang Peruncitan* (PROSPER) to venture into business. PUNB targets 2,000 graduates to be trained under the attachment programme; and

Sixth: Further strengthen the *Program Tunas Mekar* to encourage graduates to venture into business activities and add value to existing small and medium enterprises (SMEs). A total of 500 graduates and SMEs will participate in the programme.

22. The Government will also establish 22 JobsMalaysia Centres and upgrade 109 existing centres. These Centres will be located in high-density public areas, including shopping complexes to facilitate access for workers and employers to obtain job placements, career counselling and information on training opportunities. In addition, more large-scale job carnivals will be organised at the national level to assist the unemployed and retrenched workers obtain employment in the public and private sectors.

### ***Welfare of Retrenched Workers***

23. Private companies need to contribute towards providing jobs to retrenched workers, including those who have opted for Voluntary Separation Scheme. To support this endeavour, the Government proposes that employers who employ workers retrenched from 1 July 2008 be given double tax deduction on the amount of remuneration paid. The amount of remuneration eligible for this deduction shall not exceed RM10,000 per month and is limited

up to 12 months remuneration per employee. This incentive is applicable to workers employed from 10 March 2009 to 31 December 2010.

24. For example, an employer recruits a retrenched worker from another company and pays a salary of RM24,000 a year. Normally, tax deduction to the employer is RM24,000 from taxable profit. However, with this measure, the company is allowed to deduct RM48,000 from profit, that is, at double the salary. This represents an additional tax reduction for the company of RM6,000 or 25% from RM24,000.

### ***Creating Job Opportunities in the Public Sector***

25. The Government will recruit 63,000 staff to fill vacancies and serve as contract officers in various Government agencies. For this, the Government will:

First: Expedite recruitment for 50,000 vacant posts at the support and professional level in the Federal civil service. For vacancies in the support group, the Public Services Commission will delegate authority to recruit to the relevant agencies; and

Second: Create additional 13,000 jobs for officers on a contract basis in Government agencies, as follows:

- i. Recruit 4,000 officers on short-term service with minimum Sijil Pelajaran Malaysia qualification and monthly salary of RM1,200;
- ii. Recruit 1,000 graduates as school teachers on contract basis with monthly salary of RM2,000;
- iii. Recruit a total of 800 contract workers to strengthen the implementation of *Program Cari* under the Ministry of Women, Family and Community Development for a period of six months to a year;

- iv. Recruit 1,000 Public Health Assistants on contract basis in local authorities for control and prevention of infectious diseases, such as dengue;
- v. Recruit a total of 4,500 contract officers as enumerators in the Department of Statistics to carry out population census; and
- vi. Recruit 1,700 nurses and health support staff in the Ministry of Health.

26. I would also like to take this opportunity to reiterate that the Government will not terminate the services of any contract officers prematurely unless on disciplinary grounds or for unsatisfactory performance.

### ***Opportunities for Post-Graduate Education***

27. The Government will take this opportunity to encourage more Malaysians to pursue Masters and PhD courses. The Government will undertake to finance tuition fees and research grants up to RM20,000 for every student pursuing PhDs locally. For students in the Masters programme, the Government will provide up to RM10,000 per student. A total of 500 places will be provided for studies at PhD level and 10,000 at Masters level in public institutions of higher education as well as at *Universiti Tenaga Nasional* (UNITEN), Multimedia University (MMU) and *Universiti Teknologi PETRONAS* (UTP). The programme is open to all Malaysians and selection based on merit. The Ministry of Higher Education will implement the programme.

### ***PROSPER Graduate Programme***

28. The PROSPER Graduate Programme was implemented in June 2005 to assist *Bumiputera* graduates in retail or distributive business with training, financing and business advisory services. Participants are offered *syariah*-based financing of between RM5,000 to RM50,000 with a repayment period of 3 to 7 years. To date, a total of 334 businesses have been successfully established. To develop more young entrepreneurs, PUNB will expand the

scope of the Graduate PROSPER Programme to include those with skills and technical certificates. An additional 400 graduates will benefit from the programme.

### ***Efforts to Reduce Foreign Workers***

29. The Government will continue to take steps to reduce the dependence on foreign workers and give priority to hiring local workers. For this purpose, the following measures will be undertaken:

First: Levy on foreign workers will be doubled for all sectors except construction, plantation and for domestic maids. The levy will be paid by the employers and not by the workers;

Second: In the event the services of foreign workers are prematurely terminated, the levy will be refunded on a pro-rated basis to the employers. In addition, the employers' bank guarantees will be returned; and

Third: Freeze the issuance of licences to foreign labour recruitment agencies and tighten the conditions for recruitment of foreign workers by existing agencies.

### **SECOND THRUST: EASING THE BURDEN OF THE *RAKYAT*, IN PARTICULAR THE VULNERABLE GROUPS**

30. Eradication of poverty remains a main agenda and we are determined to eliminate hardcore poverty by 2010. The Government will continue to assist oil palm and rubber smallholders whose incomes have been affected due to declining commodity prices. Assistance will be provided through re-planting, integrated farming and livestock breeding schemes by related agencies. In the event that a fall in palm oil and rubber prices results in the income of smallholders falling below the poverty line income, the Government will ensure that the smallholders will be extended assistance under the Social Safety Net Scheme. To ease the burden of the *rakyat*, in particular the vulnerable groups, efforts will be taken to

increase household disposable income. We will continue to be a caring Government, particularly in these challenging times.

31. The Government provides various subsidies, incentives and assistance for fuel consumption, food security, scholarships and educational assistance as well as social welfare programmes. The allocation for subsidies and other assistance in 2008 totalled RM34.1 billion or 22% of total operating expenditure. Of this, RM18.1 billion was for fuel subsidies, RM6 billion as assistance for students, disabled and poor families as well as RM3 billion for food assistance, while RM7 billion was for other forms of assistance.

32. The Government is ever mindful of the difficulties faced by the *rakyat* and will ensure that prices of basic necessities and transport cost do not burden them. A sum of RM674 million in subsidies will be allocated to avert price increases of necessities, such as sugar, bread and wheat flour. Without these subsidies, the price of sugar will increase RM0.47 per kilogramme, wheat flour RM0.60 per kilogramme, and a 400-gramme loaf of bread by RM0.26. The Government will also provide RM480 million to ensure that toll rates are not increased. With these measures, the Government will allocate a sum of RM27.9 billion for subsidies in 2009.

### ***Increasing Home Ownership***

33. In the First Stimulus Package, a total of RM200 million was allocated to build 6,500 units of *rumah mesra rakyat* by *Syarikat Perumahan Negara Berhad*. In view of the good response from the low income group, the Government will provide an additional RM200 million under this Stimulus Package.

34. Currently, investment sentiment in the housing sector is weak, given that both developers and buyers appear to be adopting a cautious attitude to build and to own houses. Therefore, to stimulate the housing sector, the Government proposes that house buyers be given tax relief on interest paid on housing loans up to RM10,000 a year for 3 years.

### ***Improving Public Infrastructure***

35. The Government will enhance public infrastructure for the benefit and welfare of the *rakyat*. Apart from building capacity for the future, these efforts will also promote greater activities in the construction sector and stimulate domestic demand. Towards this, the following measures will be taken:

First: Accelerate implementation of projects under the Ninth Malaysia Plan, which have high local content and multiplier effect, people-centric and can be implemented immediately. These projects amount to RM8.4 billion. In addition, RM1.6 billion is allocated for funds to promote investments;

Second: Provide additional allocation of RM200 million to repair and maintain drains and roads. In addition, the surroundings of public flats will be improved to ensure more comfortable living conditions. This includes painting, repairing of lifts and improving waste disposal facilities; and

Third: Undertake renovation, maintenance and repairs of welfare homes, fire and rescue stations and quarters, as well as public toilets in mosques, *surau* and tourist spots. For this, a sum of RM150 million will be provided.

### ***Government Savings Bonds***

36. To further increase income of the *rakyat*, the Government will issue *syariah*-compliant Savings Bonds amounting to RM5 billion this year. The bond will have a maturity of three years, with an annual return of 5% and will be paid quarterly to bond holders. Apart from providing an additional savings instrument to the *rakyat*, the bonds will provide holders with additional income. Bondholders will receive additional income of RM250 million a year. The bonds are available to all citizens aged 21 and above, with a minimum investment of RM1,000 and a maximum of RM50,000.

### ***Improving School Facilities***

37. To further strengthen human capital development, the Government will provide a more conducive learning environment. For this, an allocation of RM1.95 billion is provided to build and improve facilities in 752 schools, particularly in rural areas as well as Sabah and Sarawak. A sum of RM300 million from this allocation will be used to improve facilities in government-aided religious schools, national-type Chinese and Tamil schools as well as mission schools.

### ***Basic Amenities in Rural Areas***

38. The Government will continue to ensure that the *rakyat* in rural areas enjoy adequate basic facilities, in particular electricity and water supply as well as rural roads. Towards this, an allocation of RM230 million will be provided to increase the coverage of electricity and water supply in rural areas, particularly in Sabah and Sarawak. Apart from this, an additional allocation of RM350 million will be provided for the construction of rural roads. This will increase economic activities through the participation of small contractors and local workers in rural areas. The Government will also provide allocation of RM500 million for PIA and PIAS projects, with emphasis on programmes in Sabah and Sarawak.

### ***Programmes in Sabah and Sarawak***

39. The Government will continue to focus on providing infrastructure and increasing economic activities in Sabah and Sarawak. For this purpose, a sum of RM1.2 billion will be allocated. Projects and programmes to be implemented in Sarawak include the expansion of Sibul Airport, deepening works at Miri Port, repair and improve infrastructure damaged by floods, upgrading of schools as well as construction of Lawas Training Centre, Kota Samarahan Industrial Estate and tourism facilities. In Sabah, among the main programmes and projects to be implemented include building of Giat Mara centres, Kota Kinabalu Electricity Transmission System, as well as upgrading of schools, roads and bridges. The Government will also take action to resolve issues related to health services in Queen Elizabeth Hospital, Sabah.

### ***Microcredit Programmes***

40. Currently, there are several microcredit programmes provided without collateral, including by *Amanah Ikhtiar Malaysia*, *Tabung Ekonomi Kumpulan Usahawan Nasional* (TEKUN), *Bank Simpanan Nasional* and AgroBank. Total microcredit funds provided under the various programmes exceed RM1.5 billion and are channelled to small businesses in urban and rural areas. An additional RM300 million is provided for the microcredit programme under AgroBank to assist farmers and agro-based businesses in rural areas as well as RM50 million for TEKUN.

41. Fishermen face high risks as they are often exposed to dangers of storms and open seas. To assist fishermen affected by disasters at sea, the Government will establish a Fishermen's Welfare Fund with an initial allocation of RM2 million, which will be managed by *Lembaga Kemajuan Ikan Malaysia*.

### ***Assisting the Less Fortunate***

42. In Budget 2009, an allocation of RM830 million was provided to implement social safety net programmes to ensure the well-being of the less fortunate, including the elderly, disabled and single mothers. The Government will increase financial assistance and support staff to manage the welfare of this group. In the Second Package, an additional allocation of RM20 million will be provided to improve the facilities of daycare centres for the elderly, strengthen the management of women shelter homes and increase facilities for childcare centres.

### ***Ensuring Welfare of Retrenched Workers***

43. The Government is concerned of the plight of retrenched workers. To reduce their burden and increase disposable income of retrenched workers, the Government proposes that the existing tax exemption of RM6,000 given on retrenchment benefits be increased to RM10,000 for each completed year of service.

### ***Incentives for Banks to Defer Repayments of Housing Loans***

44. The Government is cognisant of the problems faced by retrenched workers in repaying their housing loans. To assist them, banking institutions have agreed these retrenched workers defer the repayment of their housing loans for one year. To support the initiative of the banking institutions to extend this repayment period, the Government agrees that the interest income related to the deferment of housing loan repayments be taxed only when such interest is received.

### **THIRD THRUST: ASSISTING THE PRIVATE SECTOR IN FACING THE CRISIS**

45. The Government will assist private companies to weather these difficult times. The Government will implement measures to enhance foreign and domestic investor confidence in the Malaysian economy.

### ***Working Capital Guarantee Scheme***

46. SMEs play an important role in generating economic growth and creating employment opportunities. Currently, SMEs comprise 99% of total registered businesses in Malaysia, contribute 56% to total employment and account for 32% of GDP. The Government is aware that many SMEs have been affected by the worsening global economic environment, particularly from the contraction in export markets. Currently, the Credit Guarantee Corporation under Bank Negara Malaysia provides *Skim Jaminan Usahawan Kecil* to fund working capital of SMEs, with shareholder equity of less than RM3 million.

47. The Government will establish a Working Capital Guarantee Scheme totalling RM5 billion to provide working capital to companies with shareholder equity below RM20 million. The Government will provide guarantee in the ratio of 80:20, that is 80% will be guaranteed by the Government and 20% by the financial institutions. The maximum loan amount will be RM10 million with a maximum repayment period of five years. I often receive complaints from

companies regarding their difficulties in obtaining loans from financial institutions, even for viable projects. With this fund in place, the Government is confident that financial institutions will provide more loans to companies. It is important that, in the current economic downturn, financial institutions do not restrict credit flows to companies or impose tighter conditions.

### ***Industry Restructuring Loan Guarantee Scheme***

48. The slower economic environment provides us with the opportunity to improve the economic structure of the nation and shift rapidly towards increased productivity and higher value-added activities, as well as promote greater use of green technology. Apart from strengthening the potential for higher long-term growth, this shift will create opportunities for higher skilled jobs with better income. It will also contribute towards reducing our dependence on unskilled foreign labour.

49. To accelerate this shift, the Government will set up an Industry Restructuring Guarantee Fund Scheme totalling RM5 billion for loans to increase productivity and value-added activities, as well as the application of green technology. Under the Scheme, for companies with shareholder equity less than RM20 million, the Government will provide a guarantee based on the ratio of 80:20, with Government guarantee of 80%, and the remaining 20% by financial institutions. For companies with shareholder equity of RM20 million or more, the guarantee ratio will be 50:50. The maximum loan is RM50 million to be repaid within a period of 10 years.

### ***Facilitating Access to Capital Market***

50. Under the current market conditions, even companies with investment grade ratings are unable to access the capital market, particularly the bond market. To assist and facilitate these companies access the bond market, the Government will establish a Financial Guarantee Institution to provide credit enhancement to companies that intend to raise funds from the bond market. This measure will also further develop the domestic bond market.

Bank Negara Malaysia will assist in the setting up of this institution. This government-owned company will have an initial paid-up capital of RM1 billion, which will subsequently be raised to RM2 billion. It is expected that bonds totalling RM15 billion will be raised under this facility.

51. The Securities Commission will implement additional measures to reduce time-to-market to enable companies to raise funds in the capital market in a more efficient and cost-effective manner, as follows:

First: Rights issues by listed companies will no longer need approval of the Securities Commission;

Second: Issuance and offerings of equity securities by unlisted public companies will be exempted from seeking Securities Commission's approval, as these companies usually have a relatively small number of shareholders;

Third: The Code on Take-Overs and Mergers 1998 will no longer apply to private limited companies. This is to facilitate companies to undertake restructuring as well as take-overs and mergers;

Fourth: The Securities Commission only needs to be informed of any amendments to the terms and conditions of bonds and *sukuk* issuances, which have already been approved by the bonds and *sukuk* holders;

Fifth: The Securities Commission only needs to be informed of any revisions relating to the terms and conditions of bonds and *sukuk* for listing on Bursa Malaysia; and

Sixth: Convertible and exchangeable bonds will be exempted from mandatory rating requirements.

### ***Attracting High-Net-Worth and Skilled Individuals***

52. The shift towards a knowledge-based economy or K-economy requires Malaysia to

attract not only foreign investors but also highly skilled professionals. To accelerate the transformation, the Government will introduce a new programme where permanent resident status would be considered for high-net-worth individuals bringing more than USD2 million for investments or savings in Malaysia. In addition, highly skilled foreign professionals may also be considered for permanent resident status.

### ***Reducing Cost of Doing Business***

53. To assist businesses, the Government will exempt levy payments to the Human Resource Development Fund for a period of 6 months for employers in the textile as well as electrical and electronics industries with effect from 1 February 2009. Additionally, the Government will reduce the levy payment rate from 1% to 0.5% for all employers for a period of 2 years effective 1 April 2009. With this reduction, employers will save RM390 million in business costs.

### ***Promoting the Automotive Sector***

54. The automotive sector is among the major industries with potential for further development. The industry has produced many vendors, including original equipment manufacturers and has generated many job opportunities. In the current economic situation, the sales performance in the automotive industry has not been encouraging and many companies in the automotive supply chain are facing difficulties. These companies have to be assisted to enable them to continue operations, despite facing low demand and rising costs. For this, the Government will provide an additional allocation of RM200 million to the Automotive Development Fund to continue supporting the development of the automotive industry and vendors as well as establish the Automotive Institute of Malaysia.

55. In addition, as a joint effort between the Government and the private sector, the Government will assist in the auto-scraping scheme for PROTON and PERODUA. Under the scheme, a discount of RM5,000 will be given to car owners, who trade in their cars, which are at least 10 years old, for the purchase of new PROTON or PERODUA cars. The

Government will finance part of the discount borne by PROTON or PERODUA. This scheme is intended to stimulate car sales, as well as reduce carbon emission.

### ***Aviation Industry***

56. The aviation industry has expanded rapidly with total passenger traffic increasing by 5% to 47.4 million passengers in 2008. The number of passengers using low cost airlines has also increased to 18.5 million. Given the Low Cost Carrier Terminal (LCCT) in Sepang has limited capacity to handle more passengers, Malaysia Airports Holdings Berhad will build and operate a new LCCT at Kuala Lumpur International Airport (KLIA) at an estimated cost of RM2 billion, which is expected to be ready in 2011.

57. To attract more tourists, particularly from abroad, concerted efforts will be taken to encourage more airlines to operate from Malaysia. For this, a rebate of 50% on landing charges will be given for a period of 2 years effective 1 April 2009 to all airlines that operate from Malaysia.

### ***Accelerated Capital Allowance***

58. To encourage businesses to invest, the Government proposes that expenses incurred on plant and machinery be given Accelerated Capital Allowance, which can be claimed within 2 years. This treatment is applicable to investments incurred between 10 March 2009 and 31 December 2010.

59. Currently, expenses incurred on renovation and refurbishment of business premises are not allowed as a deduction and do not qualify for capital allowance. To encourage companies to renovate and refurbish their business premises, the Government proposes that expenditure incurred on renovation and refurbishment between 10 March 2009 and 31 December 2010 be given Accelerated Capital Allowance, which can be claimed within 2 years. The Allowance is capped at RM100,000.

### ***Carry Back Losses***

60. To assist companies incurring losses as a result of the global economic crisis, the Government proposes that the company's current year losses be allowed to be carried back to the immediate preceding year. The treatment will improve the company's cash flow compared with the current tax treatment. Total losses to be carried back is up to RM100,000 per year. The tax treatment is applicable for year of assessment 2009 and 2010.

61. Take the example of a company which made taxable profit of RM60,000 in 2008 and paid taxes of RM15,600, being 26% of the profit. The company then made a loss of RM40,000 in 2009. However, by allowing the company to deduct the RM40,000 loss against the 2008 profit of RM60,000, the revised taxable profit for 2008 is RM20,000 and the tax payable is RM5,200. Hence, the company will get a tax refund of RM10,400, being the difference between RM15,600 and RM5,200.

### ***Profit Levy on Oil Palm***

62. At present, a windfall profit levy on oil palm is imposed when the price of crude palm oil exceeds RM2,000 per tonne. However, of late the cost of production has increased and the threshold of RM2,000 per tonne does not appear to reflect the level of windfall profit. Therefore, the threshold for windfall profit levy will be increased to RM2,500 per tonne for Peninsular Malaysia and to RM3,000 per tonne for Sabah and Sarawak.

### ***Promoting Tourism***

63. The tourism industry has potential to be developed. The Government will intensify the implementation of various tourism programmes to leverage on our competitive advantage, including eco-tourism, health and education tourism. To further enhance the tourism industry, the Government will allocate RM200 million to upgrade infrastructure in tourist spots, diversify tourism products, organise more international conferences and exhibitions in Malaysia as well as improve the homestay programme. Apart from this, the Government will strengthen the Malaysia MySecond Home Programme and consider issuing work permits to skilled spouses

of the programme participants.

#### **FOURTH THRUST: BUILDING CAPACITY FOR THE FUTURE**

64. The economic crisis provides an opportunity to the Government to implement measures to strengthen and expand the nation's capacity to ensure the economy is well-placed to optimise opportunities when the global economy recovers. Among the measures that will be taken include stimulating new growth areas as well as restructuring industries towards high productivity and value-added activities.

##### ***Investments by Khazanah Nasional Berhad***

65. As part of Government's efforts to promote domestic private investments, the investment funds of Khazanah Nasional Berhad will be increased by RM10 billion. The funds will be invested by Khazanah over a two-year period giving priority to domestic investments that have high multiplier effects and create more job opportunities. Khazanah will focus on investments in strategic sectors, including telecommunications, technology, tourism, agriculture, life sciences and projects related to Iskandar Malaysia.

66. In 2009, Khazanah will invest RM3 billion in the telecommunications sector, which among others, will facilitate its subsidiary to improve broadband infrastructure in the country. Khazanah will also intensify the development of Iskandar Malaysia with a RM1.7 billion investment in 2009 for the building of infrastructure, hotels, theme parks as well as universities. Agricultural projects to be implemented include a 1,000-hectare prawn aquaculture project in Setiu, Terengganu as well as a 200-hectare modern vegetable-farming project in Cameron Highlands. Overall, investments by Khazanah and its subsidiaries are expected to create 70,000 job opportunities by 2011.

##### ***Off-Budget Projects***

67. The Government has also identified investment projects worth RM5 billion that will be

implemented on off-budget basis. Among the projects in this category, are as follows:

First: LCCT at KLIA and the expansion of Pulau Pinang Airport at an estimated cost of RM2 billion and RM250 million, respectively;

Second: Projects to improve telecommunication infrastructure, including broadband libraries, Broadband Community Centres as well as the provision of basic telephony services in 89 districts in rural areas at a cost of RM2.4 billion by the Malaysian Communications and Multimedia Commission; and

Third: Construction of sky bridges and covered walkways between buildings, especially in the Golden Triangle, Kuala Lumpur at a cost of RM100 million.

### ***Private Finance Initiative (PFI)***

68. To further boost private investment activities, the Government will assist the implementation of projects through PFI and public-private partnerships by providing funds amounting to RM2 billion. Private companies will be invited to bid for the funds. PFI projects to be implemented must have the following characteristics:

First: The private sector will implement, finance and assume project risks. The project's revenue must be generated principally from the private sector, and not from Government sources;

Second: Government financial assistance will only constitute a small proportion of the project investment cost. The assistance is intended to act as a tipping point, whereby the assistance enables a marginally non-viable project to become viable; and

Third: Projects to be implemented must be in strategic sectors, such as education, health and tourism; have high spillover effects; create sustainable job opportunities; and enhance the nation's competitiveness.

69. Among the projects approved under the public-private partnership are the provision of infrastructure for the Tanjung Agas industrial park, a biotechnology cluster in Iskandar Malaysia as well as upgrading the traffic infrastructure system around KL Sentral. The support given to the construction of infrastructure at Tanjung Agas will spur the creation of an industrial cluster in the Eastern Corridor Economic Region (ECER). The investment support given to the biotechnology cluster in Iskandar Malaysia will facilitate FDI inflows into the new growth sector of biotechnology. The investment by Government to improve the traffic infrastructure around KL Sentral will facilitate new investments by the private sector valued at RM3 billion over the next 3 years, involving the development of new offices, hotels and shopping complexes.

70. An effective area for public-private partnership is education. Currently, private education complements public education. To optimise existing capacity and improve access to private education, the Government proposes to increase the number of scholarships for entry into local private universities. As part of their corporate social responsibility (CSR), GLCs also operate private universities, such as UTP, UNITEN and MMU. The Government has received commitments from GLCs to enhance CSR activities in human capital development. For a start, GLCs will establish 10 not-for-profit private schools.

### ***Liberalisation of Services Sector***

71. In our effort to restructure the nation's economy, in line with global trends, the focus will be on the services sector as it has potential to continue expanding rapidly and contribute significantly to economic growth. The sector currently contributes 55% to GDP and has the potential to contribute more than 70% to GDP, as in developed countries.

72. In this context, the Government will take steps to liberalise the sector to attract more investments, bring in more professionals and technology as well as strengthen competitiveness of the services sector. These efforts are also in line with Malaysia's commitments under the ASEAN Framework Agreement on Services, and the World Trade Organisation.

### ***Role of Foreign Investment Committee (FIC)***

73. In promoting further liberalisation and to make Malaysia a more competitive market, the FIC's new role will be monitoring investments at the macro level. However, at the micro level, FIC will continue to formulate policy guidelines focusing only in sectors of national interest, such as ports and airports, property, defence, public transportation and telecommunications.

74. FIC will adopt a more liberal approach, which will bring positive changes and nurture a more investor-friendly environment to attract more investments, including FDIs. The Government is formulating new guidelines to reflect its new role.

### ***Development of Creative Arts Industry***

75. The Government also continues to give serious attention to the local arts community to produce creative works in a systematic manner. In this regard, *Radio Televisyen Malaysia* will implement several projects to develop the local music industry. It can even be a source of income for artistes, especially among the talented youths. For this purpose, an allocation of RM20 million is provided.

### ***Effective Management of Government Financial Resources***

76. The Government will strengthen the value-for-money approach in Government procurement. As such, the Government will implement an approach, which will enhance elements of competition in Government procurement. All Government procurements will be made through open tenders or restricted tenders, except for specific cases. Electronic procurement will be expanded through the *e-Perolehan* system to enhance transparency in the management of Government procurement.

77. To manage costs, the implementation of design and build projects will not be allowed except in cases requiring high technical expertise. In addition, project proposals must obtain

approval from the Standards and Costs Committee. Agencies must implement projects according to cost, cost limits, project scope and plans, as approved. As such, any changes to project costs, work scope and design without approval of the Committee will not be allowed. To further strengthen the role and effectiveness of the Committee, the Government will increase the number of professionals, such as engineers, architects and quantity surveyors. The Committee will also submit periodic reports to the Cabinet on standards compliance and related issues.

78. The Government will continue to support the development of domestic industries through Government procurement. The Government has mandated the use of local materials, products or services and give priority to local manufacturers in Government procurement. Procurement of imported items will only be allowed if they cannot be sourced locally or the cost of local products are too high. The Government also encourages the private sector to give priority to local products in their procurement.

### **Conclusion**

79. The Government is confident that the strategies and measures outlined in this Stimulus Package are comprehensive to prevent our economy from slipping into deep recession.

80. We cannot depend on orthodox economic recovery policies. We must be bold in formulating innovative approaches to deal with the crisis. This is a very challenging time for all of us. We must be ready and strong to face the challenges ahead. We must draw upon our past experience to overcome the crisis.

81. Recently, there have been increasing calls by the *rakyat* for the Government and the Opposition to set aside political differences and focus on the economy. I personally acknowledge these calls and therefore, I urge all parties, including our friends on both sides of the aisle, and every Malaysian to work together and strive harder to build a better Malaysia on the basis of a strong and sustainable growth path.

82. During our special session on Gaza, Palestine, we the Government and the Opposition, were able to unite with one voice and a common purpose, in proposing a new peace formula to assist the Palestinians in the name of humanity. Whilst it is true that we have differing political views but in the face of economic turmoil, we must again unite for a common cause. But this time for the survival and the prosperity of our beloved nation.

83. I pray to Allah SWT to grant us the confidence, strength and perseverance in facing the crisis.

84. Mr. Speaker Sir, I will table a Resolution on the First Supplementary Development Expenditure Estimates for 2009 after this speech.

I beg to propose.