

The Sabah Development Corridor (SDC)

Dullah Mulok

Faculty of Business, Economics and Accountancy
Universiti Malaysia Sabah.

dhm@ums.edu.my

Kasim Mansur

Faculty of Business, Economics and Accountancy
Universiti Malaysia Sabah.

kmansur@ums.edu.my

Mori Kogid

Faculty of Business, Economics and Accountancy
Universiti Malaysia Sabah.

edy@ums.edu.my

ABSTRACT

The Sabah Development Corridor or SDC is a development corridor in Sabah, launched on 29 January 2008 by the Malaysian fifth Prime Minister, Abdullah Ahmad Badawi. The project is expected to take 18 years with total investment of up to RM 105 billion. On average, starts from the year of 2009, RM5.83 billion were allocated each year for development. 900,000 jobs are expected to be created with this project along with a waterfront city, tourism sub project and a Sabah Railway terminal. The project kick-started with the Prime Minister at that time announcing that the government has allocated an extra RM 5 billion under the Ninth Malaysia Plan to improve infrastructure and lower the cost of doing business in the state. This corridor will eventually make Sabah a gateway for trade, investment and tourism, transform the state into a harmonious state regardless of race or religion, create more job opportunities in the state and make the state a comfortable state to live in. This paper attempts to show the achievement of SDC in developing Sabah since its launching in 2008. The achievement covers all sectors in the state of Sabah.

Keywords: SDC, Development, Cost of doing business.

INTRODUCTION

There are Five development/economic corridors inspired and launched nationwide by the former Prime Minister of Malaysia, Datuk Seri Abdullah Ahmad Badawi. There are ; Iskandar Development Region (IDR) – launched on 30 July 2006, Covering the state of Johor. Northern Corridor Economic Region (NCER) – launched on 30 July 2007 covering the state of East Coast Economic Region (ECER) – launched 29 October 2007; Sabah Development Corridor (SDC) – launched 29 January 2008; Sarawak Corridor of Renewable Energy (SCORE) – launched on 11 February 2008;

All these corridors shared common general objectives, which include; provide strategic direction, roadmap, planning integration, implementation, co-ordination, monitoring and evaluation on the development of the respective areas covered. To ensure success, these corridors focus on areas with unique and competitive advantage. Funding fund/budget, strategy and policies are administered and controlled by the respective government or appointed authority.

Sabah Development Corridor (SDC)

The Sabah Development Corridor (SDC), is one of the five economic corridors initiated under the Ninth Malaysia Plan to bridge development imbalances bridging the rural-urban divide and ensuring sustainable management of the state's resources, and spur economic growth through public-private partnerships. The launching of SDC is expected to enhance the quality of life of the people Sabah by accelerating the growth of Sabah's economy. Unlike the other four development corridors launched nationwide, the SDC is unique as it covers the whole state of Sabah. This holistic development

approach is in line with the Sabah State Government development agenda and direction (Halatuju) with the aim to ensure that economic progress benefits everyone in the state.

The Theme for the SDC

“Harnessing Unity in Diversity for Wealth Creation and Social Well-being”. Which is in line with the theme of “One Malaysia: People First, Performance Now”. This is also consistent with the initiative introduce by the current PM – a new high income service-based economic model driven by creativity, innovation and high value.

Sub-Regional Division of SDC Development

The SDC is implemented over a period of 18 years from 2008 to 2025. The key strength of the SDC is the Sabah endowed with abundant natural resources, rich cultural heritage and access to mega biodiversity resources and its strategic location at the heart of South East Asia.

The development plan of the SDC is basically implemented across three sub-regions in Sabah namely the ; Western Sub-Region, Central Sub-Region and Eastern Sub-Region (see Figure 1). This sub-division is done to ensure optimum resources utilisation, and development efforts are well coordinated. The Western Sub-Region is identified as Sabah’s industrial belt. This region provides access to market, processing, packaging and port facilities. The Central Sub-Region is Sabah’s agricultural hinterland and food production belt. The region focus on encouraging local communities to get involved in income generation activities through agriculture and tourism. The Eastern Sub-Region is a self-sufficient corridor with large hinterland, industries, ports and other related services and also rich with agricultural and biodiversity resources. The focus for this region will be on promoting agrobio research, commercial production and processing of agricultural commodity, especially oil palm. This sub-region is also has a vibrant eco-tourism industry.

Development Phase of SDC

The SDC is implemented in three phases to reflect programme priority and sequencing. The first phase (2008 - 2010) mainly focuses on building the foundation for growth via infrastructure development as well as initiating high impact economic and poverty eradication projects. The second phase (2011 - 2015) will see economic growth accelerating through intensified higher order value-added economic activities, with the presence of global companies and a strong base of local SMEs. The third phase (2016 - 2025) is the expansion period. During this phase, Sabah is expected to emerge as an attractive destination for FDIs with strong supporting infrastructure, global companies and knowledge workforce.

The development of the SDC is guided by three key principles: firstly, to capture higher value economic activities; secondly, promoting balanced economic growth and distribution; and thirdly, ensuring sustainable growth via environmental conservation.

Higher value activities are generated through downstream processing of Sabah’s rich primary commodity and natural resources, such as palm oil, rubber, cocoa, oil and gas, herbal resources and fisheries. This is done by promoting investments in agro-industry, oleo-chemicals, gas processing plants, and others. The SDC also aims to promote product innovation by stimulating bio-prospecting and biotech research to spur the development of new high value industries, such as agro-biopharmaceutical industry.

The SDC strives to promote balanced economic growth between urban and rural areas as well as between sub-regions in Sabah. The main goal is to alleviate poverty in the state. As SDC development covers the whole state of Sabah, the spillover and economic benefits under the SDC will be enjoyed not only by those living in the city, but also in the small villages. These developments are intensified under the SDC through better provision of physical infrastructure and utilities, such as road, water and electricity.

Having one of the world’s oldest rainforest, rare wildlife and the widest genera of marine life, it is imperative for Sabah to conserve its environment and promote sustainable development.

Sector focus

Looking at the economic sectors and in line with the Halatuju, the four sectors that have been marked as the drivers of growth in the SDC are ;

1. Tourism,
2. Logistics,
3. Agriculture
4. and Manufacturing.

Tourism

The strategy under the tourism development is to target high-yield and long stay visitors. The aim is to make Sabah one of the most liveable places in the world. The SDC also plans to enhance Sabah's position as a premier eco-adventure destination as well as a high-end, lifestyle destination with luxury holiday villas and signature resorts. One of the targets is to encourage investors to anchor new signature tourism products and activities in Sabah, such as wellness centres, sailing activities and regatta.

Logistics

Under logistics, the main focus is on lowering the cost of doing business in Sabah. The strategies include reviewing the cabotage policy for shipping, providing incentives to potential investors to set up manufacturing facilities in the proposed Sepanggar Free Zone (SFZ), domestic hubbing at Sapanggar Bay Container Port, and positioning Sandakan as a key regional trading hub in Borneo.

Agriculture

Under the SDC, the agriculture programme focus on increasing overall food self-sufficiency, planting high-value crops for export and downstream processing, and assisting in poverty eradication. The programme is designed to encourage rural communities' participation at various levels in the agro-industry supply chain, such as in production, collection, processing, packaging, storage and distribution activities. The programme include the promotion of science-industry linkages through optimum utilisation of science and technology, especially ICT and biotechnology.

Manufacturing

The focus for the manufacturing sector under the SDC is to enhance enablers such as infrastructure and human capital. The target is to encourage foreign investment to anchor and accelerate the growth of downstream manufacturing activities in Sabah. Through this strategy, it is envisage/foresee/predict that Sabah will emerge as one of the leading locations of choice for resources-based manufacturing activities in Asia.

The Final Outcome

An overriding goal of SDC is to fully eradicate poverty in Sabah by the year 2025. Hardcore poverty 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 and 8.1 % in 2012.

With the implementation of the SDC, Sabah is expected to experience rapid economic growth attaining a four-fold increase in its gross domestic product (GDP) to RM63.2 billion in 2025. Unemployment rate is also expected to be reduced from 5.8% in 2006 to 3.5% by the end of 2025. The implementation of the SDC is also expected to create 900,000 new jobs.

SDC Monitoring Authority

The overall development of the SDC will be overseen by a one-stop implementation authority, Sabah Economic Development and Investment Authority (SEDIA). The state government of Sabah had passed the law to establish SEDIA on 15 January 2009 with the primary responsibility to plan, co-ordinate, promote and accelerate the development of SDC. SDC Development fund from federal government channeled through SEDIA. SDC will not be materialized if SEDIA was not established in 2009.

SDC PERFORMANCE AND ACHIEVEMENT

Sabah economy

Sabah's economy has been fairly resilient during the period 2008 – 2014 period. Registering positive growth during the global economic crisis in 2009. Sabah performed well since the launched of the SDC in 2008. This is shown in table 1. The state's GDP for 2008 was 10.7 per cent which was higher compared to the national economic growth of 4.8 percent. Sabah GDP was also remarkably higher compared to the world economic growth of 2.7 per cent. During the world financial crisis of 2009, Sabah GDP recorded 4.8 per cent growth compared to -1.5 per cent for national level and -0.4 per cent for world level.

Sabah economy experienced a slower growth beginning 2010 – 2011 due to weaker performance of the mining (oil and gas sector). The implementation of various SDC projects, such as Kimanis Power plant, Sabah Oil and Gas terminal (SOGT), the Palm Oil Industrial Clusters (POICs) in Lahad Datu and Sandakan, Sabah Ammonia-Urea plant (SAMUR), as well as the Kinabalu Gold Coast Enclave is expected to boost Sabah economy in the near future.

Development performance

During the 9MP, the SDC had been allocated RM1,277,000,000 for financing various SDC projects. SDC projects allocation by sector during the Ninth Malaysia Plan (9MP) is shown in table 2 below. Infrastructure sector has the highest allocation of approximately RM457.4 million or 36 percent of the 9MP allocations. This is followed by manufacturing with a total of RM431.6 million or 33.8 percent. Other sectors such as tourism and human capital are allocated RM43.5 million and RM3 million respectively. The amount committed and disbursement is shown in table 3.

During the 10MP, the SDC had been allocated RM244,258,500 for financing various SDC projects. SDC projects allocation by sector during the Tenth Malaysia Plan (10MP) is shown in table 4. Infrastructure sector has the highest allocation of approximately RM130 million or 53 per cent of the 10MP allocations. This is followed by agriculture with a total of RM108.9 million or 41.29 per cent. Other sectors such as tourism and human capital are allocated RM7 million and RM6.8 million respectively. The amount committed and disbursement is shown in table 4.

Investment Performance

Sabah has emerged as one of the top investment destinations in Malaysia and one of the world's top 10 Foreign Direct Investment destinations in 2013. The total cumulative committed and realized investment in 2013 was RM127 billion and RM25.7 billion respectively. This are shown in table 5 and table 6.

Oil and Gas had attracted the highest cumulative committed and realized investment for 2013. The palm oil sector also attract significant investments, with total 18 percent total committed and 11 percent realized investment as shown in table 7.

The cumulative committed investment figure from 2008 up until March 2015 stands at RM147.28 billion, of which RM51.6 billion has been realized (SDC brief news 24 March 2015). The cumulative figure also includes the TERAJU@SDC domestic investment at a total of RM685.45 million, with RM80 million in approved Facilitation Funds for 28 projects. The Teraju programme at SDC is established to support Bumiputera entrepreneurs. Disbursement for SDC projects under the Ninth and Tenth Malaysia Plans is at approximately RM1.6 billion, or 92 per cent of the total allocation received by SEDIA from the Federal Government. To attract more investor in SDC, investment Incentive Package is also provided by the state and federal government. With such encouraging investment incentive and environment, the implementation of all SDC projects is also said to be on track.

SEDA as a one-stop agency which is responsible for the implementation and development of SDC was also recorded to have been receiving a clean bill of health from the Auditor General since its inception in 2009. SEDIA has been awarded a four star rating by the Auditor General under the Accountability Index for its financial management. The management of and staff of SEDIA had been accredited the MSO ISO 9001:2008 certification in April 2013.

Human Capital Development

Over the past years since the implementation of SDC projects, the Sabah labour market had improved with labour force participation rate rising gradually from 64.5 percent in 2008, to 65 percent in 2009, 65.9 percent in 2010, 67 percent in 2011, 67 percent in 2012 and to 70 percent in 2013. Unemployment rate also show a declining trend from 5.5 percent in 2008 to 5.6 percent in 2011 and to 5.2 percent in 2013 as shown in table 8. With the rising new economy driven by the SDC, more job opportunities will be made available in various sectors in the near future.

Sabah require more skilled and semi-skilled work force for various sectors in order to achieve the target to become a high-income and developed nation by the year 2020. Thus, the state has been continuously working with the private and public institutions to developed quality human capital to meet the growing demand of skilled and semi-skilled workers in various sectors in SDC.

Other Progress

With SDC projects in placed, Household Income has increased and the poverty rate decline significantly from 19.5 percent in 2007 to 8.1 percent in 2012 as shown in table 9.

There are also various feasibility studies, research and training projects implemented in SDC through SEDIA. For example, the Agropolitan projects in Pitas, Kota Belud, Beluran, Tongod and kemabong and the POIC project in Sandakan are in various phases of implementation. The Agropolitan project will create more job opportunities and help to eradicate poverty in the areas by increasing the income of hardcore poor households. Other major ongoing projects include upgrading roads in various areas in Sabah to facilitate the development of SDC projects.

CONCLUSION

After 51 years in Malaysia, Sabah continues to move forward in tandem with the progress and development of the country. Sabah has move forward from an impoverished state, changed tremendously into better states with remarkable growth in various sectors. This can be attributed to the implementation of various projects in SDC.

The SDC is implemented over a period of 18 years from 2008 to 2025. Since the launching of SDC in 2008, so much has been achieved. The key strength is that Sabah is endowed with abundant natural resources, rich cultural heritage and access to mega biodiversity resources and its strategic location at the heart of South East Asia, in the midway between the two largest emerging economies in the world, China and India..

Its success or failure depends on attracting substantial private-sector led investment, and the federal government is contributing billions of dollars to improve the state's infrastructure and reduce the cost of doing business. In order to get the private sector to come in, it is imperative to get the infrastructure in place and the investment climate properly developed. This is basically what was done during the first phase. The private sector has come and invest in various SDC projects and will provide sustainability.

Since the start of the second phase of the SDC, SEDIA has accordingly been more aggressive in attracting investments into Sabah. In line with this emphasis, SEDIA has been participating in State-sponsored and MITI/MIDA-led investment and trade missions locally and abroad. The response from these missions has been very encouraging, drawing substantial investment in the sectors promoted under the Halatju Agenda and the SDC, in tourism, agriculture and manufacturing, agriculture and major industries located within the Strategic development area of SDC. To further increase investor interest in the SDC, the Federal Ministry of Finance had also approved a tax incentives package listed under the SDC. The package has enable SEDIA to further attract investors globally and from other parts of Malaysia, promoting Sabah as an ideal location for conducting business. These measures have shown results, as evidenced by the favourable investment climate and that from its launching in 2008, cumulative committed investment in the SDC has reached RM127 billion in 2013.

Sabah will continues to progress and move forward in tandem with the progress and development of the country as a whole. With everything on track, by 2025, the SDC's 18-year plan could transform Sabah into a gateway for trade, investment and tourism in the region.

REFERENCES

- Annual Report SEDIA 2011. Kota Kinabalu, Sabah.
- Annual Report SEDIA 2012. Kota Kinabalu, Sabah.
- Annual Report SEDIA 2013. Kota Kinabalu, Sabah.
- Corridor, S.D. (2009). Conscientious and responsible Development, Malaysia. Institute for Development Studies.
- Sabah Development Corridor Blueprint 2008-2025. Prepared by institute for Development Studies (Sabah), December 2007.

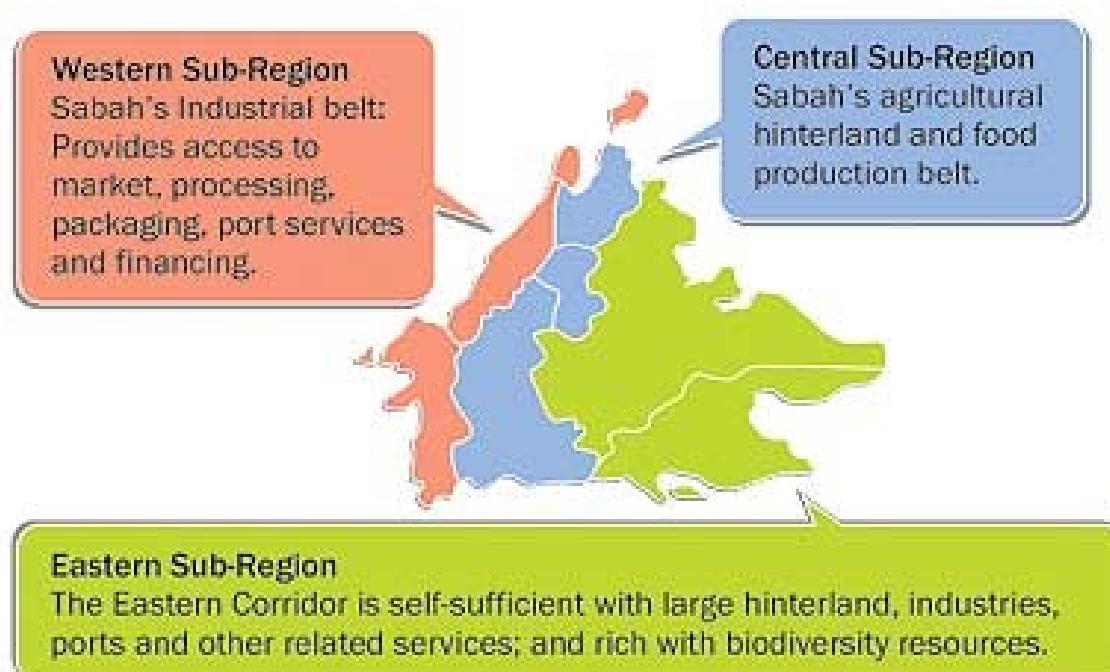


FIGURE 1: Sub-Regional Development

TABLE 1: Sabah, Malaysia and World GDP

Year	World	Malaysia	Sabah
2007	5.30	6.30	3.20
2008	2.70	4.80	10.70
2009	-0.40	-1.50	4.80
2010	5.20	7.20	2.70
2011	3.90	5.10	1.30
2012	3.20	5.60	4.20
2013	3.00	4.70	3.00

Source: SEDIA Annual Report 2013

TABLE 2: SDC Projects Allocation by Sector 9MP

SECTOR	AMOUNT	PERCENT
Infrastructure	457,380,000	35.82%
Manufacturing	431,600,000	33.8%

Agriculture	341,530,000	26.74%
Tourism	43,490,000	3.41%
Human Capital	3,000,000	0.23%
Total for 9MP	1,277,000,000	100%

Source: SEDIA Annual report 2011

TABLE 3: SDC Projects Committed by Sector 2011

SECTOR	COMMITTED	PER CENT	DISBURSEMENT
Infrastructure	443,650,769.17	33.43%	263,001,697.51
Manufacturing	431,384,586.57	34.38%	400,785,212.57
Agriculture	369,094,806.10	28.60%	276,300,193.80
Tourism	43,250,060.44	3.35%	34,227,481.54
Human Capital	3,000,000	0.23%	3,000,000

Source: SEDIA Annual report 2011

TABLE 4: SDC Projects Allocation and Disbursement by Sector 10MP

SECTOR	AMOUNT	PERCENT	DISBURSEMENT	PER CENT
Infrastructure	129,608,500	53.06%	42,289,679.43	32.64%
Manufacturing	-	-	-	-
Agriculture	108,850,000	41.29%	12,462,943.73	12.36%
Tourism	7,000,000	2.87%	7,354,242.19	105.06%
Human Capital	6,800,000	2.78%	4,342,483.87	63.86%
Total for 9MP	244,258,500	100%		

Source: SEDIA Annual report 2013

TABLE 5: Cumulative Committed Investment for SDC 2008 – 2013

Year	Committed			
	Number	Employment	Investment (RM)	Cumulative Investment (RM)
2008	75	5,826	11,867,928.164	11,867,928.164
2009	47	1,872	7,678,205,977	19,546,134,141
2010	57	2,913	21,810,003,720	41,356,137,861
2011	72	124,445	77,484,869,419	118,841,007,280
2012	47	1,578	4,459,089,651	123,300,096,931
2013	20	14,963	4,292,401,846	127,592,498,777
2008 - 2013	318	151,597	127,592,498,777	

Source : SEDIA Annual Report 2013

TABLE 6: Cumulative Realised Investment for SDC 2008 – 2013

Year	Realized			
	Number	Employment	Investment (RM)	Cumulative Investment (RM)
2008	44	2,761	923,578,608	923,578,608

2009	29	949	492,794,921	1,416,373,529
2010	44	1,286	4,543,528,732	5,959,902,261
2011	21	833	1,546,614,797	7,506,517,058
2012	52	15,230	10,542,907,821	18,049,424,879
2013	3	1,011	7,639,492,938	25,688,917,819
2008 - 2013	193	22,070	25,688,917,817	

Source : SEDIA Annual Report 2013

TABLE 8: Labour Force, Employed, Unemployment and Unemployment rate for Sabah 2008-2013

Employment Indicators / Year	2008	2009	2010	2011	2012	2013
Labour force (000)	1,294.20	1,345.30	1,480.7	1,538.8	1,579.8	1,669.4
Employed (000)	1,230.50	1,270.60	1,398.6	1,452.7	1,494.5	1,583.4
Unemployment (000)	63.8	74.6	82.1	86.1	85.3	86.0
Unemployment (%)	5.5	5.5	5.5	5.6	5.4	5.2
Labour Force Participation Rate	64.5	65.1	65.9	67	67.4	69.9

Source : SEDIA Annual report 2013

TABLE 9: Household Income, Poverty Rate and Inequality

Year	Income	Poverty Rate	Gini Coefficient
2007	2,837	19.5	0.450
2009	3,102	19.7	0.453
2012	4,013	8.1	0.428

Source : SEDIA Annual report 2012

TABLE 7: SDC Cumulative Committed and Realised Investment 2008 – 2013 by Sector.

SECTOR	CUMULATIVE INVESTMENT PERCENT	REALISED INVESTMENT PERCENT
Agriculture	5%	2%
Oil,Gas & Energy	38%	69%
Palm Oil	18%	11%
Manufacturing & Logistic	9%	6%
Tourism	14%	4%
Education	9%	8%
Real estate	7%	0.34%
Greater kk	0.3%	0.08%

Source : SEDIA Annual report 2013