



**IMPROVING
RURAL
DEVELOPMENT**

MINISTER'S FOREWORD

Message by Honourable
Dato' Seri Mohd Shafie bin Haji Apdal
Minister of Rural and Regional Development

By any measure, the 2011 achievements of the Ministry of Rural and Regional Development in infrastructure enhancements are noteworthy.

The improvements in rural basic infrastructure and amenities include 1,013km of new and upgraded roads, 27,004 households supplied with electricity, 73,227 rural houses with clean piped water supply and over 14,350 homes built or restored. All this is in addition to the record development performance of 2010.

All these initiatives add to my conviction that the aim

of rural development must involve holistic infrastructure development that leads to increased economic activity, resulting in rural wealth creation and greater per capita income and spending power.

To this end, the process of rural development must involve empowering rural communities to take ownership of and participate in their social and economic development which they could not do before because of poverty. It is for this reason that the Ministry has already taken steps to encourage economic development in rural areas.



Looking back at the GTP 1.0 (2010 - 2012)

The Rural Basic Infrastructure National Key Result Area (RBI NKRA) accomplished much in the GTP 1.0 with the Ministry of Rural and Regional Development scoring a number of successes in terms of improving and enhancing the lives of Malaysians in rural communities. The development of infrastructure has improved quality of life and enabled greater access to markets, which will in turn serve to redress socio-cultural and socio-

economic disparities. Some 4.5 million Malaysians have benefited from the GTP 1.0 initiatives by the end of the three-year programme.

The initiatives under the GTP 1.0 were aimed towards high-impact and immediate goals, and resulted in the following Big Wins. Despite these successes, the RBI NKRA had initially targeted much higher achievements, but an unscheduled budget cutback

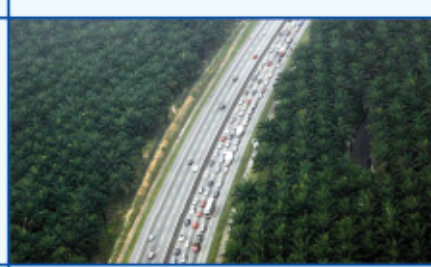
of RM3 billion meant that only 75% of the GTP 1.0 targets were attained. As a result, some of these key development plans will be continued in the GTP 2.0.

Nevertheless, there has been drastic improvements in providing access to roads, water and electricity, especially in Sabah and Sarawak, where there was up to a 30% increase in coverage in some instances from 2009 - 2012.

BIG WIN 1 Increased access to paved or gravel roads

The benchmark test for this initiative was measured by the percentage of Malaysians living within five kilometres of a paved, gravel road and laterite roads. By the end of 2012, some 3,147 kilometres of road was completed under this initiative, and the following percentages of Malaysians now meet the standards set above:

- 98.6% of Peninsular Malaysia's rural population
- 87.0% of Sabah's rural population
- 86.0% of Sarawak's rural population



The key performance indicator (KPI) for 2011 was to complete the construction of 905km of road, which was easily

surpassed with 1,013km of roads completed.

BIG WIN 2 Increased access to clean or treated water

Access to clean water is one of the fundamental needs of any community, and ensuring that all homes in rural Malaysia have access to this basic facility was a top priority for the RBI NKRA. Owing to the initiatives of the GTP 1.0, by end of 2012, 310,742 homes will have access to clean or treated water. The geographic breakdown is as follows:

- 99% of Peninsular Malaysia's rural population

- 79% of Sabah's rural population
- 90% of Sarawak's rural population

In addition to health and hygiene reasons, access to water is also a key requirement for industry and the rural economy. The target in 2011 was to ensure utility connection to 58,087 homes, but the number of actual homes connected came in at 73,227.



BIG WIN 3 24-hour access to electricity

Similar to clean water, all-hours electricity is a vital component necessary for improving the general quality of life for rural Malaysians. It is also an important component of industry and economic growth. By 2012, the RBI NKRA will ensure that an additional 93,712 houses have been connected to the grid and now have 24-hour power access. Geographically, the

breakdown is as follows:

- 99.8% of Peninsular Malaysia's rural population
- 88.7% of Sabah's rural population
- 82.7% of Sarawak's rural population

The RBI NKRA surpassed the 2011 target of wiring 26,882 homes to the grid after hooking up 27,004 homes to the grid.



BIG WIN 4 Building and restoring houses for the rural poor

Cases of the hardcore poor living in poor and potentially dangerous homes still occur in Malaysia, and the RBI NKRA took cognisance of this issue in the GTP 1.0. To address this problem, the RBI NKRA implemented an initiative that would provide financial aid to the rural hardcore poor.

However, because resources are limited, the RBI NKRA had to ensure that only

truly deserving households received this support. Over the last three years, the RBI NKRA's Housing Assistance Programme restored and built 50,000 homes for rural Malaysians. The target in 2011 was to build and restore 9,146 homes, which was surpassed by the actual total of 14,365 homes.



Introduction to the GTP 2.0 (2013 - 2015)

Case for Change

The GTP 1.0 saw much done for rural Malaysians but the work is not yet complete. The enhancement of basic infrastructure in rural communities is a crucial first step, which prepares them for the second phase of development which will see the development and revitalisation of their local economies.

The goal is to ensure that rural economies can provide its population with attractive incomes and amenities to discourage diaspora and provide reasons for rural youth to remain in the kampungs.

There is also another reason: Malaysia has ambitious goals to become a high-income nation by 2020, and a significant part of this accomplishment depends on the development of vibrant rural economies. In order for rural economies to contribute, they must first flourish, and this means transforming them into attractive places for people to live and work.

Towards this end, the Ministry of Rural and Regional Development (Kementerian Kemajuan Luar Bandar dan Wilayah or KKLW) will take on

the new 21st Century Village (21CV) programme, which will bring the rural Malaysian kampung to the forefront of the nation's economic story.

The aspirations that the RBI NKRA have for rural Malaysia are straightforward: First, provide universal access to utilities and infrastructure, and second, ensure the development of their economies under the rubric of 21CV, which is a new workstream introduced in the GTP 2.0. Because of this shift in focus, the RBI NKRA will be renamed the Rural Development NKRA.

Overview

The GTP 2.0 Rural Development NKRA will focus on two key workstreams: the continuation of the Rural Basic Infrastructure Programme (to finish the work of the GTP 1.0), and the implementation of the 21CV, which is focused on economic development. The Government's existing programmes of providing social amenities, such as the provision of broadband Internet connectivity, clinics, schools and proper waste management in rural areas, will continue alongside the two workstreams.

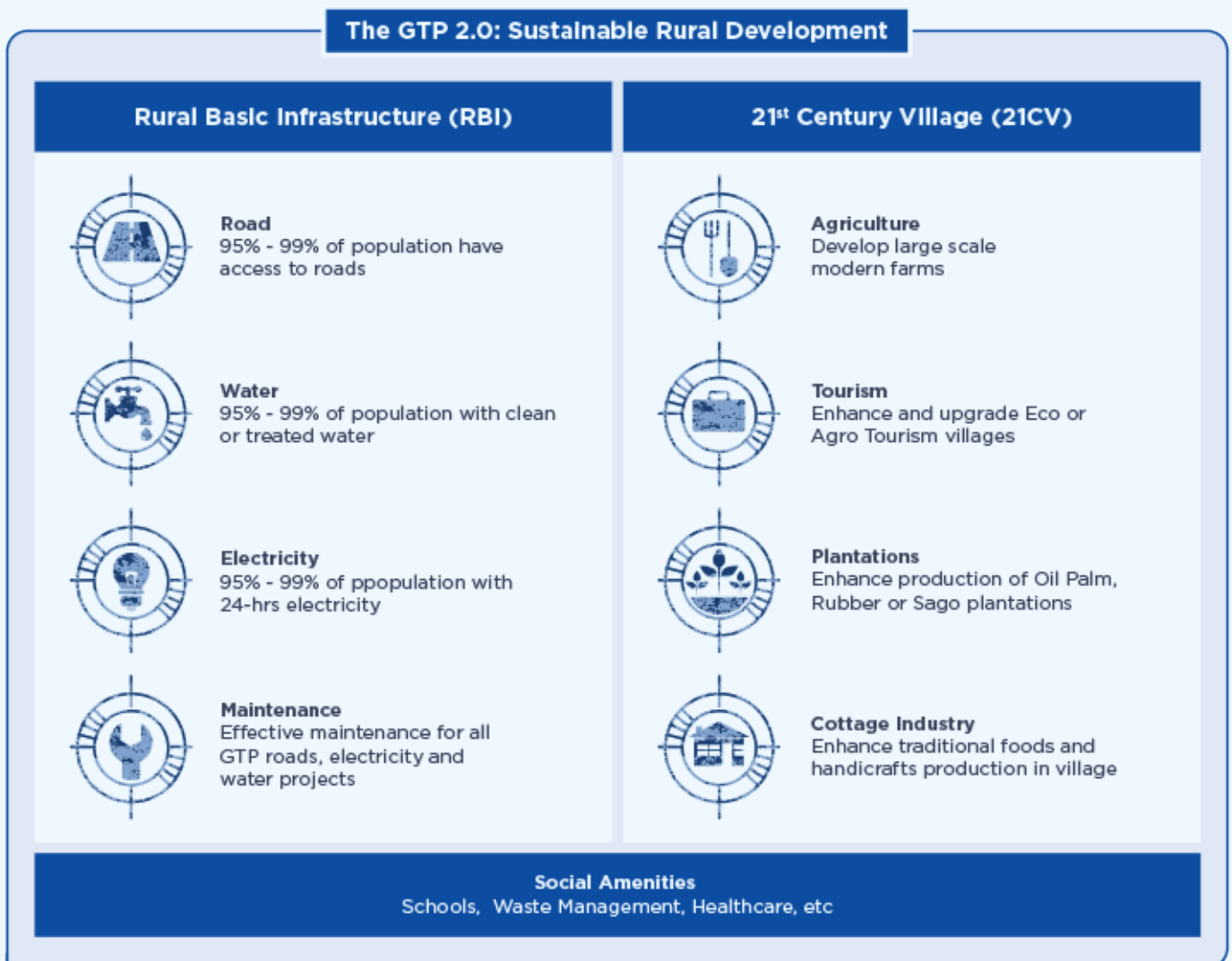


Figure 1: NKPIs for workstreams and their supporting infrastructure

Workstreams & Initiatives

1 Rural Basic Infrastructure

More still needs to be done to complete the rural basic infrastructure programme, especially since the budget setback in the GTP 1.0 meant that only 75% of the development plan was attained. Upon completion of the development plan, 99% of households in Peninsular Malaysia will have access to clean or treated water, 24-hour electricity and be located within 5km of a road. Likewise in East Malaysia, 95% of households in Sabah and Sarawak will have access to the same facilities.

The targets were set based on the capacity of the existing resources such as manpower, machinery and materials in the various regions as well as the need to balance spending between rural and urban developments.

The aspiration also calls for the maintenance and upkeep of existing facilities such as roads and power generators. Towards these ends, four initiatives – enhanced and expanded from the GTP 1.0 – will be implemented to drive this vision forward:

- Road improvement
- Access to clean or treated water
- 24-hour electricity
- Infrastructure maintenance

Another enhancement over the GTP 1.0 will be the geographic scope of the GTP 2.0 initiatives. Previously, under the GTP 1.0, most of the RBI projects focused on the development of partially accessible sites. The GTP 2.0 will now focus on remote and interior areas in Sabah and Sarawak.

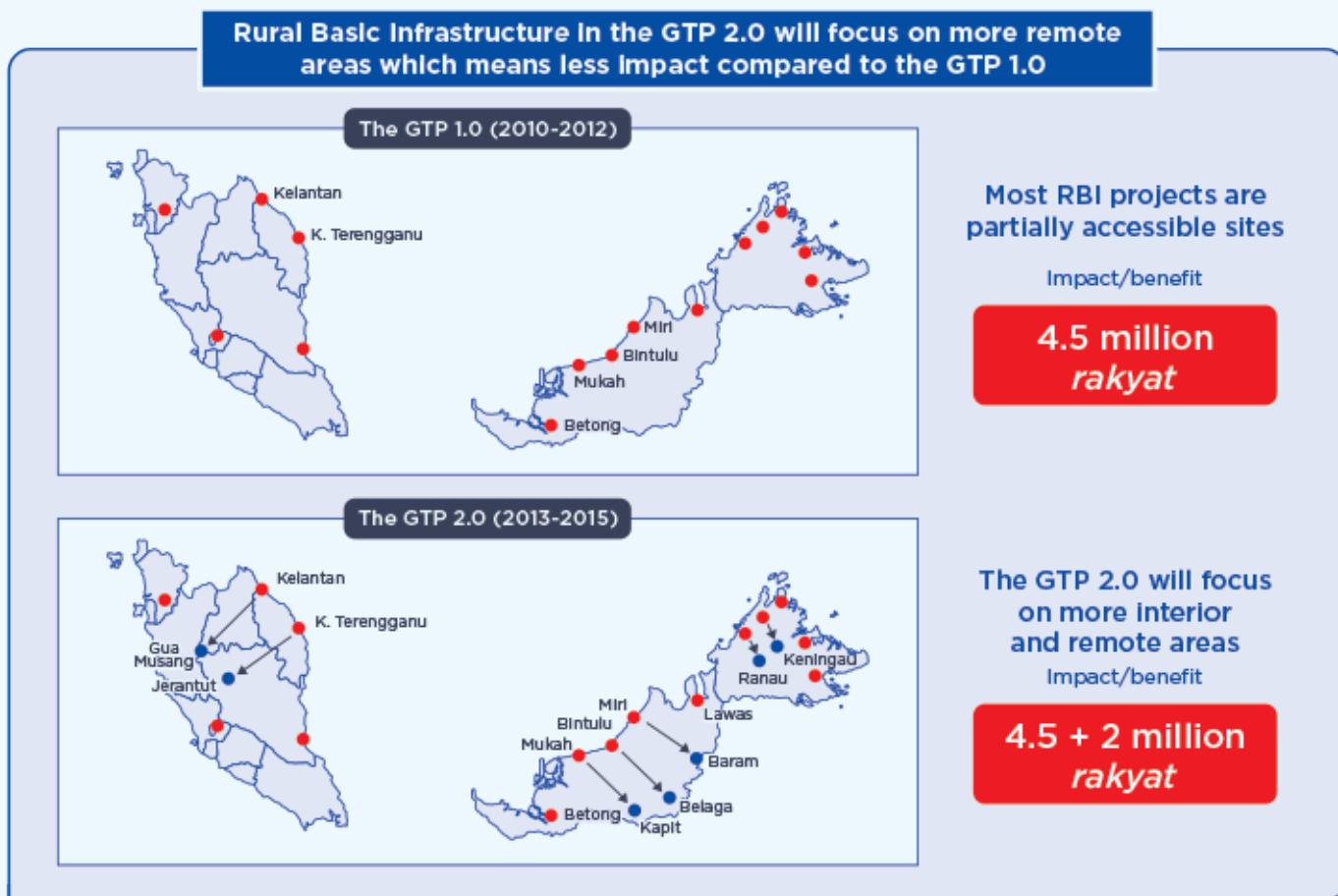


Figure 2: Initiatives in the GTP 2.0 will be enhanced to cover remote interior areas

Another two million rural residents are expected to benefit from these initiatives upon their completion in 2015.

Beneficiaries from the GTP 1.0 and the GTP 2.0			
	The GTP 1.0 (2010 - 2012)	The GTP 2.0 (2013 - 2015)	Total Beneficiaries
Peninsular Malaysia	2,214,000	677,000	2,891,000
Sabah	1,107,000	615,000	1,722,000
Sarawak	1,178,000	758,000	1,936,000
TOTAL	4,499,000	2,050,000	6,549,000

Figure 3: Beneficiaries of completed development plan

Initiative: Road improvement

An adequate road network is essential for industry and to reduce the burden of rural rakyat who have to commute in rural areas. While the GTP 1.0 has already made significant steps towards improving this facility, the job is not yet complete. By the end of the GTP 1.0, the percentage of Peninsular Malaysian residents living within 5km of paved roads rose to 98.6%, and road access to 87% and 86% for Sabah and Sarawak for Sabah and Sarawak, respectively. The aspiration is to raise the percentages for the latter two states to 95% by 2015.

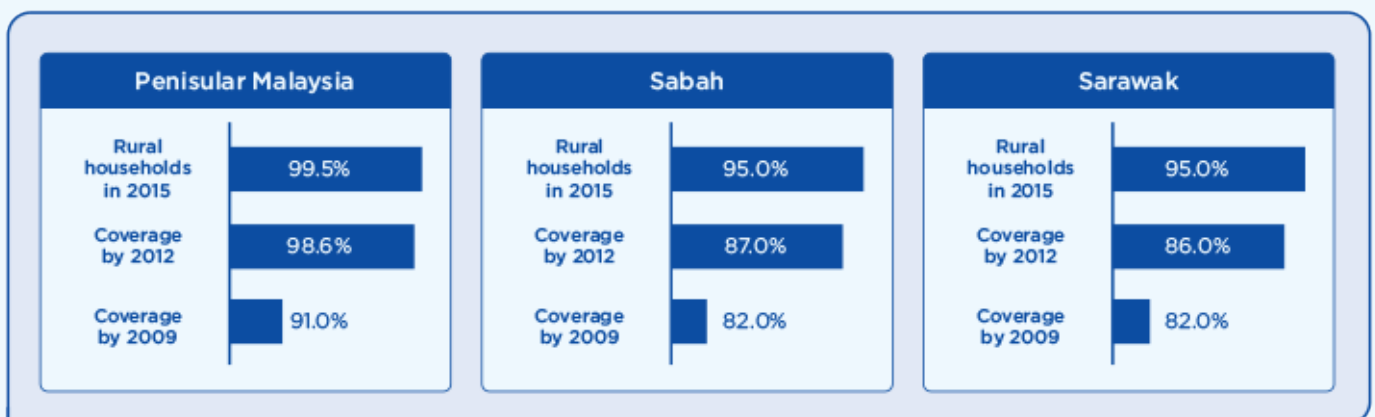


Figure 4: Road coverage expectations for the GTP 2.0

To do so, KKLW will take a number of actions including adopting former logging roads, building new roads and upgrading existing ones.

Ex-logging roads play an important role in improving connectivity to rural interior areas, but the roads are generally in bad shape after the loggers are done using them. The GTP 2.0 will see remedial action taken on these roads, with an estimated 59,560 rural people to benefit from this improvement. A total 826 km of logging roads to be adopted and upgraded have been identified.



Figure 5: Poor conditions of logging roads needing remedial work

This initiative will deliver 5,139km of roads in rural areas in total, of which 3,948 km will be paved roads, 365 km of gravel roads and the upgrading of 826 km of gravel roads. These roads will be constructed by KKLW and handed over to JKR Malaysia, JKR Sabah and JKR Sarawak by the end of 2015.

Achieving the road target requires building or upgrading 6,339km of roads in Malaysia

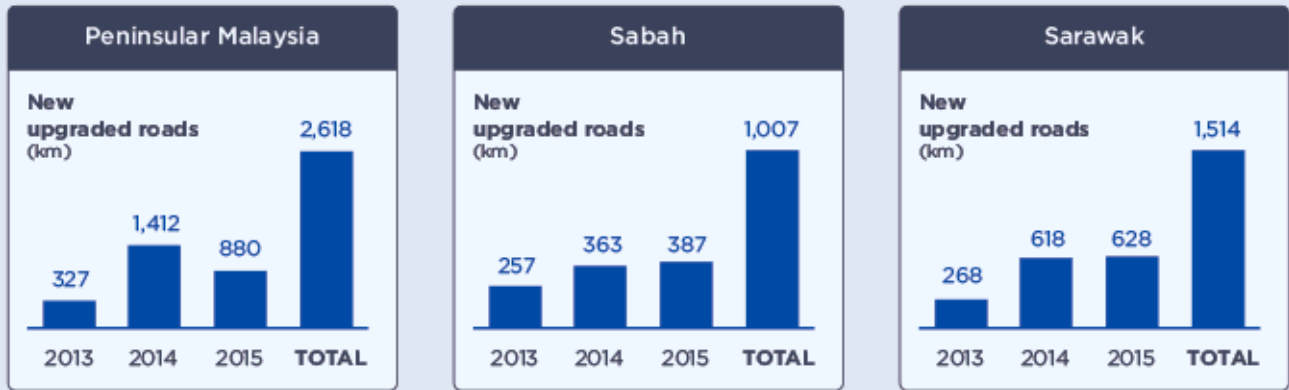


Figure 6: Roads required (in km) to meet KPIs

Initiative: Access to clean or treated water



The United Nations has declared access to clean or treated water a basic human right and the Malaysian Government is committed to ensuring that all Malaysians will meet this criterion. Furthermore, clean water is an essential need for industry to flourish and the GTP 2.0 is committed to ensuring that all Malaysians will have access to this resource.

By the end of the GTP 1.0, 99% of Peninsular Malaysia residents possess access to clean or treated water, while 79% and 90% of Sabah and Sarawak residents respectively enjoy the same access. Given the insurmountable importance of clean water, the NKRA aims to raise the latter two percentages to 95% by 2015. This will be achieved via building new connections and alternative water supply to rural areas, and upgrading existing treatment systems in urban and rural areas to cater for expansions.

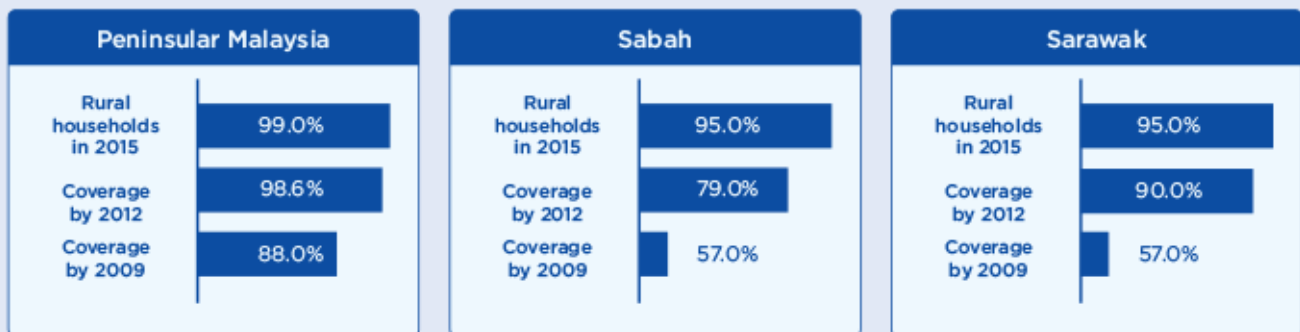


Figure 7: Access to clean water by households after the GTP 2.0

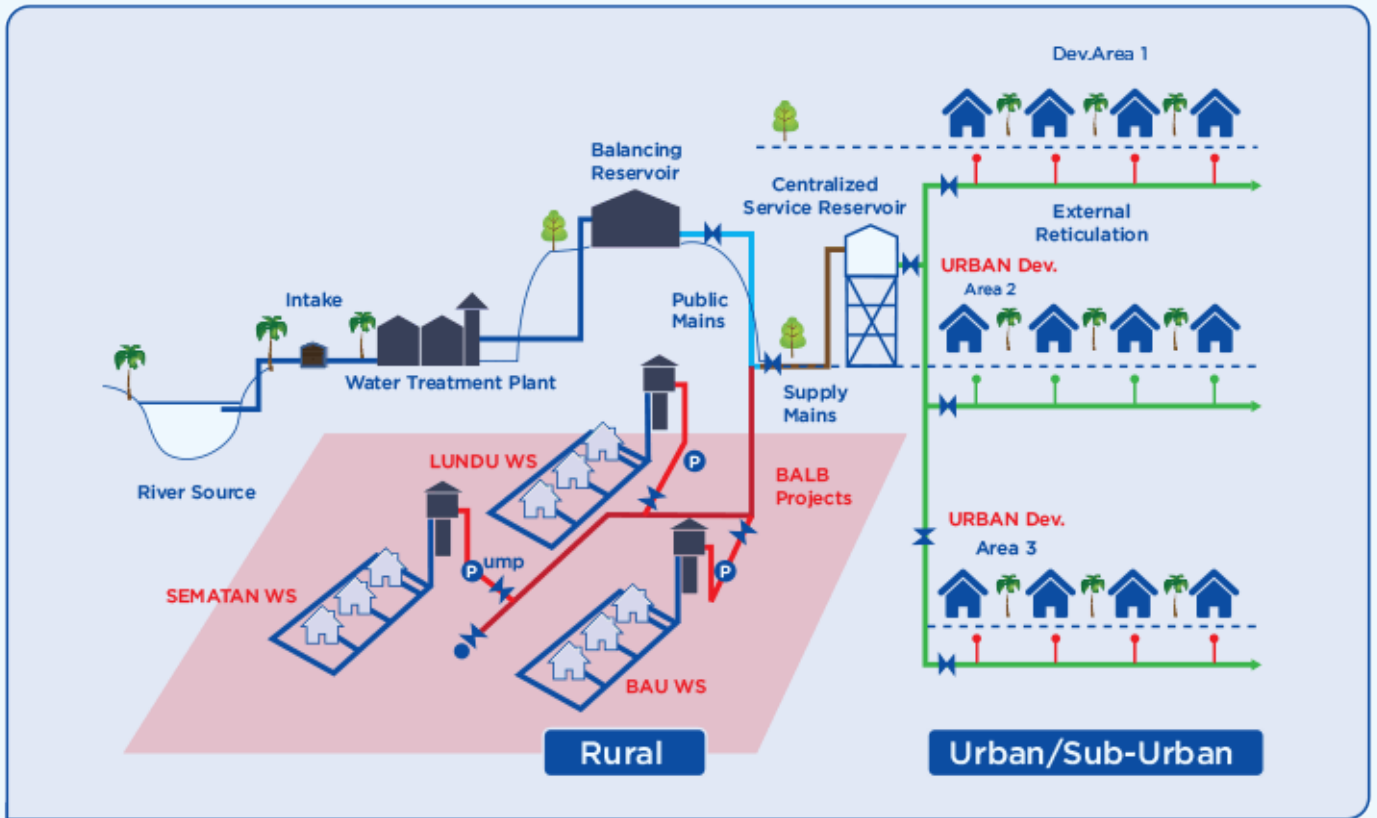


Figure 8: Enhancement of water supply distribution system

Presently in certain areas, new water sources for rural communities are routed through urban treatment plants due to insufficient treatment capacities in rural areas. However, the urban water system was not designed to cater to this additional demand, which has stressed the system. The GTP 2.0 will see work carried out in both rural and urban areas to ease the pressure on the existing system.



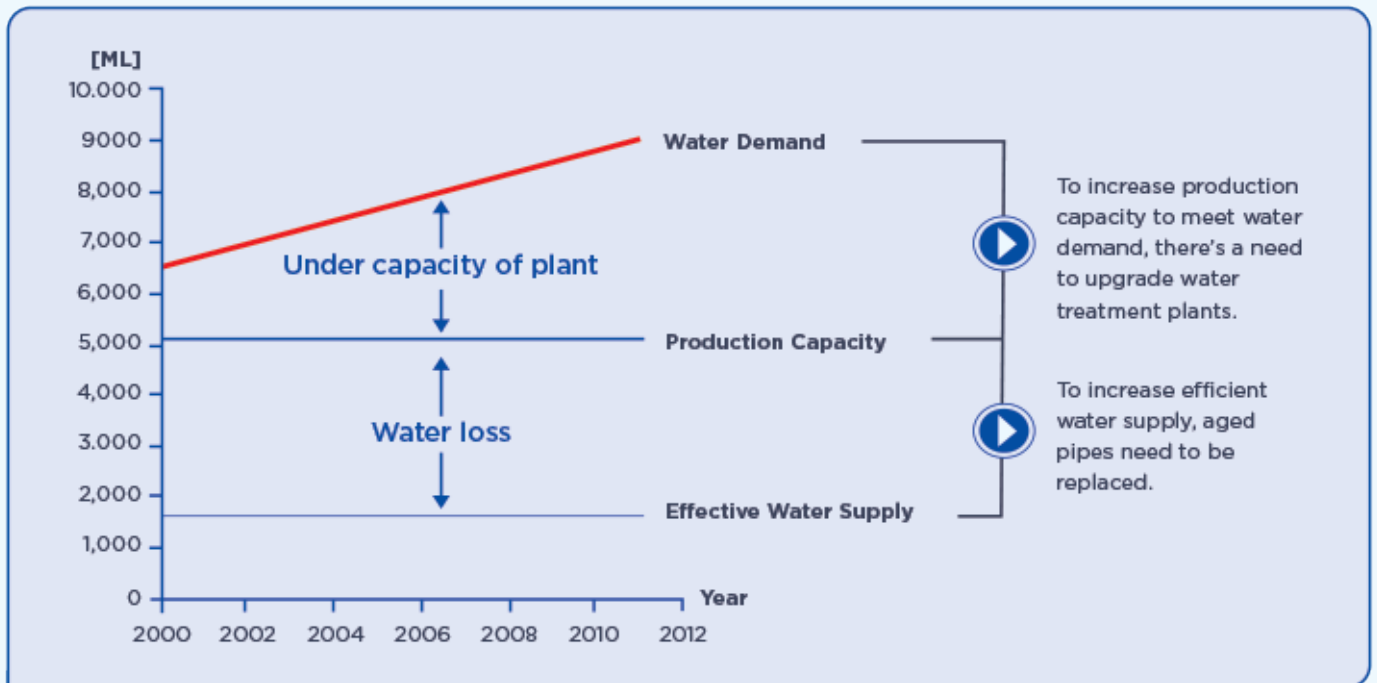


Figure 9: Supply system upgrade for water program

In the Implementation Plan/Roadmap for the GTP 2.0, KKLW will construct over 4,000 km of water pipelines across the country, which will be handed over to local water authorities, Jabatan Air Negeri Sabah (JANS) and JKR Sarawak, by the end of 2015. In order to reach the 95% access mark for East Malaysia, some 128,111 additional houses will have to be connected to the water system.

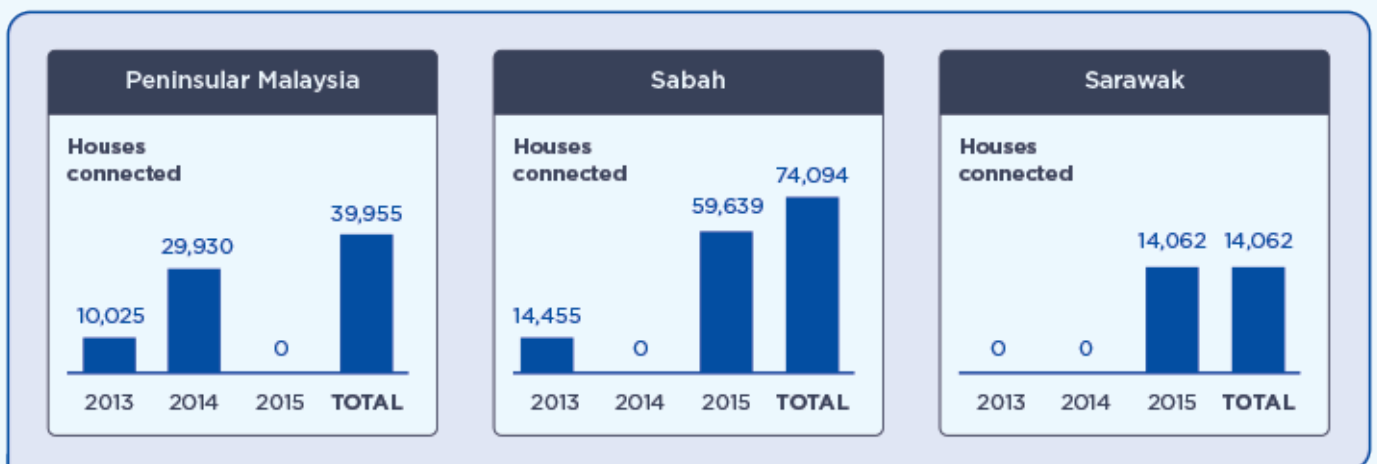


Figure 10: Achieving the water target requires providing clean or treated water to 128,111 additional houses



Initiative: 24-hour electricity

In line with improving access to clean water, the Rural Development NKRA is also committed to ensuring that Malaysians will have constant access to reliable electricity, which again continues the work that was started in the GTP 1.0.

Electricity, like clean water, is an important component for industry, and the development of rural economies is highly dependent on reliable power access.

By the end of the transformation initiatives of the GTP 1.0, 99.8% of Peninsular Malaysians have gained access to 24-hour electricity, while 88.7% and 82.7% of Sabah and Sarawak residents will have the same coverage. The target is to attain 95% coverage in East Malaysia by 2015.

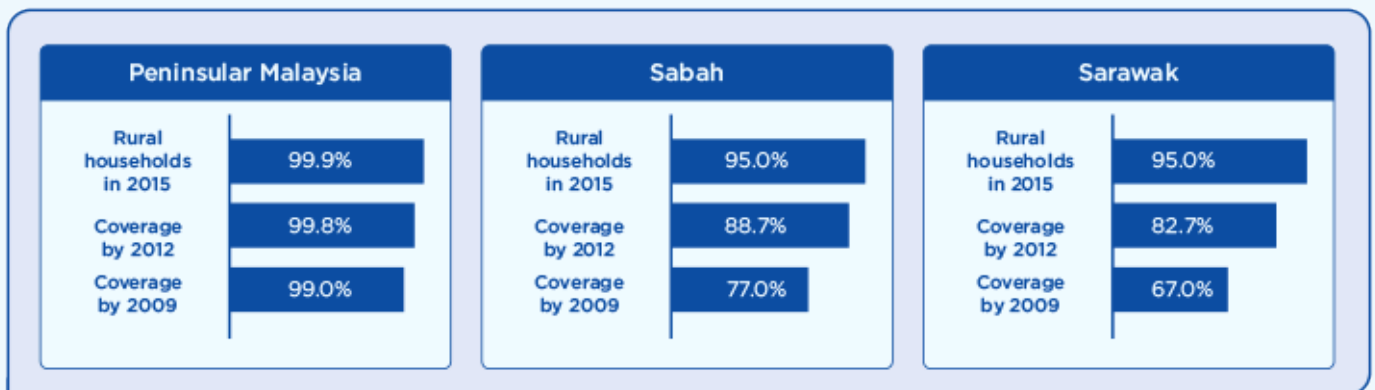


Figure 11: Access to 24-hour electricity after the GTP 2.0

The rural electrification programme will see also rural schools that presently use diesel generators for their electricity needs connected to a 24-hour electricity supply. The GTP 2.0 will see 33 rural schools in Sarawak connected to the main grid, benefitting some 9,417 school children and 856 school employees. It will also reduce the cost of diesel used for power generators from RM25 million a year to RM4.5 million.

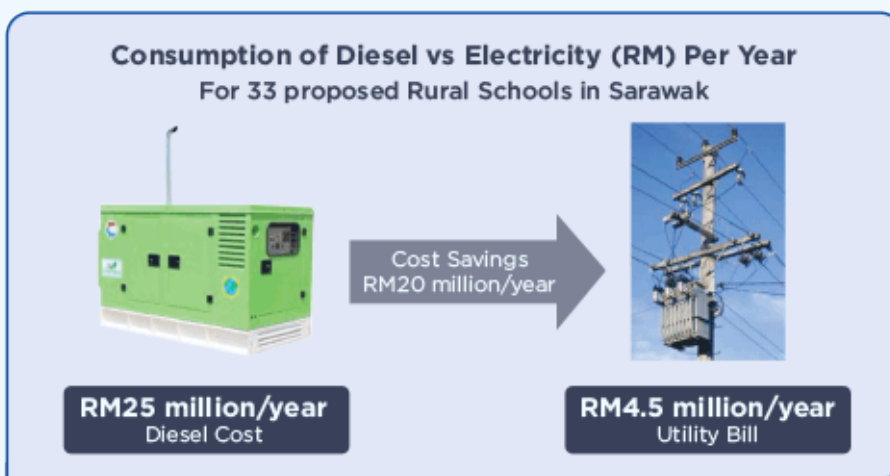


Figure 12: Electrification of rural schools

The GTP 2.0 will see the delivery of 24-hour electricity supply to a total 54,012 households (hh).

The breakdown is as follows:

- Connection to existing grid – 46,608 hh
- Solar hybrid systems – 1,107 hh
- Micro hydro systems – 125 hh

The Ministry will construct gridlines and alternative power stations in rural villages across the country, and projects will be handed over to TNB, SESB and SESCO by the end of 2015.

More than 47,840 new houses will have 24-hour access to electricity by the end of the GTP 2.0.

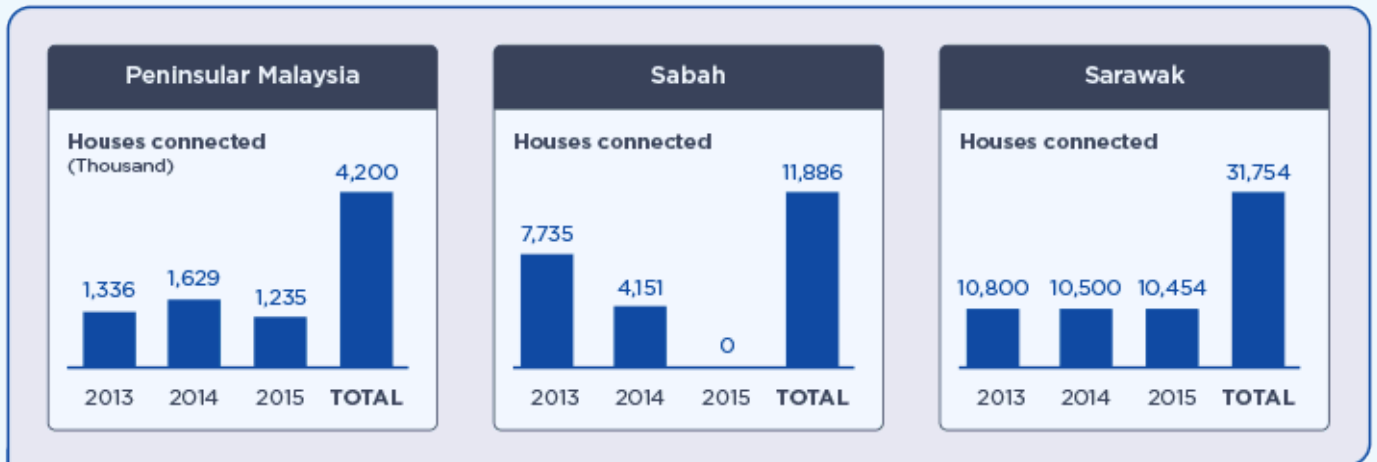


Figure 13: With the proposed delivery plan, there will be more than 47,840 houses connected to 24-hour electricity





Initiative: Maintenance of infrastructure

A key part of developing rural areas is to ensure that existing infrastructure do not deteriorate to the point of obsolescence. Towards this end, a new initiative has been introduced in the GTP 2.0 to monitor and maintain roads and power generators in rural areas.

Presently in Malaysia, the maintenance of roads is handled by the respective state governments and the Department of Public Works (Jabatan Kerja Raya or JKR). Both these bodies receive funds from the Treasury to maintain roads under their jurisdiction, which has been registered under the Malaysia Road

Record Information System (MARRIS). Roads registered with MARRIS will receive a maintenance fund of RM1,900 per month per km for state roads and RM2,300 per month per km for federal roads.

connecting the rural areas that are not registered with MARRIS, and thus do not receive funding for their upkeep. To ensure the proper upkeep of these roads KKLW will adopt these roads and maintain them in the GTP 2.0.

However there are 2,400km of roads



Solar-hybrid systems will also require maintenance in the coming years. The diesel generators need to be serviced every 10,000 hours or 6 months with regular, oil and filter change and wear and tear replacements. The battery storage for the solar panels will also need to be replaced every five years. Solar modules and panels, meanwhile, need to be cleaned every three months to provide optimum charge rate to batteries.

2 21st Century Village Programme

A crucial element of rural development is to ensure that a sustainable and vibrant economy is put in place. Infrastructure alone cannot provide wealth or income, and with the lack of real opportunities, rural youth are encouraged to move away from the kampung and to the city to find their livelihoods.

The ultimate goal for the 21CV programme is to encourage youths to remain in kampungs, and to work and start businesses there. The overall target of the programme is to create 132 21CVs. Economic activities in those villages will

cover a number of economic subsectors including agriculture, tourism, plantations and cottage industries. An estimated 37,800 households or 189,000 persons are expected to benefit from this programme.

The selection of 21CVs will be based on villages that have available land, villages with successful cooperatives operating businesses or villages that have potential or unique resources that can be developed into a sustainable rural business.

The 21CVs will be developed using the following four initiatives:

- State-driven modern integrated farms
- Private sector-driven fruit and vegetable farms
- Enhancement of village cooperatives
- Driving youth entrepreneurs

A summary of the 21CV programme's initiatives and the number of people it will reach out to is detailed Figure 14 on the following page.





Initiatives		Target (2015)	People benefiting
	Modern integrated farm with housing	39	58,000
	Large-scale fruit and vegetable farm	15	15,000
	Tourism, plantation and cottage industry villages	39	58,000
	KKLW Rural business challenge	39	58,000
TOTAL		132	189,000

Figure 14: Table detailing 21CV initiatives and target audience

Initiative: State-driven modern integrated farms

State governments and their appointed agencies will develop modern integrated fertigation farms under this initiative. Each development will have a housing and farm component which will employ approximately 100 villagers. Around 39 farms will be developed using this

approach.

This initiative is funded by the Federal Government, and managed by the State Governments and their appointed agencies. This initiative seeks to develop sustainable economic activities while

providing gainful employment and housing for the poor in rural areas. It will also ensure stable monthly remuneration for participants of this programme.

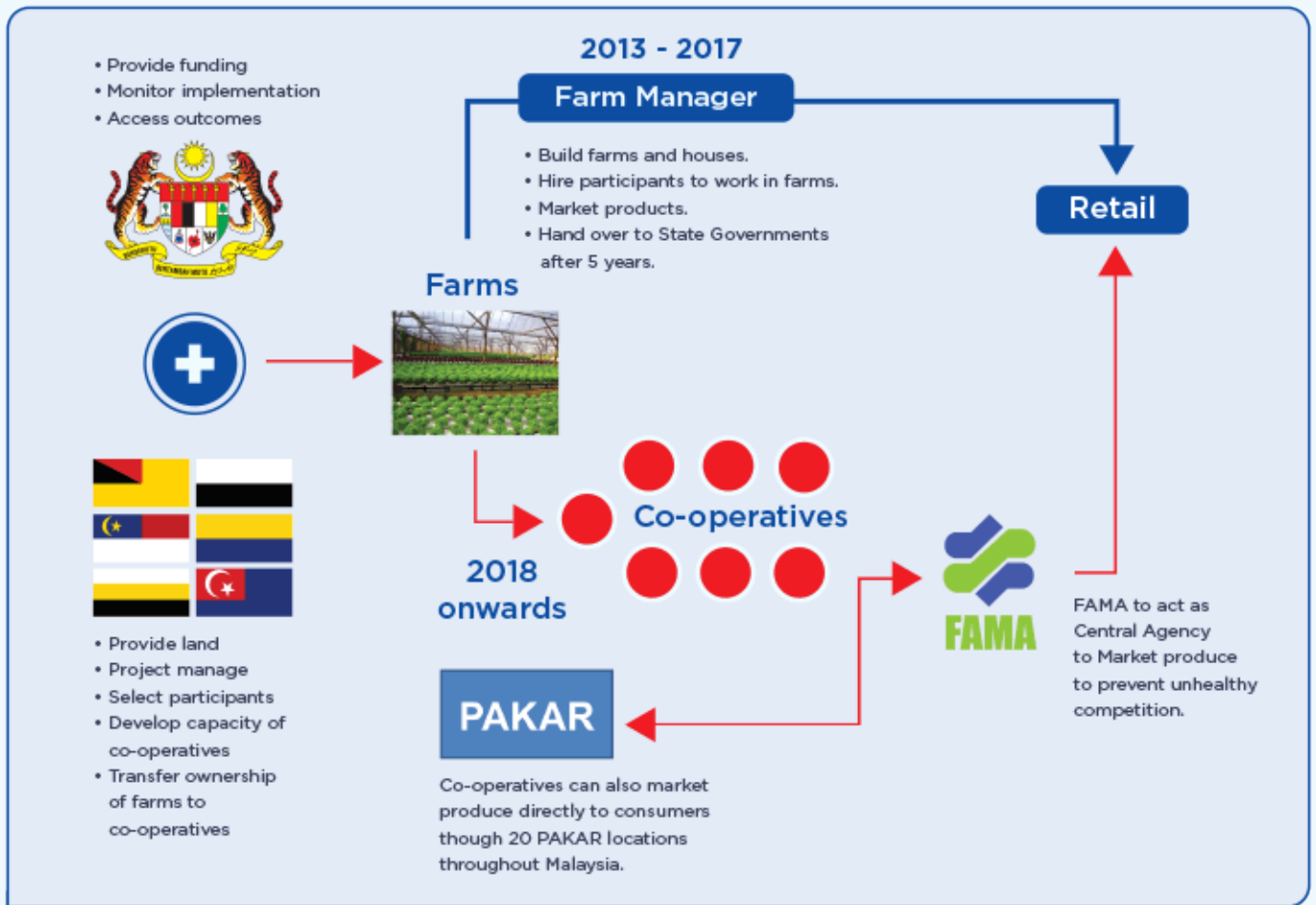


Figure 15: State Driven Modern Fertigation Farms

The Federal Government will provide the funding for six pilot sites in 2012 and will engage a farm manager to manage and implement this program for the first five years. After that time, the farm manager will hand over the management of the farms to the State Government or its appointed agencies and the Farm Cooperative.

The Farm manager will be expected to complete the integrated housing and farming infrastructure within six months of starting work. During the construction phase, the State Governments and their appointed agencies will identify 100 participants (per site) to stay in the homes and work on these integrated farms.

Eight State Governments and their appointed agencies have identified appropriate sites for this programme. Development will commence in 2012 and be complete by 2013. This initiative aims to complete 39 farms by 2015 and also targets to harvest and market the produce annually.

Initiative: Private sector-driven fruit and vegetable farms

These farms will be developed on state or federal land in rural areas, and will be linked to anchor companies listed under *EPP 7: Premium Fresh Fruit and Vegetables* contained within the ETP's Agriculture NKEA. Around 15 villages will be developed using this approach.

Large-scale fruit and vegetable farms will be jointly developed by the KKLW and the private sector anchor companies listed in EPP 7 of the Agriculture NKEA. While KKLW will provide the land and infrastructure costs for the growing fruits and

vegetables, the anchor company will develop and operate the farms as well as market the produce.

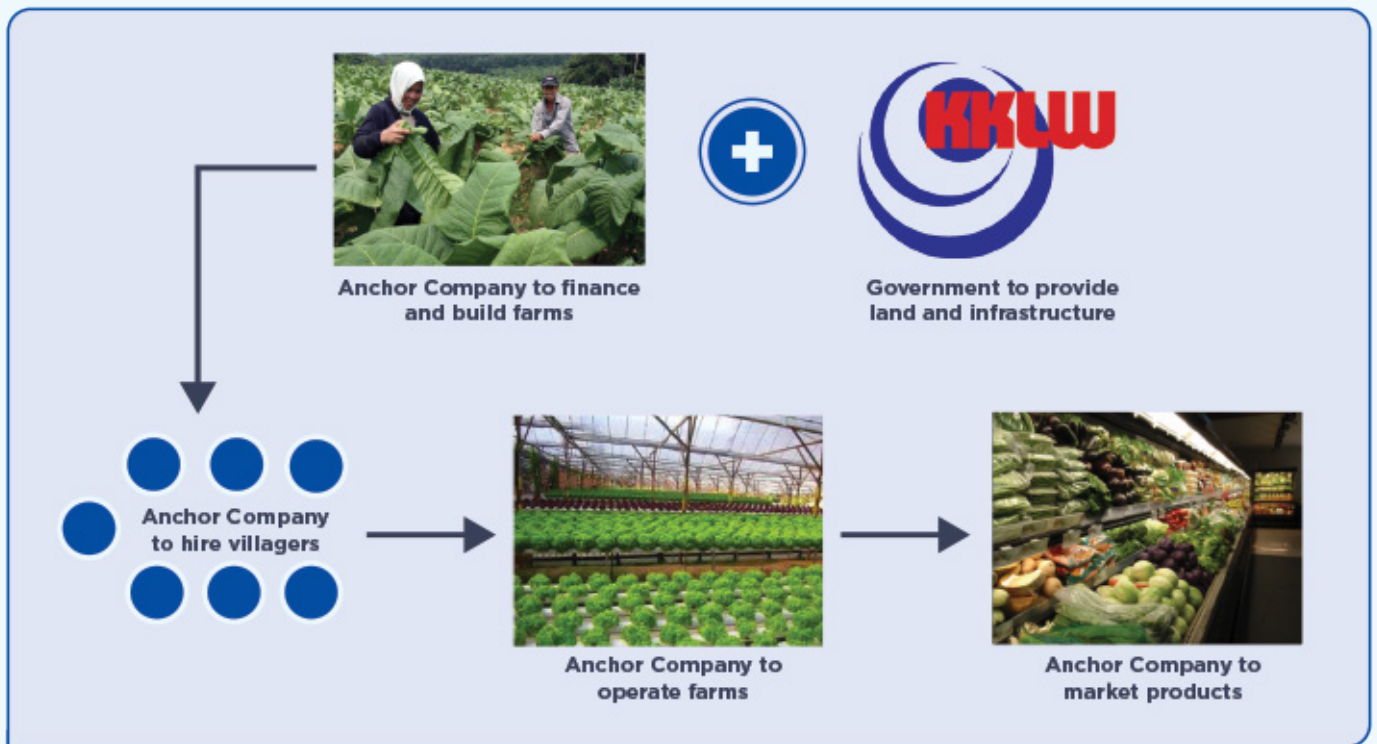


Figure 16: Private Sector Driven Large Scale Fresh Fruits or Vegetable Farms

KKLW will identify a large-scale fruit planter cum exporter to develop large-scale fruit farms. Fifteen farms are expected to be completed by 2015 under the GTP 2.0.

Initiative: Enhancement of village co-operatives

Existing co-operatives within rural communities will be further developed and see the enhancement of their existing economic activities. Four pilot villages will be developed and a further four identified in 2012.

Under this initiative, the Government aims to expand the operations of industries and factories that currently exist in rural areas. Some villages and kampungs currently possess core competencies in agriculture, fisheries, eco-tourism or in cottage industry. Many of these are still small-scale

businesses with potential to grow and expand. This initiative leverages the core competencies and existing business ventures and looks to further develop them.

KKLW through the Economic Empowerment Division will provide the funding for the implementation of this initiative and will work with implementing agencies such as Jabatan Kemajuan Masyarakat (KEMAS), and South East Johor Development Authority (KEJORA).

Once funding is approved, the implementing agency will have to manage the purchase and construction of assets, set up a maintenance fund for the co-operative, and monitor the implementation of the projects. The villages selected for this programme will need to have an existing and functional village co-operative that is active and which has a track record of implementing projects successfully.



Figure 17: Business model for cooperative drive tourism, plantations and industry support villages

The villages will be identified by KKLW with the help of State Governments and their respective Development Authorities. 39 villages around Malaysia are set to benefit from this initiative within 2013-2015, and a total of 12,000 villagers will benefit from these sustainable economic activities in these initial four sites. This initiative is targeting the successful completion of 39 villages by the end of the GTP 2.0.

Initiative: Driving youth entrepreneurs

Malaysian youth will be encouraged to develop modern agriculture businesses in rural areas via an annual business model plan competition facilitated by University Kuala Lumpur. Winners of the competition will receive financial assistance, and unutilised land. Around 39 villages will be developed using this approach.

KKLW to fund and organise a business plan competition for all Malaysian

youths. Competition will be advertised in major Malaysian print, broadcast and online media. University Kuala Lumpur (UniKL), an education institution within KKLW, will manage this competition.

The goal of the competition is to motivate Malaysian youth to focus on developing agricultural solutions for rural areas. The successful agribusinesses will facilitate creation of employment opportunities and

increased incomes for farmers and villagers in the rural areas.

Ideas will be evaluated for their potential to become a viable venture and to make a meaningful contribution to the rural community. Each winner will receive financial assistance and choice of unutilised land located near rural communities in Malaysia.

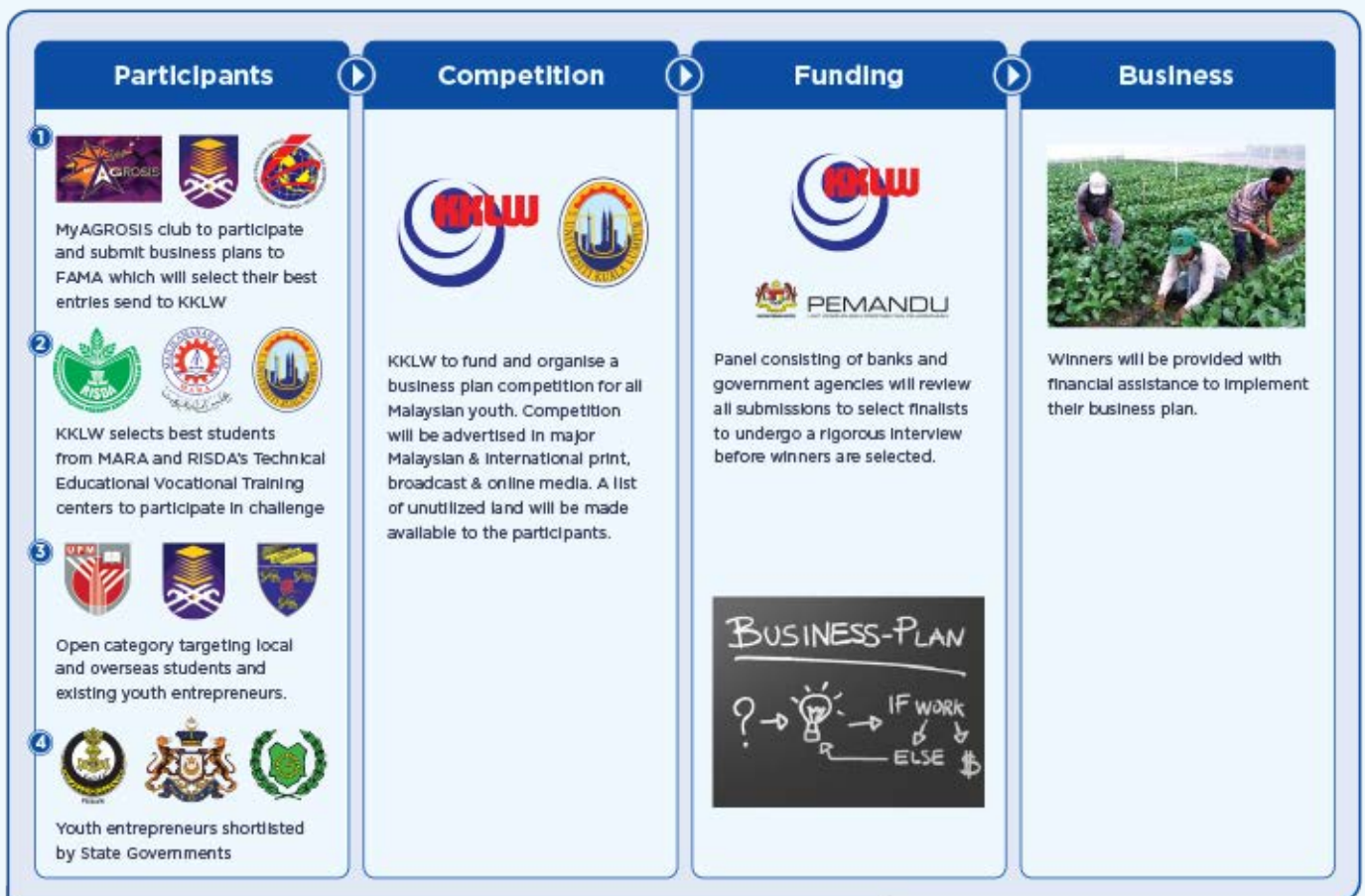


Figure 18: Youth Entrepreneur Driven Rural Based Modern Agriculture Businesses

This initiative aims to implement 39 rural-based agriculture businesses by 2015. It is also targeting 200 business plan submissions for every annual competition.



Summary of Initiatives

Rural Basic



Infrastructure

- Road improvement: raise percentage of East Malaysians living within 5km of a paved roads to 95% from 87% and 86% in Sabah and Sarawak respectively
- Access to clean or treated water: increase access for East Malaysians such that 95% of Malaysians in Sabah and Sarawak have access to clean water from 79% and 90% respectively
- Enhance water treatment facilities to cater for increased clean water demand
- Access to 24-hour electricity: Raise percentage of Sabah and Sarawak residents with access to 24-hour electricity to 95% from 88.7% and 82% presently
- Infrastructure maintenance: Adopt roads to ensure they do not fall into disrepair and provide funding to upkeep roads and power generating facilities in rural areas

21st Century Village



Programme

- Develop state-driven modern integrated fertigation farms with housing
- Develop private-sector driven fruit and vegetable farms
- Enhance existing economic activities of village co-operatives
- Drive youth entrepreneurs through a business plan competition that focuses on developing industries in rural areas