

**Policy Address for the Fiscal Year 2009
of the Macao Special Administrative Region (MSAR)
of the People's Republic of China**

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of the Macao Special Administrative Region (MSAR)
of the People's Republic of China**

Delivered by the Chief Executive, Edmund Hau Wah Ho

11 November 2008

Madam President, members of the Legislative Assembly,

Introduction

During the past year, with strong support from the central government, Macao citizens built on solid social, economic and cultural foundations to further promote and add vigour to the comprehensive and sophisticated development of the MSAR. As a result, our great endeavour combining “One country, two systems”, “Macao people governing Macao” and a high degree of autonomy has taken another sustainable step down the road towards maturity, stability and sophistication.

In the coming year, we will continue to closely align our policies with the interests and needs of the whole community. With a strong sense of responsibility as well as a practical administration, we will strive to cope with the challenges and difficulties resulting from the economic crisis, in order to ensure the wellbeing of the community, and maintain sustainable social development.

Part I Review of the MSAR Government's Work in 2008

Madam President, members of the Legislative Assembly, please let me briefly summarise the implementation of government policies during 2008.

During the past year, our administrative reform continued to make smooth progress in following the Road Map for Public Administration Reform. We fostered the sound management of civil servants and improved the benefit schemes; we extended district-level services to bring greater convenience to citizens; we officially implemented the centralised information service system and achieved positive results in our SMS messaging service. Overall, our public administration has become more transparent, and our public services have become more personalised.

During the past year, the major progress of democratisation in every aspect of public life was evidenced through policy consultations, wider public participation through community talks, and the organisation of district-level consultation groups. We paid heed to the actual conditions of the community; we gathered our community wisdom; we launched a centralised information service system and increased the level of transparency of public administration. We also increased our efforts in consultations, and streamlined approaches for consultations to reach deeper into the community and promote public participation.

In line with social development, the Government implemented a number of new measures. We enacted the Wealth Partaking Scheme; we installed a quick information dissemination and response mechanism; we modified the supervision of imported foods and the relevant communications mechanism; we cleaned up the aftermath of Typhoon Hagupit; we also either modified or completed 20 judicial projects that were beyond the scope of the original plan.

Despite the global economic turmoil, Macao's economy maintained steady growth. The positive effects of CEPA and its supplementary agreements were gradually realised. At the same time, there was smooth progress with our strategy of adequate economic diversification. A sound treasury and financial system and stable tax revenues have laid the necessary foundation for the MSAR to adapt and develop.

To ensure sustainable development of tourism, we created new promotion methods, strengthened major customer sources, and tapped into international markets. Business intermediary services thrived, and other service industries led by the convention and exhibition industry also showed new vigour. The business environment was further streamlined; the local economy embarked on a process of adequate diversification, and we continued to modify our economic structure.

To ensure the competitiveness of and employment opportunity for local workers, we tried to enhance the operations and service quality of small-to-medium sized enterprises, through timely financial, technical and information support as well as comprehensive services. The revision of the Labour Relations Law was completed, strengthening employee rights. To tackle the problem of high inflation, we substantially expanded sources of imported goods, and implemented a number of ad-hoc subsidy schemes, to help relieve burdens on citizens.

As regards prevention against and treatment of dangerous diseases, we improved our emergency relief abilities, ensured food safety, enhanced community health facilities, and raised the overall quality of medical services, with a view to building a healthy city.

The educational institutions in the MSAR continued to enhance the professional qualifications of teachers, raise student admission criteria, increase commitment to research, advocate humanitarian values, and raise the academic standards and overall abilities of university students. Building on the foundation of the 15-year compulsory education, we refined students' learning conditions, assisted teachers in their professional development, promoted the comprehensive personal growth of students, and expedited the improvement of non-higher education.

We also formulated a youth service plan, enhanced moral education for citizens, advocated love for the motherland and Macao, encouraged the realisation of one's potential and creativity, and promoted the comprehensive development of young people.

We integrated community resources to enhance our overall social services. We also

made a timely increase to our work catering to the needs of the underprivileged. We promoted community social integration, advocated family love, improved rehabilitation services, and combated drug abuse. By initiating a review of our social security system, we aimed to enhance the people's wellbeing.

As regards the gaming industry, we increased our administrative efforts to enhance its supervision and management, to ensure its legally-regulated and healthy development. We provided professional counselling to prevent and eliminate problem gambling, and encouraged industry professionals to pursue healthy lifestyles.

We strived to preserve valuable world heritage and promote local cultural features. We extended the cultural functions of museums and encouraged reading among members of the community. We fostered both popularisation of the arts and their higher standards, by cultivating aesthetics among the public as well as discovering and developing local talents. We also emphasised continuous learning and training, to build the foundation for cultural industry development.

In sports, we dedicated ourselves to supporting the Beijing Olympic Games and continued to hold international sporting events. We also strongly promoted sport for all, as well as the full utilisation of sports facilities. Community participation broadly increased.

We stepped up the development of public housing, and encouraged proper maintenance of residential buildings. We introduced height limits on buildings around Guia Lighthouse, and started a series of systematic urban planning projects. Our urban renewal efforts were rolled out according to schedule, with our citizens enthusiastically participating in the public consultations. We also enhanced the provision of cadastral information, continued with revising the Land Law, improved the public tender system, and streamlined internal operations.

We took practical steps to control various kinds of pollution, and held an international environmental cooperation forum and exhibition to enhance environmental promotion. We also streamlined our energy structure, and promoted energy conservation. We enacted a new traffic law, established a new bureau to oversee transportation and built more parking spaces to ease traffic problems. Our postal, telecommunications, port and technological services were developed in line with changes in society, demonstrating a people-oriented spirit.

We optimised the hardware and software needed for promoting international and regional cooperation. Also, we enhanced our interactions with citizens, and expended efforts in bolstering regional security. We strived to control serious crime, and spared no effort to eliminate minor offences, protecting the safety of our citizens and our tourists. Likewise, we collaborated with mainland authorities to ensure security during the Beijing Olympic Games. In response to social developments, we enhanced monitoring and management of casinos and entertainment facilities, and strongly combated money laundering, people trafficking and other related crimes.

The improvement of the Border Gate Checkpoint self-service clearance system has smoothed passenger traffic. We continuously improved the performance of customs checks, strongly protected intellectual property, and enhanced customs clearance of goods. In response to the opening of large hotels, the Fire Service conducted comprehensive risk evaluation and strategic studies, and stepped up safety inspections.

We enthusiastically participated in regional cooperation. Our Sino-Portuguese cooperation platform was further expanded, gaining even more attention. The cooperation has yielded ongoing benefits for our economic, trade and tourism developments, with conspicuous effects in a wide range of areas.

We enhanced the training of audit professionals, aiming to strengthen their expertise and professionalism. We also stepped up our efforts to advocate frugality through promotions and increased communications, and pressed forward with account audits, special audits and value-for-money audits.

The Commission Against Corruption increased its monitoring effort, publicised

channels for administrative complaints and promoted the value of integrity and honesty. It strongly combated corruption and bribery, followed up on departmental operation inspections, implemented integrity management programmes, and increased the overall level of integrity in society.

In the past year, we completed a number of major administrative projects, learning much from them and gaining valuable experience.

In the light of changes in economic development and their various impacts, the Government made major adjustments to its fundamental economic policy. From this, we learnt that any kind of policy aimed at promoting people's wellbeing inevitably has its limitations and side-effects, and must therefore be carefully evaluated. When necessary, we must take decisive action to ensure that our policies are always aligned with the largest benefit for citizens.

While suffering a major setback in our efforts to build a clean government, we became better able to identify and rectify mistakes, and to make new commitments, to the best interests of the public. We learnt from this that we must recognise and learn from past administrative experiences, avoid making any mistake, and try to get the best out of any adversity. At the same time, despite a temporary slowdown in work efficiency, we must strive to rectify past mistakes and readjust our focus, in order to ensure long-term integrity and sound administration.

In the past year, the Government and the local community jointly poured in support for the Sichuan earthquake relief work, and performed our best in supporting the Beijing Olympic Games. From these experiences, we learnt that we must turn the spiritual inspiration generated by the shared concern and shared participation into a strong fuel, and let it drive us towards seeking self-improvement for the MSAR, promoting a close relationship between the Government and the local community, and push the Government towards good public administration.

Part II Administrative Outlines for the MSAR Government in 2009

Madam President, members of the Legislative Assembly,

The following is an overview of the Government's administrative arrangements for the coming year:

1. Modifying Economic Strategies and Enhancing Adequate Economic Diversification

Working by market rules and upholding free economy principles remain the tenet of the capitalist system, as well as the important manifestation of the MSAR Government's rule according to law. However, this should, under no circumstances, be translated into the Government's indifference and inertia towards market changes. To address the threat posed by the global financial and economic crisis, and safeguard fairness, order and effectiveness of the market, the Government needs to launch focused policies and measures promptly, strengthen necessary supervision, optimise the legal framework, carry out appropriate adjustment, and enhance administrative efficiency. These actions will help maintain the stability and vitality of Macao's economy and job market in times of difficulty.

The grim challenges brought about by the recent global financial crisis have also provided us with significant illumination. Of them, strengthening financial supervision and ensuring a secure financial system have already become universal consensus, as well as the current and next year's administrative priorities for the MSAR. Our financial system has always been sound. But in view of the economy's growing complexity and rapid development, the MSAR Government's important and urgent mission is to further strengthen the supervision of financial institutions, improve the financial system, and create favourable conditions for invigorating the flow of bank capital. We will put into place an international advanced supervisory regime, reinforce the monitoring of financial risks, tighten the internal control requirements for banks, maintain constant alertness and quicken our responses to changes in financial markets worldwide, so that we can take immediate and appropriate contingency action to overcome unstable factors in times of crisis.

Moreover, we will continue to optimise financial laws and regulations and combat illegal financial activities, including through increasing our efforts to combat money laundering and terrorism financing so as to ensure the safety and soundness of Macao's financial system.

To facilitate healthy and sustainable development of the gaming industry, we will redouble our efforts in its supervision, and strictly control its scale. Additionally, we will fully implement the range of control measures announced in April, encourage gaming companies to promote qualified local employees to managerial positions, and formulate guidelines for responsible gambling in accordance with international standards.

In the coming year, to tackle the fluctuations in the economic environment and the tourist market, and to facilitate the coordinated development of the local economy, the MSAR Government will reinforce adequate economic diversification while consolidating the advantages of existing industries.

We will encourage the tourism industry to develop in a direction boasting diversified source markets, a wide range of tourism products and high quality service. First, we will stabilise the existing tourist sources, seek to maintain the high growth regarding the Southeast Asia market, and redouble our efforts to increase our market share in terms of international tourists. Second, we will make better use of our World Heritage sites to promote different types of theme tourism and extend regional cooperation in this area. Third, we will comprehensively enhance the service quality of the tourism industry. Fourth, we will integrate the advantages both inside and outside the territory, and create novel promotional programmes. Fifth, together with the Macao Foundation, the Government will allocate resources to support and sponsor social groups to launch community activities of different scales and various forms to enrich Macao's tourism appeal and boost domestic spending. Our key strategy is to capitalise on the resources generated by the growth of the gaming industry to foster and feed the development of leisure, holidaymaking, cultural tourism and other related industries.

We will also promote the growth of service industries with potential as well as sunrise

industries. We will avidly support the emerging convention and exhibition industry, making it Macao's economic growth point, and we will expend more effort in developing cultural industries. An advisory committee on the cultural industry will be set up in the near future, and relevant policies will be formulated and optimised. We will urge art and cultural workers to pursue their careers in creative cultural industries, encouraging the integration of art and cultural works into the market to realise economic benefits. We will tap the connotations of World Heritage sites so as to add cultural value to tourism. We will also foster the development of sunrise industries including traditional Chinese medicine, green industries and logistics, helping them to achieve steady growth through regional cooperation.

Additionally, we will promote the development of high-tech and high-value-added industries while assisting traditional industries in transforming and upgrading. We will encourage enterprises to make full use of the CEPA incentive policies, create brands of their own and bolster the competitiveness of their products. The Government will advance the planning of the Zhuhai-Macao Crossborder Industrial Zone, and continue to usher in projects that are conducive to the upgrading and diversification of Macao's industries.

Confronting bleak economic realities, the Government puts on top of its agenda the issues of ensuring comparatively adequate employment for local residents and safeguarding social harmony and stability. We will impose strict supervision on the importation and appointment of non-resident workers, combat illegal employment, and conduct an in-depth study on and make timely adjustment in Macao's labour importation policies. Earlier, the MSAR Government announced measures to curb and reduce non-resident workers in the sectors of gaming, construction, property management, security and cleaning so as to ensure the unemployment rate for locals remains at a low level. To tackle future uncertainties and unforeseeable circumstances, we will also promptly put forward other strong adjustment and control measures in response to any change in the situation. The Government will increase the resources allocated to offering effective and well-focused training programmes catering to our development needs so as to elevate the quality of human resources and help

employees enhance their competitiveness.

In this time of a capricious and turbulent global economy, the motherland, with her comprehensive strength and robust economic development, has played a crucial role in stabilising and supporting our growth. For this reason, the MSAR will further intensify its economic and trade cooperation with the mainland next year. We will first review our experience, and then conduct in-depth studies, implement and promote CEPA and its five supplementary protocols, and make full and good use of the incentive arrangements. Relevant departments will enthusiastically encourage and support the practical participation of industries, proactively strengthen the cooperation between the mainland and Macao service sectors, and pragmatically push forward trade and investment facilitation.

We will enhance the planning for regional cooperation, keenly follow up on it, strengthen the functions of regional service platforms, and deepen our economic and trade cooperation with mainland provinces and regions. Economic and trade departments will gradually set up liaison offices in mainland cities to actively provide intermediary services to facilitate cooperation between mainland and Macao enterprises. Practical steps will be taken to push forward a better mechanism for regional cooperation between Guangdong and Macao, between Fujian and Macao, and within the Pan Pearl River Delta (PPRD), and draw closer the complementary and cooperative relationship with the Hong Kong SAR. Of these steps, the MSAR Government will first extensively intensify the cooperation between Guangdong and Macao. This will inject momentum to Macao's implementation of its adequate economic diversification and sustainable development strategies.

We will also fully leverage the functions of economic and trade cooperation platforms between China and Portuguese-speaking countries. We will promote interaction and complementary relationships between them and regional cooperation groups in the PPRD so as to boost the effectiveness in economic and trade cooperation between the mainland, Portuguese-speaking countries and Macao. We will strengthen governmental and civil exchanges and cooperation with the European Union (EU),

and open up cooperation channels between the PPRD and the EU through projects such as forums on green industries. With regional tourism cooperation as the pilot project, we will promote commercial and trade-related investments in neighbouring regions including Southeast Asian countries.

2. Dedicated to Safeguarding People's Wellbeing and Building a Good Society

The persistent high inflation and global economic depression will definitely pose many difficulties for the general public. The MSAR Government fully understands residents' needs. We will spare no effort in strengthening all kinds of social services, raise the level of social security, and assist the disadvantaged so as to ensure people's quality of life.

The Government will continue to press forward with the enhancement of our land management legal system, increase land information transparency, rigorously examine rezoning applications regarding already granted land, and promote effective utilisation of land resources. We will launch the development of more public housing estates, and their construction progress will be announced on a regular basis.

We will further implement the strategy of "Public transport first", set up an inter-departmental coordination mechanism, establish an integrated urban public transport system, and strengthen cooperation in regional transportation infrastructure. We will also promote the refinement of bus and taxi services, launch the first phase construction of the light rail transit system, and push ahead with the feasibility study on the second phase of the project so as to further enhance the provision and management of transport services. We will adopt a scientific approach to elevate the effectiveness of traffic management, conduct a study on the reasonable regulation of private vehicles, and initiate in stages the management of transport demand.

We are committed to protecting consumer rights and interests by improving the relevant legal framework, mechanism, promotional campaign and hardware facilities. Recognising the need to strike a balance between development and conservation, we are dedicated to protecting the environment. We seek to raise residents' quality of life while maintaining the sustainable development of society. We will capitalise on the

advantages of regional cooperation to safeguard our water supply and power supply stability. We will also increase our efforts to promote water conservation, and encourage businesses and agencies to use energy-efficient green products.

We will continue to uphold our “people-oriented” principle, and steadily push forward urban planning. We will spare no effort in improving the Outline for Macao Urban Concept Plan, explore the characteristics of our urban planning system, and usher in the thinking of regional planning cooperation, so as to establish a modern and scientific urban planning framework.

The Government will strictly control the fluctuation of public utility tariffs, and phase in a competitive mechanism in public services in accordance with actual circumstances to advance adequate market liberalisation. Our comprehensive objectives include alleviating inflation pressure, lowering the operating costs of businesses, promoting technological innovation and progress, and enhancing service quality.

3. Deepening Human Development and Raising Standards

Macao’s exceptional development pattern has explained the distinctive importance and urgency of human development. The Government will further intensify relevant work, in particular paying attention to the elevation of its quality and standards.

Human development has substantial humanistic significance, and it defines the quality of a society. Therefore, even though demand for certain aspects of it may be limited, we should recognise its unique strategic status and allocate sufficient quality resources to the cause, making it a beacon in Macao’s social development.

We will continue to increase our investment in non-tertiary education, and closely monitor the returns. We will further develop relevant appraisal systems to ensure education quality. We will also enhance teachers’ professional development and job security. Furthermore, we will implement higher education reform, promote the integration of moral education within school curricula, nurture local professional teachers of moral education, and raise the quality of moral education.

We will fortify our partnership with art and cultural elites, and increase the level of professionalism of our cultural policy-making. The management of our two orchestras and two cultural festivals will be further refined to constantly elevate their competitiveness in the international arena. We will also strengthen conservation of intangible cultural heritage, and glorify its traditional values such as honesty, simplicity, contentment and mutual aid among neighbours.

With an effective launching pad, we will continue to push ahead with the development of sport-for-all. The Government will steadily raise the quality of our professional athletes in accordance with Macao's social growth conditions and the actual performance level of sports. By better policy coordination of education, youth policies and sport policies, we are committed to promoting the development of youth sports.

Aiming to press ahead with comprehensive modernisation of our medical and health services, we will further employ medical high-tech facilities as well as expert specialist doctors to enhance our capability of tackling potentially fatal illnesses. We will also strengthen the prevention and control of infectious diseases. By streamlining medical administrative procedures and raising service efficiency, we will minimise delays in diagnosis and treatment. We will expand facilities for treating emergencies by planning to build an acute hospital for the islands district. Service hours of health centres will be extended, and innovative medical services are also under preparation.

We will also carry forward the concept of harmonious families, step up the construction of an inclusive community, and try our best to prevent and resolve domestic violence. We will also enhance our services for the elderly, and seek to protect their rights and interests with legal provisions. By exploring feasible measures, we will care for and support elderly Macao citizens residing on the mainland. Through setting up a central registry for the disabled, we will disburse disablement allowances to people who fulfil the eligibility criteria required by the individual disablement classification, and launch a free medical service scheme for them.

We will also implement the Mechanism for Continuous Improvement of Service Quality on a trial basis. We will increase the social benefits enjoyed by social service workers, and initiate a feasibility study on setting up medical insurance and a provident fund for them with a view to raising the quality of our social services.

4. Committed to Fulfilling Government Duties and Multiplying the Effects of Reform

The foundation of public administration is the unity of democracy and efficiency; the unity of science and humanity. The Government will continue to regard these two unities as its motto, thoroughly and evenly pushing forward with public administration reform. In the area of democracy, we will more proactively, extensively and effectively communicate with the public and accept their monitoring. As for efficiency, we will further streamline the administrative procedures. From simplifying individual segments to simplifying the whole structure; from quantitative streamlining to qualitative streamlining; special attention will be paid to this target. In the area of science, we will make scientific decisions in line with Macao's actual circumstances and based on conscientious reasoning. As for humanity, we will serve the public with earnest sincerity and care.

To date, public services reform in the MSAR has evolved from reform within individual departments to interdepartmental cooperation. Examples are the already operating district service centres, the upcoming Comprehensive Government Services Building and the Public Information Centre. Other starting points for reform include quick response in case of emergency involving several policy portfolios, and law revision covering different administrative areas. We will progress from these points, and accelerate the optimisation process of interdepartmental cooperation with a view to creating a breakthrough in the quality of government services.

Regarding the civil service, by revising rules and standards the Government will enhance the requirements for accountability among mid-to-high ranking civil servants

in accordance with the Road Map for Public Administration Reform. By reforming the rank and grade system, we will provide quality careers for civil servants. The Government will continue to work with the Legislative Assembly next year to strive towards completing the revision of the Rank and Grade System for Civil Servants, and the special grade system of relevant professionals. Furthermore, we will improve the communication mechanism, cultivate civil servants' harmonious work ethics, and ensure the implementation of a fair and just public office system.

In the domain of legal work, we will devote our main efforts to consultations on draft laws, and the presentation of draft bills to the Legislative Assembly. We will extensively solicit citizens' opinions, and look after both public interest and the interests of those to whom the law applies. Striving for the largest social consensus, we will coordinate different opinions during consultation. We will also introduce in great detail the main contents of draft bills, the concepts behind them and the experience on which they are based. We will establish good communication with the Legislative Assembly to ensure the soundness of law enactment. We will enhance the promotion of laws and legal knowledge, including warnings about violation of laws, so as to increase people's legal awareness.

To fulfil our sacred constitutional obligation and fill a legal vacuum, the MSAR Government has initiated the procedure of enacting legislation for a National Security Law as provided in the Basic Law and in accordance with Macao's legal system and spirit.

At present, consultation has been launched extensively with enthusiastic participation by the general public. The Government will continue to publicise the significant meaning of the legislation and its basic contents, and thoroughly and delicately push ahead with the consultation procedure. We will also further refine the bill in accordance with public opinion, and closely collaborate with the Legislative Assembly to ensure the smooth legislation of the National Security Law so as to safeguard both national security and regional stability.

Translation copy

The Government will continue to enhance its comprehensive capability of maintaining law and order. We will increase our effort to prevent and combat crimes involving narcotics, fraud, gambling and juvenile delinquency, and strive to eliminate illegal employment. Through a fair reward and discipline mechanism, and making the best possible use of human resources, we will raise the police's morale to facilitate the performance of their duty to protect citizens.

The Government will continue to intensify the effective account auditing, special auditing and value-for-money auditing for better financial supervision of public departments. Supervision of the integrity of public officers at all levels will also be strengthened. We will improve the public works contracting system, and increase the level of transparency of public works operations. We will also uphold the principles of integrity and self-discipline, adhere to the avoidance of conflict of interests, and safeguard social justice. Additionally, the Commission Against Corruption has completed the preliminary legislation procedure concerning extending its remit to the private sector. After the bill has been discussed by the Executive Council, we will seek to submit it to the Legislative Assembly for scrutiny in the first quarter of next year.

The Government will continue to receive supervision by the Legislative Assembly as provided in the Basic Law. We will try our best to protect the freedom of the press, and ensure the watchdog role of the media. We will also enhance communications and interaction with community groups, private organisations and citizens and expand consultation platforms to engage the public in social affairs with a view to building a quality civic society.

Part III Remain Steadfast and Face up to Difficulties

Madam President, members of the Legislative Assembly,

Recently, impacted by the financial crisis, the world economy has sustained huge turbulence, and the whole picture remains rather grim. There is no doubt that the global financial crisis has gradually transformed into a world economic meltdown and economic recession. This economic downturn will stay for quite a while. As a service-oriented economy, Macao is highly dependent on the external economic environment, so inevitably we will be affected. Furthermore, as the gaming sector, our pillar industry, has been recently undergoing adjustments, the MSAR will unavoidably have to tighten its belt for a period of time. Facing an uncertain future, we must be even more alert and prepare for rainy days. Still, we must remain confident in ourselves, show mutual concern, and strive for improvement, uniting as one.

We should maintain our confidence, and stand up to challenges. The past nine years' economic development and social experience of the MSAR have elevated our comprehensive capability to withstand risks. Even though various industries may encounter setbacks of different magnitude next year, the keynote of economic development will remain stable. Meanwhile, as CEPA is steadily being carried out and deepened, the mainland will continually offer new opportunities to the growth of the MSAR. With central government's support and the joint efforts of all Macao residents, we have both the confidence and power to brave difficulties and conquer all challenges.

We should be united in overcoming difficulties. Pressure from the economic downturn, coupled with next year's major political events, may aggravate social contradictions. Therefore we need to look after the interests of both the individual and the general public, putting aside differences, seeking common ground and working together with one heart. Together we will pool our efforts to overcome difficulties and transcend this period of adjustment.

We should unrelentingly improve ourselves, and explore new opportunities. Looking

from another perspective, economic adjustment has at the same time offered us the chance for enhancement. Government, enterprises and individuals should all seize the opportunity to do some soul-searching, identify our own shortcomings, and take proper remedial measures to have them corrected. We should gear ourselves up to overcome adversity, grasp new opportunities when the storm is over, and once again stride along a new path of development.

In the coming year, the MSAR Government will enhance its capability to comprehensively monitor and objectively judge the rapidly changing internal and external situations, and carry out timely and effective contingency measures in response to them. We will be even more dedicated to promoting economic development and ensuring people's wellbeing, and will maintain our strengths and strive to become the first to seize opportunities once the economy turns around.

The MSAR Government will never slow the progress of any public works projects that are related to people's wellbeing. With increased effort we will launch timely and necessary economic measures and policies concerning the community's wellbeing.

1) Adequately increasing public investment

The Government will adequately increase public investment by launching cost-effective public construction projects which will include the first phase light rail transit system, public housing, a roadside beautification programme focused in the protected area of our world heritage sites, and some urban renewal projects. This measure is designed to stimulate economic growth, and invigorate small and medium-sized construction and decoration companies. Next year, public investment in this area will reach 10.2 billion patacas, and high implementation efficiency will be guaranteed.

To advance repair and maintenance works for common facilities in private buildings, the Government will put forward several incentive measures to encourage and subsidise owners to join the scheme.

For all the previously mentioned public works and private building maintenance projects, the Government will adopt the practice of “special procedures for special projects”. After serious deliberation, relevant departments will formulate operational plans with streamlined administrative procedures and higher efficiency, abiding at all times by the principle of administration by the rule of law.

2) Increasing overall assistance for small and medium sized enterprises

In an increased effort to consolidate cooperation with the business community, the MSAR Government will provide small and medium-sized enterprises (SMEs) with more effective support in various areas, which include service, training, marketing, information exchange, regional cooperation, human resources, business matching, transformation and upgrading. We will also study amending the tax incentive and interest rebate regimes, and refine the financing loan scheme to alleviate operational pressure on SMEs.

In response to the changing economic situation, the Government will provide more effective measures in financing to support the operation and growth of SMEs.

- i) Increase the funds earmarked for industrial and commercial development: The Government will additionally earmark 1.5 billion patacas for the Industrial and Commercial Development Fund next year to provide it with more resources to support the growth of SMEs, in particular to help them cope with changes and overcome operational difficulties.
- ii) Modify the SME credit guarantee scheme: The Government will submit a proposal to the Legislative Assembly to raise the cap on total bank loan guarantees for SMEs from 300 million patacas to 3.5 billion patacas. We will also adjust the ratio of loan guarantee, and expand the area to which the scheme is applicable to include working capital. Furthermore, we will further streamline the application assessment procedures and shorten the processing time. Through offering more flexible, convenient and effective support, we hope to assist SMEs in dealing with and tiding over future economic

fluctuations.

3) Implementation of economic subsidies and allowances

To ease the burden of citizens affected by the economic downturn, and to encourage our young students to learn, the MSAR Government will provide Macao residents and enterprises with a range of tax cuts. The following economic subsidies and allowances will be implemented:

i) Personal income tax will continue to be cut by 25 percent for all employed citizens. At the same time, the tax allowance will also be increased from 95,000 patacas to 120,000 patacas. We will continue to waive all business taxes, hawker licence fees, market stall rentals, life and non-life insurance stamp duties, and bank handling fee stamp duties. All business owners will continue to enjoy waivers of advertisement taxes (not including tobacco advertisements). All restaurants will also continue to be exempted from tourism taxes. We will continue to provide a tax allowance of the first 3,500 patacas for real estate tax. Meanwhile, the exempt sum of annual taxable corporate income will increase from 32,000 patacas to 200,000 patacas. Macao permanent residents who are first-time home buyers will continue to enjoy exemption from real estate transfer stamp duty for the first three million patacas (limited to residential units). Upon implementation of these tax exemption measures, the Government's tax income will be reduced by nearly 1.1 billion patacas.

ii) Eligible families on the waiting list for public housing will continue to receive temporary housing subsidies.

iii) The monthly electricity subsidy will be continued. Prior to March 2010, a monthly subsidy of 150 patacas will be credited to each household. For households whose electricity tariff for the month is lower than 150 patacas, the charge will be waived, and the unused subsidy can be carried forward to the next month, or be used within the designated period. Expenditure on this

subsidy will be around 320 million patacas.

iv) Economic subsidies will continue to be provided to low-income employees. We will continue to accept application for income subsidies from those who: fulfil the requirements for monthly average working hours, participate in the Social Security Fund scheme as employees, are full-time employees and are local residents aged 40 or above. The average monthly income for a quarter in which the income subsidy is applied must not exceed 4,000 patacas, including total income received from different employers. It will cost the Government about 250 million patacas.

v) A new school textbook assistance scheme will be launched, starting from the 2009/2010 academic year. It is designed to further optimise Macao's education environment, refine the 15-year compulsory education scheme and the tuition fee allowance arrangement for students attending schools that are not members of the free education network, so as to ease parents' economic burden, thereby preventing students from dropping out due to economic difficulties. Under the scheme, the MSAR Government will provide a subsidy of 1,500 patacas per academic year to all Macao citizens who are students registered with the Education and Youth Affairs Bureau, currently studying at a formal education institution, and holding a valid Macao Resident ID card, for them to purchase school textbooks and related items. Expenditure on this subsidy is estimated to be around 126 million patacas.

vi) Through the Social Welfare Bureau, financial assistance will continue to be provided to families with difficulties, as well as special subsidies and special living allowances to three types of underprivileged families. The Government will continue to provide Old-Age Allowances to the elderly, and will review and increase the amount as soon as possible. The amount of financial assistance will be increased according to the changes in the minimum subsistence index.

vii) The Government is vigorously studying tax concessions for motor vehicles fulfilling environmental requirements. The purpose is to relieve residents'

financial burden, establish a green community and enhance their quality of life.

4) Supporting home ownership and relieving citizens' financial burden

To support home ownership for citizens, including young newly-weds, the MSAR Government will adopt appropriate measures to ease their financial burden. Besides the aforementioned exemption from real estate transfer stamp duty for the first three million patacas, the Government will recommend to the Legislative Assembly that the current property transfer stamp duty be reduced from three percent to one percent, and that this change be made long-term.

As for Macao permanent residents purchasing a home for the first time, provided the property value is below three million patacas the Government will provide an interest rebate of four percent.

We will also implement a down payment guarantee scheme for Macao permanent residents purchasing their homes for the first time, provided the property price is less than three million patacas. Under this scheme, the Government will guarantee part of the down payment in mortgage loans, but the homebuyer must bear at least 10 percent of the down payment, and the amount guaranteed by the Government must not exceed 20 percent of the property value. This scheme can take effect together with the four percent interest rebate. By launching the above measures, we hope to ease citizens' pressure from down payment for buying a new home, and the ensuing interest burden.

5) Launching a Two-tier Social Security System

By amending and drafting laws on the enhancement of the social security system, the Government will gradually establish a social security system comprising two tiers: social security and old age security. The objectives are to steadily provide Macao residents with sufficient social security through which they can fairly share the fruits of society's development, so that all citizens may work together with one heart to conquer future challenges. We will seek the Legislative Assembly's support to establish accounts of eligible citizens by the first half of next year, to allow the Government to deposit part of this year's surplus to these accounts. An in-depth study on arrangements for other contributions will be accelerated.

6) Studying and Piloting Social Enterprises with Local Flavour

Through cooperation with non-profit community groups, the Government will appropriate adequate resources to set up large-scale social enterprises with a view to supporting the disadvantaged, effectively controlling human resources and assisting those who are laid off because of the economic crisis. This will help to solve the unemployment problem as well as maintain employment competitiveness.

7) Intensifying Cooperation between Guangdong and Macao, Creating a New Economic Growth Point

Based on the regional cooperation foundation laid down in the past few years, we will speed up the pace of collaboration between Guangdong and Macao, and seek higher level cooperation to facilitate the fulfilment of the two regions complementing each other to create a win-win situation. We will explore the potential for working together in various fields including industry, business and trade, transportation infrastructure, and services with respect to people's wellbeing. Promoting the two regions as vanguards, we will also expedite the joint development of Hengqin Island, overcome bottlenecks for local development and build new areas of economic growth.

8) Carrying out Wealth Partaking Scheme for Another Year

The Government will continue with the Wealth Partaking Scheme in the first half of 2009. The amount will not be lower than the sum involved in the scheme for the first half of this year.

9) Launching a Medical Voucher Scheme

The Government plans to distribute medical vouchers to each Macao resident next year. The amount and usage will be announced after completion of the relevant studies.

10) Adequately Support the Healthy Operation of the Gaming Industry

Considering gaming's status as the pillar industry of Macao's economy, the Government will discuss with the sector ways to identify viable and rational plans. The primary objective is to safeguard the employment of local workers in the gaming enterprises and their subsidiaries, as well as to maintain the service quality and competitiveness of these enterprises.

Conclusions

Madam President, members of the Legislative Assembly,

The administration of the second-term Government is about to enter its final year. We must faithfully carry out missions conferred by the Basic Law. We are duty bound to lay the foundation for the MSAR's sustainable development and long-term peace and stability. We have no room for negative and passive attitudes. We will continue to serve citizens with all our heart. We will do what should be done and can be done; moreover, we will strive for the best, until the completion of our term.

Amid the bleak outlook for Macao's economy in the coming year, the Government has already set aside sufficient policies, and administrative and financial resources, to put forward, at any time, strong and effective measures in response to the evolving situation. We will certainly uphold high standards of accountability. In no circumstances will we underestimate the difficulties we face, nor will we underestimate Macao residents' will power. All of us are in the same boat. With staunch confidence we will overcome hardships. Drawing on all our advantages in this time of adversity, we will continue to find solutions for problems arising from Macao's recent development, with a view to reinforcing the MSAR's vitality and resilience. On this new foundation, new progress and new growth is guaranteed.

We will steadfastly continue to promote adequate economic diversification, reform administrative laws, and foster education and culture, so as to ensure the quality of material as well as spiritual life which the general public and the disadvantaged have every right to enjoy. We will ensure the effective continuation and transition of

economic, infrastructure and social projects that concern the overall interests of the MSAR. We will continue to maintain close communication and cooperation with the Legislative Assembly, the general public and community groups. While conscientiously performing our administrative duties, we pledge that the elections of the third-term Chief Executive and the fourth term Legislative Assembly will be smoothly completed in a fair and just way. We will execute with excellence the transitional work to guarantee a smooth succession for the third-term government, facilitating public administration in the new chapter of Macao's governance.

Before concluding this address, I extend my heartfelt thanks to the Legislative Assembly, all the civil servants and citizens of Macao for their support for our work. I also wish to express our sincere gratitude to the central government and all its representative offices in Macao for their full support and strong guarantees for Macao's development.

This is the end of my report. Thank you, Madam President and everyone.