

RAGS TO RICHES: AN EXPERIENCE OF RURAL DEVELOPMENT IN MALAYSIA

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ABSTRACT

Rural development continues to be one of the main priorities of the Malaysian Government. The government has set various strategies to improve the quality of life and income for all Malaysians including the rural populace. Rural Malaysia has undergone tremendous transformation due to the evolution of rural development policies, strategies and programmes since the country achieved its independence in 1957. From an economic perspective this sector is mainly agriculture-based, whereby more than half of the population involved in agricultural activities. Historically, the national economic development plan i.e. First and Second Malayan Five Year Plan (1956 – 1965), followed by a series of Malaysia Five Year Plan (1966 till today) put importance on rural development. Malaysia can be considered successful in developing rural areas through the concepts of integrated rural development, agrarian reform, in-situ development, rural industrialisation and modernisation, and rural growth centres. This paper aims at reviewing the chronological condition of rural development in Malaysia with special attention placed on the Federal Land and Development Authority (FELDA), a [Malaysian](#) government agency handling the resettlement of [rural](#) poor into newly developed areas. FELDA focuses on opening [smallholder farms](#) growing [cash crops](#). The paper also aims at examining the opportunities explored in order to further strengthen this sector. Keywords: rural development, Malaysia Five Year Plan, integrated rural development, FELDA, background and opportunities

INTRODUCTION

The development of the rural sector in Malaysia has taken place since its independence in 1957 and it is more substantial with the launching of the New Economic Policy (NEP) in 1971. However, by the end of NEP in 1990 the poverty continued to devastate rural people. Thus, the government continued to embark on similar initiatives by implementing another two series of long term Outline Perspective Plans (OPP) namely, the National Development Plan (NDP) 1990 – 2000 and the National Vision Policy (NVP) 2001 – 2010 (Fatimah Mohd Arshad & Mad Nasir Shamsudin, 1997). In Malaysia, rural development is part and parcel of development policy with the main objective being to eradicate poverty among the poor populace.

Poverty is a universal problem which can take place either in rural or urban areas. Rural development and the rural poor are two-faces of a coin. In some countries rural development signifies a package of economic and social activities with the fundamental objective to upgrade the living condition of rural poor. According to Talukder, the economic aspects refer to infrastructure, production and income generation and the social aspects refer to education, health, sanitation, and family planning (Chandrasekera M. W., 2002). Most of the countries attained government support for those efforts through agencies to ensure effective achievement of rural development. In this context, the Malaysian government has established a number of agencies to undertake strategies, programmes and projects in order to develop rural sectors such as the Federal Land Development Authority (FELDA), the Rubber Industry Smallholders Development Authority (RISDA), and the Federal Land Consolidation and Rehabilitation Authority (FELCRA). This paper aims at reviewing the chronological condition of rural development in Malaysia with special attention on Federal Land and Development Authority (FELDA). The paper also highlights the opportunities encountered by the settlers and agency.

Background of Federal Land and Development Authority (FELDA)

Down to 1957 was an era under the British colonial government, and the development initiatives were concentrated along the western side of peninsular Malaya since tin was found there. The efforts were followed by rubber-planting that began the second wave of development in Malaya. However, the period between two World Wars witnessed a wide fluctuation in world prices of tin and rubber that led the government to arrange for the restriction, by Malayan law, of the outputs of these industries. (Gullick & Gale, 1986).

The reinstatement of colonial government in 1946 witnessed a more interventionist approach in the national development plan. The attempt to develop the rural sector can be seen in the first plan (1950 – 1955) which showed the establishment of the Rubber and Industrial Development Authority (RIDA) in 1950 under the chairmanship of Datuk Onn bin Jaafar. The scheme was not very successful, but it indicated the government's initiative to improve the social and economic conditions of Malay peasant smallholders. Then, the situation changed with the increased land hunger among the peasant population and the need to obtain a large block of land. According to Rokiah Talib (2009) at the point of independence in 1957, there were more than 200,000 applications for land.

Phase I of FELDA, from 1955 to 1961, started with settlers having the responsibilities in clearing the land, building their own houses, planting, maintaining and harvesting the crops. At this stage FELDA was responsible to channel the Federal Fund to state government with the aim of developing land. The challenge of clearing and developing the land from jungle was too hard, and many pulled out from the scheme. The poor still

remained poor. Noting the slow progress, FELDA changed its function as a developer from 1961 onwards. Under this concept, the clearing and planting efforts by individual smallholders was cast aside. Such a decision was important to allow for a better way to develop new smallholdings in the large block of land, plant them as in the estate systems and then divide them up. Its result was the the establishment of the Federal Land Development Authority (FELDA) in 1956 under the Land Development Ordinance 1956. It then had a very simple objective of helping settlers develop land that would set the foundation needed to eradicate poverty in the rural area, especially after Malaysia attained its independence. The development in Phase II (1961- 1991) had successfully led to the rise of per capita income from RM812 in 1960 to RM6,298 in 1990, and a decline in the number of applications as settlers. The government decided at this point to stop the intake of settlers (Rokiah Talib, 2009).

The historical journey of the Federal Land Development Authority (FELDA) witnessed the amendment of the Act in 1961 and 1991. FELDA's original function was to channel financial assistance to State governments for land development programmes, but this was changed in 1961 when it was given the responsibility to develop new land and settlements for the whole country. Since the mid-eighties, FELDA has focused on the development of plantations on a commercial basis. As the plantations grew in size, the related services grew, as in providing milling, processing, marketing, transport, shipping and engineering; and these services were diversified through establishment of upstream and downstream joint ventures with local and foreign partners. The life of the settlers were further enhanced through FELDA's unique model of development, owning the agricultural holdings and commercial enterprise through the FELDA Investment Corporation (FIC), the principle shareholder of FELDA Holdings Berhad. The model witnessed settlers receive dividends ranging from 10% to 15% per annum; they became the new rich men in town.

The amendments of the Act in 1991 have identifying functions as follows: (i) to carry out and implement development projects; (ii) to develop, facilitate and implement development, management and economic, social, agricultural, settlement, industrial and commercial services as well as other related activities in areas where FELDA has been granted the authority to implement land development projects or in areas owned by FELDA and its companies; (iii) to implement activities which can help modernize the agricultural sector in areas where FELDA has been granted the administrative authority, especially in activities which are related to production, processing and the marketing of agriculture and livestock products; (iv) to assist, guide, advise, manage and coordinate social, settlement, agricultural, industrial and commercial activities in FELDA areas (Website FELDA, 2012). The transition, Phase 3 (post 1990), emphasized the role of FELDA as a developer of commercial plantations with new functions, and has allowed FELDA to grow and venture into many related agro businesses. In terms of rural development, FELDA remained the major player.

The turning point - Opportunities

Despite challenges there are advantageous circumstances in which government and people can grasp for a good possibility of success. Over the years the Federal Land Development Authority (FELDA) had ventured into many related businesses nationally and globally. The original concept of settlers clearing out the land and building their own houses was taken over by the Federal Land Development Authority (FELDA) as the developer of land for eventual settlement by settlers. This allowed the Federal Land

Development Authority (FELDA) to directly manage all the land schemes initially managed by the state boards as commercially viable estates, and takeover land development work in the country through the amendment of the Land Development Act in 1961.

The trust achieved by the Federal Land Development Authority (FELDA) to continue its role in clearing land and setting up housing amenities prior to settlers coming in is evident in the fact that the government approved to allocate more acreage in the First Malaysia Plan to the Fourth Malaysia Plan. The intake of new settlers stopped in 1990. At this stage about 350,000 hectares of land was developed. FELDA managed 225,000 hectares in Peninsular and 125,000 hectares in Sabah and Sarawak as commercial estates.

The opportunities for the Federal Land Development Authority (FELDA) are seen in several structural establishments such as FELDA Holdings Berhad (1996), Felda Global Ventures Holdings Sdn Bhd and Koperasi Permodalan FELDA Berhad. FELDA Holdings Berhad broadened its plantation operation into other agro-based related sectors. It is sometimes called the "richer FELDA". It set up 26 subsidiaries and five joint-ventures covering every aspect of the oil palm supply chain downstream, manufacturing, services, engineering, transportation and agro-based related joint-ventures overseas to ensure that the rubber and oil palm fruits belonging to FELDA and its settlers are processed and marketed to the right markets (at the right price), and now has about 52 subsidiaries and three joint ventures (FELDA group website, 2012). The major shareholder of FELDA Holdings Berhad is the FELDA Investment Cooperative (FIC) known as Koperasi Permodalan FELDA Berhad. The business model created through FELDA Holdings Berhad, in which the FELDA Investment Cooperative (FIC) is the major shareholder, automatically allows all FELDA settlers and staff who are members of FIC to enjoy a yearly dividend.

In 2012 another establishment was formed known as FELDA Global. This new establishment is the vehicle to develop FELDA Group's four global business lines in multicrops, oils and fats, oleochemicals and logistics. The group is in the midst of restructuring FELDA Holdings' international businesses into FELDA Global. FELDA owns 100% stake in FELDA Global, which in turn has a 49% stake in FELDA Holdings. FELDA Group has enjoyed long standing tie ups with large multinationals like Proctor & Gamble and IFFCO (a U.A.E based business house). It has been steadily growing its business interests in over 20 countries including the United States, Canada, Australia, China, Pakistan, Sri Lanka and South Africa (The Star Online, March 2010).

FELDA Travel is a leading corporate travel agency in Malaysia, and has over 20 years of experience in the business of servicing the sophisticated and discerning needs of business travellers. FELDA Travel is a member of the diversified FELDA Holdings Bhd, which provides commercial support to the Federal Land Development Authority (FELDA). FELDA Travel Sdn Bhd provides services in the Travel Division and Residences Division (Resorts & Hotel).

CONCLUSION

FELDA's "*raison d'être*", or reason for existence, is to help eradicate poverty as stated in its vision, and today FELDA inspires to become the world leader of the oil palm industry with settlers being part of the middle income group. Observing the changes and transformation of the structure, its settlers and now called shareholders, FELDA is definitely fulfilling its mission. FELDA has identified six missions it wishes to achieve, namely: a world-class management with FELDA becoming a world player; production of the best palm oil and rubber in the world; a stable income for settlers; appropriate education standards for settlers' families; modern infrastructural facilities and, a harmonious and peaceful environment.

All the six missions are no longer a dream but a fact. FELDA has its management and organization that have been recognized in various ways. Among examples of awards it has achieved as early as 1980s include: the Ramon Magsaysay Award (Government Services), an award for land development efforts in poverty eradication and social development in rural areas in Malaysia in 2010, Hiramatsu Award, International recognition of the One Village One Product Committee (OVOP) which recognizes the development of effective programs and SAWARI the effective and efficient program for settlers to supplement their income. The settlers and their family are living in the modern infrastructural facilities and the educations of their children are all taken care of through education schemes and scholarships. All these achievements are reasons for FELDA to be emulated. These accomplishments are in the palm oil supply chain, land development, settlers' emplacement, hospitality business, travel and tourism and finally today on the bursar board.

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