

ALTERNATIVE BUDGET

Malaysia 2018

*Spend Wisely,
Cut Taxes,
Choose Hope*

PAKATAN
HARAPAN



ALTERNATIVE BUDGET

Malaysia 2018

*SPEND WISELY
CUT TAXES
CHOOSE HOPE*



CONTENTS

PREFACE.....	5
1 THE STATE OF THE ECONOMY	7
2 FISCAL PROJECTION 2018.....	11
2.1 Introduction.....	12
2.2 Overview.....	12
2.2.1 Fiscal Projection Highlights	14
2.2.2 Can we afford to eliminate GST?.....	14
2.3 Revenue	16
2.3.1 Direct Tax Revenue	16
2.3.2 Indirect Tax Revenue	17
2.3.3 Non-tax Revenue.....	18
2.4 Expenditure.....	20
2.4.1 Operating Expenditure.....	21
2.4.2 Development Expenditure	25
3 PAKATAN HARAPAN POLICIES	27
3.1 Introduction.....	28
3.2 Fiscal Policies	30
3.2.1 Revamping our Revenue Policies.....	30
3.2.2 Expenditure Policies	35
3.3 Monetary Policies.....	37
3.3.1 An Independent Bank Negara.....	37
3.3.2 Reducing Household Debt.....	37
3.3.3 Strengthening the Islamic Financial Market.....	38
3.3.4 Cryptocurrencies and FINTECH	39
3.4 Economic Policies	40
3.4.1 Socioeconomic Policies	40
3.4.2 Economic Development Policies	50
3.4.3 Industrial and Business Development Policies.....	54

4	PAKATAN HARAPAN 2030: STORIES FROM MALAYSIAN FAMILIES	61
---	---	----

APPENDICES & TABLES	69
---------------------------	----

2018 Revenue Estimates.....	70
-----------------------------	----

2018 Expenditure Estimates	72
----------------------------------	----

ACRONYMS AND ABBREVIATIONS.....	73
---------------------------------	----

General Note

Details and figures in this document may not fully add to the totals due to rounding.

PREFACE

Pakatan Harapan believes in the immense potential of Malaysia and her people. This potential has yet to be realised. There is still hope.

This Alternative Budget serves as notice to the UMNO-BN government that we are ready to engage and contest in fiscal, monetary, and economic ideas. Indeed, we believe that Malaysia's future success will depend on active and open competition of policies and ideas. Underlying all our economic policies is the core idea that economic success can only be achieved and sustained with good governance and greater democracy in the political sphere. In this political context, there is no greater duty than the *Rakyat* must perform than to remove Dato' Sri Najib Razak ("MO1") and UMNO-BN from power in GE14.

This third Pakatan Harapan budget serves as an alternative fiscal, monetary and, economic policy document to the UMNO-BN government's budget. This document has two purposes: first, as a fiscal document for 2018; and second, as part of the economic manifesto of Pakatan Harapan leading up to the 14th General Election ("GE14"). This Alternative Budget is thus an "election" budget and its title 'Spend Wisely, Cut Taxes, and Choose Hope' is apt and timely.

This Alternative Budget is divided into four chapters:

- Chapter One provides a snapshot of the state of the economy in 2017 and what to expect in 2018.
- Chapter Two addresses the immediate fiscal concerns for the year 2018, highlighting how our projections and policies differ from those of the UMNO-BN government on both revenue and expenditure. This chapter will serve as a blueprint on how we will manage immediate government spending in the event we win GE14.
- Chapter Three illustrates some key policies of our economic manifesto for GE14. These economic policies will describe the medium-term fiscal, monetary, and economic policies that the Pakatan Harapan government will implement when given a five-year mandate by the *Rakyat* in the coming GE14.
- Chapter Four provides stories of what a Pakatan Harapan Malaysia will look like in 2030, after 12 years of our government. Told from the experiences of six families, it describes the positive and profound social economic impacts enjoyed by the *Rakyat* from our fiscal, monetary, and economic policies.

We will likely face a general election within six months of the publication of this document. For the last four decades, UMNO-BN's offer to the public has been the trade-off of "political restrictions" in return for material needs. Put crudely, the offer was for Malaysians to forgo democratic rights and freedoms in return for a share of

the economy. However, this trade-off no longer serves its purpose. The *Rakyat* now has no political rights and a shrinking share of the economy.

The current MO1 administration has lorded over a period of economic anxieties and wages that have fallen behind the rising cost of living, amidst a volatile political environment. We are witnessing rising political oppression, religious tension, and racial intolerance. Pakatan Harapan strongly objects to these polarising racial and religious politics. We do not peddle fear. Our economic policies here are meant to provide a pathway towards building a better future. This is a document of hope.

On this matter we reflect upon the reminder of Allah SWT in Surah Al-Baqarah, verse 188:

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

"And do not eat up properties of others among yourselves wrongfully, 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."

The verse depicts the principle of 'Socially Just and Equitable Development' in Islamic Syariah, which advocates equitable distribution of wealth and income and addresses its disparity.

Our message is simple and clear: we will spend wisely and cut taxes. In this last Alternative Budget before GE14, Pakatan Harapan calls upon the *Rakyat* to support our fiscal, monetary, and economic policies. The opportunity for *Reformasi* is upon us again. We must unite to rebuild Malaysia. Choose hope – elect Pakatan Harapan.

Pakatan Harapan
25th October 2017

1

— **THE STATE OF THE ECONOMY** —

The year 2016 provided many economic challenges, including a fiscal crunch and a crash of the ringgit. These had negative impacts on the economy and more importantly on the pockets of the *Rakyat*.

On the external front, the first half 2016 was defined by another round of decline in global oil prices, which fell to below USD30/barrel. This led to renewed panic over the state of the government's fiscal health. Foreign investors exited the bond and equity markets to the tune of RM3.80 billion as scepticism over the health of the Malaysian economy drove them out of the country. As a result, the ringgit suffered another wave of depreciation, weakening to RM4.49 against the USD — levels not seen since 1998. Even stopgap measures aimed at stemming the tide, such as directing government-linked entities with foreign investments (including the EPF and KWAP) to repatriate money to strengthen the demand for the ringgit, was no match for the outflow.

Given that such great doubts revolved around the government's ability to face the crisis, they had no choice but to react with a budget "recalibration" following the budget "revision" in 2015. Further austerity cuts were made to services most critical to the *Rakyat*, notably healthcare and education. While these measures may have temporarily stabilised the economy, they merely kicked the can down the road. Though it enabled the government to pay its bills for the year, these measures came at the cost of diminishing the country's long-term prospects as the *Rakyat* grew poorer from these painful cuts.

During the second half of 2016, the world witnessed populist uproars in the US and Europe with the election of President Trump and the UK Brexit referendum, where both countries opted for positions opposing free trade and supporting protectionism. We had expected this. After a decade of non-existent growth, it was a question of when, not if, the backlash would occur. Meanwhile, China continued to face slowing growth as its problems of over-capacity, over-investments, and bad debt constrained growth. All these spell further trouble for small and open economies like Malaysia that rely heavily on trade.

At first glance, while GDP growth figures for Q1/17 and Q2/17 looked good on paper, the reality was not as rosy as the numbers appear. People on the ground do not feel the supposedly better numbers due to several reasons.

Firstly, Q2/17 GDP figures enjoyed an artificial boost from Hari Raya spending as it was celebrated this year in June, which is in Q2/17, as opposed to last year's celebration which took place in Q3/16. Secondly, actual private consumption momentum has continued to slow—a worrying statistic as it makes up more than 53% of the Malaysian economy, indicating the *Rakyat*'s struggles against accelerating cost of living amidst slowing income growth. Thirdly, exports have been the one relatively less-gloomy spot of the economy driving the recent GDP growth numbers, especially in manufacturing and commodity exports. However, this sector employs a diminishing proportion of Malaysian workers, with increasing automation and the remaining labour demand being increasingly fulfilled by foreign labour. That is why this sector's recovery is not felt on the ground by the *Rakyat*.

As mentioned earlier, private consumption continues to struggle. Despite promises that the spike in inflation from implementing Goods and Services Tax (GST) in 2015 would only be temporary and last for a year at most, inflation hit an 8-year high of 5.1% in March 2017,¹ almost two years since the introduction of GST. Indeed, the monthly inflation rate up to August 2017 has averaged 4%. This is almost 2% higher than the 2.1% average monthly inflation rate for 2016.

The government argued that the higher inflation rate is largely caused by higher petrol prices and not much else. Such an explanation is especially misleading because the cost of transportation and logistics is a key factor in the pricing of all goods and services. Thus the rise in petrol prices will manifest in the rise in prices of other goods. This is evidenced by the fact that prices of food and drinks went up by 4.1% in March 2017, with prices of oils and fats going up by a staggering 38.3%.

The truth of the matter is that the *Rakyat* are suffering from an across the board increase in the price of goods and services. This diminishes their disposable income. On the ground, we hear consistently that year after year, the income plus whatever increment the *Rakyat* receives is no match to the rise in cost of living, much less the rise in property prices from already unattainable levels.

We fear that weaker economic prospects, slower income growth, and financially-stretched households and government will manifest in the second half of 2017 and follow into 2018.

A combination of more challenging economic conditions and tighter lending standards by banks has led to weak lending, reaching as low as 5% in August 2016, and currently growing at 5.8% in August 2017, surpassing the 10-year low of the Global Financial Crisis (GFC) when loans grew by 5.9% in May 2007. Loans growth is normally a leading indicator of economic activities, as businesses and households borrow based on future prospects. Weakened loans growth in 2017 indicates that fewer people are borrowing to finance activities in 2018, thus signalling weaker 2018 prospects. Following the trend observed since September 2015, we expect loans growth to be even weaker in 2018 and may fall further than the record low seen during the GFC.

On the supply side and beyond the demand for loans, banks continuously face tighter financial regulations, such as the MFRS 9 that will be implemented in January 2018, and other Basel III regulations. All these point towards a higher cost of capital and funding for banks, which will be passed on to borrowers in the form of more expensive loans. Further compounding this burden is the prospect of higher non-performing loans (NPLs) requiring higher provisions by banks, especially from the lower income group.

Externally speaking, the protectionist policies of advanced economies are unabating while China's structural problems continue to unravel as recent sovereign rating downgrades indicate. In addition, central banks in advanced economies are reversing their quantitative easing (QE) programmes, pointing to further outflows and liquidity tightening. Given this, the last bright spot of the economy – the export sector – will

likely find it more challenging while the government will find it increasingly difficult to finance its debt cheaply as foreign investors move elsewhere.

One symptom of these domestic pains is the continued weakness of the ringgit as investors continue to leave, taking RM14.20 billion with them from January to August 2017. The UMNO-BN government attributed the weakness of the ringgit purely to external factors. Weaker oil prices bore the blame, as well as unscrupulous foreign speculators artificially weakening the ringgit for their nefarious purposes, particularly in the non-deliverable forward (NDF) market. If that were truly the case, why has the response of the ringgit to the recent recovery in oil prices been so muted, even though crude oil prices have increased by more than 20% since June 2017 and economic conditions have supposedly improved? To top it off, Bank Negara has intervened through a series of measures in end-2016 and throughout 2017 to clamp down on the non-deliverable forward (NDF) market as well as to put the burden of supporting the ringgit on our exporters by requiring them to repatriate and convert their proceeds as national service. Yet, the ringgit is expected to remain around RM4.30 against the US Dollar.

This indicates that the weakness of the ringgit is not only reflective of external conditions, but also of domestic weaknesses and concerns, particularly on wasteful and corrupt usage of funds as seen in 1MDB and FELDA. More importantly, there has been no meaningful effort to prosecute wrongdoers or recover the lost funds. Investors continue to pencil in a discount on Malaysia's full potential. This discount factors in the proven inability of UMNO-BN leaders to use public resources effectively and appropriately to enrich the country through better provision of public services, including healthcare and education. The discount also factors in the expectation that public resources will continue to be misappropriated to enrich the few. The weak ringgit is a reflection of this continued scepticism by investors, that the potential of the country will not be realised and capitalised on.

If UMNO-BN continues to rule, we may see nominal GDP growth but we are certain that the *Rakyat* will continue to suffer higher cost of living, a weak ringgit and, slow growth in wages. We will also see continued capital flight and brain drain, impeding Malaysia's growth potential to the detriment of future generations. As such, the *Rakyat* cannot afford another 5 years of UMNO-BN rule.

¹ "Malaysia's inflation rate in March hits eight-year high", *The Sun Daily*, 20 April 2017, <https://goo.gl/t9nWTZ>, (accessed 12 October 2017)

2

FISCAL PROJECTION
2018

2.1 Introduction

In making fiscal projections for 2018, we consider three basic questions;

- (a) What is the projected budget overview, a surplus or a deficit?
- (b) What is the projected revenue? and,
- (c) What is the projected expenditure?

This chapter is thus divided into three parts: overview, revenue, and expenditure. We first give an overview of the budget, highlighting the major differences between Pakatan Harapan and UMNO-BN. The second part contrasts the Pakatan Harapan revenue projections against those of UMNO-BN, and the third part highlights Pakatan Harapan's expenditure priorities for 2018 against those of UMNO-BN.

As in all fiscal documents, projections and policies are two sides of the same coin. Our projections are based on the best available fiscal data and factor in the latest economic outlooks and news. Our policies reflect Pakatan Harapan's economic priorities and aspirations. Chapters Three and Four of this document better illustrate these policies and their direct positive economic impacts on the *Rakyat*.

2.2 Overview

In projecting this Alternative Budget 2018, we used data from the Ministry of Finance (MOF). We started by analysing key projected estimates of federal revenue and expenditure for 2017. Using these as base numbers, we then drew up economic growth forecasts. We also tracked economic news and policy statements made by UMNO-BN ministers up to September 2017, to better forecast the revenue and expenditure numbers for 2018. For instance, we tracked a series of recent announcements by the Inland Revenue Board (IRB) regarding direct income tax collection.

Our projections also took into account the current global trend in crude oil prices. Since oil and gas revenue contributes about 30% of total government revenue on a 10-year average, setting the right crude oil price is essential. For the purposes of this Alternative Budget, we valued 2018 price predictions of crude oil at USD52/barrel.²

On the issue of GST, we differ starkly from UMNO-BN. Pakatan Harapan is committed to eliminating GST via zero-rating but we will keep its reporting system. We aim to revert to pre-GST numbers on the matter of consumption tax. In effect, this means that we will see a revenue shortfall of RM25.50 billion. Pakatan Harapan sees this policy as an absolute necessity in times of economic stagnation and consumer hardship.

The implementation of GST by UMNO-BN in 2015 was fundamentally flawed because it did not see an equivalent reduction in other taxes. As such, the *Rakyat* were unduly burdened with an additional tax. More disappointing is the fact that after collecting this additional tax, the UMNO-BN government reneged on its own pledge to spend this additional money wisely to generate economic multiplier benefits. Instead,

UMNO-BN used it for its profligate operating expenses. GST thus resulted in RM25.50 billion being removed from the pockets of the *Rakyat* into the hands of a government with an extremely dodgy governance record, as exemplified by the 1MDB scandal.

Our policy of eliminating GST for 2018 is not a populist act but is primarily rooted in the need to rejuvenate consumption. Our intentions are to put back RM25.50 billion into the economy and help alleviate economic hardship for everyone (see also chapters [2.2.2.](#) and [3.2.1.4.](#)).

In order to balance our Alternative Budget, we propose reducing non-essential expenditure items and trimming the bloated budgets of some ministries, in particular the Prime Minister's Department (PMD) (see chapter [2.4.1.1.](#)). In tandem, we will make concerted efforts to eliminate wastage and corruption, thus creating a more transparent and accountable budget (see chapter [2.4.1.3.](#)).

Good governance makes good economic sense. Better governance will also free up more money to invest in development spending, allowing for greater growth and distribution of wealth. Our smaller budget means we will tax less, aim for higher efficiencies on operating expenditure, and give more back to the *Rakyat* in development expenditure. Overall, we have a better and more balanced budget than that of UMNO-BN, with a projected deficit of 2.0% for 2018.

To the layperson, our budget sends a simple message. That message is, "Spend Wisely, Cut Taxes, Choose Hope."

UMNO-BN (RM billion)		PAKATAN HARAPAN (RM billion)
	GDP 2018 RM1,426 billion ³	
244.48	REVENUE	229.44
285.50	EXPENDITURE	258.52
227.28	Operating	200.16
58.22	Development	58.35
41.02	DEFICIT	29.08
2.9%	Deficit-to-GDP ratio	2.0%

Table 2-1: Comparing the budgets of UMNO-BN and Pakatan Harapan.

2.2.1 Fiscal Projection Highlights

- Pakatan Harapan's 2018 budget shows a smaller and more manageable deficit of RM29.08 billion compared to UMNO-BN at RM41.02 billion. In terms of deficit-to-GDP ratio, Pakatan Harapan's is at 2.0% compared to UMNO-BN at 2.9%.
- Pakatan Harapan will also collect less revenue than UMNO-BN, in line with our theme to cut taxes. A main component of our revenue model is the elimination of GST.
- Pakatan Harapan expenditure is smaller than UMNO-BN's at RM258.52 billion. This is a result of deducting billions from the PMD, the elimination of wastage and corruption, as well as a reduction in protocol spending.
- Pakatan Harapan has a better operating expenditure to development expenditure ratio of 77 : 23, compared to UMNO-BN's ratio of 80 : 20.

2.2.2 Can we afford to eliminate GST?

In 2018, GST is estimated to contribute a sum of RM42 billion in consumption tax revenue for UMNO-BN. In stark comparison, by eliminating GST and reverting to pre-GST numbers, Pakatan Harapan will only collect RM16.50 billion as consumption tax in 2018. On the surface, this would mean a net loss of RM25.50 billion. However, a more nuanced fiscal calculation shows that re-injecting RM25.50 billion into the market will directly cause three positive fiscal revenue results.

Firstly, consumer consumption and business activity will boom, meaning that revenue from Corporate Income Tax (CITA) will rise. With RM25.50 billion of additional sales, we estimate this to result in some RM8.93 billion increase in profit before tax. This means that, with the CITA rate currently at 24%, the elimination of GST will boost additional CITA revenue by RM2.81 billion.

Secondly, a consumption boom also means the *Rakyat* will purchase more goods, including imported goods. We project a conservative 20% spike in consumption, which increases total import and excise duties (for all goods, excluding motor vehicles) by RM0.40 billion and RM1.06 billion respectively. Hence, total import and excise duties will increase by RM1.46 billion for all goods, excluding motor vehicles.

Thirdly, the consumption of big-ticket items, namely properties and cars, is expected to recover and possibly, enjoy a mini pent-up boom. Currently, we are in the most depressed property cycle of the last decade. By driving up overall consumer confidence, we project a modest property boom of 20% in terms of transaction volume. This will result in an extra RM0.30 billion in RPGT revenue, bringing total Real Property Gains Tax (RPGT) collection up to RM1.82 billion.

The car market shares the same boat as the property market. We therefore also project better car sales by 20%. Car sales effectively bring in three categories of

revenue, namely import, excise, and motor vehicle licences. A 20% increase will see import duties increase by RM0.13 billion to RM0.77 billion, excise duties increase by RM1.30 billion to RM7.82 billion, and motor vehicle licences up by RM0.50 billion to RM3.01 billion. Therefore, better car sales from an all-time low boosted by the elimination of GST will contribute an additional RM1.93 billion in revenue. Stamp Duty collection will also increase slightly by RM1.20 billion. We also expect that with better governance in place, we will realise an additional RM3.80 billion as investment income from GLCs, GLICs, and development finance institutions (DFIs).

Thus, the elimination of GST will not result in a catastrophic revenue loss of RM42 billion as alleged by UMNO-BN. Instead, the direct fiscal revenue loss is containable at RM14 billion.

As every fiscal budget has two components, namely revenue and expenditure, a drop in revenue can be counterbalanced by a reduction in expenditure.

For 2018, we are determined to eliminate RM20 billion from wastage and corruption. Part of this wastage and corruption includes the slashing of the Prime Minister's Department (PMD) budget, bringing down the RM20.80 billion allocation to a more acceptable RM8.40 billion. We note that during the last year of Dr Mahathir's administration in 2003, the PMD worked on a budget of RM5 billion. Using a 'time value of money' calculation with an average CPI of 3.5%, Dr Mahathir's budget today would be RM8.40 billion.

Thus, the calculations above clearly prove that in order to make the elimination of GST work to benefit the *Rakyat*, we need to combat wastage and corruption. By carrying this out, we will not only be able to completely cover the revenue loss from the elimination of GST, we will in fact, record a surplus of RM6 billion.

FISCAL ITEM	Deductions (RM billion)	Additions (RM billion)
Elimination of GST	25.50	
CITA		2.81
RPGT		0.30
Motor Vehicles Licences		0.50
Motor Vehicle Import Duties		0.13
Motor Vehicle Excise Duties		1.30
Other Import Duties		0.40
Other Excise Duties		1.06
Stamp Duty Increase		1.20
Investment Income		3.80
Savings from Wastage and Corruption (Including Slashing the PMD Budget)		20.00
TOTAL		31.50

Table 2-2: Offsetting GST with Revenue from Other Sources.
*numbers may not tally due to rounding.

2.3 Revenue

Based on the current UMNO-BN government's intense fixation on revenue collection, we project their 2018 revenue to increase to RM244.48 billion despite current crude oil prices and a stagnant economy. The government's addiction to spending more than it earns is projected to continue. We also expect the government GST to continue to collect RM42 billion for 2018.

2.3.1 Direct Tax Revenue

Under UMNO-BN, and according to the IRB, direct tax revenue for 2017 is projected to be a whopping RM136.60 billion.⁴ This is a considerable jump compared to the RM114 billion collected in 2016. As such, for 2018, we project an additional 3.67% growth to RM140.57 billion, with CITA at RM83.15 billion and Individual Income Tax collection at RM35.88 billion. Both CITA and Individual Income Tax are expected to increase due to intense IRB raids. Collection of PITA is expected to be RM11.12 billion (based on oil prices averaging USD52/barrel). On other direct taxes, namely Stamp Duty and RPGT, we project total collections of RM6.02 billion and RM1.51 billion respectively due to the soft property market and a dearth of deals and transactions.

Our Alternative Budget projects direct tax revenue to be higher at RM141.79 billion. In eliminating RM25.5 billion of revenue from GST, we will put back the same into the pockets of consumers. This will start a virtuous cycle, whereby consumers are expected to spend this money, pushing up sales and profits for corporations, which in turn will raise CITA collection. We compute that increase to be an additional RM2.81 billion in CITA. We thus project a higher CITA collection at RM85.96 billion.

On Individual Income Tax, Pakatan Harapan will collect less at RM32.79 billion. While we note that the IRB estimates some RM45 billion was lost in under-declaration of income taxes for 2015 and 2016,⁵ we are aware that in these difficult economic times, it would be heartless and unconscionable to squeeze more money from individual taxpayers. Hence, unlike the jugular approach adopted by UMNO-BN, we will direct the IRB to ease up on raids on the *Rakyat*, resulting in Individual Income Tax revenue being smaller by RM3.09 billion.

Pakatan Harapan takes the view that the IRB's powers to compel individual taxpayers to "pay first, appeal later" must be curtailed to provide greater natural justice and fairness. Instead, we take the approach that taxpayers can be encouraged to fully pay their taxes by way of nudge economics. We embrace behavioural science as practiced by the UK Government's Behavioural Insights Team to increase revenue by way of soft persuasion and influencing the cognitive biases of taxpayers. We also believe that by demonstrating better governance, greater accountability, and transparency, taxpayers will reciprocate by making more honest tax declarations.

On Petroleum Income Tax (PITA), we have no change in the tax rate and as such will apply the same numbers as UMNO-BN. Regarding other taxes, we project our Stamp Duty collection to increase to RM7.23 billion (higher than UMNO-BN by RM1.2 billion) while we project RPGT collection to rise to RM1.82 billion. This rise in RPGT collection follows the consumption boom caused by the elimination of GST.

	UMNO-BN 2018 ESTIMATE RM million	PAKATAN HARAPAN 2018 ESTIMATE RM million
INCOME TAX	132,935.6	132,654.7
Individual Income Tax	35,875.8	32,786.1
Company Income Tax	83,152.7	85,961.6
Petroleum Income Tax	11,115.7	11,115.7
Withholding Tax	2,571.9	2,571.9
Cooperatives Income Tax	193.5	193.5
Other Income Tax	26.0	26.0
OTHER DIRECT TAXES	7,630.1	9,139.0
Stamp Duty	6,021.4	7,225.7
RPGT	1,513.7	1,818.3
Other Direct Taxes	95.0	95.0
TOTAL	140,565.7	141,793.7

Table 2-3: Direct Tax Revenue.

*numbers may not tally due to rounding.

2.3.2 Indirect Tax Revenue

We forecast the UMNO-BN government's indirect tax at RM60.34 billion with GST being the bulk at RM42 billion. In view of lower car sales and a small drop in alcohol and tobacco consumption, we expect import and excise duties to decline to RM14.52 billion for 2018. Total export duties are expected to increase to RM0.83 billion based on oil prices averaging USD52 per barrel and better performing palm oil prices.

Pakatan Harapan's indirect tax total is substantially lower at RM40.50 billion. Pakatan Harapan differs dramatically on the issue of indirect tax as we will eliminate GST and return to pre-GST numbers based on the old SST computation. Therefore, instead of collecting RM42 billion in consumption tax, Pakatan Harapan will only collect RM16.50 billion (see chapter 2.2.2).

We realise that under-declaration and corruption is rife in the alcohol and tobacco trade. Losses to the government in terms of import duties and excise duties amount to an estimated RM2.40 billion each year.⁶ Pakatan Harapan has the political will to declare war on smuggling; as such, our import and excise duties on sin taxes is projected to increase by RM3.49 billion (taking into account the increase derived from the elimination of GST).

With the removal of the GST, we project consumption of imported goods to grow by 20%, resulting in a RM0.70 billion gain in import duties compared to that of UMNO-BN (see chapter 2.2.2.).

	UMNO-BN 2018 ESTIMATE RM million	PAKATAN HARAPAN 2018 ESTIMATE RM million
EXPORT DUTY	825.0	825.0
Crude Oil	748.0	748.0
Crude Palm Oil	75.0	75.0
Others	2.0	2.0
IMPORT DUTY	2,721.1	3,316.8
Alcoholic Beverages	122.4	179.7
Cigarettes	35.1	60.8
Motor Vehicles	639.4	767.3
Others	1,924.2	2,309.0
EXCISE DUTY	11,800.3	16,506.8
Alcoholic Beverages	1,745.1	2,561.3
Cigarettes	3,532.5	6,119.0
Motor Vehicles	6,518.7	7,822.4
Others	4.0	4.1
SALES AND SERVICE TAX	0.0	16,500.0
GST	42,000.0	0.0
MISC. INDIRECT TAX	2,991.0	3,349.9
TOTAL	60,337.4	40,498.5

Table 2-4: Indirect Tax Revenue.

*numbers may not tally due to rounding.

2.3.3 Non-tax Revenue

Revenue from licenses and permits and income from investments significantly differ between Pakatan Harapan and UMNO-BN.

The government's total non-tax revenue is projected to be RM41.02 billion. For licences and permits, we project government numbers of RM12.54 billion contributed by petroleum royalties of RM4.08 billion, levy on foreign workers at RM3.47 billion, and motor vehicle licences at RM2.51 billion.

Pakatan Harapan projects a higher non-tax revenue of RM44.58 billion on the back of better governance and the elimination of the GST. We expect a similar RM12.61 billion for licenses and permits, using the same numbers for petroleum royalties, higher revenue from motor vehicle licences at RM3.01 billion (see chapter 2.2.2.). With the elimination of GST, we project car sales to improve by some 20%.

Further, Pakatan Harapan's commitment to reducing the number of foreign workers over the next decade is a key economic policy. We will adjust the foreign worker levy rate to disincentivise companies from hiring more foreign workers (see *chapter 3.4.1.2*). In view of this, we estimate a lower total collection of foreign worker levy at RM3.04 billion.

On investment income, we expect a dividend of RM16 billion from PETRONAS in 2018.⁷ Pakatan Harapan will also adopt the same number. However, on BNM and Khazanah dividends, as well as other returns on investments from DFIs,⁸ the government projection for 2018 is expected to be RM4.67 billion. Pakatan Harapan expects higher returns as we cut wastage, corruption, and lavish spending while implementing better governance structures. In particular, we will ensure that there is no political interference in Khazanah and all other DFIs in order to allow them to produce better commercial results. Using Temasek's governance and performance as a benchmark, we estimate a combined higher income from investments at RM8.48 billion.

	UMNO-BN 2018 ESTIMATE RM million	PAKATAN HARAPAN 2018 ESTIMATE RM million
LICENCES AND PERMITS	12,535.4	12,608.3
Petroleum Royalty	4,082.8	4,082.8
Motor Vehicle Licences	2,505.7	3,006.8
Levy on Foreign Workers	3,472.0	3,043.8
Others	2,474.9	2,474.9
SERVICE FEES	2,057.7	2,057.7
PROCEEDS FROM SALES OF GOODS	2,057.4	2,057.4
RENTALS	127.3	127.3
INTEREST & RETURN ON INVESTMENTS	20,673.4	24,477.5
PETRONAS Dividend	16,000.0	16,000.0
Bank Negara Dividend	2,000.0	2,000.0
Khazanah Dividend	1,000.0	2,500.0
Others	1,673.4	3,977.5
FINES AND PENALTIES	1,313.5	1,000.0
MTJA	2,246.7	2,246.7
OTHERS	6.0	6.0
TOTAL	41,017.4	44,580.9

Table 2-5: Non-Tax Revenue.

*numbers may not tally due to rounding.

2.4 Expenditure

We project federal government expenditure for 2018 to be RM285.50 billion based on an average of 10% growth in spending. In the July–August 2017 Parliament session, UMNO-BN bulldozed new legislations to introduce the tourism tax and to increase fines, fees, and penalties on many laws. Based on our observations, the government will probably allocate 80% or the sum of RM227.28 billion towards operating expenditure while development expenditure will be at 20% or the sum of RM58.22 billion.

Pakatan Harapan's expenditure is lower at RM258.52 billion, with an operating expenditure of 77% (or the sum of RM200.16 billion) and a development expenditure at 23% (or the sum of RM58.35 billion). How can we reduce operating expenditure and simultaneously increase development expenditure in our Alternative Budget? The answer lies in tackling wastage and corruption while instilling a culture of dignified simplicity in all government operations.

Expenditure is where we will find the bulk of wastage and corruption. Some of the recurring expenses in government are tied to medium- and long-term concessions for supplies and services. These concessions are systemic in nature and to unwind them may take a few years of re-negotiations. However, by enabling an independent MACC to make very high-profile anti-corruption arrests, we can quickly turn the tide and force crony concessionaires to the negotiating table. While we applaud the current efforts by the MACC to go after civil servants and politicians for corruption, including the high profile case of Isa Samad,⁹ there remains a lot of room for improvement. Pakatan Harapan bemoans the fact that despite overwhelming documented evidence provided by the US Department of Justice, no proper investigation has been carried out against MO1 and friends on the 1MDB scandal.

The 1MDB scandal highlights what we severely lack: a fully independent MACC with prosecutorial powers, accountable to Parliament. What we have instead is an MACC that reports to MO1 and whose budget is under the PMD. Pakatan Harapan vows that no stone will be left unturned on the 1MDB scandal if we win GE14. All officials who failed to take action, thereby enabling the theft of billions, will be charged along with the thieves. We believe that by delivering justice on 1MDB, we will set Malaysia on the right path of anti-corruption reforms.

The anti-corruption reform agenda is the most important political policy of Pakatan Harapan. Its implementation will generate tremendous positive impacts on our fiscal numbers. Pakatan Harapan believes that by carrying out political reforms in the MACC, the federal government will save RM20 billion a year in wastage and corruption losses. To complement the MACC's efforts, we need to implement anti-bribery systems and standards such as BS10500 and ISO37001, as well as enforce open and transparent electronic tenders (see *chapter 3.2.2.1*).

In addition to eliminating wastage and corruption, we need to tackle excessive and lavish protocol spending. All ministries must be compelled to practice dignified simplicity in hosting events and functions. As for outstation official visits, a lean and

functional team will suffice with business-class travel and accommodation. We must eliminate unnecessary and lavish spending since every sen spent originates from the *Rakyat* as taxpayers. By embracing a culture of dignified simplicity as per the Japanese and Korean civil service models, we can save RM5 billion a year. Pakatan Harapan will use the ratio of emoluments compared to supplies and services, to encourage appropriate spending habits among our officials and ministries (see chapter 2.4.1.3).

2.4.1 Operating Expenditure

As stated above, we project the operating expenditure of UMNO-BN in 2018 to be RM227.28 billion. Pakatan Harapan will have a lower operating expenditure at RM200.16 billion as we cut wastage and corruption across the entire government.

	UMNO-BN 2018 ESTIMATE RM million	PAKATAN HARAPAN 2018 ESTIMATE RM million
Emoluments	85,523	85,523
Supplies and Services	33,134	17,105
Assets	751	400
Fixed Charges and Grants	106,984	96,734
Other Expenditures	892	400
Total Operating Expenditure	227,284	200,162

Table 2-6: Projected Operating Expenditure.

*numbers may not tally due to rounding.

2.4.1.1 Reducing the Bloated PMD Budget

At the top of our list is reforming the powers, scope, and budget of the PMD. Under the current arrangement, the PMD is all-powerful, having its tentacles in all areas including megaprojects, public transportation (SPAD), oil and gas (PETRONAS), defence (ESSZONE), disaster relief (APBN), propaganda (BTN), human rights (SUHAKAM), land development (FELDA), Lembaga Tabung Haji, public housing (PR1MA), investments (1MDB), economic policy directions (EPU), and many others still.

These excessive powers and functions are reflected in an over-bloated and extravagant budget. In 2017, the PMD had a budget of RM15.94 billion. For 2018, we project this to increase to RM22 billion based on better revenue collection, and we suspect that MO1 will splurge for electoral purposes. This amount reflects a trend that has been growing since he took up power, to 2016 when he broke the RM20 billion barrier.

Absolute power corrupts absolutely. Pakatan Harapan will ensure that the Prime Minister functions as “first among equals,” that is, to lead, manage, and monitor the

Cabinet. All other functions not directly pertinent to the role of Prime Minister will be relinquished to the relevant ministries. Using Dr Mahathir's PMD budget in 2003 as a guide, we calculated that the PMD should only have a budget of approximately RM8 billion for 2018. As such, Pakatan Harapan will promptly remove, decentralise, and return powers to all the appropriate ministries. Pakatan Harapan will also eliminate the duplication of functions among ministries and agencies to achieve better spending efficiency (see *chapter 3.2.2.3*).

2.4.1.2 Emoluments

We note that the UMNO-BN government has frozen the expansion of the civil service, capping its size at 1.6 million. We believe that these efforts are driven to contain the ever-expanding emolument bill. We estimate that the government will spend RM85.52 billion on emoluments, taking into account any increments for 2018.

Pakatan Harapan will use the same number for our Alternative Budget. On the civil service, we will focus on eliminating wastage and corruption, instituting better training, productivity growth, and efficiency. In the event we realise savings from wastage and corruption, we will reward the civil service with better bonuses. We have consistently delivered on our promises regarding civil service bonuses. For Hari Raya 2017, Selangor civil servants were rewarded with a 2-month bonus and Penang civil servants were rewarded with a $\frac{3}{4}$ month bonus or a minimum of RM1,000. In contrast, the UMNO-BN government only managed to give a 'special financial assistance' of RM500 per civil servant for Hari Raya.

2.4.1.3 Supplies and Services

For 2018, we project the UMNO-BN government to spend RM33.13 billion on supplies and services. This is a reduction from a high of RM36.4 billion in 2015. This positive trend could be attributed to better procurement policies. However, we believe that the prime motivation for a drop in supplies and services is the fact that the government has severe cash flow problems.

We believe that the implementation of open and transparent tenders, anti-bribery systems and standards, coupled with a culture of dignified simplicity will see a marked drop in non-critical expenses. We therefore project supplies and services expenditure for 2018 in the Pakatan Harapan budget to be RM17.11 billion. In practical terms, we will be aiming to halve all outlays for travel, hotels, utilities, events and functions, while maintaining dignified standards for all our officials.

2.4.1.4 Notes on Higher Education and Health Ministries

We note with grave concern that in the last nine months, the UMNO-BN government has been pursuing austerity cuts in both the Ministry of Higher Education and the Ministry of Health. In particular, the 2017 Budget had a RM2 billion reduction in grants to public universities, and we expect the UMNO-BN government to continue this short-sighted policy. As for public hospitals, there has been a stream of news and complaints from the public that certain basic medicines and testing procedures are no longer available to the public.¹⁰ We also note that almost all ministries in the 2017 Budget suffered a 5-10% reduction in allocations.

Pakatan Harapan's position is that all ministries will be required to perform without wastage and corruption and as such, the reduction in the overall allocations is not a problem per se. However, if a ministry is allowed to be corrupt without any form of reprisal and yet suffers cuts to its allocation, we will end up with a very serious problem. What Pakatan Harapan proposes is savings from wastage and corruption, while increasing spending on critical matters. Pakatan Harapan will carefully track the spending habits of each ministry, and will invest in and deploy big data analytics to ensure value for money and quality data-driven policy implementation.

The two ministries that we will prioritise are Health and Higher Education. All cuts that were carried out by the UMNO-BN government amounting to RM300 million on medicine and treatment will be reinstated in our budget.¹¹ We will also reinstate the RM2 billion in grants to public universities which were withdrawn by UMNO-BN.

In addition to higher education funding, Pakatan Harapan will allocate RM700 million to a special fund to be used for improving facilities of all types of schools. National schools will receive RM210 million from this fund. Additionally, we will allocate RM70 million each for the following categories of schools: religious schools, government-aided religious schools, registered *sekolah pondok*, fully residential schools, MARA Junior Science colleges, national-type Chinese schools and, national-type Tamil schools. Unlike the empty promises of the UMNO-BN government on this matter, Pakatan Harapan will pay out and not delay these much needed funds. These funds will be used to upgrade and ensure safety standards of all schools. We intend to prevent the tragedy at the Darul Quran Ittifaqyah Tahfiz School from ever occurring again.

2.4.1.5 Subsidies and Social Grants

While the UMNO-BN government is committed to scaling back on subsidies and social assistance, it has completely failed to address the issue of wastage and corruption. The bill for subsidies and social assistance for 2018 is estimated to be RM22 billion, compared to the high of RM27 billion in 2015. Of that total, a projected RM5.4 billion will be spent on BR1M.

Pakatan Harapan believes that in principle, the federal government must provide some fuel subsidies to its people since Malaysia is an oil-producing nation. To that end, we propose a fuel subsidy of around RM1 billion for 2018.¹² This will effectively mean a RM0.20 reduction of price per litre for a total 5.4 billion litres of subsidised petrol. Pakatan Harapan does not intend to bring back sugar subsidies and will instead encourage people to consume less sugar for health reasons.

Pakatan Harapan's position on BR1M is to maintain the same pay-out to the same category of people currently receiving BR1M. We recognise that BR1M has benefited those most in need. However, we also want to increase the productivity and self-worth of BR1M recipients. Instead of making BR1M a direct handout, we will make BR1M conditional upon recipients performing something positive. For instance, we may distribute certain BR1M payments conditional on the recipient being employed and staying employed for at least 3 months. Data on employment status are available via the EPF and/or SOCSO systems, which can also be used as an efficient payment gateway for BR1M. As for retirees and those who cannot work due to disabilities, these conditions will be waived.

We may also require that any BR1M money received is used for specific social and family purposes. For example, if a family receives RM1,200 under BR1M, the head of the family cannot be allowed to use this money on frivolous and unhealthy goods such as cigarettes and alcohol. BR1M money must instead be used to buy groceries to feed the family, to settle utility bills, and for educational purposes rather than being spent on non-essential goods and services. This may require us to work closely with authorised grocers and hypermarkets, utility companies, and bookstores for implementation. As such we will reform BR1M and for 2018, we allocate the same amount of RM5.4 billion for this social assistance program.

2.4.2 Development Expenditure

We project the UMNO-BN government to spend RM58.22 billion on development expenditure in 2018. This expenditure is divided into thousands of projects and programmes which have either economic or social benefits.

The economic sector focuses on infrastructure and industrial development, as well as agricultural and rural development. Infrastructure and physical projects such as roads, drainage, and bridges consume 70% of all development expenditure with the remaining 30% going towards grants for initiatives to develop human capital and skills. The key problem with development expenditure is again to do with wastage and corruption. Badly-built and overpriced public roads, bridges, airports, and ports are a common occurrence in Malaysia.

Pakatan Harapan will spend more than the UMNO-BN government on development expenditure. We are targeting to spend RM58.35 billion. With the implementation of good governance and open tenders, the development expenditure would generate a greater impact value, giving a bigger bang for the buck.

In addition to these broad sectorial spending policies, we will give weight to the issue of geography. We recognise that the six poorest states, namely Sabah, Kelantan, Sarawak, Kedah, Terengganu, and Perlis require the most developmental help. As such, Pakatan Harapan is committed to directly channelling 60% of the development expenditure, or RM35.01 billion to these six states. Among the six states, Sabah and Sarawak will each receive the 25% of the allocation.

	UMNO-BN 2018 ESTIMATE RM million	PAKATAN HARAPAN 2018 ESTIMATE RM million
Direct Grant	52,564	53,248
Loans	3,653	3,105
Contingency Reserve	2,000	2,000
Total Development Expenditure	58,217	58,353

Table 2-7: Projected Development Expenditure.

*numbers may not tally due to rounding

² "Short-Term Energy Outlook, 2017", U.S. Energy Information Administration, <https://www.eia.gov/outlooks/steo/report/prices.cfm>, (accessed 9 October 2017).

³ "Malaysia: Gross Domestic Product, Current Prices (National Currency)", International Monetary Fund, 2017, <https://goo.gl/jBbKA5>, (accessed 9 October 2017).

⁴ "IRB says shorted of RM47b in taxes since 2015", *The Malay Mail Online*, 13 April 2017, <https://goo.gl/vaf3YF>, (accessed 9 October 2017).

⁵ *ibid.*

⁶ "More than RM1.9m (sic) lost annually to cigarette, liquor smuggling, say Customs", *The Malay Mail Online*, 4 March 2015, <https://goo.gl/AYZnvo>, (accessed 9 October 2017).

⁷ Intan Farhana Zainul, "Petronas raises dividend payment to government", *The Star Online*, 26 August 2017, <https://goo.gl/ck4YSb>, (accessed 9 October 2017).

⁸ "Financial Stability: Development Financial Institutions", Bank Negara Malaysia, http://www.bnm.gov.my/index.php?ch=fs&pg=fs_mfs_dfi&ac=162, (accessed 9 October 2017).

⁹ Joseph Kaos Jr, "Isa Samad placed under arrest", *The Star Online*, 15 August 2017, <https://goo.gl/TJhSmN>, (accessed 9 October 2017).

¹⁰ Jason Santos, et al, "Drug shortage ails patients in govt hospitals", *The Malaysian Insight*, 14 August 2017, <https://goo.gl/LzvHBw>, (accessed 9 October 2017).

¹¹ Vi-Jean Khoo, "Malaysia's Deputy Health Minister: We cannot afford budget cuts for 2017", *MIMS Today*, 21 October 2016, <https://goo.gl/oJvjKm>, (accessed 9 October 2017).

¹² Rafizi Ramli, "Harga Petrol dan Diesel Serendah RM1.80 Seliter Melalui Mekanisme Subsidi Petrol Berkuota", 5 July 2017, <https://goo.gl/8tuNVm>, (accessed 9 October 2017).

3

PAKATAN HARAPAN POLICIES

3.1 Introduction

In this chapter, we introduce key (a) fiscal; (b) monetary; and (c) economic policies that Pakatan Harapan intends to implement in the event we win GE14. These policies are targeted for implementation within the first five years of a Pakatan Harapan government. While these policies are outlined here, we will refine them with precise government big data. We are committed to data-driven policy implementation and as such, will give tremendous focus to big data analytics to deliver policies for the many, not the few.

Our policies are not ideological but are instead holistic and pragmatic. We are inspired by the universal principles of social justice adopted by all religions. In drafting these policies, we are particularly inspired by the moderation (*wasatiyyah*) espoused in objective-based Syariah (*maqasid al-Syariah*). The overarching aim of *Maqasid al-Syariah* is to attain justice and the holistic wellbeing of humanity, which lies in safeguarding the faith, self, intellect, posterity, wealth, honour, freedom, and justice of all. Indeed, this is the goal of all religions including Islam. The five principles of *Maqasid al-Syariah* economics calls for: (a) the vigorous circulation of economic activities; (b) the prudent management of investments; (c) the fair sharing and distribution of wealth; (d) the transparent and accountable governance of public funds; and (e) the protection of ownership of wealth. Collectively and individually, these principles represent moderate and progressive economic values of fairness and social justice.

On the matter of implementation, we are impressed by the very successful Social Market Economy system as practiced in the Nordic countries. We do not intend to carbon-copy every policy that the Nordic countries pursue, but to instead learn and adapt their policies into the Malaysian context. We acknowledge that the market is the best mechanism to power economic growth and is most efficient at delivering goods and services. However, we do not believe that hyper-capitalism is the way forward, and as such the market must be vigilantly moderated by wise and thoughtful regulations.

On the social front, we believe that our prime duty is to deliver happiness to all, and to eliminate desperation and misery. To that end, we will vigorously pursue sensitive policies that reduce social and economic inequality. Wages need to go up, cost of living needs to come down, and wealth creation needs to be distributed fairly. The Nordic countries have achieved these and are consequently economically resilient with citizens enjoying the highest quality of life.

As stated above, we group our policies into three categories: fiscal, monetary, and economic.

The main thrust of our fiscal policies is to improve and enhance fiscal governance. Our proposals on this front are far superior to those of UMNO-BN which continuously seek to subvert good governance.

Our monetary policies are intended to empower and make BNM more independent address the issue of cryptocurrency and, strengthen Islamic financial markets.

Finally, our broad economic policies are subdivided into three main categories, namely socioeconomic, development and industry and business. Our socioeconomic policies address issues relating to cost of living, wages and employment, education, women empowerment, Bumiputera empowerment, Malaysian Indian B40, and Chinese New Villages. Our economic development policies address issues relating to rural development, agriculture and, Sabah and Sarawak. Our industrial and business development policies address efforts to reindustrialise and focus on higher value-chain activities, the development of SMEs, policies designed to benefit businesses. We also include policies aimed to help Malaysia prepare for and benefit from the arrival of the fourth industrial revolution and artificial intelligence, as well as policies addressing our international trading and investment partners, including China.

3.2 Fiscal Policies

Pakatan Harapan has a few crucial fiscal policies that we want to implement to improve fiscal governance. The UMNO-BN government is infamous for profligate spending that has resulted in very poor fiscal discipline. The policies we recommend here are designed to stem the bleed before putting us back on good financial footing. These policies may take up to five years to fully implement. We are concerned to not rush and shock the system, preferring a more transitional process. To reverse profligacy and corruption, we need to build a culture of professionalism and simplicity.

In practice, we want to revamp some revenue and expenditure policies, as well as address issues such as our huge national debt, the fiscal reporting mechanism, and introducing accrual accounting. All these reforms will put Malaysia on sturdier fiscal footing with more accountable and transparent governance.

3.2.1 Revamping our Revenue Policies

3.2.1.1 Introduction

The most important element in any budget is the revenue. Currently, we are highly dependent on oil and gas revenues, CITA, and GST. This situation is not sustainable and at the same time reflects a bias towards corporate interests and regressive taxation.

Pakatan Harapan will carry out three significant revenue policies. We will:

- (a) Reduce the dependency on oil and gas money and set up a heritage fund;
- (b) Introduce measures to engage and incentivise companies to share their profits with workers, thereby making individual income tax a more significant contributor; and
- (c) Eliminate GST and focus on progressive taxation policies.

At the same time, we aim to reform how revenue is managed by the government by looking into issues of revenue sharing, oil royalties, the national debt and, fiscal reporting and accrual accounting.

3.2.1.2 Reducing Dependency on Oil and Gas Revenues

Malaysia has become over-reliant on oil and gas revenues. Within the last decade, around 30% of government revenue comes from the oil and gas sector, primarily in the form of PETRONAS dividends, petroleum royalties, and PITA. Unlike Norway, the vast majority of our oil and gas money is not being invested in a sovereign wealth fund. Instead, the UMNO-BN government utilises it to fund government operations, and as security to borrow by issuing bonds and other debt instruments.

Pakatan Harapan takes a contrarian view on this. A significant part of the oil and gas money should be placed in a heritage fund for future generations since it is a non-renewable resource. We will enforce a strict policy to reduce our high fiscal

dependency on oil and gas revenues. Our plan is to ensure that not less than RM10 billion of the PETRONAS dividend is paid into Kumpulan Wang Amanah Negara (KWAN) yearly. We note with dismay that PETRONAS contribution to KWAN was a mere RM1 billion in 2015.¹ We look upon the trillion dollar Norwegian Sovereign wealth fund as a successful model.

We will significantly revamp the National Trust Fund (*Kumpulan Wang Amanah Negara*) – Malaysia's natural resource fund. Since it was established under the National Trust Fund Act 1998, it has only managed to grow its fund to RM14.6 billion in its 27-year existence. We propose a fixed percentage of PETRONAS' profits to be invested into KWAN. The current practice is discretionary in nature. A fixed formula will enable us to rival other natural resource sovereign wealth funds. As a comparison, the sovereign wealth fund of Norway, which was established in 1990, recently hit the USD1 trillion mark in terms of assets held.²

At the same time, we will also set restrictions on how KWAN's funds can be utilised by the government. For example, only 3% of the value of the fund can be used to finance government deficits. This will ensure that the long term value of the fund will be preserved for future generations.

Pakatan Harapan will also look into establishing a natural resource fund for Sabah and Sarawak. This is not unprecedented. Alaska in the US, for example, has a petroleum fund which is used to benefit Alaskans only and not residents of other states.

3.2.1.3 Strengthening the Individual Income Tax base

According to income tax data, companies in Malaysia are collectively two-and-a-half times richer than the entire workforce of 14 million workers. This severe imbalance can be explained by the fact that workers are underpaid. In addition, the data also tells us that only 15% of the workforce actually pay Individual Income Tax. This is a major problem because it means that 85% of the workforce are struggling to make ends meet.

From a fiscal point of view, there is an urgency to enlarge and expand the Individual Income Tax base. To this end, we must empower workers by adopting and ratifying the International Labour Organisation (ILO) Fundamental Conventions and Recommendations³ before allowing the market to reach an equilibrium. With workers' rights in place, corporations and workers can then reach an optimal market arrangement on wages. We expect the number of taxpayers to rise correspondingly with wages. Our target within the next five years is to have 50% of the workforce earning enough to become Individual Income Tax payers.

On the matter of minimum wage, Pakatan Harapan proposes a minimum wage of RM1,500 a month to be funded via a co-pay system. Our government will fund 50% of the increase for a period of three years and we will ask the companies to do the same. We also recognise the current call for a minimum wage of RM1,800.⁴ To meet

this demand, we are committed to regularly review the minimum wage so that changes introduced are gradual and do not adversely affect the employment market.

3.2.1.4 Progressive Taxation Policies

GST is a regressive tax and in the Malaysian context, its introduction was an additional tax on the *Rakyat*. Pakatan Harapan's GST policy is based on the concept of tax neutrality. The introduction of this infamous tax in 2015 did not see a correlating reduction in other taxes and as such, the *Rakyat* were severely punished by an additional tax. By replacing the SST, GST effectively sucked out RM25.50 billion from the market, punishing both consumers and businesses alike by dampening consumption and sales. GST is also a regressive policy that hurts the poor disproportionately more than the rich.

Our policy is to eliminate GST and bring back the SST in the short term. Its implementation may take a year after winning GE14 as we need to prepare and educate both consumers and businesses. We will maintain the reporting system that has been implemented under the GST regime but will zero-rate most goods and return to the SST equations.

Pakatan Harapan will look into other progressive taxation policies. As in every fiscal decision we make, we need to eliminate wastage and corruption as a priority. In the event that such we still cannot achieve a balanced budget, we will have to consider other progressive taxation policies. The policies that we are currently considering are a higher tax rate for richest 10%, a low 10% CGT rate for capital gains and, a 10% inheritance tax policy for assets worth above RM10 million with additional exemptions for the transfer of the family home. We will only look to implement these taxes as a last resort.

3.2.1.5 Revenue Sharing with States

For too long, state governments have been denied their appropriate budgets, and as such, the pace of development has been dictated from Putrajaya.

In the case of Sabah and Sarawak, Pakatan Harapan will honour the spirit of the Malaysia Agreement 1963 of equal partnership. To that effect, we will propose a new deal formula for returning a portion of internally generated revenue to Sabah and Sarawak state governments. This proposal will be announced in the Pakatan Harapan Manifesto.

Further, Pakatan Harapan is committed to the practice of federalism and as such will consider revenue sharing with other state governments on internally generated revenues. We will carry out a macroeconomic cost-benefit study to look at the overall revenue impact and also the best mechanism to implement the same. We look upon this policy as a replacement to the current capitation grant practiced by UMNO-BN.

While in principle we believe in this revenue-sharing concept, the states will also be expected to take on more budgetary expenditure from the federal government.

3.2.1.6 Oil Royalties

The oil-producing states of Kelantan, Terengganu, Sabah, and Sarawak are also the same states that have the highest incidence of poverty. Under UMNO-BN rule, these states seem to have been inflicted by what economists term as the 'resource curse.' At the heart of the matter is the issue of oil royalties. It is clear that the 5% rate is inadequate, and in the case of Kelantan, the non-payment of royalties is a crime.

Pakatan Harapan agrees in principle to increase the royalty rate to 20%. However, we are mindful that we also have to ensure that the fiscal budget and PETRONAS are not irreparably damaged by such an arrangement. Accordingly, these oil-producing state governments are expected to take on more budgetary expenditure. The marked difference is that these state governments will have elective powers over what best to spend on.

Furthermore, we hear the demands of Sabah and Sarawak governments to create their own equivalent oil and gas operations. In the event Pakatan Harapan agrees to such an arrangement, we will have to factor in new computations on the royalty rate.

3.2.1.7 Reducing the National Debt

No fiscal policy is complete without discussion on the national debt as we project that by 2018 the national debt would have ballooned to RM710 billion. Servicing the interests alone will cost RM30 billion annually.

Pakatan Harapan is thus committed to reducing the national debt. In order to pare down the national debt to a manageable level, we need to do two things. Firstly, we need to grow the economy so that growth of our GDP outpaces the growth of our national debt. Secondly, we need to stop borrowing recklessly and seek a more balanced budget. By having greater fiscal discipline, we expect a better sovereign rating which will reduce interest costs. Any surplus gained from better governance will be used to settle matured bonds. We do not intend to automatically roll-over all matured bonds. To help raise additional money to retire these bonds, we will pursue extensive management buyout programs for GLCs to raise billions of ringgit over the next decade.

On the matter of contingent liabilities, the government must properly explain how to manage the same. As of Q1/17, the total contingent liabilities of the government stand at RM196 billion.⁵ We need a much more detailed disclosure on contingent liabilities, such as the quantum and maturity dates of each bond. More importantly, the UMNO-BN government must outline and explain its short and long term strategic plans to reduce these debts as percentage of GDP. They must provide a plan on how they intend to pare down and pay off these mounting debts.

Pakatan Harapan's approach is to inject better governance, transparency, and accountability in the management of GLCs and GLICs. In particular, we will inject the latest management thinking and private sector methods to reorganise and revitalise these companies. A strong and responsible corporate culture will minimise the risk of contingent liabilities defaulting so that these contingent liabilities never crystallise

into a national debt. Maintaining good corporate governance over time will eliminate the risk of future bailouts.

On contingent liabilities, Pakatan Harapan will ensure that any future public-private partnership projects need to be able to stand alone in terms of commercial viability. Our commitment to open tenders coupled with our aversion to wasteful mega-projects will ensure that the government's contingent liabilities are containable.

3.2.1.8 Fiscal Reporting and Accrual Accounting

A key component to our national debt repayment plan is calling for greater freedom of information and better reporting. The policy overhauls we have proposed can only start with reforms that result in greater fiscal transparency and accountability.

The International Budget Partnership (IBP) lists eight key components of a transparent budget, namely: Pre-Budget Statement, Executive's Budget Proposal, Enacted Budget, Citizens Budget, In-Year Reports, Mid-Year Review, Year-End Report, and Audit Report. Of these eight, Malaysia still lacks a Pre-Budget Statement and a Mid-Year Review.⁶ The former sets out the government's budget strategies for subsequent budget years, thus enabling input from and calibrating expectations of legislators and the public.⁷ The latter assesses the government's fiscal performance against its budget strategy midway through the budget year.⁸

Besides providing the two missing documents, existing fiscal reports require greater comprehensiveness in line with the Organisation for Economic Co-operation and Development (OECD) Best Practices for Budget Transparency.⁹

On the matter of government accounting standards, Pakatan Harapan is committed to adopting accrual accounting. Accrual accounting recognises revenue in the fiscal year it is actually earned, thereby allowing the matching of expenditure to the appropriate revenue. This will enable us to better monitor the overall fiscal performance of government.

By adopting this, we will also have clearer reporting on the inventory of all our liabilities and assets in government. This in turn will provide greater transparency on all our liabilities including contingent liabilities, as well as the hybrid liability known as "letters of support." Identifying and accruing all debts and liabilities is the first step towards acknowledging the size of the problem before finding solutions. Identifying, stock-taking, and revaluing assets of government will help us gauge our financial strength. The exercise of stock-taking and revaluing assets of government will serve to prevent financial fraud, abuses of power, and corruption.

The UMNO-BN government was supposed to implement accrual accounting in 2015. However, they have reneged on this promise to enable megaprojects, such as ECRL, HSR, LRT, and MRT to be hidden as off-budget items.

3.2.2 Expenditure Policies

The key policies that affect every element of expenditure is fighting wastage, corruption, and excessive protocol spending. Other more direct expenditure policies include reducing the scope and powers of the PMD, re consolidating and merging some ministries, as well as cancelling out redundant and overlapping duties amongst ministries.

3.2.2.1 Anti-Corruption

Unlike UMNO-BN, Pakatan Harapan has demonstrated the political will to fight corruption in the administration of the state governments of Penang and Selangor. Tackling corruption involves implementing systems, enabling the MACC, allowing free press to review scandals, protecting whistleblowers, instilling a culture of dignified simplicity, and rotating the civil service.

There are management and system solutions available to arrest the problem of corruption. Anti-bribery measures such as BS 10500 and ISO 37001 will be implemented in the Pakatan Harapan government. In these systems, due diligence on government procurement is a key component. For example, potential contractors and joint venture partners must be subject to risk, probity, and competency assessments. Subsequently, all invoices and expenditure records must be checked to minimise the risk of illegal facilitation payments. To control against fraud and corruption, invoices must be approved by more than one official for payment, regardless of seniority.¹⁰ It is relatively cheap to implement anti-bribery systems and processes into government decision-making. For an outlay of around RM20 million, these anti-bribery measures implemented at the organisational or managerial levels will reduce corruption. The estimated losses to wastage and corruption is RM20 billion.

On the expenditure front, the government must create a culture of dignified simplicity. This culture will require the elimination of unnecessary, frivolous, and extravagant protocols for ministers and government officials. In practice, this means our officials will have to make do without private jets and first-class travel, stay in business-class hotels, and hold simple but dignified events and functions. This culture of simplicity must incorporate a no-bribery and no gifts policy. The MACC's No Gift Policy¹¹ must be strictly enforced on all ministries, agencies, and public bodies.

In order for these economic policies to produce results, we need a slew of political reforms. At the top of the list is reforming the MACC, making it independent from the executive and accountable only to Parliament. The MACC will also be required to take action on all substantial findings by the Auditor-General.

We also need to free up the press so they can play a crucial role in reporting on corrupt practices and scandals. Correlated to this is an effective whistleblowing practice¹² that protects the confidentiality of whistleblowers, and ensures that whistleblowers will not be retaliated against for truthfully reporting misconduct.

3.2.2.2 Reducing the Prime Minister's Department

As mentioned earlier (see *chapter 2.4.1.1*), the PMD is all powerful. Its tentacles spread from megaprojects and defence, to public transport and public housing, and more in between. Such a scope of power is excessive and is reflected in its bloated budget of RM15.9 billion in 2017.

We reiterate that the Prime Minister should function as first among equals. Thus, Pakatan Harapan is committed to reducing the PMD to a smaller budget of around RM8 billion in 2018 and within the following three years, to shrink it to RM5 billion a year.

3.2.2.3 Consolidation of Ministries

We believe that Malaysia has too many ministries, resulting in redundant, overlapping duties amongst them. Hence, concerted reorganisation and management reforms are imperative in an effort to reduce the number of ministries in a Pakatan Harapan government. This reorganisation would also encompass the sharing of assets and resources among ministries, such as officers' properties and common equipment, in order to eliminate overlapping and underutilised resources. For example, the Ministry of Plantation Industries and Commodities does not require a separate building of its own; idle officers may be redeployed; and each department need not have its own set of support staff. By implementing these policies, we expect to save RM5 billion from the entire operating budget.

On that note, this consolidation exercise will not result in civil servants losing their jobs. Instead it will involve reorganisation of their roles and services. In addition, Pakatan Harapan, despite being a coalition government, will not succumb to political patronage and will not pursue an expanded Cabinet merely to appease vested interests.

3.3 Monetary Policies

3.3.1 An Independent Bank Negara

Pakatan Harapan is firmly committed towards an independent BNM. We will thus amend the Central Bank of Malaysia Act 2009, revoking the powers of the executive to overrule monetary decisions made by Monetary Policy Committee of BNM. We believe the market will react positively to this decision as we remove the undue influence of politics in monetary matters.

While BNM should be completely independent of the executive, its actions and decisions will still be accountable to Parliament. BNM will be required to report any significant movements of money to a Finance and Banking Parliamentary Select Committee on a monthly basis. Under Pakatan Harapan, any BNM official who wilfully fails to report any questionable transaction, will be charged and prosecuted. BNM will also be required to fully participate in anti-corruption and anti-money laundering efforts, as well as to work closely with the MACC to prevent money politics and corruption. The appointment of the BNM Governor and the BNM Deputy Governor must go through a Parliament selection process before being presented to the YDPA for appointment.

3.3.2 Reducing Household Debt

Pakatan Harapan is concerned with the national household debt level. The national household debt level is currently close to 90% of GDP,¹³ the tiny silver lining is that these debts are generally still performing. However, its large exposure will become a major problem should the country fall into a major recession. Therefore, tasking BNM to reduce the high household debt level will be an immediate priority under Pakatan Harapan.

We understand that the two biggest components of household debt are property and car loans. We will thus seek BNM's guidance on how best to lower property prices and reduce property speculation. As for car loans, reducing excise duties for cars may go some way to free up more capital and savings for the *Rakyat*. Our target is to bring down household debt to a manageable 75% of GDP within the first five years of a Pakatan Harapan government.

3.3.3 Strengthening the Islamic Financial Market

Malaysia is the pioneer and world leader in Islamic finance. We developed Syariah-compliant investment platforms and regulations to facilitate Islamic banking and the listing and trading of *sukuk*. In the last decade, we have seen a substantial growth in Islamic finance globally. Islamic countries and Muslim investors continue to seek returns from more Syariah-compliant instruments. International banks, such as HSBC, Standard Chartered, and even Citi Group have expanded their services in this sector. Pakatan Harapan acknowledges the growth potential of this sector. Our position as the pre-eminent Islamic finance centre is now being challenged by Dubai and London. In order to maintain and strengthen our position, we need to continue be innovative and progressive. We need to constantly update laws and regulations in view of disruptive challenges from FINTECH. Going forward, Pakatan Harapan will continue to support the capital market of Sharia compliant debt instruments. We will continue to educate Muslim customers (including Muslim EPF depositors) on the availability of such options.

We must take the lead from London in Islamic finance education at tertiary and professional level. To that end, Pakatan Harapan will invest RM200 million into our public universities to attract and maintain the best Islamic finance academics. In order to roll out progressive Islamic finance teaching, Pakatan Harapan will promote a moderate, inclusive and progressive form of Islam.

The UMNO-BN model of espousing a very shallow understanding of Islam has had the unintended consequence of allowing more extreme views to flourish unchallenged. This has given rise to a superficial understanding where corruption by Muslim leaders is tolerated and ignored but appearances and dress-codes are considered gravely offensive. Allowing this trend of intolerance to continue unabated will have negative implications on the Islamic finance industry.

Islamic finance has been in practice in Malaysia for more than three decades but its impact on *maqasid al-Syariah* and other verticals of humanity was never measured. We envisage Islamic finance to transform these big themes of humanity and religion (*maqasid al-Syariah*) into an actionable blueprint subject to impact measurement.

3.3.4 Cryptocurrencies and FINTECH

Pakatan Harapan is aware that cryptocurrencies need to be regulated. With a collective market capitalisation now estimated at USD130 billion, cryptocurrencies such as Bitcoin can have a profound impact on the monetary policy of any government. Its unusual tenfold increase in value in the last 12 months indicate a serious and volatile financial bubble in the making. Our immediate goal is to join hands with concerned central banks to help stem this bubble. We need to buy time to pursue a longer-term goal of introducing laws to monitor and regulate the exchange of cryptocurrencies into ringgit.

In theory, if we are able to track and regulate the exchange, we can eliminate negative elements such as money laundering, terrorism funding, tax avoidance, and fraud from the equation. Any exchanges wanting to covert cryptocurrencies will need to be registered with BNM and subjected to annual audits. We will also require these exchanges to implement stringent know-your-client (KYC) standards, including continuous updates on KYC standards.

To achieve this, we will encourage BNM to adopt the best technology to adapt and cope with these new disruptive platforms. We are cognisant of Malaysia's history of and penchant for illegal football betting and money games. As such, we must prepare to ensure that the trade in cryptocurrencies does not develop into another conduit. To that end, it is better to regulate the exchange of cryptocurrencies to ringgit than to ban them outright. Tracking and regulating the exchange of cryptocurrencies to fiat money is therefore essential to ensure a stable financial environment.

As for the matter of banking disruptions arising from FINTECH, and in particular the rise of electronic payment gateways, Pakatan Harapan also favours a regulatory approach. Whichever e-commerce player that wishes to take and maintain deposits by its customers must maintain high and up-to-date KYC standards. Enabling payments via smart phones and electronic cards needs to be integrated into the larger banking system, hence enlarging BNM's monitoring role. With these new challenges, Pakatan Harapan will ensure that BNM has sufficient resources and capabilities to embrace these digital and disruptive technologies.

Overall, Pakatan Harapan believes that embracing the digital age and adapting our regulations are positive policies that serve our bigger economic agenda to be a key player in the fourth industrial revolution (4IR). This 4IR policy will be better described in the following subchapter.

3.4 Economic Policies

We subdivide our economic policies into five main categories, namely socioeconomics, development, industry, trade, and digital.

Our socioeconomic policies will address issues relating to cost of living, wages and employment, education, women empowerment, Bumiputera empowerment and, Malaysian Indian B40. On economic development policies, we will address issues relating to rural development, agriculture, and Sabah and Sarawak. On industrial and business development, we will address efforts to reindustrialise and focus on higher value-chain activities, SME development, and other pro-business policies. We will also address policies to prepare for and benefit from the arrival of the fourth industrial revolution and artificial intelligence. Lastly, we will address issues relating to international trade, and in particular, our relationship with China.

The ultimate aims of Pakatan Harapan's economic policies are to significantly reduce economic inequality, improve race relations, create a middle class majority, and build an innovative and resilient economy. We are confident that these economic policies will have a tremendous positive effect on Malaysia's democracy.

3.4.1 Socioeconomic Policies

3.4.1.1 Reducing the Cost of Living

The rising cost of living is becoming increasingly painful for the *Rakyat* to bear. With the introduction of GST in 2015, this problem is now being felt by all Malaysians in urban and rural areas alike. The UMNO-BN government made it even worse when they withdrew government subsidies for petrol and other goods. This has resulted in the *Rakyat* (especially those in the B40 group) having less and less disposable income.

Besides our plan to eliminate GST, which will put nearly RM26 billion back into the pockets of the *Rakyat* (see *chapter 2.2.2.*), Pakatan Harapan has a plan to reduce the rising cost of living, thereby alleviating one of the biggest issues facing the *Rakyat*.

A Pakatan Harapan government will abolish all toll roads in Malaysia—a move that will reduce commuting and transport costs. The recent proposal by MAJU Holdings to acquire PLUS Expressways for RM36 billion in exchange for not raising toll rates for 20 years shows that toll concessionaires still earn healthy profits. If the government acquires these toll concessionaires, we could abolish toll charges as the government is not under the same pressure to earn the same level of profits as private companies. Buying back these concessionaires would be more cost-effective for the government instead of paying billions of ringgit in compensation to the same toll concessionaires.¹⁴

As aforementioned (see *chapter 2.4.1.5.*), we believe in principle that the federal government must provide fuel subsidies for its people. We will therefore bring back petrol subsidies, which will be targeted at the B40 group by limiting the subsidies to

motorcycles and small cars of 1,000 cc and below. Our targeting mechanism based on the IC of the consumer will also ensure that only Malaysian citizens benefit from this subsidy.

At the same time, Pakatan Harapan will introduce measures aimed at making public transportation more affordable and accessible. For the Klang Valley area, we will introduce monthly public transportation passes worth RM100, allowing access to unlimited rides on Rapid buses, LRT, and MRT networks. We will subsequently expand this to include the KTM network. We will expand the bus network by placing an additional 1,000 buses on the road for those areas not currently served by the rail network especially in areas with low and affordable housing.

Pakatan Harapan will also increase non-fare revenue of public transport operators such as Prasarana to give them more financial sustainability, thus reducing the pressure to raise fares. Outside the Klang Valley, we will expand bus coverage and build more transportation hubs.

Pakatan Harapan will also liberalise sectors of the economy that are currently controlled by monopolies in order to increase competition and drive down prices. These areas such as rice production, which is currently monopolised by BERNAS, have prices kept at high levels due to the dominant market position of corporations. We will also review all government purchasing concessions such as the purchasing of drugs and medicines via Pharmaniaga to ensure that we obtain the best market prices. Such dominance of corporate interests must not be allowed as they drive up prices, thereby hurting the *Rakyat*.

In dealing with the issue of affordable housing Pakatan Harapan proposes that all statutory housing bodies are consolidated into one authority in order to provide uniformed and quality affordable housing. We will implement a rent-to-own model for affordable housing with options for controlled pricing. We will also provide tax incentives to encourage the adoption of industrialised building systems for the construction industry. We also propose that utility companies bear the cost of constructing infrastructure connectivity, thus reducing the overall cost of housing (*for monetary policies regarding housing speculation, see chapter 3.2.2*). A more detailed and comprehensive housing policy will be introduced in the Pakatan Harapan Manifesto.

Finally, Pakatan Harapan will restructure PTPTN loans by making their repayment on an income-contingent basis. Fresh graduates earning under RM4,000 a month will not have to service the interest due on their loans. Repayment of their loan sums will only begin once their salaries exceed RM4,000 a month. This move will take the pressure off many students and fresh graduates who are unlikely to obtain high-paying jobs early in their careers. This will also reduce the number of students blacklisted by PTPTN.

3.4.1.2 Better Wages and Better Employment

The Malaysian wage share of GDP (2015: 34.8%) is much lower than in more developed countries such as Singapore (43.3%), the United Kingdom (49.4%), and the United States (53.4%). Although heads of households derive most of their income from wages and salaries (2014: 65%), these only rose by 1.0% in real terms between 2012 and 2014.

One method in which the overall level of wages can be increased is through an increase in the minimum wage. The current rate of RM1,000 for Peninsular Malaysia and RM920 for Sabah and Sarawak is nowhere close to what can be considered a living wage in Malaysia, especially in the urban areas in West Malaysia where the cost of living is significantly higher, and in the interior areas in Sabah and Sarawak where the cost of goods is higher owing to transportation costs.

Pakatan Harapan will raise the minimum wage to RM1,500 a month nationwide. This was the minimum wage that the Malaysian Trade Union Congress (MTUC), the collective of all the major trade unions in Malaysia, had advocated for and has already been fully implemented by the Penang and Selangor state governments for all state employees. We also recognise the latest demands for a RM1,800 minimum wage and are committed to a revision of the minimum wage every three years.

While we intend to do our best to help Malaysian workers earn a decent living, we recognise that a big jump in the minimum wage from RM1,000 to RM1,500 per month would likely cause hardship to employers in the short term. We therefore propose a co-pay system which will split the cost of this raise in the minimum wage equally between the government and employers for a period of three years. We estimate that this policy will cost the federal government approximately RM2.5 billion a year given that there are approximately 360,000 workers currently earning the RM1000 minimum wage.

Additionally, Pakatan Harapan will reform the National Wages Consultative Council (NWCC) so that it has a greater impact on the overall level of wages in the country. We intend to emulate the Singaporean model of having a tripartite council with representatives from employers, trade unions, and the government working together to raise overall wages as well as moderating wage demands during challenging economic times.¹⁵ We will implement the same with regards to the NWCC in order to raise the level of wages across all industries and sectors — a task that can only be achieved if there is trust among all stakeholders.

While we recognise the importance of low-skilled foreign labour to our economy, Malaysia's overreliance on foreign workers has depressed overall wages in our country and prevented many companies from moving further up the value chain. The UMNO-BN government has consistently failed to curb the intake of both legal and illegal foreign labour.

Pakatan Harapan will strategically and progressively reduce the number of foreign workers. Within five years we will aim to have four million legal foreign workers, down

from the current six million legal and illegal workers in Malaysia. We will achieve this by increasing the levy on foreign workers by an average of 10% every year until 2020 for Category 1 workers (Manufacturing, Services and Construction) as a means to increase the cost of importing new foreign workers. We will allow existing illegal workers to register and legalise themselves at a reasonable cost, and permit them to work for different employers but with fixed contracts. Legal workers tend to become illegal workers because they face significant difficulties in legally switching employers. A fairer and transparent human resource policy would rectify this. In addition, Pakatan Harapan will strengthen the labour rights of foreign workers, including giving them the right to join existing unions. This was part of the commitment Malaysia would have undertaken as part of the Trans-Pacific Partnership Agreement (TPPA). Even though it does not look like the TPPA will be implemented, Malaysia should still honour this commitment. Strengthening labour rights would exert upward pressure on foreign-worker wages, and reduce employer demand for these workers. Malaysian workers would benefit as well.

Pakatan Harapan will allow the existing 150,000 or so refugees in Malaysia to work as a means of reducing demand for new foreign workers. Refugee numbers are relatively small compared to the total number of illegal workers. Over time, with a more progressive refugee policy, many of these refugees can relocate to other countries that are willing to accept them and that they want to go to over and above Malaysia. Further, we will establish a special fund with an initial allocation of RM500 million to incentivise local companies to reduce their foreign labour employment via initiatives such as technological upgrades, capital investment, and automation.

3.4.1.3 Free and Better Education

Pakatan Harapan believes that education is the ultimate tool for social mobility. It sets a meritocratic system and produces graduates who meet the demands of the job market. As such, Pakatan Harapan believes in free public education for all. The provision of free public university education is an ideal that we must achieve within ten years of taking over government. To achieve this, we will immediately conduct a full audit and study on cost, wastage, and corruption factors in all public universities. The results of that audit will determine the affordability of free public university education and what amount we will need to invest to make this dream come true.

Further, we need to help our graduates increase their employability and wages. To do this, Pakatan Harapan will place greater emphasis on Technical and Vocational Education and Training (TVET). While the UMNO-BN Malaysian Education Blueprint has identified TVET as a priority area, there have been few resources dedicated to strengthening apprenticeship programs. In contrast, Pakatan Harapan will expand the German Dual Vocational Training (GDVT) programme launched by the Penang state government in 2015 to the national level. Under this programme, host companies are given funding to conduct on-the-job training for selected TVET students who can then go on to obtain jobs in the same companies or in the same sector.

Pakatan Harapan will free up the higher education sector in Malaysia so that critical thinking is actively encouraged. Under the current UMNO-BN government, employers constantly complain that our university graduates lack the capacity for critical thinking—not a surprise given that our current university environment which represses rather than encourages critical thinking. This in turn produces graduates who lack ideas and creativity. Under a Pakatan Harapan government, debate and discussion in our universities will be encouraged rather than repressed. The sharing of ideas and information should be the norm rather than the exception it currently is under UMNO-BN rule.

3.4.1.4 Women Empowerment

Pakatan Harapan respects and acknowledges the pivotal role women play in the Malaysian economy. We subscribe to the idea that women hold up half of the world and as such should be rewarded a fair and equitable share of the economy. In order to ensure that more women enter and succeed in the workforce, we will pursue the following policies.

At the pre-employment phase, we will make it illegal for companies to discriminate female job applicants based on their marital status or on whether they are pregnant at time of interview.

Upon employment, we will legislate to ensure that women are given equal pay to men for the same work done. On the issue of women on Boards of Directors, we shall make it compulsory for all government bodies, including GLCs and GLICs, as well as every company listed on Bursa Malaysia to have at least one woman director, and within five years thereafter, to have women make up at least 30% of their boards.

In order to create a level playing field for men and women at work, we will expand maternity leave at all government sectors from the current 90 days to 120 days on full pay. In addition, maternity leave can be extended by an additional 60 days on half pay. The private sector, which currently grants 60 days of maternity leave, will initially be incentivised with tax breaks to adopt this new standard. After five years of implementation, this 120 days' maternity leave shall be fully enforced.

In addition, a career woman can opt to convert half of her maternity leave to into paternity leave for her caring husband. Lastly, women who opt to put on hold their career for a few years to raise their children cannot be discriminated against if they choose to re-enter the job market. Their pay upon re-entry must be no less than the pay they received before. All government workplaces including those of GLCs and GLICs will be required to provide adequate facilities and subsidised day-care services for children up six years of age. All FTSE Bursa Malaysia companies will be required to provide the same.

Pakatan Harapan will also revive its Malaysia Women Contribution Fund policy which was first introduced during GE13. This fund is targeted at married women from the B40 with the purpose of providing them with some savings in the event of divorce or the death of their husbands. The policy calls for a mandatory contribution of RM50 a month from husbands towards the fund and the government will also contribute the same. This is estimated to cost the federal government RM2.5 billion a year but is an essential safety net for married women.

Pakatan Harapan will legislate an Anti-Sexual Harassment Act whereby the current code of practice on sexual harassment will become enforceable law. We will also set up a special tribunal in the Industrial Court of Malaysia to deal with complaints regarding discriminatory practices against women.

3.4.1.5 Bumiputera Empowerment

Unlike UMNO-BN, Pakatan Harapan is not particularly fixated on the 30% Bumiputera corporate equity ownership policy. As it is, the UMNO-BN government claims that the Bumiputera equity share as of 2013 is already 23.5%.¹⁶ Despite being such an important UMNO-BN policy, no new numbers have been forthcoming since from the UMNO-BN government. In addition, the UMNO-BN government is currently downplaying this target, diluting it and making it applicable only for strategic sectors.¹⁷ This change of mind-set was in part driven by MO1's insistence to sign the Trans-Pacific Partnership Agreement (TPPA).

While we do not fixate on the matter, ironically, the Pakatan Harapan's policy to pursue management buyouts (MBOs) of GLCs will boost Bumiputera equity participation and create thousands of Bumiputera owner-managers. We are confident of surpassing the 30% target by way of effective Bumiputera participation via the MBO route.

The most pertinent issue surrounding Bumiputera corporate ownership is how the wealth is distributed amongst the Bumiputera community. By looking at ASNB ownership data, we can gauge the level of inequality in equity ownership amongst the Bumiputera community. According to Dr Muhammad Abdul Khalid, the intra-Bumiputera GINI coefficient for ASNB holdings is a staggering 0.836. This number denotes an extremely high level of wealth disparity amongst Bumiputera equity holders.¹⁸ The study further shows that the bottom 72% of ASNB unit holders had an average savings of RM536 in their accounts. In contrast, the top 0.2% of unit holders recorded an average of RM745,038.¹⁹

UMNO-BN has created an elite, super-rich Malay class while leaving behind the vast majority of Bumiputeras. Pakatan Harapan is not elitist, and one of our core struggles is to ensure equitable sharing of wealth.

To enable wealth creation in the Bumiputera community, we must start by ensuring that wages go up for the poor and the middle class. Our minimum wage policy of RM1,500 per month, coupled with trade union empowerment will allow the free market to set higher and fairer wages. When the poor and middle class are empowered with better wages, Pakatan Harapan will then educate and incentivise the poor and middle-class Bumiputeras to adopt of habit of savings and investments.

Pakatan Harapan is not seeking to reinvent the wheel on Bumiputera policies and we do believe that affirmative action is still required. What we seek to do is to introduce better governance and remove political interference in the management of Bumiputera institutions such as MARA, Tabung Haji, FELDA, and LTAT. These institutions will be required to be transparent and accountable. We will set commercial targets for these institutions to achieve and ensure that investments made provide the maximum return for Bumiputera depositors.

On the matter of B participation in the business sector, Pakatan will maintain the current class F contracts at status quo. In addition, to ensure greater participation of Bumiputeras, Pakatan Harapan will implement a two-tier, only-for-Bumiputera, government contracts programme. These two tier government contracts are still subject to intra-Bumiputera competitive open tenders. At the first tier, the value of government contracts are RM1 million and below. Pakatan Harapan believes that in order to properly cultivate entrepreneurship among the Bumiputera community, initial opportunities need to be small and manageable. Pakatan Harapan will never allow taxpayers money to create instant millionaires who have never proven themselves in the business environment.

This first tier is intended to be the proving ground for would-be Bumiputera entrepreneurs. Only by succeeding or failing can entrepreneurs be truly made. We will reserve 50% of such tenders for this programme; the remaining 50% will be open to all. We will also introduce strict means-testing to ensure that only poor and middle-class Bumiputeras can apply. Millionaire and billionaire Bumiputeras will not be allowed to tender under this tier.

At tier two, government contracts are valued at RM10 million and below. We will reserve 30% of all such government contracts under this programme. Lastly, the practice of nominees will not be allowed and dishonest entrepreneurs will be blacklisted.

3.4.1.6 Malaysian Indian B40 Policies

In this subsection, we focus on specific economic policies pertaining to the Malaysian Indian B40. Other socio-political policies faced by the Malaysian Indian such as citizenship, death in custody and, education are addressed in the Pakatan Harapan Manifesto.

The Malaysian Indian poor experience is one of extreme hardship and distress. Borne from a colonial past involving estates, the suppression of Malaysian Indian poor aspirations continued unabated under UMNO-BN rule. On the eve of GE14, MO1 has decided to launch the Malaysian Indian Blueprint—a document of kind words and promises in which most of the targets set may take ten years to achieve. Pakatan Harapan has better and more pragmatic solutions for the Malaysian Indian poor.

The most important enabler to help Malaysian Indians is to improve wages for the poorest and the remaining B40. While MO1 can talk, he has not actually committed to increasing the minimum wage. Many of the problems and issues faced by the Malaysian Indian poor, including crime, gangsterism, abusive husbands, destruction of the family unit, alcoholism, high suicide rates, and the high incidence of single parenthood are outcomes of economic desperation. In order to eliminate this desperation, we will implement policies to ensure that the poorest are paid fairly. It is not rocket science that more wages will put more food on the table and provide normalcy to the poorest families so that they can build a better future for the next generation.

To eliminate desperation, Pakatan Harapan is committed to increasing the current minimum wage of RM1,000 to RM1,500. This is not empty talk as we have already implemented this minimum wage policy for civil servants in Selangor and Penang. Our policy to enable trade unions to negotiate better wages will also help the remaining Malaysian Indians in the B40.

Pakatan Harapan is also very concerned about the entrepreneurship participation of Malaysian Indians which is at a dismal 14.3% while the Malaysian Indian equity participation is merely 1.5-1.6%.²⁰ For entrepreneurs, we propose setting aside a RM2 billion fund to give out 4% interest rate loan scheme for eligible Indian entrepreneurs. As for increasing Indian equity participation, we will set up a special economic empowerment fund to increase the equity share of Malaysian Indians.

Realistically, the economic hardship of adult Malaysian Indian poor can be moderately improved. Thus the primary focus of our policies is to ensure that the next generation, the children, are given a fair shot in life. In order to protect, nurture, and develop the next generation, our economic policies include a revamp of welfare payments and the introduction of a conditional cash transfer programme.

Pakatan Harapan will create a special Single Parent's Welfare Programme for the Malaysian Indian B40, where single parents earning less than RM2,000 a month can receive grants of RM100 per month per child, to help them to support and nurture their children.

In addition, we will implement a Stay in School Programme for the poor. This is a conditional cash transfer programme where poor families must ensure that their children attend primary and secondary school on a 95% attendance rate. If they do so, they will be given a monthly stipend of RM50 per student. This stipend will be suspended or dropped if the child fails the 95% attendance rate without legitimate reasons. This programme is modelled after the *Bolsa Familia* programme implemented in Brazil to reduce poverty by developing human capital among the poor. In Brazil, the programme effectively reduced extreme poverty by half while improving children's educational outcomes, diet, and health. In the context of the Malaysian Indian poor, this programme is targeted at breaking the cycle of poverty and avoiding a life of crime and desperation. An educated child will grow to become a productive citizen, rather than a gang member. In addition, we will ensure that all Tamil schools are properly funded so that they have facilities on par with national school standards, including computer labs.

Lastly, the Pakatan Harapan government will allocate RM200 million a year for grants to Indian social welfare NGOs. We will utilise strict selection processes and ban political appointments in such NGOs. We will also ensure via yearly audits that the NGOs cannot use more than 15% of the grants for administrative purposes. This means that 85% of the grants must directly benefit the Malaysian Indian poor community.

3.4.1.7 Rejuvenating Chinese New Villages and Fishing Villages

Chinese New Villages and Fishing Villages are an important part of the historical and cultural landscape in Malaysia. While some of them, such as Sekinchan, are experiencing a tourism boom, most new villages are suffering from an outflow of population because of the lack of economic opportunities. There are more than 600 such villages in Malaysia of which over 450 were established during the Malayan Emergency.

Pakatan Harapan will set aside RM60 million a year over the next 5 years (compared to the RM20 million a year allocated by UMNO-BN under the 11th Malaysia Plan) for the improvement of these villages, especially those which have and are suffering from a loss of population. This will amount to RM100,000 a year for each village. These funds may be used for the improvement of infrastructure such as roads, community halls and other public spaces. Part of these funds may also be used to obtain titles to enable improvements and upgrades on land. The key element in this special fund is that the village community will decide for themselves how to best spend this money.

Special low interest loans will also be made available to help the small businesses which are often the mainstay in many of these villages. Such loans will enable village entrepreneurs to invest in businesses to improve the attractiveness of these historical and cultural places.

3.4.2 Economic Development Policies

3.4.2.1 FELDA and Rural Development

Pakatan Harapan launched the FELDA Resolution in March 2017 at the Pakatan Harapan FELDA national convention in Shah Alam. We recognise the immense contribution that FELDA as an agency has achieved in eradicating rural poverty and providing land for the landless. However the FELDA under MO1 of today is very different from the FELDA under MO1's father, Tun Razak. During Tun Razak's time, FELDA was headed by the honourable Tan Sri Taib Andak, whereas MO1's pick to head FELDA was the infamous Tan Sri Isa Samad. The choices are starkly different, between day and night.

FELDA today, via the FGV listing has effectively been taken over from the settlers and handed over to corporate and crony interests. During the tenure of Isa Samad, FGV suffered a tremendous fall in value and profits. Scandal upon scandal wrecked the governance of both FGV and FELDA. The removal of Isa Samad and the subsequent arrest of him by the MACC are positive moves, but do not solve the fundamental issues that require systemic reforms. To prevent a repeat of the Isa Samad episode, Pakatan Harapan is committed to ceasing political appointments to FELDA. Instead, FELDA will be managed by representatives of the settlers with the government merely having a golden share.

Pakatan Harapan's offer to FELDA aims to put FELDA back on good financial footing and to return the control of FELDA into the hands of the settlers. Ironically, this is the very same objective espoused by MO1's father, Tun Razak. Our five main reforms are: (a) instituting better and transparent governance; (b) increasing interest-free planting loans to RM2,000 a month and debt forgiveness up to 50%; (c) implementing a heritage land scheme; (d) building new FELDA townships; and (e) building a FELDA university and/or providing preferential entry into public universities for FELDA children.

For the wider rural economy, Pakatan Harapan notes that productivity and land use are relatively low compared to our neighbouring countries, such as Thailand and Indonesia. This is because rapid urbanisation has caused the emigration of the rural workforce into the urban scene.

While this phenomenon may be inevitable, especially amongst the younger generation of rural folk, we need to stabilise the situation so that urbanisation does not decimate the rural economy. In order to do so, several specific policies must be implemented.

We observe that many FELDA areas lack the youth and that the production of palm oil and rubber is now primarily carried out by foreign labourers from Indonesia and Bangladesh. As a start, the rate of urbanisation can be stabilised by improving technological equipment for agricultural purposes. These improvements can increase productivity per capita for the rural folk. Better mechanisation and upgraded

agricultural practices, ranging from drip irrigation to harvesting technologies, will allow for an economically worthwhile rural lifestyle.

To that end, we will invest billions of ringgit per year on R&D in the sector. Extension services must be expanded beyond oil palm and rubber. Young people must be financially supported and trained to encourage them to produce a variety of goods and services, thus incentivising them to remain in the rural areas. The ideal outcome is well-illustrated in FELDA areas in Kulai, Johor. There, the youth have not only taken up the production of tempeh, noodles, and soybean milk, but also the operation of fish farms and even large repair workshops. These extension services breathe life back to the rural sector and must be replicated all over Malaysia.

We must also set up more agriculture training centres to ensure that quality training and research are undertaken. Analysing Thailand's model, many improvements can still be made in the local rural economy in that respect.

Additionally, we may pursue a consolidated agricultural policy as used in Japan and Thailand, whereby each district specialises in a single product. For example, if a district is famous for its durians, it should be encouraged to operate an entire industry of durian-related products. Pulling together tacit knowledge and financial support, we can provide cold-storages and trucks, develop marketing and branding, and provide logistical and banking support.

All other agriculture associations will be encouraged to set up and represent their members without government interference. For instance, if the rural folk wish to set up a durian association, the government should support them without leading the association. A democratisation of these associations will subsequently allow the rural settlers to provide more meaningful input in the rural economy, enabling them to positively influence the government.

At an international level, the government must ensure that local producers present a united front when dealing with international trade. Hence, a Pakatan Harapan government will commit one percent of total agriculture exports towards the promotion and marketing budget of Malaysian agriculture produce. For example, the palm oil sector exports RM80 billion per annum, the Malaysian government therefore must spend RM800 million in promotion and marketing. This is similar to the US government's trade policy.

Ultimately, Pakatan Harapan is confident that these policies will allow the rural economy to transform into a new and vibrant middle class.

3.4.2.2 Paddy Farmers and Fishermen

The main objectives of Pakatan Harapan's paddy and rice policy are to ensure better earnings for smallholder farmers and to ensure Malaysia's self-sufficiency and food security. Currently, the incomes of our smallholder farmers are extremely low due to inefficiencies. Malaysia is also currently the only rice-producing country in the region that is highly dependent on rice imports, revealing a worrying problem in terms of national food security.

Regarding the income of smallholder paddy farmers, poverty remains high. The net average monthly income from rice cultivation in the Peninsular is a low RM500. It is obvious that the current UMNO-BN subsidy and grant schemes are failing. Pakatan Harapan will conduct a full-scale study on the subsidy and grant schemes and will remove all elements of wastage, abuse of power, and corruption. We will also consider converting these schemes to a minimum income guarantee model of RM1,500 a month, provided yield targets of eight metric tons/hectare are met. By guaranteeing income tied to better yield results, we will be able to incentivise farmers to fully concentrate on farming instead of constantly seeking odd jobs to make ends meet.

In addition, with our policy of eliminating GST, farmers will no longer have to bear the extra tax. In the case of Kedah, this cost collectively amounts to nearly RM40 million in farmers' savings a year.

As for other means to increase the welfare of smallholder rice farmers whilst improving the rice industry's economic viability, Pakatan Harapan proposes an 'estatisation' model for rice producers. By 'estatisation,' cultivation is intensified as plots are resized into more optimal and productive units, thus generating better yields, superior crop management standards, and reduced production costs as farmers collectively deal with transporters, buyers, and millers more efficiently. 'Estatised' farmers themselves will receive a good income through daily wages for their labour as well as dividends.

In addition, we will provide a professional service bundle to rice farmers, which includes advisory on seed and fertiliser, training on agricultural techniques, and market facilitation to maximise profits from harvest sales. Such optimisation of government support towards more practical solutions would improve the livelihood of farmers.

We recognise that the status of BERNAS as the largest direct beneficiary of the sector has trade-distorting effects. These effects primarily stem from its concessionary and duty-free rice import privileges, both of which should be terminated. Instead, BERNAS's role must be reverted from importing and selling rice for commercial gain, to buying rice from domestic producers as a national stockpile. This would reduce Malaysia's vulnerability during future food crises caused by our dependence on the foreign market for the supply of imported rice.

Pakatan Harapan will also re-establish *Lembaga Padi dan Beras Negara* (LPN) as the national supervisory and regulatory body on paddy and rice. LPN will be empowered

to oversee all matters regarding the national rice stockpile, such as the import of rice during emergencies and periodical reviews of rice import quotas.

As for fishermen, Pakatan Harapan is committed to increase the current *Bantuan Sara Hidup* Program to RM300 a month for fishermen. We will also allocate RM100,000 a year to fishing villages to develop new facilities to support the fishing industry, such as cold transport, cold storages, auction houses and, market stalls. The village community will decide for themselves how to best spend this money. Pakatan Harapan will carry out trials for a Dutch auction system to enable fishermen to get the best price for their catch.²¹ If successful, we will implement this nationwide, hence improving the livelihood of fishermen.

3.4.2.3 A New Deal for Sabah & Sarawak

Here, we lay out our specific economic developmental policies for Sabah and Sarawak (*for the issues of revenue sharing, please refer to chapter 3.2.1.5., and for issues of oil royalties, refer to chapter 3.2.1.6.*).

As laid out in the Malaysia Agreement 1963 and their respective 20-point and 18-point agreements, Pakatan Harapan recognises Sabah and Sarawak as equal partners with the Peninsular. We have a political manifesto to deal with the Malaysia Agreement. In this subsection, we focus on specific economic policies pertaining to the development projects for Sabah and Sarawak. We will also address the fundamental issue of the higher cost of living in the Borneo states.

Sabah and Sarawak respectively boast the third and fifth highest nominal GDP of all states in 2015.²² However, far from enjoying a fair share of their land's bountiful riches, regular Sabahans and Sarawakians respectively earn the lowest and third-lowest median monthly wages at 31% and 21% below the national median in 2015.²³ In addition to the internal wealth disparity within Sabah and Sarawak, there is a stark economic divide between Peninsular Malaysia and the Borneo states.

Sabah and Sarawak lack balanced development and as such, the growth of our Borneo states has been hindered for decades. The long-running economic joke is that the Pan Borneo Highway (PBH) will be promised by UMNO-BN at every single election campaign. What is surprising is that the so-called political fixed deposit of UMNO-BN continues to believe this narrative while they sit idly by, watching the massive development of highways in Peninsular Malaysia. Pakatan Harapan makes a simple promise: we will complete and deliver a dual-carriageway PBH that was started by UMNO-BN in 1965.

The reason why the UMNO-BN version of the PBH has never been completed is due to two factors: corruption and the lack of funds. Pakatan Harapan will allocate up to 30% of federal development expenditure for Sabah and Sarawak. In monetary terms, this amounts to at least RM15 billion annually. Over five years of a Pakatan Harapan government, we will deliver RM75 billion in development expenditure to Sabah and Sarawak. To give better perspective as to why we can complete the PBH, the 1,663km highway is expected to cost RM30 billion.

3.4.3 Industrial and Business Development Policies

3.4.3.1 New Industrialisation

Pakatan Harapan takes the view that Malaysia has been prematurely de-industrialising. This phenomenon has to do with the fact that China has industrialised at such a rapid pace and extremely competitive Chinese goods have flooded the world.

No doubt Malaysia is still a foreign direct investment (FDI) destination for some multinationals, but even that is being challenged by the rapid rise of Vietnam, Indonesia, Thailand, and the Philippines as cheaper preferred destinations. To address FDI concerns, Pakatan Harapan speaks from experience. The Penang government has successfully implemented an ecosystem to maintain and retain multinational investments in the state. In addition, the Selangor government has also carried out successful initiatives to attract foreign investors such as IKEA.

In the same way we successfully tackled the FDI challenge, Pakatan Harapan is also committed to realise a new and improved national industrialisation policy led and driven by domestic direct investments (DDI).

In the backdrop of domestic investors pursuing recent massive capital flight and thereby contributing to the crash of the ringgit in mid-2015, Malaysia needs to urgently rethink its domestic industrialisation policy. Looking at the landscape of corporate Malaysia, we note that the biggest companies are involved in banking, power, telecommunications, property, construction, oil and gas, and palm oil. Of these sectors, only two of them are involved in industrialisation for exports, namely oil and gas, and palm oil, with the other five being service providers. The big players are absent when in fact they should be leading the vanguard. In fact, almost all the nation's industrialisation activities for the exports sector is led and driven by our SMEs.

Therefore, Pakatan Harapan will incentivise and demand (using a carrot-and-stick approach) our commodity export players, namely in oil and gas, palm oil, rubber, and timber to pursue greater industrialisation by going up the value chain. It is high time that our biggest corporations have branded, finished products that are dominant globally. For instance, palm oil giants must produce high-end products in the cosmetic and food industries where palm oil is a major ingredient. We need to ask why Malaysia does not have a world-leading tyre manufacturer despite a 100-year history of rubber estates. Why is it that we do not have high-value global furniture companies despite our abundant hardwood timber resources? We need to fully realise our comparative advantages and build on them to create finished, branded products as global champions in their respective field.

In order to incentivise our big companies, we will grant appropriate tax deductions on investments that result in high-end finished products. We will also direct public universities to work hand-in-hand with these big companies to research, invent, and produce these products, while ensuring that our institutions have the best experts and latest tools and scientific equipment for the task. In addition, a Pakatan Harapan

government will commit 1% of the total exports of these goods for trade promotion purposes. In comparison, the UMNO-BN government currently spends less than RM30 million a year to promote palm oil—an RM80 billion industry. We will also spend another 0.5% of total exports on sustainability and best practices certification to ensure that Malaysian goods are in compliance with the best international health, socioeconomic, and environmental standards.

3.4.3.2 Driving SMEs Higher

The second element to our industrialisation policy focuses on SMEs. The SME policy model that Pakatan Harapan will implement is based on successful SME models from Japan, South Korea, and Taiwan. We believe a free market approach supported by a good financial and marketing ecosystem will help our SMEs continue to be competitive. The Pakatan Harapan-led Penang is a shining example of a thriving SME ecosystem, with more than 3,000 SMEs supporting the E&E industry alone.²⁴ However, we need to be able to ensure that our SMEs get the right training and support in order to thrive regionally and internationally. Pakatan Harapan will therefore take three policy approaches to enable our SMEs to compete in regional and international markets.

Firstly, Pakatan Harapan intends to improve our export by coordinating vigorous support for SMEs. By introducing strategic export planning consultations for SMEs, we will better prepare our SMEs for the export market as well as help them gain access to international markets. First-time SME exporters for instance, would be given more support and encouraged to export to less demanding markets, while more established and experienced SME exporters take on more demanding and competitive markets. SMEs will be advised on how to select their export markets strategically by taking into consideration factors such as competition, regulations, and any comparative advantages they have in order to reap maximum benefit from any export activity. Furthermore, Pakatan Harapan will look to set up overseas trade offices to assist Malaysian SME businesses entering and operating in foreign markets. These trade offices are designed to provide advice on local laws, regulations, and market conditions, as well as to build networks between key industries and their Malaysian counterparts.

Secondly, Pakatan Harapan will intensify the efforts of SME Corp. with an increased annual budget of RM100 million. This will enable SME Corp. to improve their services and support for SMEs and cater to their specific needs including networking, building promotional plans, modernising and IT adoption, personnel training and support, store management, branding and packaging, and export support. These types of support will prove invaluable to SMEs who may lack the knowledge and expertise in these areas as they seek to improve and expand their businesses.

Finally, Pakatan Harapan will also support Malaysian SMEs by actively promoting Malaysian-made goods abroad and regionally. Just like our policies for reindustrialisation and trade promotion funding (see *chapter 5.4.3.1*), we intend to commit 1% of total export funds for the promotion of goods manufactured by our SMEs to external markets. Improved marketing and brand recognition in regional and

international markets will help our SMEs by giving them higher value-add, better product visibility, and increased consumption rates, thereby allowing them to earn higher profits over the long-term.

Pakatan Harapan, by asking the big players to go further and, at the same time, by building a better ecosystem for the SMEs to thrive, will turn the tide of premature de-industrialisation and make the overall Malaysian economy much more resilient.

3.4.3.3 Pro-business Policies

Pakatan Harapan views with deep concern that corporations are making two-and-a-half times more money than the entire 14-million strong workforce. This staggering figure that we extracted from the Inland Revenue Board paints a very negative picture of corporate greed in Malaysia. Corporations should be aware that we intend to address this issue by liberalising workers' rights to ILO standards. Malaysian companies must be prepared to pay fair wages set by the market. While this may distress the bottom line of corporations, we believe that after a short period of adjustment of one year, better-paid workers will consume more, thus rewarding corporations with more profits. Pakatan Harapan calls upon corporate Malaysia to embrace this virtuous economic cycle for the sake of longer-term national growth.

We cannot continue to suppress wages and hope to retain talented, hardworking workers now and in the future. If we are to industrialise and advance together, we need to retain talent via fair wages. In our pursuit for fair wages, we recognise that corporate Malaysia will face short-term hardship. Thus, to ease the financial burden and manage the transition to fair wages, Pakatan Harapan will lower CITA for this adjustment period.

As a trade-off to our policies that empower workers, we will be pursuing management buyouts of GLCs. Upon full implementation of our MBO scheme within ten years, we will gradually improve the overall business environment by creating a more level playing field for all. Pakatan Harapan believes that corporate Malaysia will thrive in such an environment while GLCs will be confined to national security sectors only. The potential profits from this levelling exercise are immense as our economy decisively transforms on market-driven merits and competition.

Corporate Malaysia should understand that Pakatan Harapan does not seek irresponsible populist economic policies. Every policy we do has beneficial medium- to longer-term impacts for both workers and companies. To ease transition, we will provide short-term tax incentives to mitigate the pain. Most importantly, we need corporate Malaysia to power our economy and stand together with us as we race to face the Fourth Industrial Revolution (4IR).

3.4.3.4 Meeting the Challenges of the 4IR

The Fourth Industrial Revolution (4IR) driven by artificial intelligence (AI), robotics, nanotechnology, and biotechnology is fast upon us, bringing both great opportunities and grave challenges. Experts agree that by 2050, these technologies

will be both common and dominant with tremendous socioeconomic consequences for mankind.

On top of the list of concerns is the rise of AI. While some experts paint dystopian scenarios ranging from AI turning evil to robotics replacing jobs causing high unemployment, others are more optimistic of being able to make AI safe and that jobs, instead of evaporating, will merely transform. The future most probably lies somewhere in the middle of these two opposing views.

As a forward-looking government, Pakatan Harapan will fully engage the 4IR economy. We intend to maximise economic benefits and concurrently take steps to future-proof our economy. To maximise the benefits of 4IR, we need policies to develop, retain, and nurture local talent. We also need to engage global companies and prepare to fully digitise our economy. To future proof ourselves, we need to develop a highly educated and adaptable workforce.

Currently, Malaysia does not have a problem of lack of IT talent. The Malaysian ride-hailing company Grab proves that Malaysian youths have abundant entrepreneurial and creative IT capabilities to build world class players in the 4IR. However, we do have a major problem of keeping the talent in Malaysia, as evidenced by Grab moving its main operations and headquarters to Singapore in 2015. Pakatan Harapan believes that the Malaysian brain- and talent-drain problem can be partly resolved and reversed with the implementation of good governance and greater democracy. These political low-hanging fruits do not have financial costs, just political will. Once we reform the political landscape, Pakatan Harapan will then implement two crucial economic policies to develop 4IR capabilities.

The first policy is to tinker with the tax system to grant special tax rates for these 4IR companies and experts. We will not grant tax holidays, which can easily be abused, but will instead focus on overall reduction in tax rates. Pakatan Harapan will give all Malaysian companies involved in 4IR very favourable tax rates. We will implement a 15% CITA rate to compete with Singapore and to keep home-grown companies from leaving. Currently, Talent Corp offers a 15% tax rate for returning experts. We will go one step further to ensure that all 4IR experts are afforded special individual tax rates of 10%. These tax rates must be comparable and competitive not only to retain talent but also to develop future talent. Lastly, in order to incentivise foreign talent to help develop the local digital economy and transfer expertise, we will abolish withholding tax for this special sector.

The second policy is to direct the government to invest RM5 billion annually (2% of the annual government budget) to develop a 4IR ready ecosystem and to train and nurture IT skills, including supplementing competitive wages for local IT engineers and experts to stay. Then, to kick-start and build market demand, the Pakatan Harapan government intends to fully digitise government administration with one central condition: priority is to be given to local IT developers. By prioritising opportunities to home-grown companies based on merits, we will ensure our companies survive infancy, grow on experience, and better refine deliveries. This policy will enable our companies to then pursue future expansion into other regional and global markets.

In addition to nurturing and providing opportunities for locals, Pakatan Harapan will encourage global IT companies to set up their network and data centres here. Leveraging on our comparative advantages of being a country largely free from natural disasters (no earthquakes and typhoons), ample land, and cheaper-than-Singapore costs, we are an ideal location for hosting data centres in the ASEAN region.

As for future-proofing our economy from the 4IR, we need to ensure that our workforce is highly educated. We need a workforce that is committed to life-long learning. AI will certainly eliminate jobs that involve repetitive routines. However at the same time, AI will lead the creation of more cognitively demanding, complex, and creative jobs. To meet and survive such transformative disruptions in the job market, Malaysia needs to have a workforce that is clever, adaptable, and easily retrained. Pakatan Harapan understands these challenges. As such, we are committed to realigning our education ethos from rote-learning to creative problem solving.

3.4.3.5 China and Other Foreign Investors

Foreign investments are crucial to the growth of Malaysia due to the capital, jobs and, technology they bring to our shores. As such, Pakatan Harapan welcomes all investments provided that they are transparent and are ultimately beneficial to Malaysia.

No economic manifesto is complete without some policy direction on China. Pakatan Harapan acknowledges that China is our number one trading partner and the single largest consumer of our commodities. Malaysia and China have a longstanding commercial relationship that has benefited both parties.

We recognise China as the new rising superpower, both economically and militarily. China's footprint in ASEAN is large and ever expanding. Within the next decade, China is projected to be the preeminent power in the region, and as such, we have to set up policies on how to engage, cooperate, and benefit from this relationship.

While Pakatan Harapan is extremely concerned about China's expansion into sensitive national security elements, such as our energy supply and our ports, we nevertheless will honour these agreements that the government has signed on behalf of Malaysia. As a responsible government, our first act is to release all documents and contracts related to these deals, and if need be, seek China's cooperation to renegotiate unconscionable terms, if any.

As we noted earlier, all investments must be in Malaysia's best interests and thus, be aligned with government policies. We note with concern that some Chinese housing development projects in Malaysia such as the Forest City project are creating Chinese enclaves. Pakatan Harapan discourages the further creation of such enclaves. Preventing enclaves of foreigners is contrary to our policy of community building between foreign expatriates and local Malaysians. As such Chinese developers must integrate their projects to include domestic market demands.

Specifically on the ECRL project, we will ask China to put it on hold while we re-examine and assess the cost-benefit and potential economic multiplier from this project. We have concerns about whether there will be real economic multipliers coming from the ECRL project. We are unconvinced primarily because the estimated cost of RM60–70 billion is so high that it does make no economic sense.²⁵ In response to demands, we note that the money could be better spent investing in highways for the East coast instead of the ECRL.

As for the HSR project, one study has estimated it to cost as high as RM75 billion.²⁶ While we recognise the importance of connecting Kunming to Singapore for the advancement of the entire ASEAN region, our position is to prioritise a connection to the Kunming–Bangkok–Kuala Lumpur line instead of the Kuala Lumpur–Singapore connection. This is simply because the ultimate aim of this rail project is to open up the Chinese market to Malaysia instead of serving commuters between Kuala Lumpur and Singapore—a route already adequately served by road infrastructure and air connectivity.

The current ECRL and HSR projects are all packaged as loans to Malaysia. This model where China is the financier and contractor cannot be in Malaysia's best interests. Instead, our partnerships with China must be based on equity partnerships and joint contractors to share and exchange knowledge and technology. Thus, Pakatan Harapan will invite China to invest as equity partner rather than taking Chinese money as loans to be repaid by the next generation. If the projects are commercially viable to start with, then we see no reason as to why Chinese companies will not invest as partners. Moving forward, all engagements with China must be based on standalone commercial viability. With these fundamental policy directions, we are certain that China will continue to invest and be a reliable economic partner for decades to come.

As for all our other trading and investment partners, Pakatan Harapan will continue to encourage investment in Malaysia. Again, such investments have to be transparent, commercially sound and, in our national interests.

¹ Annual Report 2015, *Kumpulan Wang Amanah Negara*, p 4.

² Mikael Holter and Sveinung Sleire "The Worlds Biggest Wealth Fund Hits \$1 trillion" *Bloomberg Markets*, 19 September 2017, <https://goo.gl/2gHcCN>, (accessed 12 October 2017).

³ "The International Labour Organization's Fundamental Conventions", *International Labour Convention*, 2003, <https://goo.gl/ojLXXf>, (accessed 9 October 2017).

⁴ "Ahead of Budget 2018, workers unions seek RM1,800 floor wage", *The MalayMail Online*, 8 October 2017, <https://goo.gl/vz61PW>, (accessed 12 October 2017).

⁵ "Economic and Financial Data for Malaysia", *Bank Negara Malaysia* http://www.bnm.gov.my/index.php?ch=statistic_nsdg, (accessed 9 October 2017).

⁶ "Malaysia Open Budget Survey", *International Budget Partnership*, <https://goo.gl/jHqqXM>, (accessed 9 October 2017).

⁷ "Guide to Transparency in Government Budget Reports: Why are Budget Reports Important, and What Should They Include?", *International Budget Partnership*, <https://goo.gl/TNFbzB>, pp. 6, 44, (accessed 9 October 2017).

⁸ *ibid*, p. 31.

⁹ "OECD Best Practices for Budget Transparency", *Organisation of Economic Co-operation and Development*, <https://goo.gl/TTkRr3>, (accessed 9 October 2017).

¹⁰ Field, A (2015) *An Introduction to Anti-Bribery Management Systems (BS 10500): Doing right things*. Cambridge, UK: IT Governance Publishing, p. 38.

¹¹ "No Gift Policy in Public Sector", *Malaysian Anti-Corruption Commission*, <https://goo.gl/7ntnrZ>, (accessed 9 October 2017).

¹² Field, p. 45.

¹³ Daljit Dhesi, 'Household debt may increase, warn economists', *The Star Online*, 13 February 2017, <https://goo.gl/Y6TJUn>, (accessed 9 October 2017).

¹⁴ Tony Pua, "Buy-back of privatised highway concessions more cost effective", *The Nut Graph*, 6 July 2009, <https://goo.gl/v6o3UP>, (accessed 9 October 2017).

¹⁵ Tan Soo San, 'Wage Reform And Tripartism: A Test of Trust at Work', *Civil Service College Singapore*, 2004, <https://goo.gl/pS3SBZ>, (accessed 9 October 2017).

¹⁶ "30% Bumi equity target 'can be achieved", *The Malaysian Reserve* 3 April 2017, <https://goo.gl/HtBTf1>, (accessed 9 October 2017).

¹⁷ "Q3: Will the 30% Bumiputera equity target still exist?" *Economic Planning Unit, PMD*, <https://goo.gl/jKAYQc>, (accessed 9 October 2017).

¹⁸ Sheridan Mahavera, 'Why Malaysians aren't benefiting from country's high growth', *The Malaysian Insight*, 9 August 2017, <https://goo.gl/UTgfpU>, (accessed 9 October 2017).

¹⁹ *Ibid*.

²⁰ Malaysian Indian Blueprint, 2017

²¹ A Dutch auction system refers to an auction in which the auctioneer begins with a high asking price which is lowered until some participant is willing to accept the price, or a pre-determined reserve price (seller's minimum acceptable price) is reached. This is also known as a clock auction. This is in contrast to the traditional English auction where the winning bidder pays only the amount necessary to win despite potentially having been prepared to pay a lot more.

²² *Jadual KDNK Negeri 2010-2015*, *Department of Statistics Malaysia*

²³ *Laporan Penyiasatan Gaji & Upah Malaysia 2015*, *Department of Statistics Malaysia*

²⁴ "Penang Manufacturing Ready for Industry 4.0?", *The Edge Markets*, 2 October 2017.

²⁵ Khairie Hisyam Aliman, "ECRL Cost to Balloon Due to Double-Track Feature", *The Edge Markets*, 2 October 2017 <https://goo.gl/Ea8YZM>, (accessed 9 October 2017).

²⁶ Sulhi Azman & Emir Zainul, "Experts Estimate cost of KL-Singapore HSR at S\$20-25b", *The Edge Markets*, 5 October 2017 <https://goo.gl/Rysg3E>, (accessed 9 October 2017).

4

PAKATAN HARAPAN 2030

STORIES FROM MALAYSIAN FAMILIES

The year is 2030. Pakatan Harapan has been governing Malaysia for the last 12 years.

In 2018, the Pakatan Harapan coalition won the historic 14th General Election. Ever since then, they have won another two general elections. The very first task carried out by the Pakatan Harapan government was to tackle and eliminate wastage and corruption. Then, the Pakatan Harapan government focused on political reforms to establish a stronger democracy and an accountable and transparent government. With these policies implemented, the fiscal finances started to improve and subsequently allowed Pakatan Harapan to roll out its economic agenda to help the *Rakyat* and grow the economy.

The first two years of the Pakatan Harapan government saw tremendous positive changes to both the political and economic landscapes. The subsequent 10 years was a period of stability and high growth, a period in which Malaysia enjoyed sustained prosperity and national unity from the earlier reform policies.

The following are narratives from six Malaysian families in the year 2030.

This is the Kamal family.



Kamal Ahmad is 53 years old. His wife, Fitri Mahmud is 49 and she was recently appointed as the new MACC Chief. They have two daughters, Aniza who is 28 and Alisya, 22.

Kamal is the CEO of a pharmaceutical company that used to be a GLC. In the year 2025, the GLC underwent a management buy-out process in which he became a shareholder manager of the company. Last year, he was appointed as CEO, having served the company for 24 years. He is a millionaire and lives a comfortable life in Kuala Lumpur.

His wife, who is slightly younger, has a more illustrious public service career. She is the current head of MACC. Having worked and trained as a forensic accountant in one of the Big Four firms, she joined the anti-corruption body in 2018. She led the investigating team on the 1MDB scandal which culminated in the successful prosecution of key persons involved and saw the recovery of RM20 billion. Her gender did not hinder her from her steady rise to the very top because the Pakatan Harapan government outlawed discrimination against women in the workforce in 2018.

To find out more about Pakatan Harapan's Women Empowerment Policy, see chapter 3.4.1.4.

Their eldest daughter, Aniza, a graduate from University of Malaya, is now serving as a consultant specialising in Islamic finance. Her higher education was completely free as the Pakatan Harapan government had implemented free public education for all beginning 2022. Aniza is very proud of the fact that Malaysia has maintained its top spot as the global leader in Islamic finance.



Their youngest daughter, Alisya, is a computer science student majoring in artificial intelligence research at the University of Science, Malaysia. Fitri had encouraged her daughter to follow her footsteps to pursue a career in an area once dominated by men. Several Malaysian public universities under the Pakatan Harapan government are now regional leaders in advanced technological research.

It is now Chinese New Year and Kamal and his family have been invited to celebrate this auspicious occasion with the Lim family.

This is the Lim family.



Lim Kai Jie is 53 years' old. His wife, Ho Sue Hui is 52. They have a son, Jun Hao who is 28 years' old.

Kai Jie owns a thriving medium-sized company that manufactures LED lightbulbs. The Pakatan Harapan government's policies to nurture, promote and empower SMEs have helped Mr Lim's business grow steadily over the years. He was one of the earliest supporters of Pakatan Harapan's policy on the RM1,500 minimum wage, and now all his employees have a stake in his company. Pakatan Harapan's policy to set up regional trade promotion offices has also helped him sell LED bulbs in other ASEAN countries. His wife Sue Hui volunteers with an NGO. She was formerly a lecturer but decided to retire two years ago to focus on doing charitable work.

Kai Jie has known Kamal since their university days at UKM. While Kamal and Kai Jie gossip about the latest corporate news, Fitri and Sue Hui discuss politics. Sue Hui updates Fitri on her latest activity in organising a public interfaith forum attended by representatives from all religions. Under Pakatan Harapan's governance, citizens of Malaysia are given more opportunities to openly engage each other on such issues. This creates a deeper understanding of each other's religions, fostering respect and greater unity among Malaysians.

To find out more about Pakatan Harapan's SME Policy, go to chapter [3.4.3.2](#).



During the conversation, Sue Hui discovers that one of Fitri's nieces was in fact a student of hers a few years ago. Fitri comments on how well-versed and active the younger generation are on current economic and political developments. Both feel that the younger generation are much more positive and optimistic about the future. Both remember how politically apathetic they were as university students. Sue Hui believes that culture of political awareness has played a positive role of keeping the Pakatan Harapan government clean and accountable. Fitri confirms that the anti-bribery systems in the government today have helped a lot to eliminate corruption.

While the adults are pondering, Jun Hao and Aniza are just getting to know each other. Aniza discovers that Jun Hao had just returned from Melbourne, Australia after spending his high school, university, and six working years there as an accountant. She is surprised to hear that he has decided to resettle in Malaysia. Jun Hao explains that the economic opportunities back in Malaysia are better due to the pro-business environment under Pakatan Harapan. Jun Hao and Aniza reflect on the 'brain drain' problem that Malaysia faced during UMNO-BN rule. They are happy to note that Malaysia has come a long way since those difficult days. Jun Hao's auntie, Mei Ling, joins the two in conversation. She explains to them that she returned to Malaysia in 2020 after a 15-year self-imposed exile in Singapore. At first, she was sceptical of Pakatan Harapan's reforms but was won over after they arrested and charged former

ministers for corruption. In the end, they all agree that no matter how green the grass may appear to be on the other side, Malaysia is still home for all of them.

It is now Hari Raya Aidil Fitri and Kamal and his family are visiting his brother-in-law Kamarul Mahmud in Johor.

This is the Kamarul family.

Kamarul Mahmud is 60 years' old; his wife, Shamsiah Abdul Shukor is 55 years' old. They have three children. Melati Mahmud is the eldest; she is 35 years' old and lives in the same kampung. The other two sons currently reside in Kuala Lumpur.

To find out more about our FELDA Policy, see chapter 3.4.2.1.



Kamarul is a second-generation FELDA oil palm settler and has lived all of his life in FELDA Sungai Mas, Johor. He has visited his sister, Fitri in Kuala Lumpur many times but decided on a simpler rural life.



Over dinner, the topic of politics arises. Kamarul reminisces that he was a diehard UMNO supporter but was glad to have given Pakatan Harapan a chance in the 2018 elections. He has since witnessed significant developments in his kampung over the years. In particular, high-speed internet access in the rural area is no longer a dream. This prompts him to joke that there is no difference between living in his town and living in Kuala Lumpur, so long as he can watch live streams of football matches. Fitri explains that these infrastructure developments in rural areas are now possible due to savings from strict anti-corruption efforts.

Kamarul also tells his guests about how he is able to live a good life thanks to higher yield and stable palm oil prices. Under Pakatan Harapan, FELDA is now firmly back under the control of settlers and as a result, settlers are treated fairly and respectfully. He now gets the top OER rate for his fruits and his loans were halved when Pakatan Harapan granted all settlers a 50% debt forgiveness in 2020. As the conversation continues, he notes that rural paddy farmers and fishermen also enjoy a much better life now.

Shamsiah, as the finance manager of the family, joins in and remarks that since GST was abolished in 2019, she no longer has to figure out how to save and scrimp for groceries and food. Under Pakatan Harapan, the cost of food has consistently been reasonable and affordable. As the "finance manager" of the family, she no longer has to crack her head to figure out how to *berjimat-cermat* when it comes to groceries and food. She is also grateful that her sons have gone to free TVET colleges. She is most proud of her daughter who got a Bachelor's in Education from a public university, fully paid for by the government. The only downside to this, according to her, is that all of her sons are married and now live in Kuala Lumpur and she misses them dearly.

However, she is still able to keep in frequent contact with all three of them via video calls.

At this point, Melati chips in, “Aren’t you glad I stayed behind?” She joins in the conversation and explains that life as a secondary school teacher here is also good. Melati says that life is simpler here and she has time to develop her faith. She is married to the local *ustaz* and they have two children.

She says that teachers’ pay nowadays are fair and that she can have a good middle-class quality of life. In addition, she is very happy with the women empowerment policies of Pakatan Harapan. She recalls that in 2016, when she gave birth to her first child, she was only entitled to 60 days’ maternity leave. In 2019 when she gave birth to her second child, under the Pakatan Harapan government, she was given 120 days of paid maternity leave. On top of this, the Pakatan Harapan government in 2020 made it mandatory for all government buildings to provide childcare facilities. When her children were toddlers, Melati used to drop her children in the day care facilities before teaching her class.

It is now Deepavali and Kamal and family have been invited to the Dr Segaran family’s open house.

This is the Segaran family.



Dr Segaran Karupiah is 62 years old. His wife, Letchumy Ramasamy, is 56, and they have two children. Their daughter, Anjali, and son, Rajendran are 32 and 30 years’ old respectively.

Dr Segaran is a retired Director-General of the Ministry of Health. He has been friends with Kamal for 20 years, having met him at a medical conference in 2010. Trained as a medical doctor, he was a civil servant since he was 26 years’ old. During UMNO-BN rule, he noticed a diminishing Malaysian Indian presence in the civil service. Despite having diligently served the ministry for 22 years, there were no signs of any promotions to the top-tier posts in government. It was only after the Pakatan Harapan government took over in 2018, that the civil service underwent huge changes. In particular, Dr Segaran noticed that Malaysian Indian participation in the civil service increased steadily. He too enjoyed rapid promotions and at age 54, was promoted to the role of Director-General.

His wife is a full-time lawyer. Letchumy started working as a lawyer at age 24. She was formerly active in the BERSIH movement and continues to be active in civil society. She currently sits on the Board of Trustees of the Pakatan Harapan government ‘Stay in School Programme’ where poor Malaysian Indian families are incentivised to keep their children in school in return for financial grants.

His daughter Anjali studied mechatronics at University Malaysia Perlis (UniMAP) and now owns a small drone manufacturing startup. At the open house, Anjali offers an internship to Fitri’s daughter, Alisya. Under the Pakatan Harapan government, young

To find out more about Pakatan Harapan's policies for the Malaysian Indian Poor, go to chapter [3.4.1.6](#).



entrepreneurs, especially in the advanced technology sector, are given low tax rates and full support to grow and develop their businesses.

Rajendran, their son, started a social enterprise bakery that trains and hires underprivileged Malaysian Indian youths. His main concern is to help keep the youth keep free from alcohol, drugs, and gangsterism. Since 2018, he has seen a gradual improvement in the Malaysian Indian poor community. After 12 years of concerted efforts by the Pakatan Harapan government, gang activities, alcohol, and drug abuse have dramatically decreased among this community. Rajendran believes that the vicious cycle of poverty may have finally been broken. Pakatan Harapan allocates RM200 million a year for such NGOs and Rajendran is a proud recipient of an annual RM50,000 grant for his bakery.

Meanwhile, across the sea in Sarawak, meet the Jerry family.

Jerry anak John is 45 years' old. His wife, Evelyn anak Richard, is 43. They have two young children: a girl, Mary, aged 23, and a boy, James, aged 8.



In 2019, the Pakatan Harapan government delivered to Sarawak the promise of more fiscal autonomy. This policy has enabled the Sarawak government to pursue many local projects. As a civil engineer, Jerry worked on the Pan Borneo Highway project. After decades of empty promises and delay during UMNO-BN rule, the Pakatan Harapan government in 2020 started channelling a sum of RM6 billion a year towards the construction of the PBH. In 2026, the 2,000 km dual-carriage highway from Kuching to Kota Kinabalu was completed.

To find out more about Pakatan Harapan's policies for the Borneo States, see chapter [3.4.2.3](#).



Evelyn is a secondary school teacher in her alma mater in Kuching, teaching economics. Flushed with federal cash, the Sarawak government set up a foundation to develop native arts and literature. Evelyn has a deep interest in writing and started writing novels in Iban language about four years ago. Amongst the teachers, she is known as the Jane Austen of the Iban language. She would often joke with her family that if it were not for Pakatan Harapan's women empowerment policies on equal wages, she would not be able to spend on her collection of favourite novels and poetry. Evelyn recalls how the love of books gave her the love of her life: she met her husband Jerry at a book festival in Miri.

The couple's firstborn, now 23-year-old Mary, is an environmentalist working with an NGO in Sabah. She is engaged to marry Basel Angan, a Sabahan.

We now head over to Sabah and meet the Johniston family.



Johniston Angan is 58 years' old. His wife Irene Undikai is 54. They have two daughters: Lucy and May are 33 and 31 years' old respectively. They also have a son, Basel Angan, 28, who is Mary's fiancé.

Johniston is a petroleum engineer and was attached to PETRONAS for 20 years. In 2022, the Pakatan Harapan government announced the formation of PetroSabah, a state-owned oil and gas company. Johniston was recruited by the Sabah government to help set up PetroSabah and is now the current COO. PetroSabah registered their first major find in 2027 and since then, has an average pre-tax profit of RM3 billion a year. While setting up PetroSabah, the Sabah government consulted the MACC to set up governance systems. While working on this, Johniston met Fitri, and they have been good friends ever since. The Kamal family have since visited them in Sabah every Christmas. Fitri and Irene have become exceptionally close friends.

Irene is a businesswoman, manufacturing traditional clothing. Both her daughters are also involved in the business. The company provides employment for some 30 women in Kota Kinabalu. For the upcoming wedding, the ladies have been busy making a special dress for Mary. The groom, Basel, runs an ecotourism operation catering to tourists from China. Business has boomed due to the eradication of piracy from Sabah waters.

The wedding is being held at Tanjung Aru beach. As the sun sets, Fitri and Irene stroll along the beach and are engaged in a deep conversation about the past and the future. Twelve years ago in 2018, the future looked so bleak. They recall the 1MDB scandal, the entrenched corruption, the high cost of living, and the stagnant economy. They particularly remember a time when, plagued by corruption, the economy deteriorated year-by-year and people were worried about the ever-rising cost of living. Twelve years of Pakatan Harapan changed all that. Never in their wildest dreams did they imagine Malaysia to be where it is today—free from corruption, equal, just, and prosperous. Twelve years ago, they made the best decision of their lives: they rejected bigotry and fear. They chose hope.

— APPENDICES & TABLES —

2018 Revenue Estimates

	UMNO-BN 2018 ESTIMATE RM million	PAKATAN HARAPAN 2018 ESTIMATE RM million
1. TAX REVENUE	200,903.1	182,292.2
DIRECT TAX	140,565.7	141,793.7
INCOME TAX	132,935.6	132,654.7
Individual Income Tax	35,875.8	32,786.1
Company Income Tax	83,152.7	85,961.6
Petroleum Income Tax	11,115.7	11,115.7
Withholding Tax	2,571.9	2,571.9
Cooperatives Income Tax	193.5	193.5
Other Income Tax	26.0	26.0
OTHER DIRECT TAXES	7,630.1	9,139.0
Stamp Duty	6,021.4	7,225.7
RPGT	1,513.7	1,818.3
Other Direct Taxes	95.0	95.0
INDIRECT TAX	60,337.4	40,498.5
EXPORT DUTY	825.0	825.0
Crude Oil	748.0	748.0
Crude Palm Oil	75.0	75.0
Others	2.0	2.0
IMPORT DUTY	2,721.1	3,316.8
Alcoholic Beverages	122.4	179.7
Cigarettes	35.1	60.8
Motor Vehicles	639.4	767.3
Others	1,924.2	2,309.0
EXCISE DUTY	11,800.3	16,506.8
Alcoholic Beverages	1,745.1	2,561.3
Cigarettes	3,532.5	6,119.0
Motor Vehicles	6,518.7	7,822.4
Others	4.0	4.1
SALES AND SERVICE TAX	0.0	16,500.0
GST	42,000.0	0.0
MISCELLANEOUS INDIRECT TAX	2,991.0	3,349.9
2. NON-TAX REVENUE	41,017.4	44,580.9
LICENCES AND PERMITS	12,535.4	12,608.3
Petroleum Royalty	4,082.8	4,082.8
Motor Vehicle Licences	2,505.7	3,006.8
Levy on Foreign Workers	3,472.0	3,043.8
Others	2,474.9	2,474.9
SERVICE FEES	2,057.7	2,057.7
PROCEEDS FROM SALES OF GOODS	2,057.4	2,057.4
RENTALS	127.3	127.3
INTEREST & RETURN ON INVESTMENTS	20,673.4	24,477.5
PETRONAS Dividend	16,000.0	16,000.0

	Bank Negara Dividend	2,000.0	2,000.0
	Khazanah Dividend	1,000.0	2,500.0
	Others	1,673.4	3,977.5
	FINES AND PENALTIES	1,313.5	1,000.0
	MTJA	2,246.7	2,246.7
	OTHERS	6.0	6.0
3.	NON-REVENUE RECEIPTS	1,577.3	1,577.3
4.	REVENUE FROM FEDERAL TERRITORIES	986.1	986.1
TOTAL REVENUE		244,483.9	229,436.4

2018 Expenditure Estimates

	UMNO-BN 2018 ESTIMATE RM million	PAKATAN HARAPAN 2018 ESTIMATE RM million
Estimated Operating Expenditure		
Emoluments	85,523	85,523
Supplies and Services	33,334	17,105
Assets	751	400
Fixed Charges and Grants	106,984	96,734
Other Expenditures	892	400
Total Operating Expenditure	227,284	200,162
Estimated Development Expenditure		
Direct Grant	52,564	53,248
Loans	3,653	3,105
Contingencies Reserve	2,000	2,000
Total Development Expenditure	58,217	58,353
Total Estimated Expenditure	285,501	258,515
Estimates of Revenue	244,484	229,436
Budget Deficit (RM million)	-41,017	-29,079
Budget Deficit (% of GDP)	-2.88%	-2.04%
GDP	1,426,000	1,426,000

— ACRONYMS & ABBREVIATIONS —

1MDB	1Malaysia Development Berhad	EPU	Economic Planning Unit
4IR	Fourth Industrial Revolution	ESSZONE	East Sabah Security Zone
APBN	National Disaster Management Agency	FDI	foreign direct investments
ASNB	Amanah Saham Nasional Bumiputera	FGV	Felda Global Ventures
ASEAN	Association of Southeast Asian Nations	FINTECH	financial technology
B40	bottom 40% of households	FELDA	Federal Land Development Authority
BERNAS	Malaysian National Rice Corporation	FTSE	Financial Times Stock Exchange
BNM	Bank Negara Malaysia	GDP	gross domestic product
BR1M	Bantuan Rakyat 1Malaysia	GDVT	German Dual Vocational Training
BTN	Civic & Citizenship Bureau	GFC	Global Financial Crisis
CITA	Corporate Income Tax	GLC	Government Linked Company
CGT	Capital Gains Tax	GLIC	Government Linked Investment Company
COO	chief operating officer	GST	Goods and Services Tax
CSR	corporate social responsibility	HSR	Kuala Lumpur-Singapore High Speed Rail
DDI	domestic direct investments	IRB	Inland Revenue Board
DFI	development financial institution	km	kilometre
E&E	electronic & electrical	KWAP	Retirement Fund (Incorporated)
ECRL	East Coast Rail Link	KWAN	National Trust Fund
EPF	Employee Provident Fund	KYC	know your client
		LPN	Lembaga Padi dan Beras Negara
		LTAT	Armed Forces Fund Board

M40	middle 40% of households	PTPTN	National Higher Education Fund
MACC	Malaysian Anti-Corruption Commission	QE	quantitative easing
MARA	Majlis Amanah Rakyat	RND	research and development
MBO	Management buyout	RPGT	Real Property Gains Tax
MFRS	Malaysian Financial Reporting Standards	RM	Malaysian Ringgit
MO1	Malaysian Official No.1 (also known as Dato' Sri Najib Razak, as per the US Department of Justice Report)	SME	small-medium enterprises
MOHE	Ministry of Higher Education	SME Corp	SME Corporation Malaysia
MOF	Ministry of Finance	SOCSSO	Social Security Organisation
MTUC	Malaysian Trade Union Congress	SPAD	Land Transport Development Commission
NDF	non-deliverable forward	SST	Sales and Services Tax
NPL	non-performing loans	SUHAKAM	Human Rights Commission
NWCC	National Wages Consultative Council	TPPA	Trans-Pacific Partnership Agreement
PBH	Pan Borneo Highway	TVET	Technical and Vocational Education and Training
PETRONAS	Petroleum Nasional Berhad	UK	United Kingdom
PITA	Petroleum Income Tax	US	United States of America
PLUS Berhad	PLUS Expressways	USD	US Dollar
PMD	Prime Minister's Department	YDPA	Yang di-Pertuan Agong
PR1MA	1Malaysia People's Housing Development		



ALTERNATIVE BUDGET 2018
SPEND WISELY, CUT TAXES, **CHOOSE HOPE**