



## **Project Proposal**

### **Lessons to be learnt from Malaysian Success Story in Rural Transformation and Poverty Alleviation**

The Third Regional Policy Dialogue on “Rural Transformation and Poverty Reduction-Malaysia’s Success Story” was held in Langkawi, Kedah, Malaysia from 27 to 30 April 2009. The participants of this Dialogue were from the 14 CIRDAP member countries. Also present were representatives from CIRDAP and foreign Resource Persons, Experts from Japan and India. The aim of this Dialogue is to enable the senior policy makers such as Ministers and Secretaries/ Secretary Generals of the Ministries related to rural development and poverty alleviation from CIRDAP member countries, to be exposed directly and to experience first hand the successful rural development and transformation in Malaysia. Following are the highlights of seven thematic papers.

#### **I. Rural Development and Poverty Eradication in Malaysia**

The topic covered in the presentation are as follows:

- (1) Rural Development and Poverty Eradication Strategies which has three time horizons; Pre-NEP Period, During the NEP (National Economic Policy) Period and Post NEP Period;
- (2) Progress achieved in Rural Development and Poverty Reduction; and
- (3) Issues and Challenges.

The implementation of the National Economic Policy (1971-1990) was the turning point in Malaysia’s rural development, which successfully changed the economy of Malaysia. During the Pre-NEP, rural development became the key focus in the Malaysian Economic Policy. More than three quarter (70%) of the rural population engaged in agricultural activities while the other 30% came from major commodity such as rubber, palm oil, coconut, and cocoa.

The high incidence of poverty during this period amounting to 60% of the population were from rural areas whereby the majority came from the agricultural sector.

The Rural Economic Development Plan (RED Book) was introduced in the First Malaysia Plan (1956-1960) which emphasised on a balanced rural development approach and the building of basic infrastructures and institutions (such as RIDA) to provide linkages to the rural economy while improving productivity and income. Subsequently the Agricultural Development Policy was introduced during the Second Malaysia Plan (1961-1965) focusing on export oriented commodities/the agricultural sector, the reorganisation and mobilisation of institutions and efforts in opening of new land, development of estates and farms as well as provision of employment opportunity.

Due to the May 1969 racial riot, the government developed a new policy to correct the imbalanced development among states, regions, ethnic group, urban and rural areas. This new policy called The New Economic Policy was created to ensure equity and stability for stronger national unity.

The main objectives of the NEP were:

- (4) To eradicate poverty and restructure society;
- (5) To improve the quality of life in the rural areas; and
- (6) To narrow the development gap between rural and urban areas.

The NEP was targeted to reduce poverty to 21.6% and increase Bumiputra equity ownership from 2% to at least 30% by 1990.

After the NEP (1990-2000) the strategies applied for rural development were:

- (7) Modernization of agriculture sector and rural areas.
- (8) Stimulation of the growth of rural industries, particularly SME's.
- (9) Increase accessibility and improve the quality of infrastructure and services (education, health etc).
- (10) Empowerment of communities.

Some of the poverty eradication strategies deployed after the NEP were:

- (11) Target specific hardcore poor.
- (12) Set the target to fully eradicate hardcore poor and halve the poverty (2.8%) by 2010.
- (13) Focus on states and districts with higher number of poor and hardcore poor especially in rural areas and among the minority groups.
- (14) Corridor development SDC, NCER, ECER, IDR, and SCORE.

The speaker later highlighted that the percentage of the poor households in rural areas has decreased in 1970 from 58.6% to 7.1% in 2007.

Several issues and challenges mentioned by the speaker were:

- (15) Uncertainty and commodity price crash.
- (16) Accessibility to the infrastructure facilities especially in Sabah and Sarawak.
- (17) High cost for rural infrastructure development.
- (18) Economic uncertainty and slowdown.
- (19) Sustainability of income generating projects.
- (20) Encourage greater role for the NGO's and the private sector.

## **II. Institutional Aspects of Rural Development Policy Implementation and Coordination Process**

The presentation covered 5 areas, namely the Structure of the Malaysian Government, National Development Plan, Rural Development Policy and Poverty Reduction, Planning, Implementation, Coordination, Evaluation Mechanism, and lastly Outcomes Monitoring.

The development cycle in Malaysia consisted of 3 stages which are planning, evaluation and implementation.

The Integration of the National Development Planning is most critical since it is at this stage that the priorities and strategies to be implemented are identified.

The Malaysian Government Policy encouraged bottom-up and top down planning approach which involved federal, state and district authorities. Each level of authority has its own councils and committees.

The Malaysian development efforts cover 10 five-year development plans, 3 Outline Perspective Plans (OPP) and 3 national policies.

The Implementation Coordination Unit acts as the centre for government planning, implementation, coordination and evaluation machinery. This machinery covers the federal, state and district levels in the formulation of policies and programs.

Next the speaker explained that various action councils are invoked in discussing issues and programs to be implemented at the national level down to the village levels. Then the speaker highlighted the strategies undertaken in the New Economic Policy of Malaysia.

Moving on, the speaker talked about national performance, targets, and initiatives by showing some graphs and figures. She then proceeded to talk about the system used by the government of Malaysia to monitor every projects implemented by the ministries and agencies.

The speaker concluded the session by highlighting the country's future aspirations from the aspect of program monitoring and evaluation.

### **III. Infrastructure and Rural Development**

The presentation covers the following areas:

- (21) Policies dictating rural development.
- (22) Important milestones in rural development
- (23) Policy statements.
- (24) MRRD's role in rural infrastructure development.
- (25) Issues and challenges.

The speaker described long term (10-20 years), medium term (5 years) and annual National Policies. She also highlighted in brief the rural evolution and transformation covering the First Rural Transformation (1957 — 1994) and the Second Rural Transformation (1994—2020).

The speaker stated that the components of rural infrastructure in the context of the Ministry of Rural and Regional Development (MRRD) include physical, social and economic development. The project/programs are rural roads, rural electricity and water supply, housing and ICT facilities.

The speaker also talked about Malaysia's rural development milestones beginning with the establishment of the MRRD in 1959, RIDA, KEMAS (Community Development Division) and FELDA in 1960. She also mentioned the launch of the 2<sup>nd</sup> Rural Development Transformation Towards 2020 which focused on human development as well as the launch of the Village Vision Movement (Gerakan Desa Wawasan), now known as the Gerakan Daya Wawasan (GDW) which focuses on the program by the Ministry to empower the people.

The speaker then proceeded to talk on policy statements relating to rural development, covering five policies as follows:

- (26) Rural Development Chain/Linkages—rural development needs to be linked to the national economic development initiatives carried out through programs that can generate and promote new sources of wealth in the rural areas by the rural communities.
- (27) Provision of Rural Infrastructure Within 30KM Radius of the Nearest Town—MRRD will endeavor to ensure the provision of rural infrastructure within 30km radius from the nearest town by 2016.
- (28) The Government's Commitment—totally eradicate absolute poverty and reduce poverty rate to 2.8 % by 2010, increase rural income through productive and quality employment in the rural areas, continuously provide rural roads, rural electricity and rural water supply.
- (29) Better Management of Socioeconomic Inequalities Through Productive Programs—eradicate poverty and ensure that no one is left out, generate a more balanced development in less developed areas and ensure economic development is shared and felt by all.
- (30) Reduce Development Disparity Between the Urban and Rural Areas—through the provision of basic infrastructures and ICT facilities.

The speaker moved on to talk about the MRRD's role in the development of rural infrastructure which was clearly stated in the Strategic Thrust as follows:

- (31) Increase coverage and quality of basic infrastructure, utilities, and social amenities.
- (32) Eradicate absolute poverty and lessen the rate of poverty in rural areas by half.
- (33) Aggressive initiative on human capital development. Intensify economic and rural industry activities.
- (34) Escalate efforts towards development of underdeveloped, remote and neglected areas;  
and
- (35) Close the digital divide between the urban and rural areas,

To achieve the above targets, the Ministry has set various implementation strategies, such as:

- (36) Providing 100% coverage of basic infrastructure in areas up to 30km radius from town centers.
- (37) More focus on Sabah and Sarawak especially in terms of basic infrastructure development, also to the less developed states/areas.
- (38) Providing a comprehensive village database based on GIS.
- (39) Enhancing Content Development.
- (40) Aggressively conduct ICT training for the rural communities and provide more tele-centres (Medan Info-Desa) in the rural areas.

The speaker concluded the presentation by presenting the future challenges in rural development which include the rural-urban development gap and the digital divide.

#### **IV. FELDA's Model: Uplifting-Economic Status of Settler's**

The speaker informed that his paper presentation covers the following areas:

- (41) FELDAS vision and objectives.
- (42) Land development model and policy.
- (43) Land settlement policy and land holding policy,
- (44) Achievements to date.
- (45) Impact of FELDA's Development.
- (46) Non- Farm Strategy.
- (47) Funding support services, capacity building program.
- (48) Challenges, key success factors and the future of FELDA.

He proceeded to highlight FELDA's history in brief. FELDA was established in July 1956. FELDA's main aim is to carry out land development and settlement in new areas with the sole objective of eradicating poverty and uplifting the socio-economic status of the settlers.

According to him, FELDA has played a significant role in land development from the First Malaysia Plan (1976-1980) to the Fifth Malaysia Plan (1986-1990) FELDA has since developed 322 projects covering an area of 762,197 hectares and resettled 106,510 families. As such, FELDA has proven to be a successful capacity builder and is capable of exceeding land development targets set by the government.

Many challenges were faced and conquered during the early stages of resettling these villagers to the Land Development area. The mind sets of the rural people had to be changed and they had to be convinced to join this program especially to change their mind-sets. At the time, plantations were created by the settlers manually, with the assistance of FELDA.. Hardly any machinery was used.

The speaker also explained that the selection of settlers was in accordance with the land settlement policy. There were some criteria to be fulfilled, such as age limit, agricultural skills, preferably married with children, landless and physically fit. They were selected through a series of screening process, such as through interviews and approval by their states.

On the land holding policy, the speaker informed that when the settlers have fully paid their loans after 15 years or more, the settlers are qualified to receive titles for their land. This system is practiced under the land holding system. In addition, to protect the interest of their wives, the Group Settlement Act, 1960 was amended to allow, for joint ownership to include the names of the settler and his wife.

The speaker also mentioned about FELDAS achievement to date. According to him, FELDA has developed 722,946 hectares of oil palm and 84496 hectares for rubber by 2008. The balance of 3698 hectares s under sugar cane and other crops. FELDA has also resettled 112.635 families, i.e. equivalent to one million people.

The presenter also described the impact of FELDA's development initiatives in Malaysia. The most significant impact is to eradicate poverty and develop vast land areas for development mainly for oil palm and rubber plantation. The production from these plantations has contributed to the GDP of Malaysia and has created many employment opportunities.

The speaker highlighted the following key success factors:

- (49) Close co-operation between federal and state government., settlers, contractor, staff and management.
- (50) Implementation of social program from the beginning in community development.
- (51) Funding from the government and other sources,
- (52) Efficient management and dedicated staff.

Finally, the speaker concluded that in its way forward, FELDA focuses on the following five thrusts:

- (53) Role model for other villages.
- (54) Middle class community.
- (55) Global leader in palm oil industry.
- (56) Development of the New Generation.
- (57) Mould FELDA into a strong institution.

## **V. The Role of Physical Planning in Rural Development**

The presentation mainly covered the development planning system in Malaysia, the role of physical planning, the rural planning in development plan in Malaysia and the way forward on rural planning.

The speaker then mentioned about three main development policies which are Vision 2020, Outline Perspective Plans (OPP) and 5-Year Malaysia Plan which took into consideration of socio-economic development planning in Malaysia. These national level plans are also supported by various sector policies and action plans and one of them is National Physical Plan.

The role of Physical Planning as part of sectoral policies is to coordinate, rationalise and translate sectoral policies into spatial dimensions. This plan also assists government agencies to prepare plans, and prioritise projects for implementation. The Department of Town and Country Planning is responsible to prepare policies, plans and development guidelines whereby the implementation will be carried out by the related agencies.

Planning for Rural Growth Centres (RGCs) is undertaken by the Department of Town and Country Planning in 1984. New approach and concept for rural development had been introduced since then.

Development plan translates socio-economic requirements into spatial dimension in National Physical Plan, National Urbanisation Policy, Structure Plan, Local Plan and Special Area Plan.

National Physical Plan (NPP) 2005 focuses to resolve some rural planning and development issues by ensuring the development taking place took accounts the view of the rural communities in order to balance the need to conserve the environmental sensitive areas.

National Physical Plan has to be reviewed to ensure the relevancy every 5 years. The main issue and challenge in the review of NPP is whether to continue developing the area or to conserve the environment.

Structure Plan (SP) or Statewide Structure Plan also incorporate state socio-economic plans and NPP policies. More over the Local Plan (LP) translate SP policies into detailed proposal maps that cover the whole area not only urban but also rural area.

Special Area Plan (SAP) is a detailed development proposal and management plan for redevelopment, improvement or conservation of specific areas. This plan also resolves rural development problems such as resettlement of rural communities affected by natural disaster, development of tourism sites, infrastructure and utilities development.

The formulation of National Rural Planning Policy will be incorporated within bigger plan and it is believed that it should resolve issues and challenges of rural planning and development in an integrated and holistic manner. This plan provides framework for Structure Plan and Local Plan and other sector policies and at the same time able to make the rural areas competitive in national development.

Finally, the speaker concluded by giving emphasis on the rural area as a prosperous area that has significant contribution to national GDP, has its beauty, characteristics, tradition, sense of space and community. Therefore he said we need to optimise the resources and potentials for sustainable development and 'make living in rural areas as a preferred choice to the people'.

#### **VI. Development of Information, Communication and Technology (ICT) Facilities for Rural Development**

(58) The definition of urban and rural. He also said the topic will focus more on ICT, internet and networking in rural areas.

(59) ICT is part of infrastructure development. He expanded further the details discussed in Paper 3.

(60) He also touched some relevant aspects of ICT, such as k-economy and e-Economy.

The speaker explained that digital divide is defined as the difference in facilities and infrastructures between different communities. Therefore the Government came up with the National Strategic Framework for Bridging the Digital Divide (NSF-BDD).

Subsequently, the speaker explained that the highest penetration for access and adoption of the Internet in Peninsular Malaysia is in Selangor and Kuala Lumpur while the lowest is in Kelantan. 90% of mukims/sub-district has less than average penetration rates for internet and computers per 100 households.

He also mentioned high ICT penetration coincided with high tertiary attainment. Meanwhile, access to ICT among women and the young in the urban and the rural areas is fairly small.

In 2005, the status of household Internet used by the state of Selangor was 23.9% as compared to only 0.6% in Perlis. The outcome has not been positive, leading to the introduction of NSF-BDD by the Government. The speaker mentioned that in the urban areas, 85.3% of households are Internet users, as compared to 14.7% in the rural areas.

He also stressed that government planners and decision makers have to think of solutions to issues relating to networking and internet access such as:

- (61) The usage of broadband and networking
- (62) Knowledge on computer usage
- (63) The people involved in ICT & projects implementation
- (64) The users of ICT & whether there is any value added

Some of the activities conducted over the Internet are as follows:

- (65) Obtain/Seek information—for students and researchers from e-news and etc.
- (66) Communications by text—emails and chats
- (67) Leisure—watching movies and listening to songs
- (68) Financial activities—e-payment and e-banking
- (69) Public services—payment of summonses, obtain licenses and jobs online.

The speaker also mentioned that the responsibility to provide basic learning processes on Microsoft (word, power point, excel) does not solely lie on the government but is shared by the private sector. Despite all the advantages of the internet, negative impacts, such as easy access to negative contents (pornography) is also present. Therefore, parents must give attention and control their children.

National Strategic Framework for bridging the digital divide has five thrusts as follows:

- (70) Increase access and adoption of ICT by underserved groups.

- (71) Create value in e-Inclusion programs.
- (72) Develop local content through participatory approaches.
- (73) Cultivate multi stake holder collaboration and coordination.
- (74) Institutional evidence informed policy and practices.

The speaker showed pictures of tele-centres development, and value creation in Malaysia.

Lastly the speaker highlighted the way forward as follows:

- (75) Design programs according to the needs of underserved communities
- (76) Roll out and replicate success BDD initiatives
- (77) BDD programs impact study
- (78) Standardisation of tele-centres training materials.
- (79) Enhancement of BDD initiatives promotion activities.

## **VII. Rural Industries and Agribusiness Development**

Chairman of the Panel was the Director General of Rubber Industry Smallholder Development Authority (DG-RISDA). The session began with the introduction of the panelists as follows:

- (80) Deputy Director General of Majlis Amanah Rakyat (DDG-MARA).
- (81) Under Secretary of Ministry of Agriculture and Agro-Based Industry (US-MAA).

The chairman started off by highlighting that there are four (4) basic aspects that can be touched by the panelists in discussing rural industries and agribusiness development as follows:

- (82) Rural areas are deemed as isolated areas and lacking of basic infrastructures;
- (83) How to create sufficient entrepreneurs and investment opportunities?
- (84) How can we change the mind-sets of rural people to realise the importance of business and agricultural production?
- (85) How do we create capable workforce to work in the rural industries equipped with appropriate values and criteria fit for the industry?

US-MAA stated that the Ministry of Agriculture and Agro-Based Industry is leading the agriculture sector in Malaysia. The ministry plays a major role in increasing the agriculture's productivity and income level for rural people mainly farmers and fishermen. There are three (3) departments and seven (7) agencies consolidating their strength to develop the rural areas which cover three major sectors comprising agriculture, veterinary and fisheries. He also stressed the importance of instilling awareness among the rural community that the agriculture is an opportunity to do business. In this regards, the ministry has added new approaches to promote agriculture sector such as:

- (86) modernisation of technology in agriculture
- (87) value added product
- (88) the utilisation of information communication technology (ICT)
- (89) development of entrepreneurs in agriculture.

The panelist also informed that there's a need to develop enough supply of agriculture production in terms of four clusters which are agriculture farm's products, fishery-based agriculture, livestock agriculture and food processing agriculture. So far, there are 8,000 entrepreneurs involved in the various agriculture businesses.

DDG-MARA, continued on by mentioning the function of his agency in order to develop the rural people through business and education. In terms of business, MARA has provided business premises to assist the rural entrepreneurs to start their businesses. However, he said the most significant program that MARA has done is in human capital development program. MARA has 207 training centers in rural areas to provide training to the rural youths. There is about 4 million youth and they are the main target groups of the agency.

The chairman added basic infrastructure is not the issue in Malaysia and that development of the entrepreneurs through training among the rural people is more crucial. After completing their training, they will be assisted with financial support from MARA to do their businesses in the form of grants and soft loans.

Moving on, the chairman raised the issue of how the rural entrepreneurs can be developed. In this regard, US-MAA responded that the Ministry carries out their own training programs to develop the entrepreneurs in various skills and knowledge. The farmers and fishermen have been given so many opportunities in training. His departments and agencies also provide assistance in terms of marketing and branding.

The chairman then highlighted that the most important issue at hand is how to change the rural community's mind-set to be more business minded and possessing entrepreneur skills.

Responding to this statement, DG-RISDA said that the rural people should be provided with better education and proper skills in order to develop their potential and capabilities. MARJA has done this program through its training institutions such as *Giatmara* and *Institut Kernahiran Man (IKM)*. MARA also has junior college to educate the young with secondary education complete with facilities and trained teachers.

The chairman continued to sought clarification on the role of Ministry of Agriculture in changing the lifestyle of rural people and developing their economy. US-MAA said that to change the mind-set of people in business, many agencies and organisations must get involved. Furthermore, to create business entity among rural entrepreneurs is a long term process. The other aspects that need to be considered is the quality of product. The rural agriculture products can penetrate the world market but must meet the international requirement and standard.

**Propositions:**

1. Discuss the success story from respective country point of view;
2. How the strategies followed could be utilised in CMCs?
3. What action plans could be developed by CIRDAP to furtherance these?

CIRDAP