

**THE 2000 BUDGET SPEECH**  
**BY**  
**THE RIGHT HONOURABLE CHIEF MINISTER/  
MINISTER OF FINANCE**  
**DATUK SERI PANGLIMA OSU HJ SUKAM**  
**ON 3 DECEMBER 1999 (FRIDAY)**

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Tuan Speaker,

1. I beg to table the Budget for the year 2000 for approval of this Honourable House.

2. I am grateful to the Almighty for giving me the opportunity to once again present the State Budget for the year 2000, which is in fact a continuation of this year's Budget that was presented last year. The year 2000 is the final year in the implementation period of the Seventh Malaysia Plan and the same year we will have entered into the sixth year in carrying out the Outline Perspective Plan Sabah (OPPS) which spans from 1995 till the year 2010. We will continue to shoulder a heavy responsibility of steering the economy and the social development of the State to greater heights. However, the new millennium that we are about to enter very soon will present us with various challenges and constraints. Nonetheless, the new millennium will also bring more and new opportunities. The strong tide and currents of the globalisation which will continue to be the dominant feature of our age and certainly in the new millennium as well has already given us a foretaste of the nature of things to come. We are still mindful about how all of a sudden our country and several of our neighbours in Asia were thrown into economic crisis in the middle of 1997, no thanks to the activities of foreign speculators in the stock and currency markets. Among others, the crisis are a manifestation and an indication of the changes that are currently taking place in the world economic system. Only by understanding the nature of these crisis would we be able to take the necessary and correct measures in the management of our macro economic policies.

3. We can feel proud because the measures that we have taken thus far have proven to be successful which the world has only now begun to acknowledge. However our task and responsibility have not ended. Many more things remain to be done. Barisan Nasional's victories in the recent general election and also in the Sabah State's election in March this year are indications of the people's confidence in the competence of the Government under the leadership of YAB Dato' Seri Mahathir Mohamad, our Prime Minister, as well as in the State Government to continue with the policies and strategies which have been formulated. In other words, the people have renewed their mandate and trust for the Government to pursue the objectives of our national vision to make Malaysia into a developed nation by the year 2020. This vision is also the vision for Sabah. We hope Sabah will also become a developed state by the year 2020. Such is our hope and aspiration.

Tuan Speaker,

4. The notion of a developed nation does not merely mean having a high income per capita. It is upon this logic that several countries though enjoying high income per capita are not considered as having achieved developed nation status. An important feature of a developed nation is that its high income per capita is derived from its industrial or manufacturing sector with high value added content in its products and an expanding and modern services sectors. For Malaysia, and more so for the State of Sabah, this calls for structural changes in the economy shifting our dependence on exports of raw commodities and materials to production and exports of manufactured products. Parallel to this, the services sectors too must also be developed with an emphasis on consolidating and modernising the existing and new services sectors and sub-sectors especially banking and financial services, education, human resource development and tourism.

Tuan Speaker,

5. In any case, the future of the economy of Sabah continues to be primarily land-based. This is because therein lies the comparative advantage of the Sabah State economy. Therefore, we will continue to give priority towards the development of our plantation sectors especially palm oil, forestry and timber wood, tourism as well as food and agriculture. However the development of these sectors will be

overlaid and characterised by the development of downstream industries and activities in order to increase their value added contents.

6. It is hoped that these strategies will make our products more competitive in the world market. But our competitiveness also depends on the level of our overall productivity and efficiency. In ensuring a high level of productivity and efficiency, we have to take into account and make the necessary adjustments in line with the trends and currents present and acting in the dominant economies of the world especially the economies of America, Japan, Europe and China. A few of these trends and currents deserved to be mentioned. The first is the trend towards greater liberalisation and deregulation which sees various forms of structural changes and the reduction in the role of government in the economy, at once giving a concomittant increase to the role of the markets in determining the mood and movement of investment, production and trade. Secondly, we are witnessing an increasing role and influence of information technology as manifested in the expansion of electronic commerce, cyber markets and the like. Thirdly, the emergence and operation of a freer and more integrated world trading system spearheaded by the WTO, a trading system whose reach and influence is spreading to every nook and corner of the world. All of these trends and currents and many more demand us to make deliberate and conscious choice to make changes and adjustments. Our economy is essentially open and liberal. We are very much well aware and realise the need for our economy to integrate more closely into the global economic process so as to enjoy optimum benefit from the global investment, production and trade. In turn, this depends on our ability to create more attractive and conducive conditions whilst at the same time, we have to ensure and maintain a peaceful and stable political and social domestic environment. This basically means the Government has to direct its focus not only on managing its international relations and obligations but also the country's domestic affairs.

Tuan Speaker,

7. Undoubtedly the responsibility we in Government shoulder to make Malaysia a developed nation and the State of Sabah a developed state is certainly a heavy and no less challenging one. We have no other choice. The mandate and the trust of the people must be exercised and pursued with vigour and commitment. Our people

need jobs and employment and social amenities in order to enjoy a higher standard of living. Educational standards and opportunities for our children and the young people must be expanded and improved. These agendas can only be fulfilled if all parties concerned play their respective roles and responsibilities. Our Government and our leaders may be able to formulate various policies and strategies but the vision and objectives which we have set for ourselves cannot be converted into realities without the parallel commitment, efforts and hardwork from members of the civil service, and the active support and participation of our corporate citizens and the business community.

8. Government officers and servants must work hard to increase their skills, efficiency and output so that more can be done with less. We cannot achieve the status of a developed nation or developed state if Government officers and servants possess the mentality, mindset and work culture of a third world country. We want our Government officers and servants to attain the standards and qualities befitting those of a developed nation - skillful in the use in IT at the very least as users, creative and possessing of self-confidence. I am confident that the Government officers and servants in the Sabah have the potential to demonstrate these standards and qualities. What is lacking and, therefore required, is the desire and the motivation accompanied by a continuous effort to enhance their knowledge and skills.

Tuan Speaker,

9. Besides Government officers and servants, our corporate citizens and entrepreneurs in the private sector too hold part of the key to the future and success in the economic development of the country and our State of Sabah. Moreover in a liberal economic system, which practises free trade, the corporate and private sectors play a more important role than the public sector. Unlike the civil service, businessmen and entrepreneurs are not lacking in desire and motivation. If there are any weaknesses in the business and private sector, it would be for lack of imagination, and the courage to venture into new sectors, try out new ideas, new ways. We need the corporate citizens and entrepreneurs of Sabah to possess and display entrepreneurial spirit and quality. Structural changes both in the world economy and our economy surely would give new opportunities to the corporate and private sector. Because of this,

our entrepreneurs must be brave enough to reach out and make full use of these opportunities.

Tuan Speaker,

10. In the 1999 Budget I had outlined the various strategies for economic recovery and at the same time emphasized on various aspects of prudent financial management. We shall continue with these efforts next year. As we are faced with the challenges of having to manage with limited resources to meet our proposed plan, disciplined management of public funds has become very urgent and fundamental in our efforts to strengthen the State's financial position. Therefore, all expenditures to be incurred must be strategically planned to derive maximum returns for the purpose of uplifting the living standard of the people.

11. Hence, the strategies of the Budget for year 2000 will be to pursue the implementation of this year's strategies in order for to be consistent and focused and to ensure the state economy will continue to recover and grow with vibrance. These strategies are as follows:-

- (i) To strengthen the state finances;
- (ii) To ensure high level performance in the public sector;
- (iii) To intensify the development of public utilities;
- (iv) To intensify rural and socio-economic development programmes, a key to the eradication of poverty;
- (v) To strengthen economic fundamentals;
- (vi) To step up programmes on human resource development;
- (vii) To control the inflation rate;
- (viii) To stimulate the development of sectors which are productive particularly in the field of agriculture, plantation, tourism, forestry, entrepreneurship and industries; and
- (ix) To stimulate the development and the modernisation of services sectors particularly banking and financial sector, telecommunications and information technology.

## The World Economy

Tuan Speaker,

12. The world economy is projected to expand at a growth rate of 3.0 per cent in 1999 and strengthening to 3.5 per cent for the year 2000 after bottoming out in 1998 with a rate of 2.5 percent. This improvement is basically due to the economic recovery of the ASIAN region. Asia is forecast to grow by 5.3 per cent and 5.4 per cent respectively in 1999 and 2000 after registering a much slower growth of 3.7 per cent in 1998. Financial market confidence has returned in most of the crisis hit economies which eased monetary condition and paving the way for full recovery in the distant future. Nonetheless, we should not be complacent because in the absence of any concerted initiative by the world economic powers to undertake and construct a new global financial architecture, the present financial system will still be highly sensitive to attacks from currency speculators.

13. At the same time there are also uncertainties attached to the favourable world outlook in the next two years. The world's largest economy, the U.S., is set for a soft landing after taking the lead role in moderating the global slump last year. The world output would weaken further if Japan and Europe could not offset the anticipated slowdown in the U.S. economy. The other risk factor is the much publicized Y2K bug which could bring about negative impact on the overall financial market.

14. Growth in the U.S. economy is forecasted to cool down to 3.7 per cent this year and 2.6 per cent for 2000 compared to 3.9 per cent in 1998. The "engineered" slowdown is necessary for the U.S. to prevent intensifying domestic inflationary pressures and to restrain the external current account deficit.

15. Economic growth in China is projected to slowdown in the next two years and is forecasted to expand by 6.6 per cent in 1999 and 6.0 per cent in 2000 after a growth of 7.8 per cent last year.

16. One of the leading nation in Europe, Germany, is expected to register a slower real GDP growth of 1.4 per cent in 1999 compared to 2.3 per cent last year and is forecasted to grow by 2.5 per cent in 2000.

17. In the United Kingdom, growth is projected to slowdown to 1.1 per cent this year but to strengthen to 2.4 per cent for 2000 compared with 2.3 per cent in 1998. The strength of the Sterling and the weakening of external demand have reduced net exports significantly in the fourth quarter of 1998 and the first quarter of 1999.

### Malaysia's Economy

Tuan Speaker,

18. Currently our country is experiencing a strong economic recovery. Selective capital and exchange controls which was at first severely criticized have now been heralded as a timely and effective recovery strategy. Our country's economy has responded positively to the expansionary fiscal and monetary stimulus. Besides that, the exchange rate has been pegged at a competitive level to allow the strengthening of the country's exports. The control measures have not only shielded Malaysia from the negative pitfalls of the Asian Contagion, but has also enabled the country's economy to recover faster. Based on the recent IMF forecast, Malaysia is projected to register a favourable 6.5 per cent growth in 2000 in comparison to 5.5 per cent for South Korea, 4.0 per cent for Thailand, 2.6 per cent for Indonesia, 3.5 per cent for the Philippines, and 5.0 per cent for Singapore. This encouraging recovery is primarily due to the fact that the 'medicine' that we prescribed was not as bitter as those taken by others, and our healing process was not as painful as those countries aided by the IMF.

19. Based on government projection, Malaysia's real GDP is expected to expand by 4.3 per cent this year compared to (-) 7.5 per cent in 1998. The 'modified' control and the continued fixed exchange rate as well as strong policy measures would provide the necessary impetus for the country to achieve a projected higher growth rate of 5.0 per cent in 2000.

20. The manufacturing sector will continue to dominate as the key growth sector of the economy for both 1998 and 1999. Manufacturing will be boosted by the expansion of export-oriented industries particularly, electrical machinery, apparatus, appliances and supplies as well as an improved domestic oriented industries, especially construction related industries.

21. The economic crisis has affected the previously low and steady consumer price index (CPI) of Malaysia. Inflation is projected to increase from 2.7 per cent last year to 7.5 per cent. However, with the timely measures prescribed in the NERP in consonant with the capital and exchange controls, the nation's inflation rate is expected to be at around the 4.0 per cent mark next year.

### Sabah's Economy

Tuan Speaker,

22. In spite of economic contractions recorded in most countries in the region including Malaysia as a whole, Sabah's economy managed to post a positive real GDP growth of 2.6 per cent last year. This was predominantly fuelled by agriculture, manufacturing and services, which together accounted for contributed more than 60.0 per cent of the State's total real GDP. Although the State's economic progression has had a hiccup due to the deepening of the Asian economic meltdown, we were fortunate enough to elude a recession in 1998. Given the recovery of the overall Asian economy, the State's economy is projected to record a stronger growth rate of 3.2 per cent in 1999 and improving to 4.6 per cent for 2000.

23. The improving health of most of the State's major trading partners, and the projected higher commodity prices in the global market are two significant factors which lead to an optimistic growth projections of Sabah's export-oriented economy. In spite of a reduction in export receipts in the first seven months of this year, the State continues to register encouraging trade surplus. During the period January to September 1999, our exports declined slightly by 1.5 per cent to RM9.87 billion from RM10.00 billion during the same period of 1998. The State's balance of trade also declined slightly to RM2.37 billion from RM3.05 billion in the same period under review. This is basically due to increase imports as compared to exports.

24. The leading economic sectors for both 1999 and 2000 are anticipated to emanate from agriculture and livestock, and services, which consist more than 50.0 per cent of Sabah's total real GDP. Agriculture is expected to be further boosted by the increase in exports of palm oil products, which continues to be the State's major export commodities in terms of value. As for services, it is anticipated to be spurred by tourism and related industries, particularly in view of



the coming Visit Sabah 2000 year. The consolidation in the banking and finance sector will likely stabilize the growth of services in the next two years.

25. During the period January to September 1999, export volume of palm oil products rose by 10.2 per cent to 1.75 million tonnes compared to 1.59 million tonnes for the same period of 1998. The number of foreign visitor arrivals went up by an impressive 36.7 per cent to 243,340 from 186,658 for the same period of last year.

26. Mining and quarrying, one of the leading engine of growth last year, is envisaged to decline slightly due to the drop in volume of crude petroleum as a result of a depressed global oil prices. In the first nine months of this year, export volume of crude petroleum contracted by 7.6 per cent to 3.15 million tonnes from 3.41 million tonnes in 1998. However, given the price rebound of oil in the international market production is expected to pick up during the last quarter of this year and for the year 2000.

27. Forestry and logging is forecasted to slide further given the strict production quota set by the State government. Log production for 1999 is projected to be in the region of 3 million cubic metres. During the first half of this year, log production reached 1.21 million cubic metres, which is 63.9 per cent lower than last year's figure of 3.35 million cubic metres recorded in the same period under observation.

28. Manufacturing, badly affected by the regional crisis suffered a decline in demand and a dip in commodity prices as well as the banking liquidity problem, is expected to pick up this year albeit at a lower negative rate. However, other components of the manufacturing sector registered an increase in export volume in the same period. Veneer sheets expanded by a significant 230.6 per cent whereas HBI went up by 27.8 per cent. With improving global commodity prices and demand, manufacturing is projected to register a positive growth rate next year.

29. The State government at this point is managing successfully in keeping inflationary pressure at bay through implementation of strategies and measures adopted by the State Economic Action Council (SEAC) in line with policies of the NEAC. During the period January to September this year, the consumer price index of Sabah

rose by 2.8 per cent compared to the corresponding period of 1998. This is lower than the Nation's CPI as a whole. With constant monitoring, the State government is committed to check inflation below 4.0 per cent for this year and next.

30. Although projection of the State's economy is encouraging, however, this could only be achieved through affirmative action from all parties concerned. In connection with the Malaysia Incorporated concept, a proactive smart private-public sector partnership is pertinent to ensure that Sabah could reach these projected targets. It is also important to note that the economic projections are subjected to various external risk elements associated with the growing uncertainties in the world economic and financial system which are beyond our control. The failure of the U.S. economy to "soft land", the sudden deterioration of the Japanese economy and the economies of Sabah's major trading partners, and the decline in global prices and demand for the State's major export commodities, are expected to weaken the world economy next year.

#### Foreign Labour and Sabah's Economy

Tuan Speaker,

31. At this point I would like to take a short while to explain certain issue which has often been harped on by certain people regarding foreign labour and Sabah's economy. In the context of Sabah's economic development, the forestry sector and the plantation/agricultural sector have respectively indicated that about 60% and 80% of their labour force are foreigners. Similarly in the construction and services sectors the presence of foreign workers far outnumbered the locals. We also often hear that the presence of foreign workers is associated with problems such as squatters, crime, and other problems like health and security.

32. Notwithstanding these problems, the economic growth rate of Sabah all this while is associated with the employment of foreign labour who are willing to work hard inspite of low pay. Works that they do are always shunned by the locals. Economic development is necessary and very important to the State and has to go on. Without the foreign workers the size of our oil palm and cocoa plantations would be much smaller, and the cost of production in the construction

and services sectors is likely to be much higher which means a higher cost of living.

33. The question is not a matter of whether we want or do not want foreign workers in Sabah, especially given the structure of Sabah's economy today. The relevant issue is actually how the presence of foreign labourers is to be regulated, controlled and managed. This is why the massive 'Regulation of Workers' registration was launched in March 1997. In the medium term, we can and must work toward a reduction and even elimination of foreign labour presence in Sabah. For now, the focus of the BN government is to make sure that foreign workers in Sabah is systematically regulated and that the socio-economic cost arising from their presence is minimized. Actions to effect this include compulsory medical examination for foreign workers (FOMEMA) which was introduced on 1<sup>st</sup> April 1998 and other policies such as requiring foreigners (except housemaids) contribute to EPF and charging of school fees equivalent to private sector rate on all foreign students.

34. This view is clearly reflected in the actions and policies of the BN which include requiring all foreign workers to have a valid work pass. Such a requirement has been strictly enforced as shown by the large number of police raids carried out in recent years not only on the streets but include raids on companies and households.

35. The government is also clear on the categories of foreign workers we want in Sabah. To minimize competition against locals for employment, these include workers in cemeteries, golf courses, vegetable gardens, old folks home, petrol station attendants, labourers at airports and ports, etc.

#### Estimates for the year 2000

Tuan Speaker,

36. Taking into consideration the economic environment both in and outside the country and the continuity of this year's Budget strategies which are relevant and pragmatic in reinforcing our efforts towards improving the state economy, I propose a sum of RM1,321.44 million be allocated for the year 2000. Of this sum a total of RM1,021.44 million or 77.30 per cent is for Supply

Expenditures and RM300 million or 22.71 per cent as contribution to the State Development Fund.

### Revenue Estimates

Tuan Speaker,

37. The total state revenue for the year 2000 is estimated to be RM1,345.36 million. This sum is higher than the revised estimated revenue for 1999 totalling RM1,295.68 million. The imposition of sales tax on crude palm oil, has made it possible for the State to expect a much higher revenue than the original estimates of RM1,213.51 million for 1999. With this additional source, the State is expecting an increase in revenue of 6.3 per cent when compared to the actual collection for the year 1998 of RM1,218.92 million. The estimated revenue for the coming year of RM1,345.36 million compared to the revised 1999 revenue of RM1,295.68 million as well as for the year 1998, indicates a stable and steady income for the State.

38. Import and Excise duties on petroleum product takes the lead in making the biggest contribution to the State Revenue with the amount of RM290.08 million being 21.56% of the total estimated revenue. This forecast is very encouraging taking into account the positive development in the country's economy which is seen to be forging ahead strongly. This explains for the increase in the revised revenue for 1999 of RM274.49 million from the original estimate of RM250.05 million representing an increase of 9.77% whilst the revenue estimated for the year 2000 is expected to increase by 5.68% over the revised figure for 1999. The responsibility of collections of this revenue item is entirely handled by the Customs Department and the State Government is confident that the Customs Department will provide the fullest cooperation to ensure the timely collection as projected.

Tuan Speaker,

39. Revenue from forestry resources ranks second in terms of size of contribution with a forecast of RM250.21 million or 18.6% of the total estimated revenue for the year 2000. Nevertheless, Forestry revenue for the year 2000 is expected to be lower than the revised revenue for 1999 of RM259.38 million with a drop of 3.5%. The

current practice of sustainable forest management enables the State to continue log production of at least 3 million cubic metres for the year 2000 in order to attain the targeted revenue of RM250.21 million which consists of RM222 million from royalty on Forest Produce with another RM28.21 million from License Fees, Fines and Other Forestry Charges. The policy of not imposing royalty on processed timber is expected to be continued to assist the local industries. As such there will be no revenue expected from this item next year. On a brighter note, the recovery in the global economy next year may bring about better prices for our timber commodities thereby enabling us to continue collecting improved revenue from this source.

Tuan Speaker,

40. The next important source of revenue is from Land which contribute RM201.14 million or 14.95 per cent of the total estimated revenue for the year 2000. Revenue from land for 1999 is expected to be slightly lower than the original estimate, that is, RM201.14 million as against RM205.44 million respectively. The revised estimates for 1999 include the amount of RM110 million to be paid by the Federal Government as premium and land rents on the Kota Kinabalu International Airport site. Again for year 2000, Lands & Survey Department is expecting a huge amount of RM161 million from land premium. In this connection the government will make every effort to ensure that this collection will be achieved through increase efficiency of all government agencies involved and cooperation by the public to make the due payments.

Tuan Speaker,

41. With the passing of the Sales Tax Enactment in December 1998, the Sales Tax on crude palm oil was made effective on April 1999. The government is expecting to collect at least RM80 million for the period of April to December 1999 based on the current trend in collection. For the year 2000, collection from this revenue is estimated to be RM120 million. This amount is higher than the 1999 estimates because the collection will be for a full year whereas the collection this year could only start from April. Assuming the market price for CPO will maintain above RM1,000 per metric tonne, production of CPO will be within 2.4 million metric tonne, and the rate for sales tax on crude palm oil is RM50 per metric tonne, I am

confident our estimated revenue amounting RM120 million will be achieved.

Tuan Speaker,

42. In line with the State Government policy to discourage gambling, the State Government will impose a 10 per cent sale tax on the sales of lotteries namely Sandakan Turf Club and Sports Toto Berhad. Through this action the government is expected to fetch an estimated revenue of RM45 million. Together with the Sales Tax on Crude Palm Oil under this taxation item, the State Government will receive RM165 million which represents 12.26% of the total revenue estimates for year 2000.

Tuan Speaker,

43. Petroleum royalty continues to be an important source of state revenue contributing RM109.35 million in 2000 based on the forecast by Petronas. This amount is 12.5 per cent higher as compared to the revised estimate of 1999 amounting RM97.2 million. The increase is supported by the scenario that prices of petroleum will remain buoyant with the commitment of OPEC countries to adhere to their production quotas to cap global supply. It is to be noted though that actual revenue for 1999 of RM97.2 million is short by about 3 per cent from the original estimate. I am confident Petronas will put in the extra effort to ensure that the projection amounting RM109.35 million revenue for 2000 will be achieved. In respect of copper royalty, Mamut Copper Mine has informed the State Government that the mine will be officially closed by the end of this year. As it is, no further revenue is anticipated from copper royalty for 2000.

44. The Federal Government will be expected to contribute directly to the State Government in respect of various constitutional grants and reimbursables to the tune of RM93.87 million for the year 2000. This amount is higher than the original estimate of RM91.81 million for 1999. The State Government should have no problem in getting the estimated amount for the year 2000 given the close cooperation with the Federal Government. The trend for the past few years has shown that the actual revenue from this source has always been higher than the estimates. A conservative approach has always been adopted here because any extra revenue will be a bonus as opposed to over optimistic estimates.

Tuan Speaker,

45. The Water Department has estimated RM70.64 million as revenue from Sales of water for the year 2000. This is 15.61 per cent higher compared to the revised estimate of RM61.1 million for 1999. With the appointment of a consultancy firm to step up the efficiency of the Water Department, the revenue from sales of water has seen a steady increase. The installation of the centralised computerized system will make it possible for the Water Department to collect more revenue. However, there are still a lot to be done to recover huge arrears of revenue, a legacy of the past system. The collection of this arrears of revenue will be a bonus to the State.

46. Revenue from Proceeds, Dividends and Interest is estimated to be RM71.81 million for the year 2000 being 15.35 per cent lower than the revised estimate of RM84.83 million for 1999. The higher revenue for 1999 is mainly due to the repayments of substantial amount of government loans given to Lembaga Letrik Sabah. These repayments which have been made possible through the privatisation of Lembaga Letrik Sabah by the Federal Government contributed more than RM60 million under the item "Interest on Loans to Public Corporations" in this class. For the year 2000 there will still be repayments but a lesser amount is expected. In addition, the State is not expecting to receive huge interest earnings from cash balances and short term deposits as interest rate is likely to remain low. For this class of revenue, the State will depend very much on the successful collection of Dividends from Public Corporations of at least RM50 million for the year 2000.

Tuan Speaker,

47. Under "Miscellaneous Revenue", a sum of RM66.46 million is estimated for the year 2000 which is less than the revised estimate for 1999 of RM116.45 million. The bulk of the revenue will be from the item "Proceeds from Transfer of Loans to Statutory and other Bodies Fund" with the estimated revenue of RM50 million. The revised revenue for this particular item for 1999 is RM100 million as the principal sum of repayment is very substantial by way of the loan repayments of Lembaga Letrik Sabah. Nevertheless for the year 2000, repayments will be lesser and coupled with higher releases of loans through the loan fund, the amount to be transferred back to this item maybe very much less.

Tuan Speaker,

48. Railway Department has given an optimistic forecast for the year 2000 with the estimated revenue of RM1.94 million as against the revised revenue for 1999 of RM0.942 million. The recent activities dubbed as "Tour of Delight" organized by the Railway Department was met with good response from the public and were able to help earn income for the Department. The Railway Department believes that there is potential for the railways and it will continue to promote its services aggressively. With the full support of the Government on these efforts, the estimated revenue for the coming year should be attainable.

#### Supply Expenditures

Tuan Speaker,

49. The allocation for Operating Expenditures for the year 2000 is estimated at RM1,321.44 million. Of this amount RM379.54 million is provided for Emolument, RM325.31 million for Recurrent Expenditure, while a sum of RM616.59 million is budgeted as Special Expenditure.

50. Emolument which forms the major component of Operating Expenditures is expected to increase by 3.34 per cent as compared to the revised estimates of RM367.29 million this year. The increase is due to additional provision allowed for normal yearly increment and the creation of several posts relevant towards the effort to improve the state revenue collection. To ensure control over increase in emolument expenditures, the Government will take steps to optimize the utilization of the existing staff and the functions of some agencies, while reducing the excess number of employees. An allocation of RM325.31 million for Recurrent Expenditure represents an increase of 0.25 per cent as compared to the revised estimates of RM324.49 million for year 1999. As for the Special Expenditure, a sum of RM616.59 million is provided. The expenditure in this category shows an increase of 5.85 per cent. The distribution of allocations to various ministries and departments as well as government agencies under their purview are as follows:-



| Bil    | Ministries/Department   | Anggaran<br>2000<br>RM Juta | %      |
|--------|---|-----------------------------|--------|
| (i)    | Ministry of Finance   | 466.22                      | 35.28  |
| (ii)   | Ministry of Infrastructure Development                                  | 275.68                      | 20.86  |
| (iii)  | Chief Minister's Department   | 215.46                      | 16.31  |
| (iv)   | Ministry of Agriculture Development and Food Industry                   | 119.04                      | 9.01   |
| (v)    | Ministry of Community Development and Consumers Affairs                 | 70.52                       | 5.34   |
| (vi)   | Ministry of Rural Development   | 41.74                       | 3.16   |
| (vii)  | Ministry of Tourism Development and Environment, Science and Technology | 30.19                       | 2.28   |
| (viii) | Ministry of Local Government and Housing                                | 24.77                       | 1.87   |
| (ix)   | Ministry of Resource Development and Information Technology             | 22.98                       | 1.74   |
| (x)    | Ministry of Youth Development, Culture and Sports                       | 21.95                       | 1.66   |
| (xi)   | Charged Expenditure   | 16.05                       | 1.22   |
| (xii)  | Expenditure not included in Ministerial portfolios                      | 12.46                       | 0.94   |
| (xiii) | Ministry of Industrial Development                                      | 4.38                        | 0.33   |
|        | <b>Total</b>  | 1,321.44                    | 100.00 |

Tuan Speaker,

51. As in the past, the Ministry of Finance will put under its control a sizeable provision of RM466.22 million or 35.28 per cent of the total Budget. This amount is inclusive of the contribution to the Statutory Development Fund i.e. a sum of RM300.00 million is contributed to Consolidated Development Fund and another RM10.00 million to the Loan Fund. Another RM136.55 million is provided under the expenditure heads of Treasury General Services. These expenditures include equity investment of RM31.85 million in the Sabah Electricity Sdn. Bhd., RM13.00 million for rental of private vehicles and another RM12.80 million as equity investment in Sabah Ports Authority. Whereas an amount of RM13.02 million is set aside to finance the operating expenditure for Treasury Department and the State Computer Services Department. The State Government will also provide a sum of RM20.00 million for the development of Non-Muslim Religious Organisations; whereas RM8.00 million is set aside as grants to schools.

52. The Chief Minister's Department which covers, important functions among which are Forestry, Land & Survey, The State Public Services, Training, Printing, Islamic Affairs, State Liaison Office and State Archives, is provided with a total allocation of RM215.46 million. A major portion of the allocation of RM43.97 million is set aside to meet the operating expenditure of the Chief Minister's Department. Among other significant programmes are emphasis on innovations and quality improvement in the administration. A sum of RM49.41 million is provided for Forestry Department and RM40.26 million for Land & Survey to assist in expediting surveying works and process of revenue collection. While RM34.81 million is provided for the State Islamic Affairs Department and another RM37.96 million for the Department of Public Services which includes scholarship awards.

#### Maintenance of Public Utilities

53. The Ministry of Infrastructure Development and its agencies is to receive an allocation of RM275.68 million. A sum of RM137.85 million or 50 per cent of the total allocation is set aside for the Water Department, which is responsible for the implementation and management of water supply projects that still require upgrading. The Public Works Department which is responsible for implementing and maintaining public utilities such as government buildings, roads and bridges, mechanical and electrical, facilities, rental and other services is allocated a sum of RM69.47 million. In addition, a sum of RM68 million is provided to finance the privatization of water supply for the three major concessionaires in Kota Kinabalu, Sandakan and Tawau.

#### Agriculture and Food Industry

54. A sum of RM119.04 million is proposed for the Ministry of Agriculture and Food Industry. Of this amount, RM96.55 million will be made available to four (4) of its Departments under its control to cope with the recurrent commitments such as emolument, agriculture programmes, that is, the extension services, various assistance to farmers such as fertilizer and seeds supply schemes, and drainage and irrigation programmes to alleviate flood and erosion. Other projects that will benefit from the Ministry's provisions include replanting of rubber, livestock industry, fisheries and other relevant projects. All these have reaffirmed the government commitment to

promote and increase food production in line with the current Agriculture Policy.

### Social Aids

55. A sum of RM70.52 million is made available to the Ministry of Social Services and Consumer Affairs to finance the programmes relating to welfare services and social assistance. Of this amount, RM20 million is provided for social services programmes such as free supply of nutritional drinks, school uniforms and shoes especially for pupils in the rural schools. Another sum of RM23 million is given for general assistance and old age assistance.

### Tourism, Cultural, Youth and Sport

56. Tourism in Sabah which has gained recognition as one of the attractive tourist destinations for visitors from all over the world, will continue to be given a boost accordingly. A sum of RM30.19 million is made available under the control of the Ministry concerned. Efforts on promotion will not only concentrate on the existing tourism products but also to new tourism potentials that are currently being promoted to enable this sector to compete with other countries. Among the spectacular programmes to be held for the year 2000 is the Visit Sabah Year and the 'Eco-Challenge', which will definitely provide wide promotion for Sabah. Of the total provision to the Ministry of Tourism, Environmental Development, Science and Technology a sum of RM15 million is provided for tourism promotion. This represents an increase of 46.60 per cent as compared to this year's allocation. The state government would continue to provide necessary incentives to various activities which cover a spectrum of tourist interests, from business to sports. Hence, the Government has agreed to host the Sukan Malaysia for the year 2002. In respect of this the role of the Ministry of Youth Development, Culture and Sports which is allocated with sum of RM21.96 million would be fully benefited economically other than just competitions and a show of skills in sports.

## Administration of Urban and Rural Development

Tuan Speaker,

57. The Government will continue to address poverty in whatever form and shape. The Ministry of Rural Development which is provided with this responsibility is allocated a sum of RM41.74 million to carry out programmes on strategic leadership trainings at the leaders' level as well as those below. With the entrepreneurial function placed under the Ministry concerned, I hope efforts to improve skills in the field of small industry such as foods processing to handicrafts making will gain support from the rural population.

58. The Ministry of Local Government and Housing is provided with a sum of RM24.77 million. The Government will continue to provide grants to the Local Authorities to ensure that the services and the provision of public facilities in their respective areas would improve to meet the standard of cleanliness, apart from providing the normal general services. In respect of this, the granting of the city status to Kota Kinabalu in the year 2000 is a symbol of success and a source of inspiration. Accordingly, the declaration as city status will become a charter towards providing services that are par-excellence and comforts in quality living and we would not remain in pursuit of such a dream.

## Information Technology and Resource Development

Tuan Speaker,

59. Continuing to work hard and to develop this country in the era of high-technology is insufficient. We must not only work hard but also work smart. Knowledge-based management will be a necessity as we approach into the next millennium. The year 2000 will be the fifth year since we embarked on information technology. In view of this a sum of RM22.98 million is allocated to the Ministry of Resource Development and Information Technology. Of this amount, a sum of RM8.78 million is for the human resource programmes and a sum of RM12 million for the IT development, which includes purchase of computers and equipments apart from maintaining the Sabah Net, and higher skill trainings on the use of IT.

60. At the moment all Ministry/Department have been supplied with computer systems to enable them to handle information processing respectively. Among the Ministries and Departments concerned, there are computer systems which are fully installed and equipped in the form of local area network (LAN).

#### Assistance to Government Agencies

61. As was in the past the government will continue to provide grants to several State Statutory Bodies and other Government Agencies to assist in their financial commitments through their respective controlling Ministries. The amount involved for next year is RM49.4 million. I wish to reiterate that these financial assistance is not sufficient to cater for their financial requirements. However the government will not be made fully responsible to resolve the financial constraints they are facing. These bodies need to adopt strategic financial planning and spend according to their respective means and strive to improve their sources of finance through their activities or businesses in line with the objectives they are formed.

Tuan Speaker,

62. The government is aware that success in the country's development will not be attained without the concrete support from the members of the civil service. The government recognize the contributions of the government employees in providing excellent services and in successfully implementing development projects. In respect of this, it is my fervent hope that members of the civil service would continue to serve , remain dedicated and give excellent commitment in the coming years. As a record of appreciation the State Government has agreed to pay a bonus with a maximum of one month basic salary or a minimum of RM1,000.00 inclusive of RM600 given out earlier to the qualified employees. I hope this contribution could relieve them of their financial burden. In addition, the government will increase their housing allowance by 50 per cent to assist employees in the lower income categories and agreed to increase the basic salary by 10 per cent beginning 1 January 2000 to all its employees.

63. In relation to this, and in view of the increase yearly in the State's financial commitments, it is timely for me to reemphasize on the prudent spending of the allocations provided. Extravagance and

wastage of public funds need to be eliminated and on the contrary, we must always adopt the ethics and culture of thrift. Do not assume that just because the public funds do not belong to us, we do not strictly control the uses of these funds. The revenue estimates that the government projected is based on certain factors, therefore there is no total assurance that we will successfully collect this one hundred per cent.

Development Expenditure

Tuan Speaker,

64. The provisions for the year 2000 development expenditure have taken into consideration the long term objectives of the OPPS which is to accelerate economic growth through the provision of infrastructures in the productive sectors and at the same time improve the quality of life of the people. In line with that a sum of RM726.56 million is proposed for development expenditure in the year 2000. Of that sum, RM598.21 million will be borne by the State Government, RM88.26 million in the form of Federal loans and a sum of RM40.09 million is expected to be derived from federal reimbursable grants. The RM88.26 million Federal loan is to finance various projects as follows:

|   | <b>RM<br/>(Million)</b> |
|---|-------------------------|
| Kota Kinabalu Industrial Park (KKIP)..... | 60.00                   |
| Rural Water Supplies.....                 | 17.54                   |
| Improvement of Sports Facilities.....     | 10.00                   |
| Low Cost Housing.....                     | <u>0.72</u>             |
|   | <u>88.26</u>            |

Whereas the RM40.09 million Federal reimbursable grant is for projects under the following departments:-

|                              | <b>RM<br/>(Million)</b> |
|------------------------------|-------------------------|
| Drainage and Irrigation..... | 15.39                   |
| Agriculture.....             | 14.67                   |
| Veterinary Services.....     | <u>10.03</u>            |
|                              | <u>40.09</u>            |

Tuan Speaker,

65. The distribution of the State development expenditure estimates for the year 2000 by Ministries is as follows:

| MINISTRY  | RM<br>MILLION | %      |
|---|---------------|--------|
| Ministry of Infrastructure Development.....                                 | 245.73        | 41.08  |
| Chief Minister's Department.....  | 105.37        | 17.62  |
| Ministry of Agriculture Development and<br>Food Industry.....               | 99.89         | 16.70  |
| Ministry of Local Government and Housing.....                               | 30.17         | 5.04   |
| Ministry of Rural Development.....  | 26.25         | 4.39   |
| Ministry of Finance.....  | 25.00         | 4.18   |
| Ministry of Industrial Development.....                                     | 21.25         | 3.55   |
| Ministry of Youth Development, Culture and Sport<br>Improvement.....        | 14.83         | 2.48   |
| Ministry of Tourism Development, Environment<br>Science and Technology..... | 10.07         | 1.68   |
| Ministry of Resource Development and Information<br>Technology.....         | 4.84          | 0.81   |
| Ministry of Community Development and Consumer<br>Affairs.....              | 4.81          | 0.80   |
| Contingencies.....  | 10.00         | 1.67   |
| <b>Total</b>  | 598.21        | 100.00 |

Tuan Speaker,

66. In terms of sectoral distribution the RM598.21 million State funded development expenditures is as follows:-

|                             | RM<br>(Million) | %             |
|-----------------------------|-----------------|---------------|
| Economic.....               | 376.72          | 63.0          |
| Social.....                 | 136.63          | 22.8          |
| General Administration..... | 74.86           | 12.5          |
| Contingency.....            | <u>10.00</u>    | <u>1.7</u>    |
|                             | <u>598.21</u>   | <u>100.00</u> |

The economic sector which covers areas such as agricultural and rural development, transportation and physical infrastructure development, public utilities and commercial and industrial development, research and training is provided with a sum of

RM376.72 million, or 63 per cent of the total development estimates for the year 2000. Of the total the social sector is allocated a sum of RM136.63 million or 22.8 per cent for the following items:-

|   | <b>RM<br/>(Million)</b> |
|---|-------------------------|
| Infrastructures for Low Cost Housing..... | 25.00                   |
| Housing.....                              | 19.70                   |
| Drainage and Sewerage.....                | 21.29                   |
| Youths and Improvement of Sports.....     | 14.83                   |
| Libraries and Social Services.....        | 4.81                    |
| Community Development.....                | 51.00                   |

Under general administration expenses a sum of RM74.86 million is set aside for the construction of government building for office premises, mosques and religious schools and acquisition of land. The balance of RM10 million is for contingency purposes.

Tuan Speaker,

67. Efforts to develop the economic sector need to be elaborated here. A sum of RM168.0 million has specifically been assigned for water supply projects. This sum makes up about 44.60 per cent of the total expenditures in this sector. The Agricultural sector, excluding plantations, which is given new emphasis especially as regards to food production is the second largest recipient in this sector with a sum of RM87.9 million. Transportation and physical infrastructure, another important component of the economic sector, is provided a total allocation of RM73.0 million. Of this sum RM63.7 million is for the State roads and bridges programmes, RM4.0 million for State Railways, RM2.3 million for ports and harbours development and another RM3.0 million for the upgrading and maintenance of housing estates roads.

68. As I have mentioned earlier the government is committed to develop the tourism industry in order for it to contribute towards the economic growth of the State. The tourism sector is not only a catalyst in the creation of job opportunities but has provided an added-value to our tourism products such as handicrafts, culture, flora and fauna, and the “seas of green” in which our state is richly endowed with. In consideration, a sum of RM31.57 million is set



aside under development expenditures to support the 'collective' efforts in implementing various programmes on service industries provided by various government agencies, that directly or indirectly contribute to the overall promotion of tourism activities.

Tuan Speaker,

69. The foregoing is just a brief summary on the major items of the proposed expenditure of development in the year 2000. The details of each expenditure will be elaborated by my cabinet colleagues when they present their budgetary policies and strategies for their respective ministries. However, I would like to stress again that the main thrust of this Budget is to uplift the living standards of the people at large by providing a healthy economic environment and better infrastructures. Only this way can we pave the path to achieve the long term objectives as set out in the OPPS.

### Conclusion

Tuan Speaker,

70. The country's economy is currently experiencing a recovery process and the various monetary and fiscal measures are being reassessed to ensure the measures are capable of stimulating all aspects of economic activities at the domestic and international arenas. Economic growth is vital to ensure that present living standard does not decline. Realizing the significance of this, and though recognizing the state finances are limited, the State Government will continue to seek for financial assistance from the central government for support on the strategic programmes that are able to enhance the state economy in the long run. All these strategies as outlined in the OPPS are critical for us to implement and to ensure the favourable atmosphere created towards the development of a multi-sectoral economy. In view of this, deficit financing is bound to be the main approach of the State Government in developing the strategic economic areas. The close cooperation between the Federal and State Government, will make it possible for us to capitalize the easy terms of the financial assistance to ascertain the state economy is positioned on a solid foundation.

71. The future of the state and its people will be the prime agenda and the responsibility of today's government. The future of the State

also belong to the next generations; who are bound to take over the administration that is efficient and a stable economy to put the well being of the state on a higher plane. Notwithstanding this, the deficit financing will be managed with utmost prudence in order for it not to become a burden for the next generation. Sources of finance through loan will be utilized for projects that are able to generate income to the government to enable the government to honour its debt-servicing later on.

72. For the state of Sabah to move forward with greater success, the new approach in administering the affairs of the state requires new ideas, that is to say, new ideas by and based upon knowledge, imagination and creativity. Beside that, it is also necessary for us to develop a new management culture and system which is more suitable and in line with development in contemporary environment. The success of government policies, in particular, the national development policies requires a re-engineering of our work processes and practices based on information technology and the techniques of modern management. It is for this reason we have undertaken a new initiative called "the reinventing government initiative" recently. The old ways of doing things with emphasis on bureaucratic rules and procedures has to be balanced with new methodology and approaches which are more sound, innovative but realistic. This means the public service and government servants should abandon their complacent attitude and lethargy. On the other hand, they must be creative and procreative and face the challenges not only that they must be able to anticipate problems and needs well before hand and take preemptive measures in order to solve them. We want our officers and servants to become part of the solution and not part of the problem.

73. I am confident that the vision which we desire to achieve or realise lies within our capacity and capabilities. Malaysia boleh, Negeri Sabah pun boleh; rakyat boleh, peniaga-peniaga kita juga boleh. We have almost everything - the resources, the skills, the technology, the labour - except the self-confidence and the desire. Together let us forge ahead for the good and benefit of the country and the people.

Tuan Speaker, I beg to propose.

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