

**THE 2002 BUDGET SPEECH
BY THE HONOURABLE MINISTER OF FINANCE
DATUK MUSA HJ AMAN
AT THE LEGISLATIVE ASSEMBLY
1ST NOVEMBER 2001**

Mr. Speaker,

1. I beg to table the 2002 Budget for the approval of this Honourable House.
2. This is my first Budget presentation in this Honourable House as the Finance Minister. I am grateful to the Almighty for being able to fulfill my duty that I consider to be very challenging given the sudden slowdown in the world economy. Its impact to the national economy and the state's economy has been greatly felt. This calls upon all of us to be mindful and fulfill our duties to ensure political and economic stability is maintained.
3. The Budget 2002 enters the second year in the implementation of the Eight Malaysia Plan. The implementation of this plan needs to be continued to achieve the objectives based on the strategies set out in the Sabah Outline Perspective Plan (OPPS), to transform Sabah into one of the advanced and prosperous state in the country, able to face the challenges of globalisation and liberalisation.

Mr. Speaker,

4. While we continue to shoulder a heavy responsibility in ensuring a better economic and the social development of the state, we need to be prepared to face the global forces which has become a dominant feature in this era of which we have already gone through. Hence, we have to be always on the alert in facing the political and economic risks.
5. Although Sabah economy is not directly exposed to the US slowdown, nonetheless it is affected; as it's major trading partners economy such as Hong Kong, Korea, Taiwan, Japan and Singapore are currently facing the brunt of the US economic turmoil aggravated by the terrorist attacks on September 11, 2001.

Mr. Speaker,

6. We are grateful to the Federal Government for the allocations given under the national fiscal stimulus package for economic development. The recent announcement made by the Right Honourable Chief Minister on the State Government's six pronged Action Plan for speedier economic recovery is an immediate step to ensure that all the measures outlined under the fiscal stimulus package will be fully implemented within the overall policy framework of the Third Outline Perspective Plan and the Eight Malaysia Plan.

Mr. Speaker,

7. In this year's Budget, strategies for economic recovery are outlined to provide emphasis on aspects of improvement and human resource development towards a knowledge-based economy. We shall continue with these efforts in the coming year. As we are faced with the challenges of having to manage with limited resources to undertake our proposed plan, disciplined management of public funds had become very urgent and fundamental in our efforts to strengthen the state's financial position. Therefore, all expenditures to be incurred must be strategically planned to derive maximum returns for the purpose of uplifting the prosperity of the state and it's people.
8. The 2002 Budget is to supplement and complement the National Budget which was tabled by the Right Honourable Prime Minister of Malaysia recently. In line with the National Budget, the main focus of the State Budget is to stimulate economic growth, to diversify the sources of growth and to increase competitiveness as well as to ensure equitable distribution of the state's wealth.

The strategies for the year 2002 are as follows:

- a) To strengthen the state financial position through efficient financial management and high accountability;
- b) To strengthen our capability by way of higher productivity through the synergy of science, technology, skills as well as cost effectiveness;
- c) Upgrade efficiency and effectiveness in our development management with emphasis on deliveries and social impact;
- d) Optimum utilization of state resources to ensure a sustainable economic growth; and
- e) To intensify rural socio-economic development.

THE WORLD ECONOMY

Mr. Speaker,

9. The growth of the world economy began to slow down in the second half of 2000 after a period of high growth in 1999 and early 2000.
10. Towards the end of 2000, the deceleration of global economic growth gained strength as a result of sudden loss of confidence in the equity markets and accompanying loss of momentum in the U.S. economy. Many exporting countries in Southeast Asia and the Far East were hard hit by the slowdown in the U.S. economy. Countries in the European Union were not spared as well.
11. Following the 11 September 2001 incident, the U.S. economy suffered another shock. The fear of further terrorist attacks and the war launched on Afghanistan would delay U.S. economic recovery.
12. Growth of the world economy is now forecast at 2.6 percent in 2001, improving to 3.5 percent in 2002, taking into account recent developments in the U.S. Despite the present uncertainties, most forecasters, including the IMF and World Bank, are of the opinion that present global economic slowdown may be short-lived.
13. On a country basis, the U.S. economy is forecast to grow at 1.3 percent this year, improving to 2.2 percent in 2002.
14. In Japan, the economic growth is projected at negative 0.5 percent for 2001 and recovering marginally to 0.2 percent in 2002. Growth in China is projected at 7.1 percent in 2002.
15. In the case of Europe, economic growth is projected to expand at 1.8 percent in 2001 and 2.2 percent in 2002. This growth is driven by domestic demand stimulated by the European Central Bank's economic measures.
16. In the United Kingdom, output is forecast to moderate to 2.0 percent in 2001 and 2.4 percent in 2002. With its greater openness to trade and financial flows, the U.K. economy is more vulnerable to external developments.

THE MALAYSIAN ECONOMY

Mr. Speaker,

17. As an open, trade oriented economy, Malaysia will continue to be subjected to the vagaries of the global business cycle and external shocks.
18. Nevertheless the Malaysian economy has managed to grow at 3.1 percent and 0.5 percent in the first and second quarter of 2001, respectively and hence registering 1.8 percent growth for the first half of 2001. The lower growth was mainly attributed to the slowdown in the manufacturing sector particularly in the electrical and electronics sub-sector which contributed about 60 percent of

Malaysia's total export revenue. Nonetheless, the agriculture, construction, services and non-electronics sector continued to show encouraging growth. Trade surplus was recorded in the first 7 months of 2001 while net external reserves registered at USD 27.5 billion as at 25 August 2001. Inflation rate remains low at 1.3 percent in August 2001. Confidence in Malaysia's economy was favourable as reflected by the over-subscription of the Malaysian bond issue in June 2001.

19. With the recent shocking attacks on US, slower growth is expected in the second half of 2001 and early 2002. To weather the anticipated slowdown and to ensure sustainable growth, Malaysia has responded quickly by adopting accommodative monetary policy together with continued expansionary fiscal policy to help stimulate domestic economic activities. Growth strategy now focuses on enhancing domestic demand, broadening sources of growth, developing a more resilient and competitive economy, increase efficiencies and smart partnerships as well as modernize the agriculture and services sector and pushing for high value added and high technology manufacturing, in line with the strategic thrusts of the Third Outline Perspective Plan.

SABAH ECONOMY

Mr. Speaker,

20. Being agriculture and petroleum based economy, the State's economy to a certain extent is being cushioned from experiencing the full impact of the US economic slowdown and the aftermath impact of the "US attacks".
21. For 2001/2002, the State's economy is projected to grow at a lower growth of 3.6 percent in 2001 and 3.8 percent in 2002.
22. For the first half of 2001, the agriculture sector and the petroleum sector continued to be the key growth sector representing about 50 percent of the total State's Gross Domestic Product (GDP). Growth in the tourism sector remained strong as reflected by the significant increase in the number of tourist arrivals to 697,617 in the first ninth month of 2001.
23. Growth in the agriculture sector was mainly contributed by the substantial output growth in the production of palm oil albeit lower prices as compared to last year. Production of cocoa beans has also risen as a result of improved prices. Encouraging growth continued to be seen in the mining sector with higher export volume of petroleum coupled with bullish prices.
24. Positive growth in the construction sector was reflected by the substantial growth in the total import value of construction materials and machinery as well as the higher loan growth extended to the sector in the first half of 2001 as compared to the same period last year. The prevailing low interest rate was one of the main contributing factors for the strong demand particularly for residential properties.
25. The forestry sector on the other hand continued to show a declining trend as reflected by the sharp decline of 40.3 percent in the production of logs in the first half of 2001 due to depletion of commercial forest resources. Similarly, the wood-based manufacturing sector was affected by lower volume of raw material supply as shown by the lower volume of export and prices in the first half of 2001.
26. In the first half of 2001, the State's trade surplus remained positive at RM1.1 billion. Exports rose marginally by 3.0 percent while import remained stable at RM5.3 billion.
27. Private investment and private consumption remained stable in the first half of 2001 as compared to the previous year. Activities by the private sector were mostly confined to investment in residential properties due to the various attractive home loan packages available. Private consumption moderated with marginal growth seen in the demand for motor cars and demand for consumer durables. Inflation rate was well managed at 0.7 percent in the first 7 months of 2001.

28. For the year 2002, the State's economy is projected to grow by 3.8 percent. The main sources of growth is expected to continue to come from the agriculture sector which contributes about 35.0 percent to the State's GDP and the petroleum sector. Production of palm oil is expected to rise but with a lower growth due to increased matured hectareage. New investment will slow down as prices remained bearish and availability land reducing.
29. Private consumption and private investment are not expected to grow significantly as both consumer and investor's confidence weaken.
30. In view of the anticipated slowdown from the private sector, the public sector both at the State and the Federal level will continue to play an important role with its expansionary policies to provide a boost to the economy through its various development programmes.

STATE REVENUE ESTIMATES

Mr. Speaker,

31. The total state revenue for the year 2002 is estimated to reach RM1,413.67 million. This amount indicates an increase of 14.8 percent as compared to the revised revenue for this year of RM1,231.43 million. Although several revenue items are seen to be on a declining trend especially Customs and Forestry Revenue, an increase in total revenue is expected as a result of constructive measures taken by the State Government to increase State Revenue.
32. It is to be noted that the dismal forecast of revenue from Customs is a continuing trend because the State Government no longer enjoys the revenue from Import and Excise Duties of Petroleum Products which have been abolished by the Federal Government since last year. However the State Government will be claiming compensation from the Federal Government to replace this loss of revenue and this revenue item is reflected under the Grants from Federal Government.
33. The revenue estimates for the year 2002 indicate that Federal Government has become a major contributor of revenue to the State made possible by the cordial relationship between the State and Federal Government. It is also evident that the State has few sustainable sources of income requiring the State Government to rely increasingly on "one-off" items to increase State revenue. In its efforts to increase revenue the State Government is careful not to impose new taxes which will burden the people unnecessarily. Focus will be on collecting the dues owed to the Government, improving the collection systems to avoid leakage of revenue and clearing the accumulated arrears. In this respect, all parties concerned particularly local authorities and government agencies are required to give full cooperation by settling their loans owed to the Government. In order not to jeopardise the services which have been provided to the public by the government through its departments and local authorities, the public is urged to settle "user charges" imposed upon the utilisation of such services.
34. Out of the total revenue of RM1,413.67 million estimated for 2002, it is anticipated that the Federal Government will contribute the amount of RM321.24 million representing 22.7 percent of the total revenue. A big portion of this contribution that is RM220.50 million is the compensation the State is claiming from the Federal Government to replace the loss of revenue from the abolishment of Import and Excise Duties on Petroleum Products. In addition Federal Government is expected to pay RM3.50 million as contributions towards implementation cost of Federal Development projects in Sabah. The balance of RM97.24 million consists of various grants payable to the State in line with the provisions of the Federal Constitution such as Capitation Grants; Special grant; Grants in aid of operating Expenses for Departments under the Concurrent List and others.
35. The State Government has invested heavily on its government agencies but the returns through loan repayments and dividends have been far from satisfactory. The State Government has recently identified several ways to obtain revenue from its agencies. On account of this the State Government has full confidence that the sum in the region of RM200.00 million will be obtained next year. Admittedly this quantum of revenue is difficult to sustain in the coming years but at least the financial position of the State Government can be further strengthened. With this item of revenue placed under the class "miscellaneous receipts" thus the contribution from this class is expected to be in the region of RM255.68 for the year 2002.

36. Revenue from Lands representing 13.28 percent of the estimated revenue for 2002 is expected to contribute RM187.79 million indicating a reduction of 20.7 percent as compared to the revised revenue for this year of RM236.81 million. The drop in revenue is expected as the revenue for this year includes substantial one-time payments through settlement of premium from land sales. The potential in land revenue lies in the item "land rents" and Lands & Survey Department will be requested to double its efforts so as to achieve more than the targeted RM30 million since more than 290,000 land titles have been issued. Under the item Premium from land sales for 2002 it is anticipated that RM150 million will be collected out of which a big portion will be from the conversion of agricultural lands to industrial usage for operation of palm oil mills.
37. Petroleum royalty will be contributing RM173.45 million representing 12.27 percent of the revenue estimates of 2002. When comparing with the revised revenue for this year of RM203.00 million, a drop of 14.56 percent is anticipated. The price of crude petroleum has been high for the second half of 2000 and the first half of 2001 being supported by strong global demand following the economic recovery in the asian region and the favourable economic conditions in USA. The low stock level and the decision of the OPEC countries in capping the production have also played a part in keeping the price of crude petroleum high to allow the State Government to enjoy petroleum payment to the tune of RM203.00 million this year. The economic scenario being quite different now is expected to influence the global demand and prices for crude petroleum negatively. Thus revenue to be received next year for petroleum royalty in respect of the second half of this year and the first half of next year is expected to be lower when compared to the revised revenue for this year.
38. The State Government was not able to collect sales tax on crude palm oil when the selling price dropped below the threshold level of RM1,000 per tonne since June last year. The State Government appreciates the actions taken by the Federal Government, to overcome the problem of the weakening prices of this commodity, which has resulted in the increase in prices to RM1,300 per tonne in August this year enabling the State Government to collect some sales tax. It is expected that RM10.00 million will be collected from this source this year whilst the amount of RM100.00 million is anticipated next year. Without doubt, the State Government is in no position to dictate the market forces at play in the determination of the pricing and demand for this commodity. The State Government nonetheless is optimistic that with intensified efforts in seeking new markets, prices will stabilize at a favourable level enabling the collection of RM100.00 million from sales tax on crude palm oil next year.
39. Sales Tax on sale of lottery tickets is expected to bring in RM65.00 million to the State coffers next year representing an increase of 44.00 percent compared to the revised revenue for this year of RM45.00 million. This increase is possible as the State Government has decided to increase the rate of sales tax for sale of lottery tickets from 10.00 percent to 15.00 percent with effect from January 1, 2002.
40. An anticipated the revenue from forestry continues its declining trend because of the diminishing resources coupled with low demand and unfavorable prices. The contribution from Forestry will be in the region of RM150.79 million representing 12.64 percent of the estimated revenue of 2002. It is anticipated that forestry revenue will experience a reduction of 22.52 percent when compared with the revised revenue of RM194.7 million this year. It was announced in the Budget 2001 that Yayasan Sabah will not be given exemption from payment of premium charged at RM30.00 per cubic meter to make it possible to achieve the targeted RM60.8 million for this item. Yayasan Sabah is having difficulty in complying with this decision because of the high composition of small sized logs which have led to higher production costs. The appeal put forward by Yayasan Sabah has been considered by the State Government resulting in the review of the premium rate to RM15.00 per cubic meter. In view that Yayasan Sabah is responsible for 50 percent log production thus the reduction in anticipated revenue from Yayasan Sabah will definitely lower the overall revenue from Forestry for this year and the next.
41. Another important source of revenue is revenue from Water which is expected to contribute RM75.85 million in 2002 registering an increase of 11.68 percent when compared with the revised revenue of RM67.92 million for this year. Considering that the State Government purchases an average volume of 200 million cubic meters of water per year, the expected collection of water revenue is low due to the existence of high level of "non-revenue water". In this connection, the State Government will see to it that collections and sale of water must improve as compared to previous years. Strategic actions will be formulated based on four main approaches. Firstly, the restructuring of Water Department; secondly, further improvements of the billings and consumer

services including the replacement of meters to ensure more effective collection of water revenue; thirdly, tackling the problem of non-revenue water resulting from leakage and pilferage and finally to upgrade the capacity of the water treatment plants. Currently the State Government has embarked on the review of all the water concession agreements with the view to hand over wider responsibilities to the concessionaires which will eventually cover not only the production of water being the practice now but also include distribution, billings and collection of revenue whilst at the same time to absorb the staff of Water Department and take care of further investments on capital works within the operation of each concession area.

42. Revenue from Proceeds, Dividends and Interest is expected to bring in RM57.06 million for 2002 indicating a reduction of 18.27 percent when compared with the revised revenue of RM69.81 million for this year. The collection of revenue from this source is very much subject to the economic environment which will determine the interest rates on deposits and declaration of dividends. Based on the current economic conditions and in view of the uncertainties and impending challenges for 2002, a conservative approach is applied in projecting the revenue for this item.
43. The estimated revenue for 2002 also includes the amount of RM18.98 million through Rents on Government Buildings; RM2.75 million as Licences and Internal Revenue; RM1.84 million from Fees of Court or Office, Payments for Specific Services; the amount of RM1.62 million as revenue from Railways; RM1.52 million from Ports and Harbours and RM0.1 million from Sewerage and others.

SUPPLY EXPENDITURE

Mr. Speaker,

44. The total Supply Expenditure proposed for 2002 is estimated at RM1,329.85 million. Of this amount, a sum of RM415.65 million or 31.3 percent is provided for Personal Emoluments, RM354.19 million or 26.6 percent for Other Charges Annually Recurrent, while a sum of RM560.01 million or 42.1 percent is budgeted for Special Expenditure.
45. The proposed allocation for Personal Emoluments shows an increase of RM8.99 million or 2.2 percent higher than the 2001 revised estimate of RM406.66 million. The increase is due to additional provisions allowed for normal yearly increment. The RM354.19 million provision for Recurrent Expenditure however shows a substantial decrease of RM 7.19 million or 1.9 percent as compared to the revised estimate of RM361.38 million in 2001. A sum of RM560.01 million is provided for Special Expenditure which includes contribution to Statutory Fund and other expenditure related to meet essential services. This marked an increase of RM 91.92 million or 19.6 percent as compared to the revised estimate of RM 468.09 million in 2001.

Mr. Speaker,

46. I would like to inform the Honourable Members that the largest amount of RM433.10 million or 32.57 percent of the total Supply Budget has been appropriated for the Ministry of Finance. This amount includes a sum of RM310.00 million contribution to the Statutory Funds, out of which RM300.00 million is earmarked as contribution to the State Development Fund and RM10.00 million for the Loan Fund.
47. Under the Expenditure Head of Treasury General Services, a total of RM100.89 million is made available of which the allocations include RM12.00 million for Rental of Private Car; RM10.00 million for equity in Sabah Electricity Sdn. Bhd.; RM10.00 million for Consultancy Service Fees and the balance of RM68.89 million for the transfer of loan for Kota Kinabalu Industrial Park to grant totalling RM10.00 million; a sum of RM6.00 million for Housing Loan Scheme Administration; RM6.21 million for IT Programme in Public Sector; RM7.00 million for Special Grant and RM39.68 for Other Expenditures.

48. A sum of RM 22.21 million is also provided for the financing of the operating expenditure for the Ministry of Finance, State Treasury Department and Department of State Computer Services.

Mr. Speaker,

49. The State Government will continue to provide financial assistance to the Non-Muslim Religious Organizations for the provision of facilities that are useful. Thus, non-muslim religious organizations has been provided with an annual financial assistance of RM20.00 million. It is hope that with this assistance will not only be seen from the physical aspect but will also offer to foster goodwill and maintain religious harmony among the various religious groups. At the same time the government hopes that this assistance will contribute to the upliftment of the moral values of the people of Sabah.
50. Not forgetting the schools, a sum of RM8.00 million is also allocated for this purpose. This allocation is for the schools' basic necessities and to enhance its surrounding especially those situated in the rural and remote areas of Sabah which may inspire our pupils to strive for excellence in education.
51. The Ministry of Infrastructure Development which is responsible for the Public Works, Water, Railways and Ports and Harbours is allocated a sum of RM285.50 million for the year 2002. Of this amount RM130.41 million is made available to the Water Department; RM132.45 million for Public Works Department; RM10.40 million for State Railway Department; RM9.43 million for Ports and Harbours Department and the balance of RM2.81 million is for the operating expenditure of the Ministry concerned. The Chief Minister's Department which covers, important functions among which are Forestry, Land and Survey, The State Public Services, Training, Printing, Islamic Affairs, State Liaison Office and The State Archives is provided with a total allocation of RM219.56 million. A major portion of the allocation of RM52.20 million is set aside to meet the operating expenditure of the Chief Minister's Department. A sum of RM46.46 million is provided for Forestry Department and RM44.00 million for Land and Survey to assist in expediting surveying works and process of revenue collection. While RM40.88 million is provided for the State Islamic Affairs Department, another RM26.27 million for the Department of Public Services which includes scholarship awards and the balance RM9.75 million is provided for State Archives, Printing and State Liaison Office.

Mr. Speaker,

52. The Ministry of Agriculture and Food Industry and the departments and agencies under its control will receive an allocation of RM131.68 million. Of this amount, RM42.02 million will be made available to the Department of Drainage and Irrigation; RM10.29 million for Fisheries Department; RM15.15 million for Veterinary Services and Animal Husbandry Department; RM46.49 million for Agriculture Department; and RM17.73 million for the Ministry's office and four other agencies under its purview.
53. A sum of RM35.42 million is proposed for the operating expenditure of the Ministry of Tourism, Environment, Science and Technology for tourism promotion activities. This represents an increase of RM 2.41 million or 7.3 percent compared to the revised estimate RM33.01 million this year.
54. The Ministry of Social Services and Consumers Affairs is to receive an allocation of RM72.27 million to finance the programmes relating to welfare services and social assistance. Whereas a sum of RM27.09 million is allocated to the Ministry of Local Government and Housing. The Ministry concerned is expected to play its role in ensuring that the local authorities improve their financial position thus relieving their dependence on the yearly grant for their operations and other financial requirements from the State Government.

55. A sum of RM36.56 million is allocated to Ministry of Culture, Youth and Sport of which RM16.50 million is provided to meet SUKMA's expenses. For the first time, Sabah has been chosen to host this national sporting events and the State Government hopes to organise it to be one of the best ever in terms of its preparation and management. The State Government will also endeavour to produce excellence among more than 10,000 athletes from the whole country to assemble in Sabah. At the same time, their presence in Sabah would help to promote domestic tourism in the State.

Mr. Speaker,

56. The Ministry of Industrial Development and its department is allocated a sum of RM4.98 million. Whereas a sum of RM44.01 million is set aside for the Ministry of Rural and Entrepreneur Development. The allocation also includes operational expenditure for all the districts and sub-districts. The Ministry of Resources and Information Technology Development including the department and agencies under its purview will receive a sum of RM16.23 million to enable the Ministry to carry out training of staff, employment attachment programmes and other activities related to the human resources development.
57. Regarded as part and parcel of the Supply Expenditure is the sum provided for Charged Head covering the Civil List, the Speaker of the Legislative Assembly, Charges on the Account of Public Debt and Miscellaneous Charged Expenditures. For 2002, a total amount of RM10.14 million or 0.8 percent is provided under these votes; RM13.32 million or 1.0 percent is also provided for the operating expenditures of the Yang Di Pertua Negeri, the Dewan Undangan Negeri, the Public Service Commission, State Attorney and The State Syariah Court Department.
58. As was in the past, the government will continue to provide grants to several State Statutory Bodies and other Government Agencies to assist in their financial requirements through their respective controlling Ministries. The amount involved is RM48.60 million. I wish to reiterate that these financial assistance is not sufficient to cater for their financial needs. However, the government will not be made fully responsible to resolve the financial constraints they are facing. They need to adopt strategic financial planning and spend according to their respective means and strive to improve their source of finance through business activities in line with the objectives they are established.

DEVELOPMENT EXPENDITURE

Mr. Speaker,

59. As was pointed out in last year Budget Speech the State Government has approved a Budget Ceiling of RM3.754 billion for Development under the Eight Malaysia Plan.
60. In view of the prevailing dismal global economic situation the State decided to take a cautious and deliberate approach in implementing our Development Plan. Admittedly therefore our implementation capacity for this year has been somewhat affected. Up to the first half of this year we estimated that we will only be able to expand about half of what has been provided for this year. Nonetheless, our determination to continue on to strive for the achievement of our development objectives as prescribed under the Eight Malaysia Plan remain strong.
61. As emphasized in last year Budget Speech our main development objectives under the five year development plan are :-
- to stimulate, accelerate, enhance and consolidate economic development to a higher plane ; and

- to eradicate poverty and accelerate rural development.
62. Believing that true unity and a just society can only be attained through the achievement of these objectives, the Barisan Nasional Government is therefore giving top priority to these objectives. The main thrust for achieving these objectives is expected to be provided through budgetary measures and financial provisions made under the State Development Budget. Therefore in the 2002 Development Budget proposals we endeavoured to ensure that the allocation and distribution of the Budget are made in line to achieve these objectives.
63. In 2002 a total appropriation of RM486.38 million of State fund is proposed for Development. The amount is RM30.21 million or 5.8 percent less than the amount allocated this year. Of that amount, a sum of RM248.97 million or as much as 51.2 percent is for continuation projects, and the balance of RM237.41 or 48.8 percent is for new projects. The new projects are mostly distributed in the rural areas which are designed specifically to stimulate economic activities that are beneficial to the livelihood of the people in these areas.
64. In line with the objectives and strategies outlined in the Nation's 2002 Budget to strengthen the nation's economic growth through increased domestic spending, the bulk of the allocation amounting RM 301.81 million or as much as 62.1 percent is earmarked for the Economic Sector.
65. This sector covers several sub-sectors such as agriculture and land development; industries and finance; infrastructures development and transportation; tourism development; environment, science and technology; public utilities; and human resource development. The amount allocated is to enhance productivity in the agriculture and livestock sectors through more research and development towards achieving higher food production and self-sufficiency and better facilities for extension services; sustainable forest management; upgrade development in the tourism sector through increase promotional activities; to develop new tourism product while refining existing ones; upgrading industrial infrastructures; construction and upgrading of roads that link growth sectors such as tourism, agriculture, and industries as well as new townships, schools and new settlements; to insure adequate water supplies; improve drainage and sewerage system both in the urban and rural areas, upgrade infrastructure facilities and services in ports and harbours; and development of infrastructures that would enable us to produce skillful and knowledgeable labour force.
66. For the development of the social sector an amount of RM 136.73 million or 28.1 percent is allocated. This sector covers community development and rural areas; low cost housing and development of new townships; cultures and sports; welfare services and libraries; city and local authorities development; and woman's development.
67. A total of RM 37.84 million or 7.8 percent is allocated to the general administration sector for the implementation of workshops and buildings; purchase of plants and equipments for the printing department; land and survey; and the construction of Syariah Courts. The balance of RM 10.0 million or 2.0 percent is set aside for contingency purposes.
68. As the major catalyst for development the Ministry of Infrastructure Development is provided with the largest allocation amounting RM209.93 million or as much as 43.2 percent of the total. The amount is distributed to the various departments under the Ministry as follows:-
- | | RM(Million) |
|--------------------------|-------------|
| Water Department : | 150.82 |
| Public Work Department : | 52.91 |
| Railway : | 4.70 |
| Ports and Harbour : | 1.50 |
69. Of the RM150.82 million allocated to the Water Department, RM80 million is set aside for the payment of monthly fees that is due to the three Water Concessionaires, which is a contractually committed.

70. I would also like to point out here that beside implementing projects that are strictly under its purview, the Ministry of Infrastructure Development is also assigned to carry out projects that contribute to the enhancement of other projects under different Ministries such as Tourism, Industries, Agriculture and Townships. Similarly, other ministries are assigned with jobs that not only serve their own ministry but other ministries as well.

Mr. Speaker,

71. The second largest recipient of the 2002 State Development Budget amounting RM78.56 million or 16.2 percent is the Chief Minister's Department. The amount is allocated to six departments/agencies under it as follows:

	<u>RM</u>
Chief Minister.....	32.00
Land and Survey.....	30.00
Kota Kinabalu City Hall.....	8.22
Forestry.....	7.04
Syariah Court.....	1.00
Government Printing.....	<u>0.30</u>
	<u>78.56</u>

72. One of the major items under the Chief Minister's Department is the special development project. This programme, which is primarily intended for the rural areas, is provided an allocation of RM25 million next year. This is RM5 million more compared to this year's allocation. Another item that is specifically allocated to members of the Legislative Assembly for the development of their individual constituency is the Special Fund under the Ministry of Rural Development and Entrepreneur. A sum of RM 12.95 million is allocated to this item which is RM 2.95 million or 29.5 percent more than the RM 10 million allocation this year.
73. From the presentation of the National Budget recently the State of Sabah will also be expecting a considerable amount of allocation from the Federal Government in 2002. This allocation will be channelled through the various Ministries at the Federal level to further stimulate development in the rural areas such as providing water supplies, electricities, rural roads, schools and rural health services. This allocation is in addition to the RM 100.00 million allocated to Sabah under the development stimulus package this year.
74. Development for the rural areas in Sabah will be conducted through the establishment of one mechanism involving close cooperation between State and Federal Departments and agencies concerned. This is to insure that rural development are carried out smoothly and without any duplication in the types of projects implemented. I am confident this approach will be able to alleviate poverty and rural backwardness.

Mr. Speaker,

75. In providing facilities for the SUKMA's games, a sum of RM43 million is allocated.
76. The foregoing are just some of the highlights of the State Development Expenditures for next year. I will not go into its details as my Cabinet colleagues will be elaborating more on them as they present their budget later on. However, suffice for me to say at this point that in designing the 2002 Development Budget due consideration has not only been given to how it is distributed but more importantly how efficiently and effectively it will be implemented.

FEDERAL FINANCIAL ASSISTANCE

Mr. Speaker,

77. As I have said earlier we will also be expecting a considerable amount of financial assistance from the Federal Government next year. Our close relationship with them combined with our common goal to bring about the desired socio-economic development for the state has allowed us to enjoy these benefits. In 2002 the State Government is expecting to receive an estimated amount of RM676.69 million of Federal assistance for various development projects in Sabah.

78. Of that amount RM21.56 million comes in the form of Federal reimburseable grants, RM65.02 million loan and RM590.11 million direct grants. The RM21.56 million is channelled to 3 departments under the Ministry of Agriculture and Food Industry namely, the Agriculture, Veterinary and the Drainage and Irrigation Departments. The loans are for water, housing and industrial projects.

79. The RM590.11 million Federal direct grants is earmarked for various projects that comes under the concurrent list which is a joint responsibility of the State and the Federal Government. They are as follows:-

	<u>RM (Million)</u>
Roads and Bridges	433.88
Rural Electricity	63.00
Rural Water Supplies	61.00
Forestry	10.45
Drainage	7.18
Fisheries	6.45
Rubber Replanting	6.25
Agriculture (Extension Services)	<u>1.90</u>
	<u>590.11</u>

80. Federal financial assistance of this magnitude no doubt will help us tremendously in our efforts to develop the State. Therefore, on behalf of the State Government I would like to register our sincere gratitude and appreciation to the Federal leadership for their continued support in our development efforts.

Mr. Speaker,

81. As we are aware, the State Government now is in the process of looking for new alternative sources of revenue to add and replace the traditional sources from forestry and logging sector that had severely depleted. Among the potentials that could contribute towards this, is the returns gathered from State Government investments directly or indirectly through its Statutory Bodies or agencies including State Government Companies.

82. At this early stage, we will ensure that all Statutory Bodies, Government Agencies including government companies will improve their respective management quality to achieve better performance. This change for improvement will assist the organization to become more capable of repaying the government loans while successfully fulfilling their objectives. Their continuous success in this respect, will not only be able to help relieved the public sector workforce but also to foster the concept of 'caring corporation'. At the same time, some of the government responsibilities will also be complemented.

83. As the start of this new plan, I have met and visited several organizations with the purpose of seeing for myself their current performance and to try and understand the problems faced by

these organizations. Obviously, a lot need to be done to improve their current achievement. From now on, this approach will become a routine exercise considering the importance of the roles and contributions of the establishments to the state.

84. One of the policies implemented recently by the State Government, is to limit the membership among the Executive Chairman/Chief Executive Manager/General Manager and State Government Officer as Boards of Directors in Statutory Bodies and Government Agencies including their respective subsidiaries. The purpose of this policy is to encourage the members to focus their time, effort and mind in discharging their main duties and responsibilities as members in the Board of Directors especially in improving the performance and achievements of the organizations they represented. We want the organizations to advocate 'Good Corporate Governance, emphasizing the aspects of accountability and transparency, to avoid misappropriations and to inculcate professionalism in management.
85. The State Government had also adopted a policy, in line with the national policy of requiring government agencies and companies to declare dividends to the government. The dividend payment decided will not be less than 10 percent a year. Similarly, statutory bodies receiving dividends, must obtain an approval from the Ministry of Finance with respect to the proper use of the dividends.

CONCLUSION

Mr. Speaker,

86. As Malaysians we are fortunate to have a great Prime Minister with an excellent leadership quality. As the country's main architect, he has placed the nation's economy on a solid foundation. His excellent leadership is once again proven when the country's economy was facing the recent external threats which had shaken the whole world following the aftermath of the September 11, tragedy.
87. While tabling the State Budget for the year 2002 amidst external turmoil, I am confident that with the long standing relationship existed between the national and state leaders, we will be able to overcome problems that are undermining the economic growth of this state. The strategies that are outlined in the Budget 2002 requires all of us, especially members of the public sector, to carry out our respective duties and responsibilities with the best of knowledge and managerial capability. All public agencies are pulse of the state administration. Hence, besides the need to upgrade their knowledge in ICT, they must practise good working culture such as being resilient and diligent. They must also have high sense of commitment and high integrity so that they will not be easily swayed into corrupt practices and involve in low moral activities. At present the State Government spend more than 30 percent of the state annual income or more than RM400 million a year. We do not want this spending end up in a waste through the lack of commitments among the members of the public sector. With the limited sources of revenue as compared to the increasing financial commitments, the state civil service need to be sensitive when implementing public policies amidst the effects of the globalisations while upholding disciplines in spending to avoid excesses and malpractices.

Mr. Speaker,

88. The State Government recognizes the contributions and support of the members of the civil service. We acknowledge that there are efficient and committed members among the civil service who are dedicated and committed in implementing the government programmes. However, we want this excellent commitments to continue and not merely a seasonal affairs. As an appreciation to their efforts and contributions, the State Government will award a bonus of half month salary or at least RM1,000.00 this year and a salary increment of 10 percent to all qualified staff in line with the announcement tabled at the National Budget recently. Although this will be a burden however the State Government hope the bonus and salary increment will encourage members of the civil service to double their efforts as well increase their productivity and contribute towards the growth of the State economy.

89. With the measures undertaken to improve the performance and roles of the statutory bodies, state agencies and government companies, we hope this transformation process will go on smoothly towards achieving excellence. Sabah needs committed and visionary professionals to safeguard and assure a bright future for the generation to come. An excellent achievement such as this will definitely erase all doubts in our pursuit to realize a noble Malaysian race.

Mr. Speaker,

I beg to propose