

Social Progress Through Land Development: Lessons from Malaysia's FELDA

1. Poverty eradication programmes in Malaysia started before Independence. The idea was mooted during the period of self-government preceding Independence. At that time, Malaysia was predominantly an agricultural country. The agriculture sector is still significant in the economy of the country, but has also accounted for most of its poverty, mainly in the rural areas.
2. In response to this, a Government Working Party was set up in 1955 which recommended the establishment of a Federal Land Development Authority (FELDA) to resettle the often landless rural poor in newly developed areas, and to encourage them to grow cash crops. In 1956, FELDA was established with the initial capital of RM10 million from the Government. The creation of FELDA was a milestone in the history of land development and settlement in Malaysia.
3. FELDA has since resettled 112,635 families in 317 schemes involving approximately 450,000 hectares of land, mainly planted with oil palm or rubber. In 1990, the Federal Government made the decision to stop further settlement in FELDA schemes. FELDA was also no longer getting financial assistance from the Government. FELDA has diversified from its original business of land development to other economic ventures and has launched private corporate entities. FELDA formed FELDA Global Ventures Holdings (FGVH) as a group company with subsidiaries involved in upstream and downstream activities such as plantations (360,000 hectares), processing oil palm/rubber mills, palm oil refineries, sugar cane refineries, and even rapeseed refineries (in Canada), transportation, bulking installations, marketing, oleo chemicals (one joint venture with Procter Gamble and one more in Boston) and R&D in agriculture. In June 2012, FGVH was listed on the Malaysian Stock Exchange as a public listed company. Its IPO was the second biggest IPO in the world after Facebook.
4. FELDA was funded by the Federal Government through loans and grants. FELDA has also received loans from the World Bank, Asian Development Bank, Saudi Fund, Kuwait Fund and Japanese Overseas Development Fund. All the loans were settled ahead of schedule. The costs of infrastructure, such as construction of access roads to schemes, water supply, public amenities, schools, clinics, etc., were borne by the government as grants. The cost of developing the farms, housing and subsistence allowances to individual settler were treated as loans, collected by deductions from settlers' monthly incomes over 15 years.
5. Each FELDA settler was given 4.0 hectares of land planted with oil palm or rubber as the main crop, one wooden house unit with 2 bedrooms, a 0.1 hectare house lot to plant vegetables, etc. FELDA also has fulltime management of schemes to supervise projects including social development activities. FELDA has also created the nuclei of local councils (Community Development Committees) in the form of meetings and social activities of farmers' representatives.