

## The Enforcement Strategy in The Sabah Maju Jaya (SMJ) Policy towards Achieving Sustainable Growth for Sabahans

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### Abstract

World economic growth, which is increasingly declining due to the impact of the COVID-19 controversy, has caused the Sabah State Government to launch the Sabah Maju Jaya (SMJ) Policy Development Plan on 29 March 2021 as one of the efforts to deal with this issue. Among the sectors given focus in the SMJ Plan are the development of human capital, economy and social well-being in Sabah. This is because, through the development of human capital, the economy and the sustainability of the people's well-being, it is believed to be able to produce people who are creative, critical and competitive for the needs of the present and the future immediately guaranteeing the sustainability of the country's economy. The qualitative research methods used in this study are a literature review and structured interviews. Among the informants are the Yang Berhormat Dato' Ir. Shahelmy bin Yahya, who is Deputy Chief Minister III of Sabah. Professor Dr. Sity Daud is the Deputy Dean of Networking and Alumni at the National University of Malaysia and Professor Madya Datuk Ts. Dr. Ramzah Dambul is the Chief Executive Officer of the Sabah Development Research Institute (IDS), who is directly involved in contributing ideas, reviewing, proposing and analyzing policies and development frameworks in Malaysia and Sabah. Thus, this study was synthesized to identify the factors contributing to the well-being of the people in the state of Sabah to achieve the direction set in the SMJ Plan. The results of descriptive analysis and interviews with three informants found that there are three factors that affect the well-being of the people of Sabah, namely the issue of human capital, the income gap and the lack of facilities and infrastructure in the state. Therefore, to ensure that the SMJ Plan can achieve the direction set, this study suggests that

the focus for development in the state of Sabah needs to be implemented holistically, including urban and rural areas.

**Keywords:** Sabah People's Well-Being, Human Capital, Smj Plan, Sabah's Economic Synergy.

### **Introduction**

Development is creating a prosperous society in economic, social and political aspects. The government's role in realizing comprehensive development between states is essential to balance the socioeconomic level. However, there is no denying the government's role and efforts in addressing the development gap between states, such as a series of five-year development plan better known as the Malaysia Plan. Despite this, more than initiative implemented in Malaysia's five-year development series is needed to put Malaysia in a comfortable position, especially in analyzing interstate development affairs. The government has launched the 12th Malaysia Plan, which aims to improve the welfare of the people and close the income inequality gap. The government also implemented the National Recovery Plan as one of the economic recovery initiatives from the negative impact of the Covid-19 pandemic. However, the extent to which the development policy introduced by the government has succeeded in improving the well-being of the people, especially in the state of Sabah during the implementation of the National Recovery Plan, needs to be identified.

### **Research Methodology**

The study uses a literature review and structured interviews to answer research problems and questions. Secondary data and information are obtained through printed documents such as books, articles and journals with critical debates and journals related to development in Sabah and Malaysia. Structured interviews were conducted with individuals directly involved in contributing ideas, commenting, proposing and analyzing the development policy and framework in Malaysia and Sabah, such as researchers and field experts, the Ministry of Sabah and academics. Among the respondents involved is Yang Behormat Dato' Ir. Shahelmy bin Yahya is the Minister of Community Development and People's Welfare. Professor Dr. Sity Daud is the Deputy Dean of Networking and Alumni at the National University of Malaysia, and Associate Professor Dr. Ramzah Dambul is the Chief Executive Officer of the Sabah Development Studies Institute.

### **Human Capital Issues in terms of Unemployment and Labor Force**

Human capital is one of the most critical instruments in guaranteeing the sustainability of a country's well-being. Rahman et al (2021) argue that human capital is a labour force in an organization and country that contributes to economic benefits and value. Weaknesses in the human capital sector impact increasing unemployment rates and decreasing labour force participation (Alwi et al., 2020). It can contribute to the well-being of the people through the economic and social growth of a state or country. In 2019, Sabah recorded an unemployment rate of 5.8%, with a labour force participation rate of 70.0% (Gustin & Aslina, 2020). Based on the information, the study found that Sabah is one of the states with the highest unemployment rate in Malaysia.

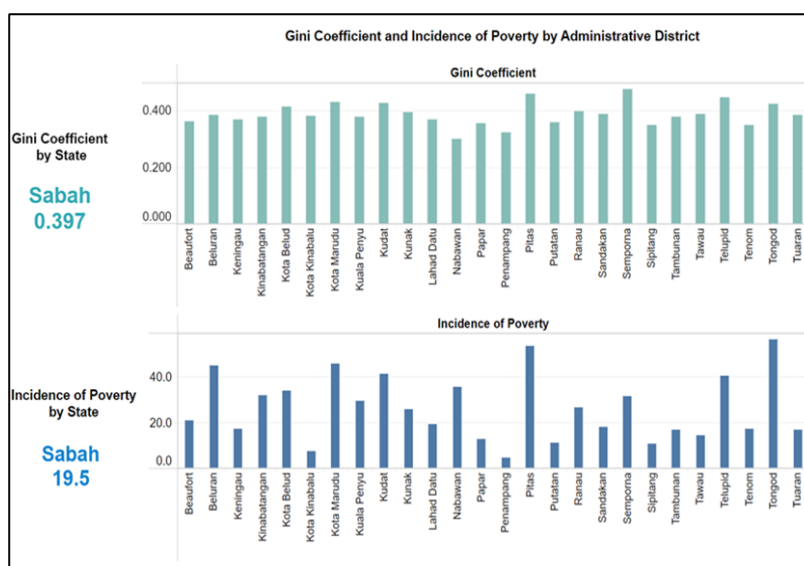
Various factors affect the unemployment rate in Sabah, one being that the state under the wind has few factories due to the lack of foreign investors. Foreign investors do not invest because they need basic facilities and infrastructure such as water, electricity and good roads in Sabah. In addition, employers prefer to hire foreign nationals living in Sabah because they prefer to pay daily wages (Ramzah, 2022). In addition, the low salary of graduates causes the

unemployment rate of the educated tertiary group, which is 5.0% compared to the group with only lower secondary education. The lack of job opportunities commensurate with qualifications contributes to the low labour participation in Sabah because this group chooses to migrate to the Peninsula to work in Kuala Lumpur, Johor Bahru and Selangor, which are dense with industrial areas (Sity, 2022).

The labour force participation rate in Sabah is also low because stateless people who do not have recognized identity documents are not allowed to work even though they are the majority of Sabah's population. It is estimated that 800,000 of Sabah's 3.9 million residents are stateless people who are highly likely to work in the informal sector and are exposed to unsafe and exploitative work conditions. At the same time, these groups also do not have access to education, health services and banking, and this situation has made their daily lives difficult. Their financial results are not considered in Sabah's economic growth.

### Income and Poverty Gap in Sabah

The polemic and poverty problem in Sabah is not something new. Based on statistical data from the Department of Statistics Malaysia 2019, Sabah is the state with the majority of the poorest districts in Malaysia. At the same time, the development gap in the state of Sabah is lower than in other states in Malaysia (Department of Statistics Malaysia 2021). Statistics show that the national GDP per capita increased by 2.8% per year during the 11th Malaysia Plan. Despite this, there has been an unbalanced distribution for each state. The Federal Territories and five other states have recorded GDP per capita above the national average of RM 43,378 in 2020. The Federal Territory of Kuala Lumpur has recorded the highest achievement of RM120,600. Still, Sabah, Kelantan, Kedah and Perlis have recorded low GDP per capita due to high dependence on the commodity-based sector. During the 11th Malaysia Plan, the Central Region recorded the highest per capita GDP of RM62,886 in 2020, while Sabah achieved the lowest income of RM22,858 with a gap of 63.7% to the Central Region. In addition, there is also a large income gap between Banda and rural areas. Based on diagrams 1 and 2, Sabah's gross monthly household income difference in 2019 is RM2500 to RM3000. RM5000 for urban areas and RM2500 for rural areas, which is higher than in other states because the difference in middle income is only in the range of RM1500 to RM2000. Generally, the high poverty rate based on the national poverty line is RM2208 and RM1169 for the extreme poor. Sabah recorded the highest Gini Coefficient at 0.397, absolute poverty



at 19.5%, and relative poverty at 14.7% in 2019. However, Sabah's absolute poverty index improved from 23.97% in 2016 to 19.5% in 2019.

Diagram 1: Sabah Poverty Index Statistic Source: Department of Statistics Malaysia (2019)

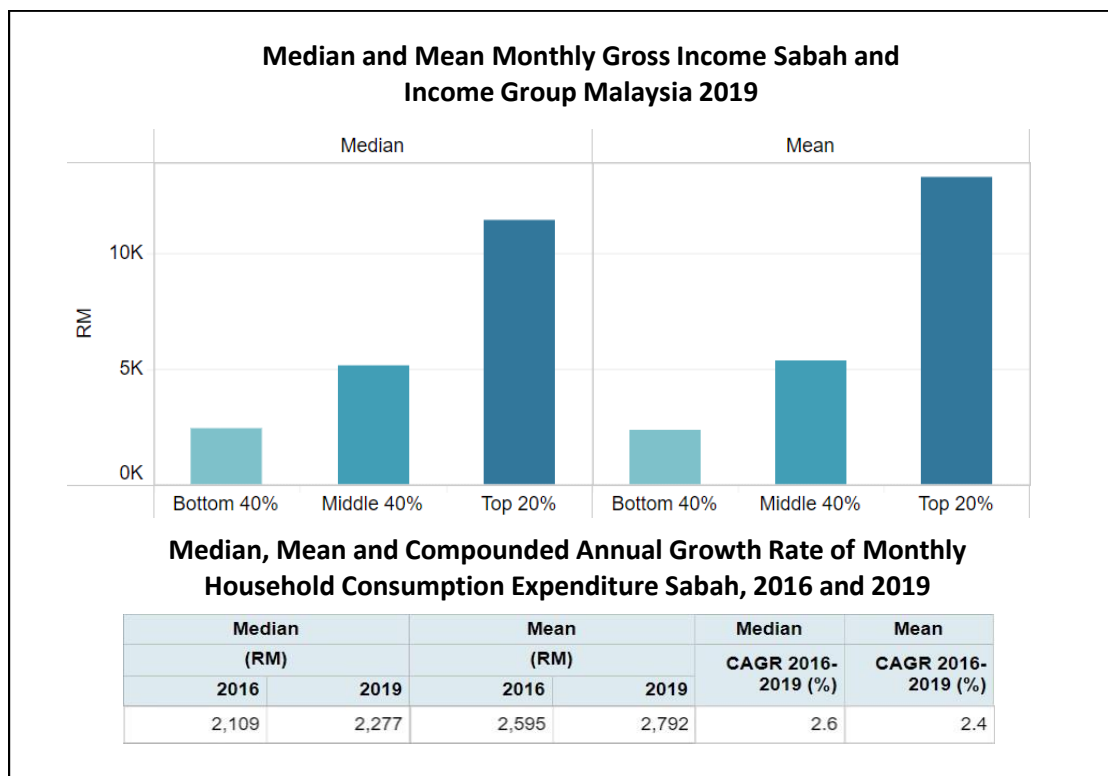


Diagram 2: Sabah Households Index Statistics Source: Department of Statistic (2019)

The limited number of manufacturing sectors and industries also causes the income gap in the state of Sabah. Based on statistics from the Department of Statistics Malaysia (2020), the manufacturing industry only contributes 8%, which is RM6.5 billion to Sabah's GDP. It shows that the manufacturing industry activity is still low. Because of that, the economic opportunities of the manufacturing industry have yet to be fully utilized and have resulted in the migration of the workforce. It is estimated that 200,000 Sabahans work in the Peninsula (Department of the Chief Minister of Sabah, 2021). Among the factors of the slowdown and backwardness of the industrial sector is that the state government only focuses on the tourism sector alone and ignores the agricultural sector. The agricultural sector is one of the essential factors in dealing with food security.

The study also found that the state government only expects private investment, which is one of the factors that cause the manufacturing industry not to proliferate. This happens because of the need for innovation and expertise in critical sectors. Due to these factors, fundamental goods' prices are higher than in the Peninsula because Sabah does not have a processing plant and is entirely dependent on the Peninsula. The lack of manufacturing and manufacturing industry is also due to the lack of diversification of economic resources, and the state of Sabah is too dependent on the tourism sector.

### Weakness of Development and Network Infrastructure

The Eastern Region of Peninsular Malaysia, Sabah and Sarawak are faced with issues of weakness in terms of infrastructure such as utilities, telecommunications, and transport

networks. Sabah faces the challenge of attracting foreign investors. In addition, in Sabah, industrial park development planning is also classified as weak because the level of management and maintenance in some industrial parks needs to meet the expectations and needs of investors. The situation has caused some industrial parks not to be fully used, and most development is only concentrated in urban areas.

The development of the infrastructure network is prolonged in the state. For example, the establishment of schools and hospitals could be faster and more effective. The Central Government has allocated many funds to build schools and hospitals, but it took too long to build (Sity Daud, 2022). Development and infrastructure networks are more concentrated in urban areas such as Kota Kinabalu. Due to these factors, rural areas rich in land products cannot be fully developed due to the lack of basic infrastructure such as roads and bridges, which are necessary to connect areas with challenging landforms such as rivers and hilly regions. Among the contributing factors identified is the existence of a communication gap between the central and state governments, which means that the development projects planned by the central government do not meet the real needs of the state of Sabah. For example, the best road is in Sandakan, not Kota Kinabalu (Yahya, 2022).

Generally, 40% of the roads in Sabah are not paved, even though there are hospitals, clinics and schools that make it difficult for the people. At the same time, there needs to be more comprehensive monitoring to ensure the success of the implemented projects. For example, the Pan Borneo Project has been delayed for an extended period due to constraining factors such as problems with developers. At the same time, the allocated budget was not spent as well as possible by the Sabah Public Works Department, which has caused the roads in Sabah to be potholed and poorly maintained (Yahya, 2022).

Based on the factors that have been stated, the study has analyzed and divided into two main concentrations in the policy implications, the first in the economic aspect and the second directed at the social aspect.

### **Implications of Policy on the Economy**

The Economic Planning Unit (EPU) has identified 31,598 heads of households in extreme poverty (KIRT) in Sabah. The ten poorest localities have been selected for the first phase of the Malaysian Family Poverty Eradication Program (BMTKM) beginning April 2022: Kampung Penimbawan (Sulaman); Penangah Village (Tongod); Bongkol Village (Pitas); Sembirai Village (Kota Belud); Tandek Village (Marudu City); Kampung Pelakat (Sipitang); Village Binsulok (Beaufort); Tetabuan Village (Beluran); Kaingaran Village (Ranau); and Kampung Lima (Nabawan). Another 20 villages in Sabah will be selected for BMTKM under the second and third phases this year to bridge the poverty gap in Peninsular, Sabah and Sarawak.

At the same time, Malaysia's poverty line income (PLI) value was revised in 2019 to emphasize optimal and healthy food intake and quality non-food basic needs. The average value of PGK in Sabah is RM2,537 per month. In contrast, the average value of PGK food is RM1,179 per month, with an average household size of 4.5 people (Department of Statistics Malaysia, 2019).

Following the impact of the spread of the COVID-19 epidemic on household income and expenditure, the Statistics Department revised the national poverty line to refine the socioeconomic position and development gap. This is because the national GINI coefficient is

estimated to increase from 0.407 to 0.411, indicating an increase in unequal income distribution (Department of Statistics Malaysia, 2019).

### **Implications of Policy on Social**

Although Malaysia did not sign the 1951 Refugee Convention, the role of Malaysia and United Nations bodies in Malaysia, such as the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Children's Fund (UNICEF), should be strengthened to improve living standards stateless people in line with the implementation of the Sustainable Development Goals (Sustainable Development Goals) as well as the management of refugees and asylum seekers in Malaysia.

The amendments made to the Sarawak Land Code 1958 and the Sabah Land Law Ordinance 68 need to be publicized to the tribes of Sabah and Sarawak so that confusion no longer occurs between the status of customary land and 'provisional leases'. The amendments made should ensure that the agricultural land use gazette by the state government does not conflict with the agricultural activities that have been carried out for a long time by the indigenous tribes of Sabah and Sarawak that have been recognized before the gazette state land law is still in use and before the 1963 Malaysia Agreement was signed.

Equality development policies can no longer be used. On the other hand, policies that are equity based on the needs (need-based) and rights (rights-based) of the local community should be highlighted. The government also needs to be more proactive in removing socioeconomic barriers to eradicate poverty and help the Sabahans enjoy a higher quality and sustainable standard of living. Therefore, to ensure that the development of Sabah can be carried out holistically, several suggestions for improvements to the economic and social aspects exist.

### **Proposals for the Improvement of the Sabah Maju Jaya Policy in guaranteeing the well-being of the people of Sabah**

Sabah is a state that often gets the highest allocation in the annual budget for national governance. However, Sabah is still categorized as the poorest state, and the development status differs from the allocation given and needs to be developed. A development plan that is more specific to the actual reality of Sabah's development and is not of a '*Malaya*' nature should be given priority because the socioeconomic needs of Sabah (and Sarawak) are different from the Peninsular.

Sabah's development plan should also be more 'human-centric' to popularize the Sabah economy. The adaptation of a 'bottom-up' development model to create joint ownership of the state's economic model should be emphasized so that the people understand and understand their role in developing the state's economy and the state government is also more attentive and sensitive to the needs and wishes of the people who bear the negative impact of economic decline (e.g., inflation) directly. The concept of 'social enterprise' or social enterprise between the local community and non-governmental organizations (NGOs) should be further developed because both parties jointly develop the enterprise compared to the conventional enterprise model that only employs local occupation.

The transition towards a knowledge-based economy and highly skilled workforce should be emphasized in developing Sabah's human capital more efficiently. Close cooperation between the state government and local universities is also vital to ensure that Sabah graduates can meet the needs of the local industrial market and can indirectly increase the labour force participation rate, reduce dependence on commodity products and upgrade the

position of the economic sector to a higher added value ( high-value added) based on intensive high technology in line with the goals of the Shared Prosperity Vision 2030 (WKB2030). This can simultaneously bridge the economic and development gap between Sabah (and Sarawak) and the states in the Peninsula and reduce the migration of labour to the Peninsula and the use of foreign labour.

Regional GDP comparisons are also biased. If viewed as a whole, Sabah's GDP contribution is the fifth highest but the poorest if the comparison is made from a regional lens. This raises the question if Sabah's contribution is higher than some states in the Peninsula, why is the level of development in Sabah still lagging? If the state's revenue is increased, more development projects that support economic growth should be possible. But the opposite happened. Sabah is less developed than the peninsular states. Is the redistribution of Sabah state revenue from the central government commensurate with Sabah's financial results and needs? The redistribution of Sabah state revenue should be done more transparently and based on merit and not economic status so that the interests and socioeconomic needs of the people of Sabah are guaranteed and more directed towards equality of outcomes.

Referring to statistics from the Department of Statistics Malaysia (2020), agricultural activities were the third highest contributor (RM13.7 billion or 16%) to Sabah's GDP in 2019. This shows that agricultural activities have great potential to drive healthy economic growth. Therefore, the state government (and the central government) play an essential role in the commercialization of Sabah's agricultural products and ensure that the use of traditional agricultural land is in line with the sustainable development agenda by introducing 'smart agriculture' or climate-friendly agriculture activities from continued to take ownership of their land.

This effort will indirectly help Sabah achieve the 10th sustainable development goal (SDG), which is to reduce income inequality, including economic, social, and political goals, and the 13th goal, which focuses on climate action and protecting life for the sake of sustainable well-being, environment and economic growth.

Investment in manufacturing and automation activities is still low even though Sabah recorded good foreign investment during the COVID-19 pandemic. During the pandemic, Sabah managed to attract investments worth RM11.2 billion in the industrial and tourism sectors, showing that Sabah's economy is recovering. However, foreign investment is not a suitable yardstick to judge the extent of the success of Sabah's economic growth. The state government should outline indications/metrics to measure the actual position and explain to the people and the business community the benefits of the Sabah Maju Jaya Roadmap (SMJ), which outlines the agriculture, industry and tourism sectors as the three main drivers of the Sabah development plan 2021-2025. The microeconomic approach needs to be intensified and expanded to all levels of society because Sabahans still need to understand the benefits of SMJ to everyone.

Looking at the indicators of economic imbalance in the state of Sabah, the main thing that needs to be emphasized and paid attention to is from the leadership's point of view. Therefore, bureaucratic issues in administration, whether from political institutions or public and private agencies, need to be transparent and more efficient, especially in working together to channel funds to community development. If you look at the economic resources data, tourism is the primary economic resource in Sabah (no. 2 in Malaysia), such as Kota Kinabalu, Semporna and Tawau. Despite this, Sabah is no exception as the largest oil-producing state in Malaysia. With that, development in the state of Sabah should be more

targeted and balanced so that income redistribution to the people of Sabah is more appropriate as the main producer for other sectors such as agriculture and others.

### **Conclusion**

Poverty alleviation and income distribution should not depend too much on the poverty line index alone. This is because the poverty line indicators and indices are too rigid, which results in large part of the population falling or belonging to the social safety net. The ratio is because the definition of poverty based on the SDGs is more comprehensive (emphasizing factors such as ethnicity and access to the internet according to the requirements of new norms and others).

The issue of poverty in Sabah is too complex and cannot be hit equally due to the vastness of the state and various geographical factors. Therefore, the implementation and distribution of the 2022 budget (Sabah receiving RM5.2 billion) requires a comprehensive approach that focuses more on the needs of a district and the area, in line with efforts to localize development goals in Sabah.

Development policies should also be people-friendly by considering the voices of the people and non-governmental organizations (such as CSOs) who know more about the needs of the people on the ground. From a social point of view, the development policy should be comprehensive or total (inclusivity). From the perspective of economic development policy, the policy should emphasize microeconomic development first. The small business sectors in Sabah should be developed first so people can improve their socioeconomic level. The government plays a vital role in helping reduce the gap in the supply chain so that Sabahans can commercialize local products.

In terms of human capital development, every policy that is implemented and the achievement of the policy should be publicized to the people of Sabah so that they are more sensitive to growth and economic opportunities (i.e., jobs) from foreign investment to attract the interest of Sabah graduates who work in the Peninsula to return work in Sabah.



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