

UCAPAN BELANJAWAN BAGI TAHUN 2019
OLEH
YANG AMAT BERHORMAT DATUK PATINGGI (DR) ABANG
HAJI ABDUL RAHMAN ZOHARI BIN TUN DATUK ABANG
HAJI OPENG, KETUA MENTERI MERANGKAP MENTERI
KEWANGAN & PERANCANGAN EKONOMI SARAWAK

Datuk Amar Speaker,

Saya mohon mencadangkan supaya Rang Undang-undang bertajuk "Suatu Ordinan bagi menggunakan sejumlah wang daripada Kumpulan Wang Disatukan untuk perkhidmatan bagi tahun 2019 dan bagi memperuntukkan wang itu untuk perkhidmatan tahun itu" dibaca bagi kali kedua.

2. Bismillahirrahmanirrahim, Alhamdulillah saya ingin merafakkan rasa syukur setinggi-tingginya ke hadrat Allah S.W.T kerana dengan izinNya saya berpeluang untuk membentangkan Bajet Negeri

Sarawak Tahun 2019 dalam Dewan yang mulia ini. Semoga segala hasrat dan tujuan yang ingin kita capai dapat dilaksanakan dengan jayanya.

Datuk Amar Speaker,

3. Allow me to update this august House on the latest overall economic performance for 2018 and the outlook for 2019.

**GLOBAL ECONOMIC PERFORMANCE IN 2018
AND OUTLOOK FOR 2019**

4. Global economic growth has been robust in 2018 but less synchronized. The International Monetary Fund (IMF) in its latest World Economic Outlook published in October 2018 projected that the world economy to grow at 3.7 percent for 2018 and it is expected to grow at the same pace for

2019. Growth appears to **have peaked** in some major economies owing to escalating **trade tensions**, rising oil prices and tightening financial conditions. Growth in the emerging and developing countries is expected to **remain uneven**.

5. **Advanced economies** is anticipated to slowdown in growth from 2.4 percent in 2018 to 2.1 percent in 2019. The growth in the United States, though supported by fiscal stimulus and robust private demand growth, is expected to **slowdown** from 2.9 percent in 2018 to 2.5 percent in 2019. The growth in the Euro area is also forecasted to slowdown from 2.0 percent in 2018 to 1.9 percent in 2019, as higher oil prices would continue to weigh on consumption coupled with tighter financial condition and increased in borrowing

cost on investments. In Japan, growth is projected to **slowdown** from 1.1 percent in 2018 to 0.9 percent in 2019, as private consumption and investment are anticipated to be more subdued.

6. **Emerging and developing economies** are **expected to sustain** their growth of 4.7 percent for 2018 into 2019 supported by **higher commodity prices**. Growth in China is projected to **moderate** from 6.6 percent in 2018 to 6.2 percent in 2019 with the tightening of its financial sector, softening of external demand and the challenges brought about by the trade war. India's economy is expected to **accelerate slightly** from 7.3 percent in 2018 to 7.4 percent in 2019. This is largely due to the deregulation and steady improvement in economic freedom.

7. **Growth in world trade is expected to soften** to 4.2 percent in 2018 as trade tensions between China and United States continue to escalate, undermining confidence in businesses and financial markets. Inflation has risen in both advanced and emerging market economies due to higher fuel prices.

Datuk Amar Speaker,

**National Economic Performance in 2018 and
Prospects For 2019**

8. Our National economy is expected to register a **softer growth** in 2018 after experiencing a slower expansion of 4.9 percent in the first half of 2018. Private sector activity remained **the driver of growth** as both private consumption and

private investment expanded by 7.4 percent and 3.3 percent respectively in the first half of 2018. Growth in private consumption was largely due to **continued strength in wage and employment as well as higher consumer sentiments and increased household spending** following the 3-month tax holiday arising from zero rating of GST. Growth in private investment was supported by capital spending in the services and manufacturing sectors.

9. Meanwhile, public expenditure was decelerated attributed to **lower public consumption and public investment** in the first half of 2018. Public consumption grew only 1.8 percent while public investment contracted by 5.4 percent as a result of lower capital spending by public corporations

and a few on-going large-scale projects nearing completion.

10. Malaysia's gross exports rose by 7.0 percent for the first half of 2018, driven largely by sustained external demand for semiconductor.

11. On the supply side, expansion continued, notably in the **services** and **manufacturing sectors** for the first half of this year. The services sector grew at 6.5 percent, particularly in the wholesale and retail trade, as well as finance and insurance sub-sectors arising from increased household spending. The manufacturing sector grew at 5.1 percent with improvement in the exports particularly in the electronics and electrical cluster.

12. Based on the 2019 National Budget, the national economy is expected to continue to grow healthily at 4.9 percent in 2019 despite the global economic uncertainties.

Datuk Amar Speaker,

**State Economic Performance in 2018 and the
Prospects for 2019**

13. The State economy experienced slower growth in the first half of 2018. Nevertheless, the major economic sectors, notably the services sector **remains supportive** to the economic growth that could bring a growth of 4.6 percent for the whole of 2018.

Supply Side

14. The **services sector** is projected to grow by 6.4 percent in 2018 supported by the wholesale and retail trade sub-sector as the household spending increased supported by the zero rating of the GST from June to August this year. The higher lending activity also supported growth of the finance and insurance sub-sector.

15. The **manufacturing sector** is estimated to grow by 3.5 percent in 2018. For the first seven months of 2018, production of LNG slowed down in tandem with the slowdown in demand. On the other hand, production of electronics and electrical products continued to strengthen. With the escalating global trade tensions, some moderation in growth in the manufacturing sector is expected in 2019.

16. The **mining sector** is expected to expand at a more modest rate of 2.6 percent in 2018 supported by an increase in output production. Demand for crude oil remains strong and oil price has gone up to an average of USD75 per barrel following the agreement on reduction on crude oil production output by the Organisation of the Petroleum Exporting Countries (OPEC). With this **positive trend** for crude oil price, the mining sector is anticipated to remain a significant contributor to the State economy for 2019.

17. The **agriculture sector** is expected to grow modestly at 1.8 percent in 2018. Production of crude palm oil contracted by 2.4 percent in the first seven months of the year with the decline in both the oil extraction rate and yield in

fresh fruit bunch (FFB). However, a stronger growth for agriculture is anticipated in the second half of 2018 and is expected to sustain into 2019 with signs of improvement in the production of crude palm oil.

18. Growth in the **construction sector** is expected to remain strong at 5.1 percent in 2018 underpinned by the continuation in the implementation of projects under the Eleventh Malaysia Plan, particularly infrastructure projects, Rural Transformation Programmes, Rural Electricity Supply and Rural Water Supply projects at stressed areas, as well as property development. The effort to accelerate the implementation of infrastructure development in the State will continue to bring further growth to the construction sector in 2019.

Datuk Amar Speaker,

Demand Side

19. On the **demand side**, for the first seven months of 2018, the State experienced a narrowing total balance of trade. Growth in exports contracted by 1.6 percent totaling RM53.6 billion attributing to the drop in export of palm oil and LNG, signaling slower external demand. The higher crude petroleum export partially offset further drop in the total export. During the same period, import increased by 7.1 percent to RM24.9 billion, narrowing the total balance of trade to RM28.7 billion.

20. **Domestic demand** from both consumption and investment are expected to **grow encouragingly** this year. Public consumption is anticipated to grow by 4.7 percent in 2018 due to spending on emoluments and supplies and services.

21. **Private consumption** is forecasted to grow higher by 5.1 percent in 2018 supported by **robust spending** activities attributed partly to the zero rating of the GST coupled with continued strength in income and employment.

22. **Private investment** is expected to moderate to 5.2 percent in 2018 underpinned by positive business sentiment. In the first half of 2018, a total of RM121.3 million investment was approved.

23. On **public investment**, a growth of 3.3 percent is expected in 2018 following the **intensified**

effort by the State government **to develop more infrastructures** which include, among others, the implementation of road network, improvement of utilities coverage and services related projects such as public education and healthcare, with due emphasis given to the rural areas. Despite our effort, the Federal government decision for **expenditure rationalization** may affect expansion of public investment in 2019.

Datuk Amar Speaker,

24. The **volatility** created by the trade tensions between China and United States **will weigh on Sarawak** as our economy is **strongly linked** to the global markets. In addition, the current restructuring of the Malaysian economy, particularly in the **cutting of spending** by the

Federal government would likely impact the economic growth of the State.

25. However, the State Government is ready to provide allocation to finance priority, high impact and people centric projects. It is expected that with injection of higher public investment would lift the State economic growth. Hence, the State economy is projected to grow at 5.0 percent in 2019.

Datuk Amar Speaker,

FINANCIAL PERFORMANCE OF THE STATE IN 2018

26. Before I present the proposed 2019 Budget, I would like to update this august House on the **State financial performance of 2018.**

REVENUE, 2018

27. The total revenue of the State for 2018 is anticipated to **surpass** the original estimates of RM5.525 billion. Based on the revenue collection for the period ended 31st October, 2018 of **RM5.758 billion**, the estimated revenue for this year is revised to RM6.966 billion which is RM1.441 billion or 26.1 percent higher than the original estimates. The **expected higher revenue** is mainly attributed to **the increase in:-**

- (i) **dividend** of RM1.339 billion or 177 percent from RM755 million to RM2.094 billion;

- (ii) **cash compensation in lieu of oil and gas rights** of RM176 million or 11 percent from RM1.577 billion to RM1.753 billion;
- (iii) 12 percent **service charges** for implementing Federal projects of RM77 million or 3.8 percent from RM20 million to RM96.8 million; and
- (iv) **mining royalty** of RM5 million or 19 percent from RM27 million to RM32 million.

28. The overall increase in revenue, nevertheless, is **set off slightly by the decrease** in revenue from timber, land and sales tax on lottery.

Datuk Amar Speaker,

EXPENDITURES, 2018

Ordinary Expenditure

29. The 2018 Ordinary Expenditure has been revised upwards from RM5.781 billion to RM8.429 billion, an increase of RM2.648 billion or 46 percent. The revised Ordinary Expenditure was approved in the last Dewan Undangan Negeri Sitting in July, 2018. Up to 31st October, 2018, an amount of **RM5.669 billion** of Ordinary Expenditure or 67 percent had been expended. Out of the total amount of Ordinary Expenditure expended during the period, RM1.780 billion was for Operating Expenditure while the balance of RM3.725 billion was appropriated to the Development Fund Account.

Development Expenditure

30. The estimate for Development Expenditure for 2018 has been revised upwards from RM5.745 billion to RM9.317 billion, an increase of RM3.572 billion or 62 percent. The revised Development Expenditure estimates has also been approved by Dewan Undangan Negeri in its Sitting in July, 2018. Out of this amount, **RM6.777 billion** or **73 percent** has been expended for the period ended **31st October, 2018**. Expenditure is expected to increase as **development momentum continue to pick up** towards the end of the year.

Datuk Amar Speaker,

STATE BUDGET PROPOSAL FOR 2019

31. I would now like to table the 2019 State Budget proposal.

Key Strategies of State Budget Proposal, 2019

32. The 2019 State Budget Proposal adopt six (6) key strategies aimed at **generating a higher economic growth as well as achieving a more balance economic development in the State.**

First: Development Biased and Rural Focused Budget

The State will continue with its **development biased and rural focused budget** to stimulate a higher level of economic activities and economic progress for the State. In the 2019 Budget proposal, a **substantial allocation of RM9.073 billion** is proposed for Development Expenditure.

This represents about 76 percent of the total budget, while 24 percent or RM2.841 billion, is for Operating Expenditure.

The State government is committed to intensify the implementation of programmes and projects to further accelerate its development. Of the total development budget in 2019, RM6.049 billion or 67 percent allocation will be provided for the development of rural areas. This provision is much higher as compared to RM2.982 billion in 2017 and RM3.062 billion in 2018. Our continual effort in rural development is vital towards achieving our development objective in opening up greater opportunities in the rural and more remote areas for the economic prosperity of our rural community.

Second: The State Development Agenda

The State will continue with its socio economic development and rural transformation agenda and will step up the implementation of the rural transformation projects. Sufficient allocation will be allocated for the provision of basic facilities and amenities including roads and bridges, rural water and electricity supplies as well as other people centric projects under the Eleventh Malaysia Plan. In the light of this, the State will continue with its expansionary fiscal policy with a substantial development budget of RM9.073 billion in 2019, the biggest in the history of Sarawak.

These development programmes will **definitely open up larger areas and creating more jobs and business opportunities**, hence **ensuring** the State economy to becoming more **vibrant and resilient** which eventually would **bring economic prosperity** to all Sarawakian.

Third: Digital Economy as the Key Pillar of Economic Transformation

Digital economy will continue to be one of the **key thrusts** of the State's future economy. The State Government is **committed to continue** with the implementation of the **Sarawak Digital Economy** initiatives towards its vision in **maximizing digital technology and digitalization** to **leapfrog** the State economy.

Fourth: Investment Driven Economic Growth

The State will **continue to drive** its economic development through further **broadening investment** that will **create long-term sustainable economic growth**. The investment will focus on **higher value-added** activities in the **manufacturing, agriculture and services sector**, as well as **resource-based industries** such as oil and gas, agro-based, bio-tech and forest related industries that would **contribute significantly** to the economic growth of the State.

In addition to the investment incentives given by the Federal government, the State **offers attractive incentives** in terms of **competitive price of land, low down payment for purchase of industrial land, and the provision of other facilities** to ensure a **conducive operating**

environment for the business community particularly the start-up.

Fifth: Private Sector as the main Engine of Economic Growth

The **private sector** has been the **key driver** of the Sarawak's economy. To **facilitate** private sector investment, the State will continue with the measures, among others, the provision of basic infrastructure to enhance connectivity, provision of basic amenities and establishment of training institutions as well as industrial estates.

These are essential elements to **enable private sector to flourish** and **contribute significantly to the State's economy.**

Sixth: Effectiveness of Service Delivery System

The State will continue to embark on the implementation of **e-government to further enhance government service delivery** such as providing **seamless and cashless** payment gateway as well as a more open data policy for **value-added** transactions. In this regards, **adequate funding** will be allocated for the **enhancement of service delivery.**

Datuk Amar Speaker,

33. The 2019 Budget proposal is indeed **“An Extraordinary Budget”**. This is because **we are not only proposing a large development budget but**

a record revenue for 2019 as we are tapping into a new major revenue stream.

NEW SOURCES OF REVENUE STREAM

34. In looking at the current reality and assessing the situation objectively, our State of Sarawak, despite 55 years of independence, is still lagging very very far behind in its development as compared to that of Peninsular Malaysia. It is saddening indeed to see that the people of Sarawak have not been able to enjoy good quality of life with the necessary infrastructures and amenities, particularly our rural community. Sarawak, therefore, has not much choice, but to be self-determining in its development efforts to undertake these massive works ahead of us. Such efforts include putting

the State's infrastructure and basic amenities in place, be it roads and bridges, provision of water and electricity supplies, education, healthcare and many more. These investments are capital intensive and hinges upon our ability to secure new sources of revenue stream to fund the implementation of our development agenda.

35. In order for the State to determine and take control of its development agenda in a more consorted and self-determining manner, we ought to resort to a more radical solution. One of the solutions is to find way to fund these much long awaited infrastructure projects and basic amenities throughout the State.

36. The usual method of funding the development through the annual allocation from both the State

and Federal Budget, **is definitely not sufficient** to support our development agenda.

37. It is obvious that the **yearly State development expenditure budget will need to be increased accordingly.** This call upon the State to look for new sources of revenue stream and at the same time tapping into available alternative funding.

Datuk Amar Speaker,

38. The State, in its efforts to expand its revenue base, has studied the provisions in both the **State and Federal Constitutions and the relevant laws.**

39. As in Schedule 10, Part V(7) of the Federal Constitution, the **State is allowed to impose State Sales Tax.** Under the State Sales Tax Ordinance 1998, the State imposes sales tax on **crude palm oil, crude palm kernel oil, lottery tickets and tyres, and this has been a good source of State revenue.**

Datuk Amar Speaker,

SALES TAX

40. After **thorough analysis and careful consideration,** the State has decided to **impose 5 percent sales tax** on petroleum products. This will take effect on **1st January 2019.** The sales tax will be levied on petroleum products namely:-

(i) crude oil;

- (ii) **natural gas;**
- (iii) **liquefied natural gas;**
- (iv) **chemical based fertilisers; and**
- (v) **gas to liquid products.**

41. The revenue expected from the imposition of sales tax on these petroleum products is estimated to be at a sum of **RM3.897 billion** in 2019. The **higher revenue expected** from this new revenue stream together with the **other sources of revenue** as well as **alternative funding** will help to **support the State** in its undertakings on major development programmes and projects. With this, the State will be able to:-

- (i) **accelerate** its development to be at par with that of Peninsular Malaysia;
- (ii) **narrow the disparity gap** between the urban and the rural areas;

(iii) **improve the quality of life** of the people especially the rural community; and

(iv) **achieve the State's vision** to become a high income State by the year 2030.

42. This **fiscal flexibility** would enable the State to **manage its financial resources effectively** and thus, **allow us to speedily implement more rural infrastructure**, water and electricity supplies, internet, schools, clinics as well as agricultural and other economic programmes. We have a **strong commitment** to ensure that Sarawakian **will no longer be deprived of the basic needs** and the **opportunity to a better life and a brighter future.**

Datuk Amar Speaker,

Revenue Estimates for 2019

43. The total State revenue for 2019 is projected at **RM10.513 billion**, an increase of **RM3.547 billion** or **51 percent** as compared to the revised revenue estimates of **RM6.966 billion** for 2018. This will be the **first time** the State is expected to achieve such a **record high revenue** of **more than RM10.0 billion**. This level of revenue is **crucial to enable us to move forward with our development agenda for the benefit of all Sarawakian**.

44. The 2019 State revenue estimate is made up of:-

(a) **Tax Revenue** which is expected to be at RM5.268 billion or 50 percent of the total expected revenue in 2019, comprises the following:

(i) RM4.462 billion from **sales tax** of which RM3.897 billion is from petroleum products; RM445 million is generated from crude palm oil/crude palm kernel oil; RM90 million is from lottery while the remaining RM30 million is from tyre;

(ii) RM474 million from **forestry** of which RM267 million is expected to be contributed by forest royalty while

RM207 million is from timber premium;

and

(iii) RM332 million from raw water and mining royalties, land rents and others.

(b) **Non-Tax Revenue** which is estimated at RM4.997 billion or about 48 percent of the total expected revenue. The non-tax revenue is mainly derived from the following major components:

(i) RM1.990 billion from **cash compensation in lieu of oil and gas rights;**

(ii) RM1.500 billion from **dividend income;**

(iii) RM1.006 billion from **interest income;**

(iv) RM250 million from **land premium;**

(v) **RM120 million from cash compensation in lieu of import and excise duties on petroleum products; and**

(vi) **RM131 million from others, including licences, service fees, permits and rentals.**

(c) **Non-Revenue Receipt** which is expected to be at RM9 million, mainly from forest liquidated damages, disposal of assets and forest compounds; and

(d) **Federal Grants and Reimbursements** which is expected to be at RM239 million.

Datuk Amar Speaker,

Ordinary Expenditure Estimates for 2019

45. A sum of **RM10.391 billion** is proposed for Ordinary Expenditure for 2019. Out of this total allocation, **RM2.841 billion** is for operating expenditure which consists of RM232 million for Charged Expenditure and RM2.609 billion for Recurrent Expenditure. A sum of **RM7.550 billion** is proposed to be appropriated to the Statutory Funds of which **RM7.3 billion** is for the contribution to Development Fund Account to finance development programmes and projects. The remaining **RM250 million** is for appropriation to **Contingencies Trust Fund**.

46. The proposed allocation of RM2.841 billion for Operating Expenditure next year is an increase of RM212 million which is about 8 percent over the revised expenditure of RM2.629 billion for this year.

47. Out of the RM2.841 billion proposed for Operating Expenditure in 2019:-

(i) RM798 million or 28 percent for personnel emoluments;

(ii) RM983 million or 35 percent for supplies and services;

(iii) RM909 million or 32 percent for grants and fixed payments, including operating grants to Statutory Bodies and local authorities, servicing of public debts and payments of gratuities, pensions and scholarships;

(iv) RM52 million for the procurement of assets; and

(v) RM99 million for other operating expenses.

Datuk Amar Speaker,

48. I am pleased to announce in this august House that the State government has decided to introduce a new policy whereby every newborn child as long as they are Sarawakian will be given one-off incentive of RM1,000.00 irrespective of ethnicity, religious beliefs and social status. This incentive can only be withdrawn upon attaining the age of 18 and is meant for their further education or as capital to pursue their career.

Budget Surplus for 2019

49. Taking into account of an estimated total revenue of **RM10.513 billion** and a total proposed Ordinary Expenditure of **RM10.391 billion**, the proposed 2019 Budget is expected to **generate a surplus of RM122 million**. A surplus budget would enable the State to **continue building up its financial reserve**. This is to ensure its **healthy financial position and financial sustainability in the long run**.

Datuk Amar Speaker,

Development Expenditure Estimates for 2019

50. Now, I would like to deliberate on the proposed Development Expenditure Estimates for 2019. The estimates have taken into consideration amongst others:-

- (i) **Priority, high impact and people centric projects particularly in the rural areas;**
- (ii) **Commitment to complete the implementation of the on-going projects;**
- (iii) **Capacity to implement projects during the year; and**
- (iv) **Reprioritization of expenditure undertaken by Federal government to rationalize its fiscal position.**

51. For 2019, a sum of **RM9.073 billion** is proposed to finance various programmes and

projects under the Eleventh Malaysia Plan of the State including **socio-economic** and **rural transformation initiatives**, the **walkabout projects** as well as **initiatives under the Digital Economy**.

52. Of the total provision for development expenditure, RM8.813 billion will be **funded by the State** while RM260 million is to be **financed by the Federal Government** through **reimbursable loans and grants**.

Datuk Amar Speaker,

Distribution of Development Expenditure Estimates for 2019

53. The proposed Budget for the year is **fairly distributed to ensure a sustainable and balanced development** throughout the State particularly

between the urban and the rural areas. The State will continue to invest in a range of initiatives to ensure that the on-going provision of vital services will benefit Sarawakian from all walks of life.

54. The proposed 2019 Development Budget of **RM9.073 billion** will focus on the following initiatives:-

(i) **Accelerating Development in the Rural Areas**

To hasten the pace of rural development, a total sum of **RM6.049 billion** is proposed in 2019 Development Budget of which **RM2.350 billion** is set aside for the implementation of the following projects:-

- **RM1.535 billion** for **Walkabout Projects**;
- **RM500 million** for **Rural Transformation Projects**;
- **RM243 million** for **Minor Rural Projects**; and
- **RM72 million** for **Program Penambahbaikan Rumah Miskin Sarawak (PPRMS)**.

(ii) Improving the Connectivity of the State

The State is investing in more infrastructure projects such as **roads, bridges and jetties** to further improve **its connectivity**. For this purpose, a sum of **RM1.105 billion** will be allocated for the **implementation** of various projects, amongst others:-

- Jalan Sg. Bidut / Kpg. Tutus / Kpg. Sebedil /Kpg. Bungan Kecil;
- Jalan Dari Sibujaya Ke Jalan Kong Yit Khim;
- Construction of Pasai Siong Hilir Road;
- Road Construction from Marudi to Mulu via Long Terawan;
- Jalan Ulu Tubai Menuju ke Mentawai / Gunung Buda;
- Jalan Pakan, Ulu Julau, Ulu Kota Pakan (Phase II);
- Jalan Nanga Muan/Nanga Setepus;
- Upgrading and Rehabilitation of Belaga to Menjawah Road;
- Jalan Baru Tatau ke Kuala Tatau;

- Jalan Kampung Sebauh to Jalan Sebauh Hilir;
- Jalan Kampung Igan ke Rumah Panjang Sungai Ilas dan Kampung Sah, Kebauw, Batang Igan;
- Jalan Rantau Panjang/Rassau di Batang Igan Fasa 1;
- Jalan Ijok /Teguyo /Lempaong /Batu Pesok/ Rantau Layang;
- Nanga Kesit - Ulu Lemanak - Engkari Road, Lubok Antu;
- Jalan Kpg Tuie/Kpg Suri;
- Sg. Limbang Bridge, Sg. Bunut No. 2 Bridge and connecting roads;
- Construction of Jambatan Long Lama, Batang Baram;

- Balance Cantilever Bridge Over Batang Kemena at Sebauh; and
- Marudi Bridge Over Batang Baram.

In addition, the State will also build four (4) more bridges for the benefit of our people, namely:-

- Muara Lassa Bridge, Mukah;
- Batang Rambungan Bridge, Lundu;
- Bintulu-Jepak Bridge crossing Kuala Kemena, Bintulu; and
- Batang Lupar Bridge, Samarahan / Betong.

(iii) Expanding Coverage of Clean Treated Water Supply throughout the State

To address the water supply issues, the State Government will continue to **extend**

coverage of water supply especially to the rural population. A sum of RM190 million is proposed in 2019 for the implementation of various water supply projects including:-

- Water Supply from Kota Samarahan to Sebuyau, Samarahan;
- Pipeline from Assyakirin Reservoir to Nyabau Water Treatment Plant Intake;
- Program Membaikpulih dan Menaiktaraf Sistem Pengeluaran Air Negeri Sarawak;
- Program Retrofit & Treatment plants & reservoir;
- Bau/Lundu/Sematan Regional Water Supply;
- Programme Pipe Renewal;

- Upgrading of Berawan Water Treatment Plant;
- Trusan Regional Water Supply; and
- Dalat Water Supply- Phase II.

(iv) Strengthening Agriculture Development

The State aims to become a **net exporter** of agricultural produce and products to meet the demand of both the domestic and global markets. This **vision** could be achieved by **transforming agriculture** into a **modern, competitive and sustainable sector, capable of generating new innovative businesses and high-value employment opportunities**. The agriculture sector needs to be **modernized and commercialized through leveraging on advanced technologies**. A sum of **RM315**

million is proposed in 2019 which among others, provide for the following:-

- **Venture capital programme** to strengthen the business model for the agriculture sector;
- **Crop Industry Development** which include:
 - establishment of **permanent food production** park at various divisions;
 - Agro-park at Samarahan and Sarikei;
 - **fertigation** project in Mukah; and
 - crop development programmes such as paddy, fruits, rubber, oil palms, vegetables and herbs.

- Rural Development programmes which include development of **rural growth centres**;
- Inland fishery, aquaculture, livestock and veterinary related projects;
- Agriculture education and promotion;
and
- Mechanization and agricultural infrastructure.

(v) **Further Development of Industrial Estates**

In line with the **State industrialization programme** the State will continue to build infrastructure suitable for industries. For this purpose, a sum of **RM85.3 million** is proposed for the implementation and completion of various industrial estates, amongst others:-

- Demak Laut Industrial Park;
- Sematan Industrial Estates;
- Sri Aman Industrial Estates;
- Bau Industrial Estates; and
- Rantau Panjang Industrial Estates;

In addition, the development of SMEs will remain a priority so as to achieve a more **inclusive and balanced growth**. Towards achieving this, a sum of RM18.4 million is proposed for the implementation of various entrepreneurship programmes and projects for SMEs, which include:-

- Samalaju **SME Cluster**; and
- **Anjung Usahawan** in Lawas, Sundar, Trusan and Gedong.

(vi) **Providing Affordable Housing for the rakyat**

In our continual effort to care for the well-being of our people, the State will continue to build quality and more affordable houses targeting at the lower income group. For 2019, a sum of RM141 million is proposed for housing development including financing of new and on-going construction of 1,827 units of affordable houses under Rumah Mampu Milik (RMM) and Rumah Spektra Permata (RSP). The implementation of RMM involves seven locations as follows:-

- Darul Hana in Kuching;
- Ranggau, Limbang;
- Kampung Datu Baru, Sibu;
- Kampung Bunga Rampai, Bau;
- Beratok, Serian;

- Kampung Tabuan Melayu and Kampung Tabuan Foochow; and
- Kampung Kapit Baru.

Under Rumah Spektra Permata (RSP), five locations have been identified for the construction of affordable houses that is:-

- Kemuyang, Sibul;
- Lundu;
- Igan, Mukah;
- Tian Matu, Mukah; and
- Sematan.

The 2019 Development Budget would also propose to allocate a sum of **RM270 million** for the **redevelopment of**

traditional villages which includes the following projects:-

- Darul Hana Redevelopment Project;
- Kampung Redevelopment for Tabuan Melayu & Tabuan Foochow;
- Kampung Sejingkat Redevelopment;
- Projek Penempatan Kampung Sungai Bedaun, Kuching;
- Sandfilling and Infrastructure Works at Kemuyang, Sibuh; and
- Kampung Kapit Baru Redevelopment Project, Kapit.

A further sum of **RM63.4 million** would also be set aside for the implementation of **25 kampung extension or residential schemes** throughout the State to provide residential lots **complete with the necessary infrastructures and utilities**

services. This effort is aimed at raising the living standard of our rural community.

(vii) **Enhancing Human Capital Development and Government Service Delivery**

The State Government will continue with its effort to train a pool of competent workers and professionals who are equipped with knowledge, skills and other qualities that meet the demands of the job market. Priority will continue to be given in the technical and vocational education. In this connection, a sum of RM112 million is proposed to implement various projects including Centres of Technical Excellence (CENTEXS) in Lundu

and Lawas as well as Pusat Pembangunan Kemahiran Sarawak (PPKS) in Mukah.

The 2019 Budget also proposed to allocate **RM120 million** for the construction and renovation of government offices and quarters so as to **provide conducive working environment for the civil service**. A conducive working environment will enhance productivity and government service delivery.

(viii) Rebuilding and Upgrading of Dilapidated Schools

There are a total of 1,020 dilapidated schools in the State of which 415 are **considered critically dilapidated**.

Education is a subject under the purview

and **responsibility** of the Federal government as **enshrined** in the Federal Constitution but the current state of schools particularly those in the rural schools **require our immediate attention**. In fact, the previous Federal government had in its 2018 Budget approved RM1.0 billion **special allocation for the repair and upgrading of the dilapidated schools**. The new Federal government **ought to fulfill this obligation by providing the funding as approved**. In fact, the amount is **hardly sufficient**. We need much more than RM1.0 billion to **repair, replace and rebuild** all the **critically dilapidated** schools in the State. **UNFORTUNATELY**, the 2019 Federal Budget did not indicate any

allocation for dilapidated schools in Sarawak.

Datuk Amar Speaker,

55. It is **DISHEARTENING** to see our children have long been suffering from such poor quality condition and are forced to study in such inferior learning environment. The State has to step in to facilitate the development of schools in Sarawak using State fund and will continue to do so next year. A sum of **RM81.7 million** is proposed to be allocated to **rebuild, repair and upgrade the dilapidated schools including providing water and electricity supplies.**

56. The development allocation as proposed in our 2019 State Budget shows only a **partial picture** of

the overall public sector expenditure in the State as programmes and projects that are funded directly by the Federal government and through alternative funding are **not reflected** in the State Budget proposal as highlighted.

57. The State is committed to spend about RM11.0 billion in the next two years for the implementation of various projects including water and electricity supplies as well as road networks.

NEW FINANCIAL MODEL

58. The State is **leveraging** on a new financial model namely, via the Development Bank of Sarawak

(DBoS) as well as opportunity in the capital market to source for competitive alternative funding.

59. Utilisation of alternative fund raised through DBoS and capital market would allow the State to manage its cash flow more efficiently and at the same time, ensuring financial capacity to take care of its other responsibilities of the State.

60. The ability to leverage on these alternative sources of funding would ensure funds are readily available to support the development momentum of the State. In this way, the State could have the fiscal flexibility in strategizing its development agenda and managing its cash flow to meet its expenditure and at the same time

building adequate reserves to meet any economic uncertainties and for a sustainable future.

Datuk Amar Speaker,

WALKABOUT PROJECTS

61. To date, a total of 282 walkabout projects costing RM6.3 billion have been approved for implementation. Most of these projects are roads and bridges, water and electricity supplies, housing and social amenities. These projects aim at providing better public facilities and amenities particularly to the rural community.

62. Out of the 282 approved projects, 257 projects are in the pre-contract stage, 20 projects are under construction and 5 projects

have been completed. Most of these projects are **scheduled for completion** by the end of 2020.

RURAL TRANSFORMATION PROJECTS (RTP)

63. To date, a total sum of RM1.45 billion has been allocated to various implementing agencies to implement 4,812 projects throughout Sarawak.

64. As at 31st August 2018, 2,496 projects or 52 percent had been completed while the remaining 2,316 projects or 48 percent are still **at various stages** of implementation.

Datuk Amar Speaker,

FEDERAL FUNDING

65. During the tabling of the **Federal Mid-Term Review** of the Eleventh Malaysia Plan 2016-2020, the Prime Minister, YAB Tun Dr. Mahathir Mohamad has presented the **new direction** of the Federal government, which among others, include the **reduction of development expenditure ceiling** from original allocation of RM260 billion to RM220 billion to **consolidate its fiscal position**. However, **despite the reduction** in the development expenditure ceiling, he has given **assurance that priority will be given to development in Sarawak and Sabah to spur both States to higher economic growth**.

66. In accelerating the development in **Sarawak** and Sabah, Federal Government will undertake the steps as follows:-

- (i) Intensifying economic growth and development planning;
- (ii) Improving infrastructure for better connectivity;
- (iii) Expanding access to basic infrastructure, amenities and services;
- (iv) Increasing employment opportunity; and
- (v) Enhancing the development of customary land.

67. We call upon the Federal government to fulfill these promises made. The State of Sarawak has contributed significantly to the national economic growth as well as to the Federal government coffer in terms of collection of taxes and revenue from oil and gas. It is only fair that the Federal government provide a more equitable allocation to the State of Sarawak,

particularly for development purposes. This is imperative so that all Sarawakian can enjoy the same quality of life as our counterpart and to narrow its development gap with that of Peninsular Malaysia.

68. The allocation for Sarawak of RM4.346 billion as announced in the 2019 Federal Budget is only 7.94 percent of the total development budget as compared to RM4.336 billion in 2018, which was 9.42 percent of the total development budget. The 2019 Federal Budget does not reflect a fair and equitable allocation to the State of Sarawak despite the promise made by the State Pakatan Harapan to make sure that the States of Sarawak and Sabah will get 30 percent of the Federal development allocation.

Datuk Amar Speaker,

PROJECT DELIVERY EXCELLENCE AND GOOD GOVERNANCE

69. We have set up the State Development Coordination Committee to monitor the progress of all high impact infrastructure and amenity projects to ensure speedy and timely project implementation, and most importantly, exercising financial probity and in compliance with practices of good governance.

Datuk Amar Speaker,

CONCLUSION

70. In conclusion, the 2019 Budget will mark the **first time of significant increase** in revenue exceeding RM10.0 billion. The expected revenue for next year is **almost double** the revenue of this year. The **bold measure** by the State to **impose** sales tax effective 1st January, 2019 on petroleum products at the rate of **5 percent**, is expected to **contribute significantly** to the State revenue. With a good level of revenue, we shall **be able to support our expenditure.**

71. I would like to reiterate that the imposition of sales tax on petroleum products is our rights as enshrined in the Federal Constitution. We will continue with our efforts to enhance and diversify the State revenue base within the provisions of the law to enable us to accelerate the development of the State towards achieving our vision in making Sarawak a high income State by 2030.

72. The “new financial model” would not only allow the State to exercise financial flexibility in managing our cash flow, but also provide ready funding for the implementation of strategic projects that would expedite economic progress and economic growth for the State.

73. While the State is focusing on the pursuit of its development objectives towards achieving greater economic progress for the benefit of our *rakyat*, we should not lose sights of the national political development, key global economic headwinds as well as geopolitical tensions that would have an impact on the State economy.

74. I would, therefore, like to assure this august House that the State Government will continue to manage our financial resources prudently and to ensure that the culture of financial discipline is embedded at all levels for the State long term financial sustainability and financial autonomy.

75. Datuk Amar Speaker, dengan ini saya mohon mencadangkan agar Rang Undang-Undang ini dibacakan bagi kali yang kedua.

TERIMA KASIH.