

**THE 2005 BUDGET SPEECH
BY THE RIGHT HONOURABLE DATUK MUSA HJ.AMAN
CHIEF MINISTER CUM MINISTER OF FINANCE
AT THE LEGISLATIVE ASSEMBLY ON 26 NOVEMBER 2004**

Mr. Speaker,

1. I beg to table the 2005 Budget for the approval of this Honourable House.
2. I am grateful to the Almighty for being able to table the State Budget for the year 2005 in this Honourable House. This is the first budget of the Barisan Nasional Government since it was given solid mandate by the people in the general election held in March this year. This mandate is very meaningful as it enables the government of the day to continue its responsibility of building a better future for the people and the state. The present development achievement of the Barisan Nasional Government particularly in the context of infrastructure development, financial management of the State Government, improving the government administrative machinery and government agencies and government owned companies demonstrates that we are on the right track and on the whole in line with the aspiration of the people. Although the 2005 Budget is the last budget for the Eighth Malaysia Plan, I consider it as a significant beginning in the preparation of economic and social planning before we embark on the Ninth Malaysia Plan.

Mr. Speaker,

3. The 2005 National Budget which was tabled on 10 September 2004 by the Right Honourable Prime Minister with the theme “Building On Past Achievements Towards Greater Success”, manifested strengthening economic growth as the platform towards bigger successes in the future. The state development agenda has also strengthened due to political stability and close cooperation between Federal and State leaders, and pragmatic government policies. Over the last few years, the State Government faced various challenges as a result of less productive utilisation of financial resources and weak management of government’s assets. We have no other option except to continuously strive to improve the management of State resources to accommodate increasing expenditure so as to ensure continuous physical development and upliftment of the quality of life of the people from time to time. Important contemporary issues such as improvement of security; creation of employment opportunities; provision of infrastructure and basic utilities; social amenities such as housing; reduction of incidence of poverty and conservation as well as protection of the environment, which is now a current issue, will be given due attention.

Mr. Speaker,

4. In 2001, immediately after taking over the state finance portfolio, redressal measures were undertaken to strengthen the management of state resources. Several privatisation programmes which commit a large proportion of the public expenditure were reviewed. This review includes giving emphasis to prudent, transparent and proper spending to avoid excessive public expenditure. Consolidation process was undertaken in the management of state assets or resources where the government

strives to re-negotiate past agreements to ensure that state resources are managed in the interest of the public and to avoid lop-sided agreements.

5. The State Government is determined and committed to continue its development agenda although functioning under adverse condition. Although the state's financial resources are limited, to my mind, these limited financial resources should not be an obstacle to development. The State Government will continue its initiative of improving management cultural practices so as to be efficient, effective and well planned among state and federal departments through a coordinated and consolidated mechanism. The establishment of the State Development Coordination Committee for this purpose is a source of strength for us to accelerate growth in a dynamic manner. Lately state agencies have also shown improved performance although a few of them still need financial aid from the State Government to fund their operations as well as pay the salaries of their personnel. These agencies have been told to prepare pragmatic corporate plans and the government will work out with them means to improve these agencies so that these agencies will be independent financially.

Mr. Speaker,

6. We will strive to realise sovereign competitive edge in line with the appeal made by the Right Honourable Prime Minister since we will continue to operate within the circle of globalisation and having dynamic strategies will always be useful to increase our competitiveness. Hence the theme of the 2005 National Budget will be the prime mover of the State Budget strategy as well as preparation for the Ninth Malaysia Plan (9MP) for Sabah. Annually the total allocation requirement of the state is about RM 2 billion to finance state expenditure which encompasses supply and development expenditure. Annually the State Government strives to finance about 70 to 75 percent of this requirement inclusive of getting loan from the Federal Government. A new approach or reformulation is therefore required to ensure that the state development index does not remain static.

Mr. Speaker,

7. We will tidy up the linkage between policy and planning with the budget process in accordance with specific policy priority. This process, nevertheless, will be undertaken in phases. With limited financial resources, the Government will continue to face challenges regarding priority ranking. Hence, it is imperative for us to have managerial environment that will facilitate the involvement of the public and private sectors in the planning process so that the implementation of development programmes will be consistent and focused on set targets and does not always rely on political process. I believe with the existing political stability and harmony, it is timely that the Government should give emphasis on policies that will result on utilisation of state resources in accordance with planning priorities.

Mr. Speaker,

8. In this context, at the beginning of 2003 the State Halatuju was launched which gave priority to the development of the Agriculture, Tourism and Manufacturing Sectors as its focus in the economic sub-sector. As such, the Sabah Outline Perspective Plan (OPPS) which has a wide scope and offers various approaches and which has been the

core of the state development planning has been replaced by the Halatuju Pembangunan dan Kemajuan Negeri Sabah. The Government gives due emphasis on these three sectors after taking into account factors such as the management capacity, the infrastructure system that still need improvement and the depressed financial resources of the state. At the same time the Government keeps reminding us to display committed, creative and innovative planning culture. Since human resources are the catalyst to growth and productivity, orderly and coordinated planning will be given due emphasis so that knowledgeable and motivated workforce will be produced. At the same time any measure involving state resources will have to be associated with accountability and resources should be efficiently and effectively utilised. Efforts will also be stepped up to look contemplatively at wealth creation in various fields such as biodiversity and biotechnology through improvement of knowledge and skills, modernisation of machines and increased application of ICT in the public administrative system. Hence with the State Halatuju which have this specific policy, I have faith that Sabah will become a developed state by the year 2015. To demonstrate this determination, the 2005 Budget will become the lead-year for the start of the Ninth Malaysia Plan. The six-year period should be fully utilised and every three years its effectiveness will be shaped as the Medium-Term Development Framework. The State Halatuju recognises the necessity for the involvement of the private sector to spearhead relevant fields together with the public sector through public and private investments and through marketing that will bring about development via high value added.

Mr. Speaker,

9. The 2005 State Budget will give emphasis on strategies to overcome weaknesses on the attainment of policy objectives of the government. As such, I think there is a need to improve the linkage between Policy, Implementation Planning and Budget Process among federal and state institutions so that the desired impact on the delivery system will be realised. The government will continue to ensure that fiscal discipline will be within control but where necessary adjustments will be allowed. Based on the Four Strategies of the 2005 National Budget namely:

- (i) Enhancing the effectiveness of government financial management, efficiency of the delivery system and competitiveness;
- (ii) Accelerating the shift towards a higher value-added economy;
- (iii) Developing human resources or human capital as a catalyst of growth; and
- (iv) Ensuring the well-being of the people through improving their quality of life.

Hence, the 2005 State Budget strategies with the theme “Prudent and Beneficial Planning and Management of Resources” are as follows:

- (i) To distribute financial resources based on plans that are in line with the State’s Halatuju as specific policy;
- (ii) To enhance the practice of coordination and consultation to determine strategic priorities among federal and state organisations;

- (iii) To enhance transparency, accountability and monitoring of the implementation performance of economic and social development programmes;
- (iv) Updating mechanism for efficient and effective decision making based on available resources so as to enhance the delivery system; and
- (v) Monitoring performance and achievement of planned expenditure and revenue targets.

WORLD ECONOMY

Mr, Speaker,

10. Growth of the world economy is forecast to strengthen further as well as becoming more broad-based as a result of continuing low interest and inflation rates, and expansionary policies pursued by many countries. To date, the economic upturn is eminent in the United States and Asia, particularly China, and least well-established in the Europe area. In 2004, the world economy is forecast to grow at a rate of 4.6 per cent, moderating to 4.4 per cent in 2005. In the case of the United States, economic expansion is forecast at 4.5 per cent to 4.7 percent in 2004 and 3.5 per cent to 4.0 percent in 2005. The European Union economy is expected to grow at 2.0 per cent in 2004 and at 2.3 percent in 2005. Japan's economic growth, on the other hand, is expected to moderate to 2.4 per cent in 2005, from 4.5 per cent in 2004. Elsewhere, the economies of China and India are expected to grow at a slow pace at 8.0 per cent and 6.0 per cent respectively in 2005.

NATIONAL ECONOMY

Mr. Speaker,

11. The Malaysian economic growth is expected to grow at 7.0 percent this year given the rapid economic growth experienced in the first nine months of this year. Growth has become more broad-based with all sectors registering positive growth. Domestic demand particularly private consumption continues to show encouraging growth in the past five years. Private investment which has begun to pick up last year is showing more positive results with an estimated 14.8 percent growth this year from a negative 19.9 percent in 2001. There is also improved business sentiment.
12. With strong fundamentals, high domestic demand and broad-based growth, the Malaysian economy is expected to grow at 6 percent in 2005. This projection has taken into account the expected moderate global economic growth of 4.5 percent in 2005 as compared to 4.6 percent this year attributed to inflation, high oil prices, and higher interest rates.
13. In 2005, the private sector will continue as the Malaysian economy's engine of growth. Private consumption growth is expected to sustain with rising income levels, greater employment opportunities. Private investment is anticipated to rise while

gradual reduction in public investment is expected as the Government tackles the fiscal deficit.

SABAH ECONOMY

Mr. Speaker,

14. Positive signs of a firm economic recovery at the global front coupled with higher commodity prices as well as improvement in consumer and business confidence are expected to propel the State's economic growth between 6.5 to 7.0 percent in 2004 compared to the growth rate of 6.3 percent in 2003.
15. The State's external trade sector remained strong registering increasing trade surpluses since 2001. The State's trade surplus has risen from RM1.14 billion in 2001 to RM5.68 billion in 2003. In the first three months of this year, the State's trade surplus rose to RM1.78 billion, representing an increase of 30.7 percent from last year's figure in the same period. Such encouraging growth was mainly attributed to the bullish prices of most commodities exported by the State such as crude palm oil, rubber, sawntimber, plywood, wooden mouldings, crude petroleum, palm kernel oil, methanol, hot briquetted iron (HBI) and uncoated printing and writing paper. China has become the largest export destination of the State (excluding Peninsular Malaysia and Sarawak). This was followed by South Korea, India and Netherlands.

Mr. Speaker,

16. Government will continue to push the three priority productive sectors emphasized in the State's Halatuju namely the agriculture, tourism and manufacturing sectors.
17. The tourism sector has become one of the fastest growing sector in the economy despite the continued fear of terrorism at the global level. Receipts from foreign tourists grew from RM844 million in 2000 to RM1.28 billion in 2003. In terms of foreign exchange earnings, receipts from foreign tourists ranked number four after palm oil, crude petroleum and plywood in 2003. Receipts from domestic tourists grew from RM92 million to RM170 million in 2003.
18. This encouraging growth trend is expected to continue in 2004 and 2005. In the first nine months of 2004, the number of tourist arrivals has also grown from 873,455 at the same period in 2003 to 1.28 million, an increased by 407,002 or 46.6 per cent. Foreign tourist arrivals amount to 571,889 as compared to 394,895 while domestic tourist increase to 708,468 compared to 478,560 for the same period in 2003. Hotel occupancy rate reached 77.9 percent in 2003 and this year, all hotels especially the five star hotels had been experiencing 100 per cent hotel occupancy rate. With 71 direct international flights to 10 countries and with a total seating capacity of 11,162 per week, more hotel rooms are required to meet the fast increasing demand.

Mr. Speaker,

19. As for the manufacturing sector, positive development was seen in the last couple of years. Exports of manufactured products rose from RM2.61 billion in 2002 to RM2.71 billion in 2003. In the first three months of this year, the export value of

manufactured goods grew by 32.1 percent. In terms of new investment, 30 projects with a total investment of RM284.58 million have applied for manufacturing licences in the first half of this year. These projects have the potential to generate 2,215 job opportunities in the future. As at July this year, there are 70 factories operating in Kota Kinabalu Industrial Park (KKIP) with a total investment of RM565.4 million. Another 11 factories are presently under construction with a total investment of RM77.3 million. With the incentives given for relocation of factories from Peninsular Malaysia to Sabah as announced in the recent 2005 National Budget, more factories are expected to be set up in Sabah in the near to medium term.

Mr. Speaker,

20. In line with the State's Second Agriculture Policy, the State Government is working towards turning the State into the Food Centre and Halal Food Hub for the Nation. To achieve this, the State Government has earmarked six Permanent Food Parks and Industrial Aquaculture Zones in various districts. To facilitate and assist the smallholders in developing these potential areas, the Government will continue to provide all the necessary infrastructure including road, water, proper irrigation system as well as R&D, supply of seedlings, proper training and marketing skills.

Mr. Speaker,

21. In the first quarter of 2004, the export value of palm oil reached RM1.70 billion. This shows an increase of 11.8 percent compared to the same period in 2003. The export value of palm oil contributed 33.7 percent of the total value of the state's export. The export value of rubber was recorded at RM40.8 million or 7.5 percent in the first quarter of 2004 as compared to RM25.9 million in the corresponding period of 2003. This increase is attributed to the bullish price of rubber. Investment into the agriculture sector continued to grow as reflected by the increase in loans extended to the sector by 16.7 percent or RM1.43 billion as at end of June 2004.
22. As at end of June 2004, investment in residential properties reached RM3.12 billion reflecting an increase of 13.5 percent from last year's figure. Similarly investment in commercial properties grew by 17.0 percent to reach RM1.23 billion in the same period. Loans extended by commercial banks to the wholesale and retail, restaurants and hotels sector grew positively by 9.2 percent in the first half of this year.

Mr. Speaker,

23. Private consumption remained strong in 2004 as shown by the rise in consumer credits by 13.2 percent in the first half of this year and strong purchasing power for cars. In the first three months this year, imports of cars has already risen by 34.3 percent attributed mainly by strong consumer confidence and the prevailing low interest rates.

Mr. Speaker,

24. Despite the rising oil prices, the State's inflation rate remained low at 0.8 percent in the first seven months of this year. The general prices of clothing and footwear, household furniture and rentals have in fact declined.

25. For 2005, the State's economic growth is expected to remain strong but at a lower pace around 6 percent as compared to 2004 in view of the challenging global environment, rising interest rates in US, rising oil prices, and anticipated lower economic growth in China. Potential new areas of growth is expected to generate from the agriculture sector particularly food production, the palm oil downstream processing sector spearheaded by the Palm Oil Industrial Clusters (POIC), the health and spa tourism sector and the petrochemical industry. With the rich biodiversity in the State, the biotechnology sector is another area which the State can offer tremendous growth opportunities in the future.

STATE REVENUE FOR 2005

Mr. Speaker,

26. For the year 2005, State revenue is estimated at RM1,505.94 million. The revised revenue for 2004 amounts to RM1,653.12 million as compared to the original estimates of RM1,565.63 million which shows an increase of 5.6 percent or RM87.49 million. Revenue for the year 2004 is more than the estimated revenue for 2005 because of the "one-off" payment amounting to RM147 million from the privatisation of the Sabah Ports Authority.
27. State revenue Sales Tax has become the main contributor to the state coffer since 2003 where a total amount of RM391.07 million was recorded for 2003, representing 21 percent of the total revenue of RM1,879.62. Whereas for this year, it is anticipated that the figure can reach RM356.00 million or 22 percent of the state revenue for the year 2004. For 2005. Sales Tax is estimated to bring in RM416.00 million or 28 percent of the total revenue.

Mr. Speaker,

28. The encouraging development is because Crude Palm Oil has fetched good prices since last year and for the past nine months, the average price was more than RM1,600.00 per metric tonne. Income from Sales Tax on Crude Palm Oil will increase in the year 2005 in view of the fact that the State Government has agreed for the rate of Sales Tax on Crude Palm Oil to be increased from 5 percent to 7.5 percent effective from 2005. In this connection, Sales Tax to be collected from Crude Palm Oil alone is expected to reach RM360.00 million or 24 percent of the estimated revenue for the year 2005. This is 20 percent more than the revised estimate of RM300.00 million for this year. The Sales Tax to be collected from Lottery Tickets and Slot Machines are expected to remain at RM50.00 million and RM6.00 million respectively.

Mr. Speaker,

29. Forestry revenue makes up the second biggest contribution with the amount estimated to be around RM339.56 million for next year, representing 23 percent of the total revenue. For the year 2004, the revised revenue is RM305.20 million as compared to the original estimate of RM225.59 million, an increase of RM79.61 million or 35.3 percent. The reason for the increase is that as of September 2004, the production

volume has surpassed the original estimate of 3 million cubic metres logs output. With this trend, the Forestry Department has revised production volume to 4.5 million cubic metres for 2004. For next year, 4.2 million cubic metres are expected to be produced, with 3.2 million cubic metres for domestic consumption whilst the balance is to be exported.

30. Revenue from Petroleum Royalty is estimated to be RM194.87 million or about 13 percent of the overall revenue for 2005. The revised figure for 2004 shows an increase of RM102.24 million or 66.9 percent with the amount of RM254.88 million as compared to the original estimate of RM152.64 million. This is due to the fact that oil price has sky rocketed, breaking the USD50 per barrel barrier in the middle of this year. PETRONAS takes a conservative approach in making the revenue forecast for next year because of the uncertainty in the trend of oil prices.

Mr. Speaker,

31. Contributions and Grants from the Federal Government continues to be one of the main sources of State Revenue for 2005. For the year 2004 the revised figure from Federal is estimated at RM220.50 million as compared to the original estimate of RM371.20 million. The significant drop is because the amount received from sales tax on petroleum products is only RM50 million as compared to the estimate of RM243 million based on the calculation by State Government for compensation following the abolishment of import and excise duties. For this reason, the estimate for next year is RM180.17 million only or 12 percent of the total state revenue 2005.
32. Nevertheless, the State Government has held several discussions with the Federal Government to review the Special Grant of RM26.7 million per year received by the State Government. The Federal Government has shown a positive response in this regard and has agreed in principle to have further negotiations on this matter.

Mr. Speaker,

33. Land revenue is still amongst the top contributors for the year 2005 although the collection has somewhat decreased in the last three years. The State Government through the Land and Survey Department is and will be taking initiatives and measures to increase its revenue and reduce the amount owed to it. These include amending the Cap. 68 of the Land Ordinance, revising and reviewing the various old charges and fees, more effective enforcement and the enhancement of the revenue collecting system.
34. For 2005, the Land and Survey Department is expected to collect RM147.88 million, which accounts for 10 percent of the total estimated revenue. The Land Rents are expected to come up to RM41.00 million while Premium from Land Sales is estimated at RM100.50 million of which RM20.00 million will be from additional premium for land conversion/sub-division of palm oil mills in 2005.

Mr. Speaker,

35. In 2005 revenue from water is estimated to be RM93.31 million which shows an increase of 8 percent compared to the revised figure of RM86.32 million for 2004.

The exercise to wholly privatise the management and service of water supply is still ongoing. As mentioned in the Budget Speech last year, the main intention of this exercise is so as not to burden the state government financially and at the same time the people at large will get better services and water supply than what they are getting now.

36. At least a total of RM30.00 million is expected to be received from declaration of Dividends and Proceeds from the various government agencies, while loan repayments is estimated to reach RM50.00 million. Another RM8.00 million is targeted from Interest earned from the cash reserves. To receive this amount, the reserves would need to be retained at RM300.00 million given the prevailing low rates of interest earned on Fixed Deposits. Revenue from Rents of Government Properties is expected to remain at around RM21.00 million.

Mr. Speaker,

37. Other regular contributors although small, will continue to play their roles to help realise the state revenue target for next year. The Wildlife Department has submitted an estimate of RM13.00 million for next year. The Department of Veterinary Services and Livestock is expected to be able to raise their revenue to RM8.86 million next year as compared to the amount of RM6.73 million estimated this year. RM6.78 million is estimated to be collected from the Local Authorities for the sewerage services next year. Licences and Internal Revenue is expected to contribute RM3.22 million, a little bit better than the original estimate of RM3.00 million this year. Estimation done by the Agriculture Department also shows an increase next year that is, RM2.57 million compared to RM2.00 million estimated for 2004. The Ports and Harbours Department has estimated a target of RM2.29 million for 2005 compared with RM2.18 million estimated this year. Contribution from the Fisheries Department is not expected to change much with the estimated revenue of RM428 thousand in 2005 as compared with the estimated revenue of RM425 thousand in 2004. However, income from the Railways is estimated downwards slightly, from RM1.09 million this year to RM992 thousand in 2005.

SUPPLY EXPENDITURE

Mr. Speaker,

38. For the Supply Expenditure, a total sum of RM1,667.31 million has been proposed. It is a decrease of RM77.57 million or 4.45 percent as compared to the 2004 revised estimate of RM1,744.88 million. Taking into account the state revenue estimated at RM1,505.94 million for 2005, the state revenue account deficit is at RM161.37 million and the accumulated balance amounting to RM223.52 million will be accorded at the end of 2005.
39. A total sum of RM503.46 million is allocated for Emolument, which is an increase of RM21.57 million or 4.48 per cent as compared to the 2004 revised estimate of RM481.89 million. The additional increase is to cater for the yearly salary increments, payment for salary adjustments and for the settlement of advance payment accounts as a result of the Government's decision to make bonus payment.

40. An allocation amounting to RM530.21 million which is proposed for Other Charges Annually Recurrent shows a decrease of RM18.19 million or 3.31 per cent as compared to the revised estimate of RM548.41 million in the year 2004. The allocation among others, is for travelling and transportation; maintenance of Government vehicles; management and operation of the Water Department; maintenance of Government buildings; railway bridges; land slips and washouts; roads upgrading; contributions to the Local Authorities; purchase of milk from livestock breeders; welfare and social aids inclusive of aids for senior citizens and handicapped people; government office rentals, and the Sabah Electronic Government programme. With this amount, implementing agencies will be able to develop capacity building, creating a conducive working environment that is both environment and people-friendly; ensuring welfare and social security; enhancing the quality of life in the rural areas; enhancing execution of responsibilities; upgrading regulatory and enforcement; providing trained and knowledgeable and IT literate workforce.
41. The proposed RM633.64 million in Special Expenditures for 2005 shows a reduction of RM80.95 million or 11.33 percent as compared to the revised estimate of RM714.59 million for 2004. This year, the Government plans to increase the Contribution to Development Fund to RM287.60 million and RM7.00 million for Loan Trust Fund for Statutory Bodies and others. A total sum of RM117.00 million is allocated for Treasury General Services including Special Fund for palm oil industries; purchase of new computers; replacement of old and economically not viable to repair government vehicles; rental of private vehicles; payment of arrears to water concessionaires; conversion of loans to grants for Rubber Industry Board, Kota Kinabalu Industrial Park Sdn Bhd (KKIP), Sabah Land Development Board, writing-off Safoda loans; providing aids to schools, religious bodies and NGOs; management and operation of agencies under the Ministry of Agriculture and Food Industry, Ministry of Tourism, Culture and Environment, Chief Minister's Department and Ministry of Youth and Sports, Sabah.

Mr. Speaker,

42. The table below shows the details of distribution of Supply Expenditure for the year 2005 are as follows:

	Ministry	RM (million)	%
1	Ministry of Finance	489.78	29.38
2	Ministry of Infrastructure Development	360.04	21.59
3	Chief Minister's Department	286.27	17.17
4	Ministry of Agriculture and Food Industry	178.50	10.71
5	Ministry of Community Development and Consumer Affairs	82.79	4.97
6	Ministry of Tourism, Culture and Environment	70.54	4.23
7	Ministry of Rural Development	48.69	2.92
8	Ministry of Local Government and Housing	43.36	2.60
9	Ministry of Resource Development and IT	19.05	1.14
10	Ministry of Youth and Sports	18.68	1.12

11	Ministry of Industrial Development	6.65	0.40
12	Expenditure not included in Ministerial portfolios	16.29	0.98
13	Charged Expenditure	46.67	2.79
	Total (RM)	1,667.31	100.00

DEVELOPMENT EXPENDITURE

Mr. Speaker,

43. The distribution of allocation for development expenditure will depend on the revised Eighth Malaysia Plan (SMP) ceiling for all the individual ministry. Besides that, the year 2005 is the final year of the Eighth Malaysia Plan where most projects are at its final stage of implementation. Hence, the allocation for development in 2005 involved a total sum of RM442.29 million, of which RM427.18 million is in the form of direct grant; a sum of RM10.11 million is state loan to LPPB and KKIP Sdn Bhd who will get RM4.73 million and RM5.38 million respectively; and RM5.0 million set aside for contingencies reserve.
44. In terms of sectoral distribution, a sum of RM297.29 million or 67.22 percent is set aside for the implementation of development projects and programmes under the economic sector. This is followed by the social sector which would be allocated RM104.92 million or 23.72 percent, whereas RM35.08 million or 7.53 percent is proposed for the administration sector. The balance of RM5.0 million or 1.13 percent is for contingency purposes.

Mr. Speaker,

45. Sources of income for the Development fund consist of contribution from the Supply Budget amounting to RM287.6 million. Others are in the form of financial sources from the Federal Government. In this Honourable House, I would like to take this opportunity to convey my gratitude to the federal leadership for this aid specifically for the Federal loans amounting RM269.18 million, RM28.52 million Federal Direct grant, miscellaneous state reimbursable amounting to RM15.00 million and Federal reimbursable grants amounting RM14.81 million.
46. With an estimated development expenditure amounting to RM726.29 million in 2005 as compared to an estimated receipt of RM615.11 million the government has a plan to finance this deficit through financial aid from the Federal Government.

Mr. Speaker,

47. The table below shows the details of distribution of the development expenditures proposed for the year 2005:

	Ministry	RM (million)	%
1	Ministry of Infrastructure Development	188.88	42.70
2	Chief Minister's Department	77.49	17.52
3	Ministry of Agriculture and Food Industry	76.42	17.27
4	Ministry of Rural Development	37.55	8.49
5	Ministry of Local Government and Housing	14.67	3.32
6	Ministry of Finance	13.78	3.12
7	Ministry of Tourism, Culture and Environment	11.72	2.65
8	Ministry of Industrial Development	9.26	2.09
9	Ministry of Community Development and Consumer Affairs	6.22	1.41
10	Ministry of Youth and Sports	1.00	0.23
11	Ministry of Resource Development and IT	0.30	0.07
12	Contingencies Reserve	5.00	1.13
	Total (RM)	442.29	100.00

Mr. Speaker,

48. Among the various development programmes put under the Ministry of Infrastructure Development include a sum of RM20.48 million for development projects under the various ministries who have been entrusted to spearhead the State Halatuju. This amount involved the construction of roads to Agriculture areas amounting to RM3.60 million; roads to Industrial areas, RM12.88 million; and roads to Tourism areas amounting to RM4.00 million. Besides allocation from the State government sectors covering the development of the State's Halatuju will also be getting fund from the Federal Government in the form of grant and reimbursable amounting to RM29.60 million.
49. RM118.78 million or 62.9 percent of the total amount provided to the Ministry of Infrastructure Development is set aside for the Water Department of where a sum of RM54.00 million is earmarked for the Special Water Project involving the three water concessionaires. Allocation for construction of sewerage system for Papar and Semporna amounting to RM9.9 million and RM4.7 million respectively, is also provided in 2005.
50. Allocation under the Chief Minister's Department includes a sum of RM31.22 million for the Land and Survey Department. Of that amount RM11.00 million is meant to settle land compensation matters arising within the Kota Kinabalu Industrial Park. Beside that, a sum of RM25.00 million is also allocated for Special Development Projects under the Chief Minister's Department.
51. To accommodate the increase in constituencies of the State Legislative Assembly, the special fund programme for legislative members under the Ministry of Rural Development Sabah (KPLBS) has been increased to RM26.00 million from its original allocation of RM13.95 million in 2004. Allocation for minor development

projects under the same ministry has also been topped up to RM7.00 million in accordance with the ministry's request. A new vote to cater for the resettlement of flood victims from flood prone areas has been created under the Ministry of Rural Development and RM997,500 has been provided for this purpose.

THE ROLE OF GOVERNMENT AGENCIES AND GOVERNMENT OWNED COMPANIES

Mr. Speaker,

52. While delivering his budget speech recently, the Right Honourable Prime Minister has advocated high performance culture as a national agenda and he wanted GLC's to spearhead this culture. In this context the State Government will take measures to make high performance culture as the corporate culture for statutory Bodies and state government owned companies. Guideline with regard to the roles and responsibilities of Ministries, Board of Directors and Chief Executive Officers of state owned Statutory Bodies has been formulated and will be enforced in the near future. This guideline will cover, among others, financial management as well as the role of Internal Audit. I believe that when everybody concerned understand their respective roles and responsibilities, they will be able to contribute effectively. It is hoped that the guideline will become the basis in our efforts to inculcate professional values and excellence culture among those involved in the management of state owned agencies.
53. I notice that there are still state owned agencies especially Statutory Bodies that have yet to formulate their management manuals. The absence of Management Manual might contribute to work flows that are not well-managed and will result in conflicts to existing regulations. I wish to emphasise that these agencies need to tidy up and improve their respective corporate management and planning.

THE ROLE OF WOMEN AND YOUTH

Mr. Speaker,

54. In line with the concept of Caring Society, the State Government will ensure that the Sabah Women Advisory Council and the Sabah Youth Council as well as the relevant NGOs will contribute to economic, social as well as welfare development so as to bring benefit to the society at large. Their contribution is very important especially in the context of addressing social ills such as drug abuse, snatch thefts, sexual harassment and crimes including incest and violence on women and children. The government is committed to support programmes designed to eliminate these negative social ills. To enable them to carry out their activities more effectively, the government has approved a piece of land measuring 3.75 acres in Kota Kinabalu and an allocation of RM5 million for the construction of Wisma Wanita. This is a recognition by the government for the contribution by women. Besides this the government will also be giving grants to selected NGOs and welfare organisations. I wish to appeal to the NGOs concerned to also obtain grants that are available from the Federal Government.
55. Women and youths also have important roles in the skill and entrepreneurial fields. As such the government will encourage them to involve themselves in

entrepreneurial, leadership and technical trainings through training institutions that are made available by the State and Federal Governments. The State Government hopes that they will become trained and skilled workforce who will be able to contribute towards the realisation of the State Halatuju.

SPORTS DEVELOPMENT

Mr. Speaker,

56. We take serious view regarding the development of sports in this state particularly high performance sports and sports for health. We will cooperate with the Ministry of Youths and Sports, Malaysia so that we will be able to produce and improve the quality of our athletes and to encourage the people to practise sporting culture so as to produce healthy citizens. Sabah has potential athletes as indicated through sports competitions held in the past. Close relationship between the National Sports Council and the State Sports Council will be fostered for the betterment of sports in this state.

STATE SECURITY

Mr. Speaker,

57. Security control measures undertaken by the security forces along the coastline and border of the state had shown encouraging results. Their contribution is very meaningful to the people of this state. The peaceful and safe environment that we enjoy does not happen naturally without comprehensive and professional security control programme. This peaceful environment has also encouraged positive development in other sectors such as the economic sector that enable the tourism industry to flourish and improves investors' confidence to invest in Sabah. The implementation of several naval base projects in the east coast of Sabah and at Sepanggar Bay is testimony of the determination of the Federal Government to improve continuous security control. Hence the State Government fully appreciates the devotion and sacrifice of the security forces to ensure peace all this while.

CONCLUSION

Mr. Speaker,

58. The Honourable Members in this Honourable House have the responsibility to ensure that whatever policy or planning that we formulate are in the best interest of the people. There is no room for experiments. I am making this reminder because of depleting state resources as compared to planned development planning and past commitments. We have to ensure that any public expenditure will act as stimulus to economic activities whether in the urban or rural areas. Public expenditure is the largest public investment which will attract the participation of the private sector to involve and spearhead in site economic development. Since the year 2003, the commitment by the State Government to these three main sectors was demonstrated by increase in the state expenditure of 34 percent in the tourism sector, 15 percent in the agriculture sector and with the assistance of the Federal Government, the industrial sector will get three times more in terms of allocation. Hence, I believe this

development will become the catalyst to boost private sector investments in to these sectors.

Mr. Speaker,

59. Balanced development in the urban and rural areas will be given due attention. Socio-economic development for rural communities to improve their standard of living in all fields will be accelerated through provision of services and basic infrastructure development by various implementing agencies of both the State and Federal Governments. The government will ensure that there will be close coordination among these agencies so that they will be able to contribute effectively particularly in the context of increasing the income of the people and in the eradication of poverty. Construction of low-cost housing and rehabilitation of village housing programme will be enhanced. State allocation under the direct control of the Ministry of Rural Development and District Offices has been increased by 35.3 percent compared to the previous two years. I am aware that an increase in public expenditure alone will not be sufficient if there is no follow through in the enhancement of the delivery system. As such the delivery services will be upgraded through three aspects namely (i) between the relevant community and the implementing agencies; (ii) between the elected representatives as policy makers with the relevant community and (iii) between the policy formulators and implementing agencies.

Mr. Speaker,

60. Inculcation and implementation of Islam Hadhari as proposed by the Right Honourable Prime Minister emphasised on social justice, freedom of religion and tolerance among ethnic groups. This means that the development that we want to undertake will cover all members of the society without taking into consideration of their race, religion or ethnicity. Holistic approach such as this will develop the society as a united and dynamic society. Although we are of different race and religion, we are able to move forward and compete in the world arena without having to face ethnic or religious misunderstandings.

Mr. Speaker,

61. The big challenges that we will be facing will not only cover external threats such as increase in oil price and interest rate but we will continue to face global uncertainties that might bring about tension and competition that will affect our planning. As such we have to be united and to foster strong unity and understanding as this will be our strength to overcome challenges that will cause government's effort to fail. We are fortunate because the economy of the nation is strong. The development agenda for the state will be accelerated especially after the victory of the Barisan Nasional government in the recent election. Efforts will be enhanced to ensure that all development programmes and service delivery will have the desired impact on the quality of life of the people and not just empty slogans. I wish to take this opportunity to record my appreciation to members of the civil service who have been the back bone of the government administrative machinery. In line with the decision of the Federal Government to pay bonus, the State Government has decided to make bonus payment to eligible members of the administration for their contribution towards the development of this state. Half of the bonus has been paid in November while the

other half will be paid in January 2005. The State Government has also agreed to assist the Local Authorities and the government agencies who are not able financially to pay bonus to their eligible staff. I wish to remind Local Authorities and the relevant agencies to be financially independent in the future and not to be dependent on the government. What we hope from members of the civil service or the people as a whole is to work together with government leaders to build a bright future for the Malaysians domiciled in this state.

Mr. Speaker,

I beg to propose.