

E-BOOK OF EXTENDED ABSTRACT

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ADAPTATION OF A STRATEGIC FRAMEWORK FOR THE IMPLEMENTATION OF DEVELOPMENT CHARGES BY LOCAL AUTHORITIES IN MALAYSIA

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ABSTRACT

The development charge is a charge levied by local authorities (PBT) on developers in return for the increased land value that results from a development, as provided for in the Town and Country Planning Act 1976 (Act 172) or under the Development Charge provisions of Act 267. This study aims to develop a comprehensive framework for the implementation of development charges in Malaysia by focusing on two main objectives: (i) to identify the key issues and challenges and (ii) to propose practical solutions to improve the current practises. A qualitative research approach was adopted which involved data collection through questionnaires and focus group discussions (FGD), followed by descriptive analysis. The results led to the formation of a holistic framework covering four main areas: (1) legal principles and source of authority (2 strategies, 3 components), (2) organisational structure and staffing development (3 strategies, 6 components), (3) quality of information delivery and services (3 strategies, 6 components), and (4) economic and urban infrastructure development (5 strategies, 6 components). This framework serves as a guide for local authorities and state governments to assess existing weaknesses and improve implementation methods. In addition, it serves as a reference for states or local authorities that have not yet implemented such mechanisms, enabling them to effectively plan and identify key requirements for a more efficient and satisfactory development charge system.

Keyword: Development Charge, Framework, Innovation, Local Authorities, Planning Permission

1. INTRODUCTION

Development charges, known globally by various names such as impact fees (United States), betterment fees (United Kingdom), developer contributions (Australia), and development charges (Singapore and Canada), are widely implemented to alleviate the financial burden on local governments for providing infrastructure due to rapid urbanisation. In Malaysia, Kuala Lumpur City Hall (DBKL) has imposed development charges since the 1970s to promote economic growth, and this practice has since been adopted by other states including Selangor, Perak, Kedah, Kelantan, Johor, and recently Terengganu. According to Mohd Haris Yeop (2016), the primary goal is to encourage land development, with collected revenue used to enhance urban facilities. However, these charges have sparked concerns among stakeholders, particularly landowners and developers, due to increased upfront costs at the planning permission (KM) stage. Political acceptance at state and district levels also poses challenges, often delaying implementation. This study explores the implementation of development charges by local authorities (PBT), focusing on the legislative framework, operational procedures, achievements, issues, and existing weaknesses, with the aim of proposing an effective implementation framework to guide PBTs in achieving their development charge objectives.

2. PROBLEM STATEMENT

In Malaysia, numerous studies have highlighted that weaknesses in the financial structure and management of local authorities (PBTs) remain a significant obstacle to effective public service delivery. These challenges stem from limited financial resources, despite various forms of assistance such as grants and loans from central or state governments (Phang, 1997; Soeb Pawi, 2013). The growing demand for public facilities and infrastructure driven by rapid urbanisation further strains PBTs (Vera & Kim, 2003). Additionally, issues such as administrative inefficiencies, lack of training, and limited capacity to implement financial instruments like development charges hinder their operational effectiveness (Hazman, 1992; Fadzir, 2012). The implementation of development charges remains inconsistent across PBTs, with many still unfamiliar with the concept and lacking the expertise to manage it effectively (Haris Yeop, 2016). Developers have also pointed out the need for improvements in procedures, fund allocation, and system transparency to enhance the efficiency of development charge implementation (Nur Adila, 2020).

Given these challenges, there is a clear need for a structured and comprehensive framework to guide PBTs in effectively implementing development charges as a sustainable financing tool. This study seeks to address critical questions, such as the main issues and challenges faced by PBTs in executing development charges and the essential components required for a robust implementation framework. By identifying these factors, the study aims to develop a strategic guide to strengthen PBTs' financial capacity, improve administrative performance, and ensure that development charges contribute positively to sustainable urban development and the wellbeing of communities. Ultimately, this research intends to serve as a valuable reference for PBTs to enhance service delivery and financial sustainability through more effective use of development charges.

3. METHODOLOGY

This study employs a qualitative approach using the case study method to gain an in-depth understanding of how development charges are implemented at the local authority (PBT) level in Malaysia. The flexibility of the qualitative method allows the research process to evolve with the information gathered, making it ideal for exploring complex, real-world issues such as local government policies (Trochim, 2006). The study was carried out in two phases: an initial review of secondary sources—such as legislation, government guidelines, and academic literature—to build a conceptual framework, followed by primary data collection through semi-structured interviews, allowing respondents to elaborate based on their experiences (Merriam & Tisdell, 2016).

The case study method was selected to focus the research on selected states that have implemented development charges, enabling a detailed examination of legal, operational, and policy-related aspects (Yin, 2018). Purposive sampling was used to ensure that respondents were directly involved in the policy's implementation and had relevant expertise. Respondents included valuation officers, town planners, developers, and policymakers, offering diverse insights. The study covered 73 local authorities across six states, with 36 individuals forming the research sample.

4. FINDINGS

The findings for the first objective reveal that development charges function as a vital development control mechanism, ensuring compliance with local plans while generating revenue to support public infrastructure. These charges serve as penalties for planning violations and have significantly improved the processing of planning permission applications and revenue collection, particularly in urban and municipal areas. Collection rates have risen from 20–30% in 2017 to 70–100% recently, indicating improved enforcement, technical efficiency, and stakeholder collaboration. While most of the funds are allocated to infrastructure and public amenities, some local authorities use them for administrative expenses due to budget constraints, reflecting

financial disparities among PBTs. This implementation contributes directly to several Sustainable Development Goals (SDGs), particularly SDG 9 (Industry, Innovation, and Infrastructure), SDG 11 (Sustainable Cities and Communities), and SDG 16 (Peace, Justice, and Strong Institutions) by enhancing urban planning, promoting inclusive development, and improving governance at the local level.

For the second objective, the study identifies persistent challenges such as late developer payments, weak enforcement, limited financial capacity, and low stakeholder awareness. Although outright charge rejections have decreased, delays still impact project timelines and lead to friction between developers and local authorities, often tied to concerns over rising development costs and housing affordability. These issues underscore the need for a strategic, innovative implementation framework that is legally sound, technically robust, and adaptable to evolving urban dynamics. The proposed framework aims to address these weaknesses by promoting inclusivity, flexibility, and cross-sector collaboration. All interviewed stakeholders affirmed the importance of such a framework, with E1 stressing the need for inclusive policy design, E2 calling for a holistic, stakeholder-driven approach, and E3 highlighting the importance of adaptability to local contexts. The framework’s potential to drive innovation in governance practices and urban finance is seen as a key factor in ensuring its long-term impact. Respondents also supported piloting the framework, indicating its promise in fostering more resilient, transparent, and sustainable urban development aligned with the SDGs.

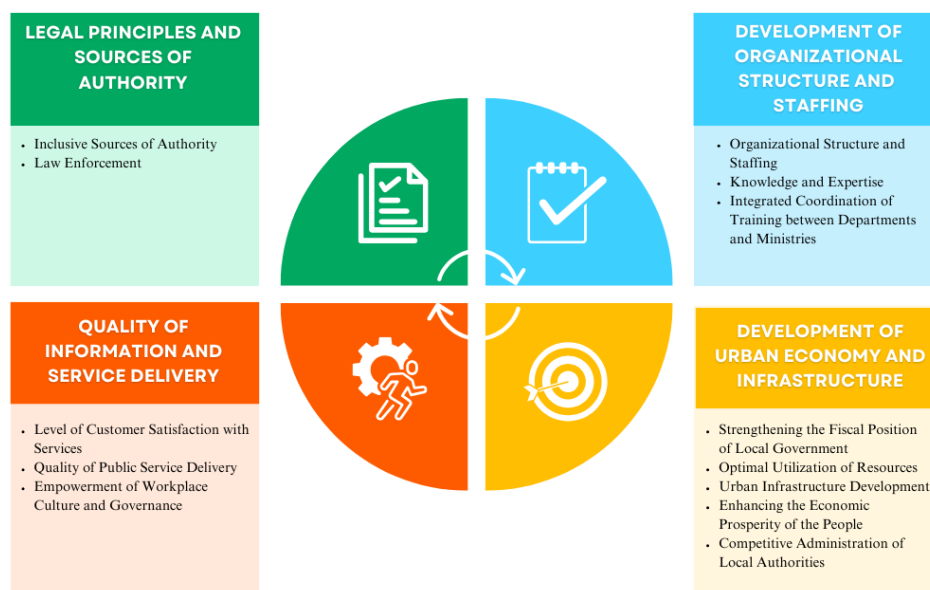


Figure 1 Strategic Framework for the Implementation of Development Charges

5. CONCLUSION

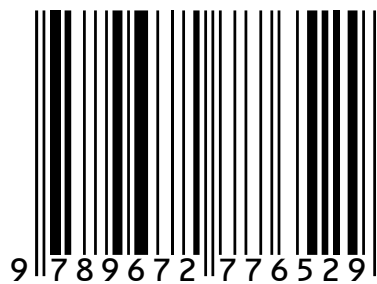
This study confirms that development charges serve a vital dual function as a planning control instrument and a revenue source for local authorities (PBT), with notable improvements in revenue collection and the processing of planning permission applications, especially in urban and municipal areas. Despite these gains, challenges remain, including payment delays, financial limitations, and low levels of understanding and acceptance among developers. To address these issues, the study proposes a comprehensive, inclusive, and flexible strategic framework that incorporates key elements such as legal provisions, procedural guidelines, human capital development, and performance monitoring. The effective implementation of this framework is intended to enhance policy execution, support sustainable urban development, and strengthen good governance at the local level.

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