



THE 2016 BUDGET SPEECH

BY

**THE RIGHT HONOURABLE
DATUK SERI PANGLIMA MUSA HAJI AMAN
CHIEF MINISTER AND MINISTER OF FINANCE**

AT THE STATE LEGISLATIVE ASSEMBLY

**ON 20 NOVEMBER 2015 (FRIDAY)
8 SAFAR 1437 HIJRAH**

“PRUDENT BUDGET; THE PEOPLE AT HEART”

Bismillahir Rahmannir Rahim,

Mr. Speaker,

1. I beg to propose the State Budget for the year 2016 for the approval of this August House.

PREAMBLE

2. Alhamdulillah Rabbil Alamin, allow me to begin by giving praises to Allah Subhanahu Wa Ta'ala. God, the Almighty.

3. With His grace and blessings, once again we are gathered in this August House for me to carry out the entrusted responsibility to table the State Budget for the year 2016 on this blessed Friday evening, 20 November 2015, 8 Safar 1437 Hijrah.

4. I am very delighted to see my fellow members present in this August House. I also could not hide my happiness to see my colleagues on the other side looking smart and enthusiastic for us to work together towards achieving our noble objective. As the saying goes "*elok kata dalam muafakat, buruk kata di luar muafakat*". Although we are from different affiliation, our goal remains the same, that is, to serve the people of our beloved State.

Mr. Speaker,

5. *Alhamdulillah*, the economic fundamentals of our beloved State are still strong and remain on the right track. Undeniably, there are still many development efforts that need to be improved for the benefit of the people in this State, particularly in the context of socio-economic and infrastructure development as well as basic amenities. The Barisan Nasional, which currently administers the State, has always endeavoured to the best of its ability to harness all efforts and ideas in implementing

what we feel are beneficial for the wellbeing of the community in particular and the State in general.

6. I believe that we can carry out the trust and responsibility more efficiently and effectively considering our various excellent achievements. Being a state with financial capability accredited with **"AAA"** rating for **7 years in a row**, we are competent to perform the entrusted responsibility. I am also confident that we can perform because we have an efficient administrative machinery in financial management which has been awarded with **"Unqualified Certificate"** or **"Clean Bill"** for **15 years**. In addition, we also practise and maintain international standards on budget management through MS ISO: 9001: 2008. These recognitions are conferred by financial and auditing rating agencies of high calibre and international standing.

Mr. Speaker,

7. I am proud to inform this August House that in the 2014 Audit Report, a total of **24** ministries / departments / agencies of the State Government have been awarded the highest rating of **4-star under the Accountability Index (AI)**. With this recognition, it makes Sabah as the State with the **best performance in AI in the whole nation for 3 years in a row**. In recognition of their outstanding achievements, I will now mention the 4-star recipients as follows:-

1. Sabah State Liaison Office
2. State Public Services Department
3. Sabah Economic Development Corporation (SEDCO)
4. Government Printing Department
5. Ranau District Council
6. Rural Development Corporation (KPD)
7. State Treasury Department
8. Sabah Rubber Industry Board (LIGS)
9. Sabah State Economic Planning Unit
10. Department of Fisheries
11. Sandakan Municipal Council
12. The Ministry of Rural Development

13. Kinabatangan District Council
14. Beluran District Office
15. Sabah Ports Authority (LPPS)
16. Sabah Forestry Development Authority (SAFODA)
17. Department of Ports and Harbours
18. State Public Sector Training Institute (INSAN)
19. Kota Kinabalu City Hall (DBKK)
20. Sabah Fisheries and Fishermen Corporation (Ko-NELAYAN)
21. Semporna District Council
22. Kudat Town Board
23. State Secretary Office
24. Keningau District Office

8. This success did not come in the blink of an eye but it is the result of continuous effort and sheer discipline as Dottie Walters said: *"Success is not a doorway, it's a staircase."*

WORLD ECONOMY

Mr. Speaker,

9. World economic growth is forecast to moderate from 3.4% in 2014 to 3.1% in 2015, before strengthening to 3.6% in 2016. This is due to stronger economic performance forecast in both emerging and advanced economies in 2016. As a whole, advanced economies will see their growth rate improve from 2.0% in 2015 to 2.2% in 2016. Whilst, economic growth of the developing countries will improve from 4.0% in 2015 to 4.5% in 2016.

10. Growth of the US, Euro and Japanese economies are all forecast to gain traction in 2015 and 2016. The US economy is forecast to grow at 2.6% in 2015 and 2.8% in 2016. The Euro Area is forecast to grow more slowly at 1.5% in 2015 and 1.6% in 2016, while the Japanese economy is forecast to expand at the rate of 0.6% in 2015 and improving to 1.0% in 2016.

11. Based on global economic sentiment, China's economy will likely see lower growth rates in both 2015 and 2016 compared with previous years, due to government measures aimed at economic adjustments. China's economic growth is forecast to decline from 7.3% in 2014 to 6.8% in 2015, and to 6.3% in 2016. Growth of India's economy, on the other hand, is forecast to improve from 7.3% in 2015 to 7.5% in 2016.

12. The ASEAN-5 economies (Indonesia, Malaysia, Philippines, Thailand and Vietnam) are forecast to expand at 4.6% in 2015, and improving to 4.9% in 2016.

THE MALAYSIAN ECONOMY

Mr. Speaker,

13. The Malaysia economy grew by 5.3% in the first half of 2015, driven by resilient domestic demand and with private consumption and investment remaining robust. In 2016, growth of the country's economy is forecast to moderate to between 4% to 5%, driven again by domestic demand and strong private consumption and investment. The country is expected to continue to experience full employment with a low inflation rate between 2% to 3%.

14. The nation's fiscal deficit is expected to continue in its decline, from 3.2% of Gross Domestic Product (GDP) in 2015 to 3.1% in 2016. The Federal Government debt level will remain manageable within the prudent limit of 55% of GDP. Against this backdrop, the Gross National Income (GNI) nominal per capita is forecast to improve by 5.6% from RM36,397 in 2015 to RM38,438 in 2016.

SABAH ECONOMY

Mr. Speaker,

15. For the information of this August House, although our trade surplus declined by 5.7% in the first eight months of this year as compared to the same period last year, **the State continues to register positive trade surplus of RM6.8 billion.**

16. I am thankful that the State's economy remains resilient and was less affected than what had been anticipated earlier. Despite the sharp fall in prices of crude petroleum, the export volume of crude petroleum however has increased by 45.3% to reach RM10.4 billion in the first eight months of 2015 as compared to the same period in 2014.

17. During the 10th Malaysia Plan, GDP of the State increased from **RM58.1 billion** in year 2010 to **RM66.3 billion** in year 2014. In the same period, per capita income has also increased by **10.3% to reach RM19,672** in year 2014 as compared to **RM17,831** in year 2010.

Mr. Speaker,

18. Looking ahead into 2016, the State's economy remains positive as the global economy is projected to improve. Higher growths are projected for economies of the major export destinations of the State for 2016 except for China where growth is expected to moderate. As we enter into the first year of 11th Malaysia Plan, growth is expected to be mainly driven by public and domestic investment. The State's exports is forecast to grow moderately given the prevailing bearish outlook of prices of commodities particularly palm oil and crude oil. Private sector investment confidence will improve as the economy picks up.

19. Currently, the tourism sector has shown signs of recovery as Malaysia and Sabah have become more attractive. Lower Ringgit exchange and online visa application which will be implemented soon is expected to attract more foreign tourists to the State. With the challenging global economic outlook, the Government

will take continuous steps to strengthen the economic resilience, manage impact of external vulnerabilities and safeguard the people's wellbeing as clearly spelt out in the 2016 Federal Budget. As such, the State's economic growth for 2016 is projected to moderate around 3.5 to 4.5 percent.

OBJECTIVES AND STRATEGIES OF 2016 BUDGET

Mr. Speaker,

20. The wellbeing of the people are always in our hearts and minds. The Government is sensitive and responsive to the people's plight. Hence, the State Barisan Nasional Government will continue to ensure that the State's financial resources are distributed equitably and prudently to all level of society in Sabah irrespective of who they are, their conditions and where they are.

21. Once again, I would like to emphasize that the State's leadership will continue to intensify efforts to develop the State in order to achieve continuous prosperity. Thus, in the 2016 Budget, we will maintain our focus and budget strategy formulation with the ultimate goal of providing maximum benefits to the people.

22. The Budget is for the elderly and the young, for the women and the children; for the students and the workers; for the farmers and the fishermen; for the traders and the businessmen; for the able and the disable; for the athletes and the sports enthusiasts; for the guests and the visitors; for the villagers and the city dwellers; for the communities and the NGOs; for the poor and the underprivileged. This is our goal, that is, prosperity for all. We just simply stay focus! And do our best.

2016 BUDGET THEME

Mr. Speaker,

23. Even though the rate of economic growth is somewhat slowing down in Asia and globally, the State's economic fundamentals still remain strong, due to our wealth of natural resources such as crude oil, palm oil and forest products that are still in great demand in the world market.

24. However, it cannot be denied that, as an economy dominated by the production of major commodities such as crude oil and palm oil, the State revenue collection could be affected due to fluctuation in commodity prices and foreign exchange rates. With the possibility of such scenarios, the State Government must be prepared in planning and managing its financial resources wisely and effectively. For that, expenditure control must be applied and exercised through financial discipline practice and by implementing high impact programmes and projects for the people without jeopardising the Government's delivery system.

Mr. Speaker,

25. In line with that, the theme for the 2016 Budget is "**PRUDENT BUDGET; THE PEOPLE AT HEART**". This theme emphasises on the need to consolidate existing State resources and manage them effectively and efficiently.

2016 REVENUE AND EXPENDITURE ESTIMATES

26. By taking into account the global economic environment as I have explained earlier, the Government estimates **revenue collection amounting to RM3,520.29 million** in year 2016. Therefore, I would like to propose an **expenditure of RM3,490.39 million** for year 2016. This will give a **surplus of RM29.90 million**.

2016 STATE REVENUE ESTIMATES

Mr. Speaker,

27. Revenue collection for the year 2016 is projected at **RM3,520.29 million**, representing a decrease of 8.9 percent compared to the estimated revenue in 2015 of RM3,862.02 million. Of the total, RM1,075.67 million or 30.6% is Tax Revenue; RM2,024.52 million or 57.5% is Non-Tax Revenue and RM420.10 million or 11.9% is Non-Revenue Receipts.

28. As we all know, the actual amount of petroleum royalty received by the State is subject to world market price, production volume and US dollar exchange rate. Given the current scenario, only RM961.94 million had been received against the original estimate of RM1,146.89 million in year 2015, that is a reduction of 16%. Thus, the estimated revenue from petroleum royalty for 2016 is estimated at RM900 million only. Although this amount is less compared to the amount received in year 2015, petroleum royalty remains as one of the highest contributors to the State's revenue in year 2016.

29. Similarly, Crude Palm Oil (CPO) price has also dropped from RM2,600 to RM2,200 per metric tonne since the beginning of this year. Consequently, the revised budget for State Sales Tax on CPO for 2015 currently stands at RM900 million compared with the original estimate of RM1,008 million. Taking into account the current price and the expected growth for next year, the Government therefore projected revenue collection of State Sales Tax on CPO for the year 2016 also at RM900 million.

30. As a caring Government, the State Government has decided to defer the collection of State Sales Tax on fisheries commodity taken out of Sabah for the time being. Due to this, the estimated revenue collection of RM80.0 million from new sources will not be realised in 2015. However, the registration for State Sales Tax licence for those who are engaged in this business will continue.

31. Contribution in various grants from the Federal Government for next year is estimated at RM420 million, an increase of 4.8 percent compared to the original estimate in 2015 of RM400.69 million. Meanwhile, interest and investment returns are expected to contribute RM302.54 million representing 8.6 percent of 2016 revenue target. This total includes receipts from the Inland Revenue Board of RM200 million as tax rebate from previous dividends received.

Mr. Speaker,

32. I would like to congratulate several State Government departments which have demonstrated outstanding performance in revenue collection, among them are the Lands and Surveys Department, the Forestry Department, the Water Department and the Ports and Harbours Department. Following this remarkable achievement, the departments concerned have agreed to increase the revenue collection target by 2016 as follows:-

- (i) Lands and Surveys Department - RM310 million
- (ii) Forestry Department - RM220 million
- (iii) Water Department - RM220 million
- (iv) Ports and Harbours Department - RM20 million.

33. Even though we are currently facing various challenges especially the impact due to weak commodity prices such as crude oil and CPO, the State Government is confident that the target set for the year 2016 can be achieved with the support and cooperation of all parties involved.

SUPPLY EXPENDITURE ESTIMATES

Mr. Speaker,

34. Although the estimated revenue collection for 2016 will somehow restrict our development planning, the Government nonetheless will ensure that sufficient allocation be provided to continue the State's development agenda for the benefit of the people. Thus, our efforts in taking steps towards prudent spending will lead to

savings which in turn may be utilised to meet other necessary expenditures.

Mr. Speaker,

35. Therefore, for **supply expenditures** in 2016, I propose to allocate a total of **RM714.29 million** for emolument, and **RM1,179.55 million** for recurrent expenditures. Whereas, a sum of **RM1,596.54 million** will be allocated for special expenditures.

DEVELOPMENT EXPENDITURES ESTIMATES

Mr. Speaker,

36. For **development expenditures**, I propose a sum of **RM1,148.89 million** to be allocated in the year 2016. **This sum consists of State fund totalling RM698.99 million and Federal sources amounting to RM449.89 million.** In line with our prudent spending measures, State fund for development expenditures next year will be slightly reduced by 6.41% as compared to estimates in 2015. Contribution from the Federal Government consists of **Federal reimbursable grant amounting to RM35.80 million and Federal loans totalling RM414.09 million.**

37. As in previous budget over the years, a substantial sum of our development expenditures is directed towards developing the economic sector. The distribution of the development expenditures by major sector in 2016 is as follows:

- (a) RM441.67 million or 63.19% for economic;
- (b) RM212.76 million or 30.44% for social; and
- (c) RM44.56 million or 6.37% for administration.

DISTRIBUTION OF 2016 ALLOCATION: BY MINISTRIES

Mr. Speaker,

38. The State Government remains committed to strengthen the State development agenda in developing rural areas, agriculture, industrial and tourism sectors, human resource development and the people's wellbeing. To ensure that various Government implementing agencies carry out their roles, responsibilities and functions more efficiently, effectively and smoothly, the 2016 Supply and Development allocation distribution by ministry are as follows:

No.	Ministry	Distribution of Expenditures (RM Million)	
		Supply	Development
1	Ministry of Finance	1,243.84	14.00
2	Ministry of Infrastructure Development	718.01	246.87
3	Chief Minister's Department	475.86	153.60
4	Ministry of Agriculture and Food Industry	295.62	113.98
5	Ministry of Community Development and Consumer Affairs	139.42	5.02
6	Ministry of Tourism, Culture and Environment	110.32	13.15
7	Ministry of Local Government and Housing	82.40	18.37
8	Ministry of Resource Development and Information Technology	87.09	4.15
9	Ministry of Rural Development	70.98	100.00
10	Ministry of Youth and Sports	65.68	14.45
11	Ministry of Industrial Development	11.15	15.40
12	Non-Ministerial Expenditure	28.45	-
13	Charged Expenditures	161.57	-
	TOTAL	3,490.39	698.99

SECTORAL DEVELOPMENT

Performance of the Tenth Malaysia Plan (10MP)

Mr. Speaker,

39. The year 2015 evidently is the last year of the 10th Malaysia Plan (10MP). As such, the Government will intensify its effort to implement and complete all

Government approved development projects by the end of this year. As at now, the State Government has achieved an excellent performance, having spent more or less 80% of the total allocation amounting RM4.7 billion under the 10MP. The State Government is grateful to the Federal Government for implementing various development projects in the State during the same period. Up to the month of September 2015, the Federal Government has spent a total of RM14.7 billion on development projects in the State under the 10MP.

40. It is the Government's aspiration to continue further in developing the State of Sabah under the 11th Malaysia Plan (11MP). For that purpose, the State Government has outlined six (6) Strategic Thrusts as well as Strategic Development Direction under the 11MP which are in line with the national strategic thrusts and they are as follows:-

- (i) Enhancing inclusivity;
- (ii) Improving the people's wellbeing;
- (iii) Harnessing talent;
- (iv) Pursuing green growth;
- (v) Strengthening growth enablers, and
- (vi) Re-engineering economic growth.

41. In summary, the development focus of the State Government in implementing 11MP will be based on the State Strategic Development Direction. This development focus emphasises on improving the wellbeing, quality of life of the people (people oriented) and creating a vibrant and sustainable economy (capital oriented).

42. We hope that the excellent performance we achieved in the 10MP will be continued in the 11MP. For the information of this August House, an allocation ceiling totalling RM3.51 billion has been planned to continue with the State development agenda for the next five years.

Infrastructure Development and Public Amenities

Mr. Speaker,

43. As in previous years, the State Government infrastructure development and public amenities programme in the year 2016 will continue to focus on implementation of high impact projects which will benefit all levels of society. This effort reflects the Government continuous commitment to reduce the development gap between urban and rural areas. The Government also hopes that through such programmes, we will be able to further assist in uplifting the quality of life of the people especially our brethren who are staying far and away in remote places. For this, a total allocation of RM1,373.59 million will be set aside in the year of 2016 for the provision of infrastructure amenities and public utilities.

44. Out of the total amount mentioned, a sum of RM213.34 million will be provided to continue the implementation of road construction and maintenance of urban and rural roads; slope repairs; construction and replacement of old bridges; traffic and road safety management programmes.

45. The Government is supportive towards providing an environment that is conducive, clean, healthy as well as productive for the people and to ensure that future generation will also enjoy the benefit. For this, a total sum of RM270.90 million will be allocated to expand the coverage of our sewerage system with good quality. It is hoped that sewerage projects such as Keningau Sewerage Scheme, Beaufort Sewerage Scheme and Minor Towns Sewerage will bring further benefit to the people's quality of life.

46. In the 2016 Budget, the Government will set aside an allocation amounting to RM715.36 million to ensure that more people will enjoy the supply of treated water. Among projects that will be implemented next year are Construction of Water Storage and Pipeline Distribution in Semporna costing RM160 million, and Construction of Water Treatment Plant in Kundasang costing RM110 million.

47. The Government will also provide facilities on water transportation to help in improving safety control including off-shore logistics delivery management using supply vessels. Apart from that, jetty facilities will also be built in line with public and fishermen's needs. To support the provision of such facilities, safety and water transport control, a sum of RM 20.77 million will be allocated next year.

48. In an effort to improve railway services and infrastructure facilities, that is safe and comfortable, one unit of Diesel Multiple Unit (DMU) train set will be procured to provide train services from Tanjung Aru to Tenom in 2016. The Government will continue to upgrade the safety of railway crossing areas through increased usage of electronic warning system and construction of service roads. For this, a sum of RM37.62 million will be set aside for the provision of railway services.

Agriculture

Mr. Speaker,

49. Alhamdulillah, our rich natural resources and fertile land have become one of our strengths. Indeed, we are fortunate as we are blessed with vast natural resources. In the year 2016, agriculture sector will remain our main contributor to the Sabah State economy. Therefore, the Government will give top priority to this sector under 2016 Budget. For this, a total sum of RM 469.50 million will be allocated next year.

Crops Sub-sector

50. To enhance the development of crops sub-sector, the Government will focus on the development of crop cultivation particularly on paddy, fruits, vegetables, short-term crops and planting industry through various priority projects. Next year, the Permanent Food Production Park project, Agriculture Research Programme, Paddy Planting Development Programme, Rubber Replanting Programme and Palm Oil Downstream Industry Development will be implemented. For this, a sum of RM169.85 million will be allocated next year.

Fisheries Sub- sector

51. As members of this August House are well aware, we are also endowed with rich marine resources worth millions of Ringgit. Therefore, we will endeavour to transform at all levels and commercialize the fisheries sub-sector to make it more dynamic and productive. The Government intends to increase fish production and fishery products to 423,360 metric tons per year. For this, the Government will allocate RM47.76 million in the year 2016.

Livestock Sub-sector

52. Livestock sub-sector is one of the major contributors to the production of food in the State. In the year 2014 alone, livestock sub-sector recorded gross production valued at RM 1,106 million. This amount is expected to further increase by the end of this year. I am confident that this sub-sector is capable of reducing the State food import bills from year to year.

53. We are fortunate that Sabah is declared free from various livestock diseases including foot and mouth disease (FMD) by the World Organisation for Animal Health. This recognition is highly beneficial for us as well as an asset which can be fully utilised to explore all opportunities and increase livestock production for local markets and exports.

54. Thus, with the advantages that I mentioned earlier, we are capable of exporting livestock products such as milk, eggs and chicken to foreign countries such as Vietnam, Maldives, Timor Leste and Sierra Leone. The Government will continue to support the expansion of this industry in the State by allocating a sum of RM71.02 million in the 2016 Budget to the Department of Veterinary Services and Animal Industry.

55. An allocation of RM51.81 million will be set aside specially to related agencies namely Rural Development Corporation (KPD), Sabah Rubber Industry Board (LIGS) and Sabah Fisheries and Fisherman Corporation (Ko-NELAYAN) for assisting the Government to further develop the agriculture sector in Sabah.

Supporting Agriculture Infrastructure

56. With that, a sum of RM122.62 million will be allocated to the Drainage and Irrigation Department (JPS) in 2016 for drainage and irrigation infrastructure services to support agriculture sector. This allocation is mainly to solve the flooding problem and to provide sufficient water supply to paddy planting areas and also to implement flood mitigation programmes throughout the State.

Industry and Manufacturing

Mr. Speaker,

57. As expected, the challenging business environment due to current global economic situation has affected the confidence of investors. The manufacturing sector has registered huge increase in investment during 10MP. From the year of 2011 up to June 2015, total investment in manufacturing sector has achieved a total value of RM 13.9 billion and generating 11,115 job opportunities. Among the largest investment in this sector is the Sabah Ammonia Urea (SAMUR) project. Whereas investment activities related to oil and gas industry are the Sabah Oil and Gas Terminal (SOGT) project, Construction of Kimanis - Bintulu Gas Pipeline and Sipitang Oil and Gas Industrial Park (SOGIP).

58. According to Malaysian Investment Development Authority (MIDA) report and State Government Approval (SGA) data as at September this year, Sabah has registered a total investment value of RM572 million in the manufacturing sector. Of that total, RM92 million represents foreign investment involving 28 companies. Based on this investment, the manufacturing sector is expected to generate 1,129 job opportunities.

59. The State Government is committed to providing infrastructure amenities and create a conducive environment to all investors in the existing industrial parks such as Kota Kinabalu Industrial Park (KKIP), Palm Oil Industrial Cluster (POIC) in Lahad Datu and Sandakan as well as Sipitang Oil and Gas Industrial Park (SOGIP). As

such, to spur the development of the State manufacturing sector, RM76.46 million will be allocated in 2016.

Tourism

Mr. Speaker,

60. The year 2015 is another challenging year for the tourism industry in Sabah, following a number of unfortunate incidents befalling the State. These incidents to some extent have affected the number of tourist arrivals and the State tourism development sector in general.

61. During the first seven months of the year 2015, the recorded number of tourist arrivals was 1,840,447, a reduction of 2.6% from 1,889,301 visitors in the same period last year. From that total, domestic tourist arrivals recorded a decrease of 1.3% while foreign visitors arrival indicated a decrease of 5.4%. In terms of tourism receipts, the arrival of visitors to the State in 2015 is estimated to bring in RM3.62 billion.

62. In view of the current state of affairs, the Government will continue its efforts to restore the confidence of international tourists to visit the State. The Government will also focus on domestic and other markets which have shown increases in the year 2014 such as Japan, South Korea, the United Kingdom and Australia. In addition, the Government will also intensify its efforts to explore new markets such as Eastern Russia particularly Vladivostok, Shakalin and Khabarovsk.

63. The Government will also continue its efforts to expand the air connectivity either through scheduled direct flights or special chartered flights as good air connectivity is one of the most important factors in driving the growth of the tourism industry in the State. We are delighted that China's largest airline, China Southern Airlines, will initiate direct flights from Guangzhou to Kota Kinabalu, thrice weekly commencing 1st December 2015.

64. In the year 2016, the Government is confident that the global tourism industry will grow between 3% to 4%. Meanwhile, Asian visitor arrivals are expected to also increase around 4% to 5%.

65. To support the State's tourism sector development, a sum amounting to RM218.37 million will be allocated in the 2016 Budget. From that total, RM6.11 million will be allocated to implement programmes related to the enhancement of environmental protection and conservation. In making sure that our world heritage, flora and fauna as well as islands and marine diversity are sustained, the State Government will allocate a sum of RM29.1 million under the 2016 Budget.

66. The State Government is also committed in ensuring that the protected areas and wildlife habitats are preserved and managed in a sustainable manner. This is because we realize that the catalyst for tourism sector development lies in the State's diverse biodiversity. For this, a total of RM20.8 million will be allocated in the 2016 Budget.

67. The uniqueness of the State various ethnic groups' culture is one of the most important tourist attractions. Thus, programme on culture and arts as well as preservation of cultural heritage and customs will be further enhanced. A sum of RM28.76 million will be provided for this purpose in the year 2016.

Prospering People's Life

Mr. Speaker,

68. The State Barisan Nasional Government is always sensitive to the people's plights. The prosperity and welfare of the people are always close to the heart and mind of the State's leadership while formulating our beloved State development plan. The Government had taken steps, is taking steps and will continue to take steps and measures necessary to ensure the welfare and prosperity of the people are safeguarded. For that, in the 2016 Budget, the Government will allocate a sum of RM290.08 million for the implementation of programmes in eradicating poverty and improving the people's wellbeing.

69. Next year, the Government will continue to implement poverty eradication programmes, such as *Program Mini Estet Sejahtera* (MESEJ) which has proven to be beneficial to the underprivileged by implementing another 4 new MESEJ. This will increase the total number of MESEJ to 52 consisting of Agriculture, Aquaculture and Micro MESEJ which will benefit as many as two thousand five hundred (2,500) Hard-core Poor Households as a whole. Besides that, the Federal Government has approved an allocation of RM207 million for road infrastructure development within the MESEJ areas.

70. The Government will also continue to implement *Program Kampung Sejahtera* (PKS) which will give special attention to the under-developed villages. The implementation of this programme will adopt a more holistic approach encompassing the economic development of villages, human capital development and improved quality of life. So far, this programme has been successfully implemented in 240 villages and a total of 20 villages are being planned to be developed in 2016 with an allocation of RM2.2 million.

71. Like the Malay saying that goes "*cubit paha kanan, terasa paha kiri*"; that would be the case if we ignore the welfare and need of the elderly, the disabled, the poor and the orphans of this State. Therefore, we cannot afford to forget and neglect the welfare of our brothers and sisters. For this, the Government will allocate a sum of RM59.24 million to finance welfare assistance scheme that will benefit those groups that I mentioned just now.

72. The Government is also aware that as we go through the era of modernisation and globalisation, there is a need for us to strengthen the family and community institution. This is because a happy family and a caring community play an important role in producing excellent human beings. Therefore, the Government will continue to support efforts to create a happy family and a prosperous community through programmes such as seminars and outreach programmes as well as establishing close relationship with NGOs and religious bodies. For that, a sum of RM161.04 million will be allocated next year.

Youth Development, Human Capital, Sports and Information Technology and Communication (ICT)

To Fully Equip Human Capital and Youth Empowerment

Mr. Speaker,

73. Human capital is the pillar to the State's progress, and is one of the major factors in determining the future of this State. The Government is aware that, in an effort to face a challenging, complex and competitive global economy, it is extremely important for us to have progressive human capital that is able to compete. As advised by Caliph Umar Al-Khattab that is, *"Educate your children differently from the way you are now, because they are created by God in an era different from yours"*. Therefore, the Government will continue its human capital development agenda to produce human capital of high intellect, skills and in possession of positive attitudes as well as noble values.

74. The Government is also aware of the importance of youths in economic development and progress of the State. They are the heirs of the land who will chart the future survival of the State. It is our responsibility to empower our present youths to ensure that they will be competitive, progressive and possess noble values.

75. In relation to that, the Government has developed "Sabah State Strategic Plan for Youths Development 2016 - 2020" as a guideline and benchmark to monitor and measure the level of prosperity and wellbeing of youths in this State. The Government will continue to implement youth development programmes for youths based on Blue Ocean Strategy through the strengthening and empowering of the youth movement in youth associations towards creating a conducive and positive youth ecosystem for the development of a progressive and relevant Youth Community.

76. These programmes will be carried out together with a group of implementers, which include among others Family and Community Institutions; Non-Governmental Organisations (NGOs); Education and Research Institutions; mass media; Government-linked companies (GLCs) and private companies; Youth Associations;

and Government Agencies.

77. To realise this development agenda, a sum of RM234.96 million will be allocated to the various agencies to implement programmes on training, learning, skills and entrepreneurship, establishing positive attitude, instilling noble values as well as capacity and team building.

Sports Excellence

Mr. Speaker,

78. The State Government is committed to spearheading sports development in order to achieve its vision to produce world-class athletes. The Government will organise its resources in an integrated and optimum manner to produce a sports-cultured society with healthy lifestyle. Therefore, to enhance excellence in the State's sports industry, the Government will continue to implement sports development transformation based on the strategic thrust on sports excellence under the "Sabah Sports Development Blueprint 2015-2030". In year 2016, a total of RM65.75 million is provided for this purpose.

79. At the same time, the sports industry will continue to be developed so that it could become one of the main contributors to the Sabah State's economy through the promotion of Sports Tourism, Extreme Sports, Motor Sports and to venture into the manufacturing sector through franchising and production of branded sporting goods with potential.

Development of Information and Communication Technology (ICT)

Mr. Speaker,

80. The onslaught in the progress of information and communication technology (ICT) industry has turned this world into a Global Village. In view of that, we need to establish a community which is not only ICT savvy but also able to contribute to the development in future science and technology. In that regard, in the year 2016, a

sum of RM82.16 million will be provided for the implementation of ICT related programmes.

81. The Government always encourages the usage of ICT in all government affairs in order to provide better, faster and more effective services to the people. Thus, in 2016 the Government will implement the *K-Rakyat: 1 Sabah one contact centre*, for people's convenience and comfort. This centre is a single point of contact, which will be in operation for 24 hours a day, 7 days a week.

***Negeri Sabah indah terkenal
Ramai pelancong datang bercuti
Menjadi tekad Barisan Nasional
Kepada rakyat sentiasa berbakti***

Women's Development

Mr. Speaker,

82. The Government is aware that women, who make up a significant portion of the State's population, contribute immensely towards the development of the State. The Government is also aware of the women's role as catalyst for unity and as smart partners of the Government in achieving the State's development direction. Therefore, appropriately as an English proverb goes "*When you educate a woman, you educate a nation*", it is the Government's aspiration to produce more women who are knowledgeable and highly educated as well as creative and innovative.

83. Apart from allocating a special fund for the implementation of women development programmes, the Government will also be providing funds to various ministries and agencies that will benefit women. Overall, in year 2016 the Government will be providing a total of RM218.31 million for that purpose.

***Cahaya mentari indah berseri
Tembus memancar tepi jendela
Betapa pun sukar mentadbir negeri
Golongan wanita tetap dibela***

Local Authorities

Mr. Speaker,

84. The State Government will continue to improve the performance and services of all local authorities by ensuring that the administrative machineries in all local authorities are functioning effectively. Besides that, the State Government will provide affordable housing schemes and implement urban and regional development in a systematic and planned manner. For that purpose, a total of RM80.22 million will be allocated next year.

85. Of that total, RM47.19 million will be channelled to all local authorities in the form of grants to upgrade their management system and delivery of services to the communities.

86. We want the people to enjoy public amenities and facilities that are convenient and in good condition such as fields, community halls, markets, walkways and drains. We also want people to enjoy functioning street lights providing good lighting, safe and secured public facilities such as public parks, beautiful and clean urban environment as well as efficient and systematic waste management. A total of RM10.8 million will be allocated by the Government for those purposes.

87. The Government is also concerned about the housing needs for the less fortunate. To provide affordable housing, the State Government will allocate RM12.5 million in the form of subsidised low-cost housing in the interior of Sabah and in Tawau. Development of new townships in rural areas will also continue to be implemented. All these efforts are continued by the State Government in order to protect the interests and well-being of the people.

Special Fund for Bumiputera Entrepreneurs

Mr. Speaker,

88. For the information of this August House, the State Government will establish a special fund for Bumiputera entrepreneurs to upgrade skills and for business achievement. This fund will be contributed by Government-Linked Companies (GLCs) with profitable and excellent performance.

ACHIEVEMENT OF PUBLIC AGENCIES

Mr. Speaker,

89. The Government's initiative in organizing yearly courses since 2011 for the board members of Statutory Bodies and State Agencies has a very positive impact on the improvement and effectiveness of good corporate governance. Consequently, the overall number of Statutory Bodies and State Government Agencies with excellent performance has increased. As I have stated earlier, based on Accountability Index, a total of six Statutory Bodies and State Agencies were awarded 4-star rating in Accountability Index in 2014 as compared to only three in the year 2013.

90. We will continue our effort to monitor the performance of Government Agencies so that they will submit their yearly financial report together with their investment plan and loan repayment schedule based on the stated due date. At the same time, the Government will use the '*Code of Corporate Governance for State Statutory Body of Sabah*', ~~State~~ State Company Information System and ~~State~~ State Loan System to monitor the activity of State Government Agencies including its subsidiary companies and Government-linked companies.

91. State Statutory Bodies and Agencies continue to maintain good performance in 2014. Based on State Ministry of Finance performance criteria, **89 percent** of the total State Statutory Bodies and Agencies have recorded good and excellent performance. The number of Statutory Bodies and State agencies that recorded net

profit increased from **77.5 percent** for year 2012 to **80 percent** for year 2013, and **80.5 percent** for year 2014. Whereas, the number of agencies and statutory bodies paying back their loans are also encouraging for the last two (2) years. The amount of loan repayment including interest also increased to RM73.75 million for the year 2014 and RM76.69 million for the year 2013 compared to only RM47.09 million for the year 2012. Well done and congratulations!

92. State Statutory Bodies and Agencies continue to play their roles as the State Government investment machineries and sources of revenue by fulfilling their responsibilities to pay dividends consistently every year.

93. The Government feels very proud and thankful because some Government Agencies have shown good performance and able to contribute dividends to the State Government in helping to develop the State. Amongst the State Agencies and GLCs that contributed dividends to the Government as at 15 November 2015 are Sabah Development Bank, Warisan Harta Sabah Sdn. Bhd., Sabah Energy Corporation Sdn. Bhd., Progressive Insurance Bhd., Suria Capital Holdings Bhd., Saham Sabah Berhad, Borneo Development Corporation (Sabah) Sdn Bhd (BDC), K.K.I.P. Sdn. Bhd., Sabah Credit Corporation (SCC), Town and Housing Development Board (LPPB), Sabah Economic Development Corporation (SEDCO), Desa Plus Sdn. Bhd. and Desa Lestari Sdn. Bhd.. Well Done!!

94. I hope such dividend payments will continue to increase from year to year. At the same time, I hope that other Government Agencies will also be able to contribute dividends to the State Government in the future.

SPECIAL ANNOUNCEMENT

Appreciating Civil Servant

Mr. Speaker,

95. To increase the civil servants' remuneration, the State Barisan Nasional Government has reviewed the fixed housing allowance. This allowance was last

reviewed and revised in the year 2008. With this revision, it will assist in improving the living standard of the civil servants. This revision involves a financial commitment amounting to RM19.75 million per year for 14,080 staff holding Grade 42 and below. Revision of the fixed housing allowance will be effective 1st November 2015.

96. In the meantime, the State Government also agrees with the announcement made by the Right Honourable Prime Minister during the National Budget 2016 presentation recently, to give one (1) salary scale increment according to grades to all members of the State civil servants effective July 2016. The State Government will also adopt the implementation of fixed minimum salary scale for State civil service at RM1,200 per month. Both of these exercises will involve financial commitments amounting to RM21.52 million and RM1.88 million respectively.

97. Besides that, the Government also appreciates the commitment and contribution of civil servants who have shown perseverance and dedication in carrying out their responsibilities as Government service delivery agents. For that, in line with the Federal Government's decision, the State Government also agrees to give special assistance of RM500 to all State civil servants. This payment will be paid together with the January 2016 salary. This special assistance will involve a financial implication of RM8.16 million.

***Kalau anda memasang tabir
Sediakan tali panjang berdepa
Sukar mana pun kita mentadbir
Penjawat awam tidak dilupa!***

CONCLUSION

Mr. Speaker,

98. Indeed, the Barisan Nasional Government's struggle to safeguard the people's fate and political commitment to spur the State's development is not seasonal. This struggle is extensive and will continue from one generation to another

generation through cooperation and commitment between the State and Central Government.

99. For that, in this August House, the State Government and the people of Sabah, would also like to record our sincere gratitude and thanks to the Central Government led by our beloved Right Honourable Prime Minister Datuk Seri Mohd. Najib Tun Abdul Razak for his concern towards the development needs and the people's wellbeing in the State, by providing substantial allocation to the State of Sabah in various sectors.

100. Alhamdulillah, with His guidance and blessing, as well as the Government's commitment and the people's undivided support, we have successfully transformed the development of various sectors in the State. Although we admit that there are a lot of challenges and obstacles throughout this struggle, nevertheless, we will prevail. We will continue with our struggle and move on, face the challenges, fulfil the trust and assume responsibility for the people and the State in our own ways.

101. Our ways are not through emotionally charged demonstration, far from provocative action. Our ways are through sincere efforts and hard works built on negotiation and consultation that is meaningful and wise which is proven to have many benefits for lasting prosperity and harmony.

102. We should always be thankful and appreciative for the achievement and success that we have attained thus far. We should not rest on our laurels and be easily contented with such achievement and success. The fact is, there are still enormous tasks and responsibilities waiting to be executed.

103. For that, let us join hands and work together, collaborate and be committed to championing the people's fate and spur more successes and glories for our beloved State of Sabah.

104. As leaders and Government, we are aware and conscious of the high expectation for us to fulfil our responsibilities and trust to our beloved people. This is

a commitment that we will continue to strive and translate into reality, as what Abraham Lincoln stated '*commitment is what transforms a promise into reality*'.

105. In conclusion, may Allah SWT continually give us the direction and guidance in fulfilling this trust for the sake of our prosperity as well as that of the future generation, hence, making Sabah a more developed, peaceful, harmonious and prosperous State.

Panjat pokok mencari madu

Madu lebah di ranting Tualang

Hidup bermuafakat bersatu-padu

Demi membina negeri terbilang

Hati tertawan baca hikayat

Hikayat lama tentang sang puteri

Belanjawan Berhemat Berjiwa Rakyat

Demi kesejahteraan seluruh negeri

Mr. Speaker,

I beg to propose.