

Creating Opportunities: The Effectiveness of Land Development in Malaysia

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“Providing opportunity rather than ‘charity’ provides dignity”
(Messrs McGilchrist, et al)

Preamble

The effectiveness, taken to mean “producing a decided, decisive, or desired effect or results” of any policy is indeed difficult to assess, particularly in a near term situation. It depends on many factors and can be coloured over time and by various dispositions including social and political. This presentation takes a cursory look at land development and settlement in Malaysia, an effort that was initiated when the country was at the doorstep of independence from its colonial administration, an effort that is being sustained to this day by each successive government, hence providing the opportunity to look back over half a century. The question remains whether such an effort then and continuing in these present times could be adapted to support efforts to achieve the Millennium Development Goals.

Malaysia is a country with two primary landmasses, Peninsular Malaysia and East Malaysia (on the northern part of the island of Borneo). The country has a total landmass of approximately 330,000 square kilometers and 4320 kilometres of coastlines. These landmasses support a population of 25 million. The country also enjoys the distinction of having the southern most tip of the Asian continent at Tanjung Piai, the southern most tip of Peninsular Malaysia. Malaysians refer to their country as “tanah-air”, literally translated to mean “land and water (or sea)”.

“Planted Land Development and Settlement Schemes”

Land development in Malaysia is the conscious response of a group of policy makers in an infant national administration to the plight and poverty of the masses at the time when Malaysia gained self-government (1955) leading to independence (1957). During that era, the country was predominantly agricultural hence rural, the economy primarily agrarian and there existed wide disparity in incomes between the rural and the urban sectors. The need to bridge this gap, to uplift the plight of the poor coupled with the understanding of the danger in failing to do so, led to the declared policy –

“that the deserving and suitably qualified rural people should be given every encouragement to own economically viable farms in planted land development and settlement schemes provided with all essential public utilities and social amenities, adequate management training, extension facilities and suitable processing and marketing arrangements in order to raise manifold the level of living from \$50 - \$ 150 per month level to about \$300 per month, and to evolve them into progressive and

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knowledgeable farmers so that the rural people could take their rightful place and role in the community”

From the conclusions presented to the National Land Council under paper No. 4/1958, amongst others, it was recommended and subsequently agreed, the policy on adoption of planned land development as a strategic thrust –

- i] by establishing holdings of economic size and if possible or desirable, creating complementary estates;
- ii] based on proper use of soils and conforming to the topography;
- iii] with villages properly furnished with social and other services as centres;
- iv] with no scattered habitations; and with processing and marketing facilities as part of the development.

The National Land Council subsequently approved papers 12 and 13 outlining the binding principles for the implementation of land development in Malaysia since 1960, namely –

- i] that the first priority in new land development was the settling of people who were landless or substantially so, and who were in danger of becoming a burden on the State unless they could become cultivators;
- ii] that people who already had adequate land or other resources and were merely seeking opportunities for expansion or investment would have, in the present circumstances, no immediate claim to consideration by the Government;

Political support and its continuance over years is an important contributing factor to the overall performance and success of any policy of this nature. This support came in many forms and included the formulation and passage of enabling legislations through Parliament.

The Land Development Ordinance 1956 came into force on 1st July 1956 and the Federal Land Development Authority (FELDA) was established with the duty to promote and assist the investigation, formulation and carrying out of projects for the development and settlement of land.

The creation of this agency at the federal level was a milestone in the history of land development and settlement in Malaysia. Its responsibilities were of prime importance and the task entrusted upon it was formidable for the reason it had little or no experience to draw from. It had to chart its own course of action. FELDA, it must be appreciated, was created at the political crossroad of the nation when the colonial authority was being phased out and replaced by an infant self-governing administration working towards independence (Bahrin, Tungku Shamsul et al, 1988).

The Land (Group Settlement Areas) Act 1960 came into force on 30th May 1960 for the purpose of ensuring uniformity of law and policy in respect of the establishment of group settlement areas and the conditions for the alienation and occupation of land, primarily for land development and settlement schemes. The Act allows for declaration of group

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settlement areas, divide a group settlement area into a number of holdings and authority to occupy any land within a group settlement area in expectation of title.

“Land for the Landless”

The area of land to be developed per scheme is an important consideration. The Federal Land Development Authority (FELDA) prefers that the minimum size of a scheme to be about 1,800 hectares for 400 families, governed by the following considerations –

- i] a scheme with between 1,200 – 1,600 hectares of rubber is a desirable management unit for a plantation crop, and within this area, the maximum travelling distance for both settlers and staff from the village centre would be about five kilometres;
- ii] a settlement with 400 families would have a population of approximately 2,000 people which in terms of the Government rural development plan qualifies for the provision of certain essential services such as a midwife’s clinic, a primary school, a police post etc. by the Government;
- iii] with a population of 2,000 the investment for the supply of piped water, village roads and access roads are economically justifiable;
- iv] the population should be adequate to support the development of a small commercial centre to service the settlers.

In selecting the development and settlement sites, major considerations that determine the choice include ownership of the land (free of occupation and unalienated), suitability of the soil for the type of plantation crop - rubber in the early years, mineral clearances – deposits of economic minerals are important natural resources, forestry clearances – avoidance of primary rain forest, accessibility – distance to existing main (trunk) roading system and topography.

Preliminary investigations are complex and require much tact and patience involving no less than 12 different departments and agencies responsible to eight Federal ministers (in those early years), not to mentioned state government who has jurisdiction over land matters. Departments and agencies closely involved in the investigation stage are the Land Office, Survey and Mapping, Agriculture, Geology and Mines, Town and Country Planning, Forestry, Public Works, Drainage and Irrigation, Education, Medical and the Treasury.

“Good Land for Good People”

It should be appreciated that there has been no intake of settlers into any scheme since 1990, the fact remains that more than half a million people are in various settlements. In the early years, the high cost of land development meant that settlers have to be carefully chosen from amongst those who are adjudged to be most suitable and neediest to be vested with the role as settlers and pioneers, those who could benefit most from the opportunities provided. Land development and settlement schemes purposefully created communities

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from amongst disadvantaged group of citizens, creating opportunities for their transformation into economically productive communities.

At the end of 2007, FELDA reported a total of 853,313 hectares developed and under cultivation, 84.5% under oil palm, 10.0% under rubber and 0.3% under sugar cane cultivation. Of this total, 521,938 hectares are land with settlers involving 317 schemes and a total of 112,635 settlers (families). It is was also reported in 2008 that settlers produced 17.1 tonnes of oil palm per hectare and 2.05 tonnes of rubber per hectare of land cultivated.

FELDA continues to uplift the well being of the settlers and their families and offer schemes and plans such as –

- i] home reconstruction/renovation loan – established in 2005 with the purpose of enabling eligible settlers to rebuild/renovate their homes on the land development and settlement schemes. The loan is interest free with a 10-year repayment and of varying amount between \$10,000 and \$40,000;
- ii] home repair assistance – established in 2003 as a form of assistance to eligible settlers to repair their dilapidated houses on the scheme and who do not need to repay the amount;
- iii] entrepreneur Incentive scheme – established in 2002 with a revolving fund of \$50 million that was subsequently increased to \$100 million to help eligible settlers (including women and youths) to be involved in various commercial projects to be carried out within the schemes;
- iv] computer loan scheme – established in 2004 to enhance eligible settler's skills in the field of information technology, an interest free sum of \$2,500 is provided with 3-year repayment tenure;
- v] FELDA investment cooperative loan scheme – enforced in 2005 to enhance funds and settler's involvement in FELDA's business activities through equity holding;
- vi] group insurance coverage plan – enforced in March 2008 as one of FELDA's welfare activities for settlers on the schemes;
- vii] annual allocation to youth societies (within the schemes).

In terms of the settlers' "civil society", there is the Scheme Development Committee, the top-level committee of settlers in the scheme, helping FELDA to overcome local issues and problems. There is also the Women's Society Movement to coordinate all female activities in the scheme. The collaboration between the Scheme Development Committee and Women's Society Movement forms the highest council for male and female settlers at the regional level with each region electing its deputy chairperson of the Scheme Development Committee Coalition and chairperson of the Women's Society Movement Coalition. The Settler Consultation Committee is the national communication and consultation body that comprises the highest management of FELDA and head of male/female settlers as well as youth leaders.

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“Creating Opportunities”

During the post Second World War period, in the midst of nationalistic fervours and independence movement, some peaceful and others violent, many a newly independent nations were talking about land reform and nationalization of land holdings for redistribution. It should be noted that the infant national administration in then Malaya talk little about land reform or nationalization of land holdings, particularly those owned by non-citizens and non-indigenous corporations. The decision was to embark and pioneer economically viable land development and settlement, to go where none has ventured with the backing and resources of the government of the day (Lee, Boon Thong et al, 2006).

Land development and settlement scheme undertaken by FELDA combined with the broader rural development programme have been rather successful in increasing rural production, raising rural income and reducing rural – urban migration. Furthermore, net settler income exceeded that attainable at the place of origin with the high rate of retention of the settlers. It is reported in 2006, for settlers in these schemes, that net income is approximately \$850 per month, 11.5% of the settlers earned more than \$2,000 per month. 24% have completely built a new house on the land provided while 71% make renovations to their houses (Dr. Shaafie Mohd Salleh, Dato’ Sri, 2006).

There are challenges including the retention of second generation and lack of non-farm employment opportunities for the second generation. One criticism is that the Government, despite its success, do not have a consistent, well thought out, long term settlement policy that looks ahead to problems of adjustment of second-generation settlers and of integrating these settlements into regional development plans. It must also be appreciated that some of the early schemes are at the fringes of urban centres today. It is interesting to note that 97% of the settlers aspire to see their children obtain education at university level, (Dr. Shaafie Mohd Salleh, Dato’ Sri, 2006) and certainly many have and left the schemes to settle in urban centres. 34% (basically the second generation) are involved in entrepreneurial activities and entrepreneurship, as we know, has the potential of creating new jobs!

It was noted that there has been no intake of settlers into any scheme since 1990, and perhaps, it is timely to consider migrating some of these land holdings into a “revolving land bank”, where the desiring original settlers could exit the scheme honourably and with just compensation thereby creating opportunities for a second wave of disadvantaged and landless people. These new participants to existing land schemes could inject new energies into an aging community, continuing the transformation into economically productive communities where the new arrivals are part of, uplifting them from poverty into relative prosperity.

An authority tasked with land development and settlement, FELDA has developed to be a significant player in the global marketplace engaged in many commercial and industrial activities with presence in marketing, engineering, information technology, transportation including shipping, trading and retail, support services, construction and real estate.

Malaysia today is a market economy, ranked the 19th largest exporter of world merchandise trade and the 29th largest export of world trade in commercial services. Per capita income

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has also risen steadily over the years. The contribution of land development and settlement in nation building, national development, economic advancement and wealth creation can not be doubted, the extent and effectiveness will always be debated.

In summary, effectiveness that is sought rests on conscious effort and is about –

- *people*, not merely programmes;
- thinking *generation*, not merely a desired duration;
- providing *opportunities*, not hand-outs;
- *collaborative* efforts, not competitive deadlock; and
- unlocking potential that is *Land*.

The second Prime Minister of Malaysia, Tun Haji Abdul Razak Hussein (1971 – 1976; *for his contributions to the country and its people especially in development he is known as Father of Development*) was quoted as saying “*One of the most successful efforts of economic upliftment of the poor people ever carried out in any developing country . . . Land for the Landless . . . Good Land for Good People*”.

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