



THE 2019 BUDGET SPEECH

BY

THE RIGHT HONOURABLE

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CHIEF MINISTER AND FINANCE MINISTER OF SABAH

AT

THE STATE LEGISLATIVE ASSEMBLY

ON

09 NOVEMBER 2018

“DRIVING GROWTH FOR THE PEOPLE”

Bismillahir Rahmanir Rahim

Assalamu'alaikum Warahmatullah Wabarakatuh

Mr. Speaker,

1. I beg to propose the 2019 Sabah State Budget for the approval of this August House.

PREAMBLE

2. Thanks and praises be to *Allah Subhana wa Taala*. With His blessing, I am able to table the 2019 Sabah State Budget in this August House. This is the maiden budget for the new Government since taking office in the middle of this year. The new Sabah Government which is formed by coalition parties is mandated to continue the responsibility and trust to develop our beloved Sabah as well as to prosper the people towards building a better future.

Mr. Speaker,

3. Year 2018 is a very meaningful and historical year for all of us, as people from all over the country including Sabah who yearn for changes have turned and chosen a coalition of opposition parties that uphold the principle of clean, impartial and people-oriented government. The hopes and aspirations of the people to cleanse the country from various issues, especially on corruption, accountability and leakages, have dethroned the Barisan Nasional which ruled over the last six decades. It is clear

that the people want a clean, efficient and trustworthy Government which is sensitive to the sufferings and needs of the people.

4. The people have expressed dissatisfaction with the weaknesses of the previous Government. Thus, the Sabah Government today faces a huge challenge in meeting the people's expectation and in realizing promises in the manifesto within a reasonable time. In this regard, the Sabah Government shoulders heavy responsibility and trust in fulfilling the aspirations of the people, who desire development and higher living standards amid challenging environment, due to rising cost of living in the urban and rural areas. Nevertheless, the Government is committed to implement transformation and improvement for prosperity and betterment of Sabahans. I realize that this is not an easy task because there are times when unpopular action has to be taken by the Government to allow transformation and improvement.

5. The new Sabah Government under my leadership has now been in the office for nearly six months. The 100 days to fulfil promises in the manifesto have elapsed. In fact, the Government has tried its best. But, there are still promises in the manifesto that have not been realized due to certain constraints, for example on the aspect of policy, finance and management. Moreover, there are also matters that need time for further analysis or review before final decision can be made. Nevertheless, I am pleased to inform this August House that the Government have achieved some successes in fulfilling its promises.

6. In line with the manifesto and the desire to empower human capital, to safeguard the interest and rights of the natives and to further enhance the well-being of the Sabahans, the Government has now

fulfilled its promise to create three new ministries namely the Ministry of Health and People's Well-Being; the Ministry of Education and Innovation; and the Ministry of Law and Native Affairs.

7. Apart from that, the Government has revised land policy on **Communal Grant** which caused dissatisfaction among the natives in Sabah. The Government has decided to abolish the Communal Grant with the objective to improve the issuance of land ownership to the natives in Sabah. The Government through the Lands and Surveys Department will abolish Communal Grant in stages throughout Sabah commencing the month of December year 2018. These lands will be sub-divided into lots and given to the beneficiaries of the natives. The Native Title issued for these lots are subject to the following conditions:

- (1) Transfer of this title is prohibited except by inheritance or succession;
- (2) Sub-division, sublease and charge of this title is prohibited; and
- (3) No right or powers granted by this title shall be transferred by the appointment of power of attorney or other means.

Mr. Speaker,

8. Shortly after the current Government took office, several redressal measures to strengthen the management of the State financial resources have been taken. A number of major projects have been reviewed to avoid lopsided agreements, leakages and monopolies to improve implementation and lessen the burden of the Government. This is to ensure benefits of the projects would reach the targeted group and

the general public. The Government has and will endeavour to renegotiate previous agreements to ensure that the interests of the public are safeguarded. Apart from that, we will also continue to negotiate with the Federal Government on Sabah's rights as enshrined in the Constitution and Malaysia Agreement 1963.

Mr. Speaker,

9. The Sabah Government is also very concerned over adverse climate reports from the Intergovernmental Panel on Climate Change (IPCC) which warned of catastrophic consequences in the years to come. Since taking office in May this year, the Government has introduced some strong measures to create a green economy. This includes a ban on the export of round logs in favour of higher value downstream industries and a moratorium on industrial agriculture in state forest reserves.

10. The previous Sabah Government administration is a good example of unsustainable natural resources management. There was too much focus on exploiting the State's natural resources and too little attention paid to its negative consequences. Sabahans are now paying the price for that short sightedness as some communities suffer from flooding due to poor landscape management while others in rural areas continue to be left out of development. We ask that Sabahans bear with our administration as we try to undo the mistakes of the previous Government.

11. Sabah has the capacity to be a carbon sink in line with the findings of the Intergovernmental Panel on Climate Change (IPCC). Fortunately for Sabah, we still possess large tracts of primary forests but our

ambition is to plant and grow more forests to provide safe habitats for our iconic flora and fauna. We are not able to do this alone and thus we welcome the global community to grow this carbon sink together in Sabah to fight climate change.

12. For the information of this August House, Sabah is home to one of the most ancient ecosystems in the world. Protected areas like Maliau Basin and Danum Valley are some of the most important areas for tropical biodiversity globally. In a departure from the previous administration's focus on Totally Protected areas, the new administration is working towards a land use plan that will address the dual needs of development and conservation.

Mr. Speaker,

13. I would like to take this opportunity to congratulate The Right Honourable Prime Minister of Malaysia Tun Dr. Mahathir Bin Mohamad who has been appointed for the second time as the Prime Minister of Malaysia in the new Malaysia era. The Sabah Government appreciates the concern of the Federal Government in providing continuous financial assistance. I would like to thank the Federal Government for providing **RM5 billion** development allocation to Sabah for year 2019. This allocation involved an increase of **RM876 million** compared to **RM4.13 billion** granted in year 2018. Among others, this is for construction and upgrading of infrastructure for water, electricity and road, health and education facilities, the Sabah corridor development and also the continuation of Pan Borneo Highway project. However, as we are still lagging behind in terms of development, in fact, Sabah requires a bigger allocation than that.

14. I would also like to congratulate the Federal Government for formulating socio-economic development policy and strategy under the Mid-Term Review of 11th Malaysia Plan (RMK11), 2016-2020 that is holistic, progressive and inclusive. Apart from increasing investor's confidence, strengthening financial position and addressing critical issues such as national debt, this strategy also emphasizes on efforts to accelerate economic growth and development in Sabah.

PERFORMANCE AND PROSPECT OF GLOBAL AND MALAYSIA ECONOMY

Mr. Speaker,

15. Based on 2018 International Monetary Fund (IMF) October report, the world economy's Gross Domestic Product (GDP) for year 2018 and 2019 is expected to grow at 3.7 per cent. This is due to the moderate growth projection for the advanced economies and also the developing economies and emerging market.

16. After a strong surge in year 2017, the European Union is predicted to experience a modest growth of 2.0 per cent in year 2018 and 1.9 per cent in year 2019. This is particularly contributed by a slowdown in export growth. Set against this backdrop, the US economy is expected to remain robust and projected to expand at the growth rate of 2.9 per cent in year 2018 compared to 2.2 per cent in year 2017 before softening to 2.5 per cent in year 2019.

17. Concurrently, the economic growth in China is forecasted to moderate at 6.2 per cent in year 2019. Meanwhile, India's economy is forecasted to record affirmative growth from 7.3 per cent in year 2018 to

7.4 per cent in year 2019, which is attributable to the country's structural economic reforms.

18. Despite the uncertainty in the global economic environment, the Malaysian economy is expected to grow by 4.9 per cent in year 2019. The country's fiscal deficit is expected to reach 3.7 per cent in year 2018 due to the expenditure commitment by the previous government.

19. As tabled recently at the 2019 National Budget, the Pakatan Harapan Government is committed to reduce the deficit to 3.4 per cent of GDP in year 2019, 3 per cent in year 2020 and 2.8 per cent in year 2021 through the implementation of fiscal consolidation steps. For year 2019, the government's official debt as a percentage of GDP is expected to reach 51.8 per cent while total liability is expected to lower to 73.5 per cent.

PERFORMANCE AND PROSPECT OF SABAH ECONOMY

Mr. Speaker,

20. I am very pleased to inform that the State's economy remains strong and resilient, despite the various economic challenges faced. In year 2017, Sabah's economy recorded robust Gross Domestic Product (GDP) growth of **8.2 per cent** to reach **RM79.9 billion**. In fact, Sabah's economy grew at a faster pace than the national growth of 5.9 per cent in year 2017. The State's economic performance in year 2017 has improved as compared to the previous years as the State's economy is now ranked the fifth largest among all the states in Malaysia. Sabah's income per capita has also increased to RM23,979 in year 2017 from RM21,086 in year 2016.

21. Overall, the encouraging performance of Sabah's economy was contributed by the positive growths of the State's key sectors. The **Services Sector** (including tourism related services and Government services) remained the largest contributor to the State's economy representing **39.9 per cent** of the State's GDP in year 2017. The vibrant and resilient tourism sector continue to be the catalyst for the encouraging performance of the services sector as reflected by the significant growing number of tourist arrivals into the State. The prospect of tourism sector for next year is expected to be bright with the implementation of various tourism programmes by the Government to further develop the tourism sector.

Mr. Speaker,

22. The mining and quarrying sector also contributed significantly to Sabah's economy, contributing **31.3 per cent** of Sabah's GDP in year 2017. In the first seven (7) months of this year, the export value of crude petroleum has grown by 44.2 per cent amounting to RM16.8 billion from RM11.7 billion as compared to the same period last year attributed to higher production volume and bullish higher prices of crude petroleum. Continuous efforts by the Government to intensify activities in existing oil fields such as in deep-water Gumusut-Kakap and Malikai oil fields as well as exploration of more new oil fields will definitely boost the mining and quarrying sector's contribution to Sabah's economy next year and the future.

Mr. Speaker,

23. The agriculture sector continue to be one of the key sector to Sabah's economy contributing **18.7 per cent** of the State's GDP in year

2017. The crop sub-sector which was dominated by oil palm was the main crop cultivated contributing 78.5 per cent to the performance of the agriculture sector, followed by the fisheries sub-sector which contributed 13.3 per cent to the agriculture sector in year 2017. Meanwhile, the forestry and logging sub-sector as well as livestock sub-sector contributed 4.6 percent and 3.6 per cent respectively to the agriculture sector in year 2017. The implementation of the Third Sabah Agriculture Policy which emphasize on modernizing the agriculture sector and increasing the downstream activities in the agro-based industries, increasing productivity and production of premium crops, fishery and livestock production are expected to increase the contribution of the agriculture sector to Sabah's economy next year.

Mr. Speaker,

24. The performance of the manufacturing sector is expected to remain stable. The manufacturing sector contributed 7.3 per cent to the Sabah's GDP in year 2017. The production of crude palm oil and refined palm oil were the key contributors to the animal and vegetables oils and fats sub-sector which contributed 68 per cent to the performance of manufacturing sector in year 2017. Although the production and export value of crude palm oil has slightly decreased during the first seven (7) months of this year, the contribution of the palm oil sector is expected to increase next year as a result of continuous active Government efforts to further boost the production of high value palm oil downstream activities in Palm Oil Industrial Cluster (POIC) Lahad Datu and Sandakan. Measures taken by the Government to temporarily ban export of logs from Sabah is expected to increase the downstream timber industry

activities and increase the contribution of timber based industry to Sabah's economy.

Mr. Speaker,

25. The performance of Sabah international trade will also remain vibrant. In the first seven (7) months of this year, Sabah registered positive trade balance of RM15.2 billion from RM12.6 billion as compared to the same period last year, representing an increase of 20.9 per cent driven by the increase of the State's total export value. In the first seven (7) months of this year, the State's total export value has increased by 11.5 per cent to reach RM33 billion from RM29.6 billion in the same period last year.

Mr. Speaker,

26. Sabah's unemployment rate has been recorded at 5.6 per cent in year 2017 which has increased slightly by 0.2 per cent as compared to year 2016. Among factors contributing to high unemployment in Sabah are job seekers being too choosy in finding jobs, mismatch of qualifications and skills. Nevertheless, the Government is committed to provide more employment opportunities for Sabahans to address the unemployment issues in Sabah. Among others, the Government will provide more skills training for Sabahans so as to become more competitive and employable as well as to encourage more youths to engage in business and be more enterprising. At the same time, the Government is also committed to attract more investment in order to generate more employment opportunities for Sabahans.

Mr. Speaker,

27. Overall, Sabah's economic growth is expected to remain stable in year 2018. Based on the positive growth momentum of key sectors especially the services sector (including tourism sector) and mining and quarrying sector, the Sabah's economy is expected to grow positively by **5 to 6 per cent** in year 2019.

THE 2019 GOALS AND BUDGET STRATEGIES

Mr. Speaker,

28. The 2019 Budget emphasizes on strategies to further improve the State's economic growth, as well as the well-being of the people. Development and economic growth are crucial in generating revenue and wealth of the State. This will further increase the Government income to fund provision of services and implementation of development programmes for the people.

29. It is the desire of the Government under my leadership that benefits of development and prosperity are enjoyed collectively and equitably by all Sabahans. Therefore, all development programmes, planned and to be implemented in year 2019, should be done through inclusive approach, in order to ensure that no one is left out and marginalised in the new Malaysia mainstream development. Hence, overall, the preparation of the 2019 Budget involves distribution of resources to achieve the goals of expenditure strategies as follows:-

- (a) To improve the development of productive sectors, including attracting investments to drive economic growth and generate State revenue;
- (b) To address socioeconomic imbalances and improve people's living standards through inclusive approaches;
- (c) To accelerate the development of quality human capital through increased knowledge, skills, productivity and innovation;
- (d) To develop enablers such as basic infrastructures, utilities and public amenities, including ICT in order to support economic expansion; and
- (e) To strengthen the capacity, efficiency and effectiveness of Sabah Government's management and delivery system.

30. To realize these goals and strategies, the relationship between the budget and the implementation of the planned policies as well as development programmes of the Government will be further strengthened, including coordination between the Sabah and Federal Government. In addition, the Sabah Government will continue to ensure efficiency, control and fiscal discipline. The Government will also implement prudent spending policy, including emphasizing on efficient work culture and integrity towards eliminating wastage and leakages.

THE 2019 BUDGET THEME

Mr. Speaker,

31. Upon taking office, the Government is determined to make changes and bring positive impact on the progress and standard of living of the Sabahans. The main agenda of the current Government is to strengthen revenue collection and income. Should revenue increase, the goal to spur development is most likely will be achieved in a short period of time. I have noticed that there are more revenue that can be collected from existing and new sources. In this regard, I would like to request the cooperation of Revenue Collectors to increase their efforts in achieving the revenue target set in the 2019 Budget amounting at **RM4.27 billion**.

Mr. Speaker,

32. The current Government will also carry out various development agendas and programmes for the well-being of the people. The Government wants to see that all Sabahans enjoy economic benefits, including the development of infrastructure and public utilities so that all walks of life including youth, women, elderly, special people and the general public can easily get jobs or business opportunities, which will create multiplier effect to our economy.

33. With that, the 2019 Budget theme is "**Driving Growth for the People**". In order to realize this theme, the Government proposes a total expenditure allocation of **RM4.16 billion** next year against estimated revenue of **RM4.27 billion**. This would mean a surplus budget involving a sum of **RM105.32 million**, which is important to maintain the State's financial stability. The surplus involves an increase of **RM40.43 million**

or equivalent to **62.31 per cent** compared to the year 2018. This is the highest surplus in the last five years.

THE 2019 TOTAL REVENUE AND EXPENDITURE ESTIMATES

REVENUE ESTIMATES 2019

Mr. Speaker,

34. As I have mentioned earlier, the State revenue collection for the year 2019 is expected to reach **RM4,265 million**. The 2019 estimates show an increase of 2.3 per cent compared to the year 2018 original estimates of RM4,169.2 million. Estimated revenue for the year 2019 is classified into three main categories namely Tax Revenue, Non-Tax Revenue and Non-Revenue Receipts. Of the RM4,265 million revenue collection, RM1,125.6 million or 26.4 per cent is Tax Revenue; RM2,735.9 million or 64.1 per cent is Non-Tax Revenue; and RM403.5 million or 9.5 per cent is Non-Revenue Receipts.

35. Petroleum royalty is expected to remain the highest contributor to 2019 total revenue estimates which accounts for 37.5 per cent with a projected collection of RM1,600 million. This is based on the payments received by the Sabah Government in year 2018 amounting to RM1,606.6 million and is the highest amount of petroleum royalty ever received in the history of Sabah. This amount also exceeds year 2018 estimates of RM1,318 million subsequent to the increase in price and production of petroleum.

36. State Sales Tax on Crude Palm Oil (CPO) which leads in Tax Revenue category, remains the second highest contributor to the State's

revenue. It is expected that the price of CPO could reach at RM2,400 per metric tonne with production of more than 5 million tonne in year 2019. Therefore, the Sabah Government has projected a collection of RM900 million from this source. Meanwhile, revenue estimates for year 2019 on State Sales Tax on lottery tickets are expected to remain the same as the year 2018 estimates of RM60.0 million.

Mr. Speaker,

37. The State Sales Tax (Tax Rate) Order 2014 which allows the Sabah Government to impose tax on fishery commodities which are brought out from Sabah has already been gazetted before. However, tax collection has not started. Due to high number of complaints on insufficient high quality fish supply for local consumption, the Government will commence the collection of sales tax on fishery commodities brought out from Sabah at a rate of 5 per cent beginning next year. Revenue collection from this sales tax is estimated at RM20 million. This tax should not burden the people because it is not impose on local consumption. It should be able to promote Sabah as fresh and quality seafood haven at a reasonable price in this region.

Mr. Speaker,

38. The Non-Revenue Receipts category consists of Federal Government Receipts and Contribution which is estimated at RM403.2 million or 9.4 per cent of the total State Revenue Estimates in year 2019. Examples of receipts in this category are Capitation Grant and Grant to Fund Operating Expenses for Departments under Concurrent List. For information, contributions under this category are only part of the financial funding provided by the Federal Government to Sabah.

39. I would like to congratulate Sabah Ports and Harbour Department (JPDS) that achieve remarkable revenue collection each year. JPDS is expected to collect RM45.8 million as compared to the original estimates of RM33.6 million for year 2018. The increase in revenue collection is due to enforcement on Ports and Harbour Dues which began on 01 June 2018. For next year, JPDS is estimated to contribute RM45.4 million to the State Revenue.

40. The Forestry Department is estimated to contribute RM149.5 million or 3.5 percent of the total State Revenue for the year 2019. However, this amount is slightly lower than last year's estimates. One of the main factors contributing to the decline is the ban on timber exports by the Sabah Government starting from 23 May 2018. Moreover, returns on agro-forestry royalty are also expected to decline as a result of lower prices on oil palm and rubber.

41. It is the responsibility of the Sabah Ministry of Finance to ensure adequate financial resources are available to support budgetary needs for each year. However, it should also be noted that this responsibility should be collectively shouldered by all Revenue Collectors. In this regard, Lands and Surveys Department and Sabah Water Department have been given higher revenue targets for the year 2019. The Sabah Government hopes that this approach will stimulate both departments to increase their efforts in revenue collection including measures to reduce the arrears.

42. We noted that after the revamping and restructuring of Sabah Water Department's administration, **RM66.8 million** of revenue managed to be collected from August until the end of October 2018.

With such administrative and management improvements, the Sabah Water Department is expected to collect revenue of RM330.2 million in year 2019. This amount contributes 7.7 per cent to the total estimated revenue of the year. The increase in revenue collection will facilitate the Government to provide a higher allocation to fund programmes to improve quality, coverage and treated water supply to the rural areas which are still inadequate.

43. Therefore, the Sabah Government has set revenue collection estimates for Lands and Surveys Department at RM285 million for the year 2019. This amount is equivalent to 6.7 per cent of the total State Revenue Estimates. The Wildlife Department and the Veterinary Services Department are expected to collect RM20.8 million and RM4 million respectively in the same year.

44. Interest and Investment Returns are expected to decline with an estimate of RM369.5 million for year 2019 as compared to RM453 million in year 2018. This decline is due to lower dividends received from Statutory Bodies and Government Agencies as well as lower tax refunds from Inland Revenue Board. Contribution from this category represents 8.6 per cent of the total State Revenue estimates in year 2019.

Mr. Speaker,

45. To ensure that 2019 State Revenue target is successfully achieved, cooperation, commitment and initiative from all parties are vitally needed. All Revenue Collectors are advised to study and identify new sources of revenue that can be collected in order to increase State revenue.

SUPPLY EXPENDITURE ESTIMATES 2019

Mr. Speaker,

46. For the purpose of facilitating and strengthening the Government's management, a total of **RM4,159.68 million** is proposed for **year 2019 Supply Estimates**. This amount involves an increase of **RM55.33 million** or **1.35 per cent** compared to the original estimate in year 2018 of RM4,104.35 million. The amount is divided into three parts namely Emolument Expenditure; Recurring Expenditure; and Special Expenditure.

47. Of the total Supply Estimates for year 2019, a total of **RM742.14 million** is proposed for **Emoluments**. This figure recorded a decline of RM21.53 million or 2.82 per cent as compared to year 2018 of RM763.67 million. One of the main reasons is due to retirement of several Sabah civil servants. In addition, recruitment of new officers and staff also involves only the lower payroll category.

48. Meanwhile, **Recurring Expenditure** is proposed at **RM1,371.94 million** for the year 2019. This amount involves an increase of RM71.09 million or 5.46 per cent compared to year 2018 of RM1,300.85 million. This increase is required to cover the operating costs due to the creation of Ministry of Law & Native Affairs and Kalabakan District Office.

49. **Special Expenditure** is proposed at **RM2,045.60 million** for year 2019, increased by RM5.77 million or equivalent to 0.28 per cent compared to year 2018 of RM2,039.83 million. This increase was for the purchase of vehicles and boats; the management of water treatment plant under Outsource Contract; purchase of water and expenses

related to water privatization; as well as contributions to the Development Trust Fund of **RM800 million**. An amount of **RM380 million** is further allocated to increase contributions to the Sinking Fund to enable bond repayment which will matured by the end of year 2019.

DEVELOPMENT EXPENDITURE ESTIMATES 2019

Mr. Speaker,

50. State Development Expenditure is one of the main sources or factors needed to drive the state's economic growth. This expenditure is distributed and controlled through the Development Budget. Allocation for this purpose is derived from contributions of the State Supply Expenditure as well as Federal funds in the form of grants and loans.

51. I propose that **RM934.68 million** to be allocated for Development Expenditure. This amount comprises of **allocation from the Sabah Government** amounting to **RM695.39 million** and from **Federal Government** with a total amount of **RM239.28 million**. The Federal allocation consists of the Federal Reimbursables amounting to **RM59.53 million** and the Federal Loans of **RM179.75 million**.

52. In line with 2019 Budget Theme, the development allocation will focus on Economic sector as the largest recipient of **RM470.07 million** or equivalent to **68 per cent**. This is then followed by the **Social Sector** with allocation amounting to **RM208.03 million** or **30 per cent** and subsequently the **General Administration Sector** of **RM17.29 million** which is equivalent to **2 per cent** of the total development allocation.

FURTHER DEVELOPMENT ON THE PRODUCTIVE SECTORS

Mr. Speaker,

53. Sabah is known for its wealth on natural resources such as vast land for agriculture, forests, islands, beaches, fauna and flora, as well as oil and gas. These resources can be exploited for the benefit of the people, but must be utilized optimally and managed sustainably so that it could be enjoyed by the present and future generations.

54. In order to drive economic growth to a greater height, the Government will continue to emphasize on its effort to further develop the main economic sectors such as **agriculture, tourism and industry**. The growth of these sectors must be supported by infrastructure and quality public amenities; knowledgeable, highly skilled human capital with integrity; advanced science and technology; as well as efficient and effective Government delivery system. Therefore, the Sabah Government has allocated a total of **RM926.73 million** to boost economic growth to further develop the agriculture, tourism and industrial sectors for year 2019.

AGRICULTURE SECTOR

Mr. Speaker,

55. Agriculture is one of the main productive sectors of Sabah's economy. Besides being the third largest contributor to the state's GDP at **RM14.93 billion** in year 2017, this sector is also important in terms of employment. During that year, there were **570,300 workforce** involved in this sector in Sabah. This sector also serves as food provider to about

3.86 million people, including supplying raw materials for export and for agriculture-based industries in Sabah. Overall, a total of **RM534.85 million** will be allocated to develop the agriculture sector next year.

56. For the year 2019, the Sabah Government allocates **RM142.89 million** to the Department of Agriculture to continue and increase sub-sectorial crops in Sabah. The purpose of this allocation is for development of crops; extension of services; R&D; training; accreditation and programmes related to Good Agricultural Practice for myGAP and myOrganic Certification; enforcement and quarantine; farm entrepreneurs and downstream industries; subsidies as well as incentive for producing agricultural produce.

57. Focus is given on increasing food crops production, especially rice, fruits and vegetables. In line with the slogan "Agriculture Is a Business", the Government will give priority on the planting of MD2 Pineapple, MATAG and Tacunan coconut, *Pisang Sabah* and *Musang King Durian* as these crops have potential in local and export markets. *Musang King Durian* has been identified as a new cash cow at the national level as it can generate high returns especially when exported. At the same time, cash crops such as sweet potatoes, peanuts and coffee are also emphasized to meet the needs of the people and local processing industries, such as the well-known *Kopi Tenom*.

58. To overcome the issue on scarcity of land for agriculture use, the Government has and will develop more Permanent Food Production Parks (TKPM). Besides the existing 3 (three) TKPM, there will be another TKPM which is expected to start operation in year 2019 namely TKPM Masilou at Kundasang, Ranau.

59. The Sabah Government will also allocate **RM19.24 million** to manage and implement rural agricultural development programmes under the Rural Development Corporation (KPD) in year 2019. The allocation is needed to continue the implementation of 24 development projects involving 3,517 project participants throughout Sabah in the same year.

60. Mushroom produce, especially Shiitake Mushroom is synonymous with KPD. Efforts over the past few years, have made Sabah proud of its fresh mushroom produce. In this regard, the Sabah Government has given allocation to KPD to develop the *Mushroom Information Centre Moyog* and *Kimanis Mushroom Centre*, which are expected to be fully operational in year 2019. These centres not only serve as a reference, training and research centre for mushrooms but will also be a tourist attraction with a concept of product-based agro-tourism.

61. KPD is also famous for its three honey bee's production namely Borneo Tropical Honey, Borneo Wild Honey and Borneo Trigona Honey. KPD will receive four certifications namely Halal Certificate; MesTi; ISO 9001: 2015; and Good Manufacturing Practices this year which is expected to further strengthen its honey production in the market next year.

62. A total of **RM35.16 million** is allocated to Sabah Rubber Industry Board (LIGS) to manage and implement rubber development programmes in year 2019. The agency will develop new areas for planting and replanting involving 5,016 hectares of land and 1,483 smallholders throughout Sabah next year. Besides that, LIGS will also continue the maintenance of rubber plantation areas which had been

developed in year 2014 to 2018 with a total area of 23,076 hectares and involving 7,484 smallholders.

63. To further enhance the development of the fisheries sector, the Government will allocate **RM34.81 million** to the Fisheries Department and **RM12.9 million** to Ko-Nelayan in year 2019. The allocation will be spent on the development of fishery commodities, including the production of freshwater fish and marine seed; management and protection of fishery resources; monitoring and extension services; R&D; training; certification; enforcement and quarantine; aquaculture development; entrepreneurship and downstream industries; as well as incentives for fishery produce. In addition, Ko-Nelayan also provides basic infrastructure facilities in the fisherman's villages that have been identified; credit assistance schemes; and upgrading of ice plants in Kudat and Lahad Datu to fulfil the fishermen's growing needs.

Mr. Speaker,

64. Livestock sector is also important in agricultural development in Sabah in which tremendous successes have been achieved in several segments. For example, we have reached 100 per cent self-sufficiency in eggs, chicken and pork, as well as fresh milk production, in which Sabah is now able to export abroad. However, there is still a need to enhance our effort to develop ruminant farms to meet the needs for red meat which is still currently at a low level.

65. For the year 2019, the Government will allocate RM68.09 million to the Department of Veterinary Services for the purpose of managing and implementing livestock development programmes and to provide veterinary services. During the year, the Government will continue to

emphasize the development of the dairy programme, entrepreneurship development and downstream industries. The Dairy Transformation Programme which has started in RMK11 will continue next year with dual purposes that include supply of raw materials to milk-based products processing industry as well as by-products (such as goods made from animal skin) and the demand for production of calves about 27 to 30 per cent for domestic beef production.

66. Besides that, this allocation will also be utilized for enforcement activities; biosecurity; certification at the farm level and processing centre; control and eradication of livestock diseases; quality breeding production; establishing nucleus estates for buffalo farm; domestic livestock feeding programme (such as fodder, pasture and cereal); and the development of grazing areas in various districts in Sabah.

Mr. Speaker,

67. The Department of Irrigation and Drainage (DID) plays an important role in providing irrigation and drainage infrastructure for agricultural activities, particularly cultivation of paddy and highland vegetables. For this, the Government will allocate approximately **RM3.01 million** in year 2019, in addition to the **RM19.11 million** of Federal Reimbursables in the same year. This allocation will be spent among others on minor repairment works on paddy fields and Drainage Plans in various districts in Sabah; Irrigation and Drainage Plans in the district of Kota Belud and Kuala Penyu.

68. The Government would like to express its appreciation to the Federal Government for its approval to continue developing Kota Belud paddy field. Currently, DID is in the midst of carrying out infrastructure

work in the district involving a cost of **RM340.0 million** until year 2020 for the purpose of increasing yields of 5,000 hectares of paddy fields.

TOURISM SECTOR

Mr. Speaker,

69. The tourism sector plays a vital role in the development of the state's economy. Besides contributing to economic growth, this sector also benefits from foreign exchange and provides job opportunities. The Sabah Government will continue to give priority to the tourism sector development as it can generate high multiplier effects on the economy. To further develop the existing eco-tourism sector, the Sabah Government is keen to explore the potential of tourism industry development based on strengths and existing resources such as health and selected sports fields.

70. We are very fortunate that Sabah is endowed with pristine nature and the beauty of flora and fauna. Tourists from around the world come to visit Sabah for its tourism assets such as islands, beaches, forests and mountains as well as the amazing marine resources. To attract more tourist arrivals, the Sabah Government will intensify promotion and marketing; develop new products; improve the quality of existing products and services; exploring high potential tourism destinations especially at the district level; and attracting more investment in this sector. These efforts are expected to increase the number of tourist arrivals and investors to Sabah next year.

71. Overall, an amount of **RM229.89 million** is allocated for tourism development. This amount includes relevant allocations under the

Department of Forestry, Sabah Biodiversity Centre and other departments or agencies that contribute to the tourism sector development.

Mr. Speaker,

72. It is also my pleasure to inform the August House that for the first seven months of year 2018, tourist arrivals recorded an increase of 5.3 per cent to reach 2.22 million people compared to the same period last year of 2.11 million people. This high visitor arrivals are estimated to contribute to tourism receipts worth RM4.81 billion, with an increase of 8.0 per cent compared to the same period in last year of RM4.46 billion. Tourist arrivals in year 2018 consist of 1.42 million domestic visitors and 800,000 foreign visitors.

73. Of the total arrivals, 360,000 tourists are from China, an increase of 45 per cent compared to last year, followed by South Korea with a total of 191,000 and Taiwan, 31,000. While, the remaining 218,000 tourists are from other countries.

74. Currently, Sabah can be connected to 24 international destinations involving 10 countries through 216 direct flights with 37,210 seating capacity per week. Among the destinations include Brunei, Hong Kong, Shenzhen, Shanghai, Changsa, Tokyo, Seoul, Jakarta, Manila, Bangkok, Singapore and Perth.

75. At the same time, the Sabah Government will also continue to empower the existing eco-tourism sectors in Tawau, Semporna, Lahad Datu and Sandakan. Besides that, efforts will also be enhanced to

promote and develop rural tourism products. For example, hiking and trekking activities in Kadamaian, Kota Belud that have attracted foreign tourists, especially from China, Korea and Europe.

76. To support the development of eco-tourism, the Sabah Government also provides an allocation of **RM57.65 million** for environmental care, wildlife protection and heritage parks as well as marine management. The Sabah Government is committed to protect and preserve wildlife by increasing the creation of Wildlife Corridor (corridor of life) for next year. This is very important to enable free and safe movement of wildlife as well as to avoid local extinction due to inbreeding. At the same time, this measure can reduce and prevent wildlife from entering agriculture farm and protected forest reserves. Besides that, the Sabah Government will increase collaboration with NGOs and plantation companies in habitats intervention.

Mr. Speaker,

77. Beginning year 2019, certification will be given to heritage sites and objects or any living person identified as Sabah Heritage. Buildings, monuments, ancient and historical sites that have been identified will be gazetted as Sabah Heritage before being elevated as National Heritage in accordance with the requirements of the State Heritage Enactment 2017. Through this process, the Sabah Government will have discretion to nominate any Sabah Heritage to a higher level such as National Heritage and World Heritage.

78. To preserve the diversity of cultural heritage and beliefs of 32 ethnics and 217 sub-ethnics in Sabah, the Government is committed to ensure sustainability of our cultural heritage to be continuously relevant

in cultural tourism. The heritage will be patented as Ethnic Intellectual Property to ensure the ownership remains with the ethnic group. The publication of cultural and heritage materials will be increased from year to year in order to empower the young generation with the original culture of the Sabah community.

INDUSTRIAL SECTOR

Mr. Speaker,

79. Another productive growth sector important to Sabah is the industrial sector. In year 2017, this sector contributed 7.3 per cent or equivalent to **RM5.22 billion** of the GDP. Contribution from the manufacturing sector to Sabah external trade also remained significant at RM2.58 billion, which is 6.23 per cent of the State's external exports amounting to RM41.38 billion. Sabah's major trading partners or export markets in 2017 are Peninsular Malaysia; India; Australia; China and Singapore, among others.

80. Sabah achieved investment value of RM785.24 million in year 2017, largely contributed by domestic investment. This shows that there is a positive development to the Government's efforts in intensifying value-added activities among local entrepreneurs and investors. In the same year, the manufacturing sector also managed to provide employment to 157,400 people in Sabah.

Mr. Speaker,

81. The Government is now aiming to further increase value-added activities in Sabah with the target to enhance the manufacturing sector

contribution to GDP from 7.5 per cent to 35 per cent in the shortest possible time. The Government is also aiming to increase exports of manufactured products in order to increase the number of cargoes from 270,000 TEUs to 500,000 TEUs per year.

82. To achieve this goal, the Sabah Government will further emphasize on introducing more effective strategies and initiatives. Focus will be on improving productivity and competitiveness of local products, which need to be supported by R & D activities, innovation and competency on relevant science and technology. Among the key strategies are: -

- (1) To continue providing quality infrastructures and utilities to existing industrial parks in Sabah so as to reduce logistic costs. This includes continuation of Sepanggar Bay Container Port construction and the planning of railway system network in Sabah;
- (2) To increase two-way direct flights from Kota Kinabalu to various selected countries to facilitate exports by air cargo;
- (3) To plan the establishment of Digital Free Trade Zone (DFTZ) in KKIP and the East Coast;
- (4) To promote the development and usage of technology, driven by Industry Revolution (IR) 4.0;
- (5) To formulate comprehensive business plans for investment projects that need to be developed and to set up a professional

investment consultant team to represent the Sabah Government as to gain investors' confidence; and

- (6) To develop a workforce that meets industrial needs, empowering small and medium industries (SMI); and further enhance the effectiveness of the Government's delivery system.

Mr. Speaker,

83. To attract investment and promote further growth in the industrial sector, the Government will also introduce a number of new incentives. Among them are reduction on land premium rate due to change in land use from agriculture to manufacturing. Premium rate of land acquisition for manufacturing purposes will be reduced from 70 per cent to 60 per cent of the market price for the undeveloped industrial land. Meanwhile, conversion premium rate from agriculture to manufacturing will be reduced from 15 per cent to 10 per cent based on 70 per cent of the market price for the undeveloped industrial land.

84. In addition, the State Government will also reduce the annual quit rent from 1 per cent to 0.75 per cent of the market value for manufacturing industry land development. This incentive will take effect from 01 January 2019 and is meant for the development of new manufacturing industry which can provide at least 100 job opportunities to the locals.

85. The Government will also intensify efforts to attract more investments in the manufacturing sector in Sabah, by giving focus on resource-based downstream industries such as oil and gas as well as

agricultural produce, especially oil palm and other potential fields. Thus, the Government will attract private companies to invest in potential industries such as furniture, automotive and Maintenance, Repair and Overhaul (MRO) industry that are highly needed to support the aviation industry in Sabah.

86. In line with the Government's desire to further intensify the development of industrial sector, the Government has allocated **RM162.01 million** in year 2019. This includes an allocation of **RM33.24 million** to the Ministry of Trade and Industry as well as its departments and agencies in order to drive the growth of industrial sector, to enhance promotion, to attract more investments and to stimulate the development of trade activities in Sabah next year.

ENABLERS DEVELOPMENT

Mr. Speaker,

87. The Government prioritizes development of enablers, which is important to ensure development plans and programmes achieve its targeted goals. This includes provision of infrastructure such as roads; basic utilities for example water and electricity supplies as well as ICT in the urban and rural areas. Quality facilities and infrastructures are enablers to increase people's mobility and to support more efficient productive sectors towards achieving greater social development and economic growth. In this regard, I would like to inform the August House that the Sabah Government will play a bigger role in providing essential basic facilities such as water and electricity supply effectively. The

current Government must take charge and shoulder this responsibility for the sake of our beloved people.

88. In this regard, under the 2019 Budget, the Sabah Government will continue to focus on development programmes comprising roads, slopes, bridges, public transportation, railway services; ports and harbour; water supply and sewerage; drains and channel. The Government proposes a substantial allocation amounting to **RM1,254.9 million** for this sector next year. Of this allocation, **RM1,000.94 million** will be distributed to the Ministry of Infrastructure Development while the remaining balance will be allocated to Kota Kinabalu City Hall (DBKK), Local Authorities (PBT) and various departments under other ministries which involved in infrastructure facilities development.

Mr. Speaker,

89. For next year, a total of **RM250.12 million** will be allocated to the Public Works Department (JKR) to implement **programmes on road development, slope repairs, government buildings and public transportation**. Road development programmes will include construction and upgrading of roads in urban and rural areas, including agriculture, tourism and industrial areas in several districts in Sabah.

90. In year 2019, JKR will carry out among others the following programmes:-

- To build and upgrade roads in Kota Kinabalu, Sandakan, Tawau and other roads in small town with an allocation of **RM31.0 million**;

- To address traffic congestion by implementing traffic management and traffic safety programmes with an allocation of **RM4.7 million**;
- To construct government buildings with an allocation of **RM3.96 million**. This includes construction of a government house in the sub district of Tungku; two government quarters; a rest house in Paitan; additional buildings in Kunak District Office; as well as JKR Complex in Telupid;
- To study, design and build two bridges at Jalan Tun Fuad and Sg. Telangkai, Nabawan with an allocation of **RM5 million**;
- To complete the construction of two slopes at KM 2.3 Jalan Penampang Lama and KM10.70 Jalan Ranau-Tambunan with an allocation of **RM3.4 million**; and
- To implement repair works in pump stations, sewage treatment plants and sewerage pipelines in several districts throughout Sabah with an allocation of **RM43.45 million** under the Sabah Government and **RM69 million** under the Federal Loans in year 2019.

Mr. Speaker,

91. Water is the basic and most crucial necessity for all. Aside from daily usage, water is important to support economic activities. Therefore, the Government has given high priority for the development and

provision of water supply to the people. The Government is aware that many people, especially in the rural areas have yet to enjoy clean and treated water supply.

92. The current Government is sensitive and attentive towards the hardship of the people. Therefore, in order to improve the quality and coverage of water supply in Sabah, the Government will continue to enhance the services and implementation of related development programmes such as water treatment plants and dams, including addressing issues on Non-Revenue Water. For the year 2019, the Sabah Government has allocated **RM636.69 million** to the State Water Department for the purpose of its operation and implementation of development programmes. In addition, the Government will also provide an allocation of **RM76.27 million** which is funded through Federal Loan in the same year. Other programmes that will be implemented under the State Fund include:-

- Special Water Supply Programme at a cost of **RM130.0 million**;
- Programmes to reduce Non-Revenue Water at **RM9.0 million**;
- Emergency or Contingency Works for Water Supply throughout Sabah with an estimated cost of **RM7.0 million**;
- Programmes which includes upgrading of main pipeline, distribution and reticulation; pipe connection; and construction/upgrading of treatment plant and intake points at a cost of **RM9.45 million**; and
- Improvement on water quality programme at **RM5.5 million**.

93. The Government will also further enhance the development and quality of railway services. In year 2019, a total of **RM42.33 million** will be allocated to the Sabah State Railways Department for its operation and implementation of development programmes. Of the operating allocation, a total of **RM14.53 million** will be allocated for the purpose of addressing landslide and other infrastructure as well as for maintenance and machinery engineering. This is important in ensuring that railway services are always satisfactory and safe for passengers. Meanwhile, the development allocation of **RM8.05 million** will be utilized among others for upgrading of railway tracks programme and locomotive acquisition.

Mr. Speaker,

94. In year 2019, the Sabah Government has also allocated **RM20.54 million** to the Sabah Ports and Harbour Department for water ways traffic and safety control as well as development of port facilities. Operating allocation will be spent on maintenance of port facilities throughout port limits in Sabah such as public landing jetties; existing navigation aid structures; Barter Trade jetties; and traffic control towers. Whereas, development allocation will be spent for the following programmes: -

- Installation of remote monitoring system for navigation aids and estuary beacons at ports limit waters area of Semporna;
- Construction of ships and multipurpose boats to support and monitor marine and port activities, particularly in Compulsory Pilotage Areas; and

- Upgrading existing port facilities at Menumbok Ferry Terminal and public landing jetty in Sipitang ports limit waters area.

Mr. Speaker,

95. The Government through the Ministry of Local Government and Housing (KKTP) will continue to assist Local Authorities, and Kota Kinabalu City Hall in implementing infrastructure development and public utilities programmes. For year 2019, KKTP is allocated **RM94.48 million** for its operation and development programmes which among others are for the provision of various infrastructure facilities such as food courts, public markets and landscaping, including construction of administrative offices, as well as infrastructure development in new township areas.

96. The Government will also allocate **RM127.31 million** to the Department of Irrigation and Drainage for the purpose of developing drainage infrastructure in the urban and rural area to prevent or address flooding issues and to prevent rivers and shores erosion. The programme, among others, which will be implemented in 2019, includes the Flood Mitigation Prevention Plan in Sungai Tawau, Tawau and Sungai Petagas Kg. Sendil, Putatan; and drainage plans in Kota Kinabalu, Penampang and Tawau; as well as drainage plan in Kudat, Beaufort, Taman Jumbo Putatan and Tenom.

HUMAN CAPITAL DEVELOPMENT

Mr. Speaker,

97. The Government believes that human capital is the ultimate asset and is of great value to Sabah. We need to learn from developed countries such as Japan, China, Korea, and Singapore that give priority to human capital development. These countries have achieved high level of success as they have developed workforce that is not only skilled in various fields but also high in personal values and ethics.

98. Thus, to develop Sabah with greater excellence, we need to have passion and willingness to invest in order to produce human capital that is knowledgeable, highly skilled with positive and high moral values. In this regard, Government desires an intellectually, physically, and spiritually balanced human capital based on our faith to God. With a more competent and innovative human capital, Sabah will have human resources that could spark new ideas and initiatives in socioeconomic activities. High quality human capital is crucial for nation building and upholding the people as well as the *ummah*. This would enable us to face challenges and solve various problems arising from economy, social and politics.

99. In order to realize the aspiration, the Sabah Government has allocated **RM238.37 million** for the development of human capital, religious and infrastructure support in year 2019. The Sabah Government is committed to develop human capital, evidenced by the setting up of the **Ministry of Education and Innovation**. The Ministry will develop policies, strategies and implement development

programmes to improve and enhance further the learning and education level in Sabah.

100. As education is under the authority of the Federal Government, any initiatives to be introduced will be negotiated and implemented through close collaboration with relevant ministries at the Federal level. The Sabah Government hopes that with this Ministry, pertinent issues such as schools in poor condition and in dire need of basic facilities can be brought to the attention of the Federal Government for prompt and effective action.

101. Besides, I would like to draw the attention of this August House that the Government has also increased its allocation for Scholarship, Bursaries and Financial Assistance for student. This allocation that is now placed under the Ministry of Education and Innovation has increased by **RM15 million** to **RM52 million** in year 2019 compared to RM37 million in year 2018. The Government hopes that the additional allocation will enable more Sabahans to pursue higher education and training locally and internationally with priorities given to critical fields such as Science, Technology and Mathematics. This group will be the next generation to meet the needs of the market and industry as well as future leaders.

102. For the information of this August House, the Sabah Foundation (*Yayasan Sabah*) has also provided one-off allocation amounting to RM10 million for this year to ease the burden of students from Sabah who are pursuing higher education. Such assistance will be continued and increased in the future if situation permits.

103. Next year, the Government will also continue the implementation of related programmes which among others are as follows: -

- Operation and development of Islamic affairs including religious school and mosque under the Sabah Islamic Religious Affairs Department (JHEAINS) with an allocation of **RM95.34 million**;
- Development of religious and non-muslim institutions as well as missionaries and private schools are allocated **RM35 million**. I am also pleased to inform this August House that the Government has now increased the allocation for missionaries and private schools from **RM12 million** in year 2018 to **RM15 million** in year 2019. This is in line with the aspiration to provide a more equitable allocation to Sabahans of various races and religions who also pay taxes to the Government;
- Training and ICT related courses under the State Computer Services Department is allocated **RM20.80 million**;
- Development and operation of library services including rural library and mobile library amounting to **RM40.38 million**;
- Implementation of various training programmes and skills courses under Human Resources Development Department and Ministry of Education and Innovation are being allocated **RM145.74 million**; and
- Implementation of various courses related to agriculture, fishery and livestock farming at training institutions of departments and

agencies under the Ministry of Agriculture and Food Industry with an allocation of **RM5.27 million**.

IMPROVEMENT OF WELL-BEING AND WELFARE

Mr. Speaker,

104. In line with the 2019 budget strategy, the Sabah Government emphasizes on efforts to reduce socioeconomic gap which is still in existence. Hence, the Government will continue to implement people centric programmes such as welfare and socioeconomic development which specifically focus on the underprivileged and hard core poor people listed and verified in the E-Kasih system. For that purpose, a sum of **RM518.42 million** will be allocated to various ministries to implement programme to improve welfare and people's wellbeing.

105. The 2016 Household Income Survey (HIS) Report shows that the rate of poverty in Sabah has decreased to 2.9%. However, overall, in year 2018 Sabah still ranked the third highest among the states with a total of 73,754 poor people compare to Kelantan (157,845) and Sarawak (138,006). In addition, Sabah has the highest number of hard core poor people in Malaysia with a total of 93,119.

106. The Government aspires to reduce the poverty rate in Sabah to less than 1.0 per cent by year 2020. Thus, the Government is committed and will strive to eradicate poverty. Hence for next year, a sum of **RM309.73 million** will be allocated to various ministries including the Ministry of Rural Development of Sabah (KPLBS) to implement various

programmes for income generation and poverty eradication for the targeted group.

107. In year 2019, the KPLBS among others will continue to improve *Mini Estet Sejahtera* (MESEJ) projects throughout Sabah in three main areas namely economic, infrastructure and human capital, in order to enhance the quality of life and the income of MESEJ participants. In addition, various activities under *Program Peningkatan Ekonomi Setempat dan Pembangunan Modal Insan* will be coordinated and implemented especially in districts with high poverty rate.

Mr. Speaker,

108. The Ministry of Agriculture and Food Industry (MAFI) together with relevant departments and agencies will implement development programmes aiming at generating and raising income of farmers, smallholders, breeders and fishermen. For example, KPD will continue its diversified processing programme and contract farming projects with an allocation approximately **RM19.23 million** in year 2019. This allocation is expected to benefit approximately 1,200 participants in the rural areas.

109. The Government continues to subsidise purchase on milk to raise income of dairy cattle breeders throughout Sabah. A sum of **RM15.15 million** is allocated under the 2019 budget to purchase approximately **10 million litres of milk a year**. This will benefit dairy cattle breeders all over Sabah.

110. Apart from that, a sum of **RM16.5 million** will be allocated next year for **subsidy on paddy-ploughing** which is expected to benefit

37,281 farmers in 21 districts throughout Sabah. This incentive is aimed to encourage farmers to plant paddy and to reduce their cost in cultivating paddy fields and also unutilized land in rural areas.

111. Besides, I am very concerned with farmers who planted hill rice in various district such as Ranau, Tambunan, Keningau, Kota Belud, Sipitang, Pitas and Kota Marudu. Undoubtedly, hill rice is a staple food especially among the local ethnic population which can be developed as a premium exotic product and become a source of income to farmers due to higher prices, taking into account that hill paddy has high nutritional value. Research shows that hill rice such as Brown Rice has among others, high content of protein, fibre and low starch as well as 31 types of minerals and 14 types of vitamins. Thus, these benefits can be promoted for healthy eating habits among the Sabahans and our country in general. Therefore, for a start, the Government has approved **RM5 million** under Special Allocation for the purpose of assisting hill paddy farmers in year 2019 which will benefit 18,400 registered paddy farmers in Sabah.

112. At the same time, the Sabah Government is also giving assistance to standardize the price of rubber between Sabah and the peninsular Malaysia. With this, the Sabah Government will allocate a sum of **RM20 million** in year 2019 to benefit approximately 32,000 rubber small holders to enjoy higher return and income.

113. In addition, the Government gives Special Allocation, with a sum of **RM20 million** for seeds, fertilizers and seedlings assistance to qualified farmers that require initial capital for agricultural activities.

Mr. Speaker,

114. The Government gives emphasis on the importance of welfare delivery to the underprivileged and the needy. For year 2019, a sum of **RM51.30 million** is allocated for welfare assistance to senior citizens; single mothers; orphans, poor and needy; disabled; and disabled patients or patients with chronic illness. The allocation is expected to benefit approximately 59,000 people.

115. I will instruct the Ministry of Health and People's Well-Being to study from time to time the welfare system delivery for needy people as it is important to ensure that the assistance reaches the target group. Apart from that, society development programme including rehabilitation and training for disabled children will continue to be implemented in order to assist them to be independent and to generate income.

116. The Government is concerned about the financial burden on school expenses faced by parents especially the lower income households. Hence, the Government will continue to provide assistance such as school uniform and stationery to ease the family's burden and thus encourage them to send their children to school. For year 2019, Sabah Government proposes an allocation of **RM12.6 million** to continue the said programme which is expected to benefit approximately 276,000 pupils in 1,072 primary schools in Sabah.

Mr. Speaker,

117. Among the purpose of setting up the Ministry of Health and People's Well-Being is to improve health services to the people. Visits by Government officials to health centres such as clinics and hospitals

found that there are lack of facilities that caused inconvenience to the patients, staff and health officers. In this regard, the Ministry is given the responsibility to monitor the situation and the level of health services in Sabah so that all related critical issues may be raised and appropriate actions can be taken by the Federal Government.

118. The Government is also concerned about the needs for health screening and treatment for the people in remote areas where accessibility by road is limited. Hence, it is important that the flying doctor service be revived. I understand that the Federal Government is in the midst of reactivating the service and the Sabah Government will provide assistance, whenever needed.

119. As it is commonly known, family is the most important element in society. Thus, Ministry of Health and People's Well-Being will continue to organize *Program Kepentingan Pengukuhan Institusi Keluarga* (Family Institution Strengthening Programme). In this context, the Ministry will work closely with Sabah State Health Department in planning and implementing health education programme to give awareness on the importance of healthcare and prevention of infectious diseases. To achieve this goal, I suggest both parties to work hand in hand with the Federal Government.

Mr. Speaker,

120. In line with the desire to create a harmonious and peaceful environment in our society, the Government has established the Ministry of Laws and Native Affairs. The Government believes that this could contribute to the welfare and well-being of the people, especially when the freedom of religion and the native's rights are protected in

accordance to the Laws and Constitution. Thus, the Government has allocated **RM141.01 million** for the Ministry and its departments as well as agencies such as the Sabah Islamic Religious Affairs Department (JHEAINS); MUFTI office; Sabah Islamic Religious Council (MUIS); Baitulmal Corporation; and the Native Affairs Department to achieve this goal.

Mr. Speaker,

121. The Government does not neglect the housing needs for the lower income group. Hence, the Government plans to provide more affordable and medium cost housing in the future. Next year, a sum of **RM83.68 million** is allocated to the Ministry of Local Government and Housing as well as various departments and agencies which directly involve in housing development in Sabah. The Ministry shall work closely with all relevant parties such as Housing and Town Development Board (LPPB), Local Authorities, Town and Regional Planning Department, Lands and Surveys Department and relevant Government agencies and private companies in realizing the Government's aspiration.

WOMEN, YOUTHS AND SPORTS EMPOWERMENT

Mr. Speaker,

122. The Sabah Government appreciates and recognizes the role and contribution of women. Without them who give birth, raise, and nurture the new generation, we would not have heirs and successors to continue the survival of a nation. Men and women are partners in developing and

administering our State. Therefore, the Sabah Government wants to ensure that they too get equal opportunity and benefit from the State development.

123. Therefore, the Government allocates **RM78.74 million** for the development of women in Sabah through various programmes and activities. This includes, among others, microcredit facility for business purposes by Yayasan Usaha Maju; Entrepreneurship Development Programme for single mothers and women living in poverty; Gender and Equality Development Programme; Legal Aid Centre for women as well as the Women of Substance Programme under the Sabah Women's Affairs Department (JHEWA).

124. We also take note that the Sabah Women's Affairs Department (JHEWA) in collaboration with the Sabah Women Advisory Council (MPWS) have successfully prepared the **5 Year Women's Development Master Plan, 2018 - 2023**. The plan covers women's development agenda in Sabah in various fields. Among others, Socio-economic including entrepreneurship; Education; Health; Laws; Media; Decision Making; Gender Inclusiveness and Equality; Environment; Sports; and Religion.

Mr. Speaker,

125. Youths aged 15 - 40 years old are the assets and catalysts for nation building. In line with related policy goals as well as the **Sabah Youth Development Strategic Plan, 2016 - 2030**, the Sabah Government will emphasize the development of human capital among youths and efforts to feature their potential and strength. It is hoped that these will invigorate youth effectively and more dynamically with the Self

Development Domains (*Domain Pembangunan Kendiri*) that encompass personality excellence, spiritual excellence, soft skills as well as entrepreneurial skills and expertise. In year 2019, the Ministry of Youths and Sport will be allocated **RM103.09 million** to manage and implement youth development programmes including sports in Sabah. In line with the manifesto, the Sabah Government also allocates **RM24.45 million** for **special fund and loan** for entrepreneurial development including for the youths. The Government is confident that this provision will also help to encourage the activities of Small and Medium Enterprises in Sabah.

Mr. Speaker,

126. I would like to highlight our success in sports. The victorious winning of 32 gold medals and the Best Male Athlete award at the 19th SUKMA Games in Perak this year was the best achievement of the Sabah contingent since year 2002 SUKMA. *Pencak silat*, weightlifting, diving, karate, yacht, tenpin bowling, boxing and rugby achieved gold medal target.

127. **Eugenius Lo Fohh Soon** from Penampang, an archery sports athlete, won four gold medals in individual events, broke two SUKMA records and equalized a national record, was crowned SUKMA Best Male Athlete in Perak this year. Meanwhile, **Andre Anura @ Anuar** from Tenom has ended gold medal drought in track and field event after winning the gold medal in triple jump that also broke the SUKMA record.

128. In the year 2019, the Government will continue to empower sports development through implementation of the Sports Development Strategic Plan 2016-2030 by focusing on high performance sports programme, sports industry and mass sports activities.

GOVERNMENT AGENCY ACHIEVEMENT AND DEVELOPMENT PROGRAMME

Mr. Speaker,

129. Statutory Bodies and Sabah Government Agencies are part of the implementation machinery of Sabah Government policies, particularly in socio-economic and commercial aspects. As such, it is important for government agencies to ensure that organizations are on track to achieve their objectives and generate returns to the Sabah Government. For the year 2019, the Government will contribute **RM170 million** to the State Statutory Bodies and Government Agencies.

Mr. Speaker,

130. Many agencies have performed well and paid dividends to the Sabah Government annually. I would like to thank the Statutory Bodies and agencies that have paid dividends such as Sabah Credit Corporation; Sabah Development Bank Berhad; Warisan Harta Sabah Sdn. Bhd.; Sabah Energy Corporation Sdn. Bhd.; Progressive Insurance Berhad; Saham Sabah Bhd.; KKIP Sdn. Bhd.; Desa Plus Sdn. Bhd.; Desa Lestari Sdn. Bhd.; Suria Capital Holdings Sdn. Bhd.; Borneo Development (Sabah) Corporation Sdn. Bhd.; Sawit Kinabalu Sdn. Bhd.; Sabah International Dairies Sdn. Bhd.; dan Korporasi Pembangunan Desa.

131. The Sabah Government deeply appreciates achievements and contributions of the Government agencies, however, there are still rooms for improvement in the management of organization. Government agencies need to review their directions to ensure that the organization

does not deter from the original objectives. Apart from that, merging of subsidiaries would be implemented to strengthen company as well as to avoid leakages and wastages of resources. I would like to also call upon all Government agencies who have problems or suffer losses to take the initiative to revive their respective agencies. I also urge agencies to repay debts such as loans, related charges/levies on land (including sub-divisions) and utility bills. In addition, all board members in Government agencies must adopt clean, efficient and trustworthy in carrying out their responsibilities.

Mr. Speaker,

132. The Government's initiative to organize annual course since year 2011 for members of Board of Directors in Statutory Bodies and Government Agencies have brought positive impact on good corporate governance. In this year's course held on 1st and 2nd October 2018, with the theme "Authoritative and Dynamic Board", I highlighted several issues including restructuring or merging of non-performing agencies to strengthen the function and role of the Government subsidiary companies. I also stressed on integrity issues to all members of Board of Directors in implementing their respective roles and responsibilities.

CIVIL SERVANT

Mr. Speaker,

133. Realizing the importance of providing more **effective and efficient services** as demanded by the people and communities as well as businesses, the Sabah Government is also aiming at increasing management efficiency and improving delivery system of the civil

servant. In accordance with the slogan and Government aspiration for people-oriented civil service (*Merakyatkan Perkhidmatan Awam*), integrity and customer friendly will be emphasized on service delivery.

134. To increase the ability, professionalism and efficiency of the civil servant, the Government encourages continuous lifelong learning culture, which include acquiring new skills in keeping up with dynamic development of the world. For next year budget, I have requested that scholarship be given to civil servant for further study or attend short courses at overseas prestigious institutions such as University of Cambridge and University of Oxford in England as well as Harvard University in USA. Starting next year, **RM9.56 million** is provided for this purpose under the Public Service Department (JPAN) for local and international training courses.

135. The Government appreciates the services and contributions of civil servants in various fields who assist the Government in administering, managing and delivering services to the people. In line with the announcement of the Federal Government, the Sabah Government also agreed to provide a Special Payment of RM500 to all state civil servants. The special payment will be made available in December 2018. With this appreciation, we expect the public service as the administrative machinery of the Government will bring Sabah to a greater excellence.

CONCLUSION

Mr. Speaker,

136. As I have pointed out earlier in my speech, it is very important to spend only within our means. Therefore, all parties concerned should set

priority and exercise prudent spending, in accordance with the Government aspiration to strengthen its financial position, prevent leakages and unnecessary spending. Strategies to control spending as specified under government circulars should be used as guidelines to spend year 2019 allocation as planned.

137. The Government's emphasis on increasing the income and revenue should be taken seriously by all the ministries, departments and state agencies. Efforts to identify and collect revenue are our responsibility. This is important to fund provision of excellent services and development for the people. All parties bear same responsibilities in efforts to develop our beloved Sabah. We must always be mindful that only we as Sabahans can help Sabah to develop.

138. Overall, the year 2019 Budget is one of the important instruments to implement redressal measure so that agencies that provide critical services will be more efficient, productive and benefit the people. This practice will open up a new chapter in line with the commitment of the current Government to adopt a clean, efficient and with integrity management culture.

139. From the economic development aspect, focus should be given to efforts to further develop productive and strategic sectors. Various new areas should be explored in order to diversify the economy and not to be too dependent on commodity. With the aim to accelerate industrial sector development, I hope Sabah will transform its economy to manufacturing, business and trading in the near future.

140. The civil servant must play its role more effectively to realise the Government's aspiration in developing our beloved Sabah. Positive

working culture plays a big role in uplifting development and dignity of our race and *ummah*.

Mr. Speaker,

141. In relation to this, it is aptly for me to propose that the State civil service adopts outcome based work culture with excellent performance measured through Key Performance Indicators (KPI). As the top leader of the Government, I want to ensure that all programmes, projects and activities on development will benefit the people of Sabah. With that, I have requested for the Honourable Sabah State Secretary to ensure that all ministries and departments as well as agencies including the local governments to review and set new KPIs in line with the current Government manifesto.

142. These KPIs are created to improve responsibility of members of the administration, representatives of the people and all civil servants in realizing the aspiration of the Government as stated in the 13 thrusts of the manifesto. The outcomes and benefits of development programmes have to be delivered effectively to the targeted group in accordance with key result areas of the ministries. All new KPIs must be in accordance to the principle of S.M.A.R.T, "Smart, Measurable, Achievable, Realistic and Time-Bound".

143. In order to implement the KPI efficiently, the Sabah Government has created Service Delivery Unit under the Chief Minister Department. The function of this unit is to monitor and report performance of every agency. As the Chief Minister, I will receive and monitor the KPIs of all ministries, departments and agencies through respective ministers.

144. I urge all members of the administration, representatives of the people and civil servants to serve with new resolution, enhance their knowledge, skills and competency. By making learning as a culture and applying new knowledge in our work, this would bring positive transformation as we hoped for.

145. Lastly, I would like to invite all members of this August House, private sector and civil servant to work together in realizing our aspirations, aims and plans through the 2019 Budget. Let us pray together to Allah SWT that all the plans set out in the 2019 State Budget will be successfully implemented.

Mr. Speaker,

I beg to propose.