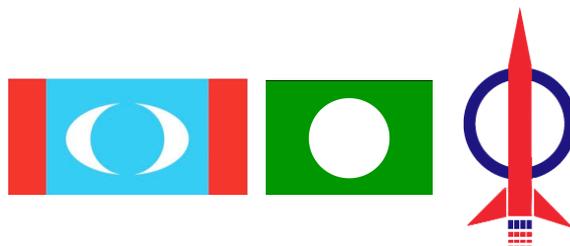




**ADDRESSING UNCERTAINTIES AND
RESTORING CONFIDENCE IN THE ECONOMY**

***RECOMMENDATIONS BY PAKATAN RAKYAT
FOR THE 2009 MALAYSIA BUDGET***

23 OCTOBER 2008



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INTRODUCTION

Pakatan Rakyat humbly presents these recommendations to the lawmakers in the Malaysian Parliament as they continue to debate the 2009 Budget presented by the government on 29 August of this year. Our recommendations are made in light of the global economic and financial crisis, the sharp decline in commodities markets and the anticipated impact of these and other factors on the Malaysian economy.

We believe that the 2009 Budget as presented is deeply flawed, not only in its assumptions but also in its prescriptions for navigating the country through the stormy waters of prolonged global economic recession expected in 2008 and 2009. The nation's leaders seem to be on auto-pilot, unaware of the challenges which have already risen in the form of runaway inflation, rising unemployment and declining foreign investment. More troubling is their prolonged state of denial over the grim economic forecasts. The entire industrialized world, upon which the Malaysian economy relies heavily, is bracing for the worst recession in over a half century and our leaders have not offered a single reassuring statement or policy to indicate that they understand the gravity of the situation.

There is a pressing need for a meaningful exchange of ideas by lawmakers on both sides of the political divide to formulate a more credible budget and a more responsible plan to allocate and spend the money that has been entrusted upon the government by its rightful stewards, the people of Malaysia.

The ruling party has thus far proven itself incapable of engaging in such a dialogue. The views presented by the Pakatan Rakyat in the Parliament have yet to be adequately debated by elected lawmakers because of the conspicuous absence of the majority of BN MPs and the senior Ministers from the Dewan Rakyat. Their silence is deafening. It reflects an arrogance of power and disdain for the plight of the ordinary Malaysian citizen whose life and livelihood will be directly impacted by the precarious economic situation.

Pakatan Rakyat believes in the democratic process and we will uphold our promise to the people of Malaysia. We represent their interests and will fight relentlessly against the corruption and cronyism which has contributed in large part to the nation's precarious fiscal and economic condition. We will do our part to hold the government to account so that the taxpayer's contributions as well as the nation's abundant natural resource wealth are put to good use for the benefit of the people and the future of Malaysia.

GLOBAL ECONOMIC SCENARIO, CHALLENGES FACED BY MALAYSIA

1. The global economy is under threat of a sustained and prolonged recession. There are signs of systemic failure both in the financial markets as well as in the economy in general with demand slackening for raw materials and finished goods around the world. Experts believe that while financial markets may rebound in the near term, the impact on the overall economy will be prolonged.
2. In a globalised economy it is inevitable that the impact of this crisis will be felt globally and in an export oriented economy such as Malaysia's the nation must make preparations and brace for the challenges ahead.
3. The latest analysis by the Malaysian Institute for Economic Research (MIER) predicts growth will slow to 3.4% in 2009 and the probability of a real recession by next year must be taken seriously. This confirms earlier predictions offered by regional and international economic experts that the government's forecast of 5.4% growth was overly optimistic.¹
4. Throughout the economic slowdown which has unfolded in September and October the current government has consistently denied that Malaysia will be affected even though the country is enduring the highest inflation rates in over two decades due to the government's mishandling of the petroleum subsidy. Also worrying is the increasing trend in unemployment and the precipitous decline in the KLCI, which has recently dropped below the 900 level.
5. The statements by the government reflect a prolonged state of denial and will create a false sense of security among people and institutions which could take steps now to prepare for challenging times ahead. This "see-nothing, do-nothing" strategy may ultimately backfire, leaving the nation and the vast majority of her people in dire circumstances.
6. The 2009 Budget proposed by the government is unrealistic in its assumptions of total revenues since commodity prices have dropped dramatically since the summer. The level of deficit spending will likely be higher although we believe the areas targeted for expenditure will not adequately stimulate the economy during the anticipated recession.
7. Furthermore experts have criticised this is a budget that whilst not penalizing business, it is going to do practically nothing to encourage business. The plan has no substantive initiatives to encourage business big or small, and no compelling proposals to improve Malaysia's competitiveness in the context of the global economic slowdown.

¹ See for example Economist Intelligence Unit Malaysia Country Reports for 2008,

GOVERNMENT'S INITIAL RESPONSE TO MARKET CRISIS IS INCOHERENT AND FLAWED

8. Since the market convulsions began in September the Malaysian government has reiterated its view that the country would not be adversely impacted. Senior ministers have on multiple occasions said that Malaysia's strong fundamentals will ensure our ability to "weather the storm". In this respect Malaysia is the only country in the world that believes it is immune to the impact of the financial meltdown. Only recently did the new Finance Minister accept the fact that there would be some spill-over effect of a global recession on Malaysia, and has indicated a downward revision of already optimistic GDP forecasts is imminent. Two days ago he repeated the statement that Malaysia's fundamentals are strong and there is no chance of a recession, even though Malaysia's largest trading partners have admitted recession is imminent.
9. The Finance Minister's lack of appreciation for the gravity of the situation is reflected in the government's lackluster initiative in revising the 2009 Budget to reflect new market realities. Particularly worrying is his continued belief that the massive proposed increase in government expenditure is sustainable given the anticipated decline in revenue.
10. The arbitrary and haphazard policies that have thus far been announced to prepare Malaysia for the impact of a global recession further reflect a failure to grasp the gravity of the challenges the Malaysian people will face in 2009.
11. The Finance Minister's proposed RM5bn injection of funds into Valuecap Sdn. Bhd. serves no logical purpose other than to prop-up some companies in the stock market, resembling the same pattern of abuse of power and misallocation of public funds which took place in the 1997 bailout scheme. An injection of 1% of equity into the KLSE will have virtually no impact on the overall health of the stockmarket. The appropriation of EPF funds into an opaque, privately held investment vehicle appears to do little more than channel the hard-earned retirement savings of Malaysian people towards a few companies and cronies. Thus far no assurances have been given that the EPF loan will be guaranteed by the Ministry of Finance and that the rate of return will at least equal the EPF dividend rate of 5.8%.
12. Other pronouncements by the Finance Minister to improve the investment climate are vague at best. Unless substantial measures are taken to assuage foreign investors concerns regarding investing in Malaysia such as foreign equity ownership, enforcement of contracts, judicial independence and the professionalism of the criminal justice system, a few haphazard measures are unlikely to abate the rapid withdrawal of foreign investment from Malaysia, which has already reached RM125bn in 2008.

PAKATAN'S RAKYAT'S PROPOSED BUDGET ALLOCATION

13. For 2009 Pakatan Rakyat anticipates a decrease in Government revenue by 11% to approximately RM157bn as against BN's projection of RM176bn. Lower revenues are expected due to the drop in commodity prices as well as a decline in GDP.
14. In estimating 2009 revenues we have taken the following assumptions on key commodity prices:
 - a. Crude oil (tapis blend) USD80/barrel
 - b. Crude palm oil RM1,700/ton
15. To ensure fiscal responsibility we advise a 15.5% reduction in government operational expenditure to RM130bn, as opposed to the BN proposed amount of RM154bn. The 20% increase in government expenditure as proposed by BN in 2009 is neither sustainable given the expected decrease in revenue nor is it a prudent allocation given the challenging economic scenario the nation faces. Such a sudden and massive increase in the government's operating budget is a telltale sign of wastage and inefficiency. In reducing operating expenditure Pakatan Rakyat will make no reduction in government salaries. We also believe that a substantial savings in the order of RM10bn is feasible simply by reducing corruption and mandating open-tenders for government procurements.
16. Malaysia has posted a budget deficit for 11 consecutive years under Barisan Nasional rule. This trend will continue in 2009 in order to sustain economic activity during this period of slowdown. However, Pakatan Rakyat believes that the budget has to be balanced in the long run; that is why we should be running surpluses in good times, while deficits only in weaker years. We estimate the budget deficit to be 3.0% based on our revised calculation of revenue and allocation for expenditure.
17. It should be noted that under the BN proposed 2009 Budget and given the anticipated loss in commodity revenue, the government's projection of 3.6% deficit would be virtually impossible to attain. Pakatan Rakyat's conservative estimates would achieve a lower deficit while still increasing development allocation.
18. Under federal government operating expenditure, we propose a reduction in allocation for Supplies and Services from RM26.5 billion to RM18 billion through open tenders, reprioritisation of expenditure and elimination of wastages. This reduction is consistent with 2005-level allocation which proves that it's a viable target.
19. We have selected education, public transportation, health and housing as sectors which will benefit from substantial increases in development expenditure as we believe they will contribute quickly and with more multiplier effects towards strengthening the economy in 2009 and beyond.

We have also substantially reduced the allocation for defense and channelled additional funds towards fighting crime and promoting public safety.

20. In implementing the 2009 Budget Pakatan Rakyat believes steps must be taken to quicken the disbursement of government funds as well as to ensure timely payments to the contractors to ease their cash-flow problem. The shortening of turnaround time would speed up the circulation of money and generally enhance the effectiveness of government expenditure in supporting overall economic activity, especially in case of recession.

EDUCATION – INVESTMENTS IN HUMAN CAPITAL

21. We propose a substantial increase in the allocation towards education from RM8.4bn in 2008 to RM11.8bn in 2009. This is almost RM2bn more than the proposed increase by BN for its 2009 Budget.
22. Pakatan Rakyat will allocate a portion of the Education budget to ensure that all primary schools are equipped with the minimum basic access to electricity and clean water. As of 2006, 10.1% or 767, as well as 1.4% or 28 of our primary and secondary schools respectively are without consistent daily supply of electricity. 20.0% or 1,517 as well as 68 or 3.4% of our primary and secondary schools respectively are operating without public supply of treated water. This allocation will benefit many such schools in the East Malaysian states of Sabah and Sarawak.
23. Teachers will also be given an average of 20% increase in pay-scale in order to attract more qualified and dedicated professionals to the teaching force.
24. In addition, a special allocation of RM10 million will be allocated to address the ongoing challenge of illiteracy in Malaysian primary schools whereby some 115,000 or 7.7% of students are not able to read, write or count.
25. Pakatan Rakyat will increase expenditure for Research and Development and for training. These initiatives will be linked to the public university system to enhance research opportunities and build local capacity for innovation and entrepreneurship. Greater investment in local R&D will also create jobs and produce qualified professionals with the skills necessary to serve the domestic and global market.
26. Secondary and tertiary educational institutions will be improved by investments in more qualified instructors, enhanced research and development facilities, and funding allocations to encourage research in key growth areas for the economy including technology, agriculture and clean energy.

STRATEGIC PUBLIC TRANSPORTATION INITIATIVES

27. Pakatan Rakyat considers public transportation infrastructure a priority for investment and also for major improvements in the liveability of our cities and

efficiency of the country's key economic areas. Pakatan Rakyat will improve the quality of the nation's transportation infrastructure by optimizing the development expenditure for the sector and save on costs by ensuring open tenders for all major infrastructure projects. We also propose special tax incentives for contractors utilising local products and labor.

28. Traffic congestion has become a major problem in the highly congested urban centres – the Klang Valley, Penang Island and Johor Bahru. A blueprint for a “Klang Valley Circle” rail network will also be developed to improve inter-suburban connectivity, by-passing the congested Kuala Lumpur city centre. We also believe that the Penang Middle Outer Ring road is an important project to reduce traffic congestion and boost Penang's economy and should be implemented.
29. We propose a substantial increase in funding for intra-city busses in Kuala Lumpur, Johor, Penang, Kota Kinabalu and Kuching as an important step in quickly addressing the problem of poor/non-existent rail service and traffic congestion.
30. PR also supports a policy to strengthen public transportation networks nationwide in a manner that revisits Malaysia's “old” cities such as Ipoh, Seremban, Melaka, and Alor Star and links them with fast and reliable rail service.
31. To ensure greater inclusiveness and promote greater economic activities, Pakatan Rakyat will also allocate funds to improve transportation between the East Coast with West Coast of Peninsular Malaysia via rail, roads and other modes of transport.

SUPPORTING HOME OWNERSHIP

32. The construction sector has high intra- and inter-linkages involving about 150 subsectors in the economy - from the construction of buildings, production of building materials, real estate, finance and credit, trading services and warehousing, renovation, consultancy services and etc. We are allocating an additional RM1bn to housing development to the sum of RM3 billion, which is more than double BN's 2009 housing allocation of RM1.4 billion. This significant allocation demonstrates Pakatan Rakyat's commitment to deliver roofs for every family, and our sincerity in wealth creation to eradicate poverty in Malaysia.
33. In addition to supporting essential infrastructure projects Pakatan Rakyat would allocate substantial amount of development expenditure to housing projects to promote growth and also to address the critical need for housing especially among the middle and lower income groups.
34. More low and medium-cost houses would be constructed with reviewed ceiling prices for low-cost housing to take into account the current cost of construction materials.

35. Pakatan Rakyat would establish a soft loan construction fund, mainly to provide short-term funding to the small- and medium-sized contractors facing tight cash flow problem.
36. Pakatan Rakyat will also seek to ensure the continuous supply of building materials by removing trade restrictions or constraints to increase domestic supply and production. These include the liberalization of import permits, quotas and licenses as well as shorten the layering of administrative measures to facilitate trade and services. This would help mitigate the higher costs of building materials, which not only increase the cost of the housing sector but also delay in the implementation of both the public and private sector projects.
37. High inflation and increasing unemployment are putting a tremendous strain on homeowners and increasing the likelihood of mortgage defaults. This is bad for people and can have ripple effects in the economy. In 2009 we would establish a fund to assist qualified and credit-worthy low and middle-income homeowners to remain current on loan payments and would encourage lenders to rewrite mortgages to make payments more affordable.

FIGHTING CRIME AND IMPROVING SECURITY

38. Pakatan Rakyat looks upon the current and deteriorating state of crime and security in the country with grave concern. We will allocate RM3.5 billion in development expenditure towards the country's security. However, we will cut defence expenditure to purchase expensive military equipment such as submarines in the short term and redirect resources towards fighting crime.
39. In addition to increasing the number of policemen and women as well as establishing the all important Independent Police Complaints and Monitoring Commission (IPCMC), Pakatan Rakyat seeks to implement on of the key initiatives proposed in the Royal Commission of Inquiry on the Royal Malaysian Police, namely reallocating approximately 30% of the police officers from administrative departments towards positions to crime-fighting departments. The vacancies in the administrative department will then be filled by civilians from the civil service sector. This will quickly increase the current shortage of officers patrolling the streets and improve the effectiveness of of the police force.

NEW AND FUTURE SOURCES OF REVENUE

40. Pakatan Rakyat will implement policy reforms in order to generate new sources of revenue to wean the government from its overreliance on income from natural resources. For example, currently, some 70,000 vehicle import approved permits (APs) are issued annually for fully imported cars. It is proposed that these APs are auctioned to the highest bidders who wish to import cars, with the exercise conducted monthly. Based on an estimated

market price of RM25,000 per AP, the auction will provide an additional RM1.75 billion to the Government's coffers.

41. Pakatan Rakyat proposes a “carbon tax” of RM25 per tonne of CO₂ equivalent will be implemented by 2010. A 5% minerals and forestry extraction severance tax shall also be imposed to promote better environmental management. Green taxes will partially compensate for the decline in personal and corporate income taxes and improve Malaysia’s reputation around the world as being proactive in implementing environmentally friendly regulations. .
42. The renegotiation of exploitative contracts by licensed monopolies such as the toll concessionaires and the independent power producers will not only result in a lower cost of services to all Malaysians but also substantial savings for the government. These savings will then cross-subsidize public interest projects such as the development of the public transportation system or alternative energy implementation exercises.

PAKATAN RAKYAT'S KEY BUDGET RECOMMENDATIONS

43. Pakatan Rakyat believes that the nation's economic and fiscal strategy must reflect principles of prudence, distributive justice and be concerned with enhancing the well being of all people.
44. Pakatan Rakyat recognizes ongoing volatility in global markets and the need for government to implement stabilizing measures, stimulate domestic demand, wean the country's revenue sources off of oil, palm oil and natural gas, identify and enhance trading partners in Asia, particularly Indian, China and the Middle East, and continue to attract foreign investment.
45. Given the heightened external economic uncertainties, the broad thrust of policy should be directed at re-engineering the growth strategies for the immediate and long term, while addressing the vulnerabilities in the economy. Hence, the broad measures and strategies are
 - (i) ensuring the stability of financial markets;
 - (ii) enhancing provisions for the social safety net;
 - (iii) maintaining domestic price stability;
 - (iv) enhancing national competitiveness,
46. Policy measures need to ensure a balanced macroeconomic policy mix to create a conducive environment to stimulate investment and consumption, while maintaining stability in the financial markets.

MEASURES TO ENSURE STABILITY OF FINANCIAL MARKETS

47. Pakatan Rakyat recognizes that Malaysia's fundamentals are much stronger than they were in 1997 and we do not face the same type of challenges that we did 10 years ago. Notwithstanding, the impact of the global financial crisis does require some prudent actions on our part which we believe will help the country navigate through this period with greater success. We propose the following steps be taken:
 48. The government should guarantee bank deposits in all banks.
 49. Immediate priority is to ensure the provision of credit facilities and the banking institutions should "hand-hold" their clients during this trying condition. Rescheduling of loan payments or flexibility of payments will help to smoothen companies' cash flow.
 50. Ensure coordination within Asean and with global financial markets to monitor closely market shocks that may trigger capital flight or sudden swings in currency values. Bank Negara Malaysia (BNM), the Securities Commission and Bursa Malaysia can implement early warning systems to identify negative trends and risks that could undermine stability and confidence in the financial system.

51. In the light of the US subprime crisis, the banking institutions must strengthen credit assessment capacity and underwriting standards. These include the continued vigilance in assessing the customers' repayment capacity and the close monitoring of the quality of loan throughout its lifespan.
52. BNM, with closer cooperation of the banking institutions would continue to ensure credit extended to consumer is within prudent levels. This can be achieved through consumer education and awareness, better information flows and informed financial services as well as provide advisory services on sound financial planning.
53. Bursa Malaysia, Securities Commission and Registrar of Companies must enhance their regulatory, monitoring, surveillance capabilities as well as enforcement activities to prevent breaches of regulations.

PROVIDE FOR A SOCIAL SAFETY NET

54. Welfare payments to an enlarged unemployable and non employable section of the population including the rural and urban poor and those with dependent children and those that have lost their employment because of retrenchment.
55. A temporary reduction in employee contributions to the EPF from 11% to 9% for a period of one year to increase disposable incomes. This would inject nearly RM2bn of disposable income into the economy for domestic spending.
56. Reduction or removal of charges for services in the education and health governmental services.
57. Reduction/removal of licenses payments especially for markets and pasar malam, in effect everything that will lighten the burden of the population carving to earn gainful employment.

INCREASE DOMESTIC CONSUMPTION BY BRINGING INFLATION UNDER CONTROL

58. We will manage the risk of inflationary pressures and contain inflationary expectations through
 - (i) the removal of trade restrictiveness or constraints to increase domestic supply and production. These include licensing, import permits and licenses;
 - (ii) strengthening the distribution and supply chains;
 - (iii) liberalising taxes and import duties on inputs used for the production of food, final goods and farming;

(iv) stepping up strict enforcement on the unscrupulous traders and manufacturers to ensure fair price practices.

59. An immediate reduction in petrol prices based on the plan that has been outlined, drawing funds from leakages and the substantial payments made to IPPs to maintain unnecessarily high stand-by capacity.
60. The government must implement a pricing mechanism which is more responsive to fluctuations in market prices for crude oil while ensuring that the poor and marginalized are not disproportionately impacted by sudden increases in the price of petroleum. As adequate programs are implemented to ensure the welfare of the poor and marginalized we would pursue a gradual implementation of market pricing so that the benefits of the allocation for fuel subsidy are channel more effectively to the most needy segments of society.
61. On the price controls, there is a need to examine the price controls mechanism in the context of increasing market efficiency as well as minimizing price distortion.

NATIONAL COMPETITIVENESS POLICY

62. We propose a national competition policy and will take steps to reduce the unfair market power held by state-created monopolies. These industries are a massive drain on state funds and on consumer purchasing power. Competition policy favours innovation and contributes to conditions conducive to new investment.
63. Small medium enterprises constitutes approximately 99% of all enterprises in the country. However, their proportionate importance in terms of tax contributions to the Government has clearly declined with the increased dependence on oil and gas revenue.
64. With substantial increases in the cost of raw materials as well as steep increases in the price of fuel and electricity, many Malaysian SMEs are facing difficulties in maintaining competitiveness.
65. To revitalise the SME sector, and to assist many SMEs whose counterparts in many countries in the region enjoy significant tax advantages, it is proposed that the tax rate for SMEs on their first RM500,000 chargeable income be reduced to 18% from the current 20%.
66. In addition, a new partial tax exemption threshold will be set at RM200,000 and taxed at 12%. This means that a SME with a chargeable income of RM900,000 will be taxed at an effective rate of 18%, in line, particularly with its competitors across the causeway in Singapore. This measure will help make Malaysian SMEs to be more competitive and at the same time attract more SMEs to set up business in Malaysia, creating more employment opportunities.

67. Pakatan Rakyat believes that reduction in taxes and other levies to the business sector, in the proper environment, will result in increased investment and consequently job growth. Additionally, Pakatan Rakyat's proposals are to focus on key sectors to maximize impact of tax-rebates on industries strategic to Malaysian growth and development. After opportunities to lower the overall business tax burdens, Pakatan Rakyat would then offer more sector- and productivity-driven incentives to increase investment in critical areas and companies. Examples of these policies are:
- (i) Tax rebates for those who export to a certain level
 - (ii) Tax rebates to fuel efficient and labour intensive operations to help provide incentives for companies to migrate to more fuel efficient production methods and keeping people on the payroll
68. In addition, a new partial tax exemption threshold will be set at RM200,000 and taxed at 12%. This means that a SME with a chargeable income of RM900,000 will be taxed at an effective rate of 18%, in line, particularly with its competitors across the causeway in Singapore. This measure will help make Malaysian SMEs to be more competitive and at the same time attract more SMEs to set up business in Malaysia, creating more employment opportunities.
69. When the Government launched the Multimedia Super Corridor (MSC) project 10 years ago, it promised to make every effort to grow and support local MSC status companies. However, despite the rhetoric, the Government being the largest consumer of information technology services in Malaysia has not given preference to these companies.
70. It is therefore important that in this proposed budget, Malaysian MSC status companies be given specific preference in tendering for the Government IT-related contracts to help nurture these companies into successful regional players.

GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY

71. Pakatan Rakyat is committed to principles of good governance, transparency and accountability. We believe that a government which is careless in its administration and wasteful in its expenditures must be held to account. Worse however is the rampant corruption and cronyism taking place in the BN administration which is costing the Malaysian people over USD10bn per year. The only antidote to such practices is to implement a strict regime of disclosure and transparency in public expenditure. It is imperative that an annual budget expenditure in excess of RM150bn include numerous measures to ensure the proper, legal and accountable collection and expenditure of public funds.

CURBING GOVERNMENT EXPENDITURE ON MEGA-PROJECTS

72. Historically, the BN government has a notorious track record for wasteful and extravagant mega projects that cannot justify close scrutiny. In addition to the aborted RM1.13 billion crooked scenic bridge, a RM9 billion undersea cable-tracking project has also been proposed and there is now a proposal for a RM15.2 billion high speed broadband (HSBB) project to wire up 2.2 million so-called high economic impact premises.
73. To prevent the likelihood of financially irresponsible mega projects burdening the public, PR proposes for the current budget year and the remainder of the 9th Malaysia Plan period to undertake a rigorous priority review of all proposed mega projects costing RM1B upwards and to assess their socio-economic viability, affordability and intended impact on national development and employment. This review will be conducted transparently and will include the use of independent and credible professional bodies and individuals.
74. The strict adherence to higher standards of fiscal prudence by the Pakatan Rakyat government – beginning initially with mega projects and to be extended to all new projects - will prevent public funds from being wasted or hijacked by political cronies of the BN. It will also enable the savings to be channeled towards programmes bringing higher returns for the public, including those aimed at helping the low and middle income earners.

REFORMING THE PUBLIC-TENDER SYSTEM

75. All government contracts must be tendered in an open, competitive and transparent manner similar to policies that have proven to be effective and have saved millions of taxpayer Ringgitt. Towards this end, the following policies will be implemented:
1. All qualified companies shall be provided with equal opportunities to secure Government supply contracts and projects.

2. To prevent destabilizing disruption to the current system, this policy shall be implemented on a gradual basis, commencing with projects or supply contracts sized above RM10 million for 2009.
3. In view of the challenges brought by globalization and to honour our international commitments to free trade, all tenders shall be made competitive, open and transparent by 2015.

76. We project a conservative 10% savings can be achieved via the new tendering system and an absolute savings in excess of RM5 billion per annum as well as bring about quality improvements that are of a large magnitude.

RENEGOTIATING UNFAIR CONTRACTS

77. The BN government's policies of guaranteeing highway toll concessionaires as well as independent power producers (IPPs) extraordinary profits with grossly unequal contracts with little or no risks to the latter are the clearest cases of the current Government failing to protect public interest and enriching the small segment of wealthiest Malaysian business owners.
78. The impact of these policies are increasingly felt today with rapidly rising toll rates and energy prices. It is hence imperative that the Government renegotiate these contracts to protect the interest of the public.
79. It is possible to renegotiate a reduction in the amount of subsidy and the stand-by capacity requirements while ensuring these companies are able to continue to earn a reasonable profit in a more competitive market.

CONCLUSION

80. The 2009 Budget as presented by the BN government represents a continuation of the very same failed policies which have led to enormous inefficiency and wastage of public funds. Billions of dollars have been added to the BN's proposed expenditures without sufficient justification. It is very likely that without proper transparency and accountability billions will again be leaked into the pockets of cronies and lost to waste and inefficiency.
81. Our recommendations, if implemented prudently, will steer the country through the turbulence ahead and give back to the people more in terms of quality housing, healthcare and education which they rightly deserve.

APPENDICIES

Table A1. Federal Government Financial Position 2005 - 2009

RM million (Juta)						
	2005	2006	2007	2008	2009PR	2009BN
Revenue	106,304	123,546	139,885	161,558	158,349	176,221
Operating expenditure	97,744	107,694	123,084	150,953	130,345	154,170
Current balance	8,560	15,852	16,801	10,605	28,407	22,051
Gross development expenditure	30,534	35,807	40,564	46,258	51,736	51,730
Less: Loan recoveries	3,250	846	3,105	1,191	1,229	1,229
Net development expenditure	27,284	34,961	37,459	45,067	50,507	50,501
Overall balance	-18,724	-19,109	-20,658	-34,462	-22,100	-28,450
% of GDP	-3.6%	-3.3%	-3.2%	-4.8%	-3.0%	-3.6%

Table B1. Federal Government Revenue 2005 – 2009

Jadual B1 Perbelanjaan Kerajaan Persekutuan 2005-2009

	RM million (Juta)						
	2005	2006	2007	2008	2009PR	2009BN	Diff
Tax revenue <i>Perbelanjaan cukai</i>	72,050	87,863	95,168	107,737	107,849	124,380	-13%
Direct tax <i>Cukai langsung</i> of which: <i>iaitu</i>	48,703	62,637	69,396	77,579	77,649	92,127	-16%
Companies <i>Syarikat-syarikat</i>	26,381	26,477	32,149	33,325	33,000	35,780	-8%
PITA <i>PITA</i>	14,566	20,674	20,453	24,511	24,300	35,826	-32%
Individuals <i>Persendirian</i>	8,649	10,196	11,661	14,593	15,399	15,399	0%
Cooperatives <i>Koperasi</i>	1,193	1,428	1,395	1,417	1,450	1,480	-2%
Others <i>Lain-lain</i>	2,754	2,798	3,738	3,733	3,500	3,642	-4%
Indirect tax <i>Cukai tidak langsung</i> of which: <i>iaitu</i>	23,347	25,226	25,772	30,158	30,200	32,253	-6%
Export duties <i>Duti eksport</i>	2,086	2,361	2,322	2,977	3,000	3,032	-1%
Import duties <i>Duti import</i>	3,385	2,678	2,424	2,411	2,100	2,211	-5%
Excise duties <i>Duit Eksais</i>	6,828	8,798	8,991	10,369	9,800	11,038	-11%
Sales tax <i>Cukai jualan</i>	6,816	6,281	6,642	7,580	7,800	8,059	-3%
Service tax <i>Cukai perkhidmatan</i>	2,582	2,685	3,013	3,415	3,500	3,708	-6%
Lain-Lain	1,968	2,225	2,380	3,406	4,000	4,205	-5%
Non-tax revenue <i>Perbelanjaan bukan cukai</i>	27,347	32,762	44,717	53,821	50,500	51,841	-3%
Total revenue Jumlah Perbelanjaan	99,397	120,625	139,885	161,558	158,349	176,221	-10%

Table C3. Federal Government Operating Expenditure by Object 2005 – 2009

Jadual C3 Perbelanjaan Operasi Kerajaan Persekutuan 2005-2009

	RM million (Juta)						
	2005	2006	2007	2008	2009PR	2009B N	Diff
Emolument <i>Emolumen/Gaji</i>	25,587	28,522	32,587	36,214	36,500	37,985	-4%
Debt service charges <i>Hutang dari caj perkhidmatan</i>	11,604	12,495	12,911	13,101	13,473	13,473	0%
Grants to state governments <i>Geran untuk kerajaan-kerajaan negeri</i>	2,614	2,851	3,904	4,402	4,903	4,903	-8%
Pensions and gratuities <i>Pencen dan penghargaan</i>	6,809	7,008	8,251	8,412	7,279	7,279	0%
Supplies and services <i>Perbekalan dan perkhidmatan</i>	17,984	20,923	23,622	25,900	18,000	26,488	-32%
Subsidies <i>Subsidi</i>	13,387	10,112	10,481	34,103	29,000	33,799	-14%
Assets Acquisition <i>Perolehan Aset</i>	1,603	1,949	2,532	2,194	1,800	2,361	-24%
Grants to statutory bodies <i>Geran untuk badan berkanun</i>	8,289	9,195	10,707	13,064	8,800	13,805	-36%
Refunds and write-off <i>Pulangan perbelanjaan dan</i>	288	287	1,062	966	890	890	0%
Others <i>Lain-lain</i>	9,579	14,352	17,027	12,598	9,700	13,187	-26%
Total Jumlah	91,298	105,374	116,986	154,170	130,345	154,170	-16%

Table D4. Federal Government Development Expenditure by Sector 2005 – 2009

Jadual D4 Perbelanjaan Pembangunan Kerajaan Persekutuan berasaskan Sektor 2005-2009

	RM Million (juta)						
	2005	2006	2007	2008	2009PR	2009BN	Diff
Economic services <i>Perkhidmatan ekonomi iaitu</i>	11,851	16,283	20,116	20,718	25,256	27,746	-9%
of which:							
Agriculture and rural development <i>Pertanian dan pembangunan luar Bandar</i>	2,881	3,681	3,842	4,414	3,500	3,522	-1%
Trade and industry <i>Industri dan Perdagangan</i>	1,201	3,791	4,904	4,450	5,000	4,303	16%
Transport <i>Pengangkutan</i>	6,630	6,198	8,500	7,813	12,000	7,605	58%
Public Utilities <i>Kemudahan Awam</i>	1,481	2,244	2,358	3,131	3,000	3,216	-7%
Communications <i>Perhubungan/Komunikasi</i>	105	8	105	117	856	556	54%
Other <i>Lain-Lain</i>	8	12	407	793	900	8,544	-89%
Social services / <i>Servis social</i>	10,260	10,194	12,893	15,594	20,880	17,794	17%
of which / <i>iaitu:</i>							
Education and training <i>Pendidikan dan latihan</i>	4,316	5,175	6,271	8,483	11,800	10,087	17%
Health <i>Kesihatan</i>	2,352	1,297	1,496	2,247	3,080	2,308	33%
Housing <i>Perumahan</i>	1,593	1,895	2,947	2,011	3,000	1,400	114%
Lain-Lain	1,412	1,531	2,178	2,853	3,000	3,999	-25%
Security <i>Keselamatan</i>	4,133	5,781	5,702	7,032	3,500	4,073	-14%
General Administration <i>Pentadbiran Awam</i>	2,620	3,556	1,853	2,914	2,100	2,117	-1%
Total /Jumlah	28,864	35,814	40,564	46,258	51,736	51,730	0%