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LAND TENURE AND LAND DEVELOPMENT

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LAND TENURE AND LAND DEVELOPMENT

1.01. As suggested in the specific terms of reference, "the major purpose of this review must be seen as one of seeking means of accelerating the pace of land development in Malaysia." It is implicit that the purpose of development is to improve the welfare and status of rural people. At the same time, rural land development cannot be expected to absorb all national unemployment since general economic development outside the farm will be a major factor affecting rural incomes.

1.02. Land tenure improvement by itself should not be expected to result in more or better land development since any kind of economic development depends on many technological and human factors. However, development programs that do not consider the existing land tenure structure often encounter unnecessary difficulties. A better understanding of the present land tenure structure in Malaysia and some of the changes that can be made in it may contribute to the improvement of rural development programs in general.

1.03. Land tenure as defined here includes the system of rules and procedures which grants access to and use of land resources and the legal processes which enforce these rules. As such, land tenure is a political concept, and any change in land tenure raises substantial political issues.

1.04. Malaysia has an unusual system of land rules which includes a formal modified Torrens system and a system of informal customary

rights used in the villages or kampongs. Individual states have authority over most land matters, and the problems in federal program planning and implementation are often blamed on this arrangement.

1.05. The Malaysian government policy has been to improve the lot of the poor padi farmers. Since tenant farmers are usually the poorest, efforts have been directed towards improvement in the terms of tenancy. In 1955 rent legislation was passed but not enforced. In 1967 the Padi Cultivators Act was passed, and late in 1969 an agency was formed in the Ministry of Agriculture to enforce the new act.

1.06. Federal Land Development Authority schemes in rubber and oil palm, which had been most efficiently brought into production, encountered problems in determining the best way to transfer title, use responsibilities and earnings to settlers. The oil palm schemes particularly have raised questions as to what type of ownership and settler organization will make the schemes most efficient. Other federal and state development schemes are encountering similar difficulties.

1.07. For these reasons (paragraphs 1.04-1.06), the Malaysian government asked that the mission give consideration to land tenure issues.

1.08. Land tenure in Malaysia cannot be understood in six weeks by someone from another country. Hence what follows is necessarily the result of putting together ideas and information already known by many people. These people have graciously given their time to furnish information--published and unpublished--often, it seemed, at the sacrifice ot pursuing their own efforts to learn more about the situation.

1.09 A number of documents are available and have been used in this report, and in order to avoid extensive quotation or reproduction, the most important sources are listed. There are more reports containing tenure information available for the padi areas than for the other areas of Malaysia. (See Bibliography.)

General Characteristics of Land Rights in Malaysia

2.01 The formal system of land rights is based on the assumption that the State (Federal and State) owns all land rights. The State gives these rights to individuals in several forms ranging from a temporary occupation licence to a title with full rights in perpetuity.

2.02 Most of the land administration has been directed to the handling of long term leaseholds using the Torrens system. This system was designed by Sir Robert Torrens, an Irish immigrant to Australia, and it was established first in southern Australia in 1858 . Each tract of land is surveyed and clearly marked, and a title is made out and formally registered. Any person who has a claim to this land has his name put on the title in the registry. No other claim is honored, and the State guarantees the title to be correct as recorded. If there are any claims, the State will protect against them. This differs from the deed, which is a recorded contract between two persons granting one the other's right to a piece of land. The rights acquired thusly may or may not be valid since a person may have granted some of his rights to another person before he enters the deed contract. If the exact extent of the land rights in the deed have to be proved in court, it is the individual's responsibility. The State, when it uses the Torrens system, obviously is more careful about procedures for recording titles.

2.03 In some cases the State does not consider occupancy illegal if the occupant is in the process of applying for title. A temporary occupation license (TOL) or an approved application (AA) may be acceptable. In Johore "provisional titles" were being recorded. These have been surveyed by private surveyors and are

considered usable titles even though the land has not been officially surveyed nor the official title registered.

2.04 The assumption that the State owns all the land and grants certain rights to it has led to placing in the title restraints on what the land may be used for or for how long a period the title is valid. According to the Federal constitution and land code, titles can be granted for agricultural, industrial or urban uses. In addition, rights to agricultural land may be and often are granted for specific uses. For instance, rights to padi land often stipulate that the land can only be used for padi. As an incentive to develop padi land the title often does not require a premium and has a low rent of M$.50 to M$1.00 per acre per year. Titles to land used for rubber and, recently, oil palm generally restrict the owner to one specific crop. Time limitations may also be placed on a grant of rights. One rubber user said that his land right was for fifty years while the crop cycle was thirty years. These specific restraints appear in private title. The issue of limitations on titles has not yet arisen in the case of titles granted to individuals in connection with government land development schemes.

2.05 To get an agricultural land title in his name an individual must pay a premium, which in most states is M$25 per acre, and a rent each year which varies according to quality of soil and by state. The range is usually from M$6 - M$12. Very often the rent is reduced while the crop is maturing. The Federal Land Development Authority (FLDA) often pays rent of M$1.50 per acre until the rubber or oil palm starts to produce. Some states have given preference to padi growers by waiving the premium, by charging no rents during the period of development, and after that only M$.50 per acre per year.

Land rents can only be changed once every fifteen years. However, the Organizational Committee, which has governed since May 1969, when the Parliament was temporarily dismissed, recently authorized a change in rents. Reactions varied from state to state. In Sabah there was no change; but some states' rent on agricultural land was doubled, and rent increases were also substantial for urban and industrial land.

2.06 Malaysia has no land tax. Local governments receive their income in the form of land premiums, annual quit rents, licenses and other use permits. They also levy some excise taxes. The Federal Government levies a rather high income tax, license fees and some import taxes.

2.07 If a landowner with limitations on his deed wishes to change the use or extend the time, he must reapply for a new title. When he does, he may be required to pay the premium again and pay an increase in the amount of annual rent.

2.08 This formal system of land rights has been working against--and has often been modified to accommodate--Malay customary law, which is similar to that of Burma, Thailand, Borneo and Sumatra. This customary law, suitable in a subsistence economy where the physical job of reclaiming land was difficult and where land was plentiful, was based simply on the idea that he who cleared the jungle or prepared padi land and used it had all the ownership rights. In some cases these customary rights have been formalized (Constitution has done this in the case of Negri Sembilan, Malacca, and Trengganu, Part II, Art. 90). Customary rights are considered rights in perpetuity, and the holders pay no land premiums or rents.

2.09 The Kampong has some informal rules for allocating rights to land which have modified the formal system or which may not fit it at all. For instance the district officer, a government official residing close to the

village, has authority to allocate and register titles for less than ten acres of land.

2.10 The state and the district officer within the state are responsible for issuing all use licenses, permits and land titles and their registration. This is why land is considered to be primarily a state matter.

2.11 Individual states may differ and often do as to the methods used in performing these land responsibilities. The pattern is for each state to have a governing officer (a political appointee or the Sultan), an executive officer (a State Secretary) who is a civil servant, and departments corresponding substantively to the Federal Ministries.

2.12 The Commissioner of Lands may be the registrar who records all titles and the collector who collects premiums and rents. Some states have two officers performing these functions out of the office of the Commissioner of Lands.

2.13 Each state is divided into districts, with a district land officer for one or two or more districts. Sabah has four Residencies with a district officer in each. Sarawak has five divisions.

2.14 The district officer is responsible for the accuracy, recording and implementation of such land matters as land transfers, land acquisitions, unappropriated state land, mortgages, foreclosures, wills, collections, inheritance, and transfers of use. The district officer is also authorized to grant title to any unappropriated rural land in less than ten acre lots; and he determines the amount of premium and the amount of rent on these lots and keeps the records on them.

2.15 Urban and industrial lots and rural land grants of larger than ten acres are sent with the district officer's recommendation to the State

Commissioner of Lands. The Commissioner of Lands may grant title, fix premiums and rents for rural lots between ten and fifty acres, and record them. Tracts over fifty acres must be approved by the State Council.

2.16 The length of time required to get final action on a land application has discouraged many from developing land. The Development Administration Unit, recognizing this problem, followed ten applications of each type through the process. The average time for processing state land titles was 564 days, and the average time for changing the conditions of a title was 301 days (Table 1).

2.17 The backlog of unsettled land applications is another discouragement to land developers. In May 1967 the State of Johore made an inventory of its pending cases and discovered that a large number of titles were still in process (Table 2). While Johore succeeded in diminishing this backlog almost completely by June 1969, most states still have a considerable backlog.

2.18 The granting of timber licenses, mining permits and industrial titles is generally done at the highest state level, but state personnel were reluctant to give any information on just who is responsible for such permits.

2.19 In Sabah the Director of Lands is recording all titles and making premium and rent valuations at the state level to be used by all district officers. In addition, he is developing a data bank of land characteristic--topography, soils, cover and other use--by area. By 1972 the electronic system will be able to furnish not only the written information on each title but the physical data on any area selected.

2.20 Although land matters in Malaysia are considered to be in the jurisdiction of the separate states, the Federal Government does have several important functions which can materially affect land use.

Table 1, Average Time in Processing Land Applications

Type of Applications	In Land Office (days)	In Other Departments (days)	In St. Com. of Lands or Ex. Off. (days)	Total (days)
State Land	167	375	22	564
Change of Condition	170	86	45	301
Prospecting Permit	256	99	74	429
Mining Lease	123	82	65	270
Renewal of Mining Lease	143	117	84	344

Source: Development Administration Unit, Land Administration, 1968, p. 17.

Table 2. Backlog of Land Applications, State of Johore, May 1967

	Number of Cases	Acres
Land application below ten acres	5,189	21,949
Land application ten acres and above	329	89,337
Application for land in new villages	2,181	
Application for pocket land	448	1,254
Illegal occupation of State land	6,305	23,951
Application for title of land	1,292	11,118
Application for change of condition	586	
Approved application with unpaid rent	2,510	

Source: Survey of Land Administration in Johore, Commissioner of Lands and Mines, Johore, 1969.

2.21 If the Federal Government is satisfied that land not alienated (unreserved state land) is needed for a Federal purpose, it may, after consultation with a state, require that the land be transferred to the Federal Government or any authority the Federal Government directs (Constitution, Part VI, Art. 83). Although this provision is seldom used, the court has upheld its constitutionality. In 1970 the Organizational Committee established the Muda Authority with powers over land matters; however, until Parliament can affirm its existence, the Authority has remained cautious in exercising this power.

2.22 A National Land Council also exists "to formulate from time to time in consultation with the Federal Government, the State Governments, and the National Finance Council, a national policy for the promotion and control of the utilization of land throughout the Federation for mining, agriculture, forestry and any other purpose, and for the administration of any laws relating thereto; and Federal and State Governments shall follow the policy so formulated" (Constitution, Part VI, Art. 91). There are twenty-two members on the National Land Council, one from each state and eleven from the Federal Government. Sarawak and Sabah are observers, but neither are voting members, nor are they bound by actions of the Council.

2.23 The National Land Council is responsible for the formulation of general guidelines to land use, and it is in the process of adopting the recently completed "Land Use Capability Map" as its basic guideline. A copy of that map is included.

2.24 The Constitution authorizes the Federal Government to formulate and carry out "National Development Plans." Operation of the FLDA and the Federal Land Consolidation and Rehabilitation Authority (FLCRA) are authorized by this provision of the constitution.

LAND USE MAP OF MALAYSIA

2.25 The Federal Government is also responsible for making the official survey for all land titles. A title cannot be finally registered until this survey is complete; hence until registered, no one has uncontestable state-supported legal rights to the land.

2.26 Federal grants to states, including state personnel payrolled to the Federal Government, should give the Federal Government some authority over land administration. This financial contribution, along with other federal grants for land development schemes, do in fact give the Federal Government substantial authority over land management.

Land Alienation

3.01 The attached map of West Malaysia indicates the different kinds of land alienation--alienation for agriculture, mining, private, municipal and industrial, aborigine reserves, grazing reserves, Malay reserves, forest reserves, game reserves, and state land which is unreserved. Areas in each category have been estimated by the Economic Planning Unit (Table 3). A combination of the land use classification map and this alienation map (showing the nature of the rights alienation) gives one the location priority and availability of land remaining for development.

3.02 The area of Malaysia is 82,247,000 acres-- 32,500,000 in West Malaysia, 18,800,000 acres in Sabah and 30,939,000 acres in Sarawak. Because of major differences as well as availability of information Sabah and Sarawak will be treated separately in this section.

3.03 Of the 32,500,000 acres in West Malaysia, about 9,600,000 acres or 30% have been alienated to agriculture. About 7,100,000 acres are in crops--30% of which is in estates, and 70% in small holdings. Most of the land not

LAND ALIENATION MAP OF MALAYSIA

Table 3.
ESTIMATED AREAS OF ALIENATED AND GAZETTED LAND CATEGORIES IN ACRES FOR WEST MALAYSIA
(Mid-1969 Land Capability Classification Programme Statistics)

State	Stateland		Alienated for Agriculture		Alienated for Mining		Malay Reserves		Grazing Reserves	
	Acres	Percent of Total State Land	Acres	Percent of Total Agri-culture	Acres	Percent of Total Mining	Acres	Percent of Total Malay Reserves	Acres	Percent of Total Grazing Reserves
Perlis	6,624	.1%	126,684	1.3%	1,242	.3%	12,420	.3%	414	.7%
Kedah	28,773	.4%	1,084,473	11.3%	6,210	1.6%	315,675	7.3%	12,834	21.9%
Perak	325,197	4.0%	1,483,155	15.4%	198,306	51.1%	1,291,887	29.8%	8,694	14.8%
Penang and Prov.Wellesley	15,111	.2%	205,551	2.1%	-	-	-	-	-	-
Kelantan	283,176	3.5%	796,743	8.3%	1,656	.4%	1,773,162	41.0%	11,385	19.4%
Selangor	240,327	3.0%	980,973	10.2%	72,657	18.7%	109,917	2.5%	1,035	1.8%
Malacca	14,283	.2%	345,483	3.6%	1,035	.3%	-	-	-	-
Negri Sembilan	132,273	1.6%	696,555	7.2%	6,417	1.7%	97,497	2.3%	7,038	12.0%
Pahang	4,337,478	54.0%	1,198,530	12.5%	47,610	12.3%	539,235	12.5%	7,245	12.4%
Jahore	844,767	10.5%	2,159,424	22.4%	40,986	10.6%	185,265	4.3%	9,522	16.3%
Trengganu	1,805,454	22.5%	544,410	5.7%	11,592	3.0%	3,105	.1%	414	.7%
West Malaysian Total	8,033,463	100.0%	9,621,981	100.0%	387,711	100.0%	4,328,163	100.0%	58,581	100.0%
	24.75%		29.65%		1.19%		13.33%		0.18%	

Source: Preliminary data, Economic Planning Unic, Kuala Lumpur, Malaysia.

Table 3.
ESTIMATED AREAS OF ALIENATED AND GAZETTED LAND CATEGORIES IN ACRES FOR WEST MALAYSIA Con't.
(Mid-1969 Land Capability Classification Programme Statistics)

State	Aborigine Reserves		Forest Reserves		Game Reserves		Alienated/Reserved for other purposes		Total	
	Acres	Percent of Total Aborigine Reserves	Acres	Percent of Total Forest Reserves	Acres	Percent of Total Game Reserves	Acres	Percent of Total Other Purposes	Acres	Percent of Grand Total
Perlis	-	-	51,336	.6%	-	-	2,898	1.1%	201,618	.6%
Kedah	-	-	861,948	10.5%	-	-	29,601	11.3%	2,339,514	7.2%
Perak	14,490	21.5%	1,778,130	21.7%	15,939	1.1%	37,881	14.4%	5,153,679	15.9%
Penang and Prov.Wellesley	-	-	13,248	.2%	-	-	19,251	7.3%	253,161	.8%
Kelantan	-	-	578,151	7.1%	261,234	17.4%	14,283	5.4%	3,719,790	11.5%
Selangor	6,210	9.2%	508,806	6.2%	18,216	1.2%	42,435	16.1%	1,980,576	6.1%
Malacca	1,035	1.5%	33,120	.4%	-	-	13,248	5.0%	408,204	1.3%
Negri Sembilan	15,318	22.7%	664,263	8.1%	-	-	22,770	8.7%	1,642,131	5.1%
Pahang	18,630	27.6%	1,878,111	22.9%	828,621	55.2%	14,283	5.4%	8,869,743	27.3%
Jahore	9,522	14.1%	1,219,023	14.9%	167,463	11.2%	57,132	21.7%	4,693,104	14.5%
Trengganu	2,277	3.4%	609,822	7.4%	210,105	14.0%	9,108	3.5%	3,196,287	9.8%
West Malaysian Total	67,482	100.0%	8,195,958	100.0%	1,501,578	100.0%	262,890	100.0%	32,457,807	100.0%
	0.21%		25.25%		4.63%		0.81%		100%	

Source: Preliminary data, Economic Planning Unit, Kuala Lumpur, Malaysia.

alienated for agriculture is jungle. Few people live in this area and practically no access roads or other infrastructure exist.

3.04 Mining certificates, titles, or leases usually are for seven to thirty years. Prospecting permits are usually granted for one or two years on 200 to 1,000 acres. These prospecting permits give preferential treatment for later mining titles, but the results of prospecting must be filed with the Government. One year after mining stops the land reverts to the state.

3.05 Land alienated for purposes other than agriculture and mining include town land, urban and industrial land areas. These titles are usually given to the private sector for 30 to 99 years. The map and table include in this category land for experiment stations, military areas and other small public facilities.

3.06 Aborigine Reserves are small areas in the interior reserved for some of the original people. These Federal areas have been reserved after they have been surveyed and some attempts are being made to increase these reserves.

3.07 Grazing reserves are very small tracts of land in Malay areas set aside for buffalo grazing. They are usually areas of very low productivity. The Veterinary Department has responsibility for the grazing reserves.

3.08 Malay Reserves are unalienated land where ownership and use is restricted to Malays. These areas must be titled to Malays and can only be transferred to other Malays. A state may increase its Malay reserve by two-thirds vote of its legislative body. It must, however, have available an equal amount of non-Malay land. A state may also decrease its Malay reserve. Some of the alienated land (paragraph 3.03) is also restricted to Malays.

3.09 The definition of a Malay, according to the Constitution, is "any person who, under the law of the state in which he is resident, is treated as a Malay for the purposes of the reservation of land" (Constitution, Part VI, Art. 89 [-6]. Thus each state defines "Malay". Although not much is said about the restraints on land ownership to non-Malayans, this is an extremely important factor limiting agricultural development. Limitation of land rights to Malays also limits the credit sources to Malays. One source said that comparable land in an unrestricted zone had double the market value of that in an area limited to Malays. A resolution of the racial restraints on land ownership should be an important goal.

3.10 Forest reserve constitutes about 25% of the land area of West Malaysia. On the western side of the main mountain range these reserves are on the steep slopes. They reduce water run-off and help conserve the soil. The eastern slope forest reserves include land that should be in permanent forest production. But future agricultural production is also expected to come in part from these forest reserves. Some members of EPU expressed the judgment that the one major agricultural development area remaining was a triangular area with Temerloh and Kuantan forming the north boundary which includes considerable land reserved for forests and some state lands.

3.11 Game Reserves are small and not well suited to game management. They should be changed, according to EPU.

3.12 State land is the ungazetted remainder which amounts to about 25% of the total land area of West Malaysia. Admittedly this category includes land that is poor and inaccessible, and a large area of peat swamp on the east coast.

3.13 Of the 18,808,000 acres in Sabah it is estimated only 511,000 acres are under cultivation. In June 1970, 119,000 land titles had been issued for 1,025,000 acres of land. Non-titled alienations, apparently customary rights for agricultural purposes, bring the total land units to 155,100 with an area total of 1,480,000 acres, or about 7.9% of the area (Table 4). Forest reserve represents 8,101,212 acres; 6,824,428 acres are already constituted or established; 443,879 acres are notified, or in process of becoming a forest reserve; and 832,905 acres have been proposed for forest reserves.

3.14 The 30,939,000 acres in Sarawak have been classified into five zones. See State map on which these zones are located.

(a) The mixed zone, about one tenth of the land area, is the only area where registered titles may be bought and sold by all races. Of the 2,844,000 acres in this zone, 640,000 acres are titled to non-natives (native includes Malay and the original tribes); 115,000 acres to natives; and 1,632,000 acres are held by natives in customary tenure. Most of the customary tenure land is used for hill and wet padi, rubber and other permanent crops. Most of the remaining 556,800 acres in the mixed zone is swamp forest.

(b) The native land area is about one-twentieth of the land area of the state and is limited in both ownership and use to natives. The native area is 1,664,000 acres of which 230,120 acres are held under title and 1,134,880 acres are occupied by natives under customary law.

MAP: LAND OWNERSHIP ZONES IN SARAWAK.

Table 4. Population/Settlement in Relation to Land Holdings

Item	Land Category	Land Unit	Number of Land Units	Total Acreage (000's)	No. of Families Now on the Land
1	Major settlement	Scheme	26	133	2,000
2	Land development co-ops	Society	77	31	400
3	Customary tenure	Holding	30,000	90	30,000
4	Unregistered alienation	Holding	6,000	200	300
5	Registered alienation	Title	119,000	1,025	101,700
6	Grand total		155,103	1,479	134,400
5	Registered alienation:	(Breakdown very approximate - not mathematically derived)			
(a)	Over 1,000 acres	Title	100	290	7,000
(b)	Between 1,000 and 100 acres	"	200	80	2,000
(c)	Between 100 and 25 acres	"	2,700	85	2,700
(d)	Between 25 and 10 acres	"	21,000	270	15,000
(e)	Between 10 and 1 acre	"	76,000	293	60,000
(f)	Under 1 acre	"	19,000	7	15,000
(g)	Total		119,000	1,025	101,700

Source: Preliminary data, Director of Lands and Surveys, Sabah, Malaysia.

(c) Native customary land areas, more than one-fifth of the land area in the state, or 7,008,000 acres, has been acquired by natives under customary law. It has not been well delineated and has no titles or surveys. Specific land area rights stem from the memory of the senior citizen of the tribe and from continued use. By definition all the land in this zone is held by natives. Native customary land rights are acquired by "felling virgin jungle", "planting land with fruit trees", or "occupation or cultivation of land." In Sarawak these rights have been written into the State Land Code as a license. No premium nor rent is paid and they run in perpetuity. Although customary tenure exists throughout Sarawak, the State in 1955 limited acquiring customary tenure to land in the interior land zone and then only with a permit from the State government. A recent attempt to revise the State land code making major changes in customary land rights was defeated and very nearly toppled the government. Public officials seemed very certain that no changes could be made at this time even though changes might be desirable. Other states have customary tenure but not to the extent that it exists in Sarawak. (See Section 2.08).

(d) Reserved lands include reservations for forests, national parks, etc.

(e) Interior land is state land not included in the first four zones. There are 19,423,000 acres in zones (d) and (e) or about 63% of the total land area of the state.

Land Tenure in the Padi Areas - Padi Cultivators

(Control of Rent and Security of Tenure Act, October 1967)

4.01 Padi farms are rather small, and are generally operated by Malay farmers who have relatively low incomes. Much of the land is rented from others.

4.02 It has been the policy of the Malaysian government to help tenant farmers get more secure terms with their landlords and to protect tenants against the payment of excessive rents.

4.03 One 1968 survey of 382 families in the Muda project reports an average of 5.76 acres operated by each family with a range of 4.7 to 9.71 acres. It was found that farm size was directly related to the class of soil: the smaller the farm, the better the land. Of the total acreage in the survey, 43% was owner-operated and 57% was tenant-operated.

4.04 Although a large part of the land is rented, not much is known about the rentors' situation and progress. Full tenants would be expected to operate the smallest farms, owner-operators next, and part owners-part tenants the largest, with the latter in the process of acquiring larger units. Very little information is available about the type of tenant. Preliminary data for Trengganu taken in 1970 by the State Agricultural Officer's staff indicate that: (a) a large part of the tenant operated area, in some areas nearly half, is operated by part owners; and (b) part owner-part tenant operators have operating units that are almost twice as large as those of full tenants, and hence they produce the main marketable supplies of rice while the full tenant operators produce at more nearly subsistence levels.

4.05 Most writers have considered fragmentation and subdivision of land

parcels to be a major problem since Muslim inheritance procedures call for the land to be divided among all the heirs. With time, it is supposed that ownership units would become more and more fragmented. However, local religious leaders act as advisors on inheritance and the division of assets; and they do not necessarily follow any fixed rule, but rather consider the welfare of the larger community. An heir may become owner of the land but be given other responsibilities for his family and the Kampong as well. The preliminary Trengganu data indicates that a majority of the padi farmers are farming only one plot. In one area, 91 percent of the total operators were farming only one plot. The area with the fewest single plot operator had 39 percent farming one plot. This point, however, needs further investigation. Reports from some of the better padi areas indicate two to four tracts are the predominant number operated by each operator. Location of the tracts is almost as important as the number.

4.06 Although the Torrens land titling system is considered the best, it is still very often the case that the owners listed on the title registry are not the same people considered to be the owners in the kampong. There is practically no firm information on this matter, but no one of a number of persons who should know disputed this statement when made. A padi survey by T.B. Wilson indicated this was true when he made his survey in the early 1960's. Initially, he selected his sample from the land registry. When he got to the field, he found those locally considered owners were not the same as his list from the registry. He was forced to use an area sample. A recent survey by the Agricultural Economics Department, University of

Malaya, also found that the names of the owners given in the kampong often were not the same as those listed in the registry. This needs further investigation since almost nothing can be done for improvement of tenancy if the landlords and their alternatives and intentions are not known.

4.07 To improve the income of the padi farmers who rent land, the Padi Cultivators (Control of Rent and Security of Tenure) Ordinance was passed in 1955. However, only one state gazetted the ordinance and only one area made any attempt at enforcement.

4.08 Another attempt to improve the position of rentors of padi land came after several studies suggested changes. The 1955 Ordinance was repealed and a new Padi Cultivators (Control of Rent and Security of Tenure) Act was passed by Parliament in 1967.

4.09 The 1967 legislation stated it to be government policy and the objective of the padi rent law to encourage written leases of at least three years and to limit the amount of rent paid by tenants.

4.10 This act limits the rent charged by a landlord to 140 gantangs per acre for Class I land, 115 gantangs per acre for Class II land, and 70 gantangs per acre for Class III land. Land that is classified for double cropping may receive one-third more rent. A written lease is required for a minimum of three years, with the tenant having the option to renew before the end of the lease. A special registrar is designated in each district to record written leases either by landlord or tenant. Federal and state enforcement authorities, procedures for resolving conflicts should they arise, and penalties for non-compliance are prescribed in the Act.

4.11 The states must gazette the law and set up the state enforcement machinery, appoint registrars and appeal procedures, before the Federal Statute is in effect. To date, the states of Kedah, Perlis, Pahang, Perak, Panang, Selangor, and Kelantan have adopted the ordinance, and the states of Malacca and Trengganu have it under consideration.

4.12 Regardless of how desirable the policy is, there are a number of things that make these goals difficult to accomplish by Federal law alone.

(a) The Federal law prescribes the maximum rents to be charged for Class I, II, and III land. When the state gazettes the Act, it must also classify its land. Under this procedure, a classification will be very general. It would be more accurate to classify land on the basis of a soils map or other map of productive capability. Local experience should be included in the classification. Maximum rents should be related to the classification; and, since maximum rents and classification will tend to vary in different parts of the country, the Federal act should not uniformly prescribe them.

(b) More information should be collected about the landlords. In many cases, the owner on a title registry is not considered the owner locally. Many of the tenants are related to or friends of the landlord, and the lease is a form of family or community assistance. Some of the landlords, if faced with rent restraints, would operate their land rather than rent it, thus making the tenant at best a laborer.

(c) The Federal law assumes that all padi rents are fixed rents. However, many of the areas, particularly the poorer ones, are share rented--

the rent depends on the production in any given year. The maximum rent does not fit the risk in the share rent situation. And, if the law were rigidly enforced, many landlords might shift to a share rent system in the hopes of increasing the rents they collect.

4.13 Present administration of the padi rent law is concentrating on an educational and informational program to let the landlords and tenants know the policy of the government incorporated into the law. Voluntary recording of leases is encouraged. And perhaps as important as any of the activities is that the administrators of the program recognize the limited information about landlords and attempt to identify and list those who are considered to be the landlords in the communities. Probably no additional enforcement is possible under the present law.

Land Tenure Related to Land Development

5.01 Land development in Malaysia in the future as in the past is largely reclamation of land from the swamps and the jungle for agricultural uses.

5.02 For reclaiming padi land the farmer was often given the land for a low premium and rent. Irrigation installations making double cropping possible were given free to the land owners. The Muda Authority is currently authorized to levy maintenance costs against the landowner. Organization to pay the costs for operation and maintenance and for allocating use rights developed by the project is essential. It will function better if local people have a role in the organization.

5.03 Production of rubber and palm oil has been in the past and--according to the 1971-75 plan--will be in the future the major use of newly developed lands.

5.04 The Federal and State governments have undertaken a number of different kinds of new land development schemes, primarily, although not entirely, to help get the ownership of land and production in the control of small farmers.

5.05 The tentative five year target in the second Malaysian plan is 752,500 acres. A major portion of this land is planned to be developed in the States of Pahang and Johore. At present these areas are almost completely undeveloped with no roads or other infrastructure, and very few people live in the areas (Table 5).

5.06 Federally subsidized schemes have received major attention, and the Federal Land Development Authority (FLDA) has been the model.

5.07 Before a brief description of the settlement schemes, note should be made of the provisions of a Federal Act passed in 1960 changing land tenure responsibilities and making it possible for the Federal Government to directly undertake large development schemes. (Land Group Settlement Areas Act, 1960, Act of Parliament, Number 13 of 1960.)

5.08 Under the law a federal authority may be formed to plan and directly manage a development scheme. Such an authority may negotiate with the state government on the location of the site, its layout, the premium and rent to be charged for the land, the cost of land surveys, and other fees or costs.

Table 5. New Land Development Five-Year Targets by States.

(First Approximation October 27, 1970) Second Malaysian Plan

Type of Scheme	Recommended National Five-Year Targets*			Kelantan	Trengganu	Pahang
	Acres	Federal Cost/Acre M$	Estimated 5-Year Cost M$			
A. Federally-Subsidized						
FLDA	250,000	2,000	500,000,000	-	-	150,000
FELCRA (Fringe Alienation)	40,000	600	24,000,000	-	3,500	5,500
Fund 'B' Cooperative Block New Planting	150,000	750	112,500,000	10,000	15,000	35,000
Youth	75,000	600	45,000,000	-	10,000	10,500
Low Cost Settlement	37,500	1,200	45,000,000	12,500	5,000	10,000
Public Sector Estate	37,500 [47,500]	1,200	45,000,000 [57,000,000]	-	28,500	13,500
B. Un-subsidized						
Joint Venture Estate	50,000 [64,500]	-	-	-	17,500	-
Private Sector Estate	112,500	-	-	-	12,000	75,500
Controlled Alienation	-	-	-	-	-	-
Total:	752,500	22,500	771,500,000	22,500	91,500	300,000

Source: Preliminary estimates (October 1970), Economic Planning Unit, Federal Government of Malaysia.

*[Possible revised targets in brackets]

Johore	Negri Sembilan	Malacca	Selangor	Perak	Penang & Province Wellesley	Kedah	Perlis	Crop(s)
65,000	25,000	5,000	-	-	-	5,000	-	50% rubber, 50% oil palm
12,000	1,500	9,000	6,000	1,000	-	1,500	-	Rubber
26,000	20,000	-	15,000	19,000	-	15,000	-	Rubber
10,000	2,000	5,000	10,000	17,500	-	10,000	-	Oil palm, rubber & food crops
5,000	5,000	-	-	-	-	-	-	50% oil palm, 50% rubber
5,500	-	-	-	-	-	-	-	Oil palm and rubber
5,000	12,000	-	5,000	15,000	-	5,000	5,000	Oil palm, sugar cane, rubber and beef/dairy
25,000	-	-	-	-	-	-	-	Oil palm, sugar cane, tapioca, and possibly rubber
-	5,000	-	-	-	-	-	-	Rubber and possibly oil palm
153,500	70,500	19,000	36,000	52,500	-	36,500	5,000	

5.09 The Authority can proceed with development maintaining all ownership records and title until the settler has paid his loan in full. When the loan is repaid, the developed land is returned to the state and a title to a specific tract is reissued to the settler. In the case of FLDA the premium has usually been M$25 per acre. Rent during development is M$1.50 per acre until harvest when it advances to M$6.00 per acre. The Authority can thus acquire title and pay initial land transfer costs, including survey costs, and build them into the settlers loan. The settler does not have to start repaying the loan (including land alienation costs) until the crop comes into production, and the state receives income at the time of alienation.

5.10 The 1960 act has also made it possible to prevent subdividing. Transfers can be made only to an individual person (no joint ownership). Thus on these schemes, Islamic inheritance law requiring equal shares to all heirs was eliminated. Even religious dues, usually 10 percent of the gross product, were changed to M$1.00 per person per year.

5.11 The goal of nearly all government development schemes is to get the land cleared and into production. Then the land will be transferred to individual farm families. In the case of rubber the transfers have been made, but in oil palm the organization of the production unit and hence the type of ownership to be transferred is still in issue. Some say the production unit should be 1,000 acres, or at least 100 acres. If this is best, then the ownership rights given the individual farmer might be in the form of shares.

Federal Land Development Authority (FLDA)

6.01 Special attention is given the Federal Land Development Authority (FLDA) because it is the most important new land development agency, is well managed, and its operation is the model for other development schemes.

6.02 Since its establishment in 1956, FLDA has been in the Ministry of National and Rural Development. Tun Razak, present Prime Minister and at that time special assistant to the Prime Minister, was the first minister of National and Rural Development. FLDA has planted 147,825 acres of rubber trees and 160,595 acres of oil palm trees for a total of 308,420 acres, and 22,200 families have been settled on the various schemes.

6.03 The technical skill of the FLDA in clearing, land preparation, planting and initial management of the plantation is considered to be excellent. In the fifteen schemes operated before 1960, the Authority exercised management control primarily through its function as an approving loan agent, though it did experiment with one direct management scheme. Because of the 1960 legislation giving FLDA more control over land ownership, and because the FLDA administration on tighter planning and management of the schemes seemed most efficient, all the schemes since 1960 have been directly managed by the agency.

6.04 Despite FLDA's excellent record on the technical side, FLDA plan proposals for 1971-75 suggest a number of potential problems with settlers. The usual pattern has been to bring the settlers on the scheme: (1) after the land has been cleared, planted, and a cover crop has been established, and (2) after the roads, water, houses, school and mosque have been constructed. This is generally two years before production of palm oil and four years

before the rubber trees begin to yield latex.

6.05 The settlers are given employment taking care of their land, and their salary is added to their development costs. If no work is available, subsistence allowances are paid at the rate of M$2.90 per adult male per day, M$ 2.40 per adult female per day, and M$1.80 per day for children between 14 and 18 years old. This too is added to the individual's development loan. Settlers are also employed in nearby schemes when work is available.

6.06 Settlers on FLDA schemes are selected on the basis of a set of requirements first and then on a point system.

(a) Malaysian citizenship or state nationality is required.

(b) applicant is required to be between 21 and 45 years old; younger ages are receiving preference by the point system;

(c) marriage is required, points are given for number of children;

(d) applicant must be landless or have less than two acres of land; points are given inversely to the amount of land owned;

(e) experience in agricultural and other skills gives the applicant points;

(f) applicant must not have serious criminal records;

(g) if applicant is physically fit and able to do hard work, he receives points;

(h) he must agree to abide by the rules of the scheme.

6.07 The settlers, however, have begun to object to some phases of the scheme's operation. Administrative personnel indicated that at about the first harvest, when settlers started repaying their loan, they wanted to know

the total amount of the loan. The amount of the loan, which depends on the development cost, varies from scheme to scheme. On some of the early schemes, the costs of development were higher than now, and some schemes are more difficult to develop than others. Hence a settler's loan may vary from M$ 12,000 to M$ 20,000. FLDA currently recognizes the unevenness of the loans between schemes and is trying to make them more uniform. The Authority should be encouraged and assisted in doing this.

6.08 In 1968, a delegation of settlers visited Tun Razak to describe various complaints. Late in 1968, FLDA established a Settler Division to handle the grievances of settlers. "Over the years, FLDA has learned that the clearing of jungle, planting rubber and oil palm, building homes and establishing infrastructure is only but the beginning. Not only must this be followed up by the growth of rational institutions such as a marketing structure but also by the establishment and institutionalization of an adequate social structure", (FLDA Second Malaysia Plan recommendation, Part I, page 7). While the Settler Development Division is not expected to resolve all the social structure issues, it has stationed a settlement officer in each of the schemes, and Scheme Development Committees have been formed to involve the settlers in some of the management and administration decisions. Even though the status of Settler Development Division's personnel is not yet as high as that of some of the older technical personnel, the efforts by FLDA to involve the settlers in the management of the schemes certainly should be encouraged.

6.09 In the second Malaysian plan, FLDA is expected to develop 250,000 acres of new land, all in rubber and oil palm. This is one-third of the total projected new land development. In the years ahead, FLDA's most difficult problems will relate to building by the settlers of viable local government and community institutions.

Other New Land Development

7.01 The Federal Land Consolidation and Rehabilitation Authority (FLCRA) was authorized by law in 1966 and began functioning in 1967 within the Ministry of Lands and Mines. In the October 1970 reorganization, it was transferred to the Ministry of National and Rural Development. Its function is to: (a) take over and make function some of the state land schemes which are not doing well; (b) consolidate small holdings primarily in the padi area; and (c) develop new land schemes. In this same reorganization, the Ministry of Agriculture and Cooperatives was given the name Agriculture and Lands. Cooperatives were moved to Ministry of National and Rural Development. Many sections of the Ministry of Lands and Mines moved to Agriculture, including Forestry, Lands, Mines, Geological Survey, Games and Aborigines.

7.02 The Authority is attempting to take over at least one project in each state. As of October 1970, it has six of these projects in Johore, four in Negri Sembilan, three in Pahang, one in Trengganu, two in Perak, two in Kedah, and one in Perlis. The states suggest schemes, and FLCRA makes an evaluation of their redevelopment potential. Settlers on redevelopment projects pay all but administrative costs. Most of the projects FLCRA looks at are too expensive to redevelop, low in soil fertility, and improperly surveyed.

7.03 No consolidation work has been done to date. The director indicated that it was too costly and too difficult politically to formulate a program.

7.04 In searching for a part of the land development program, FLCRA is planning a program patterned substantially on the FLDA schemes except they are to be for less than 2,000 acres (FLDA schemes have been 4,000 to 5,000 acres). Some of these schemes will be similar to state schemes adjacent to existing villages. Because those schemes planned are smaller and scattered, the initial cost of getting rubber and oil palm into production on them will be considerably greater than it is on the FLDA scheme.

7.05 The target for the next five years is for FLCRA to develop 40,000 acres of new land.

7.06 The Federal Government has given financial assistance to the states for developing land. Between 1957 and 1960, the FLDA was lending to state schemes. After the FLDA began direct development of schemes in 1960, the states continued their land development. The Federal Government made loans and grants to states to develop land for clearing and terracing, and for fertilizer and planting, and a large number of state schemes were undertaken by states between 1960 and 1968 (Table 6). The state land development schemes were small--nearly all below 1,000 acres--and they were in close proximity to an existing village. Although the state schemes and those of FLCRA were often considered poorly run, their goal is to develop land in the vicinity of existing villages. This seems desirable and should be investigated more thoroughly before it is discarded.

7.07 Considerable Federal funds are projected to assist state land development in the 1971-75 plan (See Table 5).

Table 6. State Settlement Schemes, Malaysia

State	1961			1962			1963			1964		
	No.	Acres	Settlers	No.	Acres	Settlers	No.	Acres	Settlers	No.	Acres	Settlers
Perlis	0	-	-	0	-	-	0	-	-	2	837	204
Kedah	1	600	100	7	4,033	651	1	632	96	4	2,190	356
Johore	1	1,005	115	1	65	10	5	1,967	311	0	-	-
Melaba	0	-	-	2	1,209	257	6	4,333	828	4	1,063	250
Selangor	0	-	-	3	780	181	0	-	-	0	-	-
Negri Sembilan	19	11,538	2,068	17	5,371	1,406	28	4,168	1,260	5	708	216
Trengganu	0	-	-	13	7,410	1,275	30	11,139	1,743	0	-	-
Pahang	18	8,114	1,221	67	23,508	3,332	8	1,956	243	44	12,939	1,903
Total	39	21,257	3,504	110	42,376	7,112	78	24,195	4,481	59	17,737	2,929

Source: Operations Room, Commissioner of Lands and Mines, October 1970.
(Transferred September 1970 to Ministry of Agriculture and Lands.)

Table 6. State Settlement Schemes, Malaysia

State	1965			1966			1967			1968			Total		
	No.	Acres	Settlers	No.	Acres	Settlers	No.	Acres	Settlers	No.	Acres	Settlers	No.	Acres	Settlers
Perlis	3	1,620	349	1	500	108	0	-	-	1	350	-	7	3,307	661
Kedah	2	460	85	1	200	28	1	300	78	1	300	70	18	8,715	1,464
Johore	2	680	111	0	-	-	0	-	-	2	500	77	11	4,217	624
Melaba	10	914	222	1	310	67	1	200	-	4	295	72	28	8,324	1,696
Selangor	0	-	-	0	-	-	0	-	-	0	-	-	3	780	181
Negri Sembilan	0	-	-	6	719	203	5	486	153	2	200	62	82	23,190	5,368
Trengganu	0	-	-	2	277	41	0	-	-	0	-	-	45	18,862	3,059
Pahang	0	-	-	2	400	61	3	600	103	0	-	-	142	47,517	6,863
Total	17	3,674	767	13	2,406	508	10	1,586	334	10	1,645	281	336	114,876	19,916

Source: Operations Room, Commissioner of Lands and Mines, October 1970.
(Transferred September 1970 to Ministry of Agriculture and Lands.)

7.08 There are six youth schemes in which unmarried young men are employed to clear land and plant rubber or oil palm trees. After five years, the youth will expect to own a share of the scheme. They must agree not to get married for five years until the scheme is completed. It is possible that these may eventually develop into corporation farms or cooperatives.

7.09 One state is developing a state-owned oil palm scheme on which young people are employed as laborers. They are to remain as laborers and not become shareholders. As a profit-making operation for the state, the scheme was also designed to increase employment opportunities in the area. This will actually develop as a state farm.

7.10 New land development schemes described above apply to West Malaysia. Sabah and Sarawak have their independent programs.

7.11 The state of Sabah has a land development board and program much like FLDA, but with some important differences. On its schemes, the settler receives his land free after it has been developed. If a settler does not live on the land nor harvest the crop, hired labor is employed to do it, but even these owners may still receive a share of any profits that remain after cost. Plans are now being made to reduce this opportunity for absentee profit and to give the new owner greater incentive to do his own work. Sabah has eighteen such schemes in operation, but not much of the land has been cleared (Table 7). The second five-year plan calls for only two more schemes--one of cocoa and one of oil palm. Five 18-ton mills are planned and two bulking stations--one is nearly completed. The state is evidently having difficulty finding settlers since the director said the main question confronting his

TABLE 7

LAND DEVELOPMENT SCHEMES IN SABAH

board is: Should land be put into production and then settlers found, or should land be developed only as people want it? He favors the latter solution. The planned five-year budget is M$ 143,000,000.

7.12 A few private plantations are also being developed in Sabah. Borneo Abaco had 20,000 acres in oil palm, rubber, and cocoa. Mosdyn Estates had 5,000 acres in oil palm, Pamol 15,000 acres, Sabah Palm 3,000 acres and Unilever had just purchased 40,000 acres of previously titled private land.

7.13 Sarawak has seven development schemes totaling 12,000 acres--all in rubber. Its five-year recommended program projects four oil palm and two rubber schemes totaling 24,000 acres and one oil palm factory. The settlers are to be given the land, a house, and water. At the end of seven years a M$ 25 premium and M$ 3 per year rent are required.

7.14 Sarawak has an interesting youth scheme which employs young single men 18-25 years old with agricultural training. They are paid M$ 4 per day and live in a dormitory. Out of M$ 100 earnings, the youths receive M$ 50--M$ 30 for food and M$ 20 for spending. The other M$ 50 purchases shares in the scheme. If a youth leaves before two years, he forfeits the shares. After two years, he may keep them. The plan says that when the rubber is in production, the person owning shares can work for M$4 per day and leave the dividends in to pay off the corporation loan. It is estimated that the individual will in about seven years have built up an equity equivalent in value to ten acres of developed land. Just what kind of corporation, cooperative or individual tract ownership will be desired when the individual has substantial shares is not yet known. If the members of this scheme get married, they may borrow to build a house near the project.

7.15 The Federal and state governments recognize the limits of government settlement schemes. FLDA has said 50,000 acres a year is the maximum it can develop. The private sector--particularly the estate sector which has considerable experience developing rubber and oil palm estates--is being encouraged to invest in new land development.

7.16 The Prime Minister (then Deputy Prime Minister) on January 22, 1969 spoke to a group of representatives of the private sector on the "Role of the Private Sector in National Development." He spoke primarily of plans to encourage the private sector to invest in large scale land development. He pointed to the availability of land in Pahang and Johore. He indicated that although past alienation had placed restrictions on titles, he hoped it soon would be possible to alienate land to the private sector without agricultural use restraints.

7.17 Second Malaysian plan targets include substantial new land development in the private sector. In one state, Pahang, several large blocks of land have been alienated to private developers in the form of "joint ventures." In these the developer will prepare and plant all the land. A part will be retained by the developer and the rest returned to the state for distribution to small holders.

Importance of Community Organization and Local Government

8.01 Community organization and local government are of major importance in determining land tenure (working rules) and how it functions. The formal system of law, contract, ownership and inheritance defined by the Federal and

state governments functions best when integrated with the informal structure of local communities. The power of this integration makes programs succeed and viable communities grow. Without it the best designed projects have failed.

8.02 To enforce a law such as the rent law, or to develop a viable new community on a land development scheme, much better results can be expected if local people and their organization at the village level are identified and given some responsibility for participating in rule making and rule enforcement. Although people in administration seemed to recognize the needs and desires of rural people, they also seemed to have little respect for the competence of the individual farmer and his local organization. That such respect is lacking is of course only a hypothesis, but it should be tested since mutual trust is essential for effective programs at the local level.

8.03 Malaysia has extensively used cooperatives as a device to involve local people in a group organization and at the same time improve the marketing structure. FLDA schemes have organized the settlers on each of their schemes into a cooperative. Many persons indicated that cooperatives have not been particularly successful either on the FLDA schemes or in other parts of rural Malaysia.

8.04 FLDA's organization of a settler division and placing a settlement officer on each scheme was another effort to develop settler participation in community affairs. In some schemes councils have been established and settlers have a limited voice in the schemes' government. If possible these council's responsibility should be expanded.

8.05 It is FLDA's goal that once the rubber and oil palm trees have been planted, a small community of small farmers can maintain and harvest them.

8.06 Nearly fifty farmers associations have been formed in West Malaysia. The Department of Agriculture expects these associations to involve local people in plans for development of their communities. The associations are to be the vehicle for better extension programs. Some plans are underway to make the associations the credit center for Bank Petaneo. Suggestions have been made that a farmers association be formed in each FLDA scheme.

8.07 A study should be made of cooperatives to determine whether it is true that they are not considered a feasible alternative type of group organization. Such a study is particularly important at this time since so much emphasis is being placed on the farmers associations and since cooperatives and farmers associations have many similarities.

Suggestions and Recommendations

9.01 Present government policy is to encourage large private firms to develop oil palm and rubber in the jungle areas. The firms have technical knowledge and experience. Development will increase foreign exchange since the market for both rubber and oil is an international one. Arrangements can be made for some of the developed land to be transfered to small holders. However, land remaining in large estates will employ other people as laborers. In order to encourage private development, acquisition of title must be made easier, and the future cost must be relatively secure.

9.02 For political reasons large private developers may be required to take titles limited to one crop use. This should not deter development if the procedure for changing use is simple and low cost. Time limitations in the titles should not be used. If they are necessary, the time should correspond to the crop cycle.

9.03 For the small holder with a holding between 10 and 100 acres, permanent transferable titles should be granted for agricultural use with no crop or time restraints.

9.04 One official land registry should be maintained in each state. The district officer should perhaps make the decisions on land allocations under ten acres since he is closer to the people in the village. He should however have rather strong guidelines as to what land is to be allocated for what purpose and what the premium and rents are to be. Land use plans and valuations of different classes of land could furnish these guidelines. They should be developed jointly by

the Federal and State governments and by local community committees. The district officer may want to keep a copy of the title to small tracts, but the official registry should be at the state level. The possible use of electronic equipment and telephone communication systems should be investigated. It should be possible to maintain the registry at the state and even at the national level and also to maintain a natural resource information bank. All this information could be as avialable as the local telephone.

9.05 Customary land titles seemed to be a problem in all the states but particularly in Sarawak and in Sabah. Survey procedures could probably be simplified by using modern aerial photography and a minimum of ground observations.

9.06 Another problem with customary land titles is that the owner pays no premium or rent. Some arrangements for financing local governmental services is needed as the rural area develops.

9.07 To the outsider the practice of reserving large areas of land for Malays--thus preventing ownership by persons of other nationalities--appears to be a major limitation to all rural development. Careful reappraisal should be made of this racial restraint on land ownership in order to see whether it is really necessary and, if not, how it can be changed.

9.08 The Federal government's concern with the low income of the small tenant padi producers seems to be valid. However, the padi rent control law probably cannot be administered much more effectively than it is right now without local participation. At present Federal law

prescribes uniform maximum rents for three classes of land for the entire country irrespective of land quality and the different kind of lease contracts prevailing in a specific area. To effect a program of improvement in the rice areas, local people must participate in the formulation and administration of policy. To do this, local rice administrative boards might be established. Membership on the boards should represent the Federal and state governments and the local communities. These boards should, with some guidelines, establish land classes, and the maximum rent for each class and type of lease.

9.09 The separate lease registry required by the Federal law seems unnecessary. It might better be handled by the land registry.

9.10 Considerably more information is needed on the nature of the lease contract: who the landlords and tenants are, how they farm, and what alternatives they have.

9.11 A large part of the 752,500 acres of new land development programed in West Malaysia for the next five years is to be in rubber and oil palm at a Federal cost of $M771,500,000. the stands of rubber and oil palm look very productive. However, experience in developing viable settler communities on the schemes is much less successful and more difficult to accomplish. Yet there is no evaluation being made as to whether investment in oil palm and rubber in the jungle--to eventually be owned by smallholders--is the best use of funds for development of employment opportunities for rural people and for the country. Since improvement in employment opportunities is a primary national goal, investment in new land development of this magnitude should

be evaluated against other investments in such things as schools, credit, roads, health, marketing facilities, social security, research, etc.

9.12 Many types of new land development schemes are being tried in Malaysia, particularly with respect to ownership and operating organization. Since it is the largest new land developer, the FLDA should remain open to new ideas, and maintain flexibility by putting good alternatives to further test. Some have even indicated that state and fringe schemes may demonstrate some useful ideas.

9.13 The FLDA might experiment on some of its schemes. For instance, after clearing the jungle and planting trees, settlers could be brought in to build their own houses, roads, schools, water systems and community buildings. On some schemes the FLDA might acquire an option on adjacent land to be picked up when the families and the villages grow to the point where they need more land.

9.14 The FLDA has a fixed loan repayment contract with each settler. The family and the scheme supervisor should be encouraged to work out a plan for more rapid repayment. With a few years' advance payment the family might earn the right to less supervision or the opportunity to develop additional land.

9.15 All families should know the amount of their loan and the schedule of repayment when they start to live on the scheme. We understand that all families will know the amount of their loan in the near future. This should be kept current.

9.16 Making the amount of the settler's loan more uniform for

comparable land, regardless of development costs, is desirable and will reduce the possibility of future conflict. Efforts should be made to do this even though it might require a subsidy to some settlers.

9.17 In so far as possible, the scheme council should receive increasing authority over such things as marketing, credit, community improvements, licensing of stores, transportation facilities, middlemen, fringe benefits and discipline (appointing policemen, judges, school teachers, and community laborers).

9.18 The Federal and state governments might establish a land-owning authority and loan the land to settlers to develop as they want--in rubber, oil palm, or any other crop or livestock enterprise.

9.19 Youth schemes, particularly the one in Sarawak, may turn out to be an effective way for young people to develop their own rubber or oil palm estate. It could be operated as a large cooperative or corporation with the young owners living on it and doing the work.

9.20 Even the one unit operated by one state for a profit furnishes some employment and may provide researchers with some information on the effectiveness of a state farm.

9.21 No matter how competent a World Bank team is or how conscientiously it works, at key points it is always limited by the basic research and data-gathering that others have done within the country before it came on the scene. The World Bank, therefore, should have a keen interest in promoting research capacity apart from and prior to any specific project study. The infrastructure on which World Bank evaluations depend includes able research workers with demonstrated capacity to gather and analyze

relevant data. This capacity is sometimes--but not always--adequate for biological research on crops, soils, diseases, livestock, etc. It is almost never adequate on social science problems that planners also face--questions like: Who owns and rents the land? Why does one community have a successful farmers association and another's cooperative fails? How can timber marketing be changed to encourage processing in the country? Will farmers join in maintaining and harvesting oil palm on 1000 acre units when they own one share equivalent to 10 acres? What is the total social cost of planting oil palm in the jungle, including the cost of the forest resource not used? The World Bank needs to do its part to see that the continuing research capacity is built up in each country to attack questions of this kind.

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