

# Transforming Rural Areas to Uplift Wellbeing of Rural Communities

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## Strategy Paper

# 4

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## I. INTRODUCTION

4.1 During the Tenth Malaysia Plan, 2011-2015, rural development was given priority to enhance inclusivity as the nation progressed towards becoming an advanced inclusive nation. The focus of rural development was to uplift the wellbeing of the rural community and stimulate economic activities based on land and natural resources. Emphasis was also given to providing rural basic infrastructure which resulted in the increase of rural water and electricity supply as well as road coverage nationwide.

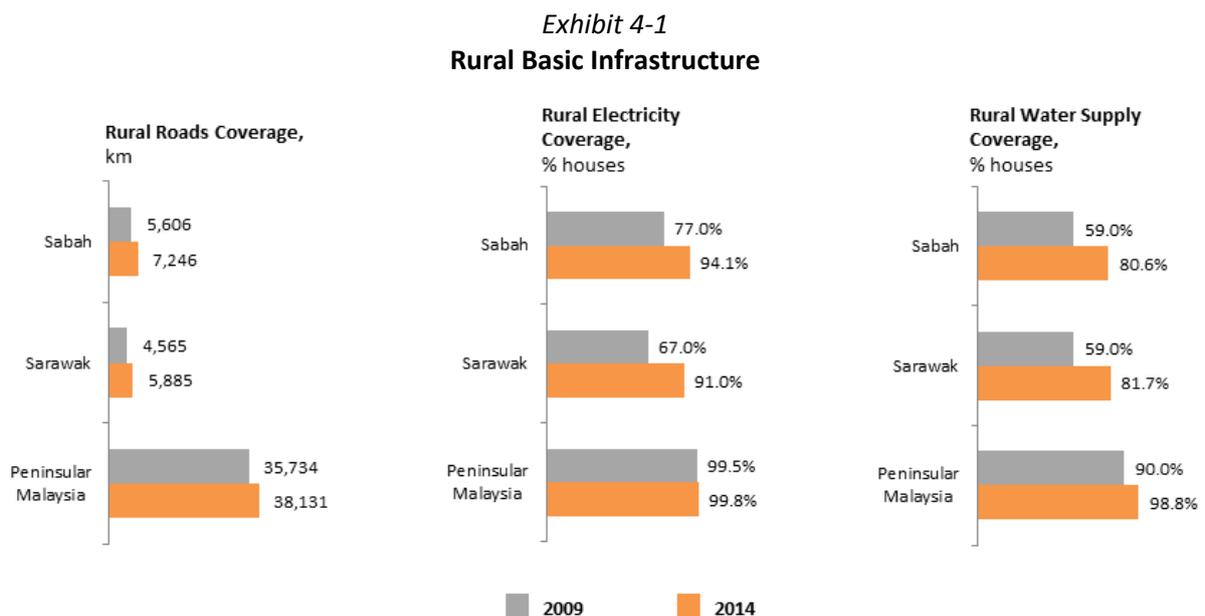
4.2 Building upon this momentum, the Government will adopt a two-prong approach in developing the rural community during the Eleventh Malaysia Plan, 2016-2020. First, to scale up existing programmes that produce desired outcomes and second, to strengthen and streamline the implementation mechanism among the relevant agencies. Efforts will be focused on encouraging more private investment, improving rural-urban linkages, expanding implementation of programmes under 21<sup>st</sup> Century Village, promoting use of modern technologies, empowering rural entrepreneur community, encouraging community-driven cooperatives, providing quality rural basic infrastructure and basic services and establishing Sistem Profil Kampung Peringkat Nasional.

## II. TENTH MALAYSIA PLAN, 2011-2015: PROGRESS

4.3 Various initiatives were undertaken to uplift the social and economic wellbeing of the rural community which included the formulation of *Pelan Induk Pembangunan Luar Bandar* (PIPLB) and *Model Baru Ekonomi Luar Bandar* (MBELB) in 2010 as well as the Rural Transformation Programme (RTP) in 2012. The objective of PIPLB was to develop rural areas into attractive, profitable and safe areas with progressive and knowledgeable communities. This master plan outlined seven thrusts such as harnessing human capital and empowering the rural community, developing a resilient, competitive and viable economy, and providing comprehensive basic infrastructure, utilities and public amenities. The MBELB emphasised the creation of competitive entrepreneurs, strong product supply chain as well as collaboration with private sector and community in driving economic activities to create high income for the rural community by 2020. The focus of RTP was on attracting private investment to enhance economic activities and create employment, as well as to provide amenities similar to urban areas, to attract the younger generation to return, live or work in rural areas.

## Providing Rural Basic Infrastructure

4.4 During the Tenth Plan, rural road coverage expanded by 11.7% from 45,905 kilometres in 2009 to 51,262 kilometres in 2014. In Sarawak, 250 kilometres of ex-logging roads were upgraded to provide accessibility to 31,512 people in underserved rural areas. In terms of utilities, coverage of rural electricity has reached 97.6% and water supply at 93.8%, as shown in *Exhibit 4-1*. 188,270 water tanks were also provided to supply clean water to 251,200 rural households in remote areas of Sabah and Sarawak.



Source: Ministry of Rural and Regional Development

## Improving Service Delivery

4.5 Efforts to improve service delivery in rural areas included the establishment of Rural Transformation Centre (RTC) and mini RTC, introduction of Mobile Community Transformation Centre (Mobile CTC) as well as the appointment of banking agents nationwide. RTC was established as a one stop centre to provide a wide range of government and private sector services such as licensing, banking and training as well as business activities. The facility enabled the local community to trade agricultural products directly with buyers, purchase goods at reasonable price and participate in skills and entrepreneurship development programmes. By the end of 2014, 8 RTCs and 213 mini RTCs were established benefitting one million people.

4.6 1,122 telecentres were established to enhance digital inclusion and inculcate a culture of innovation and creativity. In addition, 5,737 villages were connected through the Kampung Tanpa Wayar programme and 971 telecommunication towers constructed. The

increased access to the Internet enabled rural and suburban communities to acquire new skills and knowledge, and generate alternative sources of income.

4.7 77 Mobile CTC programmes involving more than 50 government and private agencies were organised, benefiting almost 135,000 people. These Mobile CTC programmes are a key touch point bringing government services to the rural community, especially in remote areas. Activities such as sports, community services, and social gatherings were also organised in parallel to bring people together and promote unity. The Mobile CTCs also provide a platform for the government to channel assistance directly to the target groups, including micro-credit facilities.

4.8 Measures were also undertaken to increase accessibility to banking services for the rural community. A total of 4,351 Bank Simpanan Nasional (BSN) agents were appointed in the rural areas to provide banking services that included saving and withdrawal transactions as well as payment of bills. These agents were trained through a structured training system to ensure credibility and reliability in providing the services.

## **Intensifying Economic Activities, Promoting Entrepreneurship and Empowering Community**

4.9 During the Tenth Plan, the *Agropolitan* development programme accelerated the development of villages and created multiple income generating activities. A total of 11 *Agropolitan* projects in five states namely Pahang, Perak, Kedah, Sabah and Sarawak were developed comprising 10,696 hectares of land involving 4,249 hectares of oil palm and 5,150 rubber estates. This programme involved 2,628 participants and the construction of 390 houses.

4.10 The 21<sup>st</sup> Century Village programme introduced in 2013, is to encourage youth to remain, work or start their business in rural areas. Three major programmes under this concept were *Program Desa Lestari*, Large Scale Fruit and Vegetable Farming and Rural Business Challenge (RBC). *Program Desa Lestari* focused on intensifying economic activities operated by village cooperatives based on their strength. Under this programme, 57 villages were selected to participate in various projects such as production of *Madu Kelulut*, homestay and fresh water fish farming. The Large Scale Fruit and Vegetable Farming programme encouraged the production of six high value non-seasonal tropical fruits and three high value highland vegetables. By the end of 2014, three farms were established and operated by the private sector in Pahang, Johor and Terengganu to produce papaya and pineapple. RBC is a competition for youth aged 18 to 40 to propose viable business plans for either new or existing businesses in the agriculture, manufacturing and services sectors in

the rural areas. Three competitions were held with more than 1,500 participants and a total of RM43.4 million was disbursed to 74 winners to be used to implement their proposal.

4.11 In 2014, the organisational structure of the Jawatankuasa Kemajuan dan Keselamatan Kampung (JKKK) was reviewed to strengthen its role and increase its professionalism. The appointment of the chairman and secretary of JKKK was based on criteria of educational attainment, length of service, competency and age limit and included an interview to gauge suitability. Allowances were increased and key performance indicators were introduced.

### III. ISSUES AND CHALLENGES

4.12 Rural areas cover almost 75% of total land area in the country. The percentage of population living in rural areas declined from 29.1% in 2010 to 26.3% in 2014. There are several challenges that need to be addressed.

#### Low Human Capital Capability

4.13 During the Tenth Plan, the percentage of rural population aged 60 years and above increased from 9.4% in 2010 to 10.1% in 2014. The increasing trend signals a need to address issues pertaining to an ageing population, such as higher dependency ratio, shortage of workers and low productivity. The old age dependency ratio in rural areas increased from 9.7 to 10.31, indicating that the population in the working age group 15-64 years old will have to support an increasing number of elderly. In terms of educational attainment, only 9.1% of rural population attained education at Diploma and Degree level and 39% at Sijil Pelajaran Malaysia (SPM) level. The low educational attainment has affected the ability of rural workforce to participate and compete in the labour market.

#### Low Income and Unattractive Job Opportunities

4.14 Although various measures were undertaken to improve household income, the mean monthly income of rural households at RM3,831 was 37.6% lower than the national level at RM6,141 in 2014. The median income was also significantly lower at RM3,123 compared to the national level at RM4,585. High dependency on a single income was one of the factors that contributed to the low income of rural population, especially among farmers and fishermen. In addition, most of the jobs available are labour intensive which offers low pay, making it unattractive for youth.

## Inadequate Rural Basic Infrastructure and Other Amenities

4.15 Rural areas still lack connectivity and have limited coverage of water and electricity supply. Development and expansion of economic activities in the rural areas in terms of production, processing, distribution, sales and marketing as well as access to financing and information has been affected.

4.16 Many parts of Sabah and Sarawak, especially in the remote areas are still without road network. In terms of rural water supply coverage, 19.4% of houses in Sabah and 18.3% in Sarawak have yet to be supplied with clean and treated water. Meanwhile, 5.9% of houses in Sabah and 9% in Sarawak are still not supplied with electricity. Public transport services are still limited in the rural areas. Affordability and reliability of existing public transportation is still a major issue due to geographical challenges, high operating cost and unprofitable routes.

4.17 Public amenities such as community halls, futsal courts and playgrounds for children were provided for local communities to get together. However, this objective has not been achieved, partly due to inappropriate location and poor maintenance of these facilities. The underutilisation of these facilities has also limited the ability to generate income for their maintenance.

## Lack of Synergy in the Implementation Mechanism

4.18 Lack of coordination and communications between the ministries and agencies involved in rural development has resulted in duplication of programmes and projects as well as blind spots in implementation. This has also posed challenges in creating synergy and inter-agency collaboration as well as ensuring better utilisation of resources and effective monitoring and evaluation of projects.

## Low Productivity and Lack of Integration

4.19 The rural areas, particularly those surrounding the urban centres, have failed to maximise benefits of expanding urbanisation due to poor rural-urban linkages. This has affected creation of jobs, level of productivity and income of the rural community. Moreover, lack of integration in rural economic activities has resulted in limited economic opportunities and hindered optimisation of resources. Factors such as absence of strong business leadership, inadequate infrastructure and infrastructure facilities as well as lack of logistics support and marketing network have hampered economic growth in rural areas.

4.20 The inadequate provision of broadband services has limited the use of innovative ICT applications among rural entrepreneurs. In addition, most of these businesses are micro and small enterprises with unskilled workers and traditional technology. Consequently, there was a lack of innovation and creativity in rural economic activities.

#### IV. ELEVENTH MALAYSIAN PLAN, 2016-2020: WAY FORWARD

4.21 Emphasis will continue to be given to rural development to uplift the wellbeing of the rural community even though the proportion of population is estimated to decline from 25.7% in 2015 to 22.8% in 2020. Rural areas will be transformed as an attractive place with adequate infrastructure and public facilities supported by sustainable and innovative socio-economic activities while preserving rural tradition and heritage. Relevant policies will continue to be implemented and the delivery system streamlined.

4.22 Based on the various strategies and initiatives outlined in the Plan period, the targets that have been set are shown in *Exhibit 4-2*.

*Exhibit 4-2*  
Expected Outcomes, 2020

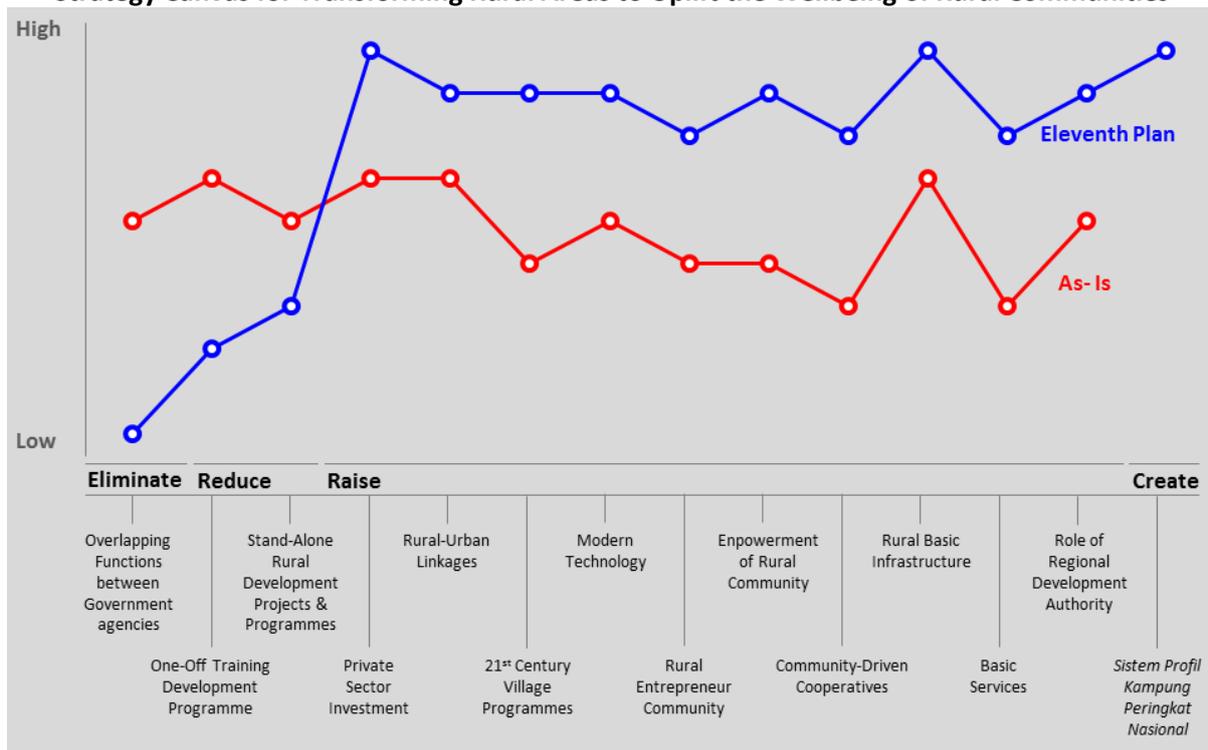
Target	Outcome
<b><i>Economy</i></b>	
Developing 300 entrepreneurs Developing 200 village cooperatives	Improved economic status
<b><i>Human Capital</i></b>	
Conducting training for 500,000 participants from target groups	Higher human capital capability
<b><i>Basic Infrastructure and Services</i></b>	
Constructing and upgrading 3,000 kilometres of roads; Increasing the coverage of clean and treated water to 99%; Increasing the coverage of electricity to 99%;	Adequate and quality basic infrastructure
Constructing and repairing 47,000 houses; Appointing 4,348 BSN service agents	Improved basic services
<b><i>Delivery System</i></b>	
Create comprehensive profile of 17,900 villages nationwide in Sistem Profil Kampung Peringkat Nasional	Improved delivery system

4.23 The following four key strategies will be implemented through 14 initiatives, as shown in *Exhibit 4-3*:

- Reenergising rural economic activities
- Enhancing human capital capabilities
- Extending provision of quality rural basic infrastructure and basic services
- Streamlining delivery system

Exhibit 4-3

## Strategy Canvas for Transforming Rural Areas to Uplift the Wellbeing of Rural Communities



## Reenergising Rural Economic Activities

4.24 Rural economic activities will be reenergised to create more jobs and improve productivity to increase the income of the rural community. Measures to be undertaken include encouraging more private investment, improving rural-urban linkages, expanding implementation of programmes under the 21<sup>st</sup> Century Village concept, promoting the use of modern technology and empowering rural entrepreneur community.

### Encouraging More Private Investment

4.25 Efforts will be implemented in collaboration with regional economic corridor authorities to provide a more conducive business environment to attract higher value added investment to rural areas. Collaboration among relevant ministries and agencies will be strengthened to provide appropriate infrastructure, logistics and support services to facilitate private sector investment. Leveraging the availability of land and labour as well as proximity to natural resources, promotion efforts will be intensified to attract investments in niche areas such as eco-tourism, traditional health services, and herbal and organic products.

4.26 The role of RTCs as a one-stop business facilitation centre will be enhanced to increase the ease of doing business, including providing information on potential areas for investment. Existing regulatory framework on businesses will be reviewed to provide a more supportive environment for investment in rural areas. Collaboration between federal and state governments and local authorities will be strengthened, particularly in land matters, to expedite business formation and operation. Locational fiscal incentives will be provided for designated rural areas to attract investment.

### ***Improving the Rural-Urban Linkages***

4.27 The linkage between rural and urban areas will be strengthened by improving connectivity and mobility to foster greater economic integration. The transportation system will be integrated to provide better connectivity and more cost-effective routes for buses will be identified to increase mobility. This will enable rural enterprises to market their goods and services to the urban centres and peripheries.

4.28 The role of RTCs and mini-RTCs will be enhanced as conduits of rural-urban linkages. The ICT infrastructure of these centres will be upgraded and integrated networks will be established to support rural entrepreneurs. Measures will also be undertaken to encourage rural dwellers to use these centres to provide supporting services, particularly for those in the eco-tourism industry.

### ***Expanding Implementation of Programmes under the 21st Century Village Concept***

4.29 The programmes under the 21<sup>st</sup> Century Village concept will be expanded to encourage more rural talent to stay, work or start businesses in the rural areas. Efforts will be taken to promote private sector participation in the implementation of these programmes. Under Program Desa Lestari, 100 villages will be selected to implement projects such as homestay, mushroom cultivation and rental of farm machinery based on the cooperative model. RBC programme will be strengthened to promote participation of youth in business. In this regard, government-linked companies (GLCs) will be encouraged to provide financial or in-kind assistance to run the RBC programme and guide successful candidates in pursuing their business model.

### ***Promoting the use of Modern Technology***

4.30 Measures will be undertaken to reduce the use of traditional technology in agricultural activities. The relevant agencies will work closely with the farming community to adopt modern and innovative technology to produce high value-added products. Youth and

skilled workforce will also be encouraged to undertake these high value-added agricultural activities.

### ***Empowering Rural Entrepreneur Community***

4.31 Rural entrepreneurial development programmes including *Program Peningkatan Pendapatan* will be expanded to develop more local entrepreneurs. RDAs, namely Lembaga Kemajuan Wilayah Kedah (KEDA); *Lembaga Kemajuan Wilayah Kelantan Selatan* (KESEDAR); Lembaga Kemajuan Terengganu Tengah (KETENGAH) and Lembaga Kemajuan Johor Tenggara (KEJORA) will continue to implement *Program Pembangunan Usahawan*. RTCs and mini RTCs will collaborate with relevant institutions of higher learning to conduct more advanced ICT skills training programmes to encourage rural businesses to utilise e-commerce. These programmes include online business transactions such as webpage creation, online marketing and e-payment.

### **Enhancing Human Capital Capabilities**

4.32 The human capital capabilities in rural areas will be enhanced to allow the community to embrace changes without losing their rural heritage. Therefore, measures to improve the quality of human capital will include empowering rural communities, encouraging community-driven cooperatives and reducing one-off training development programmes.

### ***Empowering Rural Communities***

4.33 The government will organise more public engagement activities to encourage rural community to voice their views and concerns regarding socio-economic planning and development in their areas. These activities will also be used to identify potential youth who are capable to become community leaders. To develop leadership capabilities among the youth in rural areas, mentor mentee programmes will be introduced through collaboration with JKKK. In addition, existing training programmes for community leaders in JKKK will be reviewed to strengthen the role and increase professionalism of JKKK.

### ***Encouraging Community-Driven Cooperatives***

4.34 Rural communities will be encouraged to establish cooperatives to strengthen the business enterprises within the locality. These cooperatives will promote networking with other villages that share common economic activities to leverage economies of scale and create industry-specific hubs. The capacity of these community-driven cooperatives will be

strengthened through the provision of relevant skills training programmes, especially in financial management.

### ***Reducing One-Off Training Development Programmes***

4.35 The implementation of one-off training programmes for rural community, which are ad-hoc and not well structured will be reduced. In addition, structured training programmes such as *Program Latihan dan Bimbingan Usahawan* under *Program Pembangunan Perusahaan Luar Bandar* (PPLB) which incorporate business module to further develop entrepreneurial skills will be improved and expanded.

## **Extending Provision of Quality Rural Basic Infrastructure and Basic Services**

4.36 During the Plan period, the Government will continue to improve rural basic infrastructure and basic services. Priority will be given to provide better roads, sufficient clean and treated water supply and 24-hour uninterrupted electricity supply, particularly in the remote areas of Sabah and Sarawak as well as pockets of hinterland areas in Peninsular Malaysia. An integrated rural basic infrastructure database will be developed to facilitate stock-taking and planning of rural basic infrastructure as well as to ensure effective delivery of priority infrastructure to meet the communities' needs.

### ***Improving the Provision of Rural Basic Infrastructure***

4.37 New roads will be constructed and existing roads including ex-logging roads will be upgraded to improve connectivity, particularly in Sabah and Sarawak as well as Orang Asli settlements in Peninsular Malaysia. Priority will be given to the construction of roads connecting villages as well as linking villages with the nearest towns. During the Eleventh Plan, 3,000 kilometres of paved roads will be constructed.

4.38 The Rural Water Supply programme, to supply clean and treated water directly to each household, will be expanded and this will involve connecting households to the meter stands of the reticulation systems. Alternative systems such as gravity feed, tube wells and rain water harvesting will be used in remote and isolated areas. 99% coverage of access of clean and treated water will be provided to rural houses reaching 90,000 additional houses. In addition, the replacement of old pipes will also be undertaken based on the priority and needs. Private companies and GLCs will be encouraged to provide financial contributions and cooperate with non-governmental organisations (NGOs) to provide alternative water supply facilities in remote areas as part of their corporate social responsibility. The

Government will also develop long-term strategies for the management of water resources to ensure an adequate supply of clean and treated water.

4.39 The Rural Electricity Supply programme will continue to focus on off-grid generation for remote and isolated areas. Efforts will also be undertaken to establish partnerships with NGOs to develop renewable energy sources for the rural community. The alternative system of solar hybrid and mini hydro will be supported by micro- and pico grid to increase coverage. The local community will be trained and encouraged to collaborate in the maintenance of these facilities to ensure sustainability of the rural alternative electrification system. 99% coverage of access of electricity will be provided to rural houses reaching 36,800 additional houses.

### ***Improving Basic Services***

4.40 The Mobile CTC programme which brings basic government services to rural communities, especially in remote areas, will be expanded with the participation of more government and private agencies. Programmes will be customised in each location to meet the specific requirements of local residents.

4.41 Implementation of the rural banking services programme will be expanded to increase accessibility to financial services for the rural community. 4,348 BSN service agents will be appointed to increase coverage of financial services in rural areas. Banks will be encouraged to provide automated teller machines and cash deposit machines at strategic places in rural areas.

4.42 The coverage of primary healthcare services will be extended, among others by building more clinics and increasing Flying Doctor Service, especially in remote locations in Sabah and Sarawak. Existing health and community clinics will be upgraded to cater to the needs of the local population. Health outreach programmes will continue to be strengthened through deployment of additional health professionals. Efforts will be undertaken to increase the coverage of nutrition intervention programmes to reduce malnutrition among children in remote areas. The medical specialist visits to the non-specialist district hospitals will be increased to improve the accessibility of such services for the rural community.

4.43 Efforts will be undertaken to increase access to quality housing through the implementation of the Program Bantuan Rumah. More structured traditional villages and settlements will be created to preserve socio-cultural and rural heritage as well as become tourist attractions.

## Streamlining Delivery System

### ***Eliminating Overlapping Functions between Government Agencies***

4.44 The Government will develop a holistic rural development framework to clearly differentiate the respective roles of various ministries and agencies involved in rural development. This framework will ensure efficient utilisation of resources and reduce overlapping functions by coordinating the planning, implementation and monitoring of programmes.

### ***Establishing Sistem Profil Kampung Peringkat Nasional***

4.45 A comprehensive and integrated database system, Sistem Profil Kampung Peringkat Nasional will be established to provide comprehensive profile of villages which have JKPK. The database will include information on demographics, socio-economic status and infrastructure to be used as the national reference for effective planning of rural development programmes and projects. It is expected that profiles of 17,900 villages nationwide will be completed by 2020.

### ***Minimising Stand-Alone Rural Development Programmes and Projects***

4.46 Cooperation and collaboration among multi-stakeholders will be strengthened to minimise stand-alone rural development programmes and projects. *Dasar Perancangan Fizikal Desa Negara* will be formulated as an integrated spatial framework for relevant ministries and agencies to identify suitable locations when implementing rural development projects.

### ***Reviewing the Role of Regional Development Authorities***

4.47 The role of RDAs will be reviewed to drive socio-economic development of their respective areas. The RDAs will collaborate with the regional economic corridor authorities to provide sufficient infrastructure and social amenities as well as attract private investments to generate economic activities and create jobs for the local community. RDAs will also support relevant agencies in implementing socio-economic development programmes and projects. The capacity of RDAs will be strengthened to implement revenue generating projects to encourage self-financing.

## V. CONCLUSION

4.48 The new rural development approach looks beyond providing sufficient and quality rural basic infrastructure and services to include reenergising rural economic activities, enhancing human capital capabilities and streamlining delivery system. This approach will harness the considerable yet untapped potential in the rural areas by mobilising various drivers of growth such as entrepreneurship, innovation, technology and private sector participation. Linkages between rural and urban economies will be strengthened to enhance economic activities and uplift the wellbeing of rural communities.