

ABSTRACT

The objective of this thesis is to review the development experience of the economy of Sabah (formerly North Borneo) which is a state within the federation of Malaysia. Over the past three decades, the financing for the development in Sabah has essentially been funded by revenues derived from forest resources.

Further analysis reveals evidence of the need for an immediate reduction in the level of timber production and harvesting of forest resources in Sabah to slow down the current rapid depletion that is occurring.

Given that reductions in Sabah's revenues from the forest sector will arise either from over exploitation or from enforced mandatory quotas, this state will have to initiate varied policies and adjustment strategies within the overall plan for the Malaysian federation.

To maintain a desired growth rate in terms of development for Sabah, it would appear that revenue flows must be maintained for the foreseeable future until a more mature private sector emerges. One approach would be for a more equitable transfer of revenues from the federal government to the state government of Sabah.