

**Review of the Government's Work in the Fiscal Year 2009
and the Financial Budget for the Fiscal Year 2010
of the Macao Special Administrative Region (MSAR)
of the People's Republic of China**

Content

| | |
|---|-----------|
| Introduction..... | 3 |
| Part 1 Review of the MSAR Government's Work in 2009..... | 3 |
| 1. Coping with the global financial crisis..... | 3 |
| (1) Safeguarding the economy..... | 4 |
| (2) Preserving job opportunities..... | 5 |
| (3) Ensuring the people's well-being..... | 6 |
| 2. Fulfilling major political tasks..... | 7 |
| (1) Fulfilling our constitutional responsibilities; completing the legislation of the National Security Law..... | 7 |
| (2) Implementing the Macao Basic Law; completing the major elections..... | 8 |
| 3. Controlling gaming operations and promoting adequate diversification of the economy..... | 9 |
| 4. Deepening regional cooperation..... | 11 |
| 5. Promoting administrative reform and improving administrative efficiency..... | 13 |
| (1) Strengthening our public services network..... | 13 |
| (2) Fostering public consultation..... | 14 |
| (3) Streamlining the organisational structure and improving administrative | |

| | |
|---|-----------|
| efficiency..... | 14 |
| (4) Improving the civil servant management system..... | 15 |
| 6. Raising our administrative performances in all areas..... | 15 |
| Part II Budget for the Fiscal Year 2010..... | 27 |
| Conclusion..... | 29 |

**Review of the Government's Work in the Fiscal Year 2009
and the Financial Budget for the Fiscal Year 2010
of the Macao Special Administrative Region (MSAR)
of the People's Republic of China**

Delivered by the Chief Executive, Edmund Hau Wah Ho

18 November 2009

Madam President, members of the Legislative Assembly,

Introduction

Today, I am pleased to attend the plenary meeting of the Legislative Assembly of the Macao SAR. Firstly, I would like to greet all members of the new-term Legislative Assembly. Now, as we are approaching the end of the second-term Macao SAR Government, I will, in accordance with the Macao Basic Law, and on behalf of the SAR Government, present the Government work report for the fiscal year 2009, and explain the financial budget for the fiscal year 2010 to the Legislative Assembly for its deliberations.

Part I Review of the MSAR Government's Work in 2009

Madam President, members of the Legislative Assembly, please let me give a brief account of the Government's work in the fiscal year 2009.

1. Coping with the global financial crisis

Throughout the past year, the SAR has been affected by the global financial

crisis. The GDP for the first half of the year decreased by 12.8% compared to the same period of the previous year. The whole community felt the gloom. In light of this, the Government placed major emphasis on handling the severe financial crisis, and safeguarding the economy and the people's well-being.

(1) Safeguarding the economy

Economic stability is the prerequisite for the SAR's social stability and social harmony. Given the special conditions prevailing during the economic crisis, the Government closely collaborated with the business sector, actively monitored global financial markets, and maintained communications with the authorities in mainland China and neighbouring regions. We also improved our emergency response and decision-making abilities, and swiftly eliminated uncertainties, in order to minimise the effect of the global financial crisis on the SAR and maintain overall stability of our financial system.

The SAR Government worked hard to review and monitor the sales of investment products. We stepped up our financial inspection and regulation, enhanced financial risk management, and strived to maintain sufficient capital and liquidity in the banking system by providing a 100 percent guarantee for bank deposits. We also enhanced our monitoring of insurance companies, and strived even harder to combat money laundering and terrorism financing. In the area of foreign reserves and government reserve funds, we formulated appropriate investment strategies that were sound and prudent.

As the global economy entered a period of correction, and facing a potential H1N1 influenza pandemic, the SAR's backbone industries were severely impacted. In

response to the slowdown of the tourism industry, the SAR Government not only encouraged businesses to improve service quality and promoted regional tourism cooperation, but also promptly launched a revised emergency response plan, which is dedicated to supporting leisure travel, business conventions and exhibitions, and the air services industry. The effective response plan aimed to attract inbound visitors, boost consumption, and maintain the competitiveness of the SAR's tourism industry. The plan also gave strong support for Sichuan's tourism industry.

The Government enhanced its support for local small and medium sized enterprises. We revised the original SME Assistance Programme, by raising the upper limit for loans, and accepting business working capital as one of the approved uses of loans. The newly revised SME Credit Assurance Scheme substantially raises both the credit guarantee ratio and maximum credit limit. With help from a special task force of the Human Resources Office, the Government also accelerated processing and approval of SME applications for relieving manpower shortages. Overall, we boosted our administrative efficiency and quality, improved the investment and business environment, enhanced the vitality of small-to-medium sized enterprises, and helped them to explore new development opportunities through participating in regional cooperation.

(2) Preserving job opportunities

Preserving and boosting job opportunities were our administrative priorities in the past year. To address the bleak employment outlook of the construction industry, the Government launched over 100 public works projects of various sizes, to create a substantial number of jobs. The Government encouraged and urged enterprises to reserve jobs primarily for local workers, strived to control the number of local

workers being laid off, and decisively reduced the number of non-resident workers. Compared to September last year, the number of non-resident workers in September was down by 27,000, a decrease of more than 25 percent. We rigorously combated illegal employment, and completed the legislative procedures for the Law on Employment of Non-resident Workers, for more effective protection of job opportunities for local workers. Through a series of measures promoting employment and re-employment, including employment assistance, referrals, training and trainee-worker programmes, we actively provided assistance to the unemployed. For the first time, we provided financial support to fresh university graduates working as trainees in mainland China enterprises, to relieve their problems with finding employment, and expanding the scope of regional cooperation. Moreover, social enterprises established by local community members also created new ways to help the unemployed. With joint efforts from all sides, the unemployment rate for this year should be maintained at a relatively low level.

(3) Ensuring the people's well-being

The SAR Government is highly concerned with and committed to ensuring the people's well-being. We increased the amount granted under the Wealth Partaking Scheme to help people cope with the financial crisis; we issued medical vouchers and forged ahead with building community medical networks, with a view to relieving the people of their medical burdens; we increased our education resources, and raised the amounts of free education subsidies, school fee subsidies and textbook subsidies, to reduce financial burdens of parents; we also continued providing special living allowances to help the underprivileged to overcome daily hardships. We implemented a short-term food subsidy scheme, to meet the basic needs of the poor.

The first nursing home built by the Government and managed by a private organisation commenced operations during the year, significantly increasing the level of care for the elderly in the SAR. We also established the first comprehensive family service centre, pioneering public-private cooperation and providing even better community services to the people; we accelerated construction of public housing units, announced the Seac Pai Van urbanisation plan, and initiated a new round of public housing applications, to improve the people's living conditions. Regarding those who are ineligible for purchasing government subsidised housing: we launched an interest rebate scheme and credit guarantee scheme for home buyers, fulfilling the reasonable housing needs of people from different walks of life. The establishment of the two-tier social security system was accelerated this year. The By-law of General Rules on Opening and Managing Individual Central Provident Fund Accounts was promulgated. This plays a role in the second tier of the social security system, and received wide attention and support from society.

It cannot be omitted that throughout the past year, the central government has looked out for the SAR, and offered its timely, effective, dedicated support to help us respond to the global financial crisis. The central government launched nine measures in six areas as responses to challenges faced by the SAR, significantly helping our economic and social stability. The support from the central government has allowed the SAR Government to lead its people forward amidst difficulties with even more confidence, all necessary conditions, and greater vitality.

2. Fulfilling major political tasks

(1) Fulfilling our constitutional responsibilities; completing the legislation of the National Security Law

Implementing local legislation to safeguard national security is a necessary step for the Macao SAR to fully implement the Basic Law, and fulfil the SAR's inevitable and constitutional obligation. During the previous year, the SAR Government commenced the legislative procedures for the National Security Law.

The SAR Government worked closely with the Legislative Assembly to fulfil this major task, strictly adhering to the spirit of the Basic Law, the legal system and legal spirit of Macao, and in line with the practical conditions of the SAR. During the legislative process, the SAR Government repeatedly emphasised the importance of striking a balance between the protection of national security and the protection of the people's fundamental rights and freedom, including the freedom of speech, freedom of the press and freedom of publication. To solicit detailed opinions from all citizens, the Government conducted a large-scale public consultation through multiple channels. This received wide support and strong participation from all walks of life. The Legislative Assembly passed the second reading of the National Security Law in late February this year. The SAR Government immediately launched a series of training, publicity, promotional and educational programmes, to ensure the effective implementation and strict enforcement of the law.

(2) Implementing the Macao Basic Law; completing the major elections

In accordance with the requirements of the Macao Basic Law, we held a Chief Executive election and then Legislative Assembly elections this year. The elections went smoothly, resulting in the appointment of the third-term Chief Executive, and the election and appointment of the fourth-term Legislative Assembly members.

The Chief Executive Election Committee and the Legislative Assembly Election

Committee carried out their work in a lawful and orderly manner with the full support of all relevant departments. There was a series of election related activities, including promotional activities, and a number of thoughtful arrangements were made - the introduction of electronic auxiliary facilities as well as the rearrangement of voting stations for the Legislative Assembly Election helped raise efficiency, save resources and provide convenience to voters. The Commission Against Corruption launched an anti-vote-buying education programme, adopting multiple approaches and with maximum effort, in a bid to reinforce the people's integrity, and to ensure the fourth-term Legislative Assembly elections would be held smoothly, and would be fair, orderly and corruption-free.

The smooth conclusion of the Chief Executive Election and the Legislative Assembly elections demonstrated the continued implementation of "One country, two systems", and laid a strong foundation for political stability and sustainable development of the SAR in future.

3. Controlling gaming operations and promoting adequate diversification of the economy

In line with the practical needs of the SAR's development, the Government stepped up its control of gaming business operations and accelerated the adequate diversification of the economy.

The SAR Government gradually implemented measures to control the scale and speed of development of the gaming industry. We strictly controlled the numbers of new casinos and gaming tables, defined the cap on commissions, and further implemented the policy of keeping gaming venues such as slot parlours away from

highly populated communities. We also enacted the laws and regulations for intermediary activities, pressed forward with the study of a licensing system for casino dealers and senior managers, and drafted the criteria for gaming promoter qualification examinations. The Government also collaborated with academic institutions and community groups to actively promote “responsible gambling”, to minimise the negative impacts of the gaming industry.

The Government continued to promote the adequate diversification of the economy. The exhibition and convention industry continued to maintain a strong growth during this year. The Government is committed to supporting the organising of exhibitions in Macao, nurturing local exhibition brands, attracting overseas exhibitions to Macao, providing training for industry professionals and promoting external exchanges, to continue promoting development of the industry. Several dozen major exhibitions and conventions were held in Macao this year, further enhancing the SAR’s role as a regional trading and commercial services platform, and demonstrating strong growth momentum and outlook. The Macao International Trade and Investment Fair, held last month, was larger than previous editions of the fair, with the highest number of participating countries and regions, and the broadest influence across industries. Other rising industries also experienced new growth: the logistics, animation, Chinese medicine and environmental industries.

The Government has also been committed to promoting the business transformation of traditional manufacturing industries. We helped enterprises to adopt appropriate technologies so they can swiftly respond to market changes, and to develop abilities to produce original designs and build their own brands, in a bid to add value to their industries. Through providing assistance with ISO certification and

providing timely overseas economic and trading information, we helped export enterprises to break through non-tariff barriers.

After a long period of in-depth study, the SAR Government considers that the cultural industry has great potential for growth in the next development stage of the SAR. The Government has already taken many steps to nurture the local cultural industry, and the By-law for the Consultative Committee on the Cultural Industry will soon be passed by the Executive Council. We believe that with continued efforts by the next administration, there will be a new chapter in development of the local cultural industry.

4. Deepening regional cooperation

In the past year, the SAR Government has increased its efforts to promote regional cooperation, in order to better coordinate and improve regional developments, press ahead with adequate economic diversification, and accelerate building of Macao trading and commercial services platforms. With the full support from the central government, and the cooperation of Guangdong province and its neighbouring regions, we realised new breakthroughs in regional cooperation.

The Outline of the Plan for the Reform and Development of the Pearl River Delta, announced early this year, laid out the need to deepen cooperation between Guangdong, Hong Kong and Macao, taking account of the country's strategic development. To facilitate implementation of the outline, the SAR Government confirmed focuses on four major areas for cooperation: linking major infrastructure; service industry cooperation; innovative approaches to the development of Hengqin island and Zhuhai-Macao cross-border cooperation zone; and creating green quality

living. The Government has established a special task force to focus on these areas.

Last month, the Guangdong, Hong Kong and Macao authorities jointly published the report of the *Planning Study on the Coordinated Development of the Greater Pearl River Delta Townships*. The report proposes spatial development strategies for coordinated regional development, integration of society and environmental improvements. During the past year, there has been more rapid enhancement of regional infrastructure linkages, and there has been encouraging progress with plans to build the Hong Kong-Zhuhai-Macao bridge, with the three regions striving to commence construction by the end of this year. There has been rapid progress with studies and negotiations for the connection between Guangzhou-Zhuhai intercity rapid rail transit and Macao's Light Rapid Transit System, and for the links between Guangdong's highway network and Macao's road network. Moreover, the project to expand the Border Gate Checkpoint is nearing completion. There has also been smooth progress with other areas of regional cooperation.

Recently, the Hengqin Island Overall Development Plan has been officially approved by the State Council, heralding the commencement of thorough development of the Hengqin island, which will serve as a new base for advancing close cooperation between Guangdong, Hong Kong and Macao close cooperation, and Macao's adequate economic diversification. In June this year, the NPC Standing Committee decided to vest the Macao SAR with the jurisdiction over the new campus of the University of Macau on Hengqin Island in Zhuhai, fully demonstrating the central government's full support and Guangdong's cooperative efforts, laying down a new milestone in regional cooperation. Riding on these major opportunities, the SAR is dedicated to nurturing human resources and deepening Guangdong-Macao and

Zhuhai-Macao cooperation. Today, Zhuhai-Macao cooperation is already accelerating, as the two regions has already reached a consensus on the integration of Zhuhai and Macao, which will be realised by the linkage of infrastructure, convenient customs clearance, industrial cooperation and integration of services.

According to the Sixth Supplementary Protocol to CEPA, arrangements are made comprehensive and improved, and Guangdong's function as a CEPA trial zone is further highlighted and enhanced. This is conducive to economic and trade exchanges and cooperation between the SAR and mainland China, especially Guangdong.

By participating in a series of Pan-Pearl River Delta regional cooperation activities in Guangxi, the SAR Government has been committed to attracting enterprises in the Pan-Pearl River Delta region to reach out via the platforms provided by Macao, and encouraging overseas enterprises including ASEAN enterprises to enter the Pan-Pearl River Delta region via the same platforms. At the same time, progress continues with all-round cooperation, including Fujian-Macao and Hong Kong-Macao cooperation.

5. Promoting administrative reform and improving administrative efficiency

(1) Strengthening our public services network

We forged ahead with the establishment of the third District Service Centre, and furthered the improvement of district services networks. The Comprehensive Government Services Building became operational in late 2009. This brings 14 public departments that provide 143 types of public services all under one roof. The centralisation of government services, coupled with the development of district services, has enhanced cross-department coordinated services that are closely related

to the people's well-being.

(2) Fostering public consultation

As we have been committed to raising administrative transparency, we have seen more and more public department heads taking the initiative to personally visit local districts, interact with social groups and communities, and heed the voices of the public and promote government policies, greatly enhancing the depth and coverage of public consultation. Community talks were held to foster direct airing of public voices, and have become a normal channel for communications between the Government and the people. Moreover, district community service consultation committees, formed by community service groups, are now in place to actively, comprehensively and promptly reflect the people's opinions on issues closely related to their well-being. All in all, our public consultations have become more effective.

(3) Streamlining the organisational structure and improving administrative efficiency

In response to the needs of our developing society, we established the Environmental Protection Bureau, and reformed the organisational structures of the Commission Against Corruption and the Unitary Police Service. By adopting modern technology and management skills, we forged ahead with building e-government, and raised our administrative efficiency. We also broadened the scope of our performance pledges. With regard to the long-time concerns of the construction industry, we forged ahead with a number of "one-stop" services and streamlined work flows, significantly enhancing efficiency. We expanded the uses of our smart ID card, by issuing electronic travel documents to facilitate travel by Macao residents.

(4) Improving the civil servant management system

Caring for the careers of our civil servants, we revised the legal system relevant to department heads, division and section chiefs and general civil servants, streamlined the rank and grade system, and introduced incentives to foster internal promotions. We continued to provide training, and encouraged more civil servants to participate in the Civil Servant Creativity Promotion Programme.

6. Raising our administrative performance in all areas

Our law drafting team collaborated more closely with the relevant departments to accelerate drafting of laws and regulations. During this year, 19 laws were passed and 31 by-laws were promulgated. The public promotion of legal knowledge continued.

Through thoughtful deployment, rigorous law enforcement and wide publicity, we ensured the fairness and integrity of the fourth-term Legislative Assembly elections. Through enacting the Law on the Prevention and Repression of Corruption in the Private Sector, we expanded anti-corruption supervision to cover private organisations. We also continued to implement the United Nations Convention Against Corruption, deepened our anti-corruption efforts, continued to implement our ombudsman system, motivated civil servants to enhance their codes of practice, and advocated the virtue of integrity in society.

We enhanced our value-for-money audits, accounts audits and special audits. We also initiated our system audit pilot scheme, formulated more reasonable criteria and made proposals concerning value-adding audits. The Seminar on Development of Audit Techniques of the Organization of the Supreme Audit Institutions of the Community of Portuguese-speaking Countries (OISC/CPLP) was held for the first

time in Macao, enhancing multi-directional external exchanges, and improving audits.

In line with social development, we enhanced our communications with citizens, promoted regional cooperation, systematically modified our security policies, streamlined internal management and strengthened the system for controlling public order. We also enhanced our emergency rescue abilities, increased citizens' awareness of fire prevention, and continued boosting our civil defence.

As we heavily curbed major crimes, we also increased our efforts to prevent and control relatively minor crimes. We streamlined crime reporting procedures; promoted anti-drug messages; rigorously combated drug trafficking, human trafficking, and gambling-related crimes; and actively responded to new cyber crimes.

We further enhanced customs inspection through innovation, increased customs clearance efficiency, safeguarded intellectual property, and promoted development of the logistics industry and external trade.

We promoted the public-transport-first principle, better managed transportation supply and demand, and improved public transport services. We also commenced the first-stage construction of the Light Rapid Transit System, and pressed forward with building an integrated urban public transportation system. Moreover, we implemented the Road Traffic Law, and enhanced efforts to prosecute people for illegal activities such as drunk driving, to foster road safety.

We forged ahead with legislation on tertiary education. We modified a number of professional courses, promoted liberal studies, took measures to build a stronger team

of teaching staff, and a system for assessing teaching quality. Capitalising on the opportunities arising from building the new Hengqin campus of University of Macau, we are dedicated to improving Macao's tertiary education.

We continued to increase our support for non-tertiary education, bolstered free education, helped to improve the hardware and software of teaching environments, cared for and supported teachers' work and their daily lives, and encouraged schools to improve teaching. We also provided strong support to youth development programmes, provided more venues for youth activities, and advocated patriotism and community services among young people. We are committed to fostering the all-round development of the SAR's new generation, emphasising both intellectual and moral education.

In response to the H1N1 pandemic, both globally and locally, the Government activated an emergency response system to enhance all-round prevention, immediately purchased sufficient H1N1 vaccines, and allocated funds for schools to enhance disease prevention and control. To combat the pandemic, the whole community united as one.

We commenced building an emergency care hospital serving the islands, pressed forward with computerisation of medical services, enhanced our nursing care services, and conducted a trial of longer medical service hours. We established and put into operation a dedicated chronic disease prevention and control organisation. We also stepped up our tobacco control efforts, making the best possible preparations for passing and enacting a tobacco law. We fostered cooperation between the Government and community medical organisations and improved district medical networks, in a

bid to raise the overall quality of medical services.

Furthermore, we consolidated our advantages gained from our world heritage resources, our unique culture and major cultural events. We further improved our Macao Highlights Tours, and further explored the mainland China and overseas tourist markets. We aimed to develop a premium and diversified tourist experience.

We fostered the continued development of Macao International Music Festival and Macao Arts Festival, and promoted brand building in our cultural industry. We helped arts groups to enhance their professional levels, encouraged local arts creation, and fostered the habit of reading, with a view to nurturing artistic talents.

On the occasions of the 60th anniversary of the PRC and the 10th anniversary of the Macao SAR, we held and supported community groups in holding various cultural activities, to enrich our cultural lives and advocate love for our home country. Also, we forged ahead with building the Macao Pavilion in the Shanghai Expo, which will enhance Macao's image.

We deepened our heritage protection efforts, focusing on the Historic Centre of Macao, and finished preliminary development of our approach to comprehensive protection of cultural relics. With joint efforts from Guangdong and Hong Kong, we succeeded in inscribing Cantonese opera on the UNESCO Intangible Cultural Heritage List. We also began three applications for state intangible cultural heritage.

We further opened up sports and recreation facilities, and organised many physical fitness activities. We promoted sports and exercise, particularly popular

sports. We enhanced training of talented athletes, and expanded external exchanges by actively participating in international sporting events.

We also built a multi-ethnic sculpture park, built and improved the community leisure areas in Barra and Tamagnini Barbosa, and opened the COTAI cycling track, providing citizens with even more municipal facilities to promote health.

We further enhanced our promotional, educational, legislative, planning and supervisory efforts in connection with environmental protection. We ensured safe and steady energy supplies, and promoted energy conservation. We spared no effort in coping with the threat of salt tides, strongly supported construction of a mainland China-to-Macao water supply system, and forged ahead with creating a water-saving society. Moreover, we launched the three-level storm surge warnings, and accelerate work on renovating our drainage system, to minimise the impact of floods on residents.

We supported and financed scientific research, and launched a science and technology award programme. The microelectronics research by our local universities is internationally advanced, whilst our Chinese medicine studies have been granted patent certificates by the central government. We actively pressed forward with development of digital and satellite television, and commenced construction of wireless broadband networks. The Macao Science Center, which will soon open, is expected to help promote popular science and foster an inquisitive spirit.

Madam President, members of the Legislative Assembly,

Although the annual review of the SAR Government's administrative work was already covered in the past policy addresses, on the eve of the SAR's 10th anniversary, please allow me to give a brief account of the Government's work in the past ten years.

During these ten years, with wise leadership and strong support from the central government, and with the concerted efforts by all the people, the SAR Government administered the territory in strict abidance with the Macao Basic Law, and was dedicated to pressing forward with the principles of "One country, two systems", "Macao people governing Macao", and a high degree of autonomy. We overcame various challenges, commenced construction works, promoted economic development, enhanced the people's well-being, and fostered civic engagement, demonstrating the effectiveness of the great concept of "One country, two systems". In these ten years, the SAR's achievements were prominent and significant. Certainly, however, there is still room for improvement.

In the past ten years, the SAR Government fully implemented the Macao Basic Law, upheld the principle of executive-led government, carried out the central government's development plans for Macao, whilst safeguarding public order, overcoming various major challenges, ensuring homes and jobs for citizens, and fostering harmonious development of the SAR. The Government closely collaborated with the Legislative Assembly, and was gladly monitored by it. We also ensured the independent prosecution and judicial power of our judicial organs, and safeguarded our final adjudication authority.

The SAR Government has been committed to protecting the fundamental rights

and freedom of its citizens. With an open attitude, we have listened to society's different opinions and demands. With effective measures, we helped solve the people's difficulties and eliminate conflicts. We have been resolute in combating crimes and improving public order, to ensure social harmony and stability. We pressed forward with administrative and legal reforms, improved our services, and raised our administrative efficiency. We also actively improved our anti-corruption efforts, greatly enhancing the overall integrity of the whole civil service. We increased administrative transparency, to build an accountable government. Collaborating with various organisations and the mass media, we launched public consultations to expand public participation. In accordance with the stipulations of the Macao Basic Law, we gradually proceeded with developing a democratic society.

Whilst pressing forward with various administrative tasks, the SAR Government has been serious and cautious in gradually resolving various deep-rooted conflicts that have been passed down from history. In the course of doing so, we recognised the significance of resolving deep-rooted conflicts for social stability and economic development. After the elimination of each conflict, the SAR Government sincerely reflected on the lessons learned, and further proceeded with the resolution of more deep-seated conflicts in a proactive, cautious and appropriate manner. The ten years of development have allowed the SAR to accumulate abundant reserves of power for the elimination of more deep-rooted conflicts.

The adequate opening up of the gaming concession system has opened a new chapter in the history of Macao's backbone industry. Our economic development has started to thrive, as the related industries have gained momentum from the backbone industry and begun to demonstrate vigour. Our overall power has been enhanced, and

there have been improvements in employment and living standards. It cannot be denied that, due to Macao having experienced economic stagnation in the past, a substantial number of grassroots families lived in poverty. Thanks to the relatively rapid development of the backbone industry and related industries, a large number of young people obtained jobs with relatively better salaries, so the total incomes of their families were raised, and as a result, the gap between rich and poor in the SAR narrowed, and there was an amelioration of the problem of intergenerational poverty. The Government's increased financial revenues have created favourable conditions for improvements in other areas, namely development of social and cultural industries, and especially the people's well-being. The SAR Government has closely collaborated with the community to take various effective measures to assist the underprivileged, and has been committed to building a more comprehensive social security system. The economic development of the SAR has provided favourable conditions for its future coordinated and sustainable development.

In response to a series of new issues arising from the rapid growth of the gaming industry, the SAR Government adopted a set of control measures, such as enhancing land use management and raising the threshold of the industry, to control the scale of the industry's development. Moreover, we imposed more rigorous and forceful regulations on gaming companies, in a bid to foster the optimal and orderly development of the gaming industry. The Government also worked closely with the community to prevent and control problem gambling, to minimise the related negative impacts and social costs.

The Government has been highly concerned with the problem of a narrowly-based economic structure, and has actively pressed forward with adequate

diversification of the economy. Firstly, the Government fostered the improvement of major industries, especially the tourism industry, with a view to realising diversification of services and target customers. Today, the integrated tourism framework has taken shape, and leisure travel has attracted more and more visitors. The Government and the industry community have worked hard together, to build a commercial and trading services platform, and allowed the emerging exhibition and convention industry to break through bottlenecks in terms of quality and quantity. The SAR Government has also been committed to improving the investment environment, providing even more support to Macao's small and medium sized enterprises, nurturing the vigour of traditional industries, and promoting the stable development of other industries. We also acted as a catalyst to fuel the growth of new industries with high potential, to accelerate diversification.

Aligning ourselves with economic development trends in mainland China and overseas, and in line with the practical development needs of the SAR, the Government has pressed ahead with the development strategy of "reaching out and inviting in", actively participating in regional cooperation, to increase our economic vigour, enhance the people's well-being, and foster development of cultural industries and sports. Through several years of implementing this strategy, we also realised that the adequate diversification of the economy depends on regional cooperation, as much as it relies on internal industrial diversification, in order to expand room for industrial diversification and break through land and human resources bottlenecks. To this end, the Government has been increasing its investments, to participate in economic integration between Guangdong, Hong Kong and Macao in a more active and well-planned manner.

The SAR Government has long emphasised coordinated development of the economy and society. To foster human development, we put in place a free education system for non-tertiary education, and pressed forward with modern educational reform; through the application for World Heritage List inscription and protection of cultural relics, we enhanced the people's sense of cultural unity and self identity; we strongly popularised arts, sports and recreation, to add vibrancy to the cultural life of the whole community, and nurtured a social trend of life-long learning. The impact of cultural development is far-reaching yet intangible. Its effect would not be seen overnight, but would accumulate over the years, gathering momentum to result in widespread changes and influence. Therefore, the Government has been devoted to this mission, constantly stepping up its efforts.

We supported and encouraged local residents from all walks of life to visit mainland China for various forms of exchanges and education, to enhance our understanding of and emotional connection with our home country. We also encouraged civil servants and citizens to observe and learn from the experiences of mainland China and other advanced overseas countries. As a result, Macao has today become an even more open and inclusive society, with a strong sense of patriotism and an international vision. The SAR Government greatly emphasises the identification and training of talented individuals, and is devoting more resources to promoting education regarding civic and national knowledge, with a view to fostering love for the country and Macao, and ensuring the passing on of this love.

As we review the various achievements of the SAR, we are also keenly aware that these ten years of development also saw room for improvement. Our public services, administrative efficiency and legal reforms still lag behind the development

of society and public expectations, leaving certain deep-rooted social conflicts unsolved. For a certain period in the past, since our efforts in fostering diversification of the economy had not achieved significant impacts, the rapid developments of society and the economy were not well concerted, and the SAR could not achieve balanced development. Many areas of administration still see room for improvement, namely the balancing of human resources supply and demand, employment and living conditions, urban transportation, the development of small and medium sized enterprises and the social issues arising from the development of the gaming industry. Moreover, our human development still lags behind social and economic developments, and more efforts are required to foster local culture.

For various reasons, building public housing is an issue of high concern among citizens. Objectively, the SAR has its inherent constraints in terms of land resources; also, the changes to the property market – from totally stagnant to vibrant, with high volatility – have been so rapid that it was difficult for the Government and the market to make timely responses. Subjectively, there are inadequacies in our administrative efficiency, and in our evaluation of changes in the property market. The SAR Government is highly concerned with these problems, and has listened to the opinions and suggestions from the community, to allocate adequate land, and accelerate policy implementation and housing construction, pressing forward with building public housing. Considering the progress with existing projects and the construction works soon to commence, we are confident that 19,000 public housing units will be completed on schedule by 2012.

After all these years, the Government and the community already fully understand that anti-corruption is the key emphasis of the SAR's administration. Our

past experiences tell us that corruption teaches a hard lesson, the cost is high, and the influence is profound. We must fully understand that anti-corruption is a long-term mission. The SAR Government must remain resolute in combating corruption. Our anti-corruption agency should step up monitoring, punishments, and promotional and educational efforts, and should be consistent and meticulous in increasing the effectiveness of anti-corruption efforts. We aim to develop continual alertness among civil servants, especially the senior management. At the same time, our anti-corruption efforts should be organically integrated with the SAR's school education and civic education. We should gradually raise the quality of all citizens, especially the younger generation. With the ongoing efforts of more than one generation, we aim to build an entrenched anti-corruption culture in the SAR.

As the SAR is committed to developing a modernised and service-led government, we must further bring to life the spirits of being people-oriented and making decisions in a scientific manner. Only on this basis can we develop a sense of rigorous self-requirement, and apply it to the implementation of every public system, policy and measure, such that we can closely follow the correct administrative approach, raise our administrative quality, increase our administrative effectiveness, and minimise our administrative mistakes.

In the past ten years, the SAR has met major challenges, from economic stagnation, the SARS epidemic and influenza pandemic, rapid transformation of the economy and society, to the global financial crisis. With the full support from the central government, and the close collaboration between the SAR Government and all citizens, the SAR has been committed to self-strengthening, calmly facing challenges, overcoming difficulties through hard work, and making improvements where there are

inadequacies, as we continued to stride ahead. The experiences gained through unstinting hard work and encountering ups and downs will prove invaluable as we continue to implement the “One country, two systems” policy and develop in a sustainable way.

Part II Budget for the Fiscal Year 2010

Madam President, members of the Legislative Assembly,

In the following, please let me give you a brief account of the budget for the fiscal year 2010.

After thorough discussions with Mr Fernando Chui Sai On, the Chief Executive-designate, we have reached consensus on the basic budget for the fiscal year 2010. We agree that although the policy address for the fiscal year 2010 will be made by the next administration, to ensure the SAR’s stability and development, maintain the normal operations of all public departments, and comply with the relevant legal requirements, the present administration has formulated the basic budget for the next financial year. In the first quarter of next year, Mr Fernando Chui Sai On will submit the policy address for the fiscal year 2010 to the Legislative Assembly. Today, please allow me to give a brief account of the basic financial budget for the next year. The budget for the fiscal year 2010 mainly covers the administrative expenditures required for normal operations of each public department, the Government expenditures that are due to be paid by next year, and funding for construction projects for the first quarter of the coming year. The Government will also maintain all tax and fee reductions that have been implemented in recent years, to

help enterprises and citizens to better cope with the pressure and challenges resulting from the global financial crisis.

Firstly, the Government will continue with the tax reduction measures of 2009. These measures are: a 25 percent reduction in personal income tax for all employed citizens, with the basic allowance for personal income tax increased from 95,000 patacas to 120,000 patacas; waiver of all business tax; waiver of all hawker licence fees and market stall rents, all life and non-life insurance stamp duty, and all bank charge stamp duty; waiver of advertisement licence taxes for all business owners (though not including tobacco advertisements); exemption from tourism tax for all Chinese and western restaurants; the 3,500-pataca waiver of real estate tax; increased profit tax allowance, from annual revenue of 32,000 patacas to 200,000 patacas; and waiver of stamp duty on the first three million patacas of property transactions by Macao permanent residents who have never owned any property (only limited to residential units). The continued implementation of these waivers and reductions will translate to a decrease in government tax income of over 900 million patacas.

At the same time, we will continue with: the bus fare discount schemes for the elderly, students and all citizens; electricity fee subsidies for residential households; financial subsidies for all low-income, full-time employed persons; and the ongoing 2009 medical voucher scheme.

We will fully implement the two-tier social security system. The SAR Government will first open individual central provident fund accounts for eligible Macao permanent residents in the first quarter of 2010. Considering that the financial surplus for the 2008 financial year was 25.1 billion patacas, the Government has

decided to deposit 10,000 patacas to each of the eligible persons' accounts as initial capital, amounting to a total of 3.3 billion patacas.

The Secretary for Economy and Finance, Francis Tam Pak Yuen, will, on behalf of the SAR Government, duly submit the bill of the budget for the fiscal year 2010 to the Legislative Assembly, and provide detailed explanations regarding the budget.

Madam President, members of the Legislative Assembly,

Thanks to the concerted efforts from all sides, the financial strength of the SAR has been enhanced. The SAR Government anticipates the 2009 financial surplus will exceed 10 billion patacas. Therefore, at the 10th anniversary of the establishment of the Macao SAR, the sum of accumulative financial surplus and the government reserve fund is expected to reach 100 billion patacas, after deducting the above mentioned 3.3 billion patacas for initiating the central provident fund accounts. This will surely provide the SAR with a strong financial base for its future development.

Conclusion

Madam President, members of the Legislative Assembly,

The first ten years of the Macao SAR was intertwined with dedicated pioneering efforts, joy and celebrations, inadequacies and faults, and conflicts and challenges. We are glad that the SAR is constantly developing, our comprehensive strength continues to grow, our legal system is gradually improving, the people's support for the Government and public order has been maintained, the people's well-being has been

improving, our infrastructure is renewed, and the good virtues of a civilised society have been demonstrated. What moves me and delights me most is that in the past ten years, although the people have aired all kinds of views to and made all kinds of demands of the SAR Government, and even expressed discontent about certain social situations or the Government's administration during various development stages of the SAR, all citizens have been constantly upholding and unwaveringly supporting the great principle and practical approach of "One country, two systems", and loving their home country and their home city of Macao.

The Macao SAR has been able to overcome challenges and maintained constant development, and has achieved a series of hard-earned successes, all because of the full support from the central government, the advantages and vigour resulting from "One country, two systems", the legal protection of the Macao Basic Law, and the incessant hard work of all citizens including our civil servants.

Looking into the future, there will be both opportunities and challenges. We must constantly draw conclusions from our experiences, keep up our good work, learn from past mistakes, and advance with time, to ensure the resounding success of the principle of "One country, two systems".

We strongly believe that with the sound guidance by and strong support from the central government, the third-term Government under the leadership of Fernando Chui Sai On will be even more united as one, demonstrating an even stronger pioneering spirit, leading the implementation of "One country, two systems" to lofty new heights.

Lastly, please let me take this opportunity to extend my sincere gratitude to the central government and its representative offices based in Macao, for their care and strong support for the SAR.

I would also like to extend my heartfelt gratitude to the Legislative Assembly, all civil servants and all citizens, who have been greatly supporting the SAR Government.

My report ends here. Madam President and everyone, thank you.