

THE 1999 BUDGET SPEECH
BY
THE HONOURABLE DEPUTY CHIEF MINISTER/MINISTER
OF FINANCE
DATUK SERI PANGLIMA OSU HJ. SUKAM
AT THE LEGISLATIVE ASSEMBLY
ON 16TH NOVEMBER 1998

Tuan Speaker,

1. I beg to table the 1999 Budget for the approval of this Honourable House.

2. This is the first time I am making the Budget presentation in this Honourable House. I am indeed grateful and fortunate in being able, and with the will of God, to fulfill a responsibility that I consider to be very challenging given the prevailing economic woes and the financial crisis that have beleaguered our nation and the East Asia region during the last 16 month. The prevailing economic crisis besieging East Asia including our country has brought with it various impacts and implication. Among others it has caused confusion in the financial system of not only our country but other develop countries in Asia as well. The Prime Minister of Malaysia has described in length the effects of the regional economic recession in his National Budget Speech delivered on October 23, 1998. I am impressed by the bold measures taken by the Central Government to extricate the nation from this mess and to revive the economy through financial and fiscal policies, which have already shown some positive results. The capability of our Government leaders in preventing

our economy from deteriorating any further has caught the attention and interest of international leaders and economic experts. This recognition indeed should be applauded.

Tuan Speaker,

3. The 1999 Budget will represent the fifth and final Budget presented by the State Barisan National Government before the dissolution of this Honorable Assembly. As Minister of Finance it is my duty to lead and guide the State's economy towards one of stable growth, increased productivity, and at the same time to institute measures to revive the State's financial and economic well-being. We in Sabah are thankful to the Central Government because by having the National Economic Recovery Plan (NERP), the various strategies identified to revive the national economy has presented us a recovery plan for the State. The most obvious effect of the current recession on the commercial sector is the decline in investment and demand. The public sector on the other hand experienced a fall in revenue. Nevertheless, the wisdom and confidence displayed by the Barisan National Government leaders, both at the Federal and State levels, in formulating the 'Malaysia Way' has created stability in the economic system. At the same time it has successfully alleviated the confusion arising out of the regional economic recession and financial crisis. Although our economy recovery may be dependent on various external factors and forces, we ourself can do many things to help our own recovery.

Tuan Speaker,

4. It is very clear that the State Budget for 1999 takes into account the various aspects of management that can spur the economy whilst emphasizing on cost effectiveness in its implementation to achieve the objective of certain programme. The Budgets presented by the Barisan National Government over the last four years have established a strong economic base for Sabah to face the effects of the economic recession. I will not deny that there have been shortcomings and weaknesses in the use of the State's financial resources, because there exist elements of wastage, unproductive and inefficient use of funds from cost perspective. Nevertheless the Government has given serious attention to these concerns and has taken the necessary measures to prevent any further wastage of public funds. Only through strong and skillfull management of the economy can we repel any menance that threatens the prosperity of our country and our people and at the same time revive our economy. To prepare ourselves for the impending reduction in State revenue this year my Ministry has taken the initiative to cut down expenditures by RM367.89 million from the approved estimates for this year.

5. Hence the 1999 Budget has outlined various strategies as follows:

- i) To strengthen the State's finance through prudent spending and cost efficiency;
- ii) Rationalisation of functions of various organisations with a view to enhance the performance of the public sector;

- iii) To continue the development of public infrastructures and utilities in order to stimulate the industry and socio-economic sector;
- iv) To strengthen economic base particularly in the productive sectors such as tourism, manufacturing, agriculture and forestry;
- v) To coordinate the Federal Government's effort to control inflation rate;
- vi) To intensify all aspect of rural development specifically on eradication of poverty;
- vii) To continue providing assistance on the social programme to ensure the well-being of the rakyat;
- viii) To induce the public agencies to embark on measures to revive the state economy, and
- ix) To emphasize human resource development.

THE WORLD ECONOMY

Tuan Speaker,

6. The Asian financial and currency crisis is the main factor contributing to the lower global output this year. This crisis which has spread over to Russia, South Africa, Australasia and Latin America is now threatening the world's economy and finance. Unless concerted efforts are taken by the international financial community to implement an appropriate regulatory system on the currently unfettered global financial markets, this threat may become real. Given this, the world economy is projected to expand at a slower growth rate of 2.0% in 1998 and strengthening to 2.5% for 1999 as compared to 4.1% in 1997.

Tuan Speaker,

7. I wish to speak a little on the economies of the United States, Japan and China which affects the world economy. The economic growth of the United States is projected to moderate to 3.5% this year and 2.0% for 1999 compared to 3.9% in 1997. The spill-over effects from the Asian economic crisis resulted in the weakening of external demand, disruption in the export of U.S capital goods and widening its current account deficit. The growth rate for Japan a major economic power in Asia is projected to be negative 2.5% in 1998 and is expected to slightly improve to 0.5% next year. Given Japan's strong trade linkages and the large volume of lending to Asian countries Japan will likely to be affected more than the other major industrial countries. The internal factors that are affected by increase in the consumption tax in April, weak employment and chilled income outlook had all caused the domestic demand, which is an important factor in stimulating the economy of Japan, to contract and is likely to drag on. The weakening of the Yen and the crisis in the financial and banking sectors which are still unresolved, further contributed to this problems. All this indicators means that there will be no quick recovery for Japan. As for China although it has remained relatively unruffled by the Asian economic crisis due to the country's relatively closed capital account, instability in Japan has drag down real GDP projection for China. From a growth of 8.8% last year, China is projected to expand slower by 5.5% in 1998 and slightly higher for 1999. This is partly due to the recent widespread floods which resulted in increased unemployment. China's competitiveness has also slightly decline as a result of the currency devaluation of Asian countries

and thus a reduction in its exports. Nevertheless, China's current account is projected to remain in surplus and its foreign exchange reserves are still sufficiently large.

8. In continental Europe, the recovery which gathered strength in 1997 is expected to moderate in 1998 and 1999. Growth for Europe is forecast at 3.0% and 2.8% for 1998 and 1999 respectively in comparison to 2.5% last year. Growth projections would have been higher had it not been for the expected dampening effect, mainly on export volume, of the Asian turmoil. Germany is projected to register a real GDP growth of 2.6% and 2.5% in 1998 and 1999 respectively as compared to 2.2% in 1997. This growth is driven by continued buoyancy in export and a reduction in the country's unemployment rate. France on the other hand will rely heavily on exports to spur its continued recovery this year. The increase in domestic demand, investments, and declining unemployment and inflation rates meant that growth for France is anticipated to be stronger at 3.1% and 2.8% in 1998 and 1999 respectively as compared to 2.3% last year.

MALAYSIA'S ECONOMY

Tuan Speaker,

9. The Asian contagion has damaged Malaysia's proud record of a decade of high economic growth. From an annual growth rate of more than 8.0% attained in the last ten years, our country is now in the midst of an economic recession. The unfettered international financial system gives occasions to unscrupulous

currency traders and speculators to undermine our country's economy as well as our social integrity. Why and how this negative phenomena happened was explained in great detail by the Prime Minister in his National Budget speech recently. In view of this unhealthy developments, the Malaysian Government introduced a number of drastic measures with the aim of insulating our economy from currency and stock market speculation and manipulation and to stabilize our external trade.

10. Malaysia's real GDP growth is expected to shrink by 4.8% this year compared to 7.7% growth in 1997, that is a difference of 12.5 percentage points. However, based on the expansionary monetary and fiscal measures introduced by the Federal Government, Malaysia is projected to register a growth of 1.0% for 1999.

11. The regional crisis has affected Consumer Price Index (CPI) of Malaysia. Inflation is projected to increase from 2.7% last year to 5.0% in 1998. However, I am confident that with the measures introduced by the National Economic Recovery Plan (NERP), and the concerted efforts of all parties concerned, the nation's the inflation rate is expected to be reduced around 3.5% next year.

SABAH'S ECONOMY

Tuan Speaker,

12. Sabah achieved an economic growth of 3.0% last year in terms of real GDP after an impressive growth of 6.1% in 1996.

This was largely fuelled by the agriculture, manufacturing and services sectors, which contributed more than 60.0% of the State's total real GDP. However, the process of economic recovery and improvement was fettered by the depressed conditions of certain sectors as well as the economic slowdown of our major trading partners.

13. The State's economy is expected to registered a positive growth rate of 2.6% in 1998 and this will improve to 3.2% in 1999.

14. In spite of the regional woes, we are optimistic of achieving growth because of the substantial increase in exports, which make up more than 75.0% of Sabah's GDP in terms of purchaser's values. During the first eight months of this year, our exports increased by 26.0% to RM8.89 billion from RM7.05 billion for the same period of 1997. This is an exceptional performance when compared with the gross export growth rate of 5.6% for the whole of last year.

15. The State Government has adopted several measures and strategies identified by both the National Economic Action Council and the State Economic Action Council to curtail price inflation and to ensure that it remains at a manageable level. During the period of January to September this year, the Consumer Price Index of Sabah rose by 4.1% compared to the corresponding period for 1997. Given the exchange controls and with concerted efforts from all parties concerned I am confident that inflation in the State will be maintained below 4.0% for this year and next year.

16. The leading economic sectors for both 1998 and 1999 are forecasted to be the agriculture and livestock sector and mining the and quarrying sector, which together contribute some 40.0% of Sabah's total real GDP. These two sectors will be further enhanced by the considerable increase in exports of palm oil products and crude petroleum, which are currently the State's major export commodities in terms of value. During the first eight months of this year, exports of both commodities have risen substantially owing to strong demand and excellent global prices. The combined export values of palm oil products and crude petroleum during this period accounted for 49.5% of the total gross exports of the State and this portends real growth in the State's GDP.

17. During the period January to August 1998, the volume of palm oil products exported increased by 13.54% percent to 1.375 million tonnes from 1.211 million tonnes for the corresponding period of 1997, whereas in terms of value the exports rose by nearly 98.71% to RM3.086 billion from RM1.553 billion.

18. Crude petroleum has overtaken plywood as the second largest export commodity of the State this year. During the period January - August 1998, the volume of crude petroleum exported went up by 48.7% to 3.070 million tonnes from 2.033 million tonnes for the corresponding period of 1997. In terms of value the exports grew by 57.82% to RM1.321 billion from RM0.837 billion.

19. The forestry and logging industry which in the past has been the major contributor to the State's GDP is now experiencing a decline compared to the other sectors. Log

production for this year is expected to be maintained at around 6.00 million cubic metres. During the first half of this year, log production reached 3.35 million cubic metres which is 7.4% lower than the log production for the corresponding period of last year.

20. Other sectors such as construction, wholesale and retail, and restaurants and hotels are anticipated to grow at a slower rate this year. However, combine together they contribute about 18.0% of the State's total GDP.

21. The services sector may experience stable growth. The slowdown in the banking and finance sector may be offset by other industries such as transportation . Companies in the transportation business are likely to earn more receipts from the increased freight charges for shipping, cargoes and storage. The other industry that is expected to experience growth in the services sector is tourism. During the first quarter of this year, the number of visitors to our State has improved by 8.63% to 140,625 visitors as compared to 129,488 visitors recorded during the corresponding period last year. To ensure growth in the shipping and tourism sectors, the 1999 National Budget has accorded certain tax- related incentives.

22. Nevertheless the manufacturing sector which contributes about 15.0% to the State's total GDP, however, is a cause for concern. Most of the wood-related export commodities that contribute to the sector's GDP such as plywood, sawn timber, and veneer sheets have recorded a drop in export value during the first six months this year. Plywood declined by 25.0%, sawn timber by 20.3%, and veneer sheets by 33.1%. This is due to poor global demand and stagnant market prices for most of these

commodities. Nevertheless, the other export commodities that also contribute to the manufacturing sector, such as methanol, HBI and uncoated printing and writing paper expanded by 23.4%. Therefore, manufacturing is likely to slowdown in 1998 but is anticipated to improve marginally next year.

23. In external trade, Sabah recorded a healthy trade surplus of RM2,596.81 million during the period January to August 1998 as compared to a deficit of RM449.84 million during the same period of last year. This is mainly due to the strong performance of the State's total export earnings during the first eight months of this year, which grew substantially by 26.0% as mentioned earlier, compared to a decline of 16.7% for imports.

THE 1999 BUDGET

Tuan Speaker,

24. After taking into consideration the 1999 Budget strategies and the State economic scenario for next year, I propose to appropriate a total allocation of RM1,185.65 million for the year 1999. This sum is a moderate sum. Of this amount RM872.65 million or 73.60% is for Supply Expenditure and RM313 million or 26.4% as contribution to the State Development Fund.

REVENUE ESTIMATES

Tuan Speaker,

25. Revenue for next year is projected to be RM1,213.51 million, a decrease of 10.35% as compared to the revised revenue estimate of RM1,353.68 million from the original estimate of RM1,727.35 million this year. The reduction of 21.63% from the original estimate is fair considering the economic and financial slowdown we are presently experiencing. Our resources from forest, which is our main revenue contributor have experienced a stagnant market causing a drop in the collection to RM331.67 million which is 45.00% less than the original estimates of RM611.80 million. Besides, the depressed Kuala Lumpur Stock Exchange led the State Government to withdraw its proposed listing exercise for Sawit Kinabalu Sdn. Bhd. The RM500 million estimated revenue to be obtained from this exercise therefore is not forth coming. To meet the shortfall arising from this withdrawal, the State Government is now requiring Sawit Kinabalu Sdn. Bhd. to service its debts to the State Government through the profits it makes. With this recoupment and through other collection efforts from various sources the State Government is confident of collecting the revised revenue figure of RM1,353.68 this year.

Tuan Speaker,

26. Although the economic situation is expected to improve next year, this positive development will not be able to offset the reduction of revenue from the forestry sector due to the

depletion forest resources. The contribution from forest in 1999, is estimated to be RM260.37 million or 21.46% of the total State revenue, a difference between 30.00% to 50.00% from its previous years contribution. Calculation of revenue from forest in 1999 is based on an estimated extraction of 3.00 million cubic meter of logs. More than 92.00% of revenue from forest is from royalties, payment on forest produce and premium on logs. Starting from April this year the Government has decided to abolish royalty on processed timber in order to help our woodbased industries.

27. Contribution from Customs Duties is expected to increase with improved economic situation in 1999. The Custom and Excise Department has projected a revenue of RM250.05 million, which is 25.56% more than its revised estimates of RM199.144 million this year. As usual our revenue from this source comes from import and excise duties on petroleum products. Contributing as much as 20.62% of the total State revenue, customs and excise duties forms the second biggest contributor after forestry.

Tuan Speaker,

28. With the depletion of revenues from forestry the State Government is now turning its attention to land resources to increase its revenue. Through carefully planned and determined efforts we had by August 1998 collected a sum of RM104.94 million of land revenue as compared to the estimated of sum of RM100.40 million for the whole year 1998. With this encouraging trend the 1998 revenue estimates from this source has been revised upward to RM144.53 million, an increase of 43.96%. It is

expected that an upward development from this source will continue next year and in line with this a sum of RM205.44 million, or an increase of 42.14% as compared to this year, is projected for next year. As in previous years the bulk of revenue collected from land is from higher collection in land premium due to the increase in land alienation and changes in land status.

29. The Mining sector is expected to contribute RM103.18 million next year. Of that amount RM100.19 million is royalty from petroleum and the other RM2.99 million royalty from copper. The actual collection from petroleum royalty this year totalling RM85.66 is more than the original estimate of RM75.66. This is due to the increased production of crude oil and natural gas as a result of strong demand. It is expected that this situation will continue to be maintained next year. The RM2.99 million royalty expected from copper is 14.1% more than the revised figure of RM2.69 million this year. Although production of copper is on a decreasing trend, our revenue from this sector next year is expected to increase due profits derive from exchange in the U.S dollar.

Tuan Speaker,

30. The Federal Government is expected to contribute a sum of RM91.81 million in 1999. This represents an increase of 3.15% as compared to the 1998 estimate of RM89.00 million. Of this amount, RM58.06 million is in the form of Grants as provided for under the Federal Constitution such as Capitation Grant, Special Grant and Revenue Growth Grant. The balance of RM33.75 million is an allocation that is provided to meet claims that will be

submitted in 1999. With the close relationship that we presently have with the Federal Government I am confident that these allocated grants will be fully disbursed to us in 1999.

Tuan Speaker,

31. Towards the end of 1997 the State Government approved a law through the Statutory Bodies Enactment with the purpose of enabling the Government to upgrade as well as to improve better controls on the management and administrative procedures of Statutory Bodies. Presently there are 17 statutory bodies with 122 subsidiaries in Sabah. A series of briefings and discussions on this legislation had been conducted where the proper guidelines had been spelt out. With the implementation of this new law, utilization and reallocation of resources will be optimized, tendencies for wastages avoided and the implementation of more productive projects ensured which will bring positive results to the State revenue. In view of this development it is therefore expected that a revenue of RM49.41 million will be collected through collections, dividends and interest from statutory bodies in 1999. A large part of this sum totalling RM30 million is in the form of dividends that will be paid to the State Government. Taking into consideration the RM1.6 billion value of shares held by the State Government the estimated dividends for next year is deemed conservative and should therefore be achievable.

32. The State Government is also hoping that statutory bodies and government agencies will seriously consider paying back their loans to the State Government. As at 31.12.1997 a sum of RM1.9

billion is owed to the State. Having considered the potential of Government Agencies to serve as a catalyst for development, a contribution in the form of repayment amounting RM150 million of the total estimate of RM168.37 million under Miscellaneous revenue in 1999 is expected from them. It should be stressed here that without the required repayment to the State Government it would be difficult to approve any additional loan to any agencies that are still in debt. I wish to take this opportunity to urge all government agencies to be self-sustaining through improved efficiency and productivity. The management of government agencies should optimize their potentials, opportunities and resources. What is required are imaginative and creative thinking and a strong desire to achieve. The prevailing economic recession should not be used as an excuse to be satisfied with minimal achievement or to put minimum efforts or worst still to use it to cover-up weaknesses in their organizations. Instead, the current recession should be seen as a challenge to draw strong commitments and extra efforts. The subsidy mentality and culture, constantly seeking aid and support, should no longer prevail.

Tuan Speaker,

33. Another important source of revenue is income from the sales of water which is estimated at RM60.425 million in 1999. This sum represents a big increase, which is 146% more than its revised estimate of RM24.487 million this year. The implementation of the newly computerized billing will result in an improved, proper and efficient collection system despite encountering some unexpected teething problems. The problems

are expected to be resolved before the end of this year and the Water Department is expected to collect a revenue sum of RM60.425 million in 1999.

34. Aside from the various revenues mentioned above, the state revenue also includes ordinary items such as rents on Government building which is expected to contribute RM17.84 million; Inland revenue and licenses, RM2.47 million; revenue from certain government services such as court fees and reimbursable, RM1.614 million; Railway, RM0.92 million and Ports and Harbours, RM1.59 million.

SUPPLY EXPENDITURES

Tuan Speaker,

35. The budget for 1999 would be a test for the Government in fulfilling its duties in a situation entirely different as compared to previous years. With the reduction of revenue for next year it becomes necessary for us to revise and re-prioritize our programmes. Programmes that have the potential to generate income will be given top priority. At the same time, cost effective approaches must be put into practice not only because we are facing an economic recession but also because we carry the responsibility to ensure that public funds are used prudently and effectively. The 1999 Budget therefore essentially stressed the importance of financial discipline as one of the most effective ways to bring about a new approach in the management of the public sector which has a bearing on the management of the State's economy.

Tuan Speaker,

36. The total Supply Expenditure is estimated at RM1,185.60 million. Of this sum a total of RM872.65 million is estimated for Operating Expenditures and RM313.00 million proposed for Development Expenditures. The Operating Expenditures is divided for the following expenses as follows:-

- | | |
|---------------------------|--------------------|
| i) Emolument | - RM367.00 million |
| ii) Recurrent Expenditure | - RM279.09 million |
| iii) Special Expenditure | - RM226.56 million |

37. The allocation for emolument totalling RM367.00 million is RM7.44 million or 2.00% less from the revised sum of RM374.44 million this year. The proposed Recurrent Expenditure sum of RM279.09 reflected a reduce sum of RM49.4 million or 14.96% as compared to the revised estimate of RM328.19 million. The balance of RM226.56 million allocated for Special Expenditure is for various items, the bulk of which is for buying water under the privatization programme totalling RM70.00 million, RM46.82 million for expenses under Treasury General Services, RM43.80 million as grants to government agencies, RM20.00 million as grant to the state social services programmes, and RM42.29 million allocated to fulfill special needs in the public service.

38. The distribution of the 1999 proposed Supply Expenditure according to Ministries and Department is as follows:-

Ministry/Department	1999 Estimates (RM Million)	%
I. <u>SUPPLY BUDGET</u>		
a) Ministry of Finance	415.47	35.04
b) Ministry of Communication and Works	248.04	20.92
c) Chief Minister's Department	194.73	16.42
d) Ministries of Agriculture and Fishery	117.09	9.88
e) Ministry of Social Services	63.21	5.33
f) Ministry of Rural Development	47.10	3.97
g) Ministry of Culture, Environment and Tourism	27.52	2.32
h) Ministry of Local Government and Housing	20.47	1.73
i) Ministry of Resources Development and Enterprise	15.53	1.31
j) Ministry of Youth and Sport	11.51	0.97
k) Ministry of Industrial Development	3.63	0.31
II) <u>CHARGED EXPENDITURE</u>	10.47	0.88
a) Other Agencies	10.88	0.92
Total	1,185.65	100.00

Details of the allocation provided to the Ministries are as follows:

a) **CHIEF MINISTER'S DEPARTMENT**

For 1999 the proposed estimated operating expenditures for the Chief Minister's Department and its agencies totals RM194.73 million. The proposed allocation is inclusive of emoluments, State Government Scholarships and grant to IDS. The allocation of RM33.00 million for scholarships and training is to develop our human resources and therefore should be carefully utilized given the prevailing recessionary condition. Overseas training for our students have been shelved except for certain specialized trainings. This approach will enable a larger number of students to be trained and educated locally, especially in fields of technical training where they can be readily absorbed into the job market. Initiatives aimed at increasing productivity and innovation in the public service through the usage of information technology like the Sabah Net which was launched in 1997 will continue to get attention. For next year the Government will provide a sum of about RM9.6 million to promote and upgrade computerization in the public service. With increase usage of IT, it is hope that the public at large will benefit from fast and efficient services. Nevertheless, I would like to stress here that as we are presently facing a recession, the procurement of IT facilities should not be based solely on market trend and technology but rather on necessity. Not all level of staffs require computers and multi-media equipments; therefore, in dealing with this matter we should always practise prudence.

b) **MINISTRY OF COMMUNICATION AND WORKS**

The Ministry of Communication and Works which consists of several departments like the Public Work Department, Water Department, Railway Department, Ports and Harbour is allocated a sum of RM248.04 million for 1999. Of that amount RM118.51 million is allocated to the Water Department, RM107.38 million for the Public Work Department, RM9.57 million for Ports and Harbour and RM9.84 million for the State Railway Department.

c) **MINISTRY OF AGRICULTURE AND FISHERY**

The Ministry of Agriculture and Fishery together with several departments and agencies under it is allocated a sum of RM117.09 million. Of that amount a sum of RM38.67 million is allocated to the Drainage and Irrigation Department, RM8.53 million for the Fisheries Department, RM13.66 million for the Department of Veterinary Services and Animal Industry, RM36.50 million for the Agriculture Department and another RM19.73 million for 4 agencies under it.

d) **MINISTRY OF CULTURE, ENVIRONMENT AND TOURISM**

A sum of RM27.51 million is proposed for the operating expenditure of the Ministry of Culture, Environment and Tourism. This allocation is comparatively more than the allocation amounting RM20.19 million this year. Sabah's rich

cultural heritage and environmental resources are not only treasures for our future generation but are also an attraction for foreign visitors. A large number of scientists have identified the State of Sabah as one place in the world that is endowed with a richness in flora and fauna. With the establishment of the Department of Environment and Conservation, the amalgamation of the Culture Unit and the State Culture Board, previously under the Ministry of Youth and Sports and subsequently the placement of the Museum under the Ministry of Culture, Environment and Tourism, recently it is hope that this will translate into a unified effort to boost the tourism industry.

e) **OTHER MINISTRIES/AGENCIES**

The Ministry of Social Services is allocated a sum of RM63.21 million while the Ministry of Local Government and Housing is provided a sum of RM20.42 million. The Ministry of Youth and Sports and its agencies is appropriated a sum of RM11.51 million. The Ministry of Industrial Development and its agencies meanwhile, is allocated a sum of RM3.63 million. A total of RM47.09 million is proposed for the operating expenditure of the Ministry of Rural Development. This sum include expenditures for 20 full districts and 10 sub-districts. The Ministry of Resource Development and Enterprise meanwhile, is allocated a sum of RM15.53 million to enable it to finance its staff training programme and other planned activities related to human resource development. A total of RM10.88 million is set aside to meet expenses involving the Yang Di-Pertuan

Negeri, the Legislative Assembly, the Public Service Commission and the State Attorney General's Department.

f) **MINISTRY OF FINANCE**

For 1999 an allocation totalling RM415.47 million or 35.04% of the total estimated Operating Expenditure is put under the control of the Ministry of Finance. This amount includes the RM313.00 million as contribution to the State Development Fund. Another sum amounting RM63.29 million is set aside as expenditure under the General Treasury Services. This expenditure includes a grant of RM20.00 million for non-Muslim religious bodies. It is hope that this allocation will not only help to promote and maintain religious harmony among the various religious group in the state but will also contribute to the upliftment of moral values of the people of Sabah. A sum of RM8.00 million is allocated as grants for schools. This allocation is for the schools' basic necessities and for the beautification of its environment especially those in the rural areas so that they may inspire us to strive for excellence in education in Sabah. RM13.00 million is allocated for the privatisation of vehicles. The State Government will also be involved in helping small time entrepreneurs to improve their skills and in the usage of modern technology especially those in the food processing sector. This group of people often faced difficulties in acquiring capital, technology and modern equipment because they failed to fulfill the various criteria or requirements imposed by existing loan schemes. To serve this group a fund will be established next year and as a start an allocation of RM4.5 million is proposed for this fund.

39. The Government will contribute a sum of RM20.00 million to the State Loan Fund. With this amount the total sum available in the Fund will increase to RM45.00 million early next year. A major portion of this Fund will be used to develop the manufacturing sector particularly those in the Kota Kinabalu Industrial Parks.

40. I would like to urge all financial controllers in the Ministries, Departments and Agencies to be more involved and responsible in controlling and monitoring the utilization of public fund. Less important expenses which are wasteful should be avoided. Allocation set aside in the Annual Budget is a plan designed in terms of financial estimates. Therefore whenever an allocation of expenditure exceeds actual expenditure a saving occurs. In this situation it will be the responsibility of the controlling officer to ensure that any savings made should not be used for unplanned expenditures for the sole purpose of exhausting the allocations.

41. The prevailing recession requires us to be wise, prudent and careful in managing our resources and finance. This is not only for the reason that our natural resources are limited but also because all economies goes through cycles of prosperity and privation. Therefore we cannot permit nor afford extravagant and wasteful spendings. The management and implementation of planned projects and activities must be discharged effectively, that is, accomplishing their objectives efficiently from a cost-perspective. This is the key for our economy to be move efficient so that we can compete against the other economies. We need to adopt a new attitude whereby we should spent only

where necessary and in all our actions we need to be more prudent, moderate and be more disciplined in our spending habits.

42. I also wish to appeal to all political leaders and assemblyman to follow and abide by the various policies, criteria and guidelines that had been approved especially those pertaining to the economic recovery programme. We should avoid making unrealistic and unreasonable requests for funds. It is important that Government Ministries, Departments and Agencies control their expenditures according to the allocation that has been set aside for them and to avoid request for additional allocations.

DEVELOPMENT EXPENDITURE

Tuan Speaker,

43. The government is sensitive and concerned about the fate of the people and our goal of eradicating poverty shall continued to be pursued inspite of the negative impact on our finances and resources resulting from the current recession. We shall continue to give serious attention and priority to development of the State. Nevertheless, the provision of development allocation for 1999 shall be determined and shaped by our affordability. In appropriating fund to the various Ministries, Departments and Government Agencies the Government took into consideration past expenditure, performances, specific requirements to meet policy implementation, and responsibilities or functions of particular Ministries and Agencies.

44. The Outline Perspective Plan of Sabah (OPPS), a fifteen-year Development Programme for the State of Sabah which was launched by the Barisan National Government in 1995, will continue to be our main guideline in providing allocation for 1999 and specifically our central focus would be on the development of productive sectors.

Tuan Speaker,

45. A sum of RM601.37 million is plan for Development Expenditures in 1999. This figures represents a drop of RM69.74 million or 10.39% from the 1998 revised estimates of RM671.11 million. The RM601.37 million consist of RM520.92 million from the State, RM50.27 million in the form of Federal loans, and RM30.18 million as Federal Reimbursable Grants.

46. Of the RM520.92 million state fund proposed for development expenditures, RM344.9 million will be financed by fund from the Development Fund. The deficit balance will be met through the finances from the Central Government. The deficit financing reflects the State Government's committment to continue on with our Development programme and to stimulate the local economy as instituted under the strategic Action Plan to revive the State Economy.

47. The distribution of the RM520.92 million State Fund next year by sectors is as follows:

Sector	RM (Million)	%
Economic	337.87	64.9
Social	118.78	22.8

General Administration ...	57.27	11.0
Contingency	7.00	1.3
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Total	520.92	100
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48. The allocation of RM337.87 million proposed for the economic sector includes among others, RM119.23 million for Public Utilities, RM87.30 million for Agriculture and Rural Development. RM81.21 million is for Transportation and RM33.68 million for Commerce and Industrial Development.

49. Of the RM119.23 million allocated for Public Utilities which is specifically meant for the water supply programme, RM80.00 million is for the improvement of water supply in the 3 major towns of Sabah namely Kota Kinabalu, Sandakan and Tawau. Another sum of RM6.00 million is allocated for the extension of water supply to the new airport in Tawau.

50. Among projects given under Agriculture and Rural Development are as follows:

	RM (Million)
-Agriculture extension programme	26.79
-Drainage and Irrigation	15.76
-Forestry	14.24
-Department of Veterinary Services and Animal Industry	10.34
-Rural Development Corporation	9.80

51. Under Transportation, a sum of RM68.24 million is set aside for construction of Roads and Bridges throughout the State. Ports and Harbour is allocated a sum of RM5.30 million while the Railway Department is appropriated a sum of RM4.18 million. For the take over of housing estate roads, a project under the Ministry of Local Government and Housing, an allocation amounting RM3.50 million is provided.

52. The sizeable amount given to the Economic Sector reflect our sincere committment to pursue our industrialization programme as well as to continue with our poverty eradication effort. This is of course all in line with some of the objectives under the Outline Perspective Plan for Sabah which I mentioned earlier.

53. Of the RM118.78 million appropriated to the Social Sector RM76.00 million is for the development of rural utilities, RM21.19 million for low cost Housing and Town Development, and RM17.31 million for Drainage and Sewerage. A sum of RM3.20 million is allocated to Youth and Sports, and the balance of RM1.08 million is to complete the construction of the two Library Buildings in Papar and Kudat.

54. Of the RM57.27 million provided for the General Administration Sector, a sum of RM31.10 million is allocated to the Land and Survey Department to finance the computerization of their Land Alienation and Enforcement System, Survey Processing System, and the Land Acquisition Programme. The balance of RM26.17 million is for the construction and renovation of government buildings under the Ministry of Local Government and Housing, the Public Works Department and JHEAINS.

55. The distribution of the Development Expenditure Estimates for 1999 by Ministries is as follows:

	<u>(RM Million)</u>	<u>%</u>
Ministry of Communication and Works...	201.15	38.61
Chief Minister's Department.....	108.74	20.88
Ministry of Agriculture and Fisheries.....	100.08	19.21
Ministry of Local Government and Housing.....	36.72	7.05
Ministry of Rural Development.....	26.00	5.00
Ministry of Finance.....	15.00	2.88
Ministry of Industrial Development....	9.81	1.88
Ministry of Culture, Environment and Tourism.....	9.02	1.73
Ministry of Resource Development and Enterprise.....	3.52	.68
Ministry of Youth and Sport.....	2.80	.53
Ministry of Social Services.....	1.08	.21
Contingencies.....	7.00	1.34
	<hr/> 520.92	<hr/> 100.00

Tuan Speaker,

FEDERAL FUNDS

56. The RM50.28 million Federal Loans for next year is to finance projects such as the Rural and Immediate Water Supply, Low Cost Housing and for the Kota Kinabalu Industrial Park Project. Under the Reimbursable Grants a sum of RM30.18 million

is provided to finance the capital requirements of some of our State projects under the Agriculture Department, the Department of Veterinary Services and Animal Industries, and the Drainage and Irrigation Department.

57. The State Government is also allocated a sum of RM435.15 million of Federal direct grants. This sum which is 17.66% more than the amount allocated this year is earmarked for the following projects.

	RM(Million)
-Roads and Bridges.....	389.08
-Rural Electricity.....	30.30
-Forestry.....	4.61
-Fisheries.....	2.96
-Agriculture (Extension Services).....	2.70
-Drainage and Irrigation.....	2.50
-Water Supply.....	2.00
-Rubber Fund Board.....	1.00
Total	435.15

58. The assistance and commitment of the Federal Government certainly helps the State Government in its effort to intensify the development of infrastructures facilities and thereby uplift the economic status of the State. On behalf of the State Government I would like to record our sincere gratitude to the Central Government for their foresight and generosity in developing the State.

CONCLUDING REMARKS

Tuan Speaker,

59. In whatever situation we are faced with during this period of recession, I am confident that the major development plans will be implemented. In fact, viewed from a positive perspective, this recession has actually opened up the opportunity for us to “look and observed closely where we are heading” in our efforts to develop the State of Sabah. The lesson that we learn from this experience should teach us all to cooperate and unite together in reviving the economy and to take steps that would not only be beneficial to all but would at the same time ensure peace and stability in our Nation particularly our state of Sabah.

60. In this regards I would like to quote from the YAB Prime Minister’s National Budget speech recently where he stated:

“It is important for the people to realise that our country is presently in a difficult economic situation due to the devaluation of the ringgit, the deterioration of the Stock Market and the huge deficit the country is bearing. As such therefore the Government hopes that the people at large will understand the various steps undertaken by the Government to strengthen its financial standing. The willingness of the people to sacrifice and to accept these steps certainly will help in hastening the recovery of our economy”.

Tuan Speaker,

61. We are confident that the 1999 Budget is fully equipped to support the Barisan National Government's commitment to sustain economic in activities among the major sectors of the economy such as Tourism and Industries particularly, manufacturing industries. The provision of public infrastructures and social development will continue to be pursued. As a country that is rapidly developing in the midst of recession, it is indeed a challenging task to manage and implement the development programmes. We should always be diligent and determined in continuing with our efforts and committment, and never at all to take for granted in implementing whatever economic recovery plan is prepared. The cordial relationship we have with the Central Government is an important motivating factor to ensure success.

62. With the State's contribution of RM520.92 million for development sector, RM515.60 million Federal Government's financial commitment and a further allocations from certain Federal Ministries for projects in Sabah such as, a sum of RM416 million provided for University Malaysia Sabah; - an allocation totalling more than RM1,452.52 million would definitely activate the development in Sabah. Such substantial amount reflects the commitments of the Government to continue serving the people in this state.

63. The existing situation demands that we adopt attitudes and approaches that are realistic. We should not be fooled by the empty promises of certain quarters who goes around promising all sorts of things should they form the government.

These promises are no more than illusions and daydreams. It is cheap to peddle empty promises but it is the people who may ultimately pay a heavy price for these empty promises. Indeed these empty promises are pleasant to the ears and very entertaining but they mean nothing. As I have said earlier, the present Barisan National Government is concerned and fully committed to help the people of Sabah. The wealth generated shall be shared equally and fairly by every citizen of this state, irrespective of race, culture and religion. Nevertheless, the fate of the people cannot be guaranteed by outmoded approaches and thinking. The promise to help the people by paying dividends is only an empty promise design to win elections. The people of Sabah cannot be fooled any longer. Our approach to solve the problems of poverty is a long-term approach. This can only be accomplished through active, proper and planned participation of the people in meaningful economic activities. This approach is based on the belief that the people has the potential and the capacity to succeed in whatever field and activities they partake, so long as they are willing to work hard and take the opportunities that come by their way. This is the reason why the government has focussed development on small and medium scale industries so as to enable the people to participate in them. The government shall continue to provide help and support in education, capital and technical assistance. I would urge the people to be positive and to grab the opportunities available in order to secure a bright and prosperous future. The key to success is but hardwork and patience in facing difficulties and obstacles. God will not help those who makes no effort to help themselves.

64. I also wish to remind ourselves that in matters of money, we should not extend ourselves beyond our capacity but must act

with care, prudence and discipline to avoid any wastage of public funds. Further, we must be ready to make sacrifices and be confident in our ability to manage our state. Civil servants as the operators of the government machinery should be exemplary to the people in the process of bringing changes to the mind-set and work ethos which should be premised on positive values particularly, self-confidence, discipline, honesty, dedication and patience. These are values that have enabled the Japanese and Taiwanese to progress and succeed notwithstanding that their countries have little in terms of natural resources. Their main resources are their people and their willingness to work. Civil servants must also strive to preserve and strengthen unity among themselves and also among our multi-racial and multi-religious society. This is to preserve our social and political stability for without social and political stability, our economic recovery and progress cannot be realized.

Tuan Speaker,

65. I beg to propose.