
PAKATAN RAKYAT

2014

BUDGET



وَلَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ وَتُدْلُوا بِهَا
إِلَى الْحُكَّامِ لِتَأْكُلُوا فَرِيقًا مِّنْ أَمْوَالِ
النَّاسِ بِالْإِثْمِ وَأَنْتُمْ تَعْلَمُونَ

Al-Baqarah, 188:

And do not eat up your property among yourselves for vanities,
nor use it as bait for the judges, with intent that ye may eat up wrongfully and
knowingly a little of (other) people's property.
[Tafsir Abdullah Yusuf Ali]

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SAFEGUARDING THE PEOPLE'S INTERESTS BEFORE THE LOOMING STORM

GDP, CPI & OPR	2009	2010	2011	2012	2013 PR	2014 PR
Real GDP Growth (%)	-1.5	7.4	5.1	5.6	4.7	5.2
Average CPI Growth (%)	0.6	1.7	3.2	1.6	2.0 - 2.5	2.5 - 3.5
Year-End OPR Levels (%)	2.00	2.75	3.00	3.00	3.00	3.25

FEDERAL GOVERNMENT FINANCE	2010	2011	2012	2013 E	2014 PR
Revenue (RM bn)	159.653	185.419	207.913	218.309	226.724
Operating Expenditure (RM bn)	151.633	182.594	205.537	216.931	214.584
Current Surplus/Deficit (RM bn)	8.02	2.825	2.376	1.37761	12.14
Gross Development Expenditure (RM bn)	52.792	46.416	46.932	47.750	47.635
Loan Recovery (RM bn)	1.496	1.082	2.606	1.024	1.251
Net Development Expenditure (RM bn)	51.296	45.334	44.326	46.726	46.384
Total Expenditure (RM bn)	204.425	229.010	257.024	264.681	262.219
Overall Deficit/Surplus (RM bn)	-43.276	-42.509	-41.950	-45.348	-34.244
Percentage of GDP (%)	-5.4	-4.8	-4.5	-4.6	-3.2

Notwithstanding increased market volatility and public anxiety over the possible wind-down of monetary stimulus measures by major central banks worldwide since Federal Reserve Chairman Ben Bernanke's 22 May 2013 congressional testimony, hinting at a "tapering" of the US's quantitative easing or scale-back of its monthly US\$85 billion bond purchase programme, and a review of its quasi-zero short-term interest rates, the speed of global recovery seems to have slackened in recent months, in particular in emerging economies despite some improvement in major advanced economies.

This has led to a gloomier global outlook for this year as evidenced by recent downgrades in global GDP growth forecasts for 2013 by the OECD (to 3.1% from 3.4%), IMF (to 2.9% from 3.2%) and World Bank (2.2% from 2.3%) vs. 3.2% in 2012. However, all three multilateral organisations foresee much rosier prospects for the global economy next year of 4.0% (OECD), 3.6% (IMF) and 3.0% (World Bank) compared to 2013, although the divergence in pace and progress between countries and regions remains.

Indeed, we are currently witnessing a multiple-speed recovery across the globe and

changing global growth dynamics with an encouraging pace of growth in developed economies but loss of momentum in emerging economies:

- relatively sub-par recovery in the US (+2.5% YoY in the 2Q2013) due to ongoing fiscal consolidation, but with a rosier outlook in 2014, driven by private sector demand thanks to the housing market upturn and rising household wealth while the partial government shutdown that began on 1 October 2013, its first in 17 years, was short-lived and the debt ceiling deadline was extended to February 2014;
- tentative pullout from its longest recession in history as sovereign debt issues and financial conditions stabilise in the Euro zone given signs of a turning point in core Euro countries although continued dampening effects of austerity measures and high unemployment remain a drag on peripheral Euro nations;
- disappointing economic performance for the world's 2nd largest economy, China during the first three quarters of 2013 with GDP growth averaging at 7.7% YoY, on track to achieve the full-year target of 7.5, its worst in 23 years due to economic rebalancing towards a consumption-based model away from an investment binge and elusive recovery in Asia's 3rd largest economy, India;
- “Abenomics” or the combined policy package of fiscal stimulus and monetary easing, has led to more upbeat prospects for Japan, which could be derailed by the big hike in the Value Added Tax (VAT) to 8% from 5% starting from April 2014, and the expected unwinding of fiscal spending and reconstruction activities;
- signs of adjustment fatigue in other global engines of growth mostly due to stagnation risks for some developed economies or being stuck in the "middle-income trap" for some emerging economies.

Moving forward, as threats from sovereign debt woes in Europe and fiscal uncertainties in the US appear to have abated, the major downside risks to the global economy in the near to medium term are:

- (a) side-effects of the move by central banks worldwide particularly in developed economies as they pull the plug on massive quantitative easing schemes and other easy monetary easing programmes, a challenge especially for countries with high public debts and hence higher debt servicing costs;
- (b) diminishing role of domestic demand as major source of strength for many emerging economies, which could prove to be vulnerable to any sudden monetary policy tightening or reversal in foreign capital flows given mounting household debts in many Asian countries;

- (c) twin deficits, i.e. budgetary and current account shortfalls (due to sagging global demand for goods and services ranging from commodities to manufactured goods while imports continue to surge thanks to robust domestic demand, buoyed by easy credit and lax fiscal policy), or at least deteriorating fiscal deficits and trade balances as well as worsening twin peaks, i.e. public and household debts across Asia;
- (d) a shift to lower growth path or a "new normal" for the global economy in particular major import absorbers such as China as well as other Asian and BRIC economies, although we are not yet able to ascertain whether it is due to: i) short to medium term structural weaknesses as post-global 2008-2009 crisis adjustments take effect longer than usual due to structural reforms and economic rebalancing modes undertaken in many large developing economies, or ii) whether it points to a persistent trend.

The long-run impact of aggressive and premature monetary tightening worldwide, both in advanced and emerging economies, could be damaging to the recovery process in emerging economies due to the rise in long-term interest rates and their repercussions on the cost of capital, penalising investment activities and eventually lowering overall economic growth than the rather short-term effects from excessively higher volatility in foreign exchange, stock, bond and money markets on capital flows, price and financial sector stability.

According to the World Bank's latest estimates, longer-term potential output could be knocked off by 7%-12% in emerging economies without effective mitigating measures as a result of abrupt and precipitous exits from ultra-loose monetary policy in developed economies. Of late, we have witnessed a series of market routs and sell-downs as investors are positioning themselves for a post-super easy money era by selling out riskier assets especially in emerging markets in favour of developed market assets which appear a better and safer bet.

After a dismal performance of just a 4.2% YoY rate on average in the first half of 2013 and in view of a recent array of sluggish leading indicators, Pakatan Rakyat has trimmed its full-year GDP growth forecasts for Malaysia in 2013 to 4.7% on the premise of a stronger showing of 5.0%-5.5% in the 2H2013 as a result of the projected global recovery. Indeed, the most recent official GDP growth forecast for 2013 has been revised downward to between 4.5% and 5%, much in sync with the market consensus.

However, should more widespread and definitive global recovery not materialise, the current export slump will continue to put pressures on Malaysia's manufacturing activities until year-end, dragging the overall GDP growth to an even slower pace and pushing the conclusive rebound for the Malaysian economy to the 2Q2014, notwithstanding commendable continuous support from domestic demand, in particular capital and consumer spending, from both private and to a lesser extent public sectors. For now, Pakatan Rakyat foresees the Malaysian economy growing at

a pace of 5.2% in 2014.

Expectations of further subsidy cuts, increases in “sin taxes” or excise duties on tobacco and alcohol products, and introduction of the Goods & Services Tax (GST) as part of the fiscal consolidation programme to prevent a potential effective downgrade to Malaysia’s sovereign credit rating following the revision in outlook to negative from stable by Fitch Ratings in late July 2013, as well as to meet its self-imposed public debt ceiling at 55% and deficit reduction target of 3% to the GDP by 2015, could exert upward pressures on inflation moving forward. The continuous slide in Malaysia’s current account surplus, narrowing to only RM2.55 billion in the 2Q2013 vs. the quarterly average of RM23.93 billion between 2005 and 2012, increases the likelihood of the twin deficit headache for Malaysia in the not-too-distant future.

Given this backdrop, Pakatan Rakyat is pleased to announce its version of Budget 2014 with the theme of “Safeguarding The People's Interests Before The Looming Storm.”

The Alternative Budget 2014 comprises four major thrusts, namely:

- (a) Consolidating fiscal position and enhancing public finances;
- (b) Enhancing the well-being of the rakyat and their quality of life – the agenda of a caring nation;
- (c) Ensuring a more balanced, inclusive and sustainable economic development; and,
- (d) Unleashing Malaysia’s true potential and enhancing its long-term competitiveness.

THRUST I: CONSOLIDATING FISCAL POSITION AND ENHANCING PUBLIC FINANCES

Pakatan Rakyat acknowledges that the sustainability of Malaysia's sovereign credit profile and the extent of its fiscal firepower in the near-to-medium term are under tremendous pressure in view of the perennial budget deficits since 1998 and ballooning federal government debt amount since 2009 due to the following factors:

- (a) limited diversification of the revenue base, although only about:
 - 1.8 million people pay personal income tax, equivalent to only 28% of the total 6.4 million registered individual taxpayers or 14% of the overall workforce of 13 million;
 - 107,043 companies pay corporate income tax out of 508,150 registered taxpaying companies;
- (b) over-dependence on oil and gas which accounts for 35%-40% of total revenue;
- (c) wastages and leakages in government expenditure (a small sample can be found in the Annual Auditor General's Report), estimated to amount to RM28 billion and RM40 billion a year according to various estimates reflecting various reasons such as:
 - overpayments or overpricing of goods and services supplied by vendors versus market prices;
 - non-compliance with the original objectives or standard operating procedures (SOPs) or specifications or terms and conditions;
 - late delivery with cost overruns or even abandonment of projects as a result of the lack of experience or expertise of contractors (chosen because of know-who and not because of know-how);
 - service delivery efficiency such as failure to collect taxes or duties; partial collection or total non-collection of fines, liquidated and ascertained damages and other forms of compensation;
 - elements of corrupt practices such as award of contracts to politically connected contractors or cronies although the projects/programmes have no particular benefits for the people; and,
 - other administrative weaknesses;
- (d) ever increasing subsidy bills and overly generous pre-election government handouts;
- (e) overshooting or even recklessness in government spending as evidenced by the consistent requests by the federal government for supplementary allocations or 'perbekalan tambahan' mid-way through the year which derail budget deficit reduction targets;
- (f) other structural weaknesses in Malaysia's public finances.

Indeed, since 1970, Malaysia has enjoyed only five straight years of budget surplus between 1993 and 1997 (which recorded the biggest surplus of RM6.6 billion), but

suffered the worst deficit in 2009 in terms of amount (-RM47.4 billion) and as a percentage of GDP (-6.7%). The federal government debt-to-GDP ratio also worsened from just 39.8% in 2007 to 51.1% in 2009 and 53.3% by end-2012, among the highest in the region compared to 51.5% in the Philippines, 44.5% in Thailand and 23% in Indonesia. Taking into account existing contingent liabilities, estimated to be worth RM147 billion at present, the public debt-to-GDP could easily hit 70% by end-2013.

Following warnings issued by Fitch Ratings and Standard & Poor's of a possible credit ratings downgrade in late August 2012 and early September 2012 respectively, as well as the revision to Malaysia's sovereign credit rating outlook to negative from stable by Fitch Ratings in late July 2013, does Malaysia run a high risk of an effective downgrade to its sovereign credit ratings in the near-to-medium term and whether it is one of the major macroeconomic dangers?

This Alternative Budget 2014 is Pakatan Rakyat's attempt to introduce real fiscal reforms or more coherent and countercyclical fiscal strategies in order to:

- (a) meet the self-imposed mid-term targets of 3% for the budget deficit-to-GDP ratio by 2015 and maintain the public debt-to-GDP ratio below the statutory debt ceiling of 55% (which was increased from 45% in July 2009 and from 40% in April 2008 to accommodate the massive stimulus package in response to the 2008/2009 global financial crisis and recession); and,
- (b) achieve a balanced federal government budget i.e. a budget surplus within the first term in power at the federal level if given the mandate.

Pakatan Rakyat's fiscal reforms hinge on making the taxation system more progressive, or at least less regressive, more simplified and more accountable with the possibility of introducing tax choice as well as putting in place respect for intention, principles and mechanisms of fiscal rectitude. If Pakatan Rakyat's programme of fiscal discipline on how to plug the gap is followed religiously from 2014 onwards, Malaysia should be able to achieve a balanced budget or even eke out a small surplus by 2018 at the latest. This should help Malaysia:

- (a) break the vicious cycle of mounting public debt in excess of RM500 billion and the ever growing annual debt service charges of approximately RM20 billion at present or about 10% of annual operating expenditure;
- (b) preserve economic resilience in the medium-to-long term in the face of a very challenging global economic and financial environment;
- (c) move away from a "borrowed growth model" with a rising share of the government spending-led economic activities.

Section 1: Spending Efficiency and Rationalisation

Ideally, Pakatan Rakyat holds the view that the gap between the operating and gross development expenditure in terms of share out of total expenditure should be narrowed and changed to 60:40, compared to about 80:20 at present. To reduce federal government's expenditure, especially operating expenditure, Pakatan Rakyat

proposes:

- (a) broad cost rationalisation programmes at all ministries and government departments/agencies to achieve an across-the-board 10% cut to annual operating expenditure by:
 - temporarily freezing payrise and rationalising allowances for federal government cabinet ministers and top-echelon officers;
 - reviewing the government expenditure policy, especially regarding procurement such as award of government contracts to an open tender system, and stringent cost controls, among others, to minimise wastages and leakages as supplies and services remain the 3rd largest component of operating expenditure since 2011;
 - undertaking a stricter control of subsidy bills, the 2nd biggest component of operating expenditure towards a fairer and targeted subsidy regime by reviewing corporate subsidies enjoyed by corporations and introducing effective mechanisms to prevent abuse and smuggling of subsidised items in particular diesel, petrol, sugar and flour using the proposed ePetrol Systems' cashless payment system for instance;
- (b) prioritising all types of expenditure to extract savings such as deferment, cutback in or even elimination (temporarily or permanently) of non-productive public capital expenditure and other unnecessary expenses:
 - suspension or moratorium for at least a year to the National Service, which costs the federal government much higher than the annual budget for the Youth and Sports Ministry and resulted in 22 deaths over the past decade due to haphazard planning and execution, to enable rechanneling of public funds to more urgent needs and to allow a Parliamentary Select Committee to reassess the long-term viability of the programme and report its findings within a six-month period;
 - review all direct transfer payment programmes in particular BR1M in order to tighten the eligibility criteria to beneficiaries given the gap between statistics from the Household Income Survey 2012 of 2.655 million eligible beneficiaries and the actual number of 4.3 million recipients;
 - deferment of projects with high import content and low multiplier effects;
- (c) introduction of other cost-containment initiatives.

Section 2: Examples of Cost-Containment and Savings Initiatives

Based on the Auditor General's Report for 2012, it is estimated that cost savings worth up to RM6.5 billion can be obtained by getting rid of failed programmes, reducing wastage and plugging leakages of which RM5.7 billion involve ministries and departments of the federal government while the remaining RM0.8 billion are from statutory bodies. However, it must be emphasised that this estimated amount of cost savings was arrived at by analysing only projects and initiatives identified by the Auditor General's Report for 2012. As such, the annual Auditor General's Report could be only the tip of the iceberg as it merely reflects a small sample or snapshot

picture of wastages and leakages in public finances, i.e. more could be hidden underneath.

(a) Defence Procurement

After dropping further to 'E' (very high risk), effectively placing Malaysia in the same league as countries such as China, Afghanistan, Bangladesh, Zimbabwe in the Defence Anti-Corruption Index from 'D' in January 2013, Malaysia is deemed as having a very high risk of corruption in its defence spending and operations.

In view of the huge budget allocation for defence and security, worth RM23 billion under the 10th Malaysia Plan, Pakatan Rakyat proposes the establishment of a bipartisan Defence Accounts Committee or a parliamentary oversight committee to look into defence expenditure. To date, there is no oversight over defence purchases, not even in the bipartisan Public Accounts Committee which oversees all other types of government spending not classified as official secrets.

Pakatan Rakyat reiterates that the procurement process including the decision making committees should consist of members of the ruling coalition and opposition in consultation with civilian expert groups to avoid potential corrupt practices and purchase of 'unnecessary' equipment that are not strategic at any point of time especially if we take into account the Five Power Defense Arrangement (FPDA). For example, under the FPDA, the prospect of a conventional military attack on our territory has diminished which may not warrant the purchase of certain new equipment for the next three to five years and in turn should save the country billions of ringgit. This saving could otherwise be used for development of in-house defense research and development that will help reduce our over-dependency on foreign military equipment, another potential savings in the long run.

Another potential saving is by leveraging on civilian defence experts who can provide useful insight into the latest defence technology and equipments, maximising tactical strategy and the use of capital resources. All in all, Pakatan Rakyat estimates a total saving of close to RM3.5 billion in defence procurement.

(b) Improving Quality and Accountability in Government Contracts

(1) "Liquidated Ascertained Damages" (LAD) System

Pakatan Rakyat will ensure that the LAD system becomes regular practice to ensure parties that do not fulfill their responsibilities in completing a project are made to compensate the government for losses incurred due to costs and time wasted. It will ensure government project developers take greater responsibility and employ more rigorous planning so that projects are completed on time. Those found to be low performing will be fined an appropriate amount and blacklisted from partaking in future projects.

2) Qualitative Assessment for Government Projects

Pakatan Rakyat will create a Qualitative Assessment system that assesses projects not only from a quantitative but also qualitative aspect, which will be incorporated into the annual Auditor General's Report. This gives a clearer and more comprehensive picture to the rakyat on not just how many kilometers of road have been completed, but also the quality of said road.

Section 3: Time is Not Right to Introduce Goods and Services Tax (GST)

While in principle GST could serve as an effective revenue generation mechanism, provide the potential impetus for enhancement to the government's service delivery and tax administration system, and act as a catalyst to greater fairness for all businesses regardless the industry/sector while curtailing the "black economy" and tax evasion, being a caring federal government-in-waiting, Pakatan Rakyat takes the position not to brush aside the concerns of those opposing the GST. We note:

- (a) GST is a regressive tax whereby as a proportion of income, tax payable is higher for the lower income group than the higher income group, i.e. the low-to-middle income groups will bear much higher tax burden than the rich notwithstanding the possibility of taking several remedial steps to make GST a more progressive or at least a less regressive tax;
- (b) The possibility of abuse by the federal government as a short-cut and an easy way out to increase its revenue since raising GST rates appears less obtrusive than a rise in income tax rates to the point of inflicting huge burden on the rakyat especially the low-to-middle income group;
- (c) possibility of the GST becoming the major source of inflation during the first few years of its introduction especially in the Malaysian context whereby businesses may misuse the GST as a justification to indiscriminately raise prices, charges or tariffs of their goods and services given the weakness of enforcement of the Anti-Profiteering Act, the Competition Act or other acts which are supposed to protect consumers and lack of enforcement in general;
- (d) uncertainty whether:
 - the sales and service tax (SST) will be abolished, i.e. whether GST will genuinely be a replacement tax for SST and avoid double taxation; and,
 - the corporate and personal income tax will be simultaneously reduced.

Lingering uncertainty surrounding the failure to replace the SST and reduce the corporate and personal income tax rates upon GST implementation may have adverse impact on aggregate demand. GST implementation may also begin in a recession year since the "business cycle" seems to have shortened in recent times to just seven from ten years previously. The last recession hit Malaysia in 2009, thus

there is a chance that the next recession may occur circa 2016, within a year of expected GST implementation.

(e) failure to comply with certain pre-requisites, mandatory prior to the GST implementation such as:

- minimum national household income reaching a level deemed necessary and adequate to absorb shocks to the people's purchasing power as a result of the GST implementation, in particular among low-to-middle income earners;
- adequately wide personal income tax bands to prevent the middle-income group from falling into the high top tax brackets at an accelerated speed;
- existence of a publicly disclosed list of zero-rated and exempted goods and services especially for basic necessity items.

Section 4: More Equitable Revenue Generation Mechanisms

Pakatan Rakyat reiterates its commitment to a progressive taxation regime from the perspective of fairer sharing of the burden of fiscal adjustment, to be borne more by the rich and the high-income group. The prevailing taxation system appears diverting the burden of taxation away from capital owners and high-income earners with higher propensity of inflicting hardship on the low-to-middle income group, increasing the economic disparity in terms of income and wealth between the rich and the poor. As such, instead of introducing the GST, Pakatan Rakyat proposes other initiatives to diversify the federal government's revenue base and broaden its revenue sources particularly through indirect taxes and non-tax revenue.

(a) Establishment of a commission or a taskforce on tax reforms which will review existing mechanisms and recommend measures, after an extensive consultative process with all stakeholders to strengthen the capacity of Malaysia's tax system that reflects international standards and best practices.

Among the possible areas of study include:

- broadening of the taxpayer base, both individual and corporate taxpayers and enhancing tax compliance; and,
- introduction of a RPGT-like capital gains tax (CGT) on gains from the sale of financial assets such as shares, bonds and other securities although the study is likely to begin with the cost-benefit analysis of a CGT regime on net gains arising from share trading and other relevant details such as consideration for a tiered rate structure to encourage long-term investments while dissuading excessive speculative elements; putting a minimum threshold so as not to dissuade retail participation in the stock market and undertaking a review of existing brokerage fees, clearing fees and stamp duty.

(b) Property related indirect taxes such as adjustments in RPGT to pre-2007 levels (refer to Thrust II);

- (c) Upward adjustments to stamp duty rates, currently between 1% and 3%, to 5% for transactions involving high-end properties worth at least RM2.5 million and/or financial assets (if CGT is not introduced).

It is worth noting that taxpayers seem to be doing their best to avoid paying taxes because of their unhappiness with the way the government spends public funds. With better governance, accountability and transparency under a Pakatan Rakyat government, Malaysia should be able to increase its tax collection without much fuss.

Section 5: Taking Action on the Auditor General's Report

Although the Office of the Auditor General of the Malaysian Federation was established since Merdeka to conduct audit professionally, objectively and independently in accordance with legislation and enhance good governance of the public sector including the federal and state governments, regional authorities, Islamic affairs bodies, and state-owned enterprises (SOEs)/GLCs with at least 50% stake whereby the Auditor General (AG) has the obligation to report the audit results to the Parliament, Malaysia has yet to optimise the AG's reporting process while audit corrective actions remain relatively opaque, vague and ambiguous to the Malaysian public.

Pakatan Rakyat holds the view that a number of obvious steps can be taken to ensure an adequate follow-up to the report findings and implementation of recommended measures to address any issues or to close any gaps. One mechanism is to ensure that there is strong purpose and drive by the Chief Secretary to the Government (Ketua Setiausaha Negara, KSN) to the respective Secretaries-General (Ketua Setiausaha, KSUs) at the federal ministry level to scrutinise and prepare an action plan to rectify leakages and wastages.

This can be done at the annual meeting between the KSN and KSUs. The meeting should establish a committee or task force at the ministry level, headed by the respective KSU, and targets to remove procurement wastages and leakages must be set. The committee's scope would include identifying and closing the gaps in terms of reducing redundant processes, increasing efficiency of the system with the outcome of closing systemic opportunities for possible leakages.

Government departments should review the levels of authorities, and re-define the level of empowerment and responsibilities at the various authority levels. Guidelines or governance documents that govern the workings and processes for each ministry must be reviewed to include the lowest level of authority to ensure that gaps are effectively addressed. The results are then measured against the targets set earlier. These results must then be presented in Parliament by the respective ministers who are held accountable for the targets, with the KSU responsible. The results will then be disclosed to the public for scrutiny.

Although Pakatan Rakyat may have the capacity to implement a similar mechanism at the state level, the onus is on the federal government to lead by example given the magnitude, prevalence and frequency of wastages and leakages at the federal level.

THRUST II: ENHANCING THE WELL-BEING OF THE PEOPLE AND THEIR QUALITY OF LIFE - THE AGENDA OF A CARING NATION

Section 1: Addressing the High Cost of Living

In the long run, Pakatan Rakyat's policy for addressing escalating costs of living and the ability of the people, in particular the low-income group, to tackle these rising costs hinges on the twin pillars of:

- (a) dismantling the system of licensing, quotas, and rent-seekers which have contributed to keeping costs of consumer goods and services, in particular daily basic necessities and building materials, artificially high for end-consumers while allowing inefficient manufacturers and unscrupulous traders to benefit from lack of competition; and,
- (b) ensuring that wage and income growth keeps pace not only with inflation but also meets the objectives of Malaysia attaining high-income status and raising minimum household income to RM4,000 by 2018.

As a general rule in addressing the high cost of living, Pakatan Rakyat calls for the enforcement of the Anti-Competition and Anti-Profiteering Act to be tightened and strengthened while re-examining the current list of sectoral exemptions in both Acts. In addition, Pakatan Rakyat intends to introduce an Anti-Monopoly Act to promote competition and liberalise non-core protected industries or sectors.

Specifically, Pakatan Rakyat proposes the following recommendations to address the high cost of living through measures to check rising prices or costs of:

- (a) foodstuffs;
- (b) houses;
- (c) education;
- (d) healthcare or pharmaceutical products; and,
- (e) utilities, in particular electricity and water

Sub-Section 1.1: Food Prices

To check rising food prices, Pakatan Rakyat recommends:

- (a) introduction of a more liberalised regime, in particular for rice and sugar industries;
- (b) fine-tuning of the price control system for all basic food items;
- (c) clampdown on abuse and smuggling of subsidies on agricultural inputs for farmers and diesel for fishermen; and,
- (d) boosting the intensity of enforcement of the above Anti-Competition and Profiteering Acts, as well as the introduction of the newly proposed

Anti-Monopoly Act particularly during festive seasons.

For efficient and cost-effective proven producers of basic foods, Pakatan Rakyat, as part of our national food security policy, plans to undertake a feasibility study to introduce special incentive schemes, such as matching grants, among others.

Sub-Section 1.2: House Prices

Pakatan Rakyat recommends the following "cooling" measures to contain spiraling house prices by curbing excessive property speculation activity, in the short-term with a focus on urban areas such as Greater KL, Johor Bahru and Penang, to prevent the overheated housing market from ramping up overall inflation that may trigger sooner-than-expected monetary tightening:

- (a) Adjustments to the Real Property Gains Tax (RPGT) on net gains from the sale of residential properties to pre-2007 levels as follows:
 - Houses disposed within 2 years after purchase: 30%
 - Houses disposed between 2 and 3 years after purchase: 20%
 - Houses disposed between 3 and 4 years after purchase: 15%
 - Houses disposed between 4 and 5 years after purchase: 5%
 - Houses disposed more than 5 years after purchase: 0%

- (b) Tighter restrictions by Bank Negara Malaysia on the amount financial institutions can lend in mortgage financings by increasing minimum down payment requirements, or reducing the maximum loan-to-value (LTV) ratio for mortgage financings solely on new launches (to monitor the pricing policy of housing developers while leaving the market for existing houses with the LTV policy introduced in November 2010):
 - 70% LTV ratio for the purchase of the 2nd newly launched house
 - 60% LTV ratio for the purchase of the 3rd newly launched house
 - 50% LTV ratio for the purchase of the 4th newly launched house
 - 40% LTV ratio for the purchase of the 5th newly launched house and onwards

- (c) Restrictions by Bank Negara Malaysia in the form of a cap on the share of housing related debt and monthly repayments out of borrowers' total debt and income respectively:
 - home loans should not exceed a borrower's total debt-servicing ratio of 60%
 - mortgage payments should not exceed 30% of a borrower's gross monthly income

These macroprudential measures by Bank Negara Malaysia should help temper loan growth for property purchases and pare down the build-up of systemic risks in the financial system, reducing the scope of huge interest rate increases in the near to medium term.

- (d) Higher threshold or floor price allowable for foreigners to buy residential properties:
 - RM1 million for apartments
 - RM3 million for landed properties

- (e) Strengthening the enforcement of affordable housing quotas for property developers and imposing a mandatory requirement that affordable housing be located within a 5 km radius of the boundaries of the real estate development area to:
 - ensure that real estate development projects will consist of adequately mixed housing (high-end, medium-cost and low-cost);
 - prevent the emergence of ghettos and slums; and,
 - increase the supply of affordable quality homes closer to city centres.

In the medium-to-long term, structural reforms of the housing industry as well as a far-sighted urban development policy are required. These include: a decoupling of the role of municipal and local authorities from being both developers and regulators; land policy specifically for affordable housing; the strengthening of land zoning regulations to prevent land allocated for housing from being transformed into commercial development projects; establishment of a comprehensive database for all housing related statistics; and, the review of the role, responsibilities and limits of all GLCs for property development purposes.

Sub-Section 1.3: Costs of Education

Education is a right for all. Pakatan Rakyat views education as an important asset for the development of the nation. As such, under Pakatan Rakyat, education will not be commoditised. Free education from pre-school up to higher education for all citizens is a primary thrust to enhance the rakyat's participation in developing the economy.

In terms of basic education, Pakatan Rakyat proposes refining the policy of funding allocation for schools on a per-capita basis to be more reflective of needs-based parameters since the former perspective is biased towards schools with larger student populations, typically located in urban areas. A needs-based funding structure would adjust for factors such as school location and quality (rural/urban/disadvantaged), representative parental income, and family background.

Pakatan Rakyat's commitment towards free education (as per the Manifesto Pakatan Harapan Rakyat) remains as follows:

- (a) Additional allocation to cover 10% of the total cost in public universities: RM 600 million;
- (b) Annual 'Sara Hidup' living allowance of RM5,000 per student for 500,000 students : RM2.5 billion;
- (c) Fund for private universities (fee subsidy and student loan) : RM900 million;

- and,
- (d) Abolition of PTPTN - PTPTN debt take-over (after PTPTN has been completely abolished) and installment payments for 20 years : RM 2.0 billion.

Pakatan Rakyat's proposed restructuring of the PTPTN financing scheme also calls for a review of existing private higher learning institutions in terms of quality and performance. Pakatan Rakyat also proposes a study into the viability of a government-supported financing scheme where financial institutions lend directly to students in private higher learning institutions.

Sub-Section 1.4: Healthcare and Pharmaceutical Costs

To ensure provision of affordable healthcare to the people, Pakatan Rakyat proposes to gradually increase the Federal government's involvement in healthcare through a well designed divestment strategy for GLCs to exit private healthcare while raising public healthcare expenditure from 3.3% of GDP to 5% of GDP, thus meeting World Health Organisation (WHO) standards.

The government's heavy involvement via GLCs in the private healthcare sector is creating a conflict of interest with the government's provision of public healthcare services. In the same vein, Pakatan Rakyat will ensure that Institut Jantung Negara (IJN) will not be privatised to remain an affordable centre of excellence in cardiovascular and thoracic care with world-class medical and surgical services for both adult and paediatric patients.

At the same time, Pakatan Rakyat also proposes to renegotiate the concession contracts for the provision of medicines and services to public hospitals and clinics and shorten the concession period to seven years in order to improve competition and better deliverables.

Sub-Section 1.5: Utility Tariffs

Pakatan Rakyat proposes to review and renegotiate all lopsided concession agreements, in particular contracts for newer independent power producers (IPPs), companies involved in the treatment and distribution of water, and the national sewerage company, Indah Water Konsortium, to enable rechanneling of corporate subsidies directly to the people. Such reforms are to be undertaken in a pragmatic manner so as not to negatively affect the bond market.

To ensure no oversupply of power generated by IPPs that Tenaga Nasional Berhad as the sole power distributor is obliged to take and pay, Pakatan Rakyat is committed to observing the generally accepted international standard and best practices in the power industry by keeping the reserve margin below 20%. Although the reserve margin level has gone down to 31.3% at present from more than 40% previously, operating with such overcapacity is helping IPPs enrich themselves on gas subsidies

and wasting vital energy resources on unused electricity.

Section 2: Raising Minimum Household Income to RM4,000

Pakatan Rakyat is committed to raising the monthly minimum wage to RM1,100 with a schedule for periodic upward adjustments. At the same time, Pakatan Rakyat will put in place mechanisms to ensure that foreign workers' levies are lowered by removing middlemen fees paid by employers. Collections of foreign workers' levies will be channeled to up-skilling programmes for lower-income working groups.

Pakatan Rakyat also proposes a study to introduce an incentive scheme for companies in selected industries to offer management trainee programmes for high-flying graduates at a monthly entry-level salary of RM4,000.

At the same time, to narrow the skills gap, in both hard and soft skills, Pakatan Rakyat proposes strengthening career-advisory services at universities and higher learning institutions, effective internship programmes as mandatory parts of the syllabus at all faculties in public universities, and making English a compulsory pass for SPM.

Section 3: Redefinition of the Poverty Line Income and Review of Welfare Benefits for the Poor, the Marginalised, and the Underprivileged

Sub-Section 3.1: More Realistic Poverty Line Income

POVERTY LINE INCOME (PLI) (RM)			
	Total	Urban	Rural
Peninsular Malaysia	830	840	790
Sabah	1,090	1,080	1,120
Sarawak	920	960	870

Sources: Malaysia's Household Income Survey (HIS) 2012

The monthly Poverty Line Index (PLI) used by the Barisan Nasional government is RM830 for households in Peninsular Malaysia, RM1,090 in Sabah and Labuan, and RM920 in Sarawak. Pakatan Rakyat holds the opinion that this PLI is too low and unrealistic and must be reviewed to better reflect the actual conditions experienced

by society and ensure the welfare of the majority of people designated as poor. As such, Pakatan Rakyat proposes that the basket of goods and services used to calculate the PLI should include not only imputed rents but also the cost of purchasing houses. In addition, urban PLI should be refined to differentiate costs of living in different cities.

According to the 2012 Household Income Survey, even though the average household income in Malaysia is RM5,000, half of all Malaysian households have a monthly income below RM3,626. Roughly 60% of all urban households have monthly incomes below RM5,000, which is an insufficient amount to get by in the city. This is the reality faced by the majority of Malaysian households with 3 to 5 family members that have to subsist on such an amount despite rising costs and other pressures.

Hence Pakatan Rakyat proposes that the monthly PLI is reviewed and reset at a level of around RM1,500 for Peninsular Malaysia, RM1,800 for Sabah and Labuan, and RM1,650 for Sarawak so that more households become eligible to receive government welfare assistance.

Sub-Section 3.2: Improving Welfare Benefits and Social Safety Net

At present, there is a myriad of agencies providing social welfare payments and benefits for the poor and disadvantaged. Pakatan Rakyat proposes that these various social welfare payments be coordinated and synchronized into one umbrella social benefits system to facilitate targeted distribution and monitoring, in addition to the ongoing work to create a comprehensive welfare database (while e-Kasih is extensive, it cannot be scaled up).

Sub-Section 3.2.1: Adoption of myKasih System

Over 8% of Malaysians live below the existing PLI that does not address the hardship of current realities where thousands of households earn less than RM1,000/month. The usual practice by Jabatan Kebajikan Masyarakat (JKM) is to credit cash directly into recipients' accounts which sometimes leads to problems of consistent delays in cash transfer and inability to properly ascertain whether the intended outcomes are met in the first place.

Although financial aid is distributed, nutritional needs are not met, health standards slip, the children's education suffers, which in turn could lead to poor job prospects. The cycle of hardship and poverty persists unabated, leading to the need for a new mechanism that is far more efficient that addresses target groups and is able to monitor the recipients' eventual exit from the cycle of poverty.

As part of the efforts to ensure a fairer and better targeted subsidy regime and encompassing welfare system, Pakatan Rakyat therefore proposes to replace the

current JKM's welfare distribution system with the a cashless payment system which enables qualified recipients to select payment for exactly what they need without utilising cash. Welfare beneficiaries could use their MyKad as a payment tool at designated local retail outlets. Credit contained in the recipients' MyKad is used to purchase essentials such as rice, flour, sugar, etc. The MyKad can also be used to track the expenditure made by recipients and combined with other programmes with other ministries such as keeping kids in schools and additional tutoring for single mothers, among others.

Sub-Section 3.2.2: Establishment of the Rural Insurance Scheme

Pakatan Rakyat also suggests the creation of a Rural Insurance Scheme or more specifically, the Farmers, Fishermen and Livestock Breeders Insurance Scheme (FFLBIS) that is more comprehensive to assist this segment of society to deal with the impact of uncertain weather conditions, the change in seasons and other unexpected circumstances that will inadvertently affect their livelihood.

For example, under the current Fishermen Insurance Scheme, compensation for fishermen who pass away and allowance for hospital admissions are provided. Even so, this scheme sidelines other risks that may affect fishermen, such as reduced catch during the monsoon season that negatively impact the health and safety of fishermen. The change in seasons also impacts the yield of rubber tappers and farmers. Unexpected incidences such as outbreak of disease that affect livestock and plants will also affect the income of this group.

Pakatan Rakyat proposes that the FFLBIS is created based on a 'location approach' for losses incurred by the change of seasons and an 'individual approach' for losses incurred by natural disasters and outbreak of diseases.

It is estimated that the federal government need only allocate a total of RM365.5 million per annum to execute this scheme based on the following assumptions:

- (a) full annual premium is RM1,000 that will be shared equally between the farmer/livestock breeder/fisherman (RM500) and the government (RM500); and
- (b) about 50% of the total number of farmers, livestock breeders and fishermen – or approximately 735,000 persons – will partake of this scheme each year.

Sub-Section 3.2.3: Review of the 1Malaysia Retirement Savings Scheme

Pakatan Rakyat is concerned about the fate of ordinary Malaysians especially labourers or those who are self-employed without a steady source of income, including blue-collared workers or those involved in informal work such as farmers, fishermen, tax drivers, petty traders, hawkers, people doing odd jobs, housewives and others who earned below RM1,500 a month, which is the PLI level suggested by Pakatan Rakyat.

Pakatan Rakyat calls for a review of the 1Malaysia Retirement Savings Scheme which is presently administered by the EPF to ensure working class people and those without secure income have some retirement fund via a voluntary contribution scheme.

The government's contribution rate of 5% of the total contribution, capped at RM60 per annum from 2010 to 2014 is a short-term measure and is not a sustainable measure for this category of people, particularly if they lose their source of income, in order to overcome poverty and the economic pressures upon entering retirement.

Pakatan Rakyat therefore proposes a new policy whereby the government will increase its contribution to 15% per annum of the year's total contribution as an incentive for this group to continue with the scheme, in order that they may enjoy various benefits besides the pension fund itself, including healthcare expenses, education and housing, as well as getting them out of poverty in the long run.

Sub-Section 3.2.4: Extension of SOCSO Coverage

At present, there are very few alternative insurance schemes for lower income workers, while SOCSO covers only accidents that occur when workers commute to work and during working hours. As such, Pakatan Rakyat proposes a tripartite contribution to put in place a 24-hour insurance coverage for accidents occurring outside of working hours with the federal government, employer, and the employee each contributing RM1 extra per month.

Sub-Section 3.2.5: Strengthening Benefits for the Differently-Abled People

According to the United Nations (UN) world population statistics, approximately 10% of the world's population are differently-abled persons; if we were to extrapolate this figure, approximately 2.8 million Malaysians are in this category. Even so, the Department of Social Welfare has only recorded 313,685 persons up until 2010, which is less than 11.2% of the estimated total number. Hence, Pakatan Rakyat aims to register 400,000 differently-abled persons a year beginning 2014 so that the total registered will be 80% within five years' time, to ensure this community will receive the full benefits entitled to them.

In order to enforce the Persons with Disabilities Act 2008 which is rights-based, Pakatan Rakyat will continue to emphasise increasing access for differently-abled persons to facilities, amenities, services and public transport, which includes for example ensuring that the total number of car park bays for differently-abled persons follows UN standards, which is one differently-abled person car park bay per 50 ordinary car park bays, with the appropriate car park size and location, as well as to improve road surfaces so that non-step busses can be fully utilized by differently-abled persons. Pakatan Rakyat will also allocate RM500 million per year to:

- (a) increase subsistence allowance from RM300 to RM500 per month for differently abled persons who work but with a monthly income below RM1,200; and,
- (b) provide a special allocation for those with severe disabilities, up to a maximum of RM1,000 per month.

Sub-Section 3.2.6: Strengthening Benefits for Senior Citizens

By definition, an aged nation is achieved when those above the age of 60 years represent 15% of the total population. Hence Malaysia is estimated to achieve this status by 2030 as, based on estimates in the National Policy for the Elderly, the ratio of the elderly to the total population in Malaysia will increase by a single fold from 7% to 14% in 28 years time.

Key focus areas in preparing for an aging population include healthcare and welfare. Pakatan Rakyat believes that more geriatricians must be trained in order to prepare the country for this eventuality; Malaysia must increase the total number of geriatricians from approximately 16 today to at least 1,000 by 2030.

Section 4: Nationwide Programme of Providing Affordable Quality Homes in the Low-Cost and Medium-Cost Categories

Today, there is competition for finite land space between affordable housing, medium-cost housing and high-end properties. Pakatan Rakyat holds the view that housing is a right of every citizen and remains committed to ensuring that each Malaysian can afford to own a decent and comfortable home. Hence, the government must take responsibility in providing affordable housing instead of immediately turning to private developers. As had been announced in the Manifesto Pakatan Harapan Rakyat in GE13, Pakatan Rakyat intends to invest RM5 billion in the first year and RM2 billion per year after that to ensure that Malaysians are able to afford to buy their own homes.

RM5 billion will be allocated to build 150,000 units of affordable houses covering low-cost housing (below RM75,000) and medium-cost housing (between RM150,000 and RM250,000).

Syarikat Perumahan Negara Berhad (SPNB) will be tasked with ensuring comfortable homes are built at a reasonable price. Pakatan Rakyat holds the opinion that emphasis must be given to sustainable development projects that is appropriate for every targeted income bracket. Housing development projects must be well-integrated with city planning policies and the development of industrial and commercial centres. As an incentive to build more affordable homes, Pakatan Rakyat suggests specific incentives for developers such as tax deductions, reasonably lowering land premiums for building a quota of affordable housing units as proposed, and others.

In line with the idea of building 150,000 units of low- and medium-cost homes, Pakatan Rakyat plans to establish a National Housing Corporation (NHC). NHC is responsible to oversee large-scale affordable housing development projects and has the larger mandate to organize federal government agencies that are directly involved in establishing policy guidelines for public housing projects. NHC is to be the primary agent to plan, coordinate, oversee and develop affordable housing schemes. NHC will be tasked with building homes to be sold at an affordable price for the targeted groups in order to balance market prices set by private developers.

Section 5: Fight Against Crime

Policing is a crucial service provided by the executive arm to maintain law and order, and to promote public security and well-being. A lack of confidence in the capacity and integrity of the police is reflective of a broader disappointment with the government. Reliance on emergency powers and detention without trial to fight organised crime is a sign of a crisis of competence in the police and the inability to achieve human rights-based policing.

Due to lack of implementation by the government, Pakatan Rakyat recommends a repeat of our 2013 budget proposals, broadly following the recommendations of the Report of the Royal Commission to Enhance the Operation and Management of the Royal Malaysian Police chaired by Tun Dzaidin (the "Dzaidin Report"):

- (a) Focus on improving the efficiency of Polis Diraja Malaysia's (PDRM) human resources, coverage, and service delivery by optimising 'core' over 'non-core' functions i.e. skilled, uniformed police personnel should be transferred out of administrative work and into police work proper. Civilians can be hired to fulfill administrative functions. PDRM does not require the 30% manpower increase proposed by the Home Ministry (representing around 40,000 additional officers) since by 2011 Malaysia had one police officer to every 270 citizens (1:270). This is very close to INTERPOL's recommended ratio of 1:250.
- (b) Review of and Re-tasking the General Operations Force (GOF/Pasukan Gerakan Am). Currently, the Omnipresence Initiative under the Crime NKRA is being conducted with assistance from RELA and JPAM. Pakatan Rakyat is of the view that only qualified and professional police should be entrusted with this job. Non-police reserves such as RELA should be transitioned out of policing work or given the opportunity to qualify as police officers trained with full knowledge of procedures and the law. With 14,551 personnel in 2010 and with communist insurgency no longer a threat there needs to be a review of whether the GOF is overstaffed, has overlapping functions with the Malaysian Armed Forces, and is overly concentrated in the Peninsula when greater security problems exist in East Malaysia. Given their police training GOF personnel should be given the opportunity to redeploy in crime-fighting as part of the effort to reduce the paramilitary character of PDRM and concentrate fully on crime.
- (c) Dramatically increase the investigative capacity of PDRM. The Criminal

Investigation Department (CID) or Jabatan Siasatan Jenayah should have an Investigating Officer (IO) to a case ratio of 1:5, as per the Dzaidin Report. Malaysia needs at minimum a further 1,000 IOs. With the official crime rate likely being under-reported there will likely be more IOs needed once transparency on crime data is achieved.

- (d) Support the creation of a genuinely independent and effective Independent Police Complaints & Misconduct Commission (IPCMC) which is essential to erase doubts about PDRM's accountability and commitment to public service.
- (e) Establishment of an adequately staffed Organised Crime Unit.

Section 6: Tackling Traffic Congestion

To address traffic woes particularly in urban areas, Pakatan Rakyat proposes measures that will encourage usage of public transport especially bus transit services such as:

- (a) free public transport for certain sections of society, especially senior citizens, students, single mothers and differently-abled people within a certain radius of city or town centres; and,
- (b) free or subsidised bus rides from selected housing areas to public transportation hubs and from these public transportations hubs to the workplace.

Section 7: Addressing Issues of Household Indebtedness and Bankruptcy

At present, Malaysia's household debt-to-GDP ratio stands at 83%, among the highest in the region, up from 71.7% in 2009 and 39% at the start of the Asian financial crisis in 1997. Malaysia's household debt has expanded at a pace of 11.5% per annum over the past five years, outpacing the nominal GDP growth of 7.5% on average.

Apart from the macroprudential measures proposed above to cool the property market, Pakatan Rakyat also recommends the following initiatives to address the issue of high household indebtedness and rampant bankruptcy cases especially among youth:

- (a) Introduction of mandatory financial literacy lessons at all levels of education to foster sound understanding, knowledge and skills towards making responsible financial decisions and debt management;
- (b) Strengthening of other macro-prudential measures to be imposed by Bank Negara Malaysia on financial institutions such as:
 - increasing the minimum monthly income requirement for the possession of credit cards;
 - a cap on credit card limit not exceeding a certain percentage of a cardholder's income;
 - a cap on vehicle loans not exceeding a percentage of a borrower's

total debt;

- (c) Systematic and coordinated efforts among all relevant government department and agencies to tackle predatory lending issues in particular related to loan sharks and other types of illegal money lenders.

Section 8: Widening of Income Tax Brackets

Amidst escalating costs of living, middle-income earners appear to feel the pinch the most and to be on the losing end since they are not eligible for government financial assistance or cash handouts such as Bantuan Rakyat 1Malaysia (BR1M). To ease the burden of this income group, Pakatan Rakyat proposes:

- (a) a revamp in the personal income tax structure with its present very narrow chargeable income tax bands so that middle-income earners will not be pushed to higher tax brackets at an accelerated pace despite a marginal payrise; and/or,
(b) specific and targeted tax exemptions for the middle-income group.

ASSESSMENT YEAR 2012 - INLAND REVENUE BOARD			
Chargeable Income Brackets (RM)	Calculations (RM)	Rate (%)	Tax Amount (RM)
0 - 2,500	On the first 2,500	0	0
2,501 – 5,000	Next 2,500	1	25
5,001 - 10,000	On the first 5,000 Next 5,000	3	25 150
10,001 - 20,000	On the first 10,000 Next 10,000	3	175 300
20,001 - 35,000	On the first 20,000 Next 15,000	7	475 1,050
35,001 - 50,000	On the first 35,000 Next 15,000	12	1,525 1,800
50,001 - 70,000	On the first 50,000 Next 20,000	19	3,325 3,800
70,001 - 100,000	On the first 70,000 Next 30,000	24	7,125 7,200
Exceeding 100,000	On the first 100,000 Next.....	26	14,325

PROPOSED NEW TAX BRACKETS FOR ASSESSMENT YEAR 2014		
Existing Chargeable Income Brackets (RM)	Rate (%)	Proposed Chargeable Income Brackets (RM)
0 - 2,500	0	0 - 10,000
2,501 - 5,000	1	10,001 - 25,000
5,001 - 10,000	3	25,001 - 40,000
10,001 - 20,000	3	45,001 - 60,000
20,001 - 35,000	7	60,001 - 80,000
35,001 - 50,000	12	80,001 - 125,000
50,001 - 70,000	19	125,001 - 175,000
70,001 - 100,000	24	175,001 - 250,000
Exceeding 100,000	26	Exceeding 250,000

It is hoped that these measures will help raise national disposable income and discourage Malaysians from looking for greener pastures abroad.

THRUST III: ENSURING A MORE BALANCED, INCLUSIVE AND SUSTAINABLE ECONOMIC DEVELOPMENT

Section 1: Enhancing Connectivity to Narrow the Rural-Urban and Regional Divides

Pakatan Rakyat strongly believes that increased domestic and international connectivity in the form of Internet or terrestrial highways will go far towards ensuring a more balanced, inclusive and sustainable growth. Poor connectivity, both physical and online, and infrastructure deficiencies, especially in Sabah and Sarawak, form the main stumbling blocks to Malaysia's plan to optimise its full potential. More government efforts are needed to accelerate the development of better logistics systems and infrastructure to connect rural areas to urban growth centres in the same state or another region, and to link up nationwide in order to provide huge economic benefits such as improving the delivery of social services, creating a more conducive business climate, promoting innovation, creativity and use of new technology, and generating job opportunities.

Sub-Section 1.1: Pan-Borneo Highway

Pakatan Rakyat proposes to fast track the completion and upgrading of the Pan-Borneo Highway linking all towns and cities in Sabah and Sarawak as promised in Manifesto Pakatan Harapan Rakyat. The current trunk road connecting towns in Sabah and Sarawak is inadequate for transport and economic development. Degradation of road quality has also led to frequent fatalities. Priority will be given to rehabilitating degraded and dangerous areas whilst implementing a proper, well-maintained dual-carriageway highway in stages starting from 2014. Combined with the lifting of the cabotage policy, Pakatan Rakyat sees this as a major boost to Sabah and Sarawak's economic competitiveness.

Sub-Section 1.2: Affordable Internet Access

Pakatan Rakyat acknowledges the importance of Internet access to economic growth and job creation in developing economies. According to findings of two studies, every:

- (a) 10 percentage point increase in high-speed Internet connection could lift GDP growth by additional 1.3 percentage points (the Global Information & Communications Technology Department of the World Bank/IFC);
- (b) 10% increase in the number of people online could boost a nation's GDP by 1% while doubling the average broadband speeds in a country could increase

the GDP by additional 0.3% (Ericsson).

Indeed, the World Bank has identified “mobile as the single most powerful way to reach and deliver public and private services to hundreds of millions of people in remote and rural areas across the developing world.” It is therefore Pakatan Rakyat's intention to provide access to very affordable high-speed Internet connection nationwide to benefit low-income households in remote and rural areas to enable a more inclusive and sustainable development across all levels of the economy and society. A technology-enabled economy is more disposed to create more new jobs especially for youth.

Section 2: Increasing Women’s Participation in and Contribution to the Economy

Sub-Section 2.1: Malaysian Women’s Contribution Fund

With the increase of the number of Malaysian women to 13.9 million in 2009 compared with 11.5 million in 2000, and an almost equal male-female ratio, Pakatan Rakyat is confident that women will continue to be a main contributor to the nation’s economy. Based on the RMK-10 Report, participation of women in the workforce has increased to 46.4% in 2009 from 44.7% in 1995. 18.9% of all working Malaysian women are in the 25-29 age bracket. Even so, this figure is only 15.1% for women in the 30-34 age bracket as more women are prone to leave the job market early due to personal reasons or family commitments.

As a form of appreciation for the contribution of women towards national development, and to encourage greater participation in the growth of the national economy, Pakatan Rakyat will allocate beginning 2014:

- (a) RM1,200 a year for each working mother to pay for the full or partial daycare charges for their children below the age of 12;
- (b) RM3 billion a year to the National Women’s Contribution Scheme (NWCS), a comprehensive social safety net for wives and especially housewives as outlined in the Manifesto Pakatan Harapan Rakyat for GE13.

To execute this scheme, the husband must contribute on behalf of his wife at a minimum rate of RM120 up to RM1,200 per annum according to what he can afford, while the government will contribute RM600 per annum regardless of the husband’s contribution. Savings via NWCS can be withdrawn when a spouse dies, divorce, permanent disability, loss of source of income, and others. If any of these incidences do not occur, the housewife may fully withdraw at the age of 50, where the amount saved would at the very least be RM30,000.

Sub-Section 2.2: “More Women Leaders” Policy

As mentioned in the Pakatan Harapan Rakyat Manifesto for GE13, this policy strives to meet the target of at least 30% women participation in civil service, corporate management, and national leadership in both the public and private sectors by 2017.

As a next step for the Women’s Agenda and in keeping with the gender equality principle, Pakatan Rakyat pledges to push for a law that imposes either gender to occupy not less than 30% of all power and decision-making organs. The electoral reforms that Pakatan Rakyat has been pushing for may also consider incorporating special electoral quota measures such as establishing all-women shortlists and/or reserving at least 30% of newly created electoral seats exclusively for women candidates to increase women representation in any legislative assembly.

The Selangor state government has set the bar high in keeping with Pakatan Rakyat’s gender-blind commitment with four state assemblywomen in the EXCO line-up and one as Malaysia’s maiden women speaker of any legislative assembly.

Section 3: Review of the Cabotage Policy for Sabah and Sarawak

In order to reduce economic disparities between Peninsular Malaysia and Sabah and Sarawak, Pakatan Rakyat calls for a complete liberalisation of the cabotage policy to allow ships of any nationality to load and unload goods at any ports in Sabah and Sarawak without having to first dock at Pelabuhan Kelang. The cabotage policy has been identified as among the major causes of high freight costs in Sabah and Sarawak, pushing up prices of consumer goods and services and overall cost of doing business. This liberalisation move will certainly help bring down prices of goods (and services) going to and from Sabah and Sarawak whilst giving a nudge to port services and related industries and even the emergence of manufacturing clusters as goods and services become more cost competitive.

Section 4: Strengthening National Policies for Utilities, Education, Healthcare, Land and Environment

Sub-Section 4.1: Improving Accessibility to Utilities and Education in the Interior of Sabah and Sarawak, and Some Parts of Peninsular Malaysia

Sub-Section 4.1.1: Towards 100% Electricity and Water Coverage

Even in highly developed states such as Selangor, there are rural and semi-rural areas without adequate electricity and fresh water supplies. Pakatan Rakyat

proposes that such villages be either connected to the grid or installed with decentralised renewable energies (whichever is more cost effective) such as micro-hydro, biomass, wind and/or solar. Water can be pumped and filtered with decentralised power systems. Special attention will be paid to establish reliable, off-grid electricity supply to promote industrial development in the interior of Sabah and Sarawak in particular for the purpose of job creations.

Solar photovoltaic 'farms' can be installed on vacant or otherwise unusable land to supply electricity to the grid or remote communities. Pakatan Rakyat also holds the view that new-generation 'low velocity' wind turbines should be tested for potential in Malaysia as a potential breakthrough low-cost energy alternative. In all cases, localised feasibility studies should be conducted to determine the best renewable energy mix in each area. This effort should initially be targeted at states where poverty is high and electricity supply is inadequate such as Sabah and Sarawak.

Sub-Section 4.1.2: Improving Access to Education in Rural Malaysia and amongst Minority Bumiputeras

Educational attainment in rural Malaysia lags behind urban areas, in particular between the more urbanised Peninsula and relatively rural Sabah and Sarawak. By ethnicity, Orang Asli and Orang Asal fare worse than other ethnic groups, with many failing to obtain certification beyond primary school. Pakatan Rakyat proposes to close this gap by focusing on increasing successful completion of secondary school by:

- (a) establishing more accessible schools in the interior of rural areas (which may include construction of hostels or accommodation and transport infrastructure);
- (b) fostering more community-based teachers with an emphasis on training locals;
- (c) partnering with state educational foundations to ensure all children receive a basic school starter kit including shoes, uniform, books, stationery, etc. along the lines of Yayasan Sabah;
- (d) introducing a village schooling allowance;
- (e) instituting a needs-based scholarship fund for Sabahans, Sarawakians and Orang Asal along the lines of the Yayasan Peneraju Pendidikan Bumiputera.

Sub-Section 4.2: Review of National Education Policies

Following our commitment in our Manifesto Harapan Rakyat, 1,854 Sekolah Janaan Rakyat (vernacular schools) across the country will receive additional assistance (besides the existing contribution towards the operating costs) according to the number of pupils, at RM300 per student each year, involving an allocation of RM220 million. This additional assistance is an investment by Pakatan Rakyat to improve the quality of education in these schools, which includes costs of building expansions as well as improving the infrastructure and facilities

Technical and vocational education is a catalyst for national growth. Technical and Vocational Schools at secondary level must possess the capacity to withstand change and produce workers with quality. Therefore Pakatan Rakyat aims to build five Technical and Vocational Schools at the secondary level (three in Peninsular Malaysia, one in Sabah and one in Sarawak) as a pilot project to enhance facilities and joint ventures with the private sector to provide job opportunities. A total of RM100 million will be allocated as a whole, or RM20 million per school.

Free tertiary level education is the responsibility of the government in order to develop the next generation of responsible, educated, and empowered citizens. Pakatan Rakyat remains committed to providing free tertiary education, in line with the Manifesto of Pakatan Harapan Rakyat, and as such plans to allocate RM6 billion per year to take over all PTPTN debt (RM2 billion), support 10% of the cost in public tertiary-level educational institutions (RM600 million), cost of living allowance for 500,000 students (RM2.5 billion) and a fund for private tertiary-level educational institutions (RM900 million).

Educators too play a key role in ensuring the success of the nation's education policies. The government must ensure the quality and welfare of educators so that this segment remains committed to their profession. Pakatan Rakyat will employ two approaches for this objective:

- (a) establish a 'Teacher Recruitment Unit & Specialist Team' (TRUST) special committee in each state to select teachers from the top 30% of each cohort. RM10 million a year will be allocated for this;
- (b) a special teacher's allowance of RM500 per month, totalling RM2.4 billion per annum.

To raise the bar of education in rural areas, a special program to train 'community teachers' among the orang Asli and in the interior areas in Sabah & Sarawak will be established. Pakatan Rakyat proposes to set aside RM10 million a year for this programme with 10 pilot projects in the initial years.

To enhance the education system for special needs children, a flagship special needs school will be established. Pakatan Rakyat will allocate RM20 million for the establishment of one primary and one secondary of such school.

Sub-Section 4.3: Prevention of Non-Communicable Diseases

In 2010, nearly 35,000 Malaysians died due to heart disease (primary cause) and stroke (secondary cause) while thousands more became disabled as a result of complications arising from Non-Communicable Diseases (NCDs). Since NCDs pose among the greatest health threats in Malaysia today, Pakatan Rakyat proposes free mass screening for risk factors for NCDs for Malaysians aged 35, followed by appropriate counseling and follow-up measures. Detecting diseases early and preventing complications will not only save lives but also in the long-term, the huge potential to save a lot of money, time and efforts as well as to prevent early losses of

talents.

The risk factors and diagnoses for most NCDs such as obesity, diabetes, hypertension, and heart disease, among others, could be established via a simple screening: medical history, weight, blood and urine test. As such, it is relatively simple and economical to do a mass screening of population at risk. The age of 35 is chosen because of the observation that heart disease, stroke and kidney failure are now affecting more and more people in their late 30s. Besides, most cases of heart attack and stroke occur in the age group of 45 to 65 years old. Since it typically takes around 10 years for the complications to develop, detecting and treating obesity, diabetes, hypertension, etc, screening at the age of 35 could prevent the development of such complications.

To undertake this programme, an estimated 300,000 Malaysians aged 35 in 2014 will be invited for screening at any government facilities. The exercise should be able to identify 45,600 diabetics or potential diabetics (about 15.2% in Malaysia), 60,000 hypertensive (20%), 60,000 obese individuals (20%). Subsequently, counseling and medical interventions, among others, should go a long way in preventing development of NCDs and complications in the long run.

Assuming a total cost of RM100 per person for history, physical examination, blood, urine tests plus discussion of examination results, this programme would cost the government RM30 million for 300,000 individuals.

Sub-Section 4.4: Suhakam's Indigenous Land Recommendations

Minority (non-Malay) Bumiputeras are amongst Malaysia's most marginalised communities and on average fare poorer in schooling, housing, income and basic amenities. A significant proportion of this grouping is comprised of Orang Asli and Orang Asal (13.8% of total Malaysian population). Due to their strong dependence on the land for their livelihoods and culture, the numerous land problems faced by Malaysia's indigenous peoples have a negative impact on their well-being.

In line with the recommendations of Suhakam's recently completed National Inquiry on the Land Rights of Indigenous Peoples, the Pakatan Rakyat recommends an immediate budget allocation to establish the following:

- (a) An Independent National Commission on Indigenous Peoples that would look into the effective recognition, promotion and protection of Orang Asal rights to land and identity. This would involve a time-bound, broad-based affirmative action approach that promotes indigenous peoples' development and well-being, and close the gap with other sections of the Malaysian society.
- (b) An Indigenous Land Tribunal to decide on land complaints.
- (c) An independent Ombudsman to mediate land disputes between and amongst indigenous peoples and communities. Success of the Ombudsman would relieve the burden on the courts and leave them as a last resort.

- (d) Capacity enhancement training for all land related departments i.e. Lands and Surveys Department (Sabah & Sarawak) and the Department of Land and Mines (Peninsular Malaysia) to enable them to engage more sensitively with indigenous peoples and respect their land rights as recommended in the Suhakam Report and consistent with international human rights norms.
- (e) A Compensation and Land Restoration Fund.

Section 4.5: Policies on Environment

Natural Resources Accounting (NRA), closely related to environmental-economic accounting, is a way of recording the economic value of natural resources both to track depletion as well as to measure the value of 'ecosystem services' provided such as how forests deliver biodiversity, carbon sequestration, fresh air and water catchment services. Environmental accounts are all encompassing, covering resources as well as environmental issues while the NRA generally elaborates specific assets of a country's national balance sheets that may be particularly important in a country more than in others. According to the United Nations' Statistics Division, water, energy, material flows (for example generation of waste and residuals) and fisheries are among some of the major components of the NRA.

Continuing with the example of forests, their contribution towards delivering water catchment and thus national water supplies is currently undervalued or more correctly, is valued at zero. This represents a serious omission in national accounting. It is harder for federal and state governments as well as their agencies to make accurate and responsible decisions about opportunity costs without such resource assessments.

Pakatan Rakyat proposes that the EPU, the Department of Statistics and the Auditor-General's Department work together with federal ministries and state economic planning units to incorporate NRA into their accounting process.

Pakatan Rakyat also proposes the establishment of the **EIA Fund**, a zero-cost blind fund administered by the Department of the Environment (DOE) into which developers pay the costs for preparing environmental impact assessment (EIA) reports on their development projects. An EIA is an assessment of the possible impacts that a proposed project may have on the environment, consisting of the environmental, social and economic aspects. The DOE pays registered environmental impact consultants using this fund. This practice will help improve the accountability and integrity of EIAs as developers no longer directly pay for their own EIAs, instead payment is made via a statutory body with a fiduciary duty to the public.

THRUST IV: UNLEASHING MALAYSIA'S TRUE POTENTIAL AND ENHANCING ITS LONG-TERM COMPETITIVENESS

As Malaysia moves from a commodity and low-end manufacturing-based economy to a economy driven by high value-added manufacturing and services, Malaysia must up the ante in promoting innovation, creativity, value creation and entrepreneurship in order to raise the long-term underlying potential of Malaysia's economic growth to a sustainable pace of between 6%-7%.

Section 1: Promoting Innovation, Creativity, Value Creation and Entrepreneurship

Pakatan Rakyat reiterates its commitment to providing a conducive and enabling environment for businesses to thrive in order to make Malaysia a competitive and viable investment destination and to create a vibrant business community by:

- (a) undertaking economic, structural, institutional, political, social and law reforms as part of Pakatan Rakyat's reformist agenda to raise Malaysia's long-term underlying growth trend competitiveness while ensuring greater transparency, accountability, governance and integrity;
- (b) further liberalising the economy to be conducive to business without imposing hardship on the rakyat, in particular the poor, the underprivileged and the marginalized;
- (c) redefining government intervention and rationalising its presence in the business sphere via GLCs, which has been one of the major causes of lacklustre private enterprise in Malaysia;
- (d) dismantling monopolies/oligopolies/cartels and reviewing lopsided concession agreements;
- (e) constantly looking for ways to lower the costs of doing business in Malaysia via provision of a human capital pool with adequate knowledge, skills and competencies that respond to business needs of most industries; adequately priced tariffs for utilities and efforts to digitalise the economy;
- (f) reviewing existing tax and non-tax incentives for businesses to ensure more equitable and effective wealth transfers while promoting growth-enhancing and sustainable industries for inclusive and sustainable economic growth;
- (g) simplifying business processes and procedures to reduce red tape and streamline cumbersome regulations as part of the service delivery enhancement by both the public and private sectors; and,
- (h) eradicating of systemic inefficiency and corrupt practices; rent-seeking culture and choking cronyism.

Given this commitment by a Pakatan Rakyat federal government and a new economic structure that emphasises the value of work and the importance of productivity, as a fair trade-off, businesses have to do their part by creating high-paying jobs to meet our goals of becoming a high-income, developed nation in

its true sense and achieving a minimum household income of RM4,000 by implementing the minimum wage policy and reviewing accordingly the existing staff salary structure and compensation packages.

Section 2: Supporting SMEs as the Backbone of the Economy

Manifesto Pakatan Harapan Rakyat for GE13 contained several measures that contribute to SME development:

- Establishment of the Minimum Wage Implementation Facilitation Fund worth RM2 billion to assist businesses, especially SMEs, in implementing the Minimum Wage Policy through automation incentives and minimum wage implementation grants for a specified period;
- Establishment of the National Innovation Fund worth RM500 million to strengthen the copyright industry and the idea bank as well as to promote the commercialisation of ideas and inventions;
- New SME policy to coordinate and promote financing to SMEs by financial institutions, as well as a review of tax incentives to shift the focus of assistance from large companies to SMEs, especially micro-sized and small establishments;
- Establishment of the Military Veterans' Small Entrepreneur with an initial allocation of RM500 million to assist the participation of ex-soldiers in economic activities

Pakatan Rakyat remains committed to further developing the SME industry by exploring the following ideas:

- Setting up cooperatives specifically to help SMEs market their products, expand organically, increase their market shares and boost their earnings;
- Other forms of assistance to help SMEs come up with an effective marketing strategy complete with initiatives for promotion, advertising and branding because only by showcasing uniqueness, creativity and innovativeness can SMEs compete successfully in the open market, at home and abroad;
- Initial Innovation vouchers worth between RM25,000 and RM50,000 for SMEs to embark on their projects; and,
- Enhancing mechanisms to ensure greater coordination and collaboration between SMEs and financial institutions other than the Credit Guarantee Corporation Malaysia Berhad (CGC), Malaysian Industrial Development Finance (MIDF), and SME Bank.

Section 3: Unlocking the Potential of Youth - Addressing Youth Unemployment

Pakatan Rakyat proposes measures that will: enhance the employability and marketability of youth in the 15-29 age bracket in order to reduce the mismatch of knowledge, skills and competence; help them make better-informed decisions about their future by improving accessibility to information about job availability and future careers; and introducing a “dual” training and work experience programme, providing exposure to the working world:

- (a) organise career guidance programmes for youth at schools, vocational training institutes, and higher learning institutions in collaboration with future employers and education providers;
- (b) encourage all public and private sector employers to provide practical/industrial training or internship programmes such as "student adoption programmes" as part of their corporate social responsibility (CSR) agenda to enable the youth to, while still studying:
 - gain exposure to the working world and hands-on experience; and,
 - mutually share knowledge in a two-way learning process through mentoring and other on-the-job training modules;
- (c) organise national-level job fairs on a regular basis as a platform for youth of all education backgrounds and levels to look for job opportunities;
- (d) set up "job centres" at each district to facilitate job placements;
- (e) organise entrepreneurial workshops specifically tailored to develop young entrepreneurs;
- (f) establish closer cooperation with specialised financial institutions such as SME Bank to give out micro-credit as seed capital for youth to start a viable business venture;
- (g) offer tax and non-tax incentives to SMEs/micro-enterprises, medium-sized companies or big corporations to encourage youth employment and enhance greater participation of the youth in the workforce such as double tax deduction for companies that hire the local youth and train them to reduce over-reliance on foreign workers;
- (h) institute a mindset change among education providers so as not to focus too much on paper qualifications but spend more efforts in preparing students to face the reality of what the job market is looking for -- the right technical skills, the right soft skills and the right attitude in order to land a job in their fields of study; and,
- (i) push for education reforms especially at the tertiary level to produce graduates that meet the needs of the nation to justify the high-paying jobs and put a stop to experimentation of the national education system.

An initial RM50 million will be allocated to implement these youth employment measures in phases with the objective of reducing the youth unemployment rate to around the national unemployment rate of 3%.