



**THE 2020 BUDGET SPEECH**

**BY**

**THE RIGHT HONOURABLE**

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**CHIEF MINISTER AND FINANCE MINISTER OF SABAH**

**THE STATE LEGISLATIVE ASSEMBLY**

**ON**

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**18 RABIULAWAL 1441H**

**“INTENSIFY DEVELOPMENT FOR THE PEOPLE’S WELL-BEING”**

Assalamu'alaikum Warahmatullahi Wabarakatuh

Datuk Speaker,

1. I beg to propose the 2020 Sabah State Budget for the approval of this August House.

## **PREAMBLE**

Datuk Speaker,

2. *Bismillahirrahmanirrahim, Alhamdulillah Rabbil Alamin, Wabihi Nastai'n. Shalawat and Salaam* to our beloved Prophet Muhammad SAW. Thanks and praises be to *Allah Subhanahuwa Taala*. With His blessing, I am able to table the 2020 Sabah State Budget in this August House.

3. This is the second budget for the new State Government since taking office in the middle of last year. It also means that the new State Government has just entered its second year of administration. I would like to express my sincere gratitude to all public administration, civil servant, Non-Governmental Organization (NGO), private sector and the people for their confidence and support given to Warisan-Led Government in shaping and transforming the administration of the State as well as directing towards a more transparent, efficient, advance and sustainable future development.

## TRANSFORMATIONS AND IMPROVEMENTS BY THE STATE GOVERNMENT

Datuk Speaker,

4. Within a short period of time, the State Government has done its level best. Despite numerous challenges and obstacles, in just one year and four months, the State Government has introduced and implemented various transformation and improvement initiatives in the State administration and financial management. These transformations have brought many benefits and advantages to the people which include strengthening of state fundamentals in order to accelerate development. Among the main transformations are: -

5. **FIRST:** The Government has fulfilled its manifesto to set up three new ministries, namely the Ministry of Education and Innovation, Ministry of Law and Native Affairs as well as the Ministry of Health and the People's Well-being. These are new administrative machineries and platforms for the State Government to achieve its goal of strengthening human capital, protecting natives' rights and improving well-being of the people of Sabah.

6. **SECOND:** The Government has intensified its efforts to empower human capital as one of the most important and vital assets in developing Sabah. In year 2019, the State Government allocated **RM52 million** under the Ministry of Education and Innovation for State Scholarships, Bursaries and Financial Assistance for students. This allocation has increased by **67.5 percent**, from **RM40.6 million** in year 2018 under the previous Government's budget. As at October 2019, **RM42.93 million** was spent

on State Government Scholarship to help **5,279 students**, including sponsoring **20 students** at various higher learning institutions abroad. The remaining allocation will be utilized to fund scholarships and assistance to students that are currently being processed.

7. **THIRD:** In line with the establishment of Ministry of Law and Native Affairs as well as manifesto to guarantee native land ownership in Sabah, the Government has abolished land policy on Communal Title. The abolishment is to address the issue of dissatisfaction among beneficiaries and to improve land titles issuance to the natives of Sabah. As of October 2019, **48 communal titles** have been revoked throughout Sabah that involved **82 villages** and **51,169 acres** of land. Of these, a total of **829 individual titles** involving **16 villages** and **9,968.28 acres** in Keningau and Tambunan have been prepared which will be handed over to the natives according to their respective districts.

8. Besides, the State Government will continue to fulfill its promise to grant land to the people, especially natives who have made application for years. In year 2019, the State Government has handed out **933 Natives Titles** in **3** districts. This involves **60 Native Titles** to **5** villages in Tongod; **339 Native Titles** to **7** villages in Tambunan; and **534 Native Titles** to **66** villages in Semporna.

9. In addition, the State Government is concerned about the people's well-being who live in villages which have long been in existence in Sabah's forest reserve. The location of these villages makes it difficult for the Government to provide assistance as well as develop and provide basic infrastructures in an effort to enhance the well-being of the villagers. Thus, the State Government will present a Bill in this State Assembly to

revoke part of the **24** forest reserves of different classes comprising **1,637.56 hectares** for village settlement. The area will include **90 villages** with about **3,800 homes** and **20,000 residents** in Kudat, Pitas, Kota Belud, Tamparuli, Tuaran, Kota Kinabalu, Tenom, Beluran, Sandakan, Lahad Datu, Kunak, Tawau and Semporna. This would allow the villages to be gazetted as village under the Land Ordinance. The revocation of the area constitutes only about **0.05 percent** of Sabah's total forest reserve. Therefore, this revocation will not result in significant changes in the total area of the existing forest reserve.

10. **FOURTH:** The Government has suspended the issuance of timber licenses and banned on export of logs in order to promote furniture manufacturing industry in Sabah and to provide new job opportunities as well as to protect the environment. Government's observation shows that supply of wood-based raw materials at factories producing plywood and sawn timber has improved. This development has led to significant increase in local employment. Several factories recorded **15 percent** of their workforce come from technical, vocational and tertiary schools in Sabah.

11. Furniture factories in Kota Kinabalu Industrial Park (KKIP) can now operate at full capacity. The State Government has also attracted private investment into the State's furniture industry. For example, furniture factory projects in Kudat and Kimanis, Papar. The project in Kudat will involve collaboration of a local company (Kilang Papan KK Assan) with a China company (Fujian Anxi Jufeng Handicraft) to produce furniture made from Acacia wood which is widely available in the northern region of Sabah. Whereas, the project in Kimanis involves an investment value of about **RM30 million** by Lamitech International Sdn. Bhd. This company is

now able to produce higher value-added wood products such as scantling - solid; limited or finger-jointed; decorative timber; moulded products and briquettes, due to a more stable and secure supply of raw material.

12. For the information of this August House, the State Government is also in the midst of preparing the Sabah Timber Industry Master Plan which will guide and direct the Government in developing the State's timber industry from upstream to downstream activities.

13. **FIFTH:** The Government gives priority and is actively negotiating with the Federal Government to restore Sabah's rights as agreed in the Malaysia Agreement 1963 (MA63). The State is still not satisfied with the progress to date. However, the Federal Government decision to raise the annual payment for Special Grant gradually from **RM26.7 million** at present to **RM53.4 million** by year 2020, and **RM106.8 million** over the next **5** years, is an indication that the negotiation has begun to bear fruit. The State Government has agreed to accept the new rate. However, the State Government will continue to appeal for a higher rate, since it has not been reviewed since year 1969 which is 50 years ago.

Datuk Speaker,

14. Many may not aware that Sipadan and Ligitan islands have been under the control of the Federal Government through the National Security Council (MKN) since year 2003. In line with MA63, the State Government in early September 2019 has obtained the Federal Government's approval to return the administration and management of the two islands to Sabah. Regulation on security will still remain under the Federal Government.

15. **SIXTH:** The Government realises the grievances and dissatisfactions among the civil servants as reengagement and extension of service of retirees hindered career advancement. Therefore, to overcome this issue and to enhance quality as well as to improve delivery system, the Government has stopped the practice of extending services of retirees since May 2019 and has also increased the number of officers and staffs in the Public Service to a sufficient and optimal level.

16. The Government has also filled vacancies and created new positions for critical fields. From year 2018 to 30<sup>th</sup> September 2019, a total of **958 new posts** for various grades were created. Whereas, **685 vacancies** and new positions have been filled during the period. This is to ensure efficiency and fast delivery of Government services in order to intensify the State's economic growth. This move is in line with the intention of the State Government to provide more employment opportunities to the people of Sabah. Therefore, this measure also helps to reduce unemployment, especially among graduates from Sabah.

17. **SEVEN:** The Government has reviewed and improved processes and procedures in various areas to reduce bureaucracy and accelerate approvals for businesses and industries. For example, the State Government has agreed to replace Central Board to a new entity, namely the State Planning Council (SPC). The Council's role is to formulate high level policy for State's physical development planning. In this regard, delegation of power will be given to the Local Authority (PBT) to consider and approve Development Plan (DP) through One Stop Center (OSC) which will be created in six zones. The objective is to speed up DP approval in order to address delay and bottleneck.

18. Through this new approach, the Local Authority will act as Local Planning Authority, in which power to process and approve development plans will be carried out without having to consult the SPC, provided that all applications are submitted in accordance with government policies. This also means that the DP approval process can be streamlined based on Self-Compliance approach by developers and consultants.

19. To explain in detail, application will be submitted to the local authority, which will be forwarded to OSC for further action. If in order, OSC will issue a conditional approval letter within **24 working hours**. Applicants are then required to liaise with State and Federal technical departments within **3 to 6 months** for technical comment and subsequently to comply with technical requirements through the self-compliance method. Should complete DP not receive by OSC during this period, a warning letter will be issued to the applicant. If applicant fails to respond within 6 months or one year (depending on the size of the project), conditional approval given earlier will be null and void. Completed DP will be forwarded to OSC, which meets once a month or whenever necessary, for their final approval.

20. **EIGHT:** The Government has introduced and set Key Performance Indicator (KPI) for 5 years that covers ten (10) State Key Result Areas in line with the desire and aspiration of the 13 thrusts in the State Government manifesto. Among others, upholding and safeguarding the rights of the people and the state of Sabah; protecting, conserving and ploughing benefits from the nature; and developing as well as providing opportunities for youths and women in various sectors.

21. The KPI outlines focus, goal and direction of all Government machineries to ensure that the needs of the people are met. The KPIs of all ministers and ministries, departments and agencies are closely monitored and measured by the Service Delivery Unit, under the Chief Minister's Department, which has been established to ensure that the targeted KPIs are achieved. Among the KPI achievements include the Federal Government's approval to return Sabah Electricity Sdn. Bhd. (SESB) to the State Government; and the Federal's approval to review the structure of Pan Borneo Highway projects which was previously implemented by Borneo Highway PDP Sdn. Bhd. will now be handled by the State Public Works Department (JKR) under conventional method.

22. **NINTH:** The Government has reviewed several critical and strategic projects for Sabah with the aim to strengthen the Government financial management resources and ensuring that its benefits are fully enjoyed by the people. One of these is the termination of outsource contracts for the operation and maintenance of water treatment plants across Sabah. Termination of contracts, taking over of operation as well as management of **58 water treatment plants** has saved about **RM120.0 million** a year to the State Government.

Datuk Speaker,

23. **TENTH:** In terms of economy, the State Government has realigned its development policy to be on the right track. In this regard, focus will be on industrial sector, mainly the manufacturing sector which will be the catalyst and engine of growth. At the same time, other key productive sectors such as agriculture and tourism will also be emphasized. These efforts will be continued and emphasized in the

Twelfth Malaysia Plan (12MP), 2021-2025, to intensify the transformation of Sabah's economic structure to become an industrialized state.

24. This transformation is important because Sabah is endowed with natural resources such as palm oil; timber; oil and gas that can be utilized and developed for the benefit of the people. After more than 50 years and having gone through eleven Malaysia Five Year Development Plans, downstream activities are still low. This is one of the major factors that has caused Sabah to be far behind in terms of development and economic growth.

25. However, State resources need to be explored and utilized responsibly in order to generate sustainable income and wealth for the benefit of future generations. Therefore, the State Government emphasizes on clean and environmental friendly industries. This is important, so that our desire for wealth and progress will not damage the natural environment. Thus, the State Government will continue to focus on environmental protection, human capital development and to provide high quality infrastructure as well as basic amenities in order to support and expand developing sectors to be more competitive and sustainable.

Datuk Speaker,

26. I would also like to inform that the State Government is capable of repaying the **RM1.0 billion** bond through one bullet payment by the end of year 2019, *In sha Allah*. In addition, RAM Ratings has evaluated and reaffirmed Triple A (AAA / Stable) rating for Sabah. Apart from that, we have successfully maintained a clean bill for year 2018 State Government

Financial Statement. These reflect and prove that the State Government's fiscal management is healthy and prudent.

27. The State Government is also preparing to implement the Accrual Accounting System beginning year 2022. The Government will continue to train and equip the Public Service with knowledge and skills to realize the **Accrual Accounting Implementation Plan**. This is in line with the Federal Government's policy of implementing the Accrual Accounting principle beginning year 2021, which aims to transform the direction of accounting and financial services in the country as a whole.

### **The State and Federal Government Relationship**

28. The State Government recognizes that the Federal Government has redefined its priorities and launched the country's development direction for the next ten years from year 2021 to year 2030. **Shared Prosperity Vision (Wawasan Kemakmuran Bersama), 2030** is aimed to make Malaysia a nation that achieve sustainable growth along with fair and inclusive distribution of wealth. We hope that this vision will provide policy support and further strengthen all forms of cooperation and consultation between the State and the Federal Government. Particularly, on revenue distribution to be aligned with the spirit of MA63 and on development allocation distribution to be more equitable.

Datuk Speaker,

29. The State Government would like to express its appreciation and gratitude to the Pakatan Harapan government for accelerating development in Sabah as outlined in the Mid Term Review, 11<sup>th</sup> Malaysia

Plan (MP). The good relations between the State and the Federal Government in this new era of Malaysia have also been reflected through the increase in development allocation to Sabah. The Federal Government development allocation to Sabah has increased from **RM4.1 billion** in year 2018 under the Barisan Nasional Government, to **RM5.0 billion** in year 2019 and to **RM5.1 billion** in year 2020 under the Pakatan Government. The allocation in year 2020 is the highest compared to other states in Malaysia and is **RM100 million (or 2 percent)** higher than the amount received by Sabah in year 2019.

30. The provision reflects the Federal Government concern in addressing the widening development gap between Sabah, Sarawak and Peninsular Malaysia. Therefore, focus is given to reduce this gap through regional, urban and rural development and to strengthen enablers in line with the national development vision of shared prosperity and inclusivity. In this regard, the Federal development allocation is provided to enhance the state much-needed infrastructures such as ports; ICT services including broadband; roads, water and electricity supply in the rural areas; repairing of dilapidated schools and clinics as well as others.

## **ECONOMIC PERFORMANCE AND PROSPECTS**

### **World Economy**

Datuk Speaker,

31. The world economy is currently in a state of uncertainty caused by the trade war between the United States and China. Based on the recent

economic environment, the International Monetary Fund (IMF) projects the world economy to grow moderately at **3.2 percent** in year 2019 and to improve to **3.5 percent** in year 2020. This forecast is based on the supportive financial market sentiment and the easing of short-term drag on growth, especially in the European Union (EU).

32. The US economy growth is expected to be **2.6 percent** in year 2019 moderating to **1.9 percent** in year 2020. While this growth rate is projected based on robust exports and inventory build-up, US trade war with China is expected to have a negative impact that could lead towards an economic slowdown next year. After recording growth rates of **1.9 percent** and **1.3 percent** in year 2018 and year 2019 respectively, the EU economy is projected to grow at **1.6 percent** in year 2020 as external demand is anticipated to improve.

33. China's economic growth is expected to decline from **6.2 percent** in year 2019 to **6.0 percent** by year 2020. This growth forecast is a reflection of the ongoing trade tension with the US that is going through structural economic reform. Meanwhile, India's economy is expected to grow at **7.0 percent** in year 2019 to **7.2 percent** in year 2020.

## **Malaysian Economy**

Datuk Speaker,

34. Despite the sluggish global growth, the Malaysian economy remained resilient and grew at **4.9 percent** in the second quarter of 2019, driven by strong domestic demand. The country's current account also grew to **RM14.3 billion** or equivalent to **2.9 percent** of the National Gross

Income. Malaysia's international reserves now stand at **RM431.3 billion** or **USD103 billion**. The labour market remains stable with **15.1 million** employed persons and the unemployment rate remains low at **3.3 percent**.

## **Sabah Economy**

Datuk Speaker,

35. Sabah's economy is an open economy. Thus, the momentum and growth of Sabah's economy for year 2019 is influenced by the slowdown in most economies globally; trade war between the United States and China; weaker commodity prices; as well as natural disasters suffered in many countries this year. Although EU is not Sabah's major trading partner, the ban on Malaysia crude palm oil will gradually affect the performance of the State's oil palm industry. The moderate growth in China and India which are Sabah's major trading partners will indirectly affect the state's trade sector. The decline in prices of palm oil and petroleum coupled by weaker Ringgit are factors beyond our control.

Datuk Speaker,

36. Despite unfavourable performance of the global economy, Sabah's economy remains resilient and is not badly affected as envisaged. The State registered positive trade surplus of **RM8.0 billion** in the first eight months of this year.

37. The tourism sector in Sabah continues to perform and grow vibrantly and resiliently. Thus, this sector is the main catalyst of the services sector.

From January until August 2019, the number of international arrivals and domestic arrivals increased by **7.4 percent** and **8.6 percent** respectively with the total arrivals reaching **2.78 million**. Overall, occupancy rates at hotels recorded more than **70 percent**. International tourist arrivals to Sabah is dominated by tourists from China and Korea. The tourism sector's outlook for next year is expected to be optimistic with the various initiatives and development programmes as well as more aggressive tourism promotion and packages being implemented in conjunction with Visit Malaysia Year 2020. Sabah International Convention Center (SICC) is expected to be fully operational in year 2020, thus, this will increase the number of visitors to Sabah, especially from MICE which includes Meetings, Incentives, Conferences and Exhibitions activities.

Datuk Speaker,

38. The state agriculture sector is mainly affected by performance of the palm oil sub-sector. This sector has recorded an increase in production, however experienced a decline in export value due to low crude palm oil prices. As a step forward, the State Government is determined not to rely solely on one agricultural crop, the oil palm. Further efforts will be made to diversify to other crops and to increase production of high-quality fruits and vegetables. Sabah will become a food hub in the Asian region, especially to meet with high demand from big markets like China.

Datuk Speaker,

39. We are also pleased to inform that there have been growing interest from international investors particularly from China to invest in Sabah. Currently, the State Government is facilitating several high impact projects that will create more employment opportunities for the State. At the same time, the State Government is also working closely with Federal Government and Petronas to address the shortage of energy supply in the East Coast of Sabah. The Upper Padas hydroelectric project which has started its construction would also increase energy supply in Sabah in the long run.

40. Activities from the construction sector recorded a remarkable improvement. The increase was driven by the construction of the Pan Borneo Highway project; flyovers; construction of new hotels and residential properties. Stable investments in the property and tourism sector such as resorts reflect the confidence of investors to invest in Sabah.

41. Investor's confidence is also depicted by the substantial loan growth of **10.6 percent** extended to the finance, insurance, real estate and business activities sectors in Sabah to **RM4.35 billion** as at 30 June 2019 from **RM3.9 billion** in the same period last year.

42. Thus, it can be concluded that the economic prospect for Sabah remains positive in year 2020 as the global economy is expected to pick up. Next year, the main source of growth for Sabah economy is expected to come from public spending, mainly development allocation from State and Federal Government.

43. Against a backdrop of brighter world and regional economic outlook next year coupled with easier access to funding especially for the SMEs, private investment is also expected to improve. With huge public spending allocated to support economic growth; more stable commodity prices; and vibrant tourism sector, Sabah's economy is expected to maintain a positive economic growth at **4 to 5.1 percent** in year 2020.

## **THEME AND FOCUS STATE GOVERNMENT 2020**

Datuk Speaker,

44. The theme for year 2020 State Budget is **Intensifying Development for the People's Well-Being**. This budget was formulated based on the government's aspirations and commitment to shift and accelerate the State's development for the well-being of the Sabahans. In line with this theme, the State Government will distribute financial resources to achieve strategic goals and focus on related areas as follows: -

**First:** To improve the efficiency and delivery system of the State Government;

**Second:** To address socioeconomic imbalances and improve the people's standard of living through inclusive approach;

**Third:** To accelerate the development of productive sectors, which include attracting investments to drive economic growth and to generate income for the state;

**Fourth:** To strengthen human capital development through increased knowledge, skills, productivity and innovation; and

**Fifth:** To enhance the development of enablers such as ICT, basic infrastructure, utilities and public amenities to support social development and economic growth of the state.

45. To realize the aim and focus of the budget, the State Government proposes an estimated expenditure of **RM4,143.87 million** against an estimated revenue collection of **RM4,192.42 million** with a **Surplus Budget** of **RM48.55 million** in year 2020. This shows that the State Government's financial position remains healthy and stable.

## **THE 2020 TOTAL REVENUE AND EXPENDITURE ESTIMATES**

### **Revenue Estimates 2020**

Datuk Speaker,

46. As I have mentioned earlier, the State is projected to collect revenue of **RM4,192.4 million** for year 2020. This estimates show a decrease of **RM72.6 million** or **1.71 percent** compared to year 2019 original estimates of **RM4,265.0 million**. Estimated revenue for year 2020 is classified into three main categories namely Tax Revenue with a total of **RM1,031.7 million** or equivalent to **24.61 percent**; Non-Tax Revenue with a total of **RM2,697.4 million** or **64.34 percent**; and Non-Revenue Receipts with a total of **RM463.3 million** or **11.05 percent**.

47. Petroleum royalty is expected to remain the highest contributor in year 2020 total revenue estimates which accounts for **40.55 percent** with a projected collection of **RM1,700.0 million**. This estimate is based on royalty payment received from PETRONAS in year 2019 amounting to **RM1,703.5 million** which is the highest amount received in the history of Sabah.

Datuk Speaker,

48. State Sales Tax on CPO which is the main contributor to the Tax Revenue category, remains the second highest in year 2020 State's revenue estimates, equivalent to **19.68 percent**. However, the price of this commodity has declined to the level of **RM1,900 per metric tonne** which affected the state sales tax collection. Therefore, the original estimated revenue of **RM900 million** from this source has been revised to **RM750 million** in year 2019. Next year, the price of CPO is expected to reach at least **RM2,200 per metric tonne** with production of not less than **five (5) million metric tonnes**. Based on these projections, collection from Sales Tax on CPO is estimated at **RM825.0 million** in year 2020.

49. The revenue estimates on State Sales Tax on Lottery Tickets in year 2020 are expected to remain the same as year 2019 estimates of **RM60.0 million**. Meanwhile, the revenue estimates for State Sales Tax on Slot Machine for year 2019 is revised to **RM18 million**. However, the proceeds from this source will drop drastically to **RM1.5 million** following the State's policy to curb gambling through slot machines.

50. The State Sales Tax (Tax Rate) Order 2014 which allows the Sabah Government to impose tax on fishery commodities brought out of Sabah has already been gazetted before. However, tax collection was not implemented this year due to the Government decision to study and refine on the fishery commodities to be taxed. Being a concerned Government, review has been made on this tax. In line with the government policy to promote the aquaculture industry, exemption on tax is given to aquaculture commodity such as live fish and marine prawn. As such, it is estimated that at least **RM10.0 million** will be collected when the tax is imposed next year.

51. Meanwhile, under the Non-Revenue Receipts category, Federal Government Receipts and Contributions are expected to contribute **RM463.2 million** or **11.05 percent** of the total State Budget in year 2020. Examples of receipts in this category are Capitation Grant and Grant to Fund Operating Expenses for Departments under Concurrent List as well as Tourism Grant which we started receiving this year.

Datuk Speaker,

52. The projected revenue for the Sabah State Water Department has been set at **RM305.6 million**, which is equivalent to **7.29 percent** of the total revenue estimate in year 2020. Meanwhile, the revenue collection for the Lands and Survey Department is estimated at **RM300.0 million** in year 2020. This amount is equivalent to **7.16 percent** of the total State Revenue Estimates. Whereas, the Forestry Department is estimated to contribute **RM130.1 million** or equivalent to **3.13 percent** of the total estimated revenue in year 2020. There is a slight decrease of **12.9 percent** compared to **RM149.5 million** last year. Among the key factors

contributing to the decline are the State's policy to ban timber exports beginning 23 May 2018, lower log production, lower returns on agro-forestry royalty due to lower commodity prices such as oil palm and rubber as well as decline in the importation of timber which is subject to inspection fees under the Fees Enactment.

53. Over the past few years, the Sabah Ports and Harbour Department (JPDS) have achieved remarkable revenue collection. The original revenue estimates of **RM45.4 million** under JPDS has been revised to **RM50.0 million** in year 2019 and is expected to be maintained in year 2020. As for the Wildlife Department, it is expected to contribute **RM19.5 million** in year 2020.

54. Meanwhile, the estimate for Interest and Investment Returns are expected to reduce to **RM264.0 million** in year 2020 compared to the revised estimate of **RM329.5 million** in year 2019. Contribution from this category represents **6.30 percent** of the total State Revenue Estimates in year 2020. The reduction is due to tax credit balance from Inland Revenue Board which is coming to its full settlement.

Datuk Speaker,

55. The Sabah Ministry of Finance is endeavoured to ensure adequate financial resources are available to support yearly budgetary. However, it should be noted that this responsibility should be collectively shouldered by all Revenue Collectors. I appreciate the hardwork of all revenue collecting departments. To ensure the year 2020 State Revenue target is successfully achieved, cooperation, commitment and initiative from all parties need to be further enhanced. All Revenue Collectors are advised

to study and identify new sources of revenue that can be collected in order to increase State revenue. Concerted efforts need to be made to diversify the sources of revenue in order not to rely solely on our two main sources which are Petroleum Royalties and Sales Tax on CPO that contribute **60.23 percent** in year 2020 State Revenue.

## **SUPPLY EXPENDITURE ESTIMATES 2020**

Datuk Speaker,

56. For the purpose of facilitating and strengthening the Government's administration, a total of **RM4,143.87 million** is proposed for **year 2020 Supply Estimates**. This amount represents a decrease of **RM15.81 million** or **0.38 percent** compared to the original estimate in year 2019 of **RM4,159.68 million**. The amount is divided into three parts namely Emolument Expenditure; Recurring Expenditure; and Special Expenditure.

57. Of the total Supply Estimates for year 2020, a total of **RM739.59 million** is proposed for **Emoluments**. This figure recorded a decline of **RM2.55 million** or **0.34 percent** compared to year 2019 of **RM742.14 million**. As with last year, the main reason is due to retirement of several Sabah civil servants. In addition, recruitment of new officers and staff also involves only category from lower payroll.

58. Meanwhile, **Recurring Expenditure** is proposed at **RM1,495.88 million** for the year 2020. This amount involves an increase of **RM123.94 million** or **9.03 percent** compared to year 2019 of **RM1,371.94 million**. This amount takes into account on the increase for Special Allocation;

Grant to Small Entrepreneur Development Fund; General Assistance; Assistance to the Orphans and the Poor; Women and Single Mother Entrepreneurship; Contributions to the Local Authorities; and Programmes under Public Works Department Recurring Expenditure.

59. **Special Expenditure** is proposed at **RM1,908.40 million** for year 2020, a decline by **RM137.20 million** or equivalent to **6.71 percent** compared to year 2019 of **RM2,045.60 million**. The decline, among others is due to contribution to the Sinking Fund which is no longer required since the **RM1.0 billion** bond will be fully repaid this year. In addition, the decline is also due to the termination of outsource contracts for the operation and maintenance of water treatment plants.

### **Development Expenditure Budget 2020**

Datuk Speaker,

60. **State Development Expenditure** is the main source needed to boost the state's economic growth. This expenditure is distributed and controlled through the Development Budget, in which the allocation for this purpose is contributed from the State Supply Expenditure as well as Federal funds in the form of grants and loans.

61. For the purpose of Development Expenditure, a total of **RM960.91 million** is expected to be allocated in year 2020. This amount comprises allocation from the State and Federal Government amounting to **RM735.64 million** and **RM225.27 million** respectively. The Federal Government's allocation consists of Federal Reimbursable amounting to **RM38.48 million** and Federal Loans of **RM186.79 million**.

62. In line with the theme of year 2020 State Budget, the development allocation will focus on Economic Sector as the largest recipient amounting to **RM468.40 million** or equivalent to **64 percent**. This is then followed by Social Sector with allocation of **RM246.62 million** or **34 percent** and subsequently General Administration Sector with an amount of **RM20.62 million** which is equivalent to **3 percent** of the total development allocation.

63. I am pleased to inform that the development allocation ceiling of **RM3,500.00 million** approved during the 11MP 2016-2020, has been revised upward in the Mid Term Review to **RM4,074.76 million** to fund **749 development projects**. During the first 4 years from year 2016 to 30 September 2019, the State Government has approved accumulated allocation of **RM3,310.56 million** in which **RM2,432.5 million** or **73.4 percent** were spent. Out of the total approved projects, 154 projects were completed. Meanwhile, another 458 projects are in progress and 137 projects are still in the pipeline to be implemented mostly in year 2020 before the end of 11MP.

## **DEVELOPMENT OF GROWTH SECTORS**

Datuk Speaker,

64. From the aspects of economy, efforts to accelerate development will focus on the state's major productive growth sectors namely industrial, tourism and agriculture. In year 2020, the State Government will allocate **RM896.32 million** to develop these three sectors.

## AGRICULTURE SECTOR

Datuk Speaker,

65. The agriculture sector will continue to be given priority to develop concurrently and complementarily with other growth sectors. The State Government recognizes the role of agriculture sector in providing food sources to the people, business and employment opportunities as well as raw materials to the manufacturing sector.

66. To further enhance the contribution and role of this sector, the State Government has prepared **Agriculture Blueprint, 2021-2030** that will guide the development of this sector for the next 10 years, including exploring the untapped agricultural potential. These include implementing various fisheries and livestock development programmes to increase high value-added agricultural produce commercially.

67. Although the Blueprint is planned to be implemented within the 12MP, the Ministry of Agriculture & Food Industry (MAFI) has launched the Blueprint early November this year and will commence its implementation next year. As a start, the State Government allocates **RM24 million** under MAFI to fund the implementation of related programmes and projects under departments and agencies as follows: -

- Sabah Rubber Industry Board: **RM2.5 million**;
- Ko-Nelayan: **RM2.9 million**;
- Agriculture Department: **RM5.3 million**;
- Fisheries Department: **RM3.5 million**;
- Veterinary Services Department: **RM2.2 million**;

- Irrigation and Drainage Department: **RM6.0 million**; and
- Rural Development Corporation: **RM1.6 million**.

68. The State Government is concerned with the development of the agriculture sector. In year 2019, a sum of **RM25 million** has been approved under the Finance Minister Special Fund to finance two agricultural programmes that would directly benefit farmers and fishermen. The programme covers **RM20 million** for Seedlings and Fertilizer as well as **RM5 million** for Hill Paddy Special Assistance.

69. Apart from that, **RM7.5 million** is allocated to the Department of Agriculture to provide in-kind assistance to ease the burden and cost of production of farmers in order to increase their agricultural products and income. An additional **RM7.5 million** is provided to the Veterinary Services Department for swiftlet industry development. The balance of **RM5 million** is allocated to Fisheries Department for aquaculture and aquaponic development. To date, the Department of Agriculture has registered **2,214 recipients** to receive the assistance. Supplies of seedlings and fertilizers will start to be distributed in November this year.

70. Hill Paddy Special Assistance is the State Government's effort to assist farmers through supply of fertilizers and pesticides to increase the production of hill paddy in the State. Currently, **16,225 paddy planters** with **11,476 hectares** have been registered. Fertilizers will be distributed to the recipients by the end of November this year.

71. As this allocation can help to increase the income and well-being of farmers and fishermen, the State Government plans to continue this programme next year either from Finance Minister Special Fund or MAFI's fund.

72. Other than that, MAFI as well as its departments and agencies will be given an allocation of **RM459.64 million** next year for the purpose of developing the agriculture sector, including fisheries and livestock. From this amount, **Department of Agriculture** will be allocated **RM122.5 million** to implement the followings:-

- Programme on strengthening the Plant Biosecurity Enforcement, sale of seedlings and rental of department facilities are expected to bring in **RM2.5 million** a year;
- Programme on crop commodity development, particularly rice, fruits, vegetables, industrial and short-term crops with the aim to raise farmers' income to **RM4,000** per month;
- Programme on agricultural entrepreneurship development through the establishment of farming entrepreneurs, recognition of outstanding agriculture entrepreneurs throughout Sabah and implementation of Integrated Agricultural Skills Courses for youth; and
- Programme to improve the quality and food safety through the adoption of Good Agriculture Practices towards MyGAP and MyOrganic Certification among the food producers. Continuous efforts to control and reduce the risk of pests and plant diseases will

be made through the establishment of Biosecurity and Quarantine Services at 18 Entry Points throughout Sabah.

Datuk Speaker,

73. The State Government appreciates the Rural Development Corporation's (KPD) role in developing the living standard and socio economy of the rural community. In year 2020, KPD will be allocated grants for operation and development amounting to **RM18.99 million**. This allocation will be utilized to continue the Contract Farming Programme as a key strategy and smart partnership with farmers to generate income through agricultural activities. Among others, the production of poultry, honey and stingless bee honey, fresh mushrooms, pomelo and goat's milk.

74. The Sabah Rubber Industry Board (LIGS) plays an important role to develop rubber industry in Sabah. For next year, LIGS will be given an allocation of **RM16.81 million** to upgrade basic infrastructure, particularly plantation roads; to replace old and dilapidated offices, staff houses and stores; and to continue the Skills Training Programme for smallholders. In year 2020, a total of **2,000 smallholders** from all over Sabah are to be trained under this programme. In addition, LIGS will also continue projects on Additional Economic Activity for rubber smallholders that involve planting of fruits, black pepper and ginger as well as farming of stingless bee.

75. Meanwhile, the Veterinary Services Department which is entrusted to develop **small farming sector** will be allocated **RM68.38 million** in year 2020. The allocation is to finance implementation of seven major

programmes involving various districts throughout Sabah. These include developing and monitoring more farmers and ruminant farms to increase the State's Self-Sufficiency Level (SSL) in the livestock sector. Activities of these programmes include Purchase of Goats for breeding and rearing; Dairy Transformation Project; Development of planned and controlled Pig Farming Area; Laboratory Construction; Development of Grassland area; Buffalo Nucleus Project; as well as Pasture and Agro Food Development Projects for ruminants. In addition, the State Government will continue with the implementation of Swiftlet Project next year. The project, which is allocated **RM7.5 million** under the Finance Minister Special Fund this year, is expected to benefit **2,015 swiftlet entrepreneurs** all over Sabah.

76. The fisheries and aquaculture sectors are also crucial to Sabah's economy. To further enhance the development of this sub-sector, the Fisheries Department and Ko-Nelayan will be allocated **RM36.11 million** and **RM13.55 million** respectively in year 2020. Allocation to the Fisheries Department will be utilized to achieve the strategic objectives of the 11MP to increase income and fisheries production to optimal level; to intensify production of aquaculture seaweeds and ornamental fish; to manage fisheries resources through innovative and effective methods in order to achieve sustainable captured and aquaculture fisheries; to enhance usage and application of new technologies; to increase income of targeted groups and to promote good fisheries practices. In addition, support programmes will also be carried out such as conservation of artificial reefs and *Tagal* projects; enforcement; socio-economic development; and aquaculture farm certification such as the Malaysian Good Aquaculture Practice (MyGAP) and the Fish Quality Certificate (FQC). These are aimed to ensure sustainable and quality production of fisheries for both domestic and export markets.

77. Meanwhile, Ko-Nelayan's allocation will be utilized to implement eleven (11) development programmes and projects. The major projects are the agro-tourism project of Ko-Nelayan Mini Aquaculture Park in Tuaran; Credit Assistance Schemes; Marine Fish Seedling Production Center; Development of Fisheries Complex; the construction of fisheries infrastructure such as huts and jetties in fisherman's villages; and development of downstream fisheries industry, including skills training, upskilling and entrepreneurial mentoring to targeted groups.

78. To support the development of agriculture sector, the State Government has also allocated **RM6.2 million** to the Department of Irrigation and Drainage (DID) for the purpose of restoring and upgrading irrigation and drainage infrastructure for paddy crops in various districts as well as for highland vegetables in Ranau.

## **INDUSTRIAL SECTOR**

Datuk Speaker,

79. The manufacturing sector is expected to remain as one of the major contributors to the state economic growth in year 2020. The sector experienced a lower average annual growth rate at about **3.85 percent** in the period of year 2017 to 2018. However, the actual contribution of the sector to the State's GDP have increased by **RM0.15 billion**, from **RM6.36 billion** in year 2017 to **RM6.51 billion** in year 2018. The manufacturing sector also contributed to the international trade with the value of **RM2.6 billion** or **6.2 percent** of the total exports in year 2017. In terms of investment, Sabah has attracted investment value of **RM0.23 billion** in year 2018 both from domestic and foreign investment. With this

investment, the manufacturing sector has successfully provided **1,616** new employment opportunities in the same period.

80. As mentioned earlier, the State Government will emphasize on policy to develop industrial sector. This is a key approach and strategy to accelerate and increase Sabah's economic growth towards achieving a developed state with high income.

81. To intensify and create paradigm shifts to industrial sector development, the State Government has targeted an average growth rate of **17 percent** per annum, with a projected **35 percent** contribution to GDP by year 2030 from this sector. To achieve the target, a number of new initiatives have been and will be introduced. These include upgrading of infrastructure facilities, utilities, social amenities and logistics as well as ports.

82. At the same time, continuous efforts will be given to enhance competitiveness of existing industrial parks to attract more investments; to develop quality road network; to create Free Economic Zone; to develop Aerospace & Autocity Industry; to establish Creative Centre for Economic and Innovation; to make POIC Lahad Datu as Legal Landing Place and Tender Port for the delivery of Malaysia's palm oil futures by Asia Pacific Exchange Pte. Ltd (APEX); and rebranding of POIC Sandakan to **Sandakan Furniture Hub** with the aim to accelerate the development of wood-based downstream industries. In addition, further efforts will also be given to encourage investment opportunities in higher value-added downstream activities especially in oil and gas (O&G) sector, wood, palm oil and other agricultural products.

83. The State Government is drafting a new state industrial policy that takes into account of development plans in Kalimantan, Indonesia and the development of shipping logistics hub at Lombok Strait Makassar. As an effort to strengthen wood as well as oil and gas sector, the State Government will prepare Sabah Timber Industry Master Plan and Sabah Oil and Gas Industry Master Plan. Besides, efforts will also be taken to strengthen existing institutions, including plans to set up a new institution that will focus on promoting investment opportunities in Sabah.

84. In total, the State Government has allocated **RM146.79 million** for development of industrial and trade sectors in Sabah in year 2020. Of that amount, **RM36.47 million** has been allocated to the Ministry of Trade and Industry, its department and agencies for the implementation of various programmes, such as industrial infrastructure development; entrepreneurship; investment promotion; studies on development of sub-sectors master plans; as well as efforts to enhance industry competitiveness through adoption of technology which is driven by Industry Revolution (IR) 4.0 and foster stronger industry-academia collaboration.

## **SME AND ENTREPRENEURSHIP DEVELOPMENT**

Datuk Speaker,

85. The development for small and medium industries (SME), being the main catalyst for the manufacturing industry, will continue to be given focus. Programmes that have been implemented include courses on entrepreneurship; skills enhancement especially on using new technologies; automation to increase production and packaging; and

participation in Expo at national and international levels to promote local SME products. As of August 2019, a total of **6 international Expo** were participated by the SMEs and successfully secured sales value of **RM23 million**.

86. The programme under One District One Small Industry such as the *Festival Industri Kecil Sabah*, launched in July 2018, has benefited a total of **649 SMEs** which was organized in **3 districts** in the year 2019. Meanwhile, as at August 2019, entrepreneurial courses such as KIKSTART had trained a total of **300 SMEs**.

87. In year 2019, the State Government allocated **RM20.0 million** for the Small Entrepreneur Development Fund under the Ministry of Finance. From that allocation, **RM3.0 million** was channelled to the Department of Industrial Development and Research to assist SMEs to purchase machinery and equipment aimed at enhancing production of quality products and expansion of businesses. The allocation had benefited **431 SMEs** throughout Sabah, including youths and small businesses.

88. From the year 2019 allocation, a total of **RM12.0 million** was channelled to Sabah Credit Corporation for credit facility under the Youth Entrepreneurship Scheme that offers low interest rate to enable graduate entrepreneur and youth to grow their businesses. Meanwhile, **RM3.0 million** has been allocated to *Yayasan Usaha Maju (YUM)* to help **19 female entrepreneurs** for their business expansion.

89. The remaining allocation of **RM2.0 million** was channelled to the Ministry of Youth and Sports to implement Youth Entrepreneurship Aspiration Programme (YEAP) as incentive and motivation for the youths

to venture in entrepreneurship. The incentive is expected to benefit a total of **950 youth entrepreneurs** from all districts throughout Sabah this year.

90. With positive impacts of the special fund, the State Government will further increase the allocation for entrepreneurial development programme to **RM 40.0 million** under the Ministry of Finance in year 2020.

Datuk Speaker,

91. I am pleased to inform that several rural entrepreneurs under the Ministry of Rural Development (KPLB) Sabah have shown outstanding performance and received awards, for example, the Best Female Entrepreneur Achievement Award in conjunction with the *Karnival Usahawan Desa 2019* and the Million Achievement 2018/2019 Award by the World Organization Summit for Tourism. This means that rural entrepreneurs' products have successfully penetrated into the international market. The programme has given opportunity for rural entrepreneurs to earn income and provide employment to the locals.

92. Thus, to support rural communities, especially the rural entrepreneurs, KPLB Sabah will continue with the Rural Entrepreneurs Development Programme next year.

## TOURISM SECTOR

Datuk Speaker,

93. Although agricultural, industrial and trade sectors were affected by the fall of major commodities prices and world economy slowdown, we are grateful that tourism sector in Sabah remains resilient and continues to flourish positively.

94. Between January to August 2019, tourist arrivals to Sabah has increased positively at **8.2 percent** with total arrivals of **2.78 million** and estimated tourist spending at **RM 6.0 billion**. International tourists are mainly from China and South Korea. The State Government through Ministry of Tourism, Culture and Environment (KePKAS) will further expand our tourism industry by focusing on India and Europe.

95. Currently, Sabah has direct connectivity to **24 destinations** through **224 international flights** weekly, **445 domestic flights** and **62 chartered flights** from China, South Korea, Taiwan, Japan and Singapore. These have made Kota Kinabalu International Airport as one of the busiest airports in Malaysia and placed Sabah as preferred tourist destination.

96. Capitalizing on Visit Malaysia Year 2020, the performance of tourism sector in Sabah will be further enhanced with **4.18 million** of targeted tourist arrivals and estimated tourist spending of **RM 8.96 billion**.

97. Thus, in year 2020 the State Government will allocate **RM237.61 million** for tourism sector development. This includes supply and development provisions of **RM130.90 million**. The balance of **RM106.71**

**million** will be distributed to other departments and agencies which also contribute to the development of the tourism sector such as the Forestry Department and the Sabah Biodiversity Centre. The allocation will be spent on infrastructure development programme and tourism products, including Community Based Tourism and rural tourism; cultural and ethnic heritage preservation; tourism promotion; and sustainable environmental management.

Datuk Speaker,

98. The Government through KePKAS, targets to increase heritage collection from **70,000** units in year 2019 to **77,000** units in year 2020. In support of the culture-based tourism industry development, carnivals, festivals, cultural and languages workshops as well as similar programmes will continue to be organized to ensure our unique cultural heritage comprised of **35 ethnics** and **217 sub-ethnics** are preserved. In addition, efforts will continue to be implemented to identify buildings, sites and monuments that can be gazetted as State Heritage. The publication of cultural materials will continue to be intensified and at the same time information on publication and collection will be digitalized and protected under Intellectual Property Protection.

Datuk Speaker,

99. The beauty and richness of flora and fauna is the State's main tourist attraction. Thus, the State Government through KepKAS and its departments and agencies are entrusted with the responsibility to spearhead initiatives in protecting and conserving natural environment. For that, the State Government is allocating **RM62.90 million** to the

Wildlife Department; Sabah Parks; and the Environmental Protection Department in year 2020. The Government has also allocated **RM116.28 million** to the Forestry Department to manage and develop forestry sub-sector sustainably.

100. Currently, UNESCO is in the stage of declaring Kinabalu Global Geopark. This will increase the number of sites with prestigious status such as World Heritage Site as well as Biosphere and Human Reserve accorded by UNESCO. In an effort to expand Marine Protection Area to **13 percent** by year 2023, two scientific expeditions were carried out to evaluate suitability of Darvel Bay, Lahad Datu and Mantanani Island, Kota Belud as marine parks.

101. In addition, to preserve and protect sensitive sites, the carrying capacity for each tourist destination such as Sipadan Island is limited to 176 divers per day, Mount Kinabalu Summit is limited to 135 climbers per day and Selingan Island is limited to 50 overnight visitors. Online reservation for tourists is currently being developed.

102. To enhance our efforts towards creating a wider protected area to accommodate the population of various wildlife, KePKAS will give its focus on commitment and cooperation with all related parties including the NGOS, plantation companies and government departments. Meanwhile, monitoring and enforcement will be carried out and strengthened to ensure the incidence of brutal killing as what had occurred in Kalabakan, Tawau, in early September 2019 where Pygmy Borneo elephants were killed, will not happen again. Offenders found to hurt or kill protected wildlife will be imposed severe penalty. Management plan for several endangered wildlife species in Sabah has been prepared to be

implemented holistically. Awareness campaign on the importance of caring for wildlife will be increased.

Datuk Speaker,

103. The State Government is committed to protect and conserve the environment sustainably so that it is clean, healthy and safe towards creating a better quality of life amongst the people in line with the **Sabah State Environmental Policy**. Hence, the Government has emphasized its commitment to provide efficient services by shortening the processing time for Environmental Impact Assessment (EIA) report from **40 days** in year 2019 to **35 days** in year 2020 in accordance with the Ministry's KPI. In addition, various initiatives will be intensified in efforts to increase awareness among the public and students on the importance of protecting and preserving the biodiversity resources as well as conserving the environment.

## **PUBLIC FACILITIES AND INFRASTRUCTURE**

Datuk Speaker,

104. Overall, Sabah still lags in the development of quality infrastructure and basic amenities, which is necessary for the people's well-being and to support economic growth of the State. As such, the State Government shall continue to focus on infrastructure development such as roads, bridges and public transports as well as utilities for instance sewerage, water and electricity supply.

105. The avid determination of the Government is reflected through provision of substantial allocation amounting to **RM1,571.51 million** for infrastructure and public facilities development in year 2020. This amount includes the allocation for the Ministry of Infrastructure Development, its departments and agencies amounting to **RM929.44 million** and further allocation under the Ministry of Finance amounting to **RM 530.70 million**.

106. For the year 2020, the Public Works Department (JKR) is allocated a sum of **RM196.69 million** to fund programmes to construct roads, bridges, sewerage facilities, slope protection works and repair as well as government buildings. In addition, the Federal Government is expected to allocate **RM1.0 billion** for the implementation of **11 ongoing projects** and another **4 new projects** under the Pan Borneo Highway.

107. Among the programmes that will be implemented by JKR under State fund in year 2020 include the followings:-

- Construction and completion of new roads covering Kota Kinabalu City, Sandakan, Tuaran, Beluran, Kudat, Putatan and in small towns, rural areas; slope repairs; bridges as well as traffic management with an allocation of **RM77.24 million**;
- Construction and maintenance of state government buildings including quarters with a total allocation of **RM74.60 million**; and
- Upgrading of sewerage systems in various districts including those under the local authorities. This programme will be jointly funded through Federal Loan amounting to **RM94.15 million** and **RM15.0 million** from the State Government allocation.

Datuk Speaker,

108. Water is important and is a critical basic necessity. Clean and adequate water supply is a critical factor to drive the economic growth. Hence, the State Government will continue to give priority on the development of clean and treated water supply to meet the needs of the people as well as the demand of the industry and the commercial sector.

109. In this regard, the State Government has allocated **RM546.02 million** for the Sabah State Water Department to cover operation and development of water supply projects in year 2020. Among others, programmes and projects that will be implemented are as follows: -

- Special Water Project with an allocation of **RM125.0 million**;
- Non-Revenue Water Loss Reduction Rate Programme with an allocation of **RM7.9 million**;
- Programmes to upgrade watermains, distribution and reticulation system, water tank; reservoir and booster pumps as well as water treatment works with an allocation of **RM18.5 million**; and
- Immediate Water Supply Programme and Sabah State Water Supply Plan that is allocated **RM48.0 million** will be financed by the State and reimburse through Federal Soft Loan.

Datuk Speaker,

110. To enhance the quality of railway services in the state, a total of **RM 44.74 million** is allocated to the Sabah State Railway Department in year 2020. This allocation will be utilised for 10 proposed programmes which include the construction and maintenance of railway tracks and slip-roads; repairs and upgrading of railway stations; as well as the replacement of diesel-set and hydraulic diesel engine units. In addition, the department will also complete two federal funded projects which includes procurement of Diesel Multiple Unit (DMU) and upgrading of the Halogilat-Tenom railway line with an allocation of **RM33.4 million** in 2020.

Datuk Speaker,

111. The Sabah Port and Harbour Department functions to provide control and regulate traffic by water in ports, harbour and rivers, and to develop the port facilities throughout the state. In year 2020, the State Government allocates **RM21.68 million** to the Department for its management and operations. This allocation will be used to finance the maintenance of landing jetties; barter trade jetty; pilotage; and vessel traffic monitoring tower. Meanwhile, development allocation will be spent to continue, among others, on traffic control and cruise assistance programmes in the respective port limits of Sipitang, Tawau and Sandakan; and upgrading of the existing facilities in the Menumbok Ferry Terminal area.

112. In addition, the Government is allocating **RM122.74 million** to the Department of Irrigation and Drainage in year 2020. This allocation will be spent on urban drainage development programmes to avert and resolve

flood issues as well as protection and erosion mitigation schemes at riverbanks and coastal area. This involves implementation of ongoing programmes and projects such as the flood prevention and mitigation schemes in Sungai Tawau, Tawau and Sungai Petagas Kg. Sendil, Putatan; urban drainage schemes in Kota Kinabalu City, Penampang and Tawau; as well as drainage schemes in Tenom and Beaufort.

Datuk Speaker,

113. Frequent electricity supply disruption that has been an issue in the east coast of Sabah, has hampered social and economic development in that area. As such, I am pleased to inform that currently the State Government is collaborating with SESB to increase energy distribution capacity from west coast to east coast through the Southern Link Project. The project will provide better electricity supply and will complement the main 275kV Grid system in Sabah. For initial implementation, SESB is allocated grant and development fund by the Federal Government amounting to **RM69.0 million** between year 2019 to 2020. This is to fund preliminary assessment works and land acquisition required for the proposed alignment of the transmission lines to the east coast.

## **HUMAN CAPITAL**

Datuk Speaker,

114. Human capital is the greatest asset to Sabah. Therefore, the Government will continue to focus on efforts to strengthen human capital development towards producing generation that is competent, resilient and with high integrity. For this purpose, the State Government will

allocate **RM267.43 million** for human capital development, such as religious programmes, facilities and supporting infrastructure for next year.

115. Out of this, **RM124.66 million** is allocated to the Ministry of Education and Innovation to fund the implementation of various innovation programmes. This includes, creation of innovation hubs and organizing of campaigns, seminars and competitions such as Makerspace and Do It Yourself workshops in schools throughout Sabah in year 2020. In addition, conferences or symposium will also be held to appreciate and recognise all successful parties who have innovated new creation or invention. At the same time, the State Government through the Ministry will continue its commitment to address the issue of dilapidated schools in Sabah through a closer collaboration with the relevant ministry at the Federal level.

116. To assist students from Sabah who are eligible to further their studies in public and private Higher Learning Institution in the state and overseas, the State Government will continue to offer the Sabah State Government Scholarships with an allocation of **RM52.0 million** next year. This scholarship is expected to benefit around **1,200 local students**.

117. In year 2020, as a learning centre, the Sabah State Library is allocated **RM43.28 million** for operation and development. The allocation among others will be spent for the implementation of various programmes such as follows:-

- To commence the construction of Tenom and Kunak library;
- To replace obsolete mobile bus in Sandakan branch and to provide DesaNet bus in Papar, Kudat and Keningau branch;
- To purchase books, e-books; e-journals; regular publications; as well as visual audio materials in order to develop comprehensive collections; and
- To implement reading campaign across all libraries in the State.

118. In addition, the Government has also allocated a total of **RM23.06 million** to the Human Resource Development Department (JPSM) in year 2020. Among the programmes are as follows:-

- To implement Human Capital Development Blueprint for Sabah, 2021 – 2035, which aims to identify gaps between employment supply and demand from various industries. The outcome of this study will be used as a guideline for human capital development in Sabah;
- To commence the construction of the Technical and Commercial Training Institute (ILTP) campus in Mesilou, Kundasang, Ranau, which will be a Centre For Studies on Hospitality and Hotel in year 2020;
- To collaborate with UniKL and to send ILTP trainees to further their studies in Diploma level in automotive, electrical, welding and air-conditioning, whereby the first batch of students will be sent early next year;

- To implement various programmes such as Career Expedition and Skills Training Exhibitions in collaboration with the Labour Department next year; and
- To upgrade training aid tools (ABL) for Technical and Commercial Programme in ILTP, JPSM Papar.

Datuk Speaker,

119. It is the Government's policy and objective to produce knowledgeable and highly skilled human capital that is also competent in technology aspect such as ICT. In today's modern and global era, human capital capability to master digital technology on infrastructure and info-structure is critical in the Government's effort to accelerate further.

120. In this regard, the State Government has allocated a total of **RM 57.49 million** on training, courses and ICT development in Sabah next year. This includes allocation to the Ministry of Education and Innovation amounting to **RM35.69 million** and to the Sabah State Computer Services Department with an allocation of **RM20.90 million**. Meanwhile, the remaining **RM0.90 million** is allocated under the Ministry of Finance. The allocation will be spent to continue among others the development of Electronic Government (e-Government); Creative Innovation Programme; and IT Development Programme.

Datuk Speaker,

121. Our hopes and expectations are not limited only to produce knowledgeable and highly skilled human capital. This is because the

Government needs human capital with positive and high moral values who are intellectually and spiritually balanced. In this regard, the State Government will continue to implement religious programmes as follows:-

- Islamic religious affairs and education in Sabah is allocated **RM106.22 million**. This involves allocation to the Islamic Affairs Department, Sabah Islamic Religious Council, and *Baitulmal* Corporation in year 2020. This allocation will be utilized for infrastructure development and facilities such as Islamic Complex; mosque; *surau*; kindergarten and religious schools as well as orphanages. Focus will be given to strengthen knowledge and provide a conducive and comfortable learning environment for the students; and
- Assistance for religious bodies, non-Islamic private schools and missionary schools is allocated **RM43.0 million** for next year, of which **RM25.0 million** is for religious purpose and the remaining **RM18.0 million** is for development of private and non-Muslim schools. As a concerned Government, the allocation for this purpose has increased by **RM8.0 million** or equivalent to **22.86 percent** in year 2020 as compared to **RM35.0 million** allocated in year 2019.

## **URBAN DEVELOPMENT**

Datuk Speaker,

122. The Ministry of Local Government and Housing (KKTP) and its agencies, including the Local Authorities (PBT) play an important role in planning, managing and developing the towns and cities of Sabah. Therefore, to strengthen the quality of services and improve people's well-

being in the urban areas, an allocation is given to the Ministry amounting to **RM90.40 million** for operating and development purposes in year 2020.

123. Overall, the allocation will be spent on, among others, continuation of development programmes and maintenance of infrastructure and basic amenities in the rated area; preparation of local plans; implementation of comprehensive sewage and solid waste management system; and development of landscape master plan to beautify and brighten urban areas.

124. Of these, a total of **RM75.18 million** is distributed to all local authorities throughout Sabah to fund road maintenance in the local authorities rated area; provision of various public amenities such as food stalls, markets, *Tamu* ground as well as landscape development. In addition, allocation is also provided for infrastructure development and land subsidy for housing development in Tawau and Sandakan under the Housing and Urban Development Authority (LPPB).

125. To further enhance the management and development of Kota Kinabalu City, the State Government has also provided **RM40.53 million** in grants and development allocation to the Kota Kinabalu City Hall (DBKK). This allocation will be utilized among others, for the construction and upgrading of road infrastructure; sewerage; reservoir, and drainage systems as well as a provision of public facilities such as public toilets, wet market, garbage collection centre, bus and taxi stands, walkway, recreational parks and night markets within Kota Kinabalu City. In addition, DBKK will also implement programmes for safety improvement

and streetlight maintenance, database development (GIS) as well as rivers and water village waste management in Likas and Inanam.

Datuk Speaker,

126. KKTP will continue to take proactive steps in implementing strategic policies in the Sabah Structure Plan 2033. This is done through preparation of District Plans and Local Plans which include area zoning based on proposed land use suitability; standards compliance; and development guidelines. Local plans will be used as a mechanism for development control by the local authorities throughout Sabah.

127. It is the Government's aspiration that this plans will drive our development holistically, systematically and in an orderly manner to make Sabah a place to live, work, learn, play, visit and become a business and investment destination. In year 2019, two Local Plans have been prepared for Putatan and Kundasang. Whereas for year 2020, Local Plan for Semporna will be prepared.

Datuk Speaker,

128. The State Government is very concerned about the issue of "over hang property" and oversupply of unsold high-value properties in the cities. Therefore, the State Government has agreed to lower the threshold level for residential home ownership by foreigners from **RM1.0 million** to **RM750 thousand**. This policy only applies to residential homes that have been issued with Certificate of Occupancy (OC) and remain unsold for more than 9 months. This new policy will be effective starting 01 January 2020.

## RURAL DEVELOPMENT

Datuk Speaker,

129. The State Government emphasized a more balanced regional development, including urban and rural areas to ensure that prosperity of the State is enjoyed by all levels of society. As we know, the Federal and State Government have introduced various policies, strategies and programmes for the development of rural areas in Malaysia and Sabah. However, these policies, strategies and programmes cannot be implemented effectively at the district level due to the absence of a holistic and comprehensive development plan as a guide to plan and manage resources effectively.

130. As such, the State Government has begun efforts to ensure that each district prepares a **Development Plan** that will integrate with the District Local Plan. This plan will feature economic and social activities at the district level, as well as provide guidelines for planning, developing and managing their respective districts. This is important to achieve the goals of improving the efficiency of the Government service system; addressing development imbalances; ensuring no district is marginalized in Sabah; and to further encourage growth inclusively.

Datuk Speaker,

131. To improve the standard of living and development in rural areas, the State Government will allocate **RM124.35 million** to KPLB for the purpose of operation and development expenditures in year 2020. This allocation will be utilized among others to fund the implementation of the Amenities and Rural Economy Programme; Small Development Project;

and One District One Product Programme with an allocation of **RM15.45 million**.

132. To allow State Legislative Assembly members (ADUN) to implement minor rural projects and provide assistance for the people's welfare, the State Government will allocate a Special Allocation of **RM78.22 million** in year 2020.

133. For the information of this August House, the State Government will increase the Special Allocation for Elected ADUN from just **RM1.0 million** each to **RM1.1 million** next year. Of these, **RM800 thousand** is for a minor development project and the remaining **RM300 thousand** is for Touchpoint programmes. At the same time, the State Government has also agreed to provide **RM300 thousand** for each Appointed ADUN for Touchpoint programmes, which has never been provided before.

Datuk Speaker,

134. To further enhance and strengthen the support to the rural communities, KPLB Sabah will implement management and administrative courses for Village Community Management Council (MPKK) in year 2020.

135. Meanwhile, KKTP through its agency LPPB also helps to develop rural areas through the New Township Development Programme. This programme enables implementation of site preparation, access road and drainage for economic development opportunities of the local community. In year 2019, LPPB will continue to develop basic amenities and infrastructure works in seven new townships, such as Pulau Banggi,

Kudat; Paitan, Beluran; Sukau, Kinabatangan and Sook, Keningau. This programme will be continued with development of two new townships in Kalabakan, Tawau and Gum-Gum, Sandakan in year 2020.

## **PEOPLE'S WELFARE AND WELL-BEING**

### **Poverty Eradication**

Datuk Speaker,

136. The State Government aims to reduce poverty rate to less than **1.0 percent** in year 2020. According to the e-Kasih system, as of September 2019, the total number of Poor Households in Sabah is **78,140**. This comprised of Hardcore Poor totalling at **16,067** and the Poor at **21,678**. While, the remaining **40,395** are out of the poverty line.

137. In continuing the efforts to eradicate poverty, the State Government will allocate **RM19.0 million** to KPLB Sabah to implement related programmes in year 2020. The programmes include improving economic activity, houses for the Hardcore Poor, and basic facilities as well as enhance human capital capacity of targeted group in the *Mini Estet Sejahtera* and the *Kampung Sejahtera* Programme. For information, the *Kampung Sejahtera* Programme is a new initiative that will be implemented by the Ministry to develop backward villages.

## Health and Family

Datuk Speaker,

138. The Ministry of Health and People's Well-Being will work together with the State Department of Health to enhance and improve health services to the people. In this regard, focus will be given to implement programmes on enhancement of public health quality. This also includes efforts to ensure that hospitals in Sabah are able to meet the standard of service set by the Malaysian Society for Quality in Health (MSQH). Whereas, in terms of healthcare, programme on healthy lifestyle and consumerism will be intensified to educate and promote healthy lifestyle in the communities.

139. Family institution is the pillar of socio-economic development of a community. Therefore, the Government will continue its agenda to develop and strengthen family institution as well as to create a loving and harmonious society. In line with the Ministry's new theme '*Keluarga Sihat, Rakyat Sejahtera*', the Government will organize more programmes on health and well-being. This programme aims to promote a healthy lifestyle towards creating prosperous community. For that purpose, a sum of **RM129.67 million** will be allocated to the Ministry in year 2020.

## Welfare Assistance and Subsidy

Datuk Speaker,

140. The State Government is concerned on providing welfare services to the less-fortunate. As of September 2019, the Government has spent

**RM53.38 million** for the provision of welfare assistance to orphans, People with Disabilities (OKU), Senior Citizen, Bedridden Patients and Single Mothers as well as special assistance to the victims of disasters. The State Government will continue such assistance with a higher allocation of **RM67.63 million** next year.

141. In year 2019, the State Government has spent **RM12.6 million** to fund Social Service Programme by providing school uniforms, shoes and stationeries to **1,074 schools** which has benefited **280,353 students**. To ease the burden of families of these students, an allocation of **RM13.9 million** will be given in year 2020, which is expected to benefit **282,830 students**.

142. In year 2020, the State Government will continue to provide various aids and incentives to improve the welfare of farmers or smallholders, breeders and fishermen. Among these are:-

- Programmes to generate and increase farmers income such as Farming contract and processing of various agriculture products which will be implemented by KPD with a total allocation of **RM6.99 million**;
- Programmes to generate income for the fishermen and fishery entrepreneurs with an allocation of **RM8.28 million**;
- Assistance to standardize rubber prices between Sabah and Peninsular Malaysia will be allocated **RM20.0 million**. This is expected to benefit around **52,000 rubber smallholders**, involving **32,000 metric tonnes** of rubber throughout Sabah;

- Subsidy to purchase milk from dairy cattle farmers is allocated **RM15.13 million**; and
- Subsidy on paddy-ploughing is allocated **RM16.5 million**, which will benefit around **30,000** paddy farmers across the state.

## **Natives and Customary Affairs**

Datuk Speaker,

143. One of the 10 Key Result Areas emphasizes on protection of natives rights; preservation of heritage, the belief of ethnic and race in Sabah. Hence, the Ministry of Law and Native Affairs (KUHEAN) and the Sabah Department of Native Affairs (JHEANS) are given the task and responsibility to protect the rights of natives in Sabah. The Ministry will also implement programmes to enhance the welfare and well-being of natives. For this, in year 2020, **RM47.06 million** is allocated for operating expenses to the Ministry and the department. Of this amount, **RM39.74 million** will be utilized for related expenditures on District Chief, Native Chief, Vice Native Chief, Village Chief and Chinese Community Chief.

Datuk Speaker,

144. Indeed, the Government is concerned about the natives in Sabah. In line with the people's need, the State Government with the support from the Federal Government has developed Natives Institution in Sabah. This includes building of Native Court (MAN) and training institution (ILMAN). In this regard, Natives Institution will play a role in preserving the customs and culture of the natives for the benefit of future generations.

145. Next year, the Federal Government will allocate **RM2.5 million** for JHEANS to continue planned programmes. Among others, the allocation will be spent to continue the construction of two MAN buildings, in Tambunan and Ranau. To date, five (5) new MAN buildings and one training institution have been constructed. In this regard, the State Government allocates a sum of **RM1.0 million** for the maintenance of MAN buildings.

## **WOMEN, YOUTHS, AND SPORTS**

Datuk Speaker,

146. Women play a vital role in the development of healthy family and community. At the same time, they also contribute to the development of the state and the country's economy. Today, women are highly educated and have achieved great success in various fields. In fact, women in this era are also capable to serve in safety and security forces such as police, fire-fighter as well as military which proves that women are comparable to men.

147. Therefore, the State Government gives strong emphasis on women's welfare in ensuring that they will also have the opportunity to enjoy the benefits of development. For this, the State Government allocates **RM15.75 million** for women's development programmes in Sabah in year 2020. These include allocation under YUM amounting to **RM11.80 million** which comprised provision for micro-credit facility for women; and another **RM3.95 million** to the Women's Affairs Department (JHEWA) to implement various programmes which cover the areas of economics, social, law, education, health, gender and media in year 2020.

Apart from that, the Ministry of Health and People's Well-being together with JHEWA will continue to provide skills training for single mothers and women living in poverty, especially from the rural areas in order to help them to earn an income.

Datuk Speaker,

148. Youths are important asset for national and State development. Therefore, the State Government will continue to emphasize and prioritize youth development in line with the Sabah Youth Development Strategic Plan, 2016-2030. In year 2020, the State Government will allocate **RM86.71 million** to the Ministry of Youths and Sports (KBS), which aims to manage and implement youth and sports development programmes in Sabah.

149. In line with the "Leader is Now" slogan, the State Government through KBS will focus on nurturing and empowering youths to achieve the core of the theme "*Kesejahteraan Mampan Negeri Sabah, Tanah Airku Yang Tercinta*". Hence, youth development allocation of **RM14.10 million** in year 2020, will focus on strengthening the youths' integrity which include Economic Well-Being, Positive Values, Harmonious Leadership and Human Development.

150. From economic aspect, efforts will be intensified to increase youth involvement in high impact economic sectors, such as agricultural, tourism, digital, oil and gas as well as cultural. Among the programmes to be implemented next year are the Digital Entrepreneurship Programme; Farmers Enhancement Programme for youth, *Negeriku Cantik* Programme, Enhancement Programme for Industrial Skills and

Entrepreneurial Development Programme which also includes youth with disabilities.

151. Apart from that, the Ministry will set up a centre to develop youth potentials namely the Sabah Youth Aspirations Centre (SYAC). This centre will collaborate with youths of all ages to implement youth development programmes and activities in an organized manner. Among these programmes include Creativity and Innovation, Personal Potential Improvement, Creation of First Class Minds, Addressing Challenges of Industry Revolution 4.0 and Youth Entrepreneurship Aspiration Programme (YEAP). At the same time, Sabah YEAP which involves Training and Skills Development as well as assistance on business capital will be intensified.

152. In line with the State Government focus on human capital development, KBS will also intensify efforts to strengthen youth leadership through the implementation of programmes such as Leadership Academy Module, Capacity Building, Positive Values Enhancement, Socialization of Politics and Education. The overall framework for youth development in year 2020 will include a comprehensive and inclusive approach to ensure that no youth is marginalized and minority youth including OKU will also be given attention and priority.

Datuk Speaker,

153. Sports is important to create productive and harmonious society which is also capable to uplift the State's image in the global arena. As such, a sum of **RM24.76 million** will be allocated for programmes and activities on sports development in year 2020 which include

implementation of programmes on Sports for All, High-Performance Sports and PARA Sports.

154. In line with the World Class Athlete Vision and in achieving the top five (5) state in the Malaysian Sports (SUKMA), focus will be on intensifying the development of high-performance athletes. This involves implementation of programmes such as talent development; enhancement of training centres; sports official and coaching development; development and upgrading of sports infrastructure as well as sports science and technology.

155. The State Government will give further support to enhance Sports For All such as Traditional, Minority, Water and Air Sports. In addition, Sports Development Programme in year 2020 will include Digital Sports Development (E-Sports), which Sabah will be participating in the event at SUKMA Johor 2020.

## **GREEN AND SUSTAINABLE DEVELOPMENT**

Datuk Speaker,

156. Sabah State Structure Plan 2033 outlined four strategic goals in realizing the planned vision and objectives of which, two of the strategic goals touch on Green Initiatives and sustainability. The first goal of the Structure Plan is to create a state with high quality of life and healthy population. While the second goal is to preserve the state's natural environment by conserving protected areas and High Conservation Value Environment (HCVE) area as well as Priority Conservation Area covering the mainland, islands and waters.

157. In developing the state for the benefit of the people, the State Government is committed to focus on environment protection. Urban and district planning that prioritize green initiatives is important so as to ensure that development does not deteriorate the environment and the people's quality of life.

158. For that, in year 2020, as a start, KKTP is given an allocation of **RM190 thousand** to introduce the **Green PBT Programme**. The green and sustainable development initiative is in line with Sustainable Development Goals (SDG's) agenda to institutionalize the culture and practice of green technology in the daily lives of urban and rural communities. This integrated programme will be implemented with technical support from the Town and Regional Planning Department and LPPB. Currently, two local councils, namely Tongod District Council and Nabawan District Council have been selected to be the pioneers of Green PBT Programme.

## **ASSISTANCE TO PUBLIC AGENCIES**

Datuk Speaker,

159. Statutory bodies and state agencies play an important role in the growth of the State's economy and the people's socio-economy. Therefore, to support the efforts of public agencies, the Government will continue to extend financial assistance in the form of grants and soft loans to statutory bodies and state government agencies. As such, a sum of **RM172.85 million** will be allocated in year 2020 which will be channelled to several public agencies. However, all state agencies are urged to re-evaluate their respective strengths and weaknesses. This is because the

Government believes that through good governance, state agencies can reduce its dependency on government finances.

160. The State Government would also like to congratulate agencies that have recorded high profits and paid their dividends. For information, the State Government is expected to receive a dividend payment of **RM94.78 million** this year, which is higher by **RM5.96 million** as compared to year 2018 dividend of **RM88.82 million**.

161. I would like to take this opportunity to express my gratitude to agencies that have made dividend payment such as Sabah Credit Corporation, Sawit Kinabalu Sdn Bhd, Sabah Development Bank Berhad, Sabah Energy Corporation Sdn Bhd, Progressive Insurance Berhad, Warisan Harta Sabah Sdn Bhd, Desa Plus Sdn Bhd, Desa Lestari Sdn Bhd and Borneo Development Corporation (Sabah) Sdn Bhd. I believe that dividend payments can still be improved and increased further. All agencies need to strengthen and reorganize their operation. The Board of Directors whom are entrusted to lead the government agencies are expected to play a more effective role with high integrity.

162. I am also pleased to acknowledge that several agencies have repaid their loans including interest to the State Government. These include Sabah Oil & Gas Development Corporation Sdn. Bhd. (SOGDC), LPPB, MUIS, Sanya Corporation (KOSAN), Sabah Credit Corporation, Sabah Fish Marketing Sdn Bhd (SAFMA), POIC Sdn Bhd, SEDCO, Sabah Air Aviation Sdn Bhd and KKIP Sdn Bhd amounting to **RM53.47 million**.

## **CIVIL SERVANT**

Datuk Speaker,

163. The public service plays an important role as government machinery in providing the best service to the people. As such, this year the State Government has conducted various local and overseas trainings to enhance the capacity and exposure of civil servants in carrying out their duties to the people. This initiative gives benefit to the public officers through the **State Government Scholarship Award** to further their studies in Undergraduate, Postgraduate and Doctoral (PhD) locally and abroad.

164. As of September 2019, a total of **33 officers** have been offered the scholarship. In addition, high performing senior officers are offered training programmes locally and abroad to enhance their leadership quality and to explore new opportunities for the success of Regeneration of Sabah Civil Service. This initiative that is coordinated by the State Public Services Department (JPAN), involves **143 personnel** from Top Management level, Management level and Professional officers. In-Service Training courses concentrate on high-performance leadership and change management at prestigious institution such as the University of Oxford and University of Cambridge in the United Kingdom, and other developed countries such as Australia, Singapore, the United States of America and Switzerland.

165. The State Government believes that continuous learning and exposure to master new skills will enhance the capacity and efficiency of public service delivery to the people. Therefore, these programmes will be continued with an allocation of **RM8.45 million** next year.

166. The State Government has planned and aimed to offer **50 scholarships** for officers pursuing postgraduate and doctoral studies locally and abroad. For the undergraduate level, scholarships will be offered according to the needs and suitability of the applied programme.

167. The State Government will also continue to enhance the capacity of civil servants through local and abroad training programmes that focus on knowledge and critical skills for the State development agenda. The State Government Scholarships will be offered to civil servants, especially to young officers who will be the leaders of public service in the next **10 years**. Overseas training programmes aimed at giving exposure and enhance skills will be continued. For that, the State Government will collaborate with leading universities or institutions in order to equip the public service with knowledge and skills to face changes and challenges in the global and digital era.

Datuk Speaker,

168. As I have mentioned before, the State Government has withdrawn recruitment freeze to allow filling of vacancies starting May 2019. New appointments are being made to fill critical vacancies and ensure that State Government agencies have sufficient human resources. The focus for year 2020 is to fill Professional and Management positions in order to enhance the capacity and efficiency of the public service.

169. In addition, reshuffling of civil servants is carried out to prevent integrity issue and to enable job enrichment among civil servants. In addition, for career development, the State Government also has promoted qualified and potential officers. As of October 2019, a total of **729 officers** were promoted.

## **CONCLUSION**

Datuk Speaker,

170. To sum up, the State Government of the day has done its level best to fulfil its manifesto which covers wide range of area to enhance the wellbeing of the Sabahans.

171. As explained earlier, within a short period of time, the State Government has made many transformations and improvements which include new plans and initiatives to ensure implementation of holistic and well-coordinated development programme. These are aimed to improve Government delivery efficiency; to strengthen the State's financial position; to resolve complaints and dissatisfaction as well as to ensure the rights of the people of Sabah under MA63 are protected; to distribute the State's wealth and income fairly regardless of race and religion; and to intensify development towards becoming a higher income state that is sustainable, competitive and resilient.

172. The Government has implemented policies to accelerate development and economic growth of the State. Various efforts are being made especially in developing quality infrastructure and basic amenities such as plan to acquire SESB; developing efficient and high-quality public

transport systems, especially railways; and developing a major port in Kudat whereby all these would require huge funding.

173. The State Government realized that substantial financial funding is needed to achieve the objectives and goals in order to spur development for the benefit of the people. However, taking into account of the lower revenue projection for next year, the State Government has drafted the budget for year 2020 with care and caution and will continue to emphasize prudent spending to avoid wastage. The Government has also set priorities to focus more on vital and critical issues. At the same time, the State Government is always looking for ways to increase the State's revenue collection, including negotiation with the Federal Government on the related grants which are under the rights of Sabah in order to have greater financial capability to accelerate the State's development in the near future. *In sha Allah.*

174. Therefore, I refute all claims made by the oppositions that the Government of the day is weak and failed to govern our State. They spread false accusation to undermine people's confidence with the current state leadership. However, the fact is all the allegations are totally untrue. The achievements that we now enjoyed are as a result of the Government's determination and sacrifices of everyone involved. No one can deny these achievements and benefits.

175. The State Government acknowledges that such challenges are inevitable because it is beyond any means to satisfy everyone. Regardless of our efforts and achievements, there will always be criticism, especially by political enemies and irresponsible parties. However, the Government hopes to improve political stability and gain the support of all

parties to enable the administration and development of the state to be carried out without much interruption. In this regard, the State Government will always emphasize on clean politics, support simple ideologies and reject extremism. The Government calls on all parties regardless of political, religious and racial backgrounds to maintain unity, peace and racial harmony in order to focus on efforts to develop our beloved State.

Datuk Speaker,

176. As mentioned earlier, most ministries have prepared new plans to ensure that implementation of development programmes is well coordinated and defined in terms of vision and mission. The effective implementation of these plans require efficient, productive and trustworthy public service with high integrity to support the Government of the day. As such, it is the policy of the State Government to continuously improve the efficiency of the public service, especially in addressing the issue of delays by speeding up approval and implementation.

177. The State Government has planned and will continuously implement programmes to improve the efficiency, integrity and quality of the state public service. In order for Sabah to move forward, the State Government requires civil servants to have new ideas in line with the current digital age development. Civil servants should not rest on their laurels and be complacent but must strive to be proactive and innovative to face the challenges of this global era and demands of the people.

178. In an effort to meet the expectations of the people and private sector as well as investors, the Government calls upon all ministries, departments and agencies to scrutinize bureaucratic processes and procedures to improve and prepare more effective and efficient new

SOPs. Efficient public service can help industry players to grow their businesses that can generate revenue for the State Government.

Datuk Speaker,

179. The State Government appreciates the contribution of the Heads of Departments, officers and staffs who have worked hard to implement various Government plans and development programmes. In this regard, depending on the State's financial capability, the State Government is mulling the proposal to raise the grades of Head of Department in stages which will begin in the middle of year 2020.

180. In line with the announcement of the Federal Government, the Sabah Government also agreed to provide a special payment of **RM500.00** to all State civil servants which will be paid in January 2020. I hope with these incentives, the State civil servants will work harder to improve the quality of service for the people.

181. We hope and pray that the Year 2020 State Budget aimed at intensifying development for the well-being of the people will be granted abundance of blessings. In addition, may we be given wisdom and determination in ensuring that the planned programmes will be implemented effectively so that the benefits outlaid in this Budget will truly reach the targets and the people of Sabah.

182. I call upon all parties to unite and cooperate in realizing the goals and objectives of the Year 2020 State Budget.

183. Lastly, I would like to take this opportunity to wish a Merry Christmas 2019 to all Christian State Legislative Members, civil servants and Sabahans, and a very Happy New Year 2020 to all.

Datuk Speaker,

I beg to propose.