

AGENCY FOR INTERNATIONAL DEVELOPMENT

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REPORT ON A VISIT TO MALAYSIA

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## SUMMARY

The three-day visit to Malaysia was attended by special circumstances. There is no USAID Mission in Malaysia, and a U.S. bilateral assistance program is not now a possibility. Nevertheless, previous contacts had been made through SEADAG activities with a number of urban specialists in Malaysia.

The purpose of the visit was to seek answers to three general questions, which have been the focus of the series of visits to developing countries. They are as follows: What are the local perceptions of urban problems? What approaches and resources are used to address them? Is there a possible significant role for U.S. technical assistance?

The Federation of Malaysia is composed of two land areas which are divided by the South China Sea. More than eight out of every ten people in the Federation's population of nearly 11 million live on the mainland peninsula of West Malaysia. The rest of the population lives in Sabah and Sarawak on the Island of Borneo.

While 70% of the population reportedly has an income of M \$300 (about US \$50) per month, 50% would have an income of less than M \$25 (US \$4) per month. There has been relative political stability; the riots of 1969 were cited as the most recent disturbances.

There is a general lack of urbanization in Malaysia. There are only six cities with 100,000 people or more. Kuala Lumpur, the capital city, is the largest with a population of nearly 700,000. Its growth rate (7.5%) is almost three times the national rate (2.8%). The second largest city is Penang (George Town), which is only one-half as large as Kuala Lumpur.

During the visit it was possible to consult with national, state, and local government officials, university professors, personnel of international assistance agencies, and private business executives. The overwhelming pre-occupation of these people was the significance of the primary goal of the Second Malaysia Plan, 1971-1975; namely, the restructuring of Malaysian society to meet the larger needs and to bring many more Malays into the economy of the country in more significant ways.

This goal was defined in various ways in urban terms: from encouraging Malays to migrate from rural to urban areas to encouraging Chinese to migrate in reverse; that is, from large cities to newly developing growth centers in rural areas and settlement schemes. In other words, urbanization was seen as a positive force, along with industrialization and modernization of farming and rural areas. These processes are to be encouraged and exploited.

While the Indians and Ceylonese are a factor in the equation -- they are either well-off professionals (a relatively small number) or rather poor rubber plantation workers (the large majority) with no middle class -- the primary components are the Malays and the Chinese. The Malays have the majority of the population, which is predominately rural. They control the government, the armed forces, and are the top civil servants. They also are the police, chauffeurs, and common laborers. Like the Indians, the Malays have no appreciable middle class between its small elite and the rest of the population. The Chinese are overwhelmingly urban, better educated, and have a cross-section of incomes, including a sizable middle class. They prevail in business, commerce, and industry.

It is to overcome this historical, economic, geographical, and racial imbalance that is the concern of the Government of Malaysia. Thus, in sharp contrast to other countries, Malaysia is encouraging urbanization, not only as a positive force for development, but also as a means of restructuring the economy and the society. It is a tightrope act to make such fundamental corrections in a body politic and to maintain political stability in the process!

In more specific terms, the problems are defined as follows: housing and employment in the cities; modernization of attitudes in the subsistence economy; and settlement and development of unexploited areas by all segments of Malaysian society.

The approaches and resources which are being used to address these problems are many. Most of them originate with government, either through regular ministries and departments or through specially created authorities. Recent efforts have been made to strengthen state government. It remains weak and subordinate to federal authority. Local and municipal government is in a similar relationship with state government. Thus, it is the federal government which prevails.

One result of creating so many special authorities to deal with development problems is an inevitable overlapping of responsibilities and a lack of coordination and communication. Planning is not widely understood or accepted or applied. Most of the planning efforts to date have been by short-term consultants or consulting firms. Their tendency has been to see their assignments in technical terms with little or no involvement of local people or of local political, financial, and socio-cultural realities.

There are very few urban specialists in Malaysia. They are insufficient to meet the existing establishment in government, which, in itself is too small to meet the needs at the national, state, and local levels. Apparently more exists in the private sector. The use of university resources has been rather recent and still is quite feeble.

Three kinds of technical assistance were outlined as being essential in terms of urban growth and development, if the Government of Malaysia is to make a serious attempt to meet the principal challenge of its Second Malaysia Plan. Highly skilled and experienced technical advisors are needed in many places; e.g., to assist the newly created Urban Development Authority to plan and to organize to carry out mandate; to counsel the Malaya Borneo Building Society as it attempts to be more responsive to a larger segment of Malaysian society; to help the Federal Land Development Authority to address the humanitarian and social aspects of settlement and development as well as the physical; to advise the fledging state development corporations. As quickly as possible the supply of professionally trained Malaysian urban specialists needs to be increased, particularly by the development of local training resources.

If better planning and implementation are to be realized, more and better information is required, as well as stronger institutions and better trained manpower. Support is needed to encourage, mobilize, and expand local research efforts and resources and for better data collection, analysis, and use.

In this connection it is interesting to note that external assistance and foreign advisors are still welcomed in Malaysia. The hosts, however, will be quite selective and will make the final determination.

REPORT ON A VISIT TO MALAYSIA

Introduction

1. Dates of visit: December 6-8, 1971
2. Purpose: 3 general questions
3. People visited:
  - a. previous contacts through SEADAG
  - b. national, state, local government officials
  - c. university professors
  - d. international assistance agency personnel
  - e. private business executives
  - f. no USAID Mission
4. Description of Malaysia
  - a. three land areas
    1. West Malaysia on mainland peninsula which ends with Singapore
    2. Sarawak) on northern coast of Island of
    3. Sabah ) Borneo across the South China Sea
  - b. population (1970 census) 10.9 m.
    1. 2.8% growth rate
    2. West Malaysia 9.3 m.
    - Sarawak 1.0 m.
    - Sabah 0.9 m.
  - c. urbanization
    1. six cities of 100,000 or more pop.

a. Kuala Lumpur	650,000	7.5%
b. George Town	325,000	
c. Ipoh	225,000	
d. Klang	150,000	
e. Jahore Bohru	150,000	
f. Malacca	100,000	
    2. general lack of urbanization; mostly small towns
  - d. three-tiered gov't
    1. national, state, local - planning a federal matter
    2. state under national (not as in USA) - land a state matter
    3. local under state
  - e. political stability
    1. less resistive of colonial heritage than others
    2. growing admin. confidence
    3. political reality: pressure of balanced regional growth
  - f. no balance of payments problem
    1. relatively well off reportedly
    2. yet 70% of population with an income of M \$300 per month or less (50% with less than M \$25 per month)

5. Basic problem of race
  - a. Malays
    1. predominately rural and the majority in pop
    2. top civil servants, police, chauffeurs, laborers; no middle class
    3. government and armed forces
  - b. Chinese
    1. overwhelmingly urban
    2. educated, well-off, cross-section of incomes
    3. commerce, business, industry
  - c. Indians
    1. essentially professionals and rubber plantation workers
    2. well-off or laborers; need a middle class
    3. marginally involved
  - d. racial split compounded by rural-urban and educational differences and inheritances
6. Thus "national unity is the overriding objective of the country," according to the Second Malaysia Plan, 1971-1975
  - a. "economic promotion and the restructuring of society to meet the larger needs"
  - b. basically greater and more significant participation of Malays in the business-commercial-industrial sector and its rewards
    1. Plan goal: 30% of industrial-commercial sector owned and operated by Malays within 20 years
      - a. currently 66% foreign, 20% Chinese, and 2% Malays
  - c. thus more Malays to urban areas and more Chinese to new rural growth centers
7. Deliberate policy of urbanization
  - a. modernization of farming
    1. bring farmers into technological age
    2. changes in value system
  - b. industrial development in rural areas
    1. relocation of industry
    2. development of new growth centers
  - c. special efforts to provide for preferential entry of Malays into business-commercial-industrial sector in principal cities
  - d. stressing of human values in an educational system focusing on science and technology.

Problems

1. Not yet severe, because of low rate of urbanization
  - a. e.g., KL inherited good water and sanitary facilities from British colonial days
  - b. traffic becoming a problem only in past year or two
  - c. problems being tackled routinely, if insufficiently
    1. e.g., can't meet situation with ongoing housing program
2. At same time, a "Southern California type of development"
  - a. environmental degradation
  - b. poor land use
  - c. no long-term planning
3. Lack of skilled manpower the most critical problem, not finance
  - a. all types of skills needed
  - b. increase in supply required
    1. not enough being trained overseas
    2. no training locally in planning, for example
    3. low, uncompetitive GOM salary structure
    4. establishments
  - c. of 25 town planners in Malaysia, 16 are in Federal Department of Town and Country Planning
    1. only one transportation economist
  - d. special need for people to think, plan, and develop framework and to provide leadership
  - e. also need operators while Malaysians are being trained
4. Lack of coordination of efforts serious
  - a. new National Liaison Committee
  - b. long-range development planning taking place without concern for physical and spatial aspects of development
  - c. traditional town and country planning inappropriate; e.g., KL Master Plan
    1. began in 1965 on 1964 data
    2. completed in 1969
    3. published in 1970
    4. out-of-date
  - d. further elaboration in next section on approaches and resources
5. Housing shortage clear in KL and Penang; unclear elsewhere
  - a. KL
    1. a Chinese city economically
    2. a Malay city governmentally
    3. Malay influx from 1957 when got control of government
    4. image: from whites driving cars to Chinese driving cars with Malays left out

5. squatters 25% - 33% of total population in KL metropolitan area
    - a.. 1966-67 report: 26,000 families or 130,000 population
    - b. 5,000 families cleared and moved to low-cost flats in 1969-1970
  6. 7,000 units planned in Plan, 1971-1975
  7. only approach used is 4-story flats
    - a. lack of mobilization of savings
6. Urban unemployment estimated to be 8%
    - a. among school leavers 20-25%
    - b. especially among 15-24 years olds
      1. Todaro model relevant in Malaysia
    - c. seen as source of political unrest by GOM
    - d. e.g., 500 applicants for 5 library checker posts at the University of Malaysia
  7. Transportation problem wrongly defined
    - a. roads designed for activities and travel patterns and modes of other countries (UK,USA)
    - b. congestion is from intermingling cars, pushcarts, cycles on same road
    - c. can't ban scooters (as in Japan); must design roads for them

#### Approaches and Resources

1. Oldest and now, perhaps, the least important effort to deal with urban problems is by Federal Dept of Town and Country Planning
  - a. organized 50 years ago
  - b. still using 1923 town and country planning law (essentially land use)
  - c. a consulting dept. until Independence
  - d. provides general technical assistance in town planning on request to state and local governments
    1. state government by law cannot do town and country planning
    2. local government is under state government and is small and weak
      - a. boundaries were fixed 30-40 years ago and have not been expanded
    3. state governments depend on TCP to implement all of their projects (physical, economic, planning, design, and building)
  - e. tends to be treated as local government and therefore has not been involved in national development planning
  - f. two different views in senior staff
    1. TCP should cozy up to the Econ. Planning Unit
    2. TCP should go its own way and command the attention of GOM
  - g. traditional town and country planning approach: some new towns, state capitols, and industrial areas

2. Ministry of Home Affairs, Housing Division
  - a. two major responsibilities
    1. public housing for low income (M \$300 per month or less)
    2. licensing of housing developers
    3. enforcement of minimum standards
  - b. administers some GOM quarters
    1. for management laborers, army, police, government institutions
  - c. housing programs in land development schemes
  - d. now infrastructure as well as housing
    1. not in early days
  - e. provision for social services including family planning programs
  - f. loans to government employees
    1. in support of goal: "property owning democracy"
  - g. only one of several housing programs in GOM
  - h. historical development
    1. 1956 - 1960 Plan: 3,000 units, \$10 m.
    2. 1961 - 1965 Plan: 7,600 units, \$33 m.
    3. 1966 - 1970 Plan: 22,500 units, \$100 m.
  - i. now a National Consultative Council for Housing
    1. to coordinate total national effort
    2. officials in second tier of federal and state ministries
    3. involves private sector, professional associations
3. Ministry of Technology, Housing Trust
  - a. to help state governments spend loans
  - b. technical assistance backstopping to state governments
4. Ministry of Lands and Mines, Federal Land Development Authority
  - a. more than 300,000 acres
  - b. more than 500 schemes
  - c. about 400 families per scheme
  - d. organized 14 years ago
  - e. essentially a settlement orientation
  - f. physical development good, but lacking in human aspects of development
  - g. has research division with four units: income, suitable crops, socio-political factors, and development of core towns
  - h. examples
    1. Penang Regional Plan
    2. Kinta Valley (tin) Plan
    3. Jahore Development Plan
5. State Development Corporations
  - a. one in each state; most 1-2 years old
  - b. coordinating committee at federal level
  - c. M \$90 m. in Plan, 1971-1975
  - d. housing a major item
  - e. money mostly from state loans
  - f. Prime Minister appointed bright, young, educated people

- g. Selangor State Development Corporation the oldest (state-in which KL is located)
    - 1. about six years old
    - 2. Petaling Jaya Development Corporation, the predecessor, 1955-1964
      - a. new town: 80,000 planned; 60,000 by 1964
      - b. facilities for industries
      - c. encourage home ownership with reasonable land prices and financial assistance to build houses
      - d. began as low-income (M \$300 and below)
        - 1. now all incomes, mostly middle and upper
    - 3. Bandar Bahru Shah Alam, new 100,000-pop. town
      - a. industrial estate within new town as an integral part of new town; a 15-year project from mid-1966
    - 4. Petaling Jaya now managed by Selangor Estate Corporation
    - 5. staff: engineers, architects, planners, surveyors, technicians, economists; plan to have a sociologist;  $\frac{1}{2}$  from earlier PJ Dev. Corp.
    - 6. demands exceed ability to supply
    - 7. earlier up to 20% in social housing; now may be only 10%
  - h. Plan, 1971-1975: 1,500 units per year per state (1,200 units in previous Plan)
6. Other Development Corporations/Authorities
- a. Klang Valley Development Authority for integrated urban-rural (metropolitan planning) development schemes
    - 1. GOM wanted University of Malaysia to do it, but task too large
    - 2. UNDP helped with master plan, will help with implementation
    - 3. Kuala Lumpur to Port of Klang area, scene of 1969 riots by slum dwellers.
    - 4. related to KL planning efforts
  - b. National Youth Development Corporations
    - 1. set up after 1969 riots
    - 2. rationale: marching, discipline, and para-military training make youth employable
    - 3. target: train 1,000 every three months
    - 4. GOM employed early graduates in public works efforts; few since
    - 5. content lacking; considered a joke
    - 6. created along lines of similar efforts in Malagasy and Pakistan
  - c. Malacca Port Development Project
    - 1. redevelopment of silted old Portuguese port as tourist site
    - 2. private consulting firm gaining experience
  - d. Rural Industrial Authority set up in 1951, but not a priority item
    - 1. more recently minor assistance for minor projects; labor intensive; shovels for community improvement projects

7. Four Special Units in the Office of the Prime Minister
  - a. Division of Regional Planning in the Economic Planning Unit
    1. essentially concerned with land clearance and settlement
  - b. Center for Development Studies
    1. assisted by the Economic Research Development Foundation, Washington University, St. Louis, Missouri
    2. exchange of ideas through national and international seminars
    3. research capability in social aspects of development just underway
    4. "dog in manger" approach within GOM since created in 1966
      - a. small reports, small research efforts
  - c. General Planning Unit
    1. recently organized to "bird dog" new Plan
    2. headed by a senior Minister, Minister for Special Functions
  - d. Urban Development Authority
    1. created in November 1971; statutory board
    2. focus initially on KL as result of studies of KL
      - a. situation not bad now, could get worse
    3. development of "pockets" via planning and use of urban land in order to integrate more Malays
    4. slum clearance, etc. along with a conscious effort to urbanize more Malays; conscious systematic migration
    5. involvement of private sector in urban development
    6. M \$100 m. for housing available
8. New surge to deal with problems by new Prime Minister
  - a. less leisurely and gentlemanly in approach than in previous administration
  - b. part of political "recovery" effort after losses in 1969 elections
9. New bill introduced to make planning possible across state boundaries
  - a. similar bill failed 7½ years ago
10. PERNAS.
  - a. a government-sponsored national corporation (conglomerate) organized in 1968
  - b. to replace earlier more passive approach
  - c. to help Malays get into business -- commerce -- industry sector
  - d. M \$100 m. allocated in new Plan
  - e. future - oriented; could succeed, could be a monster
  - f. few employees and terms of reference are drawn by potential contractors

11. Investment Incentives Act
  - a. passed in 1958, improved in 1968, and amended in 1971
  - b. from a tax exemption based on capital investment to one based on the number of employees
  - c. more labor-intensive incentives
    1. e.g., to electronics industry
12. Malaya Borneo Building Society
  - a. 21 years old; first Malay head 2 months ago
  - b. GOM equity participation
  - c. lends money for building private dwellings within municipal boundaries
    1. lends more money than banks
  - d. assistance to state development corporations to help them get ahead with housing
  - e. limited involvement of Malays to date
  - f. problem of balancing MBBS income requirements with its social responsibilities
  - g. also an Employee Provident Fund
13. Banks, finance companies, and cooperative societies
  - a. M \$35 m. in loans to cooperative housing societies in previous Plan
    1. 33 government officer coops.
    - 2 armed forces coops.
14. Malaysian planners and developers
  - a. small private housing developers do medium-priced developments and commercial complexes
  - b. few planners
    1. conservative and lacking in recent more sophisticated methods
  - c. previous use of external consulting firms produced little or no on-the-job training
  - d. only one company of urban planners in KL
15. Increasing use of multidisciplinary approach to development by GOM and other organizations in Malaysia
  - a. economic vs. physical planning abandoned
  - b. metropolitan and regional planning instead of town planning
16. University Resources
  - a. essentially ad hoc and individual involvement in national development
    1. more since 1969: faculty more willing, manpower more limited
  - b. very little participation in development of new Plan
  - c. M \$5,000 ceiling on additional earnings by professors also a constraint
  - d. lack of institutional channel for university involvement (e.g., no Institute for Development Studies as in Pakistan)

- e. no courses in planning, regional economics, economic geography, etc.
- f. anthropology strong at University of Malaysia
- g. sociology strength at new National University
- h. national development focus being implemented at new University of Penang

17. Other Resources

- a. Peace Corps proposed regional planning unit in Federal Department of Town and Country Planning
  - 1. slow response from Washington and with recruitment
- b. Peace Corps overtures to the new Urban Development Authority and to state development corporations
- c. Ford Foundation interest and indirect involvement in developing Malay entrepreneurs

Assistance

- 1. Malaysia an "open country"
  - a. foreigners are still welcomed even at high levels of government
- 2. Ford Foundation and Peace Corps interested
  - a. UNDP and Harvard Advisory Service involved already
- 3. "Package deals" opposed
  - a. skilled manpower needed
    - 1. work in tandem with locals
  - b. consultants with local equivalents
    - 1. help to implement as well as plan and design
    - 2. leave only when host can go it alone
- 4. Development of data base for use in policy planning and decision-making
  - a. analysis and use of existing limited data
  - b. development of additional data
    - 1. e.g., capital expenditure per unit of output; % increase in employment compared w/% of real value added industry by industry; supply response in the mining industry
- 5. Improved decision-making and implementation
  - a. e.g., understanding the tradeoffs among goals (growth, employment, equity) and the assumptions behind them
  - b. more than advice needed; legislation and administrative machinery
- 6. Need for information based on research and experience
  - a. libraries, conferences, seminars
  - b. models for relocation and location of industry
  - c. planning new towns in new settlement schemes

7. Support for research efforts of local specialists
  - a. skills available; need support to mobilize them
  - b. social-cultural studies
    1. attitudes associated with reluctance to live in rural areas
    2. communications gap (e.g., "Instead of double cropping, double the price of rice!")
    3. participation in the planning process
  - c. pilot projects to localize efforts dealing with racial imbalance
8. Training opportunities on a sustained basis
  - a. in social sciences, comprehensive planning, entrepreneurial skills (Ford Foundation interested in latter)
  - b. advanced training, retraining overseas
  - c. development of local training competence
9. Short-term, high-level expert technical advice
  - a. regional planning, landscape design, legislation, mobilization of local savings, role of building societies vis-a-vis commercial banks, etc.
10. Financial assistance to state development corporations
  - a. assistance with Second Plan, 1971 - 1975
  - b. assistance with urban renewal

Appendix

People Visited in Malaysia

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