



BY  
THE RIGHT HONOURABLE DATUK SERI PANGLIMA MUSA HAJI AMAN  
CHIEF MINISTER AND MINISTER OF FINANCE



**THE 2017 BUDGET SPEECH**

**BY**

**THE RIGHT HONOURABLE  
DATUK SERI PANGLIMA MUSA HAJI AMAN  
CHIEF MINISTER AND MINISTER OF FINANCE**

**AT THE STATE LEGISLATIVE ASSEMBLY**

**ON 18 NOVEMBER 2016 (FRIDAY)**

**18 SAFAR 1438 HIJRAH**

***“PEOPLE AT HEART; PROSPERITY FOR ALL”***

*Bismillahir Rahmannir Rahim,*

Mr. Speaker,

1. I beg to propose the 2017 State Budget for the approval of this August House.

## **PREAMBLE**

2. Assalamualaikum warahmatullahi wabarakatuh and warm greetings to all. Alhamdulillah, with His blessing and grace, we can gather again in this August House for me to carry out the entrusted responsibility to table the State Budget for the year 2017 on this blessed Friday evening, 18 November 2016, 18 Safar 1438 Hijrah.

3. First of all, allow me to give thanks and praises to Allah Subhanahu Wa Ta'ala, God Almighty and to our beloved Prophet Muhammad Sallallahu Alaihi Wassallam with his family and confidants. It is hoped that all the plans we have arranged to develop our beloved State will be implemented with great success and excellence, Insyaallah.

Mr. Speaker,

4. I would like to express my utmost appreciation and thanks to The Right Honourable Datuk Seri Panglima Mohd. Najib Tun Abdul Razak, our beloved Prime Minister, who has always been supportive in ensuring stable and continuous development in this State. These are achieved through close relationship between the State and Federal Barisan Nasional Government.

5. This close relationship is evident with the construction of the Pan Borneo Highway which provides a road network that will enhance quality and accessibility as well as connectivity between regions. Implementation of this network of roads will stimulate economic growth in the surrounding areas, thus will spur the development of the State.

6. The construction of the Pan Borneo Highway is also a recognition to the State Government because not only the Federal Government gives allocation for implementation but the Federal Government has also agreed to appoint contractors and consultants from among the people of Sabah. This is what we meant by development enjoyed, promise fulfilled.

7. We appreciate the efforts of the Central Government to improve health facilities such hospital and 1Malaysia clinic, provision of infrastructure facility and socio economic in Sabah Development Corridor (SDC) as well as construction of Rural Transformation Centre (RTC) in the rural area of Sabah. We also hope that assets and requirements of ESSCOM will be upgraded from time to time for the security of the people in Sabah.

Mr. Speaker,

8. The foundations of the State's economy are strong and on the right track. However, we admit that there is still room to improve the development of the State, particularly in the context of socio-economic as well as infrastructure and basic amenities for the benefit of the people.

9. I believe, the Barisan Nasional Government who holds the rein of the State Government, will always strive its best to uphold the trust and intensify its efforts for the people's wellbeing.

## **WORLD ECONOMY**

Mr. Speaker,

10. The growth of the world economy is forecast to experience a slight decline from 3.2% in 2015 to 3.1% in 2016 before picking up in 2017 to reach 3.4%.

11. The major part of this growth can be attributed to the strength of emerging market and developing economies as economic growth of the advanced economies is forecast to be sluggish.

12. In general, the advanced economies are forecast to expand from 1.6% in 2016 to 1.8% in 2017. The emerging market and developing economies, on the other hand, will likely see a positive growth rate of 4.2% in 2016 and 4.6% in 2017.

13. The US economy has great influence on global economy and is forecast to grow from 1.6% in 2016 to 2.2% in 2017. While Japan's economic growth is forecast to remain moderate at 0.5% in 2016 and 0.6% in 2017.

14. The European Union countries will likely to see a slowdown in economic growth, from 1.7% in 2016 to 1.5% in 2017.

15. China's economic growth is forecast to remain moderate, reaching 6.6% in 2016 and 6.2% in 2017. India's economic growth, on the other hand is forecast to grow at a robust rate of 7.6% in both 2016 and 2017.

16. The ASEAN-5 economies, (Indonesia, Malaysia, Philippines, Thailand and Vietnam) are forecast to expand from 4.8% in 2016 to 5.1% in 2017.

## **NATIONAL ECONOMY**

Mr. Speaker,

17. The Malaysian economy grew by 4.1% in the first half of 2016, sustained by strong domestic demand primarily from the private sector. For the whole of 2016, the economy is expected to grow between 4 to 4.5% and improve further to between 4 to 5% in 2017.

18. These projections are based on the country's strong economic fundamentals, domestic demand and strategies that will be implemented in the 2017 Budget. The country is expected to continue to experience full employment and inflation will also remain manageable in 2017.

19. The country's fiscal deficit is expected to shrink from 3.1% of Gross Domestic Product (GDP) in 2016 to 3% in 2017. Under these circumstances, Gross National Income (GNI) per capita is forecast to grow at 5% to RM39, 699 in 2017 from RM37, 812 in 2016.

## **SABAH'S ECONOMY**

Mr. Speaker,

20. Within the context of the State's economic development, next year's economic growth momentum is projected to remain stable following moderate global economic growth. Sustainable economic growth is envisaged to be fuelled by vigorous exports activities, domestic investment, public expenditure and the tourism sector.

21. During the first six month of this year, the State has registered positive trade balance of RM4.9 billion. While cumulative realised investment under the Sabah Development Corridor (SDC) has increased and reached RM57 billion as compared to RM53.8 billion registered during the same period in year 2015.

22. Investment in the private sector is expected to increase with the implementation of high impact projects such as Aeropod, Sabah International Convention Centre (SICC), Grand Merdeka Mall, Maya@Likas, PacifiCity Mall, Sutera Avenue, Harbour City, Jesselton Quay (including International Cruise Terminal), Kota Kinabalu City Waterfront, Jesselton Residences, Hilton Hotel, Mercure Hotel and Marriot Hotel.

23. As at 30 June 2016, statistics indicated that commercial loans approval to the Wholesale & Retail Trade and Restaurants & Hotels sector has reached RM5.1 billion. At the same time, commercial loans approval to the Finance, Insurance, Real Estate & Business Services have recorded an increase of 18% worth RM3.9 billion.

24. Based on current economic scenario and environment, with continuous strong support from the Federal Government and brighter global economic prospects as well as expected recovery in commodity prices next year coupled with a vibrant tourism sector, the State's economy is forecast to grow at 4.0% to 4.5% in the year 2017.

## **OBJECTIVES AND STRATEGIES OF THE 2017 BUDGET**

Mr. Speaker,

25. Welfare and wellbeing of the people as well as prosperity of the State have always been our core struggle. Hence, the State Barisan Nasional Government will continue to ensure that the State's financial resources are distributed inclusively to all level of society irrespective of their position and background.

26. Once again, I would like to emphasize that the State's leadership will continue to intensify efforts to develop the State in order to achieve continuous prosperity. Thus, in the 2017 Budget, we will maintain our focus and budget strategy with the main goal of providing maximum benefits to the people of the State.

## **2017 BUDGET THEME**

Mr. Speaker,

27. In the preparation of this budget, the State Government adopts compassionate approach by thoroughly appreciating and embrace the hopes and aspirations of the people.

28. Thus, this budget is designed not only to meet the needs of the present generation but also for the benefit of the future generation. We endeavour to do all these to achieve prosperity, harmony and glory of our beloved State.

29. Although the global economic growth is somewhat sluggish, the State's economic fundamentals still remain strong and stable. Indeed, the year 2016 was challenging for us due to the fall in world oil prices. Nevertheless, as a result of the increase in petroleum production, we still managed to receive revenue at a reasonable level from this source, Alhamdulillah!

30. For the year 2017, the Government will continue to disburse funds and implement prudent spending in order to meet the development needs without compromising on the delivery system for the welfare and wellbeing of the people.

31. Taking all these into account, we chose the theme "**PEOPLE AT HEART; PROSPERITY FOR ALL**" as the 2017 State Budget. This theme highlights the need to reach out and embrace the heart and desire of the people so that the prosperity hoped for can be enjoyed and treasured by all.

*Utusan datang membawa hikayat*

*Hikayat dari wilayah timur*

*Bajet dibentang kerana rakyat*

*Moga negeri bertambah makmur*

## **2017 REVENUE AND EXPENDITURE ESTIMATES**

Mr. Speaker,

32. In view of the global economic environment which I have just mentioned, the Government has projected revenue collections amounting to RM3,817.56 million in year 2017. As such, I beg to propose an expenditure of RM3,784.73 million for year 2017.



This will give a surplus of RM32.83 million. I am pleased to point out that once again this year the State's leadership is able to formulate a surplus budget.

## **2017 STATE REVENUE ESTIMATES**

Mr. Speaker,

33. Revenue collection for the year 2017 is projected at RM3,817.56 million, representing an increase of 8.44% compared to year 2016 estimated revenue of RM3,520.29 million. Of the total, RM1,127.71 million or 29.54% is Tax Revenue; RM2,263.62 million or 59.29% is Non-Tax Revenue; and RM426.23 million or 11.16% is Non-Revenue Receipts.

34. Similarly as in previous years, petroleum royalty remains the main contributor to the State's revenue. However, the impact of fall in oil prices in the world market, has resulted negatively on the Government's revenue from petroleum royalty for the year 2016. This scenario has led to a decrease in revenue from petroleum royalty to RM787.8 million compared to the original estimate of RM900 million, a decrease of approximately RM112.2 million or 12.5%.

35. Alhamdulillah, for the year 2017, it is estimated that petroleum royalty from Petronas will increase by 25% as compared to the year 2016. The revenue collection from petroleum royalty for 2017 is estimated at RM985 million, in view of the price factor and production of petroleum.

36. The revenue collection for State Sales Tax on Crude Palm Oil (CPO) remains the second highest contributor to the State's revenue. Alhamdulillah, the current CPO price has increased to an average of RM2,500 per metric tonne compared to RM2,200 per metric tonne last year. Thus, the Government has projected a collection from the State Sales Tax on CPO for the year 2017 amounting to RM936 million or 24.5% of the total State Revenue Budget in year 2017.

37. Meanwhile, the revenue estimates for the State Sales Tax on lottery tickets for the year 2017 is expected to remain at RM70 million. Whereas the estimates for the Sales Tax for Slot Machines is expected to increase to RM12.5 million in 2017 compared to RM11.5 million for the year 2016.

38. Meanwhile, for Non-Revenue Receipts Category, Receipts and Contributions from the Federal Government for year 2017 is estimated at RM426.1 million, an increase of RM6.1 million compared to the original estimate in year 2016. While interest and investment returns are expected to contribute RM325.5 million compared to RM302.5 million in 2016.

Mr. Speaker,

39. I would like to congratulate several State Government departments that have achieved remarkable revenue collection in the year 2016 and I am confident that they will continue to increase revenue collection in the years to come.

40. Therefore, I urge all revenue collecting agencies to work together in increasing the State's revenue including the arrears. The State Government is confident that the target set for the year 2017 can be achieved with the support and cooperation of all parties involved.

## **SUPPLY EXPENDITURE ESTIMATES**

Mr. Speaker,

41. Although faced with various challenges, the Government remains committed to ensure the wellbeing and interests of our beloved people are well taken care of. Therefore, we will continue to implement effective and productive spending measures to meet the expenditure needs of this State.

42. For that, the Government allocates a total of RM3,784.73 million for Supply Expenditure in year 2017, an increase of RM294.34 million or 8.43% compared with the estimates for 2016 of RM3,490.39 million. Out of this amount, I propose to allocate a total of RM721.23 million for Emoluments, RM1,244.54 million for Recurrent Expenditures and RM1,818.96 million for Special Expenditures.

## **DEVELOPMENT EXPENDITURES ESTIMATES**

Mr. Speaker,

43. For development expenditure, I propose a total of RM1,188.52 million to be allocated in the year 2017. This sum consists of State fund totalling RM828.48 million and Federal fund of RM360.04 million. The State fund involves an increase of RM129.4 million or 18.5% compared with the original estimate for 2016 of RM698.99 million.

44. The Federal fund amounting to RM360.04 million comprises of Federal Reimbursable of RM50.48 million and Federal loan of RM309.56 million.

45. As in previous years' budget, the State Government continues to focus on providing allocation for development of economic sectors. The distribution of the development expenditure by major sector in year 2017 is as follows: -

- (a) RM457.88 million or 55.3% for economic;
- (b) RM313.46 million or 37.8% for social; and
- (c) RM57.14 million or 6.9% for general administration.

## **2017 ALLOCATION DISTRIBUTION: BY MINISTRY**

Mr. Speaker,

46. As I have stated earlier, prosperity and wellbeing of the people remain as our focal point in the 2017 State Budget. The State Government will continue to upgrade

development of infrastructures and basic amenities such as providing and upgrading road network system, treated water supply and construction of social amenities in the urban and rural areas in an inclusive manner.

47. The State Government is also committed to accelerate the development of agriculture, tourism and manufacturing sectors that are productive and of high value-added potential in order to boost the State's economy and revenue.

48. For that purpose, to ensure roles, responsibilities and delivery system of the Government implementing agencies run smoothly, the 2017 Supply and Development allocation distribution by ministry is as follows:

No.	Ministry	Distribution of Expenditures (RM Million)	
		Supply	Development
1	Ministry of Finance	1,527.41	10.00
2	Ministry of Infrastructure Development	676.97	254.02
3	Chief Minister's Department	467.11	189.25
4	Ministry of Agriculture and Food Industry	292.2	122.31
5	Ministry of Community Development and Consumer's Affairs	138.40	6.32
6	Ministry of Tourism, Culture and Environment	111.98	22.27
7	Ministry of Local Government and Housing	83.05	17.2
8	Ministry of Resource Development and Information Technology	87.41	4.15
9	Ministry of Rural Development	71.19	173.22
10	Ministry of Youth and Sports	65.95	15.35
11	Ministry of Industrial Development	15.24	14.39
12	Non-Ministerial Expenditure	27.69	-
13	Charged Expenditures	210.13	-
	<b>TOTAL</b>	<b>3,784.73</b>	<b>828.48</b>

## SECTORAL DEVELOPMENT

### DEVELOPMENT OF INFRASTRUCTURE AND PUBLIC UTILITIES

Mr. Speaker,

49. In the 2017 State Budget, provision of basic infrastructure facilities, management of roads and traffic congestion will be given special attention. This is to provide ease of connectivity among people and to support booming development in the State's strategic development direction (*Halatuju*), namely agriculture, tourism, manufacturing sector as well as urban and rural areas.

50. Overall, a total of RM1,258.61 million will be allocated in the 2017 Budget to support the development and upgrading of infrastructure and basic amenities across the State next year.

51. Of that amount, the Government will set aside RM292.4 million to finance continuation projects, roads maintenance, slopes, bridges and other works.

52. To continue the provision of treated water supply and to address water shortages problem, the State Government will continue to implement short term and long term treated water supply programmes throughout the State. For this purpose, RM572.87 million has been allocated next year.

53. In order to increase and to continue providing basic infrastructure and social amenities as well as to spur economic activity in rural areas, the Government will allocate RM200 million in 2017.

## **AGRICULTURE DEVELOPMENT**

Mr. Speaker,

54. Overall, under the 2017 Budget, the State Government allocates RM466.88 million to support and accelerate the agriculture development, being one of the *Halatuju* sectors and the main contributors of the State's economy.

### **Crops Sub-sector**

55. To further enhance crop sub-sector, the Government will focus on the development of vegetables and fruits crops through the implementation of the Permanent Food Production Park (*Taman Kekal Pengeluaran Makanan* - TKPM). In 2017, a TKPM Agriculture Station at Sedul, Ranau was approved with an area of 40 hectares reserved for the development of Musang King durian.

56. To date, a total of two TKPM are implemented and are expected to be completed in April 2017, which are the TKPM Integrated Training Center (IATC) Putatan and TKPM Masilou Kundasang. The Government is also in the process of identifying new location for TKPM to be developed in the interior region which is in Sook, Keningau district.

57. Noting that paddy is a strategic crop, paddy cultivation area of 33.53 thousand hectares with an average yield of 4.2 tons of paddy produce per hectare will be maintained. This effort can be achieved through the provision of plowing subsidy for paddy field and use of high quality paddy seedlings.

58. So far, there are three high quality paddy seedlings production plants that have been built by the Government. The plants are located in Kota Belud, Kimanis and Tenom districts and are capable of supplying 30% of paddy seedlings to farmers throughout the State.

59. To support the development of the State's rice bowl, the Government will implement development programmes and upgrade irrigation and drainage infrastructure worth RM8.05 million in Kota Belud, Tambunan, Beluran and Kota Marudu districts that are active in paddy cultivation.

60. In the year 2017, related research activities under the Department of Agriculture will continue to focus on the development of food crops of high commercial value and highly demanded from domestic and foreign countries such as MATAG coconut, Tacunan Coconut, MD2 pineapple, Sabah bananas and Durian.

61. Thus, in the 2017 Budget, a total of RM141.92 million is allocated to enhance the activities of sub-sectors of food crops.

### **Fisheries sub-sector**

Mr. Speaker,

62. Statistics in 2015 showed marine captured fisheries production reached 175 thousand metric tons valued at RM902 million while aquaculture production reached 281.8 metric tons valued at RM412.5 million.

63. Aquaculture products and production performance increased significantly following the implementation of projects under the National Key Economic Areas (NKEA) such as EPP-sea shrimp, EPP-fish cage and EPP-seaweeds are actively developed presently. Starting from the year 2015 there are several companies that have developed and contributed significantly to the increased in production of aquaculture fishery products in Sabah.

64. Under the 2017 Budget, a total of RM10.38 million is allocated for the fisheries sub-sector in order to increase the production of fish and fishery products with the aim of achieving 423.36 thousand metric tons per year. This allocation is also to intensify the production of seaweed aquaculture and ornamental fish, to manage fishery resources

through innovative and effective methods as well as to increase the use and application of new technologies in the fisheries sector.

### **Livestock sub-sector**

Mr. Speaker,

65. In the year 2017, the State Government will continue to inject funds for the institutional strengthening of Department of Veterinary Services and Animal Industry. This is to enable the livestock sub-sector remain sustainable, competitive and be able to increase the production of livestock-based food. In addition, these efforts are also expected to reduce the food import bill and strengthen the livestock industry in order to penetrate and compete in the international market.

66. For this purpose, about RM4.1 million allocation will be allocated to implement the activities of quarantine, extension programme, mobile veterinary clinic, slaughter house centers, clinical/diagnostic services and quality assurance programme. A veterinary diagnostic laboratory will also be developed in 2017.

67. Upon the two newly enacted laws, Animals Enactment 2015 and the Animal Welfare Enactment 2015, the Department of Veterinary Services and Animal Industry (DOVSAI) will be allocated RM500,000 in the year 2017 to elevate enforcement in order to ensure livestock and human health status are both protected from infectious and zoonotic diseases.

68. The Government is proud of the achievement of some livestock entrepreneurs who have successfully produced and exported products such as fresh milk, poultry and eggs to overseas markets. This year, fresh milk products have penetrated a wider commercial market in Peninsular Malaysia in the form of bulk milk sales.

69. Therefore, the Government intends to promote sales of fresh milk directly to commercial operators beginning in the year 2017, without DOVSAI involvement. Such



liberalization would strengthen the fresh milk production industry to a more effective level in the long run due to its comparative advantage and capability of stimulating the State's economy.

70. The State Government will also continue to focus on production of feed inputs for ruminant. This is in accordance with the State Government's target to increase the production of ruminant products through dual-purpose animals that require considerable food supply. The Government will provide an allocation of about RM1.6 million to fund the production of fertilizers, production and research of legumes, silage and other feeds for livestock.

71. The Government will also develop a nucleus herd buffalo with an initial allocation of RM300,000 next year. In addition, the Government will also introduce dairy goat farming in the year 2017 to generate disposable income through the sale of milk besides production of mutton in the long run.

## **INDUSTRY AND MANUFACTURING DEVELOPMENT**

Mr. Speaker,

72. During the implementation period of 10<sup>th</sup> Malaysian Plan, which was from the year 2011 to 2015, average total investment value in the manufacturing sector is estimated to be at RM2.8 billion per year. As at January to March 2016, manufacturing sector has received a total investment of about RM1.7 billion and RM440 million of that is direct foreign investment.

73. On average about 2,223 job opportunities per year were successfully created during the same period. In January to March 2016, the manufacturing sector was reported to have successfully created about 3,907 job opportunities.

74. Viewed from the aspect of external trade, based on statistics from the Department of Statistic Malaysia, manufacturing sector in Sabah have recorded a sum

of RM3,172.14 million yearly on export average for 5 consecutive year during the 10<sup>th</sup> Malaysia Plan. Statistics from January to March 2016 shows that the manufacturing sector recorded higher export achievement worth RM598.6 million.

75. This achievement was due to the initiatives of the Government and continuous effort in developing infrastructure and basic facilities for investors at industrial parks.

76. Amongst the Industrial Parks that have become zones for economic growth are Kota Kinabalu Industrial Park (KKIP), POIC Lahad Datu, POIC Sandakan and the newest Sipitang Oil and Gas Industrial Park (SOGIP) at Sipitang. Undeniably, these industrial parks have recorded excellence achievement at the end of 10<sup>th</sup> Malaysia Plan.

77. As at December 2015, 248 factories were built at KKIP with an investment value of RM2.7 billion. With this achievement, a total of 8,554 job opportunities are provided.

78. POIC Lahad Datu itself has recorded 44 factory projects with an investment value amounting RM3.35 billion and providing 2,293 job opportunities. While, POIC Sandakan has implemented three (3) projects with a total investment of RM158 million and are able to provide a total of 160 job opportunities.

79. Sipitang Oil and Gas Industrial Park (SOGIP), is one of the new icon in the manufacturing industry in Sabah particularly in the oil and gas based industry. Although as of now, only one such project is at SOGIP, that is SAMUR, however the invested amount is significantly huge at RM4.5 billion and is expected to create 4,800 job opportunities.

80. To develop the micro, small and medium industrial sector, the Government will continue to focus on capacity building on product and production. At the same time, the Government is also developing Shared Services and Outsourcing (SSO) Center to assist and to enable our manufacturers to distribute and market their products to domestic market such as supermarkets, hypermarkets as well as to export to other countries.

81. Realizing the importance and development potential of the manufacturing sectors in Sabah, a total sum of RM78.30 million is allocated in the 2017 Budget to spur development in the industrial and manufacturing sector.

## **TOURISM DEVELOPMENT**

Mr. Speaker,

82. To ensure that the State's tourism sector continues to expand and remain relevant as well as to guarantee that environmental resources and cultural heritage are preserved and conserved, thus in the year 2017, the Government will continue to boost programmes for tourism, culture and environment.

83. Efforts will continue to be intensified in identifying main target markets, in planning and arranging marketing strategies for short and long terms to attract more tourists to Sabah. For that, RM230.99 million will be allocated next year to spur development of the tourism industry.

84. The Government will accelerate the tourism development momentum, especially in promotion and marketing as well as provision of highly competitive and quality new tourism products, apart from improving quality of current products.

85. During the first five months of the year 2016, the tourism industry performance remained active, where we welcomed 1,337,126 tourists, an increase of 3.2% compared to the same period in the year 2015 (1,295,484 people).

86. From the said total, domestic tourist arrivals were 882,109 while foreign visitors were 455,017. Most of these tourists were from China (including Hong Kong), South Korea and Brunei Darussalam.

87. In terms of tourism receipts, the arrival of visitors to the State is estimated to bring in RM2.852 billion, an increase of 5.3% compared to the same period in the year 2015 (RM2.709 billion).

88. The Government will continue to expand air connectivity in the State either through scheduled direct flight or special chartered flights. This was due to the fact that 90% of visitors arrival was by air.

89. Alhamdulillah, on 19<sup>th</sup> May 2016, the Government successfully gazetted Tun Mustapha Park and is expected to be fully operational in the year 2017. The park, covering 898,762.76 hectares (more or less than 2.2 million acres), situated on the north of Borneo Island is the largest in Malaysia, and amongst the biggest in Asian region.

90. These are amongst the Government continuous initiatives in its effort to enhance protection of the State natural heritage as well as preservation and conservation of environment, flora and fauna. We realized that all these are for the benefit of our present and future generations as well as a valuable asset for the tourism sector in the State. Concurrently under these initiatives, the Government has declared all the six areas of Marine Parks in Sabah as Shark Sanctuary.

91. In line with the Government's commitment to protect and conserve wildlife from extinction, the Government will intensity efforts to ensure that the respective species would remain in their natural habitat and regulated through improved enactments and policies.

92. To guarantee sustained development, the Government will always ensure that every development activity in the State is implemented by taking into account environmental protection in planning and implementing development activity. For this, the Government is now in the process of finalizing the Environment Masterplan and Policy.

93. Cultural heritage is the national's image and identity. Diversity of heritage, culture and arts is one of our tourism assets which has become a major tourism attraction.

94. The Government through the State Museum Department and Sabah State Cultural Board will continue to implement various cultural programmes to develop and uplift art and culture as tourism products. Hence, the Government will build the Tun Mustapha Museum beginning next year with a project cost of RM7 million.

## **EMPOWERING PROSPERITY OF THE PEOPLE**

### **POVERTY ERADICATION AND IMPROVING QUALITY OF LIFE**

Mr. Speaker,

95. Social programmes that involve poverty eradication, welfare, wellbeing and quality of life of the people are always close to our hearts. Although we are hampered by various constraints, we continue to give priority and focus on issues related to the people's interests every year.

96. Hence under the 2017 Budget, we will allocate RM394.39 million to support social programmes related to the welfare and wellbeing of our beloved people.

97. The Government will continuously implement various poverty eradication programmes with the aim to further decrease the poverty rate in Sabah. This is not impossible as we had successfully reduced the incidence of poverty from 8.1% in 2012 to 4% in 2014 in Sabah.

98. As we all know, Rural Transformation Programmes particularly on poverty eradication and income enrichment programmes among rural communities have always been close to our hearts. Hence, I would like to emphasize that the State Government is always committed and dedicated in attaining zero rate poverty. We will implement these efforts gradually yet continuously.

Mr. Speaker,

99. I have confidence that poverty eradication programmes whether it is short, medium or long term projects, such as 1 Azam Programme, *Mini Estet Sejahtera* (MESEJ) on Agriculture and Aquaculture, Micro MESEJ project, Local Economic Enhancement Programme (Program Peningkatan Ekonomi Setempat - PPES), Housing Assistance Programme (Program Bantuan Rumah - PBR), Agropolitan Projects and PPRT Farm, will further reduce the State's incidence of poverty.

100. Up to now, a total of 52 Agriculture, Aquaculture and Micro MESEJ projects have been completed and are still being implemented across the State. MESEJ is a holistic poverty eradication projects where the target groups not only enjoy housing assistance but also capable of generating sustainable income. This programme substantiates the seriousness of the Government in eradicating hard core poverty in this State.

101. In my field visit throughout the State and working visit to various districts, I have personally witness the implementation, success, and the positive impact on poverty eradication programmes that we have implemented.

102. For example, Palm Oil Plantation MESEJ Programme in Kg Labang Sapulut Nabawan; Rubber Plantation MESEJ in Kg Montenior Beaufort and Product Entrepreneur Programme such as batik, Chocolate, Seafood Produce, bakery and cake as well as swiftlet farming MESEJ in Kg. Perpaduan Ria Kudat.

103. It is evident that the people we assisted are grateful for the efforts that we did to change their condition for the better compared to their previous condition and subsequently relieved them from clutches of poverty and hardcore poverty.

104. Next year, the Government will allocate a sum of RM14.5 million to continue with the implementation of MESEJ projects and poverty eradication programmes in Sabah. The sole purpose of the Government is no other than to ensure that the poor are living comfortably and productively as well as enjoying a better lifestyle and quality of living.

105. To assess the progress made by rural communities in Sabah, evaluation from multiple dimensions and perspectives of social welfare is important. Therefore, one of the initiatives taken by the Government is to implement the Village Prosperity Programme (*Program Kampung Sejahtera* - PKS). This programme was implemented in 2014 with a special focus on backward villages in rural areas that are to be developed and improved with a more inclusive approach.

106. As at now, a total of 31 villages have been involved in PKS. In 2017, an additional 20 more villages are planned to be included under this programme with an allocation of RM2.2 million. The ultimate goal is to transform backward villages by combining three main development aspects namely strengthening human capital, economic development and improving quality of life.

107. Raising income of the target groups in rural area is part of our agenda as well. One of the approaches implemented by the Government is to involve them in entrepreneurial activities. Government under the Ministry of Rural Development Sabah has been and will continuously implement the Rural Entrepreneur Development Programme, One District One Product Programme, Sales and Promotion Programme and Entrepreneurship Training Programme. Homestay programme will also be encouraged in the certain villages.

108. Therefore, to improve the entrepreneurial skills amongst the rural community, a sum of RM1.5 million will be allocated in 2017.

## **SOCIAL DEVELOPMENT AND WELFARE**

Mr. Speaker,

Confucius once said...

If your plan is for 1 year, plant rice

If your plan is for 10 years, plant trees

If your plan is for 100 years, educate children...

109. Thus, to create an intellectual, knowledgeable and love in reading society, the Government through the Sabah State Library has outlined strategies that will be implemented to strengthen and broaden the implementation of programme and campaign on reading: -

- First: to provide inclusive library services;
- Second: to strengthen the existing smart partnerships with government agencies and NGOs;
- Third: to enhance mobile library facilities;
- Fourth: to develop a comprehensive library collection; and
- Fifth: to provide complete ICT facilities to all State's libraries.

110. Construction of the Tanjung Aru Library, a Corporate Social Responsibility (CSR) project, is expected to start operating next year. This project is a manifestation of smart partnership between the Government and the private sector. The library is one of a kind icon in Sabah, not only because its construction funding sources are from the private sector, but also its green technology and people-friendly architectural concept.

111. For that purpose, RM36.91 million is allocated in the year 2017 for Sabah State Library.

112. The Government never forgets and in fact is always concerned on the needs of our community who are less fortunate. In accordance with that, the Government will continue to improve the delivery system of assistance to the target groups consisting of individuals or families who cannot afford to cover the necessities of life because of illness, disability and death.

113. This target group includes people with disabilities (OKU), orphans, the elderly and adopted children from the "Child Adoption Programme" operated by Malaysian Social Welfare Department (SWD).



114. The Government will also implement a programme known as 2 (two) Years Exit Programme (2YEP) to encourage productive welfare beneficiaries to be self-reliant. Under this programme, each recipient will be given a grant totaling RM2,700 as initial capital to do or to continue their businesses. The Government hopes that after two years, the recipients will be taken off from the list of welfare recipients.

Mr. Speaker,

115. Future generation is an invaluable asset in a nation, their needs and comfort with regards to their education will be our priority. Therefore, the School Assistance Programme such as better quality uniforms and stationeries to primary school pupils will be continued.

116. This effort is part of the Government's initiatives to ease the financial burden shouldered by their parents to meet the children's schooling expenses, especially among the low-income households.

## **HUMAN CAPITAL DEVELOPMENT**

Mr. Speaker,

The former President of India, APJ Abdul Kalam has said ..

"The best brains of the nation may be found on the last benches of the classroom ..."

117. There is truth to these quote, as human capital development is the key to a nation's success. This has been proven in some countries such as Germany, Sweden, Japan, South Korea and Singapore, where human capital investment represent an asset of great value and capable of adding value to their countries. Country progresses due to their advanced human capital skills and thinking.

118. Thus, in order to generate and sustain the economic growth of this beloved State, the Government has always given serious attention to human capital development. Investment in education, training, skills, entrepreneurship and continuous life-long learning, enabling us to produce skilled, visionary as well as creative and innovative workforce. Human capital of this kind is what we need to equip our State to compete and move forward.

119. Hence, in order to implement and support human capital development programmes, a sum of RM219.84 million will be allocated next year.

120. Programmes to be implemented under this initiative covers various level of needs from primary school, secondary school, tertiary education, training and vocational, scholarships, life-long learning and public facilities to be enjoyed by all levels of society.

## **WOMEN DEVELOPMENT, YOUTH AND SPORTS**

Mr. Speaker,

121. The State Government is committed to lead the development of youth and sports in the State towards achieving the vision of producing resilient youth and world-class athletes. The aspiration of youth empowerment and sports excellence is the responsibility of all levels and should be shouldered together.

122. In line with the concept of the National Blue Ocean Strategy (NBOS), the State Government under the Ministry of Youth and Sports will paint youth and sports development through involvement and in partnership with various parties concerned.

123. This involvement covers the interests of individuals, societies, clubs and organizations. This takes into account the sharing of resources and will be carried out together with a group of implementers and expert groups which includes youth and

athletes; associations of youth and sport at all levels; families and communities; educational and research institutions; media partners and the private sector and GLCs.

124. Efforts to empower youth and to excel sport are outlined by the drafting of three (3) main documents on youth development and one (1) main document on sports blueprint by the Ministry of Youth and Sport, namely: -

- (i) Sabah Youth Index (IBS) 2015;
- (ii) the State Youth Development Policy 2016-2020;
- (iii) the State Development Strategic Plan 2016-2020: and
- (iv) Sabah Sports Development Strategic Plan 2016-2030.

125. Through these documents various programmes will be drawn up and implemented which aim to involve young people in useful, productive and skills enhancement activities such as community work, volunteerism, sport and leisure to enable them to jointly contribute to the development of society and inculcate healthy lifestyle in the State.

126. Apart from prioritizing youth and sports development, the role and contribution of women in development will be continued. This is to support the socio-economic harmony and balance in terms of gender development.

127. Accordingly, by next year, an Advanced Programme which will provide exposure to different working environments and culture to the participants of WOS (Women of Substance) will be implemented by the Department of Women's Affairs.

128. This programme is designed to produce potential women leaders that are resilient, competent and charismatic. Beyond that, leadership, knowledge and capability of women will not only benefit themselves but also their family and society in general.

129. In addition, the Government will continue to implement the Development Programme for Single Mothers which aimed not only at providing various forms of skills but also prepare them to be independent, resilient and competitive in any field. Awareness programmes for women in the aspects of economy, health, education, social, legal, gender sensitivity and women as well as the media will also be continued.

130. For that, a sum of RM95.81 million will be allocated for next year to empower the youth, improve sports excellence and mainstreaming women's development.

## **DEVELOPMENT OF LOCAL AUTHORITIES**

Mr. Speaker,

131. The State Government has never forgotten the roles and responsibilities that are being carried out by the Local Authorities. To enable them to continue to implement their tasks, a sum of RM83.04 million will be allocated to the Ministry of Local Government and Housing in the 2017 Supply Budget for the provision of amenities, basic infrastructure and services in individual areas.

132. In the 2017 Budget, the State Government will also continue to provide support and assistance to the local authorities by putting aside an allocation totalling RM47.19 million which consists of the annual grant and State financial assistance. This allocation will be channelled to the Local Authorities to ensure that the districts are fully equipped and their machineries are running smoothly and functioning effectively.

133. Physical and infrastructure development in areas under the jurisdiction of the Local Authorities will continue to be implemented in the year 2017. The State Government will focus on developing new townships in Sabah as well as building low cost housing in the interior region and Tawau. A sum of RM16 million is allocated in the 2017 Budget for this.

134. The Government will also allocate a sum of RM6 million for landscape development as well as putting up streetlights in Menumbok and Tamparuli, vegetable stalls in Kundasang, and construction of a new office building for the Ranau District Council.

## **INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) DEVELOPMENT**

Mr. Speaker,

135. Development on Information and Communication Technology (ICT) is progressing rapidly with the invention of various ICT tools and applications, capable of driving the people in the State to create more work opportunities and ICT based activities. Opportunities and rooms to carry out such activities are getting brighter with high-capacity and better internet services.

136. Therefore, next year, in order to provide opportunity to the IT-savvy generation, the Government will emphasis on the empowerment of techno entrepreneurs through the implementation of Digital Recreation Media Development Entrepreneurs and Entrepreneur of Mobile Application Developers Programme. Whereas the existing ICT entrepreneurs will be strengthened in terms of technological applications.

137. Besides, ICT Applications Development Programme: CODEFEST Sabah will also be introduced. This programme aims to trigger creative and innovative ideas, improve skills and knowledge of developers in ICT application, either through web or mobile by way of activities in the form of workshops, lectures, hands-on event and laboratory work.

138. The implementation of such programmes is expected to increase the number of developers in ICT application who are highly skilled and competent. It is also an opportunity and a platform for local talent to develop their creative and innovative skills.

Therefore, to implement the programmes for ICT development, a total of RM83.74 million is allocated in the 2017 Budget.

## **ACHIEVEMENT OF PUBLIC AGENCIES**

Mr. Speaker,

139. The State Government continues to give attention to State Statutory Bodies and State companies as these agencies play a role and responsibility in the implementation of the State development agenda. The State Government has also continued to take initiatives to ensure Statutory Bodies and State companies are always relevant, progressive and have visionary direction in assisting to implement Government policies.

140. As of October 2016, net dividend and tax rebate received by the State amounted to RM213.324 million. Among Statutory Bodies and State companies which have paid dividends in 2016 are:

- (1) Sabah Credit Corporation;
- (2) Warisan Harta Sabah Sdn. Bhd.;
- (3) Desa Lestari Sdn. Bhd.;
- (4) Desa Plus Sdn. Bhd.;
- (5) Suria Capital Holding Berhad;
- (6) Sabah Development Bank Berhad;
- (7) Progressive Insurance Berhad;
- (8) Sabah Energy Corporation Sdn. Bhd.; and
- (9) Borneo Development Corporation (Sabah) Sdn. Bhd.

141. I believe other Statutory Bodies and State companies that are making profit will also pay dividends to the Government before the end of this year.

142. I would like to thank those State Statutory Bodies and State companies that have paid dividends. However, to support and assist the wishes and aspirations of the State Government in developing the State, starting next year, the State Statutory Bodies and State companies will be required to pay a dividend of at least 15% of the total profits of the company.

143. I would also like to thank the State Statutory Bodies and State companies that have made loan and interest payments to the State Government. They are:

- (1) Sabah Credit Corporation;
- (2) Sabah Economic Development Corporation (SEDCO);
- (3) Town and Housing Development Authority;
- (4) Perbadanan Baitumal Negeri Sabah;
- (5) Tabin Wildlife Holidays Sdn. Bhd.; and
- (6) KKIP Sdn. Bhd.
- (7) Koperasi Pembangunan Desa (KPD); and
- (8) Borneo Development Corporation (Sabah) Sdn. Bhd.

144. I also hope that State Statutory Bodies and companies who are still owing and have not made repayment to the State Government, will make an effort to repay their loans. This will provide opportunity for the people to benefit from development that would be financed by this fund.

145. In a continuous effort to improve the performance of State Statutory Bodies and State Government agencies, upgrading of the State Company Information System (SCIS) and State Loan System (SLS) will be continued, whereby integration of these two systems has been completed. This integration allows the State Finance Ministry to monitor financial performance and loan repayment of State Statutory Bodies more efficiently and effectively from time to time.

146. With the implementation of the integrated SCIS and SLS system, loans given by the State Government including arrears have reduced, and as at now, the State Government has successfully recovered RM291.4 million debts.

147. As means to improve good corporate governance, the State Government has issued Administrative Instruction No. 1 Year 2015 which requires all State statutory body to submit its financial statements to the Auditor General on or before 30 April each year starting in the year 2017. This is in line with the requirements of the Treasury Circular No. 4 Year 2007 "Guidelines for the Preparation and Presentation of the Annual Report and Financial Statements of Federal Statutory Bodies". In this regard, I urge all State statutory body to comply with the directive.

## **SPECIAL ANNOUNCEMENT**

### **ASSISTANCE TO NON-ISLAMIC ORGANISATIONS**

148. Racial harmony, freedom in religious practise and unity among the people is the core of our strength in Sabah. In matters regarding religion practises, the Government always provides assistance regardless of whether they are muslim or of non-muslim faith. Thus, provision of fund will be continued to support and assist chinese and missionary schools as well as non-Islamic organisations. For that, the Government will continue to set aside a fund totalling RM32 million for next year.

### **ALLOCATION FOR HONOROUBLE MEMBERS**

Mr. Speaker,

149. We are mindful of the trust and heavy responsibility that we shouldered granted through the people's mandate. Nevertheless, as a Government that is responsible, concerned and sensitive to the people's needs, we shall continue to provide development packages in line with current demands for the sake of the people's comfort and wellbeing.



150. For that, I am glad to announce that in the 2017 Budget, allocation for the honourable members will be increased from RM1 million to RM2 million. Out of that sum, RM300,000 will be allocated for “*Sentuhan Kasih*”.

151. With that increase, insyallah, it will help to facilitate matters and enable Honourable Members to function more effectively. As such, more people can be assisted and more development can be implemented.

152. For that, I would like to remind Honourable Members to intensify their visit on the ground, be close to the people, monitor development, evaluate progress and always plan for future development in your respective constituencies.

### **SPECIAL ALLOCATION RM53 MILLION**

Mr. Speaker,

153. Indeed, the budget theme “People at Heart, Prosperity for All” is not simply a rhetoric but a realistic goal. Facts and figures have shown that all this while the Government is concerned and has never failed in attending to all levels of people through allocations channelled to respective ministries and departments. This includes all segments of community and groups of people, from the youths to women, entrepreneurs and NGOs up to the elderlies, from high impact economic activities to grassroot social programmes.

154. Indeed, the people is the most important asset to the State and the country. Hence, the people’s choice, Barisan Nasional Government, certainly prioritise people’s progress and prosperity at all times.

155. Putting people at heart and ensuring prosperity continued to be enjoyed by all, this Budget is made more extraordinary as we have prepare a special allocation which is over and above to those existing allocations that have been allocated. Thus, I am

pleased to announce that this special allocation totalling RM53 million will be distributed as follows:-

- First: RM10 million to strengthen youth development and sports excellence to benefit 682 associations or youth and sports bodies which cover 798,400 local youths;
- Second: RM5 million to enhance women development that will benefit more than 90 women association and 4,505 single mothers. This allocation includes assistance for women who need attention and help;
- Third: RM5 million for special assistance to 26,612 people with special needs (OKU);
- Fourth: RM5 million to meet 28,489 old folks needs registered with Sabah Welfare Service Department presently;
- Fifth: RM5 million for 42 Non Government Organisations to produce caring society and people oriented through NGOs' activities and movement.
- Sixth: RM10 million to support entrepreneur development and activities among small and medium operators including Village Entrepreneur Development Programme;
- Seventh: RM6 million for Yayasan Usaha Maju (YUM) to provide more opportunities for micro entrepreneur especially women who are involved in micro business activities. For the record, YUM has successfully produced 72,110 micro entrepreneurs and we are optimistic that with this additional special allocation, we target to finance another 658 micro entrepreneurs through Entrepreneur Loan Scheme;

Eight: RM2 million to be allocated to improve backward villages which will benefit another 10 villages in the rural areas under Program Kampung Sejahtera (PKS); and

Ninth: RM5 million to be distributed as initial capital to smallholders including farmers and growers for tapioca planting activities. This is to enable sufficient supply to stimulate tapioca based downstream industry and existing factories needs. The Government targets to increase production of tapioca from 5,940 to 10,439 metric ton.

156. If these programmes bring success to the target groups, the Government will not hesitate to increase more allocation in the future.

## **APPRECIATING PUBLIC SERVANT**

Mr. Speaker,

157. Public service is the pulse and heart of the Government. The success of Government's policies and development programmes largely depend on the effectiveness and integrity of all public servants. Should they slack, the Government delivery system will slack as well.

158. As the proverbs say, one rotten apple will spoil the whole barrel. Such is the case that befall the good name of the State public service recently. Detentions by the authority concerned of several State public officers not only shocked but embarrassed us all.

159. After all the hard works in attaining success and accomplishment; despite all our efforts and energies to improve the delivery system – all these efforts is now tarnished due to their selfishness and lack of integrity.

160. I am very sad and disappointed because this is exactly what the saying goes “*Harapkan pagar, pagar makan padi*”. The trust given was not regarded as a responsibility that must be upheld with, but instead being manipulated for personal gain.

161. Indeed, in mobilizing our effort and energy to develop the people and the State, we will not compromise on issues relating to abuse of power and national security. Hopefully our noble efforts to prosper the State and improve the people’s quality of life will continue to be successfully achieved and implemented, insya Allah.

Mr. Speaker,

162. I believe, that a large number of civil servants in this State are committed and dedicated to their duties and responsibilities. To these people who are highly motivated and truly dedicated in their service; in line with the Federal Government’s decision in the national budget recently, the State Government agrees to give special assistance amounting to RM500 to all members of the Sabah State civil service and members of the Community Development Leaders Unit. Payment of this special assistance will be made simultaneously with payment of salary for the month of January 2017.

163. The State Government is also taking serious attention on issues regarding the ability to own their own houses among State civil servants. Therefore, the State Government is pleased to increase housing loan eligibility for State civil servants from RM350 thousand to RM500 thousand.

## **CONCLUSION**

Mr. Speaker,

164. Indeed, the struggle to safeguard the people and to develop the State under Barisan Nasional Government is endless. For as long as our heart is beating and the means within our hands, the Barisan Nasional Government elected by the people will

continue to fight, work hard and serve tirelessly for excellence and happiness of the people!

165. As Chief Seattle, former head of Red Indians in North America who lived in the 18th century stated, "*we do not inherit the earth from our ancestors; we borrow it from our children*". This State has been entrusted to us, for us to pass on to our future generations. Therefore, we are duty bound to protect, preserve and enrich the invaluable heritage so that those who inherit will enjoy the development that we have been fighting for.

166. As a caring Government who always put the people as priority, Sabah Barisan Nasional will not bow down to pressure and intimidation, especially from those who oppose the Government. We are confident that the people are smart to assess and differentiate between stone and gem, which is fake and which is valuable. Once we make a promise, we must honour it. The Barisan Nasional Government will not promise the moon and stars but we promise what we can deliver.

167. Come what may, we will stand firm to uphold the trust with unflinching determination to ensure the wellbeing of the people is safeguarded and taken care of.

168. Indeed, the challenges and obstacles we face are bittersweet struggles that must be encountered with focus and strong fighting spirit. We dare to face challenges because our goal is clear and sincere for the wellbeing and happiness of the people.

169. Sitting down and discussing together is the approach we adopt in steering leadership. We do not subscribe to attitudes that like to pit, insult, incite and slander. We firmly believe that honesty, sincerity and unity is the best approach to make our struggle succeed with the spirit of "From the People to the People".

170. Therefore, I urge everyone, let's join forces, move together, reaffirm our determination to fight for the fate of our nation and engrave progress and prosperity in

our beloved land. Indeed, success starts from a dream. Dream is not that which you see while sleeping...It is something that does not let you sleep!

*Sungai Padas mengalir deras  
Tebing runtuh menjadi rata  
Amanah digalas setulus ikhlas  
Hanya untuk negeri tercinta*

*Pokok Seluang tumbuh di desa  
Tepi dataran cantik berseri  
BN berjuang tak kira masa  
Demi rakyat dan juga negeri.*

171. Lastly, together let us pray that Allah SWT would grant us the strength and bless this sacred struggle. May the State of Sabah always in the shelter and grace of Allah SWT. Aamiin!

Mr. Speaker,

I beg to propose.