

A Summary of Presentation on:

**SABAH DEVELOPMENT CORRIDOR: THE PREMIER INVESTMENT
DESTINATION FOR BUSINESS, CULTURE AND NATURE – PROGRESS
AND PROSPECTS**

**NATIONAL CONFERENCE ON ECONOMIC CORRIDORS:
CHALLENGES AND PROSPECTS**

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TEN YEARS OF SDC

The Sabah Development Corridor began with the launch of the SDC Blueprint on January 29, 2008, which saw a launching ceremony held at Sapangar Bay Container Port. This was followed by the establishment of SEDIA through the adoption of the Sabah Economic Development and Investment Authority Enactment 2009 on January 15, 2009. SDC is now midway through its implementation cycle of 18 years, completing in 2025. Today, on January 29, 2018, mark the tenth year anniversary of SDC.

Beginning in 2016, SEDIA as the One-Stop Authority entrusted with the responsibility to drive SDC had been embarking on the Third Phase of SDC, as well as the Eleventh Malaysia Plan. SEDIA will assess where we are in this journey and where are we going, taking cognisance not only new challenges, but also new policies and plans introduced by all the relevant authorities.

A thorough evaluation of SDC performance, targets, roles and priorities will be carried out this year and this National Conference on Economic Corridors: Challenges and Prospects is the start of this review process. Through this conference, we seek to share experiences, assess the economic prospects and chart future direction and strategies for the Economic Corridors, in particular SDC.

STAKEHOLDERS ENGAGEMENTS

Efforts to review 10 years of the SDC programme will be complemented with the 10 Years of SDC Carnival, which will be launched soon in Kota Kinabalu and held throughout the state. The carnival will showcase the various SDC projects and programmes which had been completed as well as in progress over the past 10 years, involving the government, government-linked companies and members of the private sector.

The carnival will also provide for business opportunities and serve as a trading platform for investors, SMEs and Start-ups, allowing them to showcase their products and services. In a nutshell, the Carnival will offer excellent opportunities for the public and all stakeholders generally, to understand, provide feedback and capitalise on what the State and Federal Governments have done for Sabah.

The SDC Blueprint complements the *Halatuju Agenda* of the Sabah State Government, which I had introduced in 2003 and has now been superseded by the Sabah Leap. Meanwhile at the national level, the Federal Government is laying down the foundation and direction for the TN50 agenda. Commencing this year, SEDIA will carry out a thorough review of the SDC Blueprint and will come up with a revision of the document, in the form of SDC Blueprint v2.0. The SDC Blueprint v2.0 will take note of the changing development challenges as well as new development parameters and policies of the State and Federal Governments, since the launch of SDC almost ten years ago on January 29, 2008, and chart the direction for the remaining journey.

The State Government has no doubt been committed to continuously strengthening the state's development agenda, particularly for the development of rural areas, agriculture, manufacturing, tourism, human capital and the people's well-being. The emphasis under SDC has been very much in line with the agenda of the Sabah State Government.

The development allocation under the Sabah State Budget tabled on November 17, 2017, focuses on the development of the economic sector, followed by social and administrative sectors. There is no doubt that SDC has had encouraging results in the economic development of the state particularly in focused sectors, and the initiatives and programmes implemented thus far have been very encouraging.

THE PROGRESS OF SDC

The implementation of SDC over the past 10 years has given significant impact to Sabah's development in various aspects, from the lagging areas such as Pitas, to the fertile interior valleys including Keningau, down to the abundant marine resources in Darvel Bay and up to the capital city of Kota Kinabalu.

Kota Kinabalu among the most liveable cities

Kota Kinabalu has been recognised as one of the top ten locations in the world for liveability and retirement. Sabah has also been voted as among the best resort destinations in Asia. All these recognition will surely boost tourism activities and produce spillover effects to entire areas in Sabah.

Economic Growth

The initial GDP and GDP per capita targets for SDC were set at RM63.2 billion and RM14,784 respectively by the year 2025, and this had been exceeded in nominal terms by early 2016, whereby based on data compiled by the Department of Statistics, the GDP and GDP per capita in the state in 2015 were RM70.4 billion and RM19,734 respectively, at 2010 prices. In fact, Sabah's GDP growth has been resilient. In 2011, the State's economic growth was recorded at 2.1 percent; by 2014 the state's economic growth increased to five percent, and further strengthened to 6.1 percent in 2015.

During this period, the gap in economic growth in terms of GDP between Sabah and the national average had significantly narrowed. For example, while GDP growth for Sabah in 2011 was recorded at 2.1 percent, and 5.3 percent for Malaysia, the former GDP growth at 6.1 percent had overtaken the national average of 5.0 percent in 2015. While the GDP for Sabah registered at 4.7 percent in 2016, the national average registered 4.2 percent in the same year.

Cargo throughput

Based on the data from Sabah Ports Sdn. Bhd., total container throughput had increased overall since the start of the Sabah Development Corridor, from 292,688 in 2008 to a peak of 398,800 in 2014. The state did however experience a slight decline in the following two years, which is 363,185 TEUs in 2015, and then 357,386 TEUs in 2016.

Despite the drop in container throughput, the volume of cargo handled in all ports in Sabah experienced an increase of 20.4 percent, which was from 27,844,210 tonnes in 2015 to 33,541,975 tonnes in 2016, which was the highest recorded since the launch of SDC. This was due to the increase in total cargo handled at anchor.

Tourism

The tourism sector is among the major contributors to the nation and specifically Sabah, in regards to revenue and economic development. Sabah had seen an overall increase in tourist arrivals during the 2008-2016 period. Although tourism arrivals had declined slightly during 2014 and 2015, the state saw a 7.9 percent increase in tourism arrivals to 3,427,908 in 2016, the highest increase in Sabah's tourism history, up from 3,176,226 in 2015.

Revenue from the sector had also increased from RM6.61 billion in 2015 to RM7.25 billion in 2016, reflecting on the good progress in tourism and its gaining momentum. Tourist arrival has continued growing and registering 3,684 million,

which is a new record, with tourism receipt at its highest on record, totalling RM 7.82 billion as at the end of 2017.

Employment

Additionally, the target for SDC is to create 900,000 jobs by 2025, giving an average target per year of 50,000. The number of employed persons rose to 1,823.7 million in 2016, from 1,230.5 million in 2008. This means 593,200 jobs had been created over the nine-year period, giving an average increase of 65,911 jobs created per year thus exceeding the SDC annual target.

Incidence of Poverty

Following the launch of the Sabah Development Corridor and the implementation of its poverty eradication initiatives, the state has seen a reduction in the poverty incidence, from 24.2 percent in 2004 to 19.7 percent in 2009. The recent Household Income Survey Report 2016 by the Department of Statistics, Malaysia shows the incidence of poverty in Sabah has decreased from 19.7 per cent in year 2009 to 8.1 per cent in year 2012.

It then further decreased to 4.0 per cent in year 2014 and 2.9 per cent in the year 2016. Sabah registered its fastest reduction in incidence of poverty, from 19.7 percent in 2009 to 8.1 percent in 2012, which then dropped to four percent in 2014 and even further to 2.9 percent in 2016. All this was made possible by the clear direction as outlined in the SDC Blueprint.

The various projects implemented during the First Phase of SDC contributed to the direct creation of job opportunities for locals, and was further boosted by the SDC projects implemented during the Second Phase with focus on encouraging investment in the targeted sectors in Sabah. All these targets are captured in *The Journey – 10 Years of SDC* publication which will be launched today.

PROSPECTS

Going forward, SEDIA will accord greater emphasis on enhancing the state's global connectivity during the Eleventh Malaysia Plan to ensure seamless movement of people, goods and services. This emphasis is timely as the state transforms into a diversified, knowledge-intensive with higher value-added economy. Efforts will be directed especially towards enhancing the efficiency of the logistics sector by improving the relevant infrastructure and the integration of land, sea, and air services.

Looking ahead, we have taken heed of the pace that the world moves at, with unprecedented technological growth driven by technology convergence. We are looking towards a technological revolution that will fundamentally alter the way people live, work, and relate to one another, commonly referred to as Industry 4.0. SEDIA must pay attention and give priority to this new wave, as SDC initiatives will be able to benefit from Industry 4.0, as long as preparations are made to embrace and learn passionately, and at the same time create the necessary awareness related to these new technologies.

These benefits range across a variety of industries including water, health, information technology, habitat, energy, and agriculture. It would be expected that the programmes and initiatives in SDC will face many challenges when introducing the benefits linked with Industry 4.0, of which reliable internet connectivity holds a prominent place out of them. High-speed and always-on internet connectivity should be available in order to facilitate the needs associated with Industry 4.0, therefore there is a need to enable high-speed internet connections in the state. This will be looked into as part of efforts to enhance Sabah's global connectivity.

With the right fundamental infrastructure development, economic development, as well as human capital and entrepreneurship development in place, the SDC initiatives will be able to drive the development trajectory of the state on the right track to achieve the targets by 2025, as laid out in the SDC Blueprint. In the remaining eight years to come, the opportunity will be taken through SDC initiatives to position Sabah to the next level, and adapting to Industry 4.0 would be a major element that is needed to enhance the state's economic resilience, and to develop and increase competitive advantages for Sabah in the coming years, in line with TN50 aspirations.