

Policy Address for the Fiscal Year 2013 of the Macao Special Administrative Region (MSAR) of the People’s Republic of China

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Policy Address for the Fiscal Year 2013

**Enhance the Well-being of Society and
Prepare for Long-term Development**

Preface

President, members of the Legislative Assembly,

In accordance with the Basic Law of Macao, and on behalf of the Macao SAR Government, I now present the Policy Address for the Fiscal Year 2013 to the Legislative Assembly for debate and examination.

Looking back over the past year, we have strictly abided by the Basic Law of Macao, continued to follow the principles of “One country, two systems”, “Macao people governing Macao” and a high degree of autonomy, and pragmatically opened up new opportunities with an eagerness to forge ahead. With the strong support of the central government and the concerted efforts of the MSAR Government and Macao people, we have overcome both internal and external difficulties, leading to steady development in society, politics, the economy and culture. Certainly, we recognise that there remains room for improvement in the Government’s administration, and are also aware of the various issues that affect society. Therefore we continue to strive to enhance our administration and seek solutions to our problems.

] In this past year, in complex and volatile international political and economic conditions, the Government has been steadfast in implementing sound and stable fiscal and financial policies, thereby securing stable economic development. As at the end of the first half of the year, our gross domestic production increased in real terms by 12.6% year on year. We expect to maintain positive economic growth for the year as a whole. Our unemployment rate has been low throughout the year, at 2.0% in the third quarter. We officially implemented the Fiscal Reserve System, and as at September this year, the basic reserve amounted to 98.801 billion patacas, while the excess reserve amounted to 895 million patacas. Upon the closing settlement of last year’s fiscal budget, the excess reserve will amount to 64.635 billion patacas. Meanwhile, we have foreign reserves of 132.748 billion patacas. As a whole, our economy has maintained growth, our fiscal and financial conditions have been sound and stable, and our people’s standard of living has steadily improved. Macao is now working towards the goal of becoming a world tourism and leisure centre.

Constitutional development was a major focus of government administration in the past year. Following the approval of the bill of amendment to the method for the selection of the Chief Executive in 2014 and the official filing of the bill of amendment to the method for the formation of the Legislative Assembly in 2013 by the Standing Committee of the National People’s Congress, Macao has completed the relevant local legislative works, taking a solid step forward in its constitutional development.

Upholding the “Putting people first” policymaking principle, the Government has made an all-out effort to improve policies affecting many aspects of people’s well-being. We have implemented the building of 19,000 public housing units as planned, and have allocated public housing units in an orderly manner. We have also commenced public housing planning following the construction of the 19,000 units.

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To foster the healthy development of the property market, we have taken measures to cope with the issue of an overheated market. The Government will make good use of its land resources, protect the basic housing needs of the people, and devise housing policies that are aligned with the overall benefit to society.

In recent years, the local economy has grown rapidly, leading to structural changes in inflation. In addition to imports, domestic demand has become increasingly prominent as a driving factor. The Government has strengthened the monitoring of food imports and retail prices, and has reviewed and amended laws and regulations concerning consumer rights. In light of the impact of domestic-demand-driven inflation on people's well-being, the Government has implemented a string of responsive measures, increasing support for the underprivileged and alleviating the quotidian burden. In the coming year, we will continue to focus on and improve policies to augment various aspects of daily life, and will take timely measures for the benefit of the people, allowing all social sectors to share the fruits of economic development, and ultimately raising people's standard of living.

This past year, the Government set up the Emergency Response Committee, led by the Chief Executive. We will further enhance our alertness to crises, raise our emergency response capability, and spare no effort in protecting the lives and property of citizens.

We have attached great importance to balanced urban development. We have enhanced monitoring and regulation of public utilities for safety and service quality, and improved environmental protection, so as to build a better living environment together.

To complement the development of local human resources and our role as a world tourism and leisure centre and as a commercial and trade services platform, the Government has commenced consultation for a population policy with a view to fostering the sustainable development of Macao.

After long-term studies and taking into consideration practical local conditions, the Government has adopted a middle-income class concept and cared for the development needs of this social sector in various respects. Next year, we will continue to promote the building of a professional accreditation system, provide more opportunities for further education, and implement tax reduction and waivers, so as to create an environment conducive to social mobility.

Since reunification, the Government has continued to increase resource investment in the education industry, and has striven to improve the education system. Looking forward, we will continue to build a quality cultural environment; advocate esteem for teachers, the elderly and the wise; foster the habit of helping others, and ensure that the strong cultural traditions of Macao are passed on to the next generation.

On the foundation of the Guangdong-Macao Cooperation Framework Agreement, we will strive to maximise the results of regional cooperation, and continue to demonstrate Macao's function as a service platform for commercial and trade cooperation between China and Portuguese-speaking countries. We are actively

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participating in the development of Hengqin island, and will make better use of the pilot construction project in the Nansha integrated business zone, under CEPA, so as to expand room for local development.

All in all, to realise our various policy objectives, we will make progress over time and will intensify scientific policy-making; continue to improve public administration operations, live out the spirit of accountability and govern in accordance with the law; strengthen our efforts to foster integrity and in auditing; safeguard social justice; fully protect freedom of the press; pay heed to the voices of the public; design policies that are scientific and forward-looking; and work hard towards realising our sound development plan.

Major Policies of the MSAR Government in 2013 Enhance the Well-being of Society and Prepare for Long-term Development

President, members of the Legislative Assembly,

The following is an overview of the MSAR Government's policy plan for 2013:

The MSAR Government will fully promote adequate economic diversification, give priority to the improvement of people's standard of living and social welfare, and will, under the principle of "putting people first", observe and identify the needs of society, listen to the voices of the people, consolidate our strengths and move forward together in harmony. The Government and the people will unite as one to build a better future for Macao.

I. Develop a long-term mechanism for effective administration, and share the fruits of development

The Government will maintain its development of a long-term mechanism of effective administration in order to achieve continued improvement of people's livelihood at all levels. We will facilitate stable economic development, and on the basis of continued investment of resources, will establish and strengthen a standardised, stable, long-term and supportive administrative system with timely supplementary measures, to steadily promote the development of a long-term mechanism of effective administration.

(1) Enhance public investment and prioritise livelihood projects

Building on the current foundation, the Government will step up long-term planning in areas including the social security system, health care, education and housing, and will make full use of the effect and functionality of this long-term mechanism for effective administration. We will constantly improve laws and regulations, actively but prudently allocate resources, and pragmatically and proactively develop short, medium and long-term planning.

Long-term mechanism for effective administration on social security

We will maintain our focus on the construction of a multi-faceted and multilayer welfare system. As for the Social Security Fund, we have initially established a two-tier social security system.

Strengthening the development of the system – The Government has promulgated the law on the Social Security System, the law on Provident Fund Personal Accounts, and the by-law on Fund Attribution Procedure to Individual Provident Fund Accounts. Looking ahead, we will draft a law on the Central Provident Fund System and a by-law on the Payment of Contributions to Central Provident Fund and the Allocation and Supervision of the Central Provident Fund.

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Allocation of resources – To ensure the smooth operation of the social security system in the coming years, the Government has planned an additional budget allocation to the Social Security Fund of five billion patacas in each of 2013 and 2014 and 13.5 billion patacas in each of 2015 and 2016 , for a total injection of 37 billion patacas over the next four years. At the same time, we will also consider a moderate increase in the proportion of the contribution from the gross gaming revenue to the Social Security Fund, continue the optimisation of each contribution proportion, facilitate consultation regarding increased contribution at the Standing Council on Social Concerted Action as soon as possible.

Reinforcing the long-term retirement protection scheme – nearly 90 percent of the elderly above the age of 60, who contributed to the pension scheme and are eligible to receive pension benefits, are currently receiving their pension. The pension, as the major benefit paid through the Social Security System, is intended to provide basic retirement protection for Macao residents. The Social Security System of the Macao SAR is based on the pay-as-you-go and social insurance principle, which means the elderly receive benefits drawn from contributions made by younger people, in a virtuous cycle of cross-generational assistance. To this end, it is only by maintaining stable growth that we can ensure effective protection of the retirement needs of residents. A solid retirement protection system is a shared responsibility among the government, enterprises and individuals. In this system, contributions to and payments from the Social Security Fund, especially those related to pensions, reflect citizens' rights and obligations. The Government will study the possible incorporation of the old-age allowance into the Social Security System, in order to improve the administrative efficiency of payments of pensions and the old-age allowance, and to maintain pension levels above the minimum subsistence index on the basis of multi-faceted support and multi-layered protection. We will conduct a broad assessment of the financial structure of the Social Security System, study possible solutions such as raising contributions and the arrangement of increased contribution by government, and propose to raise the pension level to 3,000 patacas next year.

Under Central Provident Fund regulations, the personal account of every eligible permanent resident of the Macao SAR received a 10,000-pataca start-up infusion from the Government, and sums of 6,000 patacas were injected into each of those accounts in each of 2011 and 2012. Elderly people who have opened an account and other individuals who have been granted approval may withdraw all or part of the amount from their accounts.

The elderly have contributed enormously to the development of society, so it is our responsibility to take care of their retirement. The Government has set up a cross-departmental study group, led by the Social Welfare Bureau, to conduct a broad assessment of health care, housing, and retirement protection for the elderly. The Government encourages "homecaring and ageing in place". At the same time, we will continue to refine the laws and regulations related to the protection of rights and interests of the elderly and strive to increase the provision of care services for them. Next year, we will develop a medium-to-long-term plan for the development of services for the elderly, to ensure support and social participation opportunities are made available to them.

Social support – The Government will implement a series of measures, establishing short, medium and long-term coordinated financial, living and educational assistance schemes, to provide subsistence support to people in need. It will also tie in with an employment assistance programme to enable benefit recipients to leverage their expertise and be self-sufficient.

This year, an observation and periodic adjustment mechanism for the minimum subsistence index has been established. The minimum subsistence index has now been raised to 3,360 patacas, and will be further adjusted in January next year under the aforementioned mechanism. In addition, we have begun assessment and distribution of allowances for the disabled and permitted all holders of disability assessment cards to enjoy free health care services. We will carefully analyse the need for services and facilities, to draw up development plans for rehabilitation services.

Social welfare services – We will strengthen the functionality of the on-going mechanism, refine subsidy systems, and further develop diversified and appropriate social services through cooperation with non-government organisations.

To accelerate the improvement of social facilities, we expect that a total of 43 social service facilities will commence operations from 2013 to 2015, involving a total budget of about 910 million patacas. These facilities will provide services to children, young people, the elderly, families, communities, as well as treatment for drug dependence. At the same time, we plan to reserve a newly reclaimed area for the construction of social facilities.

Long-term mechanism for effective administration of health care

The Government has established a health care policy of "Improve medical services and prioritise prevention". We will allocate further resources to medical and health care to perfect the structure of the system, improve medical and health care facilities, and continue to optimise basic health care and specialist medical services. We will also fully utilise community medical resources and the power of the government, not-for-profit and private medical institutions to enhance the quality of medical services for the protection of people's health.

Primary health care services – Every Macao resident enjoys the services of the primary health care network, which is rated as exemplary by the World Health Organization. Health centres and health stations have been set up in various districts, offering more than ten kinds of health care services, including adult health care, prenatal care, family planning and child health care. Macao residents are entitled to free services at health centres and supplementary check ups at Conde S. Januario Hospital by referral from health centres.

Specialist medical services – Macao society is aging and spending increasingly on health care for the elderly. More than 80 percent of patients in public hospitals enjoy the gradually improving specialist medical treatment and rehabilitation services at no charge. Through emergency, inpatient and outpatient services, the Conde S. Januario Hospital provides 22 kinds of specialist medical and rehabilitation treatments, including specialist medical services catering to the elderly. As well as the allocation

of additional resources to cope with chronic illness, we are also improving our referral services for the transfer of patients in need to local private medical institutions, Hong Kong and the mainland for treatment.

Health care resources at community level – The Government attaches great importance to the injection of resources. Currently, there are 13 not-for-profit organisations receiving long-term subsidies to provide medical services, such as hospital services, outpatient Chinese medicines, western medicines and dental treatments, serving some 500,000 subsidised patients each year.

Medical facilities – The Government has formulated the Plan for Perfecting the Medical and Health Care System. We will invest 10 billion patacas to establish a more effective health care system by 2020, and according to short, medium and long-term plans, construct the Islands District Medical Complex, the Emergency Services Building and a specialist services building at the Conde S. Januario Hospital and an infectious diseases rehabilitation centre at Coloane Peak. We will also increase the number of health centres and health stations to 11 and two respectively. In addition, before the completion of the Islands District Medical Complex, we will provide additional emergency services stations and integrated community wards for the convenience of residents of the Islands District to receive diagnosis and treatment services nearby. The government will expedite the expansion, construction and reconstruction of medical facilities and related projects. We look forward to significant improvements in outpatient services after the completion of the expansion of the Emergency Service Building of Conde S. Januario Hospital and new health care centre in Taipa by 2013.

Waiting time for specialist services at public hospitals – The Government is highly concerned about the triage system in hospitals, which ensures that patients who need emergency treatment receive timely diagnosis and treatments, and at the same time, shortens the waiting time of other patients.

The professional standards of medical staff are directly related to the overall quality of medical services of the region. Through investment and integration of resources, the Government will strengthen the training and recruitment of doctors and nurses, promote the continuing development of medical staff, and encourage participation in international accreditation programmes and medical research. The Government will also refine professional regulations and facilitate medical system reform to meet future needs.

We are determined to implement the Prevention and Control of Smoking Law, which entered into force on 1 January this year. We will make great efforts in the promotion of smoking control and law enforcement, and will strengthen cooperation with residents to build a smoking-free environment. At the same time, through cooperation with cross-regional medical systems, we will reinforce controls related to public hygiene.

Long-term mechanism for effective administration on education

The Government adheres to the administrative principle of “letting Macao thrive through education”. Improving overall quality of the residents and nurturing local

talent is the focus of the Government's education policy. It is also carried through various levels and aspects of education in Macao.

Non-tertiary education – The Government has strived to implement the blueprint for the ten-year plan for non-tertiary education, to ensure the development of Macao's education through systemic refinement and the injection of resources, in particular, to ensure the effective enforcement of compulsory education and free education. We will implement the Framework for Private School Teaching Staff to secure improved working conditions for teachers and help them to upgrade their professional standards. Moreover, the Government will facilitate the development of special education and vocational and technical education, speed up the implementation of small-class teaching in secondary schools, refine teacher-student ratios and class-teacher ratios, and enhance students' language proficiency, physical and psychological qualities and moral standards. We would like to make use of continuing education and lifelong learning to improve people's work skills and quality of living, so that the sustainable development of Macao can be guaranteed through the cultivation of talent.

In the Government's budget, priority is given to non-tertiary education when allocating resources. The amounts allocated to this area are 4.16 billion patacas in 2012 and 5.25 billion patacas in 2013, a more than 26% increase year-on-year. In future, we will study the possibility of providing reserves by instalments to enhance the role of the Education Development Fund as a reserve and an adjustment vehicle for education funding. The budget of the fund for 2013 is 700 million patacas, an increase of 25.7% year-on-year. The 15-year free education policy implemented by the Government, and the recent success in maintaining a university admission rate of 85% by third-year students of senior secondary schools, are the fruits of the Government's continuous injection of education resources. Under the 15-year formal education system, the Government currently subsidises each student attending a school within the public school network by 310,000 patacas and each student attending a school outside the network by almost 200,000 patacas.

With regard to the education subsidy system, the Government now provides school fee subsidies, recurrent education subsidies and textbook allowances to support students with financial difficulties, allowing students to receive education without adversely affecting the financial position of their families. At the same time, we have improved the subsidy mechanism to students with financial difficulties through the Student Welfare Fund. We also pay attention to students' physical development and provide medical insurance, the budget of which in 2013 is 440 million patacas, an increase of 35.2% year-on-year.

Tertiary education – The Government is accelerating the optimisation of laws and regulations regarding tertiary education, and has set up a long-term development plan for tertiary institutions to give full play to their functions in teaching, research, and serving the community.

The Government is greatly concerned about the allocation of resources for tertiary education, and will substantially increase the scholarship quota and amount for students who achieve excellent academic results. It supports multi-channel and multi-level student exchanges between tertiary institutions in Macao and other regions

to promote talent development. In order to assist Macao residents to receive tertiary education, the Government will relax the limitation on household income per capita for study loan application, and increase the quota to 4,500. The Government will also raise the monthly disbursement of student loans, scholarships and special bursaries. The amount of student loans and scholarships will be increased from 2,000-4,000 patacas to a maximum of 4,500 patacas, and that of special bursaries from 2,400-4,800 patacas to a maximum of 5,400 patacas. The Government will also establish a programme to attract outstanding students to enrol in professional teaching training, to encourage them through the form of scholarships to study education programmes and to work in the local education sector after obtaining their degree. To show its care for local residents studying in tertiary institutions, in 2012 the Government disbursed 2,000 patacas for the first time to each tertiary student as a stationery allowance.

We are committed to improving education quality. We continue to optimise the teaching environment and facilities of tertiary institutions, and at the same time, to support teacher training and establish a high-quality and efficient teaching team. We also enhance the overall competitiveness of tertiary education to support the sustainable development of Macao's economy and society. The construction of the New Hengqin Campus of the University of Macau will soon be completed, marking a new milestone in the development of Macao's tertiary education.

The Government attaches great importance to building up a talent database. The Tertiary Education Services Office has completed its task of collecting information about Macao residents who have enrolled in local and overseas tertiary institutions, so as to facilitate the assessment of the needs for talent for the implementation next year of the medium- and long-term economic and social development plan, and as a reference for the development of appropriate human resources policies.

Youth policies – The Government sees all young people as our hope for social development. The Government pays great attention to the cultivation of the younger generation, and makes special effort to promoting their development in morality, knowledge, physical health, social skills and art. We are committed to building a strong campus culture, promoting voluntary activities, and encouraging youth participation in society and community services, and stimulating their proactiveness. We will also strengthen our efforts to promote national education, civic studies and legal awareness, cultivate civic literacy, and spread the tradition of loyalty to our country and to Macao. We will promote social cohesion and consensus, and develop a long-term youth policy for Macao in the near future.

As society gradually diversifies, and science and technology and information networks change rapidly with the times, the environment in which young people grow up becomes complex and diverse. They need more support from their families, schools, the government and society at large. With love and patience, we all share the responsibility to provide education to inculcate proper values and morality. We care for and support our young people in their planning of a positive attitude to life, helping them to develop independent and critical thinking, and at the same time, be innovative and constructive.

Long-term mechanism for effective administration on housing

The Government adheres to a housing policy of "homes for all in a contented society". Along with social development, population increase and the influence of low interest rates in the global market, the demand for residential buildings in the region has continued to grow in recent years. The Government attaches great importance to the basic housing demands of Macao residents, and has established short-term and medium-term objectives as well as long-term plans to maintain the balance between public housing and the private property market. Through appropriate allocation and provision of public housing, Home-Ownership Scheme housing and private residential properties, the demands of residents from all walks of life can be met.

Strengthening the development of the scheme – To implement public housing policy, the Government has established the Law on Home-Ownership Scheme Housing and the by-law regarding the extension of the implementation period of temporary housing subsidies to eligible families on the waiting list for public housing. To alleviate the financial burden on taxpayers, the Government has completed amendments to the Urban Property Tax Regulations and Stamp Duty Regulations. To regulate real estate agencies and protect the interests of residents, the Government has also completed enactment of the Real Estate Agency Law, and the Legal Procedure to Transfer Ownership of Property under Construction was submitted to the Legislative Assembly for discussion and deliberation. In order to systematically control and manage land resources, the Government will act to manage idle land according to the law, while the amendment of the Land Law and the draft of the Urban Planning Law have already been completed and will be submitted to the Legislative Assembly for its consideration. Furthermore, to promote the healthy development of the real estate market, the Government has also levied a special stamp duty on any resale of residential units, shops, offices or parking spaces within a short period of time, tightened the maximum mortgage ratio and set up new guidelines to regulate pre-sale of uncompleted flats.

Short-term measures – The Government has completed construction of 19,000 public housing units as planned. Families on the waiting list are gradually moving into the new units. We also focus on improving peripheral social facilities and transportation serving public housing. In the first quarter of next year, we will recommence accepting applications for Home-Ownership Scheme housing and public housing. The Government has adjusted the income ceiling for applicants for Home-Ownership Scheme housing, to allow 80 percent of Macao households to meet the conditions and income limits under the scheme. Currently, the income ceiling for a one-person household is 19,355 patacas, while the income ceiling for households of two or more persons is 38,710 patacas. This measure will help local residents who cannot afford private housing, demonstrating the function of Home-Ownership Scheme housing in counterbalancing the private housing market. For public housing, the income ceiling for applicants will be adjusted according to the subsistence index, so as to ensure housing availability for those in need. Additionally, the Government will strengthen the mechanism to monitor buildings for maintenance deficiencies. We will continue to promote the Building Maintenance Fund Scheme and enhance owners' awareness of building maintenance. More importantly, the Government will develop policies to perfect building safety mechanisms and has already completed amendments to the

General Regulations on Urban Construction, which will be submitted to the Legislative Assembly for consideration.

Medium-term measures – The “post-19,000 units” public housing programme is now in full swing; more land will be reserved for the provision of further public housing units beyond the previously announced programme of 6,300 units. The Government will regularise the application procedure for public housing and set a standard waiting period. We will also consider to increase supply, focus on the balance of supply and demand in the market and accelerate the approval of private residential development plans. There are almost 30,000 private residential units currently pending approval with around 8,000 private residential units under construction.

In the long run, due to extremely limited land resources in Macao, the Government must set priorities and develop long-term planning for the greatest social benefit. We will establish a public housing land reserve system to reserve land for public housing and facilities in new urban areas, in order to secure the long-term development of public housing through the implementation of our land policy. The Government has commenced the tender invitation procedure for Area A of the five reclamation areas. The reclamation project is expected to be completed in 2015, providing a total area of 137.8 hectares, with part of the reclaimed land reserved for public housing. The tender invitation procedure for the 60-hectare Area E will commence early next year. Fully taking into account the public’s views on the “Macao property for Macao residents” policy, we will further study its definition, land supply, sale and purchase restrictions and the laws required to support the policy. In the long-term, the Government will reserve part of the land in the five reclamation areas to construct housing units for Macao residents, offering a greater choice of residential properties for local residents to achieve a contented society.

The Government will apply actual data collected and scientific assessment of the required resources to allocate public housing in a fair, impartial and transparent way. To secure financial resources, the Government will study the establishment of a public housing development fund and strengthen the functions of the Public Housing Affairs Committee, allowing local residents to choose their own rental home or purchase their own residential property in the public or private housing market according to their financial ability, and promoting the healthy development of the real estate market.

(2) Take appropriate measures and care for people’s livelihoods

Macao’s cumulative inflation rate in the first nine months of 2012 hit 6.29 percent. Although inflation eased slightly in September, with a year-on-year increase of 5.69 percent, the growth in aggregate demand is expected to generate inflationary pressure in Macao. The Government will continue to attach great attention to the impacts of inflation on living conditions, especially among the underprivileged. Hence, to safeguard people’s livelihoods and well being, the Government will strengthen timely supplementary emergency measures in addition to implementing effective long-term policies.

Macao’s overall economy grew steadily over the past year. Taking account of its

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fiscal status in 2012, the Government proposes an injection of 6,000 patacas to the Central Provident Fund account of every eligible Macao resident, in order to further implement the two-tier social security system. Next year, each permanent resident will receive 8,000 patacas, and each non-permanent resident will receive 4,800 patacas, under the Wealth Partaking Scheme. Moreover, the Government proposes to raise the Old-age Allowance to 6,600 patacas for each eligible senior citizen in 2013.

We will extend the implementation period of the Short-term Food Assistance Programme from six weeks to eight weeks, in order to enhance the assistance provided to the underprivileged.

The Government will continue to provide financial assistance to families with difficulties. We propose to disburse an extra one-month full subsidy next year to families registered with the Social Welfare Bureau to receive financial assistance. We will also continue to provide special subsidies and special living allowances to the three categories of disadvantaged families, while gradually relaxing application criteria for the social security net to include more disadvantaged families. We will also continue the Positive Life Programme and the Community Employment Assistance Scheme, so as to empower people with financial difficulties to greater self-reliance.

The Government will continue to provide rent waivers for public housing tenants for one year; disburse temporary housing subsidies to eligible families on the public housing waiting list; and provide financial allowances to eligible low-income, full-time employees of up to 4,400 patacas per month. Moreover, to enhance Macao people's employment competitiveness, the Government will continue to strengthen on-the-job and pre-employment vocational training.

The Government will fulfil its commitment to increase education resources by continuing to provide textbook allowances. We propose to raise the amount from 1,900 patacas to 2,400 patacas per school year for each primary and secondary student in Macao; and from 1,500 patacas to 2,000 patacas per school year for each kindergarten pupil, to further alleviate the financial burden on parents of buying textbooks. Next year, the Government will continue to provide a study allowance to each Macao resident pursuing post-secondary or postgraduate studies at a local or overseas institution. We propose to increase the amount from 2,000 patacas to 3,000 patacas per academic year, in order to lessen their financial burden in buying books, reference material and stationery.

2013 marks the conclusion of the three-year Continuing Education Programme. The Government will continue to provide a subsidy of up to 5,000 patacas to each local resident aged 15 or above for their participation in continuing education. The Government will conduct a comprehensive review of the implementation of the programme.

The Government proposes to raise the total amount of health care vouchers for each permanent resident from 500 patacas to 600 patacas and will once again offer an electricity fee subsidy of 200 patacas per month to each residential household.

It is estimated that the aforementioned subsidies and wealth sharing will cost the Government 9.773 billion patacas.

In the coming year, the Government will implement the following tax cuts and waivers: a reduction in personal income tax for all Macao residents from 25-percent exemption to 30-percent exemption with the basic allowance set at 144,000 patacas; waivers of all business taxes, hawker licence fees, wet market stall rents, inspection and quarantine fees for live food, and stamp duty on life insurance, non life insurance and bank service charges; waivers of signboard taxes for businesses; exemption from tourism tax for restaurants; waiver of the first 3,500 patacas of real estate tax; maintained increase in profit tax allowance from 32,000 patacas to 200,000 patacas; waiver of stamp duties on entrance passes and tickets for cultural and arts performances, exhibitions and entertainment programmes; waiver of real estate stamp duty on the first three million patacas of a home's value, for Macao permanent residents purchasing a residential property for the first time.

In addition to the aforementioned tax cuts and waivers, the Government also proposes a 60-percent rebate of the personal income tax paid in 2012 by each Macao resident, subject to a ceiling of 12,000 patacas, to ease the burden on middle-income earners. Eligible residents will receive their tax rebate in 2014.

It is estimated that, with the implementation of the aforementioned tax cuts and waivers and the newly proposed tax rebate, the Government's tax revenues will be reduced by 1.612 billion patacas.

II. Establish Macao as a world tourism and leisure centre and promote adequate diversification of the economy

The positioning of Macao as a world tourism and leisure centre meets its need for adequate economic diversification and sustainable development. We should seize this valuable opportunity and spare no effort to enhance Macao's underlying strengths in order to lay solid foundations for future development.

(1) Implement the development blueprint and enhance underlying strengths

Taking into account external and local economic trends, we are cautiously optimistic about the economic outlook of Macao in the coming year and expect it to maintain positive growth. In view of the international monetary environment including the third round of quantitative easing in the United States, the Government will take effective precautionary measures against economic and financial risks, and be prepared to tackle any capital volatility or overheating of the real estate market, in order to consolidate the development of industries in which Macao enjoys a competitive advantage to maintain steady economic development. At the same time, the Government will closely monitor the liquidity and safety levels of its fiscal reserves, and diversify its investment portfolio according to the global financial situation to achieve higher returns. In order to provide more practical, safer and more regulated protection to the government budget under the law, and strengthen regulation and supervision, we will further review the Budget Framework Law and commence relevant legislative amendment procedures.

The Government will continue to monitor and control the pace of development of the gaming industry while actively supporting the development of integrated tourism and other associated industries. We will encourage the industry to reinforce non-gaming elements, enhance its capacity and service quality, and improve various supporting facilities and services. We will also urge gaming operators to act with social responsibility to promote “responsible gaming”, and join efforts to facilitate the healthy development of tourism and the gaming industry.

Next year, the Government will strengthen its focus on existing sources of tourist visitors, develop potential markets, and continue to promote multi-destination tours and diverse travel products. The Government will also enrich cultural tourism by further exploring and promoting tour elements with local characteristics, and will strive to establish leisure facilities and foster a leisure atmosphere.

The Government will intensify its efforts to promote and support the development of the food and beverage, convention and exhibition, Chinese medicine and cultural and creative industries. In recent years, the convention and exhibition industry has maintained sustainable and stable development, and has emerged as a sector that empowers the growth of Macao’s economy, effectively driving the integrated development of various related industries. In addition, the Government will continue to support the training of talent for the convention and exhibition industry by co-organising professional training courses on international conference event management with partners such as the International Association of Exhibition and Events. To foster the development of cultural and creative industries, a foundation will be set up that will commence operation next year.

The Government has taken multi-faceted measures to support the development of small and medium sized enterprises (SMEs) including the provision of financial assistance and the enhancement of the business environment and human resources. Meanwhile, the Government will draw on the experience of organising events such as the Dynamic Macao Business and Trade Fair, and continue to establish platforms for the further promotion of Macao’s goods and products in mainland markets. The Government will also set up an interest-free loan scheme under the Commercial Development Fund to provide financial assistance to local young people who want to start their own business but lack resources. The proposed upper limit of loans is 300,000 patacas and the maximum loan tenor is eight years.

The Government is committed to the protection of local residents’ employment rights by stepping up action to crack down on illegal employment. We will also review the Labour Relations Law and the issue of workers’ compensation, and facilitate legislation for the Part-time Job System. Meanwhile, the Standing Council on Social Concerted Action is conducting a study to seek consensus between employers and employees in the property management industry on minimum wage levels for cleaners and security guards. The Government will also strengthen supervision of non-resident workers and encourage enterprises to give priority to local employees in promotion. Moreover, to support upward mobility for local employees, we will look into opportunities for cooperation with larger enterprises to launch targeted vocational training programmes for grassroots employees on relatively low incomes, to upgrade

their vocational skills and help them to get reasonable remuneration.

The establishment of a professional accreditation system is essential to nurturing professionals, developing human resources, and building a reserve of talent for Macao's development. The Government will therefore continue to promote a professional accreditation system in the social work, construction and health care sectors

(2) Complement regional strengths and promote joint development

Over the past year, Macao has been actively promoting regional economic integration, and strengthening cooperation with the mainland and neighbouring regions. We have achieved win-win relationships with the mainland and Portuguese-speaking countries, advanced the economic development of Macao, enhanced the quality of commercial and trade services, and promoted adequate diversification of the economy.

Benefiting from the implementation of the Framework Agreement on Cooperation between Guangdong and Macao, cooperation between the two on the economy, society and people's livelihood has achieved new progress. Through active participation in the development of key areas such as Hengqin and Nansha, the SAR has also further improved developmental structure, enhanced planning and accumulated experience, thus laying a solid foundation for effective cooperation in the next stage.

In the past four years, we have contributed 5.5 billion patacas to post-disaster reconstruction projects in Sichuan, including 105 construction projects and the procurement of rehabilitation aids and equipment for the disabled, which are now undergoing the final inspection and audit process slated for completion by the end of the year. These reconstruction projects have shown the patriotism of Macao people.

The establishment and operation of the Macao Economic and Cultural Office in Taiwan further fosters exchange and cooperation between Macao and Taiwan in the areas of education, culture and tourism, as well as extending the services provided to Macao residents in Taiwan.

In the course of future regional cooperation, we will actively leverage Macao's capabilities as a regional player to demonstrate and strengthen our unique advantages in the promotion of the joint development of the region. Further, we will comprehensively consider the needs and capacity of Macao while striving to promote regional cooperation that supports the development progress of Macao and the actual needs of local residents.

In the coming year, to complement the National Twelfth Five-Year Plan and the further implementation of the Outline Plan for the Reform and Development of the Pearl River Delta, we will participate in regional cooperation with a more forward-looking and pragmatic approach. With the gradual development of Macao into a world tourism and leisure centre and a commerce and trade service platform between China and Portuguese-speaking countries, we will spare no effort to improve people's livelihoods and promote regional synergies.

In implementing Supplementary Protocol IX to the Mainland and Macao Closer Economic Partnership Arrangement (CEPA), we will actively encourage local enterprises to seize the opportunities of accelerated liberalisation of service trade between the mainland and Macao to achieve optimisation and open up new markets.

We will further implement the Framework Agreement on Cooperation between Guangdong and Macao and strengthen our participation in the development of Hengqin. We will also strive to complete the overall planning of the Guangdong-Macao Chinese Medicine Industrial Park early next year, after which we will start the construction of the major buildings, and expedite the establishment of various projects in the park. To facilitate adequate economic diversification, we will assist Macao investment projects that meet the requirements to enter into the park and strive to bring about effective participation by Macao's SMEs.

Moreover, with the support of the Government, special arrangements have been made for Macao's SMEs in major Hengqin development projects, in which we will continue to encourage and support the participation of Macao's SMEs. In addition, with the Nansha integrated business zone under CEPA as a key platform for Macao's participation in the development of Nansha, we will expand the scope for the sustainable development of Macao by constructing a cruise home port in Nanshan, putting forward a pilot scheme for the free entry and exit of pleasure boats, and developing the creative and cultural industries.

In the light of the gradual implementation of the new Guangdong-Macao border-crossing project, we will establish new customs clearance arrangements, optimise the living conditions and business environment of the North District, and strive to improve the environment of the Canal dos Patos. The current live food wholesale market will move into the Macao zone of the Zhuhai-Macao Crossborder Industrial Zone. The new wholesale market, which will open officially next year, will be larger with an improved management model and regulatory mechanism to ensure the supply of live food to Macao.

We will also introduce a more convenient electronic customs declaration service to improve customs clearance efficiency for goods entering and leaving Macao, and will enhance regional development planning and cross-border transport infrastructure to improve the efficiency of regional cooperation on education, water and electricity supply, environmental protection and food safety.

Next year, Macao will celebrate the 10th anniversary of the Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries, and host the related ministerial conference. Through regional cooperation with Guangdong, Fujian, the Pan-Pearl River Delta (PPRD) and other regions of the mainland, we will leverage Macao's advantage in our close relations with Portuguese-speaking and Romance language-speaking countries, to bolster our function as a platform for commercial and trade services.

Furthermore, building on the close cooperation between Hong Kong and Macao, we will spare no effort to promote the joint progress of Hong Kong and Macao by

enhancing the synergistic effects of the established mechanism of the Government and close civilian contacts.

(3) Improve urban environment and enjoy quality life together

In tandem with the stable development of economy and society, we must enhance the overall strength of Macao's population and attach importance to leveraging the advantages of Macao's talent pool, in order to promote economic and social development in line with the enhancement of local residents' benefits and welfare. In support of the implementation of the development blueprint, the Government's population policy will embrace the vision to enhance population quality, improve population structure, upgrade overall strength of human resources and promote quality life, and ultimately achieve the sustainable development goal of Macao.

After conducting an integrated analysis of the 2011 Population Census results and specific studies, the Policy Research Office has begun a public consultation on Macao's population policy framework. We will consolidate and summarise the comments collected from various sectors of the community and carefully formulate the population policy that meets the needs of Macao's development.

The Historic Centre of Macao has witnessed the cultural exchanges between China and the western world over the past 400 years. With its unique style, this world heritage site is a valuable asset to mankind. In order to explore the rich historical and cultural resources of Macao, the Government is committed to conserving Macao's tangible and intangible cultural heritage. The Cultural Heritage Protection Law has already been submitted to the Legislative Assembly for consideration, aiming to better conserve and revitalise our historic buildings. The Government will step up education on cultural heritage and the construction of cultural facilities, to nurture cultural talent and create an atmosphere rich in the cultural elements of Macao, promote creative activities and enrich the cultural life of Macao residents.

Macanese and Portuguese residents in Macao have contributed much to Macao over many years. We will continue to advocate our fine tradition of ethnic harmony and work together for social improvement.

Enhancing residents' physical fitness is the core purpose of sporting activity. According to the results of a tracking study, the overall physical fitness of Macao residents has improved in recent years, but that of infants, children and adolescents has slightly declined. The Government attaches great importance to the situation and will actively extend the scale of sports-for-all events based on the existing structure, and will intensify the promotion of parent-child sports programmes and encourage schools to incorporate physical education as an essential part of teaching. Meanwhile, we will continue to enhance sports facility management and nurture potential elite athletes.

The Food Safety Law has already been submitted to the Legislative Assembly for consideration, and the first phase of preparation work for the establishment of the Centre for Food Safety has also been completed. We will strengthen the monitoring and management of food safety, and will enhance contact and communication

between Guangdong and Macao regarding food safety matters.

Development trends in various cities around the world have shown that social development and economic growth lead to a rapid increase in the number of motor vehicles. This increases pressure on road traffic and results in problems such as pollution and traffic congestion. An efficient mass transit system, which helps to shorten travel time and release land resources for public housing and greening areas, is the best solution to the demand for transportation.

As a light rail system is the core of mass transit, we attach great importance to its technology, quality and safety. We will extensively solicit public opinion to ensure that Macao's mass transit system fulfils its mission to serve the public and solve traffic problems. Buses are the major means of transport for most residents. We understand that the new bus services still fall short of the travel needs of the public. In the coming year, the Government will emphasise the enhancement of traffic safety, bus service scheduling and quality, and will continue to improve road networks in various districts in order to manage the transport development of Macao.

Regarding external transportation, we will continue to strengthen connectivity via land, sea and air checkpoints to facilitate increasing passenger flows. The new Taipa Ferry Terminal will be completed next year followed by a trial operation. It will officially commence operations to serve the public in the first half of 2014 at the earliest. In regard to civil aviation, the Government will gradually implement the master plan for the development of Macao International Airport based on the results of relevant studies, to provide more convenient external transport services to local residents and visitors.

The Government will continue to perfect urban infrastructure and management, and address flooding problems. Next year, rainwater pumping stations will be built in San Kio District, Baía do Norte of Fai Chi Kei and urban Taipa. Drainage systems will also be improved to enhance flood discharge capacity.

Based on the valuable views collected during the consultation on the Master Plan for Macao's New Districts, the Government will proceed with its planning for public housing, community facilities and greening step by step, with the aim of improving the overall quality of life for local residents by increasing available urban living space.

The protection of the environment is a global issue. In support of the target set by the central government for the reduction of carbon emissions, the Government will put forward legislation and propose environmentally friendly construction projects. We will also continue to perfect the operation of the Environmental Protection and Energy Conservation Fund, and further enhance its functions by extending eligibility to schools, and by intensifying promotional efforts in the community. To promote the adoption of eco-friendly cars, we have formulated the by-law on Limits on Gaseous Pollutant Emissions of New Imported Heavy and Light Motor Vehicles. Next year, we will establish a funding scheme for the phasing out of highly polluting vehicles. The funding requirement is estimated at about 400 million patacas. At the same time, we will introduce a pilot electric bus scheme for selected routes in Taipa. Further, the

Government will plan for the establishment of a recycled water plant at the Coloane Sewage Treatment Plant, and will explore new sources of recycled water. We also plan to improve the facilities of the Macao Peninsula Sewage Treatment Plant and the central collection point of the automatic solid waste collection system.

At present, the overall law and order situation in Macao is relatively stable. In the face of Macao's development into a world tourism and leisure centre and the need for economic and social development, the Government will further strengthen police human resources and technology, perfect its internal administration, foster police-community relations, and improve contingency plans, so as to prevent and combat crime and maintain civic cohesion and public order.

The popularisation of science is the cornerstone of the enhancement of residents' personal qualities and competitiveness. The Government will continue to foster the popularisation of science to enhance the scientific literacy of residents and nurture talent for the high-tech service industries.

While strengthening the supervision of the security of telecommunication networks, the Government will also gradually open up the telecommunication market in accord with the actual situation, and perfect the relevant regulatory mechanisms, and will review the Concession Contract of the Terrestrial Pay TV Service of TV Cabo Macau, S.A.R.L.

III. Strengthen the operational mechanisms of government and improve public administration efficiency

In the past year, the Government continued to modify the organisational structure of public administration and improve public administration services to steer political development. In fact, the political development of Macao has demonstrated the successful implementation of the principles of "One country, two systems", "Macao people governing Macao" and a high degree of autonomy, as well as reflected the will of Macao society to set aside differences and maintain harmony in promoting social progress.

In the coming year, we will implement the Amendment to Annex II of the Basic Law: Method for Forming the Legislative Assembly of the Macao Special Administrative Region and the newly amended Legislative Assembly Election Law of the Macao Special Administrative Region, to ensure the fairness, impartiality and openness of the Legislative Assembly Election. We treasure the modest, pragmatic, harmonious and tolerant traditions of Macao people, and will create a harmonious political atmosphere for the new age characterised by open and rational dialogue.

The successful implementation of the Government's administration blueprint is attributed to all civil servants, who have remained dedicated to their duties and continued their all-out efforts to serve the public and contribute to society. To strengthen the function of the Government as a service provider, civil servants are required to continue to improve their overall quality to keep pace with social development and the times.

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The Government adheres to the ideal of scientific governance, and will continue to practise scientific policymaking and to enhance governance transparency. However, from past experience, desired policy outcomes are sometimes not fully achieved due to weak enforcement. To remedy this, it is necessary to undertake a root and branch review and actively seek improvement. Next year, we will establish a performance management system within the government. Major indicators to assess the performance of government departments include the effectiveness of their execution capability, whether concrete and effective actions are taken in response to specific policies, and whether policy objectives are achieved. With the aim of improved governance, a performance assessment system for department heads will be launched as the first step to promote and enhance the sense of responsibility, service consciousness and work ethic of civil servants.

Over a certain period of time, relevant departments have conducted in-depth analyses of the problems of overlapping structures and functions within government departments, including a study on the functions of the Civic and Municipal Affairs Bureau and its relationship with other departments. The Government will apply these analyses to carefully and objectively assess and rationalise the overlapping and mixed functions of various departments, and will adopt a scientific and pragmatic approach to draw up plans to modify, restructure and streamline the organisational structure of public administration.

To adhere to and promote the Basic Law is the constitutional duty of the Government. Next year, on the 20th anniversary of its promulgation, we will continue to promote the Basic Law through various channels, with emphasis on helping the public to learn about and understand it. Furthermore, we will also continue to pay attention to the promotion and popular familiarity with other important laws, and strive to enhance public awareness, understanding and observation of the laws, so that the concept of rule of law takes root in society.

The Government will make greater effort to strengthen the software and hardware of the judicial organisations, and improve the working conditions and remuneration of judicial officers. Meanwhile, amendments to the Macao SAR Judicial Organisation Framework Law will also be introduced next year.

The three-year project to review and adapt existing laws has been progressing smoothly. Prior to the establishment of the Macao SAR, a total of 2,123 laws and decree-laws were gazetted between 1976 and December 1999, among which 712 were confirmed to remain in effect upon review. However, as some of these laws or decree-laws have already become out of tune with the social development or legal system after the establishment of the SAR, further study is necessary on the decision of amendment or abolition. The concerned study is expected to be completed early next year and the result will be announced in good time to allow the completion of this significant work in the history of the development of Macao's legal system. Moreover, the Government will also continue to perfect the legal coordination mechanism, and step up the implementation of major legislative plans.

With a stronger economy and pervasive science and technology, local residents communicate increasingly widely, and the handling of personal data has become an

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important aspect of social and economic activity and of our daily life. The Government will strengthen protection of personal data and other human rights of local residents, in order to provide favourable conditions for the construction of a stable and harmonious society under the rule of law.

Adhering to the principles of independence and fairness, the Commission Against Corruption (CCAC) strives to safeguard a corruption-free and fair social environment. Next year, in order to promote and construct a corruption-free community system and promote integrity in society, the CCAC will step up supervision, effectively handle complaints to the ombudsman, continue to run the Integrity Management Scheme, and will strengthen public education and publicity about integrity.

This year, the Commission of Audit (CA) has made significant progress in advancing the depth and breadth of audit services, supervising the use of public resources, and reforming financial management. In the coming year, the CA will improve its human resources and workflow, extend the scope of electronic audits, and enhance the efficiency of major follow-up audit projects.

Conclusion

President, members of the Legislative Assembly,

Today, the development blueprint of Macao is gradually and steadily being implemented, leading the Macao SAR into a new stage of continuous development. Looking forward, we will firmly uphold our values and at the same time broaden our horizons, with a view to building our beautiful home together with the whole community of Macao.

To implement our long-term development blueprint and foster improved well being for everyone, we must be steadfast in implementing the fundamental principles of “One country, two systems”, “Macao people governing Macao” and a high degree of autonomy, and fully implement the Basic Law of Macao. We must consistently uphold our policymaking principles of “Putting people first”, scientific decision-making and high integrity. We must also: seek the truth and be practical; always prepare for rainy days; respect the objective laws of social development as well as the people’s desire for adequate housing and employment. Moreover, we must work hard towards fostering harmony between the people and the environment, realising adequate economic diversification and harmony among the populace, resources and our ecological environment. We are steadfast in pursuing sustainable development of the economy and people’s well being while safeguarding a healthy ecological environment.

We fully recognise the various inherent challenges in the implementation of our development blueprint – there is a gap between our long-term goals and conditions on the ground today; overlaps between phases cause specific problems; and various structural and deep-rooted conflicts need to be addressed. Holding fast to our administrative promises, we will never shy from difficulties, and will strive to responsibly search out solutions to problems, pulling together the wisdom and strength of the whole community of Macao. As we continuously seek self-improvement, we will acknowledge each problem and difficulty along the way and raise governance levels in accordance with the rule of law, living out the unique advantages and powerful vitality of Macao.

I am strongly aware that the prosperity of the motherland is the driving force behind the continuous development of Macao. The strong support of the central government is the major pillar of the implementation of Macao’s development blueprint. We are clearly aware that the support, understanding and supervision of the people of Macao has allowed the Government’s administration to continuously improve, and has allowed Macao to maintain social harmony, stability and constant development.

In the year ahead, we will make full use of our own advantages, and work towards building a world tourism and leisure centre by intelligently exploiting all favourable factors. We will accelerate the pace of appropriate economic diversification, better provide for the development of Macao enterprises, create opportunities for the better future of Macao people, and strengthen the foundations for our long-term economic development.

Our administration will continue to prioritise the improvement of the people’s well

being. We attach high importance to and proactively address the concerns of the people. We are responsive to problems that arise in the course of our development, and seek proper ways to resolve them. We are keen to raise the effectiveness of our short-term policies for the benefit of the people, and work tirelessly towards the establishment of a long-term administrative mechanism.

We must carefully observe the macro trends of social development, and at the same time understand the day-to-day realities of Macao, so as to grasp any opportunity that may arise and firmly embrace a new future. We must face up to challenges with perseverance and prudence, absorb all blows, and understand all opinions. Reinforcement and exploration should happen simultaneously, and continuity and innovation should be respected equally, so that we ensure the comprehensive development and advancement of Macao. We have set clear goals, and we have well-defined approaches – building for today on strong foundations and proactively planning for the future. We must join hands with the whole community to demonstrate our spirit of always considering the whole community and maintaining the will to make practical progress. All in all, we must together apply ourselves to contemplation, and a brave contribution, in order to push forward the implementation of the great principle of “One country, two systems” hand in hand.

Finally, I extend my heartfelt thanks to the Legislative Assembly, the citizens of Macao and all civil servants 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 and long-term support for Macao’s development.

This is the end of my report. Thank you, President and members of the Legislative Assembly.