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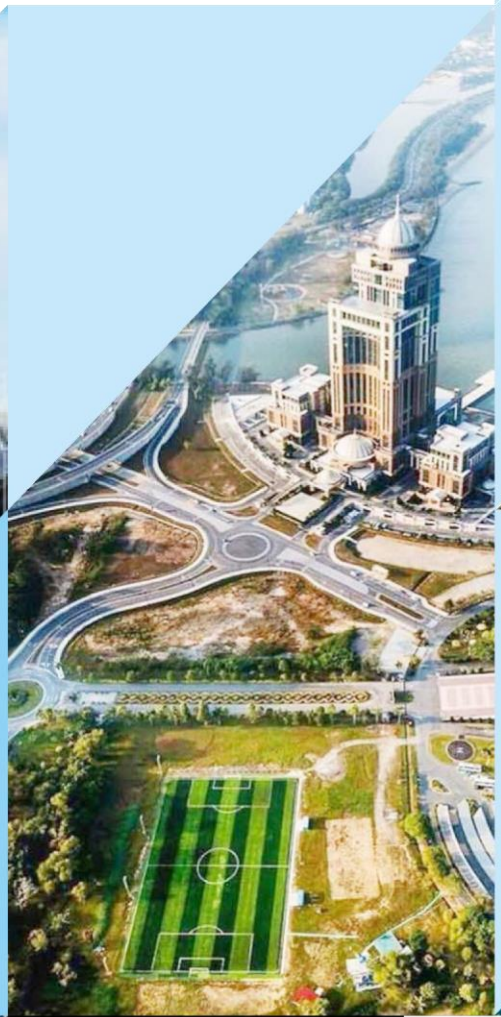
SABAH INTERNATIONAL BUSINESS AND ECONOMIC SUMMIT

17 - 18 Jan 2022
Sabah International Convention Centre, Kota Kinabalu, Malaysia

Unlocking Sabah's Potential, Unleashing Business Opportunities



2021-2025
SABAH MAJU JAYA

PROCEEDINGS REPORT

About the Summit

The Sabah International Business and Economic Summit 2022 (SIBES) was a Sabah-state government sponsored conference that took place on 17-18th January 2022. It brought together stakeholders from the state government, private sector and civil society to discuss and ideate the future of Sabah's economy. The Sabah state government under the leadership of YAB Datuk Seri Panglima Hajiji Noor has launched the Sabah Maju Jaya (SMJ) Development Plan 2021-2025 in March 2021. In reviewing and proposing fresh ideas to build on the blueprint, the Summit was a gathering of government leaders, captains of industries, academic experts, and investors with the aim of promoting discourse on building an inclusive, sustainable and innovative Sabah economy.

SABAH INTERNATIONAL BUSINESS AND ECONOMIC SUMMIT

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SUMMARY

The Sabah State Government aspires to revitalise the state's economy through the Sabah Maju Jaya Vision 2025 plan by stimulating its various sectors, bringing in substantial investments, and committing to infrastructure development. There is great potential in Sabah as its economy is expected to grow at a positive rate of 3.8-4 percent in 2022. In 2021, Sabah recorded its highest-ever state revenue surpassing MYR5 billion for the year. With its geographical advantage, Sabah is able to leverage the various trade agreements Malaysia is part of such as AFTA and RCEP. It is also in the best location to access large markets of the countries under BIMP-EAGA due to its proximity. Sabah can reposition itself as a manufacturing hub and producer of goods as it is currently dependent on imports. Achieving this requires improved interconnectivity with upgraded facilities for container ports, logistic hubs, air access, and other infrastructure means that enhance the movement of people and material. Opportunities can be found in the digital agenda. Sabah can become a data hub that offers services from data management to integration. With upcoming initiatives such as E-ID and other smart applications intended to improve processes, a more aggressive push is needed to digitalise. To facilitate this, Sabah needs clear institutional structures to oversee matters involving ICT activities in the state. Other niche areas can be focused on, such as the biopharmaceutical and biomedical wellness industry, agriculture, tourism, and timber industries. Sabah's government is keen to partner with more investors, both foreign and domestic. However, systematic issues need to be addressed to attract and facilitate trade and business into the state. Labour-related regulations and policies involving immigration need to be eased. Approval processes have to be sped up and the cost of doing business needs to be reduced. Incentives can be introduced for factory relocation, especially from Peninsula Malaysia, besides enhancing basic infrastructure and enablers in the economy. The State Government can also pursue sub-sovereign ratings that will enhance Sabah's credibility, transparency, and disclosure as accorded by the rating, allowing investors to gauge the state's credits more accurately and enable Sabah to raise finances from the international capital market. Sabah is improving its sustainability efforts, particularly with forestry. With controversies surrounding palm oil, active steps have been taken to conserve their existing forest while allowing sustainable forms of logging through replanting and industrial tree plantations (ITP). Having priorities on the sustainability agenda by adopting best practices, such as the ESGs, would save Sabah from the need to implement them at a later time when the world would insist on such standards. Sabah's inequitable issues with the Federal Government in terms of economic development when it comes to matters of funding need to be resolved. This includes matters such as inequitable share of revenue, budget allocation, insufficient approval power in administrative issues from the Federal Government, and the lack of tailored made tax incentives for Sabah. The revitalisation of Sabah's economy also requires a change in attitude amongst the people of Sabah whereby Sabahans need to develop a work ethic with a greater sense of urgency.

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THE SABAH INTERNATIONAL BUSINESS AND ECONOMIC SUMMIT (SIBES)

"Unlocking Sabah's Potential, Unleashing Business Opportunities"
17-18 January 2022 ❖ Sabah International Convention Centre, Kota Kinabalu MALAYSIA

DAY ONE: 17TH JANUARY 2022 (MONDAY)

PROCEEDINGS REPORT

WELCOME REMARKS

Tan Sri Majid Khan, Co-Organising Chairman / Deputy Chairman, KSI Strategic Institute for Asia Pacific

Under the leadership of Sabah's Chief Minister, the Gabungan Rakyat Sabah (GRS) led state government has put initiatives in place that are business and investor-friendly. The state government has set a two-year time frame for development projects in the state to ensure that every application from investors to implement development projects in the state is expedited for approval and implementation.

Sabah is strategically located within the ASEAN region which has a population of 650 million people and a GDP of USD3 trillion. The state capital, Kota Kinabalu, is only an hour's flight away from Indonesia's new capital Balikpapan. Sabah is also located within the BIMP-EAGA region which consists of Sabah, Sarawak, Brunei, Kalimantan, and the Southern Philippines with a combined population of approximately 70 million people. The chairman of BIMP-EAGA, Tan Sri Pandikar Amin, has done a fantastic job in introducing Vision 2025 for the development of the region. This also includes major sustainable infrastructure projects that will develop and stimulate the region. Hence, the BIMP-EAGA region will bring development and stimulus, especially in major sustainable infrastructure projects such as green energy that will improve infrastructure and connectivity within the region. However, the manufacturing industry is underdeveloped in this region, leading to a dependence on a large volume of imports to meet the needs of the population. This will be the opportunity to turn Sabah into a manufacturing centre to allow imports to be substituted with locally produced goods. Examples can be taken from the ASEAN Free Trade Agreement (AFTA) which allows for the free movement of goods and the removal of tariffs within the region.

To spur prosperity and mobilise private sector investment, the state government under the Sabah Maju Jaya Development Plan (SMJ Plan) has continued to support the development of more comprehensive manufacturing facilities that transition into higher levels of value-added production, developing the state into a food basket for the country to support a sustainable agroindustry and fisheries, thus positioning Sabah as a well-connected tourism destination. The private sector plays an important role in identifying challenges and solutions to better promote trade, tourism, and investment, as well as to identify private sector-led projects that support development.

The Pan Borneo Highway will be a game-changer for Sabah and Sarawak as it will eventually connect to the Trans-Borneo Highway in Indonesia. This is vital as consolidation hubs will be established along the route, ensuring cargo-handling efficiency in accordance with the 12th Malaysian Plan (12MP). It is important to develop and improve the inland container port facilities that support inland logistics, such as the Keningau Inland Port in Sabah and the Tebedu Inland

Port in Sarawak. Regional and local airline connectivity must be enhanced to improve the movement of people.

In January 2022, the Regional Comprehensive Economic Partnership (RCEP) trade agreement came into effect which is a timely development for Malaysia's future growth as a trading nation. RCEP represents 30 percent of the world's population and has a GDP of USD26 trillion, making it the world's largest economic block that is bigger than NAFTA or the European Union. According to a recent report published in mid-December 2021, Malaysia is expected to be the largest beneficiary of the RCEP agreement in ASEAN in terms of gains in the export market. RCEP will lead to lower tariffs among the 15 nations which will lead to increased trade and economic activity, providing an impetus for post-pandemic recovery. A study by the Associated Chinese Chamber of Commerce and Industry in Malaysia found that RCEP will boost Malaysia's GDP by up to 1.7 percent in the medium term with growth in exports increasing by as much as 24.4 percent during the same period. This bodes well for Sabah as the state stands to benefit from maritime trade, aviation cargo, and international trade. Two major shipping lanes pass through Sabah – the Strait of Malacca and the Makassar Strait which constitute 30 percent of world trade. This can establish Sabah as a new manufacturing hub for Malaysia with more job opportunities. The state will also develop economic zones and industrial parks to attract more domestic and foreign companies to invest in Sabah.

The Sabah State Government will also enhance the capabilities of local small-medium sized industries through training and upskilling programmes. Tourism is a major industry that bodes well for Sabah. As it possesses a diverse background in nature, culture, and the hospitality of its people, Sabah is able to attract an influx of tourists, especially arrivals from China which were at its highest in 2018 and 2019 prior to lockdowns. The Chinese middle-class stands at 700 million people and is a strategic source of tourists for Sabah as it is only three hours away from many major Chinese cities and five hours from Beijing. Double-digit growth from China-based arrivals is expected in the near future if the COVID-19 pandemic is over by 2023. At the same time, Sabah also welcomes tourists from all over the world.

To further encourage more tourist arrivals, the tourism industry has to develop innovative ideas and services, including rebranding its tourist attractions to appeal to locals and repricing hotel rooms, all as a means to discover new value propositions. The government and the private sector should work together to formulate a comprehensive development plan to meet an expected influx of tourists. The private sector is also encouraged to build more hotels in Sabah to cater to these demands. Hap Seng Land recently announced the building of two new hotels in Sabah which will be managed by two international hotel companies. This shows that the private sector has the foresight and confidence to invest in Sabah.

It is hoped that the International Business and Economic Summit (SIBES) can serve as a platform to bridge gaps and promote understanding and cooperation between the state government and the private sector, paving the way for more investments into Sabah.

OPENING KEYNOTE ADDRESS

The Right Honourable Datuk Seri Panglima Haji Hajiji Bin Haji Noor, Chief Minister of Sabah, Malaysia

"Achieving Sabah Maju Jaya to Deliver Development and Progress for Sabah"

Sabah is on the cusp of accelerating its growth and development following a comprehensive vision, strategy, and priorities in the next five years following the SMJ Plan. The state has a rich diversity of cultures, ethnicities, and languages which comprise more than 40 ethnic groups and more than over 200 sub-ethnic groups who live harmoniously and embrace each other as a Sabahan-Malaysian family. With a talent pool of close to four million people, Sabah is the sixth-largest contributor to the Malaysian economy, contributing 5.8 percent to Malaysia's Gross Domestic Product (GDP).

Various initiatives have been and are being implemented by the state government including the reopening of economic sectors to allow cross-district and state activities to rebound following the impact of the COVID-19 pandemic. In so doing, Sabah's economy is expected to grow at a positive rate of 3.8 percent to 4 percent. History was made when Sabah recorded its highest ever state revenue surpassing MYR5 billion in the year 2021. In March 2021, the Sabah State Government launched its five-year Hala Tuju SMJ Development Plan setting out strategic directions in three main thrusts; (i) agriculture, industry, and tourism, (ii) human capital and well-being of the people, and (iii) putting an emphasis on connectivity, specifically toward green infrastructure and sustainability networks.

In the agriculture sector, the SMJ Plan will put heavy emphasis on developing the value chain, specifically on production, harvesting, processing, and marketing. Sabah's Aquaculture Industrial Zone will adopt sustainable practices and undergo a process of modernisation. The state government also intends to leverage technology and innovation to boost productivity and growth. This can already be seen with the use of drones to map and manage large swaths of palm oil plantations.

The next sector of focus is the industrial sector which contributes 8 percent of Sabah's GDP but remains an area that has yet to realise its full potential. The state government is fully invested in enhancing infrastructure, nurturing entrepreneurship, boosting investment, and increasing competitiveness by leveraging advances in the Fourth Industrial Revolution. With memorandums

of understanding for high-impact investments in agriculture, industry, and tourism, new investments, including innovative solar glass manufacturing and large-scale herb plantations among them, will assure Sabah of good returns whilst creating job opportunities for its people. Sabah's government is keen to partner with more investors with serious intent of doing business and assures investors, both foreign and domestic, that the state government will strengthen the implementation of these projects to ensure their success.

Innovation is not restricted to technological adoption and takes many forms. Industrial Tree Plantation (ITP) is an example of an innovative public-private partnership arrangement between the Sabah state government and the timber industry to reduce pressure on tropical timber and the forest. The ITP initiative has a higher yield and shorter gestation period which will be a game-changer in reviving Sabah's timber industry to its former peak production of 12 million cubic meters experienced in the 1980s. The private sector will plant 80 million trees in 10 to 12 years with an investment of MYR4 billion. Based on industry input, the establishment of 40,000 hectares of forest plantation can create 40,000 potential jobs for skilled and semi-skilled workers in the upstream sector, with another 40,000 jobs downstream. The ITP is projected to raise MYR7 billion a year from the export of timber products. Conservation efforts will be undertaken by the Sabah Forestry Department to monitor the implementation of the ITP to ensure environmental sustainability and governance of the forest. Planting trees in areas degraded by logging activities will go a long way in achieving a carbon-neutral nation by as early as 2050. This effort is in line with the Environmental, Social, and Corporate Governance (ESG) and Sustainable Development Goals (SDGs).

To serve a large land area, key industrial zones have been created in the form of two free economic zones, namely the Integrated Logistics Services (KKIP) and the Transhipment Hub in Sepanggar. The state also has the Sabah Oil & Gas Terminal in Papar and the Sipitang Oil & Gas Industrial Park. In addition, there is the Palm Oil Industrial Cluster (POIC) in Lahad Datu and the Furniture Park in Sandakan. There are many opportunities to leverage multiple sectors across the state to become an attractive destination for investment which is evident as Sabah has been able secure MYR4.4 billion worth of foreign investments as of June 2021, the third largest in the country. The state government will continue to ease all hurdles to facilitate further investments.

The third sector is the tourism industry which is the third-largest contributor to the state's economy at 10 percent of GDP with tourists from China, South Korea, Australia, and Taiwan. Sabah is blessed with great natural assets from the ocean deep to mountain high. Prior to the onslaught of the pandemic in 2019, the industry experienced an upward trend, recording 4.1 million arrivals and registering MYR8.3 billion in total receipts and MYR12 million in tourism tax revenue. Although COVID-19 has affected global tourism, the Sabah Government is optimistic about the tourism industry's recovery with the reopening of borders. Lessons will be drawn from the pandemic and there will be a balancing of mass tourism with high-yield and high-end tourism products. The state government recognises tourism as a significant economic catalyst and welcomes investors with the hope of reaching win-win business opportunities. To promote this effort, the Sabah Government is equipped with international building facilities such as the Sabah International Convention Centre (SICC) which is the largest state-of-the-art purpose-built facility in Borneo that is well suited for meetings, incentives, conferences, and exhibitions. The Sabah Government is looking to establishing a Sabah Convention Bureau to enhance promotion efforts and make Sabah a preferred destination for MICE events.

Sabah is strategically located at the heart of Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA). As such, Sabah will be doing its part to ensure the success of BIMP-EAGA Economic Corridor's development and to be at the forefront of promoting closer economic collaboration in the Southeast Asia region. The Sabah-Sarawak 275kV Interconnection Power Exchange Agreement supports the Borneo Grid and complements the Trans Borneo Power Grid Sarawak-West Kalimantan Interconnection Project which are vital to the ASEAN Power Grid Project. This will boost Sabah's power supply system and also provide a stable supply of electricity

and water to support the growth of industrial manufacturing and upstream sectors, as well as create employment opportunities in the heavy and light industrial sectors. Power and water supply are two key amenities the State Government is placing high emphasis on, including hydropower projects.

Sabah is a potential regional hub for manufacturing, maritime, and transportation for emerging and developed countries. The state will also benefit from RCEP. The relocation of Indonesia's capital from Jakarta to East Kalimantan will bring more people and businesses into Borneo, further strengthening Sabah's position and spurring economic activities. Investors, domestic and foreign, will have access to this subregion with a market of over 70 million people and growing. Investments to build and upgrade the Pan-Borneo Highway to link Sabah, Sarawak, Brunei, and the Kalimantan region and connect it to the Trans-Kalimantan Highway will be crucial in building connectivity and promoting economic linkages.

The Sabah Government is ramping up its digitalisation efforts to fully leverage the potential of its digital economy. MYR3.61 billion has been allocated by the Federal Government to provide wider coverage and better quality of broadband experience to ensure every citizen has access to the Internet regardless of where they live in Sabah. This is done in preparation for the country's implementation of 5G technology under the first phase of the National Digital Network Plan (JENDELA).

The Federal Government has been receptive to Sabah's development needs as seen in the 12th Malaysia Plan which is committed to enhancing Sabah's development as one of the nine main focuses. The Federal Government facilitated the signing of the Commercial Collaboration Agreement between the Sabah State Government and PETRONAS which will give Sabah greater say, participation, and revenue sharing in oil and gas-related matters. Following this success, the Sabah Gas Masterplan was launched on January 4th, 2022, to pave the way for collaboration between the State Government and PETRONAS to guide investments in Sabah's natural gas resources.

SESSION 1: BALANCING BETWEEN LIVES AND LIVELIHOODS: WHAT'S THE PATH AHEAD FOR SABAH?

Moderator:
Datuk Adeline Leong, Chairperson, Institute for Development Studies Sabah (IDS)

2022 will be a much better year for the economy once the country reopens. COVID has taught and given people different perspectives. There is greater use of technology and working from home has become a norm. Many have pivoted to doing businesses online and virtual meetings have become commonplace. This is an opportunity to attract foreign investments for the benefit of Sabah.

Speakers:
The Honourable Datuk Seri Panglima Masidi Bin Manjun, Sabah State Minister of Local Government and Housing & Second Minister of Finance

At the start of the pandemic, the entire focus was on saving lives which resulted in movement restrictions. However, this prevented Sabahans from working which subsequently affected certain sectors of Sabah's economy, leading to unemployment and companies closing down. To recover from the pandemic's impact, there is a need to learn how to live with COVID, treat it like any other virus, and accept that it is unrealistic to expect COVID to disappear entirely.

Recovery of the tourism industry has to be made a priority in Sabah as 95 to 98 percent of those employed by the industry are Sabahans, making tourism the biggest job creator in Sabah. Although border restrictions remain in place, preparations need to be made for the eventual return of international travellers to Sabah. Such preparations can be made by giving focus on the domestic market. The height of Sabah's tourism arrivals saw 4 million visitors, 2.7 million of whom were Malaysian. Should only 30 percent of these domestic tourists be attracted, it can generate a revenue of MYR2 billion annually for Sabah. Therefore, local Sabahan tourism operators should be targeting the domestic Malaysian market rather than preferring tourists from China. When the government allowed hotel operators to reopen for business after the first lockdown, 70 percent of rooms were booked within days whose patrons were mainly Sabahans.

However, the Sabah government is limited in its budget, especially after spending hundreds of millions to fight off COVID. Yet, a stimulus on the Sabahan economy is necessary to spur growth in domestic industries. Skills need to be upgraded, especially for the youth, who can be encouraged to develop their entrepreneurial skills. This way, youths can create their own jobs rather than wait for employment. To enable this, the government should provide assistance to the youth through seed funding to help develop entrepreneurial skills or in the marketing of products.

There is potential in the agricultural sector for food crop development in Sabah. Improved farming methods need to be introduced with the use of technology. Processing of raw crops will fetch more attractive pricing. New types of crops and new farming methods can also be considered in Sabah, not only because it is can be more lucrative but also can become an attractive vocation. Most importantly, to revitalise Sabah's economy, there is a need for a change in attitude amongst the people of Sabah.

Datuk Sam Mannan, Deputy Director, Yayasan Sabah Group

The Sabah Foundation was established to promote socioeconomic development which include efforts to provide education for the masses, general health, welfare, ending poverty, and protection of its natural resources.

Logging in Sabah has been viewed with much adversity both by locals and those overseas, but such issues have not phased the Sabah Foundation. All forestry licenses should be cancelled and new ones can be issued to allow the Sabah government to start on a clean slate. The Sabah Foundation has one of the greatest green endowments in the world. The 1970 allocation of 85,000 hectares of virgin rainforest, including the Danum Valley, which boasts an internationally acclaimed richness in biodiversity, is in safe hands.

Due to growing concerns about the lack of revenue, a solution was made to a former Chief Minister to plant oil palms in devasted forest areas, which has been key to Sabah's survival. Initially, Sabah Foundation's oil palm plantations did not perform well due to gross incompetence. However, this was an exception, as meritocracy is recognised as a basis of the development and selection of individuals. Furthermore, there has been internal rife against palm oil, resulting in a boycott of Sabah's palm oil. This needs to be addressed as it could risk leading to further issues.

There have been other successes experienced, such as Petronas' powerplant giving a dividend of MYR30 million. Public companies were restructured, leading to additional earnings of an estimated MYR40 million to MYR50 million in 2021. Incoming funding from the Foundation's partners in the United Kingdom amounts to a hundred million, with 50 million expected in 2022 and the remainder the following year. The Sabah Foundation recorded a profit of MYR500 million in 2021, none of which came from timber. Profits are expected to grow even more to a potential worth of MYR10 billion in five years' time. Subsidiaries of the foundation will be governed from the top down. Education is a top priority for the foundation, with 100,000 individuals trained with MYR506 million spent by the Foundation since 1966, a fact it is proud of.

Datuk Frederick Kugan, Chief Conservator of Forests, Sabah Forestry Department

Sabah has relied heavily on the forest for its much-needed revenue for the state's socio-economic development since its independence. In the mid-1980s, the forest contributed to 50 percent of Sabah's revenue. However, such dependence has a significant impact on the forest, particularly in terms of its capacity to produce timber. Fortunately, such disruptions are reversible and can be restored. In the past three decades, the Sabah Forestry Department has been focused on rectifying past mistakes and undertaking various forest conservation initiatives through partnerships with like-minded parties which has yielded positive results.

Despite exploitations of the forest in the past, 65 percent of Sabah's landmass or 4.8 million hectares is still forested. More importantly, 3.8 hectares or 52 percent of the state's forest is legally protected as permanent forest reserves, parks, and wildlife conservation areas. The Sabah State Government is also committed to identifying and gazetting more forests under totally protected areas (TPAs), increasing it from 1.9 million to 2.2 million hectares or 30 percent by 2025. These commitments have placed Sabah as the leading state in forest conservation.

The adoption of Sustainable Forest Management (SFM) concepts in 1997 has changed the forestry landscape in Sabah, affecting 3.5 million hectares of forest reserve. Since then, SFM in Sabah is based on three pillars – economy, environment, and social. This has brought about 38 long-term sustainable license holders with tenures of between 50-100 years and the introduction of a multiple-use concept which has been made a requisite for licensed areas that is a departure from the sole focus on timber to other compatible forest uses such as conservation, industry tree plantation, community forestry, and eco-tourism. These initiatives by SFM have allowed it to secure private funding for forest management from institutions that would otherwise have not been willing to fund such programmes directly, thus allowing it to mainstream conservation values, reduced impact logging (RIL), issue certifications for 820,000 hectares of forest, practice good forest governance and transparency, carrying out forest restoration of a 480,000-hectare area, as well as oversee the implementation of a community forestry concept to resolve the fate of communities living in or adjacent to areas that are affected by forest management activities.

Sabah's Forestry Department has also introduced the No Net Loss (NNL) concept as a compensation mechanism for the replacement of forests. It also conducts state-wide assessments and identified high conservation value (HCVs) forests for its protection, using it as a guide for the rationalisation of future forest land use. The scope of TPAs has been broadened to include other effective conservation measures. There are ventures into new sources of forest revenue such as ecotourism, PES, and REDD+ carbon. Support is given towards various initiatives in mainstreaming conservation in other sectors beyond protected areas, such as plantations. Sustainable livelihood programmes are also crucial components of community forest projects to garner the support and participation of local communities in conservation efforts.

There are many communities that are dependent on the forest. Therefore, conservation efforts protect the larger interest of Sabah in sectors that are reliant on the forest, such as agriculture, tourism, renewable energy, water resources, and carbon climate change ventures. Further unlocking this potential will bring greater benefit to the community and society as a whole. The realisation of the crucial role the forest plays in all sectors will bring about greater forest protection.

There is increased focus on ITP with the aim of rebuilding the productive capacity of Sabah's forest reserves through the scaling-up of 400,000 hectares of high-yield industrial tree plantations. This is part of the 1.6 million hectares of forest licenses under long-term license holders with a land area of only 5 percent of Sabah. This is a source of future timber supplies to reduce pressure on the forest whilst also contributing to forest conservation. The establishment of forest plantations will allow the sustainable production of 8 million cubic meters of timber annually by 2035 at a scale that will enable the crucial development of downstream value-added investments and innovation. This will also contribute MYR11.5 billion to Sabah's GDP, a ten-fold increase compared to present estimates. To achieve this, investments are needed from private sources of funding. A

Transformation Plan for Forest Plantation (TPP) study has been undertaken to identify an enabling environment to elevate ITP development. With commitment from existing and new players in implementing the action plan, the timber industry can be transformed to become one of the main contributors of Sabah's socio-economic development.

Datuk Seri Panglima Wong Khen Thau, Chairman, Malaysian International Chamber of Commerce and Industry (MICCI) Sabah

There is a difference between life and livelihood as there is no point talking about livelihood when there is no life. There also can be no life when one's livelihood is miserable. This is the effect the pandemic has had on most of the business community and people around the world. Many lessons have been learned during the pandemic that is not to be too complacent.

Tourism has dropped drastically, which is a reminder that anything can happen to businesses and livelihoods. COVID will remain and must be accepted as part and parcel of everyday life, just like any other virus. People have learned to adjust to this new environment to survive. Movement control lockdowns have proven not to be the solution.

There is a need to go back to the basics. People cannot only have one skill but need to learn and possess multiple skills. For example, those in the tourism sector have changed their variety of skills with many becoming entrepreneurs and some have even diversified by venturing into agriculture. Such preparedness is crucial for survival and in case of another pandemic.

The world and the ways of doing business have changed. People should not rely entirely on government funding to survive. One must re-examine their style of living. A new economic impetus that is crucial for a state's survival requires investors. Yet, there needs to be a greater focus on domestic investors rather than FDI. Malaysians must be encouraged to invest in local sectors and industries with appropriate government policies. Reliance on FDIs is not reliable as these sources of investments can come and go.

Malaysia has to become more competitive to attract FDI by providing value propositions that other countries are not able to offer. However, it first needs to address long-standing recurring issues, such as the cost of doing business, that have yet to be addressed despite having numerous development plans and return to the basics. The government needs to resolve these basic issues to allow Sabah's economy to grow and realise its full potential.

Sabahans should determine their own destiny and cannot always give way to the federal government which is in fact not providing leadership to the state. Education is key in preparing local Sabahans with the right training to meet the demands of industry and become Industry 4.0-ready.

Infrastructure issues also need to be addressed as road connectivity in Sabah is still not of satisfactory quality and flooding is still a regular occurrence. School buildings are in horrible condition. Action needs to be taken immediately if Sabah hopes to attract foreign investors. The private and public sectors need to work together to move in the right direction. Sabahan politicians need to show good leadership to young people who are the hope of the future.

SPECIAL ADDRESS

Prof. David Lim, Emeritus Professor, Department of Business Strategy and Innovation, Griffith University

"The Future of Education Trends in the 21st Century"

The word "educate" comes from Latin, meaning to 'lead out'. The young need to think about central issues of the 21st century analytically from first principles and use this perspective to examine issues without fear or favour. According to UNESCO's International Commission on the Future of Education, Re-imaging our Futures Together, a New Social Contract for Education report published in 2019, the central issues of the 21st century include widening social and economic inequality, biodiversity loss, disruptive technological automation, and climate change. Other issues include the appearance of pandemics and the information explosion.

Information technology has made the world more accessible, bringing instant and dramatic images of rising sea levels in pacific island nations, exposing conspicuous consumption of the rich, and making people more aware of the havoc wrought by COVID-19 and its variants. However, the solutions to most of these issues are less clear-cut with many not possible without international cooperation. This produces a sense of hopelessness felt instantly around the world. In the 20th century, issues were centred on the Cold War and conflicts stemming from it, such as the Korean and Vietnam wars, the Cuban Missile Crisis, and the space race. There were threats of nuclear war and degrading poverty in developing countries. While these were major issues, the number of such issues was relatively little. Furthermore, there was less immediacy of reports by the media compared to the seamless access to the news today from the internet and mobile devices.

With this backdrop, the purpose of education in the 20th century was to develop and support citizenship for the nation-state as well as produce compliance and conformity to do well in society and to hold down jobs. On the other hand, the world has become more complex in the 21st century which requires education to employ a new approach to teaching and learning to cater to members of Generation Z and Generation Alpha.

According to strategic educational thinkers, the present curriculum dealing with central issues of the 21st century, alongside literacy and numeracy which are creativity, must include critical thinking, communication, and collaboration as themes. The more complex the world becomes, the more creative the individual needs to be as it will allow them to think out of the box. Information needs to be treated in new ways, connections need to be made where none existed before, and innovative solutions to complex problems need to be thought through. There is a need for constant questioning of basic arguments, especially in the face of fake news. Communication allows solutions to complex problems to be found as it requires open minds and sharing views with other people. As issues have become more complex, there is a need for greater collaboration with diverse stakeholders.

Students of Generation Z and Generation Alpha learn and think differently as they are "digital natives" who can quickly find an answer to things they are interested in. They prefer to learn from the comfort of their devices rather than listen to a mundane teacher in school using archaic methods. Failing to appeal to members of the younger generation will lead to undesired consequences as those with broader interests become bored and lose their way, they will never learn to develop their interests and talents, and students in school may not engage. Teachers in the 21st century need to become a guide, mentors, facilitators, and motivators for students. They need not necessarily be the provider of all sorts of information as teachers are not all-knowing sages that broaches no arguments or dissent.

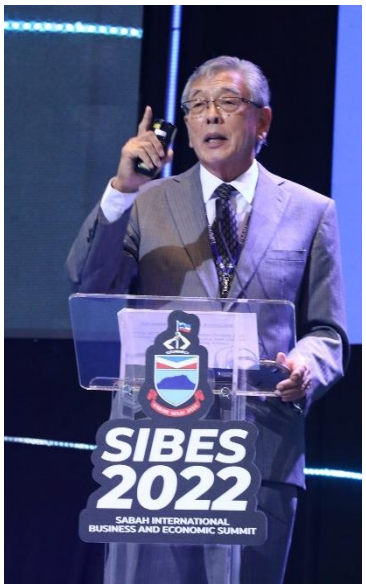
Regardless of the century, certain fundamental educational requirements remain the same. Credentialism must be avoided where formal qualifications are preferred to competence and experience for employment. There is overspending on education at every level. Instead, steps need to be taken to ensure that spending at all levels of education by the public and private sectors are equal, rather than be in a situation where the private sector is spending more on education than is required by society. Vocational and professional education must not be neglected in favour of academic education.

SPECIAL ADDRESS

Datuk John Lo, Member, Sabah Economic Advisory Council (SEAC)

Beyond the Road to Recovery: The Outlook on Future of Sabah's Economy

Sabah is fortunate compared to other countries but is faced with economic issues. It is the most harmonious state in Malaysia and has no qualms about religion and race. It is also top two richest states in Malaysia in terms of resources. Yet, it experiences widespread poverty and unemployment. Sabah faces two types of economic problems. First, poor economic management stemming from past issues has led to lower household income, severe revenue leakages, and Sabahans have lost control of the primary economic sector. The other matter is Sabah's inequitable issues with the federal government in terms of economic development when it comes to matters of funding, such as inequitable share of revenue and budget allocation, insufficient approval power in wide-ranging administrative issues from the federal government, and lack of tailored made tax incentive for Sabah.



Several solutions have been proposed by the SEAC to the Chief Minister of Sabah which are to (i) reset mindsets in politics, economics, and administration; (ii) introduce investor-friendly policies; and (iii) reset inequitable federal-Sabah relations. During Hajiji's speech marking his 100-days in office, the Chief Minister announced the introduction of several initiatives to unite Sabah under the SMJ vision. The initiative places an emphasis on unity, inclusiveness, transparency, and policies based on best practices. These are essential preconditions to reset Sabah's economy and achieve long-term growth. Hajiji also said that he is a Chief Minister for all Sabahans, irrespective of race or religion. He demonstrated this by rejecting PAS' proposal to impose restrictions on non-Islamic religions. He also reached out to members of the opposition with budget allocations for all constituencies. The Chief Minister also encouraged all elected representatives to become economic leaders in their own constituencies.

Several eminent Sabahans have been appointed to serve Sabah, constituted as a committee to identify objectives and provide professional and apolitical solutions. Together they determined innovative investor-friendly policies to spur Sabah's economic development by attracting genuine investors, expediting and expanding economic growth, and creating more jobs. In the past, many decisions have been political or personality-driven. Now economic policies will be decided based on the input from the Eminent Sabahans. This has also led to the formation of Invest Sabah Berhad. The outcome of adopting these investor-friendly policies has led to an inflow of MYR4.8 billion in investments, the 3rd highest among the Malaysian states in 2021. Sabah is in talks to facilitate foreign investment projects worth MYR25 billion, especially from other Asian countries, in 2022 and in the future.

Sabah has achieved an impressive record in terms of resetting its relationship with the federal government. This includes Constitutional amendments to the Malaysia Agreement 1963 (MA63), the conclusion of a Collaborative Commercial Agreement between the Sabah Government and Petronas on 7th December 2021, and the launch of the Sabah Gas Master Plan on 5th January 2022 where Petronas has committed to the construction of an LNG plant in SOGIP to spur gas-related industrialisation and power generation. Works in progress on the MA63 amendments include an equitable share of revenue (which used to be 40 percent but subsequently became a miserable sum of MYR5 billion a year), equitable share of budget allocation, equitable share of federal expenditures, equitable focus on the 12MP, transfer of approval powers in wide-ranging administrative issues from the federal government, and tailored made tax incentives for Sabah.

Sabahans cannot remain idle and need to make professionalism a priority if it hopes to continue attracting foreign investment and reversing the brain drain which is critical for Sabah's economic development. Investments can create opportunities for new industries up the value chain and create more jobs. Details are being finalised on a policy for Industrial Tree Plantations (ITP) and downstream industrialisation in Sabah with MYR4 billion local investment. ITP is Sabah's sunrise industry that will advance the sustainable agenda and help in the conservation of the forest with significant downstream benefits to other sectors. An ambitious target of 400,000 hectares of trees will be planted over the next 10 years and contribute MYR11.5 billion to Sabah's GDP.

The goal of Sabah's investment policy is to create new industries up the value chain. The Collaborative Commercial Agreement with Petronas and Sabah's Natural Gas Master Plan will help encourage such investments both from domestic and foreign sources. SOGIP will be the centre of activity for gas-related projects. Opportunities also lie in mining with untapped potential and prospects in gold, copper, bauxite, coking coal, nickel, and limestone which are fetching good prices in the international market. This has led to the establishment of Sabah Mineral Management Sdn Bhd which is tasked to monitor mining activity. Efforts are also being undertaken to develop tourism in Tanjong Aru Eco Development (TAED), Pulau Mangelum, and Pulau Gaya. There are also developments in green diesel and hydrogen, infrastructure investment, solar panels, photovoltaic glass, palm oil downstream, silicon, and the agriculture sector for high-value tropical fruit like durian.

Sabah welcomes more investment partners for mutual benefit. The state offers political stability, racial and religious harmony, and has made impressive progress in resetting the economy in 2021, leading to an expected economic growth of 3.5 percent for 2021. Sabah is also keen to deepen its economic relationship with China. The Sabah government will introduce more investor-friendly policies and opportunities in 2022.

SESSION 2: PUTTING THE WIND BACK IN SABAH'S SAIL: REVIVING OPPORTUNITIES, INVESTMENT AND JOBS

Moderator:
Dato' Dr Jessie Tang, Founder and Group CEO, East West One Group (EWOG) / Director, KSI Strategic Institute for Asia Pacific

Speakers:
The Honourable Datuk Seri Panglima Dr. Salleh Said Keruak, Chairman, Qhazanah Sabah Group

The world has experienced unprecedented challenges that have directly affected the lives of people in all aspects. The COVID-19 pandemic has affected global foreign direct investment (FDIs) flows with Malaysia recording a net inflow of MYR14.6 billion in 2020, down 54.8 per cent from MYR32.4 billion in 2019, making this the lowest since 2009. In the 1960s, 1970s and even the early 1980s, Sabah was often referred to as a very rich state. For example, in 1984, a study by Dr. Rafiq Idris from Universiti Malaysia Sabah found that household income in Sabah and Labuan was higher than many other states in Malaysia. However, this is no longer the case. According to the World Bank in 2020, a country is considered a high-income country if its per capita income exceeds USD12,696 or MYR53,000-RM55,000 (at present currency exchange rates).

Sabah receives federal allocation for state development expenditure amounting to less than MYR6 billion annually. For it to experience a growth in GDP, investments are needed to drive new growth. Unfortunately, Sabah has not received huge amounts of investments, be it from domestic or foreign sources. Based on reported figures of total approved investment by the Malaysian Investment Development Authority (MIDA) in Sabah, in the past 40 years the highest total investment was less than a billion in a given year, where else other states like Selangor and Penang have received over a billion annually for most years. However, total approved projects do not necessarily mean investments have been realised.

Investment come in many forms and range of sectors or sub-sectors from manufacturing to tourism. In this context, serious thought should be given to attracting investments from other countries and West Malaysia, expanding down streaming activities in the manufacturing sector, as well as to encourage the relocation of factories and manufacturing plants from West Malaysia and other countries to Sabah. FDIs need to be reinvigorated and attracted back into Sabah, while new investment opportunities must be created beyond agriculture, industry, and tourism. To address this, several immediate actions and medium-term measures can be undertaken. Firstly, investment approval periods must be reduced and the process be simplified. There is an urgent need to facilitate investment, to look at present weaknesses and further improve the existing work process. For example, application processes and processing times that undergo certain stages such as Environment Impact Assessment (EIA) or Detail Environment Impact Assessment (DEIA) for certain types of investment, land conversion, and red tapes within government agency or local authority perhaps can be shortened and expedited. Secondly, the cost of doing business needs to be brought down significantly. For example, the cost of land leases must be reduced in industrial parks to attract investor as it is more difficult to compete if land and electricity tariffs are more expensive vis-à-vis neighbouring states or countries. Third, investment promotions can be undertaken more aggressively via state investment missions and utilising the high commission or embassy offices Malaysia has abroad. Fourth, the country can consider relaxing labour related

regulations or policies involving immigration, investment priority areas, and high net worth individuals. Fifth, the state could introduce incentives for factory relocation especially from Peninsula Malaysia, besides enhancing basic infrastructure and enablers in the economy.

Revenues from tourist could take time to recover after the pandemic which is why the sector should focus on better paying high-end tourists rather than focusing on the quantity of tourist. In the meantime, there needs to be more focus on investments that are more practical and realistically achievable. Such investments, including those involving infrastructure development may solve basic problems faced in Sabah such as water and logistics. There are also other investment avenues involving housing projects for affordable housing, down streaming in the oil and gas industry or other natural resources, smart city in strategic locations at border town in Serudong, water privatisation, and many other potential areas mentioned in the SMJ five-year development plan. The relocation of Indonesia's capital city to East Kalimantan, road link projects to connect North Kalimantan, and the plan to have border town in Serudong have the potential to bring huge impact to Sabah's economy in the long-run. Should these plans be carried out correctly, there are indeed investment opportunities.

There are also other challenges that require serious attention which could have an indirect effect on Sabah's investment potential. These challenges include infrastructure related matters that are being addressed by the government and many potential areas of investment that require financing and is faced with underinvestment. There is also the issue of undocumented migrants which is being strategically looked into by the government. The down streaming activities for the production of certain raw materials, such as palm oil, often take place outside Sabah. This is something that needs to be resolved if Malaysia hopes to be competitive in the region as its neighbours are improving. Ultimately, investors will choose the best and most attractive options.

There are several ways how projects and investments for certain strategic initiative can be carried out, with public-private partnerships being one such example. A "Sabah Incorporated" concept can also be introduced as a means of pursuing the task of Sabah's development. This way, both the public and private sectors can adopt the idea that the nation is a corporate or business entity, jointly owned by both sectors and working together in pursuit of a common mission for the nation. In addition, certain projects can be realised through major foreign investments via a build, operate and transfer (BOT) mechanisms where big players build and operate projects and is able to link long business chains from domestic to international market. This can make investments more sustainable and avoid white elephant projects.

While Sabah welcomes foreign and domestic investors, the state government and players from all sectors of the economy should be responsive and adaptive to the dynamics of the ever-changing environment by adjusting to the needs of investors. The private sector and the government should work hand-in-hand to turn things around for the Sabah for the benefit of the people.

Datuk Jema Khan, Chairman, Jawala Inc

The current land use in Sabah consists of 2 million hectares of totally protected forest, 1 million hectares of forest protected under Natural Forest Management (NFM), 1.5 million hectares for palm oil, and 600,000 hectares for ITP. This leaves a balance of 240,000 hectares which the Sabah government has plans for planting in the coming decade. This balance is key to ensure that Sabah is able to derive income from areas that plant intensively while protecting itself in the long-run.

The timber mill industry has not been performing well in recent times as half of its capacity has been shut down. Its capacity once stood at 3.6 million cubic meters of logs annually, but in 2019 only 1.5 million cubic meters were received. This signals the urgent need to replant in order to support the industry. Hence, the Sabah Forestry Department plans to have 6 million cubic meters of logs in the coming decade to support the timber industry.

The laran plant, which is indigenous to Sabah, will likely produce 200 cubic meters of timber within 8 years, which is why this species is currently being used in the industry for plywood and other timber production. One of the benefits cultivating an indigenous species is that it is less likely to be affected by disease. 1 cubic meter of laran grown is projected to remove 0.8 tons of carbon dioxide from the atmosphere.

The financial considerations for ITP are determined by its scale and yield for the venture to be viable. The direct cost of planting a hectare of timber is approximately MYR10,000 when it reaches the point of maturity. A timber company with overheads amounting to millions a year needs to have a reasonable scale and yield for cost to be viable.

The need for change in the timber industry is quite apparent and urgent as there are industries that require its raw materials to survive and progress. The government is also dependant on its revenues. It is also a carbon-negative industry, making its impact a positive one for the environment. With the government's support, the timber industry could yet become a sunrise industry.

Datuk Vincent Pung Yee Kiong, Managing Director / Chief Executive Officer, Sabah Development Bank

As the world emerges from a very abnormal COVID-19 pandemic, the global economy has taken a serious beating and confidence levels in all sectors, with exception of the food industry and civil market, are adversely affected. Action and direction from the government and the authorities are needed to resolve the matter. Vital transportation industry players in the likes of Air Asia are in need of government intervention and assurance. The Sabah Development Bank (SDB) is concerned Bursa Malaysia did not grant Air Asia more time to avoid its PN17 status.

The time is ripe for the government to consider the concept of Malaysia Incorporated. Similarly, Sabah must also think of Sabah Incorporated. Like all financial institutions, SDB is faced with stress loans due to the pandemic. However, typical solutions and processes during ordinary times cannot be used during these trying and abnormal circumstances. Therefore, SDB has been reviewing its loans with the goal of pursuing sustainable strategies. It has ring-fenced its portfolios, not by

prioritising its normal NPL classifications and enforcing guidelines, but via potential of recovery. It is willing to hold back, reschedule, and restructure if necessary to ensure the revival of each business. There also has been increased interest to revive stagnated project proposals made to the bank.

In year 2020, Sabah is the top 6 contributing state to the country's economy at over 6 percent. The state's debt-burden ratio was at a healthy level of only 3.8 percent. This indicates that there is still room for the creation of wealth by the state via debt financing. Sabah being a resource-rich state has all the necessary ingredients to unleash its full potential. The three backbone industries of the state are oil and gas, agriculture, and tourism, are at infant stages and still have much room to grow. The potential of its sustainable forest plantation, minerals, and carbon assets has also not been fully realised. It is still backward in its supporting infrastructure such as expertise, logistics, power stability, and internet connectivity. However, this can be seen as a blessing as lessons can be learned from China's leapfrogging experience. It is not plagued by legacy issues, old technologies, damaged environments, and mindsets.

By adapting, reinventing, and riding on best practices and technology, new guidelines can be pursued in developing Sabah's infrastructure. For example, coal power is already negatively perceived and is becoming extremely difficult to finance due to the shift in recent years towards green and sustainable development. In this respect, Sabah is in a better position to adopt and capitalise on proven green sustainable technologies to unlock its potential, allowing it to avoid a steep learning curve.

Sabah should also pursue international credit ratings. This not only enhances state credibility but will also show greater transparency and disclosure that is accorded by the rating, allowing investors to gauge Sabah's credits more accurately. This will open up more funding revenues, especially from foreign funding sources. SDB is already positioned to help drive this change. The Chief Minister himself has been monitoring and encouraging Sabah's repositioning that will be more development-centric, financing high-impact projects especially in infrastructure, affordable housing, agrobusiness, tourism, and adhering to green and sustainable themes. SDB has commenced collaborations with SME Bank and AmBank to channel much needed financial resources to Sabah through the SME Guaranteed Scheme. SDB has adopted a new slogan, "Empowering Progress", departing from a financial-centric philosophy to an enabling-centric role. It will expand its role in venture capital, project rehabilitation, corporate advisory, loan syndication, and financial intermediary. SDB is poised to help Sabah actively in kickstarting its recovery and to unlock and grow its resources.

Abrar A. Anwar, Managing Director and Chief Executive Officer, Standard Chartered Malaysia / Chairman, British Malaysian Chamber of Commerce (BMCC)

Standard Chartered has been operating in Sabah for more than a century. It strives for sustainable, diversified, and inclusive growth as sustainability is critical with green financing and responsible investment being the way forward. Growth is driven by both domestic and international investments. However, attracting investments into Sabah requires equity, debt mezzanine, and synchronised activities. Malaysia as the 23rd largest trading nation in the world is a manufacturing hub for E&E and high-tech manufacturing has a USD45 billion annual trade value. Malaysia's strength, in turn, is driven by individual states like Sabah with its abundant resources that will be the bedrock of its manufacturing industry potential. It also has

the second-largest population in Malaysia. However, harnessing these potentials requires domestic and international investments to spur momentum.

To facilitate this, adopting domestic and international rating assessments on state government could prove to be a viable strategy as it provides transparency and a form of advisory for the government to ensure disclosure to the domestic and international community. A rating for Sabah would be a sub-sovereign rating (as sovereign ratings are for countries) that will allow Sabah to go to the international market to raise financing from the capital market. A sub-foreign rating will also help corporates in Sabah to raise funds. This will help in pressing loans, bonds, and capital market instruments. Sarawak has a similar credit profile to Sabah and has taken the lead by receiving ratings from rating agencies Standard & Poor's and Fitch. There are also examples in other countries where the states in such countries are rated.

In terms of foreign and domestic investment, Sabah has done well in 2020 as it received an investment inflow of MYR21 billion out of a national MYR164 billion. However, other states have fared better in terms of FDI compared to Sabah. This shows tremendous opportunities to attract investments into Sabah. Malaysia ranks 12th in the world in terms of ease of doing business with approvals and fast-tracking initiatives taking place in the country being efficiently carried out. However, multiple factors that provide confidence to investors can still be improved. In terms of infrastructure and logistics, investments would come when there is an environment that supports business development. There are various ways of financing this, such as through built-operate-transfer public-private partnerships. There is strong demand to do business in Sabah and it is only a matter of synchronising efforts and raising capital in the state's key sectors.

Madam Noredah Othman, Chief Executive Officer, Sabah Tourism Board

The SMJ plan has placed the tourism industry as an important priority in order for Sabah's progress, economic development, and social standing. The travel industry was drastically affected with millions of tourism-related jobs put at risk globally. In Malaysia, 23.6 percent of employed persons are engaged in the tourism industry which contributed approximately 15.9 percent to Malaysia's GDP in 2019. The pandemic has adversely affected travel demand with the road to recovery requiring an agile approach. The strength of Sabah's tourism industry has been constantly tested throughout history with various events threatening its growth. Despite economic instability, aviation incidents, security concerns, a series of kidnappings, and natural disasters, Sabah's travel industry has been able to overcome each hurdle.

The pandemic has caused tourist's arrival to plummet to minus 76.6 percent or less than 1 million in year 2020. Yet, just as with any crisis, this presented an opportunity for the tourism industry to become more sustainable. Prior to the pandemic, Sabah enjoyed an annual growth rate of 6.8 percent for visitor arrivals and an annual growth rate of at least 10.5 percent for tourism receipts. The peak of the tourism industry was recorded 2019 when Sabah received more than 4.2 million visitor arrivals which contributed to an estimated MYR9.0 billion from tourism receipts. Of this, China (with approximately 600,000 visitors) and Korea (with approximately 400,000 visitors) contributed around 68 percent of international visitor arrivals to Sabah in 2019. Moving forward, the focus will shift from mass tourism to higher-quality tourism.

Sabah is strategically located in Asia as it is a short travel distance away from many of the region's national capitals. This advantage will become more important when Indonesia shifts its capital from Jakarta to Kalimantan. Borneo is the third-largest island in the world that is recognised by the international community for its biodiversity and numerous sustainable conservation efforts.

Air connectivity is very crucial to Sabah as it makes up 90 percent of visitor arrivals. Route development has been one of the Ministry's top agendas. Before the pandemic, Kota Kinabalu International Airport (KKIA) was the second busiest airport after Kuala Lumpur International Airport (KLIA). It had more than 20 international destinations, 236 direct international flights into Sabah, and more than 40,000 seats weekly. More than 100 of these direct flights to KKIA originate from cities in China and around 50 flights from Korea. However, all international flight services were suspended due to the pandemic. To remedy this, Sabah Tourism is in constant communication with its local and international partners and stakeholders with great anticipation for the borders to reopen. The Board has plans for coastal development under the Coastal Tourism Master Plan which will benefit local communities living in these areas when investments pour in. Investors can leverage on tax exemptions for tourism-related developments.

Tourism is the major driver of economic activities and provides employment. The pandemic has made clear that a tourism rebound requires a different approach where businesses can no longer run as usual. Due to changes in consumer behaviour and demand, it is important to understand the demographics and trends of the tourism industry which will be predominantly composed of millennials and Generation Z. These are digital natives who tend to rely on digital and innovative services, especially mobile services. Young travellers are more resilient compared to other segments, especially those who are older. They will soon shape the travel industry and demand tourism innovation. Contemporary travellers also tend to opt for staycations due to the pandemic.

Growth in the tourism industry is also driven by innovation and technology. The sector is one of the first to digitalise its processes on a global scale by making flight and hotel booking available online, making it a digital pioneer. In the past, such bookings would have required tedious manual processes. Today, this can be done at the convenience of mobile devices. Digitalisation stimulates value chain creation, enhanced by digital technologies and infrastructure.

Sustainability and inclusion also drive the tourism sector. Sustainable travel practices are increasingly being vouched for and have become the guiding principle of tourism development. Consumers are becoming more aware of these issues and are demanding more sustainable services, responsible travel, and environmental sensitivity, especially in rural areas. Sabah has embarked on the promotion of rural tourism. This generates income for the local communities living outside the cities which creates a positive impact on local communities, especially their social economies.

SESSION 3: SUSTAINABLE DEVELOPMENT IN SABAH: INCLUSIVE AND EQUITABLE GROWTH FOR ALL SABAHANS

SPECIAL ADDRESS

Tan Sri Abdul Wahid Omar, Chairman, Bursa Malaysia Berhad / Chairman, ECKL Advisory Council

"ESG and Listing of Sabah Companies in Bursa"

There are three key elements in ESG – environmental, social, and governance. 'Environmental' refers to the need to address climate change, biodiversity laws, resource depletion, waste pollution, and deforestation. 'Social' refers to the issues regarding human rights, forced labour and modern slavery, child labour, working conditions, and employee relations. 'Governance' refers to the issues related to bribery and corruption, executive pay, board diversity and structure, and tax avoidance or evasion.

The most pressing environmental issue is climate change. On 13th November 2021, COP26 concluded in Glasgow, Scotland with 197 parties and countries agreeing to several matters which include (i) a commitment to cut emissions and keep within reach of global warming limits of 1.5ºC above pre-industrial levels, (ii) phase down the use of coal and accelerating efforts to phase out inefficient fossil fuel subsidies, (iii) revise nationally determined contributions towards greenhouse gas emissions by 2022 rather than 2025, (iv) doubling the finance for adaptation, and (v) recognising the issue of loss and damage due to the historical actions of developed countries.

Malaysia is at a turning point in its climate journey and is charting the right action against global warming thus providing the nation with a vital opportunity to protect its environment, reduce its climate footprint, and create a competitive advantage. The Prime Minister of Malaysia announced Malaysia's commitment to be a net-zero greenhouse gas emission nation as early as 2050, ahead of COP26, during the tabling of the 12th Malaysia Plan. As a result, Malaysia is now part of the global community of countries that contribute 90 percent of global GDP that are committed to net zero by the mid-century. Malaysia has also committed to phasing out coal, including the cancelation of initial plans to build four new coal-fired power plants totaling 280 megawatts, and increase renewable energy generation from the current level of 17 percent to 31 percent by 2025 followed by another increase to 40 percent by 2035. This commitment was enforced by the Malaysia Renewable Energy Roadmap 2022-2035 which was launched by the Ministry of Energy and Natural Resources in November 2021.

Malaysia is also a signatory to the Glasgow Leaders' Declaration on Forest and Land Use and the Global Methane Pledge as iterated by the Minister of Environment and Water at COP26. All commitments made will have to be translated into action, not only by the government, but also by the corporate sector, the business community, and the people. This is where the *Net Zero Pathways for Malaysia* report was undertaken by WWF-Malaysia and BCG will be helpful as it aims to define optimal net-zero pathways for Malaysia as well as several alternative pathways. It aims to assess social climate impact on jobs and economic development, serving as a resource and reference to stakeholders, and create a positive framework and outline of key interventions with a particular focus on energy, forestry, agriculture, and nature-based solutions. Preliminary findings show that if businesses run as per usual, carbon emissions levels are expected to double from 75 million tons of carbon dioxide in 2016 to 159 million tons by 2050. A low carbon emission pathway can potentially reduce carbon emissions by some 60 percent by 2050, with a net-zero target achievable in the following 15 years.

The most optimal way to achieve net-zero by 2050 will require 59 percent renewables in energy generation, a 60 percent urban public transport model share, 100 percent electric vehicle penetration, retention of 55 percent forest cover equivalent to 18.1 million hectares in 2050 compared to 18.2 million hectares currently, and limited carbon capture utilisation storage requirements. This will require approximately MYR350 billion to MYR450 billion in cumulative investments, mostly in the energy sector representing 0.8 percent of GDP or MYR12-RM15 per annum until 2050. Although the amount seems large for Malaysia, 0.8 percent is affordable compared to other countries like Indonesia which spend 1.8 percent of GDP, China at 2.1 percent, and India at 7.4 percent.

Malaysia's 18.2 million hectares act as a carbon sink to quell approximately 259 million tons of carbon or 77 percent of the total 334 million tons emitted based on the 3rd Biennial Update Report to the UN Framework Convention on Climate Change (UNFCC). Sabah is a major contributor to the national forest cover, accounting for 4.1 million hectares or 22.5 percent of the total 18.2 million hectares that were reported to the UNFCC, whereby around 50 percent of Sabah's landmass is still covered by protected areas or forest. These forest covers will provide nature-based solutions for the voluntary capital market that is being developed. It is hoped that these nature-based solutions from the forest would be reserved for Malaysian companies and Malaysian businesses to meet their net-zero commitments. If they are sold to foreign parties, there may not be sufficient stock of carbon credits for Malaysian companies to decarbonise their business operations which could put Malaysia at risk if the European Union implements the Carbon Border Access Mechanism (CBAM). It is important for all to embrace the spirit and intention of the Shared Prosperity Vision 2030 and the objectives of the 12th Malaysia Plan to make Malaysia a prosperous, inclusive, and sustainable nation.

In 2014, Bursa Malaysia introduced the FTSE4Goods Bursa Malaysia Index to recognise public listed companies (PLCs) that have taken steps to improve their ESG practices and disclosure. This has resulted in the number of participants tripling from 24 in 2014 to 80 stocks as of December 2021. In July 2021, Bursa Malaysia also launched the FTSE4Goods Bursa Malaysia Syariah Index comprising 54 constituents of the FTSE4Goods Bursa Malaysia Index that are Syariah compliant based on the Securities Commission Syariah Advisory Council screening methodology. Since the establishment of the Sustainability Reporting Framework in 2015, all Malaysian PLCs have been disclosing certain sustainability statements and reports annually, detailing the governance structure they have implemented, as well as their approach to managing material sustainability matters which cover an extensive range of economic, environmental, and social themes.

The updated Malaysian Code on Corporate Governance 2021 issued by the Securities Commission in April 2021 introduced best practices and guidance to strengthen board oversight and the integration of sustainability considerations in the strategies and operations of companies. Companies with a well-articulated long-term strategy and a clear plan on sustainability, including supporting the global transition to a net-zero economy, will distinguish themselves by building the confidence of their stakeholders, namely, the consumers, investors, policymakers, and regulators. On the other hand, boards and companies that are not prepared may see their business suffer as their stakeholders lose confidence in the company's ability to adapt to shifts and changes in the global landscape. Companies that choose to ignore sustainability or ESG considerations in their businesses will not be sustainable as they will be deprived of equity and debt financing to fund

their projects, are required to pay higher insurance premiums to underwrite some of their risk, will face difficulty in recruiting talents necessary to drive their businesses, and will be unable to sell their products and be part of the global supply chain as customers become more discerning in buying only sustainable products in the future.

As Malaysia recovers from COVID and moves to Phase 4 of the National Recovery Plan, it is time to focus on sustainable economic recovery, income generation, business rehabilitation, and job recovery. In a recent report by Maybank Investment Bank, the pandemic crisis is expected to have a w-shaped recovery. Malaysia's GDP is expected to grow 6 percent in 2022 which is one of the highest in the region and much improved from the -4.5 percent experienced in Q3 2021. Sabah is a strong contributor to the national economy with industries such as oil and gas, resource-based industries, plantations, and tourism. The state contributes approximately 6 percent to the national GDP. With a population of 3.9 million which represents 11.5 percent of Malaysia's population, Sabah's potential for growth is quite promising.

Analysis from Bursa Malaysia identified around 20 companies with large underlying operations in Sabah or some connections to the shareholdings and directorships with a majority of Sabahans. These companies have a combined market capitalisation of MYR29 billion, representing 1.6 percent of the total market capitalisation of companies listed in Bursa Malaysia amounting to approximately MYR1.7 – MYR1.8 trillion. Cumulatively, these companies have a total asset size of about MYR31 billion. This includes Sabah plantation companies listed in Bursa Malaysia with around MYR6 million market capitalisation, the largest being around MYR1 billion and above with the likes of Hup Seng Consolidated Berhad and Hup Seng Plantations.

Bursa Malaysia has actively pursued the listing of quality companies over the years. In 2021, there were 30 new listings on the stock exchange, which is 58 percent more than the 19 listings in 2020. Among the 30 new listing companies, 6 companies were listed on the main market, while the rest were listed on the ACE and LEAP markets. More Sabahan companies should be listed in Bursa given that it contributes 6 percent of GDP. With only a 1.6 percent market capitalisation, Sabah companies are grossly underrepresented in Bursa. It is hoped that more Sabah-linked companies will be listed in Bursa in the future. Bursa will continue to engage with various government agencies and the private sector to encourage companies to raise funds on the stock exchange.

Moderator:
Dr. Oh Ei Sun, Senior Fellow, Singapore Institute of International Affairs and Principal Adviser at Pacific Research Center of Malaysia

Speakers:
Dr. Richard Marshall, Senior Economist, UN Malaysia, Singapore and Brunei Darussalam

Sabah contributes 6 percent to the Malaysia's GDP with many core comparative advantages. While there has been growth, it has also been volatile compared to other states in Malaysia. Post-COVID-19, Sabah's growth sank well below other states as a result of the pandemic, showing a disconnect between the state's potential and its contribution to Malaysia. Sabah's productivity levels have also been relatively low compared to other states. There is a high population of undocumented migrant labour. While its economy is diversified, it is still focusing on low value-added activities.

Sabah is facing socio-economic challenges with low productivity, higher rates of unemployment compared to other states, high levels of economic informality where people work in informal

sectors and precarious jobs, and relatively high levels of inequality causing large levels of vulnerability where large proportions of the population living close to the poverty line are exposed to economic shocks. While planning for the state's economic development is the way forward, is it also important that Sabah leaves no one behind and ensures the inclusion of groups that have been left out of the economy such as the poor, women, youth, informal sector workers, the undocumented, and the indigenous people.

COVID-19's impact on Sabah can be seen as a demand shock and supply shock. Demand shock refers to the shocks in the global economy and Peninsular Malaysia which tend to buy products from Sabah. On the other hand, a supply shock is associated with the movement control order (MCO) and the impact of a closed economy. The federal and state government responded to the matter by providing large stimulus packages. However, eligibility criteria have had varying effects.

According to the Department of Statistics of Malaysia (DOSM), in 2020 Sabah ranked 10th in terms of income, which is lower than 2019 levels. It has higher levels of poverty, which is worsened by its vulnerabilities due to unemployment levels and the use of the informal economy that has exposed it to greater risks. On the other hand, states like Selangor have not experienced substantial effects to poverty despite significant changes to income as its population is more productive and engages in high value-added activities that have made it more secure. DOSM data also found that the highest income effects and losses due to COVID have occurred to people from the middle-income distribution, rather than the poorest. While all states are experiencing recovery, sectors that are bouncing back are not necessarily ones that Sabah has engaged in heavily, particularly manufacturing and high-value services that tend to have better rates of recovery. Therefore, there could be a lag in Sabah's recovery.

A survey conducted by the United Nations and Universiti Malaysia Sabah (UMS) in 2019 examined the challenges faced by undocumented labourers and the economic consequences of having a large population of undocumented workers found that this group receives low income and have subsistent livelihoods. Income poverty and multi-dimensional poverty are also very high. Most operate in the informal market because of their inability to register for formal work due to the lack of legal documentation. This causes them to be locked in subsistent activities, thus becoming a drag on Sabah's overall productivity which in turn negatively affects Sabah's economy. Undocumented migrants are also trapped in this condition which is a concern that needs to be addressed for the sake of welfare and economic development.

Sabah can promote economic recovery through an inclusive growth strategy. Such a strategy is not limited to infrastructure development, but an inclusive one that invests in people via education and training to build back better.

Datuk Dr Jamili Nais, Permanent Secretary, Ministry of Local Government and Housing, Sabah

An investment venture in Sabah is not merely to engage in conventional and traditional forms of business, but is a partnership to realise the SDGs. This involves strengthening local government, strategies to meet the needs of the community for housing, holistic landscape planning, enhancing collaboration towards a dynamic, creative, innovative, and efficient service delivery. To expedite approvals of development projects, processes have been moved to the State Planning Council (MPN) with the use of the Electronic Planning Permission (EPP).

Emerging from the Rio Summit in 2021, the 17 SDGs provide a shared blueprint for peace and prosperity for the people and the planet, now and in the future. The Sabah government's answer to the SDG is reflected in the SMJ initiatives. Both plans have many parallels as the SMJ will not only develop Sabah but will also attain some of the SDGs at the same time. Currently, there are 5 SDGs already in place in the Sabah which are SDG 13 (climate action), SDG 14 (life below water), SDG 15 (life on land), SDG 16 (peace, justice and strong institutions), and SDG 17 (partnership for the goals).

Investors coming to Sabah can also expect to contribute to two SDGs, namely SDG 8 (decent work and economic growth) and SDG 12 (responsible consumption and production). The state government hopes to partner with investors entering Sabah to achieve at least other 5 SGDs, which are SDG 1 (no poverty), SDG 3 (good health and well-being), SDG 9 (industry, innovation and infrastructure), SDG 10 (reduce inequalities), and SDG 11 (sustainable cities and communities).

Investors who choose to venture in Sabah and partner with the state will add value to their company's standing as investors will gain positive repute for engaging in green practices, caring for the earth, and helping local communities. Corporate entities in the state should get involved and be part of the team protecting the environment and supporting the well-being of the people.

Dr. Robecca Jumin, Head of Conservation Sabah, WWF-Malaysia

WWF-Malaysia's vision for Sabah is one where the state's biodiversity ecosystem services and agricultural systems are valued, protected, responsibly managed, and climate-resilient, bringing benefit to both people and nature by the year 2030.

Sabah is rich in biodiversity and natural resources. Half of its landmass is still covered by natural forest cover and holds the largest mangrove coverage in Malaysia with over 200,000 hectares. 70 percent of an estimated 4,000 square kilometers of coral reefs are located in Sabah. The state is also blessed with a rich

and diverse culture with at least 39 different indigenous people or groups which share a close connection to the land and sea.
Sabahans are highly dependent on nature which is why they need to conserve and manage their biodiversity and natural resources. However, Sabah's biodiversity is under threat due to ecosystem loss resulting from agriculture, unsustainable logging and development, species loss due to the loss of habitat stemming from human-wildlife conflict, illegal wildlife trade, and the impacts of climate change. A concerted effort is needed to address these threats with action from the government, businesses, civil society, and the people in general.

WWF-Malaysia in Sabah has implemented the Sabah Landscape Programme (SLP) which is an integrated landscape management programme to promote balanced biodiversity conservation and sustainable development following three pillars – to protect, produce, and restore. It offers protection through the identification and conservation of remaining forest areas, wildlife, and rivers. It also produces certification of sustainable commodities such as palm oil and timber. The programme also restores degraded habitats and degraded ecological corridors. The SLP priority areas are currently located in Tawau, Tabin, and Lower Sugut.

Sabah has a set of progressive policies that support conservation and sustainable development and is committed to the SDGs. It aspires to retain 50 percent of its land mass under natural forest cover and 30 percent under totally protected areas. Sabah also supports the Federal Government's mandate for 100 percent MSPO Certification for the palm oil industry with plans to pursue 100 percent RSPO certification by 2025. This is crucial as Sabah has a large production share of palm oil among all the states in Malaysia, accounting for 27 percent of national production.

Sabah is in a position to be a global leader with a sustainable future. It must build on its progressive policies and show the world what this looks like. On certification, MSPO is an essential step toward RSPO targets in Sabah. However, there is a need for government support with regulations in place to build on market pressures to achieve 100 percent MSPO and RSPO certification targets by 2025. Certification of sustainable palm oil production is necessary but insufficient to protect the forest and wildlife as such certifications only apply to growing areas. Instead, a landscape approach needs to include protection and production in the same jurisdiction. Systemic issues like labour issues must also be addressed at the same level.

Sabah may have already exhausted its suitable areas for palm oil plantations. Therefore, further expansion of palm oil should cease while putting more emphasis on the development of alternative agricultural crops and systems. This will encourage other systems to be assessed and become more feasible. Retaining forest cover is essential in the fight against climate change which is why deforestation should be avoided within permanent forest areas. To achieve this, a TPA target of 30 percent has been established. However, platforms are needed for people to be involved in the process of protection and development. More downstream investments are needed to improve the value chain and create more job opportunities for Sabahans.

As biodiversity is Sabah's competitive advantage, it should be strategically optimised for the present and future generations. People and planet should be at the heart of businesses, as whatever is good for the people and planet is good for the business.

Mohamad Helmy Othman Basha, Group Managing Director, Sime Darby Plantation Berhad

Sabah's palm oil produces the highest CPO in the country comprising more than a quarter of national output. It also has more than 1.6 million planted hectarage out of over 6 million in the country. As the 5th largest plantation company in Sabah, Sime Darby possesses 50,000 hectares of land in the state and produces approximately 15 percent of Malaysia's total production.

Sime Darby is still labour-intensive. While automation and mechanisation have been much discussed, the palm oil industry has not made much progress in this area as yet. However, in 2020 the company and the industry experienced a labour crunch due to border closures that prevented the hiring of foreign workers. Despite this setback due to the pandemic, it provided an opportunity for the industry to change for the better. The plantation industry is now increasing the usage of machines which is taking over manual work. This scenario offers real opportunities to recruit local communities and provide them with a platform to work in the plantation industry. Such work involves high-skilled jobs, such as piloting drones and machine specialists to run these machines in the plantation industry. This transformation has attracted Sabahans back to Sabah to work in the industry. Besides reducing dependence on labour, the use of machines has also changed local perception of the plantation industry.

Sime Darby Plantation employs 1,700 Sabahans of whom 1,200 of them are workers and the remainder are executives and staffs. However, the company is still highly dependent on foreign workers with 3,000 of them working on plantation sites in Sabah. However, the statistics are changing as the company expects more Sabahans to work in the plantation industry due to the increasing demand for higher-skilled jobs.

Sime Darby is committed to ESG practices and environmental conservation. The company has the world's largest ecological experiment – the Stability of Altered Forest Ecosystem (SAFE) which is conducted by the Royal Society and Yayasan Sime Darby. This MYR30 million project rehabilitates the orang utan habitats in Northern Ulu Segama, Sabah, by planting more than 300,000 indigenous trees through collaborations with the Sabah Forestry Department. Recently, the company also signed a memorandum of agreement (MoA) with Nestle for Project RELeaf with the target to plant one million trees across 1,200 hectares of riparian zones or buffer zones and steep slopes within all Sime Darby plantation estates of which more than 300 hectares are located in Sabah. Sime Darby is also looking into solar renewable energy sources and other renewable energy sources from biogas. This is all done with the development of Sabah at heart.

Datuk Sr Bernard Liew Chau Min, Director, Sabah Lands and Surveys Department

According to the United Nations World Commission of Environment and Development, sustainable development is defined as "development that meets the needs of the present without compromising the ability of the future generation to meet their own needs". Land not only contributes to wealth and economic development but is also part of the social and political fabric that sustains all communities. S. Rowton Simpson said that "the availability of land is the key to human existence, and its distribution and use are of vital importance".

In the Bathurst declaration of 1999, participants agreed that sustainable development requires sound land administration. It is the key driver influencing the relationship of humankind to land. In general, land administration is a system that administrates land by assessing land ownership, land valuation, and land use. This information is then analysed for decision-making purposes resulting in its development and form of land use. In turn, this allows sustainable development to take place following three pillars – economic, social, and environmental.

By the end of 2021, Sabah has a land area the size of 7,410,300 hectares. It also has a sea area of 11,148,000 hectares (administratively, the sea is also defined as "land" under Sabah's Land Ordinance). The land area that is reserved for conservation and public purposes is 4,323,810.32 hectares in size (58.47 percent), which include forest reserves, Sabah Parks, and wildlife. In terms of alienated lands, lands that are leased and native land consist 2,655,682.51 hectares or 35.83 percent. The balance areas that are not under reserve of alienation is roughly 5 percent. Of this, 2 to 3 percent of the land is under survey – leaving a balance of 2 percent that is still available for allocation, which is not much.

In 2010, the total percentage of native land is only 24.5 percent while the balance percentage is under leases. By 2020, the total land for natives has increased to 41.7 percent. In terms of land use distribution in Sabah, 67.3 percent is owned under individual titles and 29.64 percent are company titles. 66.04 percent of the land is used for agriculture, 3.36 percent for commercial, and 26.71 percent for residential purposes. In terms of gender ownership, 57.8 percent are male-owned while females own 42.2 percent. A majority of Sabah landowners are in the 50-59 and 60-69 year old age range.

Sustainable development requires sound land administration and Sabah's land distribution is inclusive and equitable, thus supporting the sustainable development agenda of the state government. Sabah will continue to ensure fair distribution of land for the needs of the present and future generations.

Mak Joon Nien, Managing Director and Head of Corporate, Commercial and Institutional Banking, Standard Chartered Malaysia

Consumer behaviour has changed with high emphasis on environmental sustainability and ESG gaining much importance, affecting the priorities of investors who are moving away from funding oil and gas-related industries.

The pandemic has accelerated digital transformation. However, digital and broadband penetration in Sabah is still very low compared to other Malaysian states. There is a need to consider what digital transformation means to Sabah. There is also an issue of focus as the

state's revenue is 75 percent dependent on petroleum and CPO. This implies the presence of huge volatility against these asset classes which has a significant effect on Sabah's revenue which is dependent on the commodity cycles of these commodities. At the same time, there is a high reliance on the Ringgit-Dollar exchange rate, yet much of these commodities trade in Dollars. With such a foundation, it is evident that concentration areas need to change to remove exposure to these vulnerabilities.

In terms of fiscal sustainability, Sabah's finances are relatively stable compared to the federal government as the state government operates a balanced budget with no fiscal deficit. This scenario provides a good foundation for the state government to invest in the tourism industry. Although tourism in Sabah is hit by the pandemic, there is still much potential in Sabah's tourism, not only domestically but intra-ASEAN as well.

To resolve issues of poverty, the state needs to invest in the right areas, such as emerging economies and the digital economy. With emerging digital economies, the demand for data analysts and software engineers is increasing. The state should also invest in the right sectors and encourage FDIs to reduce the issue of brain drain. For example, the state can consider investing in biomedical or biotechnology as the biomedical sector contributed USD20 billion to Singapore's GDP which is almost equivalent to Sabah's entire GDP. Therefore, investing in the right sector will accelerate the state's revenue and economic growth.

WELCOME DINNER's SPEECH

The Honourable Datuk Seri Panglima Sr Haji Safar Bin Untong, JP, Sabah State Secretary / Organising Chairman

Sabah has seen its fair share of challenges in the past two years with the COVID-19 pandemic. As the world reopens its border, Sabah is ready to make its global mark and be known as more than just a wonderful tourism location.

Sabah is a land ripe with opportunities. Places like the Kota Kinabalu Industry Park, POIC in Lahad Datu, and the Sipitang Oil and Gas Industrial Park are mere glimpses of what is possible for Sabah and its investors. The SMJ Development Plan 2022-2025 is well on its way, underlining Sabah's initiatives and road map for the future. Sabah is known for the potential of its land, the beauty of its nature, and the culture of its people.

Sabah has its own form of Sabahan hospitality which needs to be seen through the perspective of its locals who have a wealth of unlimited potential and a wonder of nature that has famously made it known as the Land Below the Wind.

DAY TWO: 18TH JANUARY 2022 (TUESDAY)

Moderator:
Tan Sri Michael Yeoh, President, KSI Strategic Institute for Asia Pacific

Sabah has done well as an agricultural producer. Upskilling is needed to take it to new levels with the introduction of digital agriculture and other modern agricultural techniques that can turn Sabah into a true regional powerhouse.

SPECIAL ADDRESS

The Honourable Datuk Seri Panglima Dr. Jeffrey G. Kitingan, Deputy Chief Minister II of Sabah and Sabah State Minister of Agriculture and Fisheries

"Modernising and Transforming Sabah's Agriculture into a Regional Powerhouse"

In 2020, Sabah contributed MYR77.5 billion or 10 percent to the national GDP which is a significant drop from MYR85 billion in 2018 and MYR85.6 billion in 2009. This drop was mainly due to the closure of tourism activities resulting due to the pandemic. Sabah's per capita GDP in 2020 was MYR25,375 which is also far below the national GDP of MYR46,526. The main contributing sectors were mining (which includes petroleum) and agriculture of which oil palm is the biggest contributor. Agriculture accounted for 16.5 percent of Sabah's GDP in 2020 from a height of 22.5 percent in 2015 mainly due to reductions in forestry and logging subsectors. Crops accounted for 75.5 percent, fisheries 16.7 percent, and livestock 5.7 percent of Sabah's total agricultural efforts.

Rubber is the mainstay of rural farmers. According to the Sabah Rubber Industry Board, the production for 2020 was 34,876 metric tonnes of SMR rubber and is expected to reach 55,000 metric tonnes by 2022. 5 percent of oil royalties and 5 percent of sales tax from petroleum together with 7 percent of sales tax levied on oil palm are the major revenue earners for Sabah. A 5 percent sales tax in 2020 contributed MYR1.5 billion to Sabah's economy.

Sabah's agriculture sector is in the process of modernisation, especially in manpower training, production facilities, and packaging and marketing. However, the application of modern farming in agriculture, such as precision farming, hydroponics, and the use of modern farming machinery is at rudimentary stages due to the lack of large-scale investment and funding. Statistics show that contributions from the agricultural sector to the state economy are small compared to its vast potential. This is because a majority of players are small individual local farmers who lack the means to transform agriculture into big business, except for palm oil. Modernisation and transformation have been slow. To progress, Sabah needs big anchor players and investors who are willing to venture into modern agriculture and bring along small farmers into their business system.

One of the main obstacles to this sluggishness is due to a "business as usual" attitude among leaders and civil servants, which needs to change. There are also land matter issues and the provision of electricity and water which has been made worse by the pandemic in the past two years. Sabah also faces a labour shortage in the palm oil industry.

Sabah has a large land area that is more than 6 times the size of six states in Peninsula Malaysia. The Keningau constituency alone is larger than 3 states in Peninsula Malaysia combined, namely Penang, Melaka, and Perlis. Therefore, investing in Sabah is akin to investing in these many states. Sabah also has 1,743 kilometres of coastlines. These areas, especially on the east coast of Sabah, are known to be one of the best breeding grounds for tuna. Sabah is also the world's third-biggest producer of palm oil. It has 1.6 million hectares of palm oil producing approximately 6 million metric tonnes of crude palm oil. These are exported without being processed which is one of the areas that require industrialisation.

Sabah is also the best place to breed swifts for its edible bird's nest, of which Sabah is known to be the best producer in the world. Sabah is also an ideal place for seaweed production and is the largest producer of cacao. In Tambunan, there are more than 25,000 acres of grazing reserves that are idle. It has a cooling climate which is ideal for cattle ranching and dairy production. There are plans to establish Malaysia's fifth dairy valley in the area. Sabah's ideal climate and soil fertility are also well-known. The palm oil section has more than 22 metric tonnes of yield per hectare annually, which is well above Malaysia's average of 18 metric tonnes per hectare. The highlands of Sabah are ideal for high-value vegetables which are also a major potential.

Consistent with its pro-business stand, the state government launched SMJ in 2021 with a core focus on agriculture, tourism, and industrialisation. These goals are enabled by human capital and infrastructure development. To undertake modernisation and transformation programmes, the government has taken steps to create new sources of funding by monetising nature, the capital assets of Sabah. This funding with nature conservation and carbon trading efforts is expected to provide MYR2 billion to MYR6 billion annually without the need for felling trees while at the same time safeguarding the interest of the indigenous communities.

Innovative technologies will be deployed, such as satellite service, drones, and AI in nature conservation management activities. 5,000 new forest rangers will be employed. With these conservation efforts, Sabah is moving towards a green and circular economy while complying with the UN's 17 SDGs, especially to eradicate poverty and promote education. With the undertaking of these efforts, funding government programmes will strengthen deliveries and the implementation of the SMJ, such as those in agriculture. Other economic activities can also be promoted to accelerate growth and eradicate rural poverty, as well as enhance infrastructure development for the benefit of the people. Success in nature conservation will produce at least USD10 billion in private funding initiatives.

To facilitate transformation in the agriculture sector, Sabah's Ministry of Agriculture and Fisheries, will focus on state-centric development planning and enhance government-industry collaborations. In a departure from piecemeal programmes, plans will shift to the development of each agro, forestry, livestock, and commodities as individual industries. Each commodity, such as pineapples, paddy, bird nests, and seaweed, as well as industries with their own ecosystems and downstream processing activities will be developed. Efforts to modernise and transform are being undertaken through various collaborations, including initiatives with Universiti Malaysia Sabah (UMS) on IoT in aquaculture, the Pineapple Industry Board on the development of the pineapple industry in Sabah, R&D with the Malaysian Nuclear Agency, and the Kenaf Board with the development of the kenaf industry in Sabah.

There is a master plan that will increase paddy planting acreage and raise productivity levels to increase food production. Plans are being made to develop Tambunan's grazing reserves into the nation's fifth dairy valley which will reduce imports and even become an export potential. Sabah is the only state in Malaysia that is free of food and mouth disease in cattle. There are also plans to develop Keningau into a fruit valley together with other districts in the interior. Satellites will be developed for fishing vessels. In the area of agrotourism, Sabah's Ministry of Agriculture and Fisheries has established the Tourism Joint Steering Committee with the Sabah Tourism Board to

promote agrotourism in Sabah. At the state level, the government has established Invest Sabah to streamline the promotion of investment in Sabah together with the assistance of the Institute for Development Studies (IDS) and the Sabah Economic Development and Investment Authority (SEDIA).

In 2020, rice sufficiency levels dropped to a record low of 20.81 percent, a level not seen since the 1990s. As a result, Sabah had to import a record of 320,000 metric tonnes of rice to meet its requirements as the state was only able to produce approximately 74,000 metric tonnes that year. To better manage the paddy and rice industry, the state government has decided to establish the Sabah Paddy Board to regulate and plan for the development and improvement of the industry to meet Sabah's self-sufficiency level (SSL) target of 60 percent from 2022's level of 22.81 percent. Collaboration with FELDA is expected to produce an agreement to allow for the use of 10,000 hectares of land for paddy in the Dent Peninsula in Lahad Datu.

The state will also establish the Sabah Oil Palm Industry Authority (SOPIA) to look into the best interest of the industry and local players. With SOPIA and a Sabah-centric focus on the oil palm industry, the industry is expected to resolve its weaknesses and grow from strength to strength. Similarly, the state will also establish the Sabah Swiftlet Board (Lembaga Burung Walit) and the Sabah Pineapple Board to promote the systemic growth of their respective industries. The edible bird nest industry has the potential to grow into a multi-billion Ringgit industry as Sabah's edible bird nest is known to be one of the best internationally. Through collaborations with the Pineapple Industry Board and a five-year plan, the pineapple industry is expected to increase its planting acreage to 4,100 hectares with a production value of MYR643 million by 2026. It is expected to generate 26,000 job opportunities with an average monthly income of MYR8,900 for pineapple entrepreneurs.

There are many investments and business opportunities in Sabah's agricultural sector. Further investments are being sought to expand the industry further.

SPECIAL ADDRESS

Tan Sri Datuk Seri Panglima Andrew Sheng, Chairman, George Town Institute of Open and Advanced Studies, Wawasan Open University / Former Chairman, Securities and Futures Commission Hong Kong / Former Financial Sector Development, World Bank Group

"Managing Geoeconomic Tensions between Superpowers: Where Can Malaysia Go From Here?"

Sabah has a great future and potential. Achieving this requires context on geopolitical issues. Malaysia is in a good position being in the heart of ASEAN which is, in turn, in the heart of global geopolitics. Sabah's situation is somewhat similar to that of Malaysia's. Issues between the US and China have become the contest of the century on multiple fronts – economic, political, social, technological, military, financial, geographical, and systemic. In terms of politics, Americans describe it as a battle between democracy and autocracy. Much of this is dependent on the dominance of the US Dollar. Should the US be involved in a conflict and even appears to be on the losing end, military supremacy will no longer be backing the US Dollar.

China is almost four times the size of the US population and has grown in speed with 10 percent per annum in the last 20 years, 6 percent in the last 10 years, which is double the growth of the US economy. On the other hand, the US lost almost 850,000 people to the pandemic. If China did not close up, it would have lost 4 million people and subsequently experience a wealth loss of USD11 trillion, which is equivalent to two-thirds of its GDP. While China has problems, the US also has made major mistakes. Kishore Mahbubani once said that this was due to the metaphysical

where it is an ideological mistake to put things into black and white when they could have cooperated instead, but has decided to confront China over Russia or the Middle East or even its internal issues.

US and China are too entangled in trade and the global value chain. China accounts for USD4 trillion in manufacturing output compared to USD2.3 trillion in the US despite the fact the US economy is larger. US companies make USD500 billion from the sale of US products and services in China alone (which are made in China and sold in China). In terms of size, China is now 80 percent of the US's net wealth and 72 percent of GDP. Hence, they are almost equal. The problem is China lends to the rest world USD2 trillion, while the US owes the rest of the world USD16 trillion, of which three-quarters are from East Asia. When Japan, China, Hong Kong, Taiwan, and Singapore, which are financial centres, are added together, the US's nett lending to the rest of the world is 73.8 percent of the US net deficit.

The problem with the US economy is that the real economy is dependent on funding from quantitative easing (QE). The Federal Reserve added USD4 trillion to QE since March 2020, which is almost a quarter of US GDP. On the other hand, the People's Bank of China has only increased this by USD1 trillion. Hence, this is an issue of finance. Questions remain if US and China can work together or if they will continue going against each other over issues such as of climate change. Should they be unable to work together, the rest of the world will be caught in the "collective action trap".

Technology and funding exist to solve all the world's problems. The biggest barrier to change is mindset. If mindsets cannot be changed, then any discussion is moot. This is where the US-China issue presents an opportunity, as well as a threat, that is dependent on a country's strategic response. When the US imposed tariffs on China, it triggered MNCs to move their businesses at the start of 2018. That year, Malaysia was involved in a general election that affected the country's economic response in welcoming this shift out of China into ASEAN, which has been much slower than Vietnam, the Philippines, and Indonesia. The three ASEAN neighbours have larger populations, domestic markets, more affordable labour, and more affordable land which allowed them to benefit far more than Malaysia.

By 2030, ASEAN will be the fourth-largest economy in the world with a GDP of USD6.7 trillion and a purchasing power parity (PPP) of USD14.7 trillion, after China's USD47.4 trillion and the US's USD24.3 trillion. This is bigger than the economies of Japan (USD5.9 trillion) and Germany. In 2010, Malaysia had the third-highest GDP in ASEAN but was the sixth-largest in 2020. On the other hand, when Sabah entered the Federation of Malaysia, it was the second richest state in the Federation, but by 2022 it become sixth in terms of GDP. The reason for this was that Sabah had 6 percent of Malaysia's population when it joined the Federation. In 2022, Sabah has 11 percent of Malaysia's population but GDP per capita has decreased. Sabah grew in its population but has not invested in its people. Therefore, Sabah's move to invest in its people and nature is the right way forward.

With Sabah's significance in Malaysia, its voice in ASEAN and the world depends on its economic strength. Being strong in its voice alone is meaningless without a strong economy. The efforts of the 12th Malaysian Plan, while commendable and crucial, have been discussed before and is a step behind other countries. Malaysia also needs to reflect on its capacity to execute and realise all its aspirations and learn from the mistakes made by other countries that have been held back by internal politics despite the advantage of their natural resources. The issue is execution, as vision without execution is delusion. A sustainable green society is meant to help the majority – the B40.

Businesses must innovate, not merely for growing more businesses nor having more statutory agencies, but the focus should be on helping businesses to grow. If businesses do not advance their ESG products and services, everything will be in vain. Goals need to be simple and deliverable. The problem Sabah has is reflective of Malaysia's bigger problem which is an out-of-date linear mode of education. With a conventional mode of education, companies inevitably complain of unemployable graduates, leading to massive amounts of graduates with no jobs. It is critical that this be changed.

Malaysia does not have scale as it is a small country. However, there are advantages to being small as Malaysia can be nimble and act with speed. While Malaysia may not have the scope, it can find market niches it has great strength in. An example of this can be seen in Penang, which brought the likes of Intel and Motorola into the state and created the Silicon Valley of Southeast Asia. Due to its people's manufacturing skills and despite being a small state, Penang produces 40 percent of Malaysia's exports alone with USD400 billion. While sources of investment are available around the world, the element of trust is needed to bring them into Malaysia. The country also needs to leverage its multicultural background which is multilingual, multiracial, and culturally sensitive. Its people are adaptable and are doing well all across the world. Malaysians should consider returning and contributing back to the country. Malaysia is an access point to a 1.6 billion Muslim market, 1.4 billion Chinese market, 1.4 billion Indian market, and the rest of the world. Hence, Malaysia needs to focus on a niche area where the major countries do not have a comparative advantage. This is the strength of Malaysia, as well as that of Sabah.

This is only possible when there is national unity. While its importance is acknowledged, attaining it seems to be an issue. Malaysia's system works on a top-down basis and is reliant on elections for change. Unfortunately, even when the mandate is even, political developments have confused the process. This has led the world to use a bottom-up approach where communities have realised that they can no longer rely on big government. With the internet, linking up with the rest of the world has become possible. The next step is to use this global knowledge on a localised scale and focus to enable change. This is where social media and technology can drive a sense of community to allow power to return to local communities, which will be a massive game-changer. Perhaps Sabah should establish a Digital Development Board to attain feedback on how to improve local and state services, interlinking them with global markets.

Malaysians and Sabahans have done well around the world in all fields of life. This makes Sabah truly eccentric. Sabah's duty now lies in tree planting and restoring its forest as it will lead to the rest of the world taking an interest in Sabah once again, returning as tourists, scientists, and for people to see how a multicultural state can be a shining model for diversity, growth, and development. The island of Borneo is poised to become the world's capital of natural resources if it is preserved. Once that is secured, the next step is to invest in human capital by nurturing the youth and protecting the future. Mindsets need to change as people need to believe in their ability to grow Sabah and Malaysia, becoming leaders of the world.

The cultivation of the tarap fruit should also be considered as it is unique to Sabah. It has the potential to be the next durian as it is healthy, sweet, and beautiful.

Q&A

Tan Sri Majid Khan – Successful Sabahans living abroad should come back to develop the state. What are your thoughts on this?

Tan Sri Andrew Sheng – It is now up to the younger generation who need to show that they can walk the talk. The internet has enabled access to world knowledge that can be used for localised efforts. Efforts to advance Sabah's interest can be achieved by pulling together an "Internet of Peoples" to bring people from abroad and those in Sabah to share knowledge and publicise to the world the jewels of Sabah. Funds to support nature conservation efforts can be

found in the carbon market which is worth USD280 billion and is expected to increase to USD1 trillion by 2030. This means companies in Europe, US, and China can buy credits from companies in Malaysia who are able to carbon capture. In Brazil, the Amazon Forest has moved from carbon capture to "carbon releaser". Sabah is still the custodian of one of the jewels of the world in its natural forest and pristine seas.

SESSION 4: ADVANCING SABAH'S TECHNOLOGY, INNOVATION AND DIGITALISATION IN THE 21ST CENTURY

SPECIAL ADDRESS

The Honourable Datuk Seri Panglima Sr Haji Safar Bin Untong, JP, Sabah State Secretary / Organising Chairman

"Sabah Digitalisation & Innovation Masterplan"

As of August 2021, six ASEAN countries comprised of Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam have observed 17 million people involved in shopping online, with 318 million Southeast Asians expected to be digital customers. Connected digital services are key to economic growth. Yet, such a digital mandate is not new. In Sabah, a 5-year strategic plan was put in place to enable the 5As, namely to be *Accessible to Anyone, at Any time,* and *Anywhere by using Any mobile device,* which will enable the public to reach out to the government more seamlessly. The plan was divided into several phases with digital automation and transformation taking place from 2020 to 2021. In turn, from 2022 onwards, there will also be a focus on digital innovation proposed by Sabah's State Digital Government Division.

The government of Sabah has prepared a final report on its readiness for smart digital government initiatives that studied the feasibility of being a data hub, with services ranging from data management to integration. Its findings revealed that silo-based agencies are unwilling to share data, thereby making it crucial for Sabah to implement plans that enable such data exchanges. Under the digital transformation phase, primarily from the year 2021 to 2024, the initial expectation for 138 digital applications rendered was under projected as only 215 digital apps were developed at the state governmental level. These applications allow data sharing to span across the public from government agencies, businesses, and employees.

The state government also developed its own model known as the Sabah Digital Model. Its pillar lies in a powerful data strategy rooted in sharing and integrating common data among government, agencies, and businesses to remove operational silos. This model optimises managerial processes alongside the essentials via a data exchange platform for citizens, businesses, and government agencies through data integration. As such, the Data Integration and Interchange Platform (DIIP) is a system designed to overcome data silos. To overcome unwillingness to share data, Sabah must establish an exchange platform to become a viable solution to improve efficiency and data sharing. Sabah's DIIP will become the backbone of a digital government initiative among government-to-employees (G2E) departments, business-to-government (B2G), and citizen-to-government (C2G), in which data sharing can be intertwined seamlessly.

The transformation roadmap is divided into 3 phases – in 2020, it focused on digital automation, in 2021 on digital transformation, and from 2022 to 2024 the second level of digital transformation will take place. Within this plan, Sabah seeks to generate digital profiles for its citizens and businesses under the Sabah E-ID initiative which makes the acquisition and storage of digital data sharing easily accessible. Furthermore, Sabah plans to create three data hubs that will connect people, businesses, and geographical locations. 80 percent of data can be connected through its "location" that allows the prediction of disasters, smart lighting, water management, smart CCTV, and smart towns that will make plans for flood mitigation, natural disasters, and other crises more possible in real-time. This is expected to be launched before 2024. Data remains the core strategy for Sabah's digital government initiatives. DIIP is a platform where anyone can share data through digital IDs. This way, businesses and citizens have their own unique references, made available for each Sabahan. Arrangements such as applications and inquiries can be made easily since the government would be able to review the digital IDs of individuals.

With an intention to foster positive business impact, Sabah's government is developing an application to generate a digital marketplace, safe smart tourism, and other functions. Sabah's digital profile page for citizens and businesses will be called "Sabah Myinfo". Such an application is currently awaiting the latest data from the Statistics Department that was completed at the end of December 2020 after which digital IDs will be created for all Sabahans. Business ID registrations, information, and exchange are also riding on Sabah DIIP. In essence, Sabah's business and personal digital ID is an effort made to develop specific initiatives for the benefit of the people.

<u>Moderator</u>:
Madam Viviantie Sarjuni, General Manager, Sabah Creative Economy and Innovation Centre (SCENIC)

<u>Speakers</u>:

Prof. Dato' Sri Dr. Mike Chan, Co-Owner & Founder, European Wellness Biomedical Group, Germany / Adviser, KSI Strategic Institute for Asia Pacific

Prior to COVID-19, the European Wellness Biomedical Group had 2,000 patients from the United States, China, Japan, South Korea, the Philippines, and other countries. This shows the potential of biomedical sciences as a sector that has not been truly developed in Malaysia, which is an opportunity Sabah should take advantage of. Sabah must not merely go with agriculture and tourism alone but also focus on expanding its human capital. The government must train the locals and change the mentality of workers for them to become talented and skilled. For example, 50 biotech staff originating from Sabah who graduated from local universities were employed and trained by their companies before they were sent to Europe. Subsequently, Sabah brought 8 European doctors to Kota Kinabalu to provide education to more than 2,000 doctors. Furthermore, the medical wellness industry provides education to doctors who are keen on the field of regenerative integrated medicine that taps into European knowledge for its strong suits. Sabah's strategic location and diversity provides a conducive environment for the development of the biopharmaceutical and biomedical wellness industry.

Dato' Wei Chuan Beng, Senior Executive Director, KSI Strategic Institute for Asia Pacific and Champion of Digital Productivity Nexus, MPC

Sabah's tech industry, especially entrepreneurs who require advice on establishing tech companies in the state need to be sensitive to global developments. One such development is in central bank digital currencies.

The digital world consists of three layers. The first is *information flow* which involves people being connected to the internet where information flows. The second layer is *fund flow* which made it possible for currency exchanges and central bank digital currencies that have been introduced by China, Singapore, and the United Kingdom to enter the market much sooner than expected. The third layer is *goods flow*, which is a technological feature any entrepreneur entering the market would deploy.

NFTs for Sabah's flora and fauna can be created to generate income for the state. Those who create such tokens and blockchain are services that local tech entrepreneurs can provide.

To overcome the issue of labour shortage, firms can consider introducing harvesting robots for palm oil. If the palm oil industry can generate MYR10 billion of revenue, investors would be more willing to take the risk for future opportunities and can afford to invest millions into specialised robotics for harvesting.

Tan Sri Lee Kim Yew, Founder and Chairman, Golden Horse Digital Investment Bank / Adviser, KSI Strategic Institute for Asia Pacific

The general imagery of Sabah is usually represented by the colour blue which represents the ocean, beautiful beaches, fisheries, oil and gas, and green which represents the agricultural industry.

There are many major opportunities in Sabah, but one that is often not discussed often enough which could present it with a significant advantage is the aviation industry. Sabah must learn from Singapore's Changi Airport which has adopted an open sky policy. This means all planes can be rented and flown as long they comply with the rules and regulations, including safety measures.

Compiling these different industrial opportunities, represent a huge edifice of data. Huawei predicts that in 8 years, 80 percent of digital companies would rush into data storage services. With Sabah's strategic location, the state government and industries should position themselves to attract large digital companies, especially large multi-national companies to Sabah to set up data centres. The establishment of new data storage centres will allow users to subscribe to a package with these large data companies.

With the move of Indonesia's capital from Jakarta to Nusantara, any infrastructural project that links the Borneo islands to Kalimantan such as the Pan Borneo Highway will bring a significant impact on technology, especially on the digital economy.

Prof. Datuk Dr. Taufiq Yap Yun Hin, Vice-Chancellor, Universiti Malaysia Sabah (UMS)

There are two fundamental documents that outline Sabah's development; Pelan Pembangunan Sabah Maju Jaya (SMJ Development Plan) 2021-2025 and Sabah's ICT Blueprint 2010-2025. SMJ was created in line with the Wawasan Kemakmuran Bersama 2030 and the SDGs.

There are three main focuses that drive Sabah's economy, namely, agriculture, manufacturing, and tourism. SMJ has also outlined five enablers that drive the economy with the first two related to technological innovation and digitalisation. The other two enablers are effectiveness and the efficiency of delivery, while the fifth is a digital government that drives technology and innovation. The blueprint identified ICT's importance for the industry as enablers of economic activity, which ultimately benefits society. Key economic cluster development includes tourism, manufacturing, agriculture, and education.

The main challenges are in the implementation and monitoring of systems. When considering digital transformation, the position of Sabahans needs to be evaluated as to whether they are beginners, fashionistas, conservatives, or digital masters. The two critical parameters are digital and leadership capability. To ensure successful implementation and monitoring, Sabah needs to have clear institutional structures to look after all the matters of communications technology as well as ICT activities in the state. This includes physical infrastructure, data, and information. The risk of silo-working must be prevented. There also needs to be openness and adaptability to digital transformation. Data has to be used as an enabler. Skilled talents would be needed at all levels. Focus has to be on specific outputs. Digitalisation has to be pushed at all levels.

CONCLUDING REMARKS

Tan Sri Majid Khan, Co-Organising Chairman / Deputy Chairman, KSI Strategic Institute for Asia Pacific

The State Government of Sabah had made a clear statement on its business-friendly position, with the government ready to assist should any party invests in Sabah. Sabah will have a tremendous future and is in need of professionals who possess the knowledge and experience to return to Sabah to help the state. Similarly, investors are urged to return and invest. KSI will continue to organise conferences and summits in the future as part of a continued effort in promoting Sabah and attracting investments to the state.

CLOSING ADDRESS

YB Datuk Seri Panglima Dr. Jeffrey G. Kitingan, Deputy Chief Minister II of Sabah and Sabah State Minister of Agriculture and Fisheries

SIBES has touched on various topics covering the outlook of Sabah's economy, the investment landscape, agricultural transformation, and digitalisation. It is believed that the Summit has achieved its aim to promote and build an inclusive, sustainable, and innovative Sabah economy. The state government recognises the importance of tourism as an economic catalyst and welcomes investors for a win-win business opportunity in this sector. This will enhance the state's competitiveness as Sabah wants to ensure it remains one of Malaysia's favourite destinations. The Sabah government is optimistic that its tourism sector will recover once borders are reopened in the future and hoped that such a summit can be organised every two years with smaller-scale seminars being organised in the years between.

END OF PROCEEDINGS

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