

A STRATEGIC APPROACH FOR SUSTAINABLE ECONOMIC DEVELOPMENT FOR SABAH

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ABSTRACT

The study aims to assess the sustainable development goals achieved by Sabah in comparison with the other states in Malaysia. The study revealed that in terms of infrastructure, health and education, Sabah is below the national level but the poverty rate and the unemployment rate seems to be otherwise. Thus it can be concluded that strategies planning clear, manageable and measurable mechanism should be established to evaluate the effectiveness of the policy towards achieving the sustainable goals.

INTRODUCTION

The 2030 Agenda for Sustainable Development lists 17 Sustainable Development Goals¹, described as a call for action for all countries, developed and developing, in a global partnership to achieve optimal well-being for societies. The aspirations of peoples across nations resonate equally among the poor and the rich in any country to attain a satisfactory quality of life, happiness, and harmony. Such attainment hinges on the ability to harness resources that are available encompassing resources that are renewable and non-renewable. There are four pillars of sustainability, namely the human, social, economic, and environmental sustainability.

¹ Department of Economic and Social Affairs, United Nations: <https://sdgs.un.org/goals#>

Meanwhile, the three core elements of sustainable development are economic growth, social inclusion, and environmental protection, which are interconnected and crucial for the achievement of the development of individuals and societies.

The 17 Sustainable Development Goals (United Nations) are divided into five broad areas: social development; economic development; environmental sustainability; peaceful, just and inclusive societies; and partnership. This paper discusses sustainable economic development for Sabah, one of the thirteen states in Malaysia. A strategic approach to achieving sustainable economic growth is explored, taking into consideration the condition of the Sabah economy, its resources and economic capacity.

RESEARCH OBJECTIVE

The research objective of the study was to assess the sustainable goal development achieved for Sabah in comparison with other states in Malaysia.

LITERATURE REVIEW

According to Barbier Barbier (1987)², *sustainable economic development* can be defined as follows: "in contrast to the conventional consensus on economic development, the following revised criteria underline sustainable economic development: (i) It is indistinguishable from the total development of society and cannot effectively be analysed separately, as 'sustainability' depends on the interaction of economic changes with social, cultural, and ecological, transformations; (ii)

Its quantitative dimension is associated with increases in the material means available to those living, or destined to live, in absolute poverty, so as to provide for adequate physical and social well-being and security against becoming poorer; (iii) Its qualitative dimension is multifaceted, and is associated with ensuring the long-term ecological, social, and cultural, potential for supporting economic activity and structural change; (iv) It is not easily subject to measurement; the quantitative and qualitative dimensions are mutually reinforcing and inseparable, and thus cannot be fully captured by any concept of direct and measurable economic gain." From this definition, it can be surmised that sustainable economic development envelopes not only economic achievement, but also social, cultural and ecological attainments. In this respect, sustainable economic gains are not only measured by economic growth, but also by social well-being and environmental sustainability.

The State of Sabah is endowed with abundant natural resources. The Sabah economy is driven by the production of petroleum and gas, timber, and palm oil. Sabah is also known for its lush forests, wildlife, pristine beaches, and nature reserves. The state has a population of 3.41 million (2022)³, comprising of diverse ethnic groups with rich cultural heritage. Table 1 shows that the growth in gross domestic product (GDP) for Sabah in 2022 is at 3.7%, well below the national average of 8.7%. Sabah contributes 5.4% to the overall national gross domestic product⁴.

^{3,4} Sabah Socioeconomic Report (2022), Department of Malaysian Statistics (2023)

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² <https://www.jstor.org/stable/44519759>

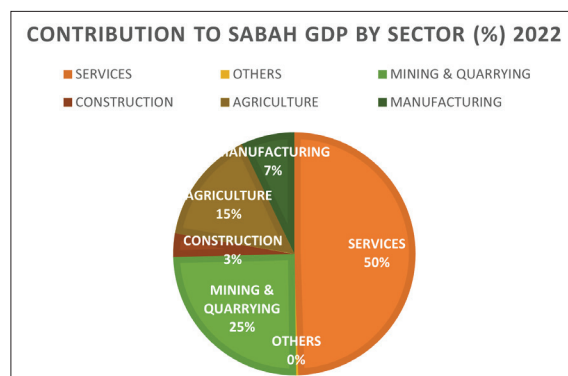
Table 1 shows the GDP growth in percentage and contribution of GDP of each state to national income for 2022.

Area / State	GDP Growth (%)	Contribution to GDP (%)
MALAYSIA (National Average)	8.7	100
Pulau Pinang	13.1	7.4
Selangor	11.9	25.5
Pahang	10.8	4.1
W.P Kuala Lumpur	9.2	15.9
Melaka	8.6	3.0
Johor	8.2	9.4
Kedah	7.2	3.4
Sarawak	6.5	9.3
Negeri Sembilan	6.4	3.4
Terengganu	5.9	2.5
Perlis	5.7	0.4
Kelantan	4.3	1.8
Perak	4.3	5.3
W.P. Labuan	4.0	0.5
Sabah	3.7	5.4

The rate of growth at 3.7% is the lowest rate of GDP growth in the country of Malaysia, it is more than three times lower than the highest GDP growth rate recorded in the country, that is 13.1% in 2022 For Malaysia. Figure 1 shows that the Sabah economy is dominated by the service sector which constitutes 49.5% of its economy, followed by mining and quarrying sector at 24.8%, agriculture sector 15.2%, manufacturing 7.1%, and construction 3.1%. Meanwhile, Figure 2 shows that the unemployment rate in Sabah has been above the national average ever since 1982 until 2021.

The Sabah economy has been lagging in terms of its economic performance compared to the national average of Malaysia, such that the economic development goal for Sabah may necessitate greater effort to align it with the overall achievement of the country. Sustainable economic development goals which include not only material gains but also social well-being and environmental sustainability may pose greater challenges to the State for the following reasons: (i) the Sabah economy has been under performing in terms of economic growth compared to the national average, and provision of basic amenities including running water and electricity are lacking many areas in the State; (ii) the Sabah economy is driven by sectors that are best described as primary sectors such as agriculture, mining and quarrying, whereas secondary sectors such as manufacturing contribute less than 10% to the state economy. The service sector contributes 49.5% to the Sabah economy (DOSM, 2023), which are comprised of the following sub-sectors: Accommodation and Food & Beverage (42.7%), Transportation and Storage (36.5%), Business Services (20.7%), Private Health (9.2%), Private Education (6.6%), Wholesale & Retail Trade (5.8%), Government Services (5.6%), and Information and Communication Services (4.1%). Hence, the service sector is dominated by semi- and low-skilled occupations, and with less capacity to provide jobs, resulting in high unemployment rates. A low GDP per capita in Sabah (see Table 2) implies low standard of living compared to the national average, thus affecting social and upward mobility of the population that have changed little for decades; (iii) environmental sustainability in the Sabah needs to be addressed with greater concerns as development projects dominates economic priorities, therefore over-shadowing environmental issues.

Figure 1 shows the contribution of each economic sector in Sabah



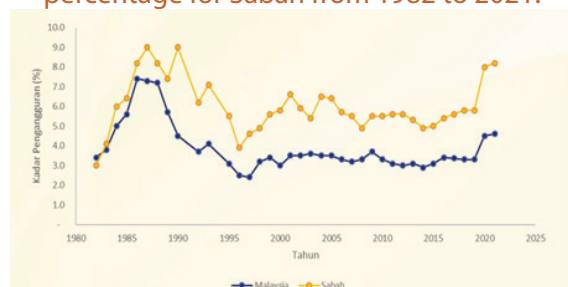
Source: Department of Statistics Malaysia (2023)

Table 2 shows the GDP per capita for each state in Malaysia for 2021 and 2022.

State	2021	2022
W.P. Kuala Lumpur	112,084	126,423
W.P. Labuan	81,652	85,522
Sarawak	66,027	80,772
Pulau Pinang	59,733	69,591
Selangor	51,980	59,804
Melaka	44,679	50,363
Negeri Sembilan	44,552	49,851
Pahang	41,335	47,127
Johor	36,505	41,001
Perak	34,399	37,031
Sabah	30,022	35,766
Terengganu	30,966	32,210
Kedah	23,597	26,062
Perlis	21,522	23,126
Kelantan	15,598	16,555
MALAYSIA	47,547	54,785

Source: Department of Statistics Malaysia (2023).

Figure 2 shows the unemployment rate in percentage for Sabah from 1982 to 2021.



Source: Department of Statistics Malaysia (2023).

METHODOLOGI

Sustainable Economic Development Assessment

The Boston Consulting Group (BCG) designed a diagnostic tool known as the Sustainable Economic Development Assessment (SEDA) to measure a country's sustainable economic growth and citizen well-being⁵. SEDA defines well-being based on 10 dimensions that are categorized into 3 aspects: (i) Economics which comprises of the dimensions of income, economic stability, and employment; (ii) Investments which include the dimensions of education, health, and infrastructure; and (iii) Sustainability which comprises of the dimensions of environment, and three contributors to social inclusion, namely, equality, a strong civil society, and sound governance.

The SEDA ranking is based on scores on the abovementioned 10 dimensions, with a maximum score of 100. The latest ranking for 141 countries in 2020 shows that Switzerland has the highest score of 87.0, while Chad has the lowest score of 16.9. For Asian countries, Singapore obtained the highest score of 82.3 and Pakistan obtained the lowest score with 25.6. Malaysia attained a SEDA score of 60.0, the fourth highest score amongst Asian countries and forty fourth amongst the 141 countries assessed⁶. Figure 6 shows that Malaysia receives high scores in four dimensions: economic stability (95.4), infrastructure (87.0), employment (70.8) and health (74.4). These four dimensions reflect the two categories of SEDA which are Economics and Investments. Notably, Malaysia has a low score in the dimension of Income (36.0), reflecting an inadequate achievement in wealth. Further, Malaysia scores low in the Sustainability category, with a lowest score for the dimension of Quality of the environment (27.6), which is also the lowest score of any dimension in Malaysia's SEDA score.

5 <https://www.bcg.com/industries/public-sector/sustainable-economic-development-assessment>

6 Ibid.

FINDINGS

Sustainable Economic Development and Sustainable Development Goals

Statistics show that Sabah's economic achievements are below the national average with respect to income growth, education, and access to basic amenities and infrastructure. Its poverty rate is the highest among all states⁷. In addition, according to Statista⁸, Sabah records the highest unemployment rate in the nation in 2022. Therefore, it is reasonable to assume that Sabah's economic performance also lags

the national average in the achievement of sustainable economic development.

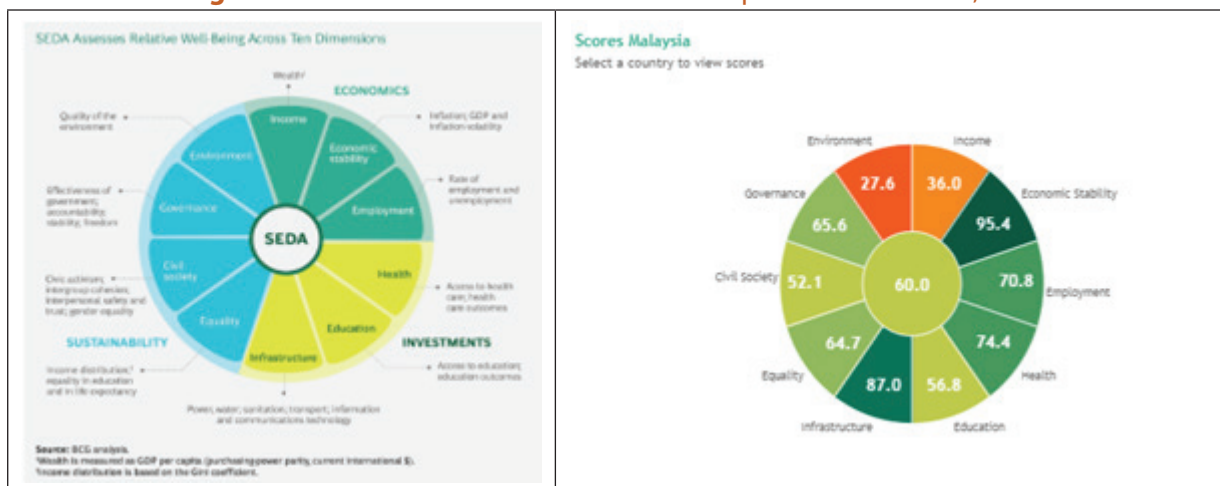
While there has not been any study to measure the State's performance in terms of sustainable economic development (SED), performance on Sustainable Development Goals (SDGs) has been measured for each state in Malaysia based on the 17 SDGs of the United Nations 2030 Agenda for Sustainable Development. Table 3 shows ratings in each of the SDG is given except for SDG12 and SDG 13, which are missing from the report due to data limitation⁹.

⁷ <https://www.statista.com/statistics/1402963/malaysia-unemployment-rate-by-state/>

⁸ Ibid.

⁹ Ibid.

Figure 3 shows Sustainable Economic Development Assessment, 2020



Source: Boston Consulting Group, 2024

According to the SDG for Malaysian States¹⁰, the Major SDG Challenges (Indicator Level) for Sabah are:

1. Gender (Absolute) Poverty Gap among households.
2. Population living in absolute poverty.
3. Urban-rural gap for relative poverty.
4. Stunting presence below 5 years.
5. Hepatitis B notification rate.
6. Incidence of Tuberculosis.
7. Proportion of schools with computer access.
8. Mathematics Proficiency Level at Lower Secondary.
9. Proportion of female representation for state level legislature.
10. Annual growth rate of real GDP per capita.
11. Youth not in employment, education or training (NEET).
12. Mean area that is protected in marine sites important to biodiversity.

¹⁰ <https://sdg-for-malaysian-states-sdsn.hub.arcgis.com/>

13. Coverage of protected areas (fully and less protected) in relation to marine areas.
14. Mean area that is protected in freshwater sites important to biodiversity.
15. Government revenue excluding grants.

Sabah's 15 challenges in meeting SDGs listed above can be categorized into the following dimensions: (i) poverty (Challenges 1-3); (ii) health (Challenges 4-6); (iii) education and infrastructure (Challenges 7-8); (iv) governance (Challenge 9); (v) income and employment (Challenges 10-11 and 15); and (vi) environmental quality (Challenges 12-14). In terms of sustainable economic development, Sabah's challenges to achieve the SDGs are attributed to shortcomings in the Economics and Investments dimensions.

Table 3 shows that compared to the national average of SDG scores for Malaysia, SDG scores for Sabah are higher for SDG2 (No Hunger), SDG5 (Gender Equality), SDG6 (Clean Water and Sanitation), SDG10 (Reduced Inequalities), SDG14 (Life Below Water), SDG15 (Life on Land) and SDG16 (Peace and Justice).

Conversely, Sabah's SDG scores are lower than the national average in the SDGs of No Poverty (SDG1), Good Health and Well-being (SDG3), Quality Education (SDG4), Affordable and Clean Energy (SDG7), Decent Work and Economic Growth (SDG8), Industry, Innovation and Infrastructure (SDG9), and Global Partnership for Sustainable Development (SDG17).

Table 3 shows SDGs for Malaysian States

Region/ State	Sustainable Development Goal (SDG) Scores															
	1	2	3	4	5	6	7	8	9	10	11	14	15	16	17	
MALAYSIA	60	56	82	79	54	90	99	83	71	55	-	26	55	79	16	
Sabah	47	69*	75	69	59*	94*	98	59	36	65*	-	28*	67*	86*	6	
Pulau Pinang	84	58	84	81	50	70	99	87	90	64	50	21	34	69	22	
Selangor	71	61	84	84	60	77	99	96	74	49	55	8	71	77	14	
Pahang	93	54	78	79	50	99	98	78	48	69	49	46	70	72	8	
W.P. Kuala Lumpur	91	68	89	85	77	100	99	96	54	83	59	-	52	78	19	
Melaka	78	63	85	81	44	87	99	82	75	40	50	51	52	62	8	
Johor	72	52	81	80	46	67	99	81	78	59	50	24	57	90	10	
Kedah	77	51	81	78	42	99	99	83	72	88	50	22	35	73	14	
Sarawak	59	52	76	72	47	96	98	76	62	61	-	34	58	86	8	
Negeri Sembilan	79	56	82	79	44	89	99	88	61	57	50	68	57	79	8	
Terengganu	75	45	79	77	43	99	99	70	56	65	49	38	76	79	4	
Perlis	86	48	83	75	52	100	98	82	50	61	50	34	51	67	5	
Kelantan	53	41	83	77	48	89	100	76	39	71	36	40	57	69	2	
Perak	72	53	80	79	41	100	98	82	66	60	50	11	56	80	7	
W.P. Labuan	76	66	77	81	50	100	98	65	48	92	50	24	-	99	9	
W.P Putrajaya	87	57	92	96	75	100	99	99	40	60	96	-	-	65	15	

Source: Jeffrey Sachs Centre for Sustainable Development, Sunway University, Malaysia

Note: Scores displayed have been rounded to the nearest point

Notably, Sabah's SDG scores reflect the challenges it faces in achieving the SDGs in that it obtains lower than average scores in the sustainable economic development (SED) criteria of Economics and Investments. The SDG for Malaysia States (2022) assesses that the trends for Sabah in the attainment of SDG9 (Industry, Innovation and Infrastructure) and SDG17 (Global Partnership for Sustainable

Development) are described as “stagnating”, underscoring the need for the state to increase its efforts in building infrastructure, promote industrialization, and foster innovation as well as engage global partners to achieve sustainable development. Adding to these, efforts should be heightened to provide basic requirements to achieve economic growth and expand investments in education, health, and basic amenities.

Strategic Approach to Sustainable Economic Development

In essence, sustainable economic development addresses aspects of economic gains that include not only economic growth, but also social well-being and environmental sustainability. Integrating economic, social and environmental objectives would require taking into account the implications for different socio-economic groups, and the present and future generations. The current discussion proposes a basic strategic approach

to a sustainable economic development path for Sabah, taking into consideration the abovementioned economic issues and challenges. A more comprehensive approach and strategies may be developed in the future based on the current strategic approach.

Economic indicators and the measures of sustainable development for Sabah describe an economy that needs to address underlying issues that hinder the attainment of income growth and investments in education, health and infrastructure. Hence, a strategic approach to sustainable economic development for Sabah should allow for increases in GDP growth and income per capita, lower unemployment rate, mitigation of incidences of poverty, improvements in infrastructure, and enhancement of environmental quality. A holistic approach that involves individuals/communities, the private sector, the public sector and third sector is necessary to achieve strategic objectives as described in Table 4.

Table 4 shows the Strategic Objectives and Action

Strategic Objective	Action
Objective 1: Reduce the poverty rate at all levels to increase well-being among the poor and needy, with special attention to young people who are the future work force of the economy. UN SDG1 – No Poverty	<ul style="list-style-type: none"> - Identify causes of poverty and create employment opportunities and incentives for engaging in work activities that allow for income generation. - Ensure that disadvantaged children are given opportunities to participate and advance in education at all levels to break the cycle of poverty among the poor.
Objective 2: Residents in urban and rural areas attain good health and well-being where access to medical care is readily available, and both income and social welfare enable residents to enjoy a good quality of life. UN SDG3 – Good health and well-being	<ul style="list-style-type: none"> - Provide affordable and quality medical care to each citizen through the availability of efficient public medical systems situated in cities, districts, townships in urban and rural areas. - Create/ design social programs and public events that encourage the participation and integration of the population from different socio-economic backgrounds. - Build public parks and amenities as recreational areas for the benefit of every citizen in each level of localities.

<p>Objective 3: Attain quality education, especially for the young generation to ensure a competitive and skilled labor force. Increase the proportion of population with tertiary level education to create a knowledge-based society with life-long learning abilities.</p> <p>UN SDG4 – Quality education</p>	<ul style="list-style-type: none"> - Ensure access to quality education by providing facilities and infrastructure that meets the current standards and needs of industries in a technology-driven world. - Attract qualified and talented teaching staff by offering standard salaries. - Provide free or affordable transportation systems for school children in rural areas, including surface transport infrastructure. - Build schools in every residential area that allows proximity for school children to attend classes within a 5 km radius, especially in rural areas where access to transportation is inadequate.
<p>Objective 4: Make available affordable and clean energy that allows individuals and communities to lead a quality of life that is consistent with living in a modern era of the 21st century. Provision of sufficient energy levels that enable the private sector to engage in economic activities that increase the production of goods and service and attract foreign investments that rely on dependable energy sources and that aligns with the global aim of sustainable development. Clean energy sources benefit society by the prevention of dirty industries and climate change.</p> <p>UN SDG7 – Affordable and clean energy</p>	<ul style="list-style-type: none"> - Ensure supply of electricity is available and adequate for households and to fulfil the needs of industries to run economic activities. - Promote renewable energy as an alternate source for energy supply and prioritize its implementation. - Support investments in renewable energy sources at a rapid rate to allow for accelerated implementation.
<p>Objective 5: Reduction of the unemployment rate to achieve full employment for the labor force. Employment generates income that sustains livelihood which provides the attainment of a standard of living that include the ability to afford housing, basic amenities such as clean water and energy, transportation modes to traverse ease in going to work and attending school, and social well-being. Achieve full employment, generate profit for firms, and revenue for the government, in a resilient economy that results in increasing and sustaining a high rate of growth of the economy.</p> <p>UN SDG8 – Decent work and economic growth</p>	<ul style="list-style-type: none"> - Reduce unemployment by increasing economic activities in sectors that can create a considerable number of jobs and utilize the talent and skills of the labor force. - Encourage industries that can absorb a large pool of workers such as manufacturing. - Provide intensive training programs to enhance the knowledge and skills of the labor force based on the trends and predictions of future economic demand. - Design education curriculums that reflect the needs of a global economy to ensure that the labor population is competitive at the domestic as well as global levels. - Raise economic growth through increased production of goods and services in expanded markets including at international levels. - Prioritize export-led economy as a means to increase demand and supply and gross domestic products. - Source foreign direct investments to fund business operations and allow absorption of new technology to increase economic activities. - Implement and accelerate economic programs with efficiency to reduce the waste of scarce resources.
<p>Objective 6: Build necessary infrastructure that enables the strengthening of a resilient economy and provide economic opportunities for residents to achieve optimum well-being across diverse socio-economic groups. Provision of basic infrastructure that supports an industrialized economy and foster an innovative working environment that could lead to a competitive and high-income economy.</p> <p>UN SDG9 – Industry, innovation and infrastructure</p>	<ul style="list-style-type: none"> - Ensure basic amenities including adequate water and electricity supplies to meet the demands of the private sector as well as that of prospective investors, in order to increase industrialization and high economic growth. - Establish plans and programs that provide incentives to promote high-tech industries; nurture and advance a culture of innovation and idea creation.

<p>Objective 7: Establish and strengthen international relations to create global partnerships for sustainable development.</p> <p>UN SDG17 – Partnerships for sustainable development goals</p>	<ul style="list-style-type: none"> - Prioritize the attainment of sustainable development by participating in efforts to achieve SDGs. - Establish links with international organizations that could partner in the promotion and achievement of sustainable economic development and environmental sustainability. - Establish a Centre for Sustainable Economic Development in Sabah to develop and monitor sustainable development policies to achieve a sustainable development path for Sabah. - Create a dedicated agency that would facilitate the establishment of links with outside entities that share the goal of achieving sustainable development.
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CONCLUSION

Sabah has been underperforming in terms of economic growth compared to other regions in the country. Socio-economic indicators show that Sabah is positioned below the national average in the provisions infrastructure of and access to health and education, and is above the national level in its rates of poverty and unemployment. Sabah faces many challenges in moving towards sustainable economic development, where the challenges are primarily in the dimensions of economics and investments. Establishing a clear vision and designing a strategic approach to realize a sustainable development path would allow Sabah to achieve greater levels of quality of life and well-being for its population.

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