

THE 2010 BUDGET SPEECH

BY

**THE RIGHT HONOURABLE
DATUK SERI PANGLIMA MUSA HAJI AMAN
CHIEF MINISTER AND MINISTER OF FINANCE
AT THE STATE LEGISLATIVE ASSEMBLY
ON 13 NOVEMBER 2009 (FRIDAY)**

“A CONTINUITY FOR PROGRESS AND PROSPERITY”

“In the name of Allah, the Most Gracious and the Most Merciful”

Mr. Speaker,

01. I beg to table the 2010 Budget for the approval of this Honourable House.

Mr. Speaker,

02. Alhamdulillah, praise and thanks be to Allah SWT, with His blessing and grace once again I am able to carry out the responsibility entrusted upon me to table the 2010 State Budget in this Honourable House.

03. I realised that the aspiration to develop our beloved State and to spur progress as well as improving the living standards of the people in all areas, is extremely high. Majority of the State's populace, particularly in the rural areas, still require basic economic and social amenities despite achieving independence for some time. Being the government mandated by the people, the people's interest and prosperity will continue to remain as the main agenda in all its policies and development plans. Hence, the 5-year tenure of the Ninth Malaysia Plan (9MP) is ostensibly short in terms of what is still needed to be done. Throughout this period, the State government's main agenda has been to ensure a continuous development in bringing more prosperity and progress for the people, in line with the 2010 Budget theme, "**A Continuity For Progress and Prosperity**". The continuation of the development agenda is now even more crucial in ensuring all plans can be implemented for the progress and prosperity of the people.

04. With determination and earnestness, management and development programmes planned thus far have given significant impact on the people's quality of life. In making continuous development a success, it demands our concern and commitment to ensure balanced development. While development on physical basic facilities is taking place vigorously, natural environment including the flora and fauna must also be protected so that natural resources such as river, forest and aquatic creatures will continue to be protected to ensure sustainability on holistic development.

Mr. Speaker,

05. On behalf of the State Government, I would like to congratulate the Right Honourable Datuk Seri Panglima Mohd Najib Tun Hj. Abdul Razak, Prime Minister of Malaysia for tabling his maiden 2010 National Budget speech on 23 October 2009. The National Budget can trigger transformation towards new economic model to become a high income nation, apparently the realisation of the concept of '1 Malaysia, People First, Performance Now' is already well entrenched with Malaysians in Sabah. He regards the mandate given by the people to the Government is a big responsibility which needs to be shouldered to ensure the national resources can be enjoyed by everyone equitably. Hence, in fulfilling this noble responsibility, the State Government will continue to ensure efficient management of the State's resources so that it is capable to bring about progress and positive impact on the people's well-being.

06. To make Sabah a developed State by year 2015, development of skilled and competent human capital coupled with integrity and knowledge in science and technology is a prerequisite. This is in line with the Right Honourable Prime Minister's aspiration of putting innovation as the main agenda to ensure total transformation. Thus, the quality of education and technical training must be upgraded as demanded by the market, so that it is capable of bringing in changes and increase productivity particularly in a modern open economy system.

Mr. Speaker,

07. The role of private sector as a partner and driving force is very important in developing the State's economy especially through investment and provision of capital. At the same time, the role of public sector is equally important in bringing about changes particularly in the provision of infrastructure and utilities as well as services. These two sectors are capable of spurring and elevating economic development to a more competitive and resilient level. Political stability and harmony as well as safe environment, have greatly helped and eased delivery of development programmes and prepare a more conducive environment to attract and increase more investors, thus making Sabah an investment destination. Implementation of projects under Sabah Development Corridor (SDC) was launched in early 2008 with an allocation of RM1.3 billion. From the said amount, a total of RM569.96 million has been received to-date and the projects are being implemented actively. Besides that, the private sector has shown interest in SDC with investment projects valued at RM4.04 billion. New investments are expected to upsurge with increasing private sector's confidence especially in tourism and service sectors.

Mr. Speaker,

08. The State Government is thankful for the pragmatic policy and commitment of the Federal Government in overcoming economy crisis which can distress the country's economy growth. Persistent efforts particularly through economic stimulus packages are beginning to show its effects when the country's economic performance is recovering. I am fully confident that all people will be taken care of and none will be left

behind with the introduction of National Key Result Areas (NKRA) which is based on outcome approach and employment of Key Performance Indicators (KPI) in a comprehensive manner as contained in the National Budget 2010.

2010 Budget Strategy

Mr. Speaker,

09. The 2010 State Budget will ensure vigorous implementation of programmes and also preparation of the State Government machinery in implementing transformation package and strategic direction of 10th Malaysia Plan (10MP). The State Government will retain this year's Budget Strategy as a continuation effort in the period of 9MP which is based on the five Thrusts of the National Mission, which are (i) To move the economy up the value chain; (ii) To raise the capacity for knowledge and innovation and nurture first class mentality; (iii) To address persistent socio-economic inequalities constructively and productively; (iv) To improve the standard and sustainability of quality of life, and (v) To strengthen institutional and implementation capability. Thus, the 2010 State Budget Strategies are as follows:

- (i) To strengthen the State finances;
- (ii) To improve public sector delivery system, strengthen good governance and increase productivity;

- (iii) To enhance development and provision of infrastructures as well as basic amenities towards economic and social progress;
- (iv) To accelerate human capital development as a catalyst of growth thereby promoting its participation in the modern economy as well as enhancing competitiveness;
- (v) To improve rural development programmes to ensure quality of life as well as poverty eradication;
- (vi) To upgrade social and socio-economic programmes to assist the less fortunate.

World Economy

Mr. Speaker,

10. Global economic recovery from the current recession is actuated by strengthening public policies in many countries aided by reducing wariness towards global recession. During the global economic downturn, new emerging economies demonstrate high resilience compared with advanced economy. Following the 1.1 percent shrinkage in the year 2009, global economy is expected to increase again and expand at the rate of 3.1 percent for the year 2010.

11. Overall, advanced economies are projected to expand at 1.3% for the year 2010 compared to negative 3.4 percent in the year 2009.

New emerging and developing economy is projected to demonstrate better performance, increasing from the growth rate of 1.7 percent in 2009 to 5.1 percent in the year 2010.

12. The United States economy is expected to recover from negative 2.7 percent and expand at 1.5 percent in the year 2010. The Euro economy is also expected to recover from the shrinkage of 4.2 percent in 2009 and expand at the rate of 0.3 percent in 2010. In the case of Japan, her economy is expected to recover from a negative 5.4 percent in 2009 and to record a growth rate of 1.7 percent for the year 2010. Meanwhile, the economy of China and India were able to withstand the global economic downturn. In the case of China, economic growth is projected at 9 percent in 2010 compared with 8.5 percent for 2009. As for India, economic growth is projected to increase from 5.4 percent in 2009 to 6.4 percent in 2010.

National Economy

Mr. Speaker,

13. The national economic growth expected at the rate of 2 to 3 percent next year, is driven by the positive growth in all the main sectors namely services, agriculture and construction. The service sector remains as the main driver with a growth rate of 3.6 percent. Besides this, the economic growth is also driven by the increase in private investments which is recovering and growing at a rate of 3.4 percent. Private utilization growth of 2.9 percent and the 3.5 percent increase in exports is also expected to contribute to the national economic growth.

Inflation rate remains low, between 1.5 to 2.5 percent. Unemployment rate is below 4 percent.

Sabah Economy

Mr. Speaker,

14. We are thankful to the Almighty, for Sabah is spared from the worst negative impact as experienced by other countries during the global financial crisis, as well as from any catastrophic natural disaster. Therefore, we should not take all these for granted and in fact we should continue to strive to look after and protect our natural resources and environment. On the contrary, Sabah continues to enjoy the positive impact of the increase in price of crude palm oil and petroleum. The State trade balance increased by 133 percent with a high trade surplus of RM18.1 billion recorded in 2008. The total number of foreign tourists to this State albeit reduced slightly by 7.2 percent in 2008 was offset by domestic tourists which increased by 7.3 percent, representing 70 percent of the total number of tourists.

15. The rate of unemployment in Sabah declined to 4.9 percent in year 2008 as compared to 5.5 percent in 2007. The rise in inflation rate to 6 percent in 2008 was due to increased costs resulting from the rise in fuel price. However, this has dropped to 4.2 percent in the first half of this year as a result of lower cost on fuel, communication, transportation and clothing.

Mr. Speaker,

16. Through the two Stimulus Packages, the State Government has been allocated with a sum of RM866.8 million. Apart from the 9MP allocation, the State Government has also been given additional allocation of RM1 billion for Sabah development particularly in rural areas. Most of the projects under this allocation are in various stages of implementation and will be continued in year 2010. All these developments will continue to stimulate the State's economy, thus making it more stable and strong to jumpstart development in 10MP.

17. Private investment continues to be stable with growth in loan amounting to 4.2 percent or RM27.6 billion as of 30th September 2009, compared with RM26.5 billion as of 31st December 2008. Private investment which concentrated in construction, real estate, finance, insurance and agro-based sector will continue to expand until year 2010. Construction activities in particular, will increase dramatically due to implementation of Government projects that need to be expedited before the end of 2010.

18. However, investment in manufacturing sector is growing moderately whereby investment value amounted to RM704.93 million in the first ten months of this year. In 2007, the amount invested was RM3.6 billion and RM1.09 billion in 2008. Manufacturing and service sectors will continue to be developed and expanded. For next year, these sectors are expected to grow with the implementation of the Sabah Oil and Gas Terminal (SOGT) and the development of the Palm Oil Industrial Cluster (POIC). More efforts are needed to strengthen the service sector which encompassed a wide area of sub-sectors including

finance, transportation, ICT and multimedia development, tourism, research, education and others.

Mr. Speaker,

19. In the past few years, the agricultural sector contributed about 29 percent towards Sabah Gross Domestic Product (GDP). Sabah is still the leading producer of palm oil in Malaysia contributing 32 percent of the nation's total production of oil palm, and 15 percent of the world's total production of oil palm in 2008. In order for this industry to remain viable, it is important for this sector to increase output productivity and high value added processes. The development of the agriculture sector which still has rooms for improvement, will continue to be focused on and encouraged through the cultivation of high value non-forest products for exports such as vegetables, fruits, meat and dairy products as well as marine products. Under the SDC, two centres of integrated livestock industry will be established in Keningau and Nabawan beginning next year. These centres are expected to bring about positive impact on the development of livestock industry in the State.

Mr. Speaker,

20. We are thankful and fortunate to be blessed with abundant tropical rainforest and marine resources. Thus, Sabah has huge potential in exploring biotechnology sector and to undertake 'bio-sphere ecological' research. The existence of oil resources also enables Sabah to explore petrochemical industry. With a positive world economic prospect besides the need to expedite completion of 9MP development projects next year,

Sabah economy is forecast to expand at 4.0 to 4.5 percent compared with expected growth of 3.6 percent this year.

State Revenue Estimates

Mr. Speaker,

21. The revised revenue for this year is expected to be RM2,707.82 million, showing an increase of RM137.39 million or 5.35 percent more than the initial target of RM2,570.43 million. The State revenue for 2010 is estimated at RM3,127.65 million. The breakdown of the 2010 revenue estimates according to the three (3) main categories are: Tax Revenue totaling RM962.48 million or 30.77 percent , Non-Tax Revenue totaling RM1,346.35 million or 43.05 percent and Non-Revenue Receipts totaling RM818.82 million or 26.18 percent which includes the amount of RM544.00 million being proceeds from the issuance of bonds in line with the State financial plan.

22. The State Government has full confidence that its revenue can be sustained at above RM2.00 billion next year to meet one of the quality objectives of Ministry of Finance MS ISO 9001: 2008 standard. In relation to this, we must also accept the fact that forestry can no longer contribute in the same manner as in previous years with its revenue estimated at below RM100.00 million in 2010, for the first time since 1972. We are now not only ready to forgo the collection of forestry revenue, but also prepared to set aside financial resources for implementing forest management programmes to ensure that our forest resources are sustainable for the benefit of future generation.

Mr. Speaker,

23. Sales Tax in the Tax Revenue category continues to be the State's primary source of revenue. Next year, collection from Sales Tax is estimated at RM910.00 million or 29.10 percent of the total State revenue. The revised estimate for this year of RM798.75 million, is lower by 7.01 percent compared to the original estimate of RM859.00 million resulting from the revision of a major component being Sales Tax on CPO from the original estimate of RM780.00 million to RM708.75 million. Next year's collection from Sales Tax on CPO is estimated at RM820.00 million. Other main contributors in the Tax Revenue category include Sales Tax on specific gaming activities and Land Rents with estimates of RM90.00 million and RM50.00 million respectively for next year.

24. Royalties, the main pillar of the Non-Tax Revenue category, is expected to be the second highest contributor after Sales Tax with an estimate of RM724.56 million in 2010. This amount, however, is lesser by 26.02 percent compared to the revised estimate this year which is RM979.39 million. As there is still uncertainty in the direction of oil price, PETRONAS has estimated only RM647.20 million as Petroleum Royalty to be paid to Sabah next year. This amount is 12.78 percent less than the revised estimate for this year at RM742.00 million. The actual calculation and payment of Petroleum Royalty depend on three important elements, namely, total production, price of crude oil and foreign exchange which are all beyond the control of the State Government. However, what is more significant in respect of this category is the decline in the Royalty and Fees on Forest Produce whereby only RM65.79 million is expected to be collected next year. This

shows a reduction of 71.27 percent compared to the revised estimate of RM229.00 million this year.

Mr. Speaker,

25. Premium payment, another important contributor in the Non-Tax Revenue category, is expected to generate revenue of RM136.46 million next year, an increase of 26.15 percent compared to the revised estimate of RM108.17 million this year. The biggest portion is from Premium from Land Sales with an estimated collection of RM135.00 million next year, 68.75 percent more than the revised estimate of RM80.00 million for this year. Premium on Round Logs is estimated to contribute only RM1.46 million in 2010.

26. Proceeds from Sales of Goods are expected to generate revenue of about RM147.06 million next year, a slight increase as compared to the revised estimate of RM141.95 million for this year. The major contributors in this component are Sales of Water at RM112.50 million, Sales of Birds Nests at RM18.93 million and Sales of Fresh Milk at RM8.50 million.

Mr. Speaker,

27. Interests and Proceeds from Investment are expected to give a return of RM 153.09 million next year. Meanwhile, the revised estimate for this year is RM259.09 million out of which RM159.00 million is the receipt from the Inland Revenue Board in respect of tax credit claims arising from dividend income. The State Government takes this opportunity to record its appreciation to Inland Revenue Board for the

prompt settlement and hope that it will continue to give its full cooperation for future claims. For the year 2010, dividend is expected to contribute only RM80.00 million whilst Interest on Cash Balances and Short Term Deposits is estimated at RM65.00 million.

28. Collection from Rents is estimated at RM14.32 million next year. The bulk of this amount is from rents of the government owned buildings such as Wisma Sime Darby and Wisma Tun Fuad totalling RM13.29 million.

29. Under the Non-Revenue Receipts category, a total of RM818.82 million is estimated next year, a rather high figure compared to the revised estimate of RM274.89 million for this year. This is because the proceeds from the issuance of bonds amounting to RM544.00 million mentioned earlier is captured under this category. The other source under this category being Federal Grants and Contributions with an estimate of RM274.67 million consist of Grants to Replace Import and Excise Duty on Petroleum at RM120.00 million, Grant for Departments under the Concurrent List at RM50.60 million, Capitation Grant at RM42.95 million, Special Grant at RM26.70 million, Contributions Towards Implementation Cost of Federal Development Projects at RM26.00 million, Grant in aid of Operating Expenses of Sabah Museum at RM4.35 million and Revenue Growth Grant Part I at RM4.00 million.

Mr. Speaker,

30. In this past years, Grants and Contributions from the Federal Government average 10 percent of the annual State revenue. These contributions have greatly assisted the State. Nonetheless, with

substantial responsibility still to be shouldered by the State Government to develop Sabah as aspired by its people, it is hoped that more such financial contributions can be provided by the Federal Government.

2010 Supply and Development Expenditure

Supply Expenditure

Mr. Speaker,

31. With the explanation on the Budget Strategy and Revenue above, I propose an amount of RM3,304.38 million for the 2010 Supply Expenditure. This amount represents an increase of RM525.56 million or 18.91 percent as compared to 2009 estimate of RM2,778.82 million. By tabling a Budget of this amount, it clearly shows that the Barisan Nasional Government is sensitive, sincere and seriously committed in carrying out development and to bring about progress to the State as well as to the people at large.

Mr. Speaker,

32. The 2010 Supply Expenditure comprises of three major components such as, Emoluments amounting to RM583.48 million, Recurrent Expenditure RM949.57 million, and Special Expenditure amounting to RM1,771.33 million. Emolument Expenditure is increased by RM2.42 million or 0.42 percent as compared to the 2009 estimate of RM581.06 million. Recurrent Expenditure is increased by RM66.26 million or 7.50 percent as compared to the 2009 estimate of RM883.31

million. Whereas, the Special Expenditure shows an increase of RM456.88 million or 34.76 percent as compared to the 2009 estimate of RM1,314.45 million.

33. The distributions of the proposed Supply Budget allocation by Ministries are as follows:-

No.	Ministry	RM (Million)
1	Ministry Of Finance	1,402.79
2	Ministry Of Infrastructure Development	621.44
3	Chief Minister's Department	423.56
4	Ministry Of Agriculture and Food Industry	263.29
5	Ministry Of Community Development and Consumer Affairs	119.27
6	Ministry Of Tourism, Culture and Environment	102.63
7	Ministry Of Local Government and Housing	87.15
8	Ministry Of Resource and Information Technology Development	70.64
9	Ministry of Rural Development	59.57
10	Ministry Of Youth and Sport	40.82
11	Ministry Of Industrial Development	10.59
12	Expenditure Not Included in Ministerial Portfolios	20.85
13	Charge Expenditure	81.78
Total		3,304.38

Development Expenditure

Mr. Speaker,

State Fund

34. Estimated expenditures of State fund for development in 2010 amount to RM1,109.83 million. This is an increase of RM69.35 million or 6.67 percent as compared to this year's estimates totaling RM1,040.48 million. Of that amount, a sum of RM541.55 million is for continuation projects and RM568.28 million for new projects.

35. In terms of distribution by sectors, a sum of RM765.56 million or 68.98 percent is for the implementation of development programmes and projects under the economic sector. This is followed by the social sector which is allocated a sum of RM264.78 million or 23.86 percent. The balance of RM79.49 million or 7.16 percent is for the general administration sector.

36. Further distributions of the 2010 development allocation are as follows:

No.	Ministry	RM Million
1	Ministry Of Infrastructure Development	386.23
2	Ministry Of Agriculture And Food Industry	236.02
3	Chief Minister's Department	167.24
4	Ministry of Rural Development	86.22
5	Ministry Of Finance	75.00
6	Ministry Of Local Government And Housing	63.92
7	Ministry Of Tourism, Culture And Environment	9.47
8	Ministry Industrial Development	17.84
9	Ministry Of Social Development and Consumer Affairs	43.03
10	Ministry Of Youth And Sports	23.83
11	Ministry Of Resource Development And Information Technology	1.03
Total		1,109.83

Mr. Speaker,

Federal Allocation

37. For the year 2010 the State Government is expecting to receive Federal allocation totaling RM1,158.98 million. Of this amount, RM117.50 million is to finance our requirement under agriculture and industry sector, RM73.00 million for industries and a sum of RM968.18 million for infrastructures and communication. These allocations are given in the form of loans, reimbursables and direct grants. With this amount the overall total of development allocation in 2010 is RM2,268.81 million. I believe with such a big allocation we have no other excuses other than to work harder so as to perform better based on KPI.

Strengthening Financial Management and Delivery System

Mr. Speaker,

38. The State Government will continue to adopt prudent spending to ensure that expenditures would not only bring about benefits but would also be based on 'value for money'. In this context, the State Government will restructure the distribution and allocation of expenditures to move towards the Outcome-Based Budgeting System (OBBS) as outlined in 2010 Federal Budget. I believe this approach will ensure the success of any planned development programme with high impact and at the same time manage wastage. The shift from the existing Modified Budgeting System (MBS) to OBBS as initiated by the State Ministry of Finance will be simplified with the availability of electronic financial systems such as E-budget, E-revenue and E-payment.

39. All Ministries and departments are urged to adopt a culture of excellence in financial management instilled with high accountability. Supervising officers should adhere to their assigned tasks and responsibilities which are clearly spelt out in their respective appointment letters. The four-star rating, which is the highest rating under the Federal Audit's Accountability Index, accorded to the Treasury Department, SEDCO and the Perbadanan Baitulmal Negeri Sabah during the Financial year 2008 should be emulated.

Mr. Speaker,

40. I would like to express my gratitude to the recognition of quality in the management of the State budget through MS ISO 9001:2008 certification awarded by Moody International Certification Sdn. Bhd. This will smoothen the process as well as raise greater public confidence in the management of the State budget. RAM Rating Services Berhad (RAM) has publicly recognised that the State's healthy financial position, strong fiscal-adjustment capability, supportive relationship with the Federal Government and complemented by availability of natural resources. Thus, RAM has accorded AAA rating in the issuance of the State Government bond. This should encourage us to work harder. The bond exercise is the first of its kind undertaken by any state government. This will certainly project the State of Sabah's credit profile in the global investment market and open up more opportunities for us to secure lower cost of funding from the financial market.

41. The purpose of the bond issue is to finance commercially viable projects at a lower cost whilst generating income for the future. This will also improve the State's financial capacity and enable it to finance basic socio-economic projects more effectively without having to compete for the same source of fund. This approach will widen the State revenue-base and this calls for new discipline in financial management. This is also in line with efforts to bring about transformation and economic progress in the State together with the private sector as partner.

Upgrading Infrastructure and Basic Amenities

42. In fulfilling the Government's commitment to strengthen the role of the public and private sectors and at the same time support socio-economic advancement, a sum of RM1,043.81 is allocated for next year. These can be achieved by further increasing infrastructures development and broadening communication network between the rural and urban areas. This amount shows an increase of 30.42 percent compared to the 2009 budget amounting RM798.79 million. A sum of RM566.50 million is for water supply, sewerage including capital contribution for electricity. Of this amount, RM50.00 million is for the non revenue water supply programmes in Lahad Datu and Tawau. Another sum of RM477.31 million is for the maintenance and upgrading of roads, bridges, railway services, ports and harbors. RM32.48 million of that amount is for the construction of roads to industrial areas such as Jalan Ulu Sibuga and Jalan KKIP. Another sum of RM30.77 million is for access road to schools. Construction of new as well as maintenance of government buildings is an important factor in increasing productivity through a conducive, warm and comfortable working environment. For this purpose a total allocation of RM112.00 million is set aside which includes construction of the Sabah State Administrative Center Building that will house the Chief Minister's Department, the Ministry of Finance and all its agencies. Another sum of RM29.83 million is provided that would include the maintenance of Wisma Tun Fuad equipping it with amenities for the disabled, repairs for government servant quarters and other government buildings.

Human Resource Development and ICT.

Mr. Speaker,

43. The 2010 budget will provide an allocation of RM248.42 million for human resource development which is an important foundation towards producing a knowledgeable, competitive and innovative generation. A total of RM35.84 million of this allocation will be used to finance various skill and spiritual training programmes, conference participation and relevant courses for government servants and school leavers to prepare them to face challenges in line with innovative requirement consequent to the National Transformation Package Plan.

44. As joint funder with the Federal, a sum of RM50.00 million is allocated for development of site measuring 1,336 acres in preparation for modern infrastructures at the Sandakan Education Hub which will accommodate public and private institutions of higher learning that can cater more than 20,000 students. A total of RM30.00 million is set aside as grant for scholarship to upper secondary students with academic distinction for furthering their studies in higher learning institutions. The learning culture should be instilled among children in their early years just as the Malay proverb says '***melentur buluh biarlah dari rebungnya***'. For that, a total of RM22.19 million is allocated to better equip the State Library Department and all its branches as centre for learning and information channel. A total allocation of RM79.54 million is provided for the purpose of spiritual development through the provision of facilities for the religious bodies including maintenance so that spiritual development activities can be conducted in a conducive manner.

Mr. Speaker,

45. Effort to provide skilled manpower among the youth will be continued whereby an amount of RM25.95 million will be appropriated for skill development programmes such as entrepreneurship skills in engineering and mechanical industries; skills in the service industry such as culinary, tailoring, beauty and landscape; on-the job training in hotel and plantation Industries. A total of 4,075 trainees will benefit through programmes that will be conducted by the Department of Human Resource Development next year. Youths who are interested in languages will be provided with language skills according to market requirements through various courses in English, Japanese and Korean languages.

46. Training and courses in ICT field are fundamental in the digital era and inculcation of knowledge in this field is now an absolute necessity in all electronic base management. The government will appropriate an amount of RM53.97 million to support and implement programmes in human capital development base on ICT. This will result in the development of a resilient ICT Industry that will be able to support the economic transformation base on ICT knowledge or K-Economy. Among the financed or subsidized programmes and activities are research and development of ICT, E- Constituency Portal, Community Electronic Portal (E-Mas), development of incubator and technopreneur. In order not to exclude the rural community from ICT progress, the establishment of more E-Desa and E-Desa Portal will be continued as an effort to reduce the digital divide between urban and rural areas.

Uplifting the Standard of Living of the Rural Community.

Mr. Speaker,

47. The high incidence of poverty that still exists among the community especially in rural areas has touched the heart of everyone. As a responsible government, our agenda to eradicate poverty through government programmes and corporate social responsibility by government agencies will be intensified. An amount of RM137.02 million will be allocated next year to uplift the standard of living of the rural community including programmes to achieve the zero hardcore poverty target next year that will involve a total of 16,892 heads of hardcore poor families. Implementation of poverty eradication programmes through the Ministry Of Rural Development such as MESEJ, programme to raise income and quality of life will continue to be given focus as the government main agenda. Besides that, projects to eradicate poverty also include the cultivation of sea weeds, rearing of caged fish, oyster and duck, as well as cultivation of mushrooms, ginger and chillies. Focus will continue to be given to districts with high incidence of poverty such as Pitas, Nabawan, Beluran and others. An amount of RM36.00 million of the aforementioned allocation will be mainly used to finance small projects and supplies, based on people - centric approach, covering all areas under the supervision of district offices and the respective assemblyman. Hence, in ensuring that the special rural programmes are widely extended, the government has agreed to add RM100,000 for each State Legislative Assembly areas totaling the allocation to RM600,000. Aside from this assistant programmes for the less fortunate totalling RM 50,000 will also be given to each State Legislative area. To provide business premises in the rural areas as in previous years an

allocation of RM9.56 million is provided for the construction of shophouses covering areas such as Bingkor, Nabawan, Matupang, Sook, Balung, Bum Bum, Paitan, Telupid and Beluran.

Social, Welfare Programmes and The Role Of Women

Mr. Speaker,

48. Government social and welfare programmes have always been given due attention. Allocation provided should not be regarded as a measure, rather it is given based on needs. A sum of RM96.52 million is provided for this purpose next year. Of that amount, RM69.17 million will be managed by the Welfare Services Department to improve the quality of life and economic status of the less fortunate, disabled people, orphans and victims of natural calamity. A further amount of RM17.57 million is allocated under the social development programmes to establish several child development centers; fresh milk and school equipment assistance, family development programme that also cater for single mother to ensure that their welfare will always be looked after besides fostering family harmony in response to a caring and loving society. These social programmes are relief-packages provided by a caring government which is sensitive to the needs of the people.

49. The government's commitment to elevate the status of womenfolk has been portrayed through the recently completed Wisma Wanita. The annual maintenance and management cost of this building is borne by the government. Apart from that, a sum of RM1.14 million will be allocated under the Sabah Women's Affair Department and Sabah Women's Advisory Council for women's development programmes with

the cooperation of NGOs. Among the programmes implemented are leadership programme to produce a group of outstanding women under the women of substance serial programme to raise their confidence in decision making in their quest for gender equality. To enhance liaison and services, a One Stop Centre located at Wisma Wanita will be established mainly to give advisory and guidance services.

Strengthening Forest Management

Mr. Speaker,

50. The State Government would strive to achieve Sustainable Forest Management (SFM) based on the Deramakot Forest Reserve model which has gained world recognition, and conforms to the standard of Malaysia Criteria and Indicators (MC&I) and Forest Stewardship Council (FSC). Within these twelve months, two more SFM projects covering an area of 291 thousand hectares undertaken by the Forestry Department at Ulu Segama-Malua dan Tangkulap-Pinangah will be certified. Forest management projects such as these involve concerted efforts in protecting the forest from encroachment and natural disaster. It also ensures efficient utilization of forest resources to achieve optimal economic, social and environmental benefits. We should be proud of the Forestry Department's initiatives and achievements, for these they should be congratulated. A sum of RM83.14 million is allocated to Forestry Department in year 2010 for sustainable forestry management programmes.

Strengthening Agriculture Sector

Mr. Speaker,

51. The agriculture sector, the mainstay of the State's economic growth and social development, is the second major recipient of the development allocation. As a significant contributor to the State's economic growth, the State Government is allocating a sum of RM524.25 million or 15.87 per cent of the 2010 Budget to boost the agriculture sector development which includes fisheries, livestock and irrigation through its operational expenditure. In line with the State Second Agriculture Policy, more emphasis will be placed on efforts to widen the scope of research and development, coming up with new high value-added products and developing efficient marketing strategy. Besides the departments under the purview of the Ministry of Agriculture and Food Industry, other agencies involved in making this strategy a success are Korporasi Pembangunan Desa, KO-Nelayan and Lembaga Industri Getah Sabah, which will be allocated RM42.73 million. The government will continue to contribute RM30.00 million to the palm oil smallholders' special fund which was initiated this year when they are in need of support.

Enhancing Tourism Sector

Mr. Speaker,

52. In the last five years, the State tourism sector has experienced a phenomenal growth where tourist arrivals increased by 30 percent due to the State's aggressive and extensive promotion efforts. In this context,

we cannot rely on the strength of the eco-tourism alone but efforts to produce new and competitive tourism are necessary. The findings of the district tourism industry studies need to be realized including exploring potential areas that are high value-added in order to produce new businesses in this industry. Agro-tourism and aqua-tourism are two areas that have potential to be expanded.

Mr. Speaker,

53. In 2009, Sabah targeted 2.23 million tourist arrivals. As of September this year, Sabah recorded tourist arrivals of 1.57 million as compared to 1.55 million of the same period last year. With the completion of Kota Kinabalu International Airport terminal served as the main gateway for tourists to the State that can handle about 3,200 passengers per hour during peak hours, the target of about 2.26 million tourist arrivals in Sabah and generation of RM3.97 billion income are achievable. For the year 2010, to promote tourism industry related to cultural and environmental conservation programmes, Sabah Tourism Board is allocated a sum of RM25.0 million from the total sum of RM112.09 million allocated to the Ministry of Tourism, Cultural and Environment. This allocation also includes financing of the programmes planned under the Wildlife Department, the Environmental Conservation Department and grants to Sabah Cultural Board and Sabah Parks.

Industrial Development

Mr. Speaker,

54. Industrial sector as a driving force of the Halatuju will continue to be enhanced to spur the State's economic growth in commodity export markets such as crude palm oil and petroleum. Value of exported manufactured goods increased from RM2.6 billion in year 2003 to RM4.3 billion in year 2008, with annual average growth of 8.7 percent. Realizing the huge investment potentials in this industry through high value-added activities, the government will continue to support the main industry players such as Kota Kinabalu Industrial Park (KKIP) and Palm Oil Industrial Cluster (POIC). POIC had successfully attracted investments worth of RM1.8 billion from 24 local and foreign investors in the field of bio-diesel, processing of oil palm, fertilizers, energy and logistics. The recent trade and investment mission that I led to Port of Sohar in Oman and Port of Rotterdam in Holland, has opened up the opportunity for export market of palm oil and other palm oil related products. A Framework of Agreement on this joint venture between Port of Rotterdam and POIC has been signed on 20th October 2009 in Rotterdam. Investment promotion programmes in manufacturing industry involving Small & Medium Industry (SMI) in Sabah includes Sabah International Exhibition (SIE), Borneo International Trade Fair (BITF) and Buy Sabah-Made Product Expo will continue to be intensified. SMI development will be supported through Technology-Oriented Industry in Sabah programme in developing new industry and to add value in the existing industry. For the overall industrial sector development, a sum of RM136.64 million has been set aside for next year. In support of the overall development of palm oil industry, a sum of RM20.0 million is

allocated and an additional RM20.0 million for the expansion of POIC in Lahad Datu. The government will also allocate RM30.0 million and RM4.0 million as equity investment in KKIP and POIC respectively next year.

Development of Youth and Sports

Mr. Speaker,

55. Realising that 44 percent or 1.36 million of the 3.1 million population of Sabah are youths and in line with the National Mission of producing young, healthy, smart and innovative generation with first class mentality, guidance and responsibilities need to be given to this group so as to produce quality human capital. The State produces a number of excellent athletes in various sports where several national and international records have been set. Potential athletes will continue to be developed with the construction of sports complexes and youth clubs enabling them to carry out their activities and technical training. Focus will also be given to management and coaching programmes in order to produce qualified coaches that are capable of elevating the State's sports standing. Through sports events such as SUKMA and SEA games, good relationships can be fostered between Sabah and other states as well as other countries. In consideration of this role, a sum of RM64.66 million has been allocated to the Ministry of Youth and Sports of which RM23.83 million is for the completion of several sports complexes in Ranau, Beaufort, Kota Belud, Tenom and Sipitang as well as youth clubs in Kudat, Kota Marudu and Beaufort.

Towards Service-Oriented Local Authority

Mr. Speaker,

56. The role of the local authorities in service delivery is becoming more important in supporting the market-oriented economy due to the people's awareness in getting quality and fast decision-making to attend personal and business affairs. To create a conducive business environment, local authorities need to expedite registration and issuance or approval of development plan, as an example. City beautification through landscaping programmes, provision of amenities and systematic public transportation as well as maintenance of cleanliness through campaigns and solid waste management, will enhance the image of the State especially to the visitors. As front liners, the government will continue to provide support in strengthening their finances. All the outstanding debts of local authorities amounting to RM44.30 million will be converted to grant in stages beginning next year. I am grateful to the federal government for giving annual grant to Sabah Local Authorities amounting to RM34.56 million for administration expenditures beginning next year. Furthermore, a sum of RM151.06 million of State allocation will be set aside for the utilization of Ministry of Local Government and Housing and local authorities. Lembaga Pembangunan Perumahan dan Bandar (LLPB) has been specially set up to provide the low income group affordable housing and also houses for rental to address squatters and other social problems. For this purpose, a sum of RM26.44 million has been set aside next year.

Strengthening State Agencies

Mr. Speaker,

57. Whilst the government agencies continue to play their roles in implementing the government policies, these agencies need to ensure that their involvements are still relevant in the socio-economic development or commercial sectors which have the potential of creating job and business opportunities. Hence, their roles will be strengthened through the State Code of Corporate Governance, that will enhance the performance of the Board of Directors and management as well as manage their financial resources and assets productively and profitably.

58. Hence, the government will examine the capacity of these agencies from time to time to ensure that they are able to shoulder responsibilities in line with the purpose of their establishment. The agencies also need to be innovative in carrying out restructuring exercise and reviewing their cost of operation so as to improve their productivity. The State Government will continue to assist in strengthening their financial positions starting with the restructuring of outstanding debts. In line with this effort, a sum of RM192.7 million loans has been decided to be written-off or converted as grants or equity to be carried out in stages. In 2010, a sum of RM40.5 million has been allocated for this purpose. Apart from that, the State Government will continue to give contribution amounting to RM93.40 million to seven State agencies in support of their operation and services apart from the agencies under the Ministry of Agriculture and Food Industry.

Mr. Speaker,

59. I would like to take this opportunity to acknowledge the State agencies which are financially stable, independent and capable of paying dividend totaling RM174.5 million for this year to the state government. These state agencies are Sawit Kinabalu Sdn. Bhd., Sabah Development Bank Berhad, Lembaga Pelabuhan-Pelabuhan Sabah, Perbadanan Pinjaman Sabah, Warisan Harta Sabah Sdn. Bhd., Sabah Energy Corporation Sdn. Bhd., KKIP Sdn. Bhd., Progressive Insurance Berhad and Borneo Housing Mortgage and Finance Berhad.

Micro Credit Programme

Mr. Speaker,

60. The micro credit financing programme managed by Yayasan Usaha Maju (YUM) has greatly contributed towards enhancing the living standard of the poor through soft loan where 98 percent of the borrowers are womenfolk. To further extend such facilities, Ar-Rahnu Micro Credit programme will be introduced. This programme will be managed by Perbadanan Baitulmal Negeri Sabah (PBNS). The Ar-Rahnu scheme is an Islamic pawn service based on Syariah that is interest free using gold as collateral. This programme will be opened to all who are eligible regardless of their race and religion. As a start, loan capital of RM3.5 million will be set aside for next year.

Conclusion

Mr. Speaker,

61. The State financial policy which is based on resource management and prudent spending has been practiced all this while become the source of the State financial strength. The Barisan Nasional Government is committed in fulfilling its promises to ensure that no one will be left behind in the development mainstream. The strong financial position of the State has made possible for the State to carry out its responsibilities as planned in very meaningful ways, and at the same time able to address its past commitment that has become a burden. Alhamdulillah, the State economy which greatly depends on its exports, continued to remain stable with the favourable price for its main commodity namely crude palm oil and crude petroleum, in spite of having to face a drastic drop in revenue from its forest resources, in favour of the future Sustainable Forest Management, for future generation. The State present cash position is at its highest level ever attained. The State strong financial position is also able to consolidate the role of all Ministries, State departments and State agencies as well as NGOs in discharging their respective responsibilities in bringing about widespread economic and social impacts as expected.

Mr. Speaker,

62. Government acknowledges the commitment shown by all the civil servants, who all this while have strived towards producing quality services through innovation-based knowledge and mechanism in preparation for future challenges. In my earnest opinion, it is not fair if

the treatment of Special Payment of RM500.00 as announced by the Right Honourable Prime Minister to all Federal civil servants in his recent 2010 National Budget Speech is not extended to the State civil servants as well. Therefore, for their contribution of the services to the government with full dedication, I am pleased to announce that the Special Payment of RM500.00 is also extended to all State civil servants from support group up to grade 54, to be paid this year. In addition, I would also like to propose that the maximum entitlement for vehicle loan scheme facility to all State civil service to be revised with an increase of 50 percent from the current entitlement for all types of approved vehicles. With this, I urge all civil servants will continue to provide excellent services and serve diligently.

Mr. Speaker,

63. The State blessed with resources in abundance together with political stability, social and economic harmony all this while allows development benefits to be continuously enjoyed by all strata of people even more so now we are aggressively combating poverty particularly among the rural people. High commitment of the State and Federal leaders in the implementation of development programmes successfully will be helpful in expediting achievements in various fields for the progress of the State. Therefore, I am urging that cooperation and coordination between the officers of the State and Federal administrative machinery should be further enhanced to ensure the people will continue to be cared for through the implementation of high performance development agendas in tandem with the concept "1 Malaysia, People First, Performance Now".

64. The people has high hopes on the State Barisan Nasional Government which is the people's choice. Therefore, in return, we must always give priority to the people in each development planning. What is important is that Sabah Barisan National Government has the means to provide development to the people according to their needs. As the saying goes, "***ada padi semua kerja jadi, ada beras semua kerja deras***". With political and economic stability, today, we in Sabah are capable of bringing change and progress to the people and the State. Racial and ethnic diversity in Sabah does not pose as an obstacle for us to be united and to move forward in fulfilling the aspiration of making Sabah a success and progressive State. Togetherness and unity is the secret to the achievement and success of Barisan Nasional Government all this while.

65. All this while, our State has been respected for our abundant natural resources and the reputation of our leaders. We wish to maintain this prestigious position by making Sabah not only known within the country but also internationally. The richness of flora and fauna which we inherit and the beauty of natural environment on this blessed land, will be preserved for the benefit of all, either Malaysian or the world at large. The aspiration to place Sabah as a world class tourist destination and as local and foreign investors' premier choice as well as becoming one of the most developed State in Malaysia, is not merely a dream. The total transformation that we wish to implement in Sabah is a continuous process which we strive for. This transformation will be intensified with the implementation of 10MP by 2011.

66. Therefore, loyalty and full support of the people to the State Barisan Nasional Government will be reciprocated through the

development plans as outlined in this 2010 Budget. With the objective to continuously preserve prosperity and progress for our children and future generations, I believe we are able to develop the State of Sabah systematically as planned, so that the entire people will enjoy the tide of development in harmony at all times.

Sabah is now famed in the world

Its beauty captivates the hearts of all

Barisan Nasional is a government for all

It's our duty to serve the people

Mr. Speaker,

I beg to propose.