SABAH DEVELOPMENT CORRIDOR

SOCIO-ECONOMIC BLUEPRINT

2008 – 2025

Harnessing Unity in Diversity for Wealth Creation and Social Well-Being

Prepared by

Institute for Development Studies (Sabah)
Suite 7CF01, 7th Floor
Block C, Kompleks Karamunsing
Locked Bag 127
88994 Kota Kinabalu
Sabah, MALAYSIA

Tel: +6088 246166
Fax: +6088 241820

December 2007

Disclaimer:
The Institute for Development Studies (Sabah) (‘IDS’) was entrusted by the State Government of Sabah in consultation with the Government of Malaysia to conduct a feasibility study on the socio-economic outlook of Sabah. The Sabah Development Corridor Blueprint (Blueprint) is the result of the study and contains IDS’ recommendations and proposals to address the socio-economic development of the state in a sustainable manner.

As the matters contained in this Blueprint are still subject to the formal approval and adoption by the Federal and State Governments, the contents of this Blueprint merely serve the purpose of recommendations and proposals and are strictly non-binding. Any and/or all parts of the contents of this Blueprint are subject to change without notice.

As such, this Blueprint should not be relied on as a basis for making any financial or other commitment. IDS will not guarantee that the contents of this Blueprint (or any part thereof) will be adopted or implemented exactly as stated. IDS shall not be responsible for any errors or omissions, or for the results obtained from the use of such contents. All information in this Blueprint is provided on an “as is” basis, with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of the information contained herein, and without any warranty of any kind, expressed or implied. In no event will IDS, its related corporations, agents, employees or consultants be liable for any decisions made or actions taken in reliance of the contents of this Blueprint or for any consequential, special or similar damages, even if advised of the possibility of such damages.
CONTENTS

MESSAGES

ACKNOWLEDGEMENTS

CHAPTER 1  Page 15
Leverage Sabah’s Geographical Location, Natural Resources, Cultural Heritage and Biodiversity for Balanced Growth: Background and Key Objectives

CHAPTER 2  Page 33
Build High-Margin Services Sector in Tourism and Logistics

CHAPTER 3  Page 67
Empower Rural Participation and Enhance Agriculture Yield

CHAPTER 4  Page 91
Increase Value Capture of Sabah’s Resources in Downstream Manufacturing Activities
When I announced the National Mission in 2006, I made it very clear that the challenge of ensuring balanced development was to be one of our nation’s most important priorities. For over 50 years, Malaysians in every part of the country have seen their quality of life improve tremendously. And yet in many ways, we can see that the pace of development has been somewhat uneven. As we march towards 2020, we must continue to dedicate ourselves to the effort of ensuring that all parts of Malaysia fulfill their true socio-economic potential.

This is especially true for Sabah. As the second largest state in the country, it has contributed significantly to Malaysia’s economic growth. With its rich natural resources, culture and heritage, Sabah has something for everyone: from the intrepid adventurer to the discerning investor. Its very diversity – in everything from its people to its rich flora and fauna – makes Sabah a unique and enchanting place. When seen through the lens of its abundant endowments, it is clear that Sabah is truly a blessed land.

Within the lifetime of the Sabah Development Corridor, we have the historic opportunity to make sure that Sabah’s God-given bounty can be harnessed to bring wealth and prosperity to every corner of Sabah. We must devote ourselves to ensuring that each and every Sabahan is free from poverty and is afforded quality opportunities to enjoy happy and fulfilling lives.

To ensure success, the Sabah Development Corridor will focus on the different areas where Sabah has a unique and competitive advantage.

In agriculture, Sabah will focus on improving food self-sufficiency, planting high-value crops for export, and assisting in poverty eradication.
In services, Sabah will enhance its position as a premier eco-adventure destination, as well as a luxury second home destination. Sabah will also work to lower the cost of doing business by improving the logistics for trade.

In manufacturing, Sabah will attract world-class companies to anchor and accelerate the growth of resource-based manufacturing.

In each focus area, this Corridor initiative will take a market-driven approach to ensure that its strategies and programmes will benefit all Sabahans in a way that is commercially viable and sustainable.

Just as important, the Sabah Development Corridor will help to address the basic underlying factors that will determine success: infrastructure as well as human capital development. At the same time, we will ensure that the development of Sabah will take into account the importance of conserving and protecting the environment.

The Sabah Development Corridor Blueprint must become a living and dynamic document. Over the course of the next 18 years, the strategies and programmes outlined in the Blueprint will be regularly reviewed, and its implementation closely measured and assessed. In this way, we will ensure that the Sabah Development Corridor initiative will continue to benefit the State and its people through the years.

I would like to thank all those who were involved in the development of the Sabah Development Corridor Blueprint. I would also like to call upon everyone involved – be they in the Federal or State Governments, or in the private sector – to collectively take ownership of this plan and work together towards making this initiative a success. Let us turn this blueprint into a reality.
Message by
Chief Minister of Sabah
Y.A.B. DATUK SERI PANGGALIMA MUSA HAJI AMAN

We Malaysians in Sabah share a common goal: a better future. With this in mind, I am at once grateful and proud that the Federal Government is committed to helping Sabah achieve this goal. As such, the Sabah Development Corridor (SDC) Blueprint will help provide the impetus to elevate the state to a higher level of development.

The theme of the Blueprint - *(Harnessing Unity in Diversity for Wealth Creation and Social Well-Being)* - shows that Sabah is not just interested in economic growth. We are ever mindful of the people’s well-being. In our quest to become more economically developed, we will not sacrifice our culture nor our diversity. As a matter of fact, it constitutes an integral element of our strength as reflected by the theme of the SDC.

The main aim of the SDC Blueprint is to enhance the quality of life of the people by accelerating economic growth, promoting regional balance and bridging the rural-urban divide while ensuring sustainable development. The SDC programmes, which will be implemented over a period of 18 years from 2008-2025, will be guided by the following principles:

- Capturing higher value economic activities;
- Promoting balanced economic growth with distribution; and
- Ensuring sustainable development via environmental conservation.

This all builds up to one thing: Sabah will become one of the most liveable places and a leading economic region in Asia with its strategic location, natural resources, diverse cultural offerings, heritage, quality of life and clean environment. After all, it offers up something unique for everyone - local residents as well as talented foreigners.

The SDC Blueprint will help Sabah achieve this vision by actively seeking out the participation of everyone, especially the rural communities, including the poor. This is part of our continuing effort to address persistent socio-economic inequalities in a constructive and positive manner.
What is more, the Blueprint will also help to position Sabah as an important gateway for trade, investment and leisure. This will be achieved by promoting Sabah to be a preferred manufacturing base for resource-based industries, premium tourism destination, ideal location for high-value agriculture and a regional hub for trading and logistics. The next few years will be exciting ones for the people of Sabah as we work towards the national objective of achieving developed nation status.

After all, the state’s natural richness and wealth of biodiversity are its key strengths; this will firmly place Sabah as a not-to-be-missed tourist destination in the world. At the same time, we will work towards strengthening agrobio research so the people will benefit from the emerging knowledge-based service economy, driven by science and technology; especially information and communication technology and biotechnology.

As such, this development corridor is not just confined to one part of the state. Instead, development will be dispersed across the entire state to ensure progress that will benefit everyone in Sabah. To realise the vision of the SDC Blueprint, appropriate infrastructure and human capital will be developed, supported by customised incentives.

We Malaysians in Sabah, are committed to work together with the Federal Government to realise the vision of the Blueprint. In this way, we will achieve our goal of a better tomorrow for everyone. On behalf of the State Government and the people of Sabah, I once again, thank the Federal Government, especially the Prime Minister for the support and commitment to ensure that the Sabah Development Corridor initiative will materialise, in line with the National Mission.
ACKNOWLEDGEMENTS

YAB Prime Minister of Malaysia
YAB Deputy Prime Minister of Malaysia
YAB Chief Minister of Sabah
State Cabinet of Sabah
YB State Secretary, Sabah
Federal Secretary, Sabah
Prime Minister’s Department
  •  Prime Minister’s Office
  •  Economic Planning Unit
  •  Sabah Federal Development Department
Ministry of Finance, Malaysia
Ministry of International Trade & Industry, Malaysia
Ministry of Agriculture & Agro Based Industry, Malaysia
Ministry of Education, Malaysia
Ministry of Culture, Arts & Heritage, Malaysia
Ministry of Health, Malaysia
Ministry of Tourism, Malaysia
Chief Minister’s Department, Sabah
  •  State Economic Planning Unit
  •  Forestry Department
  •  Land & Survey Department
Ministry of Finance, Sabah
Ministry of Rural Development, Sabah
Ministry of Community Development & Consumer Affairs, Sabah
Ministry of Infrastructure Development, Sabah
  •  Public Works Department
  •  Water Department
  •  Railway Department
Ministry of Tourism, Culture & Environment, Sabah
  •  Wildlife Department
  •  Environment Protection Department
  •  Sabah Museum
Ministry of Local Government & Housing, Sabah
  • Department of Regional & Town Planning

Ministry of Agriculture & Food Industry, Sabah
  • Agriculture Department
  • Fisheries Department
  • Veterinary Services & Animal Husbandry Department
  • Drainage & Irrigation Department

Ministry of Industrial Development, Sabah
  • Department of Industrial Development & Research

Ministry of Resource Development & Information Technology, Sabah
  • IT Advancement Unit

Ministry of Youth & Sports, Sabah

State Statutory Bodies & Agencies
  • Kota Kinabalu City Hall
  • Kumpulan Yayasan Sabah
  • Ko-Nelayan
  • Sabah Cultural Board
  • Sabah Economic Development Corporation
  • Sabah Land Development Board
  • Sabah Parks
  • Sabah Rubber Industry Board
  • Sabah Tourism Board

Federal Statutory Bodies & Agencies
  • Federal Agriculture Marketing Authority
  • Federal Land Development Authority
  • Lembaga Kemajuan Ikan Malaysia
  • Malaysian Cocoa Board
  • Malaysian Palm Oil Board
  • Malaysian Timber Industry Board
  • Malaysia Tourism Promotion Board
  • Malaysian Agriculture Research & Development Institute
  • Malaysian Industrial Development Authority
  • Small and Medium Industries Development Corporation

Universiti Teknologi Mara, Kota Kinabalu
Universiti Malaysia Sabah
Acorn Communications Sdn Bhd
Asian Tourism Institute
Borneo Trails Tours & Travel Sdn Bhd
Canvas Developments Sdn Bhd
Diethelm Travel (Kota Kinabalu) Sdn Bhd
Ethos & Company
Fox Communications
Indah Water Konsortium Sdn Bhd
Kota Kinabalu Industrial Park Sdn Bhd
Kuala Lumpur Kepong Berhad
Kumpulan Sawit Kinabalu Berhad
Malaysian Agrifood Corporation Berhad
Malaysia Airports Holdings Berhad
MARDITech Corporation
Petronas Nasional Berhad
POIC Lahad Datu Sdn Bhd
QL Marine Products Sdn Bhd
Sabah Electricity Sdn Bhd
Sabah Ports Sdn Bhd
Sandakan Bulkers Sdn Bhd
Scuba Paradise Sdn Bhd
Suria Capital Holdings Berhad
Telekom Malaysia Berhad
TSH Resources Berhad
East Malaysia Planters’ Association
Federation of Sabah Manufacturers
Kadazan / Dusun Chamber of Commerce & Industry, Sabah
Malay Chamber of Commerce, Sabah Branch
Malaysian Association of Hotels, Sabah
Malaysia Budget Hotels Association, Sabah
Malaysian International Chamber of Commerce & Industry, Sabah Branch
Malaysian Association of Tour & Travel Agents (Sabah Chapter)
Sabah Bumiputera Chamber of Commerce
Sabah Livestock Association
Sabah United Chinese Chamber of Commerce
World Wide Fund for Nature
The people of Sabah
CHAPTER 1

Sabah – Infinite Opportunities Await
CHAPTER 1
Leverage Sabah’s Geographical Location, Natural Resources, Cultural Heritage and Biodiversity for Balanced Growth: Background and Key Objectives

Overview of the Sabah Development Corridor (SDC)

The Sabah Development Corridor (SDC), initiated by the Government to enhance the quality of life of the people by accelerating the growth of Sabah’s economy, promoting regional balance and bridging the rural-urban divide while ensuring sustainable management of the state’s resources, is part of the five economic corridors inspired by Prime Minister Y.A.B. Dato’ Seri Abdullah Haji Ahmad Badawi. It is in line with the key thrusts and objectives of the National Mission launched by the Prime Minister in 2006 and the HalaTuju Pembangunan dan Kemajuan Negeri Sabah, launched in 2004 by Y.A.B. Datuk Seri Panglima Musa Haji Aman, Chief Minister of Sabah, which outlines the direction of the state’s development. The theme for the SDC is ‘Harnessing Unity in Diversity for Wealth Creation and Social Well-Being’.

It is envisaged that within the SDC’s implementation period of 18 years from 2008 to 2025, Sabah could significantly enhance its development across all fronts (social, economic, physical and environmental) by catalysing a virtuous cycle of growth that builds on Sabah’s natural strengths.

The SDC programmes are underpinned by three key principles that will guide development in Sabah, namely the need to:

• Capture higher value economic activities
• Promote balanced economic growth with distribution
• Ensure sustainable growth via environmental conservation

The sub-regions and growth centres will be planned systematically to ensure optimum resources allocation and development efforts are well-coordinated. The initial focus is on enhancing Sabah’s liveability index and making it a business friendly location via targeted infrastructure upgrading and by lowering the cost of doing business.

By 2025, the SDC initiative aims to triple Sabah’s Gross Domestic Product (GDP) per capita, and increase its GDP by four times through the implementation of the prioritised programmes. In total, more than 900,000 new jobs are expected to be generated during the
SDC implementation period. Hardcore poverty is targeted to be eliminated by the end of the Ninth Malaysia Plan (9MP) with overall poverty halved from 23% in 2004 to 12% in 2010.

Table 1.1 : Projected GDP and GDP Per Capita during SDC Period

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP RM (billion)</td>
<td>16.0</td>
<td>21.9</td>
<td>32.0</td>
<td>45.7</td>
<td>63.2</td>
</tr>
<tr>
<td>GDP Per Capita RM</td>
<td>5,331</td>
<td>6,685</td>
<td>8,862</td>
<td>11,571</td>
<td>14,784</td>
</tr>
</tbody>
</table>

Source: IDS

1.2 Strategies and Intended Outcomes

The strategy for the SDC initiative is to leverage Sabah’s inherent strengths, namely its strategic location, rich resources, as well as cultural and biological diversity to expand and grow high potential economic activities. In line with the HalaTuju, the promoted sectors under the SDC initiative are agriculture, tourism and logistic services, and manufacturing. Detailed sectoral studies will be commissioned after the launch of this Blueprint to update the existing masterplans.

Figure 1.1 Sabah’s Inherent Strengths

Source: IDS
In terms of location, Sabah is strategically located between the affluent markets of North Asia and the fast developing regions of Southern Philippines, Kalimantan and Brunei. Within a flying radius of 3-6 hours, there is a population base of around 139.4 million. The state could capitalise on the impending market liberalisation driven by the ASEAN Free Trade Area (AFTA) for transhipment and add value to cargo between the developing countries in South East Asia and affluent North Asia.

Sabah is also very rich in natural resources including oil and gas, fertile agriculture land, minerals and forestry. As such, it is well-poised to capture higher value from downstream processing of these commodities by enabling investments in oleo-chemicals, gas processing plants, agro-industry and downstream timber-based manufacturing.

There are 32 ethnic groups with diverse cultural backgrounds, flora and fauna from one of the world’s oldest rainforests and widest genera of marine life from Darvel Bay, the ‘Cradle of Coral Evolution’ which is a description derived from scientific study proving the location to be the genesis of coral reefs running through to the Great Barrier Reef in Australia. This bodes well for the attraction of tourists and foreign scientists with interests in conservation, ecology and biotechnology. The Danum Valley Field Research Centre for instance has been constantly hosting world-class scientists. Rich biodiversity is a position of strength which Sabah will build on to enhance biotechnology activities in the state.

To ensure these strengths are fully harnessed, a competitive package of incentives will be provided to attract private sector investment in the promoted sectors. This will be supported by a boost in government investment in infrastructure development, which includes better roads and utilities coverage, as well as public service delivery system. Emphasis will also be placed on human capital development to support the growth of the targeted sectors.

A comprehensive set of strategies has been identified to spur growth in the promoted economic areas. Overall strategies for each promoted sector, including detailed description of the programmes, are provided in subsequent chapters. Implementation will be over three phases to reflect priority and sequencing of programmes.

Phase 1 (2008-2010) is focused on catalysing future growth via infrastructure as well as high economic impact and poverty eradication projects. Phase 2 (2011-2015) will see Sabah moving towards greater and higher order value-add activities, with the presence of global
companies and emergence of a strong base of local small and medium scale enterprises (SMEs). Towards the end of Phase 3 (2016-2025), Sabah will be recognised as an attractive destination for foreign direct investments (FDIs) with strong supporting infrastructure, global companies and a ready pool of knowledge workforce.

Figure 1.2 Sabah Development Corridor Implementation Phases

<table>
<thead>
<tr>
<th>Phase</th>
<th>Year</th>
<th>Key Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: 9MP 2008-2010</td>
<td>• Boot Up:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Articulate new vision, lay foundation for growth, invest in talent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Clarify and communicate the vision and strategy of Sabah</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Focus on aligning SDC for growth: quick wins and medium term</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Economic initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Plug gaps in infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Social and environmental initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Implementation agency fully functional</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Key measure of success: all vital flagship projects kick-started with clear results</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Hardcore poverty eradicated and poverty halved</td>
</tr>
<tr>
<td>2: 10MP 2011-2015</td>
<td>• Accelerate:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sustaining growth through first-class human capital and infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tourism to surpass 10% share of GDP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Agri businesses spawned in high potential non-timber forest products, horticulture, livestock, aquaculture and fisheries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Critical mass of SMEs serving downstream manufacturing companies created</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Key measure: 2x increase in GDP by 2015</td>
</tr>
<tr>
<td>3: 11-12MP 2016-2025</td>
<td>• Expand:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Emerging as a leading economic region in Malaysia first, and Asia in the longer term</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Kota Kinabalu becomes one of the most liveable cities in Asia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Emerging metropolis which draws talent, capital and companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• People living in harmony regardless of race, language or religion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Key measure: #1 or #2 (Liveability Index) in home market and Top 5 in the region</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By 2025, a leading economic region in Asia</td>
</tr>
</tbody>
</table>

Source: Team Analysis

Focused execution of the initiatives will make Sabah more competitive and attractive in relation to competitors as a place to do business, for leisure, and to live in. These initiatives are expected to create economic opportunities and improve the quality of life for all Sabahans.

The key outcomes targeted for each economic focus area under the SDC initiative are as follows:

i) Tourism

The tourism strategy is to target high-yield and long stay visitors. It aims to enhance Sabah’s position as a premier eco-adventure destination, as well as a high-end second home destination with luxury holiday villas and lifestyle activities. Investors will be courted to anchor new signature tourism products here.
Sustainability is a strong theme for tourism development under the SDC initiative. Involvement of local communities in tourism will be encouraged and supported, especially traditional handicraft development and village homestay.

The targets for the tourism sector by 2025 are to:

- Increase average tourist spending from RM2,517 in 2006 to RM3,383 by 2012 and RM5,364 by 2025
- Increase tourism receipts from RM2.88 billion in 2006 to RM8 billion by 2012 and RM48.5 billion by 2025
- Increase rural community tourism receipts (handicrafts and homestay) from RM1.5 million in 2006 to RM4.5 million by 2012 and RM48 million by 2025

ii) Logistics

The logistics strategy is designed to address the current high cost of doing business in Sabah vis-à-vis other states in Malaysia. The strategies for reducing cost are three-fold:

- Lower freight and logistical costs by progressive review of the Cabotage Policy for shipping, while enhancing the cost competitiveness of ports in Sabah via alliances with other global port operators and shipping liners
- Establish Sapangar Free Zone (SFZ) annexed to Sapangar Bay Container Port (SBCP) by providing attractive incentives to potential investors to set up their manufacturing facilities and distribution centres in SFZ
- Position Sandakan as the regional trading hub in Borneo by expanding the role of Sandakan Integrated Trade Exchange Terminal (SITExT) to leverage the impending AFTA

The target for the logistics sector is to increase TEUs handled at Sabah Ports from 226,721 in 2006 to 551,100 in 2012 and 1.5 million by 2025.

iii) Agriculture

The agriculture sector in Sabah will focus on increasing overall food self-sufficiency, planting high-value crops for export and assisting in poverty eradication. Programmes to be launched will increase participation from rural communities and agropreneurs in the global supply chain, where productivity is driven via better agronomy practices, application of ICT and biotechnology, and state-sponsored R&D.

Organised planting presently occurs only for key industrial crops such as oil palm, rubber and cocoa while other agricultural activities remain largely fragmented. Therefore, the
Immediate imperative is to enhance the scale and productivity of other crops, namely commercial and food crops.

Promoted agriculture sub-sectors include aquaculture, deep sea fishing, livestock and horticulture. Collection centres with professional management will be formed to enable the distribution and flow of agricultural produce to end customers and processing centres. Anchor projects include Sabah Agro-Industrial Precinct (SAIP), National Marine Aquaculture Centre, Keningau Integrated Livestock Centre, Seafood Terminal, Permanent Food Production Parks, and upgrading of fish landing sites.

Palm oil will remain as the key commercial crop for Sabah and sustainable practices will be further encouraged and enforcement strengthened, while research and development is intensified to enhance its yield, efficiency and marketability. The Palm Biotech R&D Centre is to be based at the Sandakan Education Hub. New industrial crops such as jatropha will be promoted.

The current balance of trade for food in Sabah in 2005 is a deficit of RM955 million. Thus within the SDC, emphasis will be placed on food production, especially crops suitable for local conditions, to reduce the reliance of Sabah on foreign food import.

The targets for the agriculture sector by 2025 are to:
- Multiply GDP contribution by 4.1 times from RM4.1 billion to RM17 billion
- Increase total value of exports from RM9.1 billion to RM60 billion
- Reduce negative balance of trade of food by 60% from RM955 million to RM353 million

iv) Manufacturing

The strategy for the manufacturing sector is to attract world-class companies to anchor and accelerate the growth of downstream manufacturing activities, leveraging on Sabah’s rich natural resources such as palm oil, oil and gas, minerals and timber as feedstock. The initial focus will be on enhancing enablers such as infrastructure and human capital.

A critical mass of SMEs which will serve not only to support the larger multinationals companies (MNCs) but also to provide an avenue of future growth for Sabah. Through the SME Manufacturing Leaders Programme, companies at different stages of development (from early stage through to expansion stage) will have access to BusinessLink centres established to deliver business advisory services to local SMEs.
Advisory services would cover areas such as operational improvements, match-making with potential buyers, marketing and design for exports and so forth.

Within the manufacturing sector, detailed sub-sectoral studies will be carried out in the following identified high impact areas:

- Oil and gas: to ascertain the viability of generating high-value employment and spin-off activities from the establishment of an integrated gas-based petrochemical complex in Sabah
- Biomass recovery: market feasibility study on trading by-products from agriculture plantations such as palm oil, rubber, and cocoa to provide access to users of these by-products and at the same time ensure pricing transparency to plantation owners
- Minerals: a detailed study leading to the formulation of a policy which will ensure that minerals are extracted without damaging the flora and fauna and the surrounding environment

It is envisaged that with the successful implementation of these initiatives, Sabah will emerge as one of the leading locations of choice for resource-based manufacturing activities in Asia.

The targets for the manufacturing sector by 2025 are to:

- Increase capital investments from RM208 million (2006) to RM2.96 billion by 2025
- Enhance employment in the manufacturing sector from 135,000 to 228,704 by 2025
- Increase proportion of manufacturing workforce with tertiary education from under 10% (2005) to 45% by 2025

### Vision and Mission

The vision for Sabah is to be a vibrant, economically successful and liveable state by articulating a set of five unique attributes that will mould the future of this state:

- A preferred gateway for trade, investment and leisure for leading businesses and talents from around the world in key areas
- A happy and cohesive community that lives in harmony and prosperity regardless of race, language or religion
- A tech-savvy state that uses and showcases technology in enhancing the quality of daily life
- A place of opportunity where residents and foreign talents find rewarding employment opportunities
- Among the most liveable places in Asia with culture, heritage, quality of life and clean environment
In line with the state’s HalaTuju and the National Mission announced by the Prime Minister of Malaysia, the mission for the SDC is to support Sabah in achieving this vision by:

- Moving up the economic value chain
- Raising the capacity for knowledge and innovation, and nurturing ‘first class mentality’
- Addressing persistent socio-economic inequalities constructively and positively
- Improving the standard and sustainability of quality of life
- Strengthening the institutional and implementation capacity

Figure 1.3 Sabah Development Corridor Vision and Mission

SDC Vision:
To be a leading economic region in Asia by being a preferred gateway for trade, investment and leisure for talents and businesses

Physical infrastructure
Structured infrastructure development in transportation, utilities and communication to enhance living standards and enable commercial activities.

Sector-Specific Visions

**Agriculture**
- Highly productive
- Food self-sufficiency
- Sustainable and safe

**Services**
- Premier eco-tourism
- Second home
- Low cost of business

**Manufacturing**
- High value jobs
- High value-add downstream
- Successful pool of SMEs

Soft infrastructure
Systematic skills upgrading of existing workforce in key industries, retention of talented Sabahans and targeted import of foreign talent in professional and managerial positions.

Social
- Harmonious and cohesive society
- No poverty
- Confident and independent

Environment
- Pristine and well-conserved
- Renowned worldwide

Source: IDS
The International Context

The SDC initiative will position Sabah as an internationally recognised destination of choice in Asia for business, leisure and residence by 2025. In doing so, the SDC programmes are designed to:

• Reinforce Sabah’s position as one of the world’s premier eco-adventure destinations by attracting international companies in the leisure and travel industry to develop signature sustainable eco-tourism products such as wildlife safari, rainforest interpretation and submarine diving; as well as lifestyle products like marinas, destination spas, wellness centres, boutique resorts and art galleries

• Leverage Sabah’s biodiversity and the success of Danum Valley Conservation Area to intensify efforts in tropical rainforest and marine research and conservation. Education centres in Sabah will partner with leading research organisations and NGOs in such efforts in order to foster knowledge and technology transfer

• Catalyse international trade via value-adding activities provided for transshipped goods between South East Asia (Kalimantan, Sulawesi, Papua New Guinea, Philippines and Brunei) and North Asia (Japan, Hong Kong, Korea, Taiwan and China). SBCP and part of Kota Kinabalu Industrial Park (KKIP) will be designated as a free trade zone

• Leverage Sabah’s biodiversity and agricultural resources to promote high value-add downstream manufacturing activities in palm oil, pharmaceutical and biotech industries. Incentives will be put in place to attract world-class companies to locate in Sabah. Supporting initiatives that include human capital development, biodiversity research, and documentation of traditional knowledge will also be implemented

• Professionalise agriculture activities in Sabah to enhance yields and productivity, as well as increase exports of high-value agricultural produce and products. Incentives will be provided to attract government-linked companies (GLCs) and MNCs to participate in large scale organised agriculture activities with local involvement through joint ventures and strategic partnerships
The Regional Context

In terms of the regional context, Sabah is strategically located in the vicinity of countries which are resource-rich including the entire Sultanate of Brunei Darussalam, 10 provinces in the Indonesian islands of Kalimantan, Sulawesi, Maluku and Irian Jaya, as well as Mindanao and Palawan in the Philippines. These countries with land area of roughly 1.54 million square kilometres are home to about 65 million people.

Figure 1.4 Strategic Regional Location of Sabah

Sabah can accelerate growth of its trading and logistics sectors by stimulating high value-add agro-based industry and natural resource-based manufacturing.
1.6 The National Context

Sabah’s natural endowment, location and richness in biodiversity are its key strengths, positioning it as one of the major tourist destinations as well as the national centre for agrobio research activities in Malaysia. Within the national context, the SDC will be implemented across three sub-regions – Western, Central and Eastern – to ensure balanced social and economic development throughout Sabah as shown in Figure 1.5.
Western Sub-Region is Sabah’s industrial zone and main tourism gateway. Kota Kinabalu, the main regional growth centre, will serve as the primary city in the Sabah urban hierarchy, providing access to higher order services and more specialised areas such as Federal and State administrative services, finance and banking, collection and export services, import and distribution, higher education and research, health services and international connectivity.

Kota Kinabalu also acts as the main gateway for tourists arriving in Sabah. As such, the waterfront areas around Kota Kinabalu are being rehabilitated and re-developed into an iconic attraction, much like the Sydney Harbour in Australia. High-end resorts and tourist
attractions will also be developed in this sub-region to cater to the anticipated large number of tourist arrivals.

The new SBCP will be positioned as the main logistics hub and free trade zone to catalyse and support industrial development in Sabah. As Sabah’s industrial belt with access to higher order services, the Western Sub-Region offers a conducive environment for the private sector to venture into real estate, logistic services and manufacturing activities, especially in wood- and agro-based industries.

**Central Sub-Region** is Sabah’s agriculture hinterland and food production belt. Focus will be on enhancing rural income by involving local communities in agriculture activities. Programmes to encourage and support agropreneurs will be established, including the setting-up of shared facilities, collection centres, incubators and R&D centres, as well as start-up grants and funding.

Local agropreneurs will be assisted to participate in the related supply chains by enhancing forward linkages with manufacturers in the Western Sub-Region. A key measure to strengthen forward linkages will be reinforcing the role of Keningau, the sub-regional growth centre, as the key agropolis for the Central Sub-Region. Local communities, especially the poor, will be assisted to participate in the agriculture sector through the agropolitan development programme, initially involving rubber within the Northern Agro-Forestry Zone and jatropha cultivation within the Interior Agropolitan Zone.

Tourism is also promoted, particularly agro-tourism in the interior districts and wellness tourism in the highlands. Handicrafts and homestay will also be actively promoted under the ‘One District One Product’ programme to encourage local participation in tourism. A handicraft village will be established in Keningau to support the development of the local industry. New handicraft such as leathercraft may be spawned with the aggressive development of the livestock industry encouraged by the setting-up of the Integrated Livestock Centre in Keningau. The human capital necessary to support the development of the Central Sub-Region will be provided through the establishment of the Interior Education Hub.

**Eastern Sub-Region** is home to much of Sabah’s rich biodiversity and oil palm plantations. Focus will be on promoting research, development and commercial linkages, and by leveraging on natural resources. Sandakan, ranked second within the state’s urban hierarchy, will be the main sub-regional growth centre and gateway driving the Eastern Sub-Region.

The Sandakan Education Hub located within the Agrobio Innovation Zone will be established to attract and house world-class universities and research institutions.
Biodiversity, wildlife and environmental research and conservation efforts at Sepilok, Tabin and the Danum Valley are envisioned to drive eco-tourism and edu-tourism, while the POIC Sandakan and Lahad Datu are envisaged to attract palm oil downstream activities into the region. The National Aquaculture Centre will be set up as well within the Eastern Sub-Region. Tawau, the third largest town in Sabah, is the main southern gateway and entry point for air and ferry transit passengers, cargo and tourists. It will provide the main access route to the Marine Industry and Tourism Zone including the world-renowned Sipadan Island, Darvel Bay, as well as Maliau Basin, known as the ‘Lost World of Borneo’. The Integrated Agro-Food Commercial Zone in Tawau will be home to major cocoa plantations, livestock industry and horticulture development.

Conclusion

The SDC programmes are designed to achieve the socio-economic objectives for Sabah by harnessing unity in diversity and natural resources to catalyse investments into new growth areas. The programmes and projects will be funded by a combination of public funds, private sector investments and private finance initiatives.

Figure 1.6 Projected Outcomes of SDC Programmes (2008 - 2025)

(*ADB forecast a growth of 5.5% for Malaysia for 2006 - 2010. Constant growth is based on 6% in line with 9MP.)
Source: IDS; Asian Development Outlook, 2006
Effective implementation of the SDC Blueprint will enable the state’s GDP to grow from RM15.1 billion in 2005 to RM63.2 billion by 2025, and GDP per capita (1987 price) to grow from RM5,100 in 2005 to RM14,784. These figures are clearly much higher than the projections for Sabah as estimated based on data provided in the 9MP.

It is expected that effective implementation of the SDC Blueprint will not only enable the state to develop faster in order to be on par with the rest of the country but also assist in reducing the disparity between Sabah and other states in Malaysia.