



**Centre for Public Policy Studies (CPPS)**  
**Asian Strategy & Leadership Institute (ASLI)**  
1718 Jalan Ledang, Off Jalan Duta,  
50480 Kuala Lumpur

Tel• 03-2093 5393  
Mobile• 012-2131979  
Fax• 03-2093 3078  
Email• [yeenseen@asli.com.my](mailto:yeenseen@asli.com.my)  
URL• [www.cpps.org.my](http://www.cpps.org.my)

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## **MEDIA RELEASE**

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### **CPPS's Response to Budget 2016**

The Centre for Public Policy Studies (CPPS) overall views Budget 2016 positively, especially when looking at the move to increase development expenditure from MYR 50.5 billion to MYR 52 billion. Budget 2016 also continues a focus on resource investment in education, training and up-scaling the workforce. This is required to facilitate the movement of labour productivity into the higher value-added and knowledge-based economy that will in turn create higher paying jobs.

#### **GST:**

While GST collection has increased Government revenue by MYR21 billion, and improved the fiscal deficit position, it is commendable that there has also been a decision to extend the zero-rating on various items deemed necessities, including basic foodstuffs and various medicines. As with all consumption-based and regressive taxes, those on lower incomes will be disproportionately affected. At a time when we are seeing the cost of living outpacing stagnating wages, any relief to the hip pocket of the rakyat is welcomed.

#### **Sabah and Sarawak:**

Sabah and Sarawak have long been neglected in budget announcements. This budget attempts to rectify some of that. The announcements reflect considerable investment to address youth development issues, infrastructure development for indigenous Bumiputeras, and initiatives to harmonise the difference in pricing between Sabah and Sarawak and Peninsula Malaysia through the 1Price 1Sarawak and 1Price 1Sabah programmes.

#### **TVET & Productivity:**

In addressing Malaysia's road to high income nation, financing for Technical and Vocational Education and Training (TVET) represents one of the key factors for future economic growth in Malaysia. For Malaysia to up-scale its multi-factor productivity, this investment is crucial to a 'blue collar' career path. However, the government must ensure that other elements are in place; and

not focus solely on the area of TVET training and education, which could otherwise be setting up the stage for a redundant workforce if jobs are not available upon graduation.

### **Protection for Domestic Violence Survivors:**

There is still a serious need to provide protection to vulnerable women and girls. The Ministry of Women, Family & Community Development noted a 36% increase of reported domestic violence cases in 2014. Despite the Government voicing commitment to ensure legal, medical, psycho-social and safe house services to victims of domestic violence, studies have shown that there is a lack of safe housing alternatives for women facing domestic violence and abuse, especially for those who lack community support. The cost of financing the protection of survivors of domestic violence should be met by increasing the number of safe houses to respond to their needs.

### **Civil Service:**

MYR1.1 billion will be allocated to salary adjustments equivalent to one annual increment according to grade for 1.6 million civil servants. Though the spirit of this is a step in the right direction, a more holistic approach needs to be taken in order to be competitive with the private sector. It is important for the government to consider reforms in this area to pay competitive salaries, based on performance and skill, to attract a quality workforce. However, the implementation of such reforms require bipartisan consensus in parliament whereby both sides of the August House must put aside political differences and jointly acknowledge that a well-paid, well-manged, and effective civil service will ultimately serve the nations interest .

### **M40 Category:**

This initiative is an acknowledgment by Najib administration of the burdens on middle-income households who are often being left out. Hence, we welcome the M40 policy to address the rising cost of living which has been compounded by the introduction of the GST, removal of fuel subsidies and the recent overnight toll increase. Tax reliefs for this group will equate to more disposal income which will in turn translate into higher purchasing power and this will eventually benefit the economy as a whole.

### **Transparency and Accountability:**

Perhaps most troubling have been recent events that have not only stemmed accountability measures, but have gone as far as to limit transparency. It is essential that these mechanisms and the institutions that protect them not be allowed to be further denigrated. A modern society is not only a reflection of high median incomes, but also tenets of fairness, inclusiveness, justice and the rule of law for all.

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For enquiries, please contact: Ms Ng Yeen Seen, Senior Director, CPPS at:

Email: [yeenseen@asli.com.my](mailto:yeenseen@asli.com.my)

HP: +6012 213 1917