

# THE FEASIBILITY STUDY ON THE INTRODUCTION OF LAND READJUSTMENT IN MALAYSIA

FINAL REPORT  
MAIN TEXT

MAY 1995

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ALMEC CORPORATION  
JAPAN ASSOCIATION OF LAND READJUSTMENT

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(Average during 1993-1994)





## PREFACE

In response to a request from the Government of Malaysia, the Government of Japan decided to conduct "The Feasibility Study on the Introduction of Land Readjustment in Malaysia" and entrusted the study to the Japan International Cooperation Agency (JICA).

JICA sent to Malaysia a study team headed by Mr. Shizuo IWATA, Managing Director of ALMEC Corporation and composed of members from ALMEC Corporation and Japan Association of Land Readjustment, between October 1993 and March 1995.

The study team held discussions with the officials concerned of the Government of Malaysia and conducted field surveys at the study area. After the study team returned to Japan, the present report was prepared.

I hope that this report will contribute to the promotion of the project and programs and to the enhancement of friendly relations between our two countries.

I wish to express my sincere appreciation to the officials concerned of the Government of Malaysia for their close cooperation extended to the study team.

May 1995



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Kimio FUJITA

President

Japan International Cooperation Agency



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## TABLE OF CONTENTS

	Page
<b>1. INTRODUCTION</b>	
1.1 Study Background and Objectives	1-1
1.2 Study Framework and Report Composition	1-2
1.3 Study Implementation	1-4
 <b>2. URBAN AREA DEVELOPMENT SYSTEM IN MALAYSIA</b>	
2.1 Urban/Infrastructure Development Administration	2-1
2.2 Urban Planning System	2-8
2.3 Existing Land Development Methods	2-13
2.4 Constraints of Existing Urban and Infrastructure Development System	2-14
 <b>3. FORMULATION OF MALAYSIAN LAND READJUSTMENT SYSTEM</b>	
3.1 Land Readjustment Concept and Experience of Other Countries	3-1
3.1.1 Basic Concept of Land Readjustment	3-1
3.1.2 Land Readjustment System and Practice in Japan	3-7
3.1.3 Land Readjustment Systems and Practises in Other Countries	3-11
3.2 Conceptualization of Land Readjustment in Malaysia	3-15
3.2.1 Needs of Land Readjustment for Urban Development in Malaysia	3-15
3.2.2 Legal Aspects of Land Readjustment	3-19
3.2.3 Land Readjustment and Statutory Planning Framework	3-21
3.2.4 Administrative Aspects of Land Readjustment	3-22
3.2.5 Social Aspects of Land Readjustment	3-27
3.3 Proposed Malaysian Land Readjustment System	3-32
3.3.1 Overall Framework	3-32
3.3.2 Preparatory Stage	3-34
3.3.3 Implementation Stage (Initial)	3-36
3.3.4 Implementation Stage (Middle)	3-36
3.3.5 Implementation Stage (Final)	3-36
3.4 Key Technical Aspects	3-37
3.4.1 Physical Planning in Land Readjustment	3-37
3.4.2 LR Project Implementation Planning	3-39
3.4.3 Replot Planning	3-43
 <b>4. APPLICATION OF LAND READJUSTMENT IN THE CASE STUDY AREAS</b>	
4.1 Kg. Seri Subang Study Area	4-1
4.1.1 Planning Framework	4-1
4.1.2 Formulation of Concept Plan	4-2
4.1.3 Formulation of Master Plan	4-8
4.1.4 Formulation of LR Engineering Plan	4-22
4.1.5 Formulation of Project Implementation Plan	4-38
4.1.6 Formulation of Replotting Design Plan	4-46
4.2 Kg. Kuantan, Ulu Selangor Study Area	4-60
4.2.1 Planning Framework	4-60
4.2.2 Formulation of the Concept Plan	4-62
4.2.3 Formulation of Msster Plan	4-66
4.2.4 Formulation of Layout Plan for the Project Area	4-76

4.2.5	Formulation of Project Implementation Plan	4-86
4.2.6	Formulation of Replotting Design Plan	4-94
4.3	Assessment of the Case Study Projects	4-99
4.3.1	Economic Aspect	4-99
4.3.2	Financial Aspect	4-101
4.3.3	Social Aspect	4-103
4.3.4	Environmental Aspect	4-107

## 5. INTRODUCTION OF THE MALAYSIAN LAND READJUSTMENT SYSTEM

5.1	Overall LR Policy Direction	5-1
5.2	Introduction Plan of Malaysian LR System	5-2
5.3	Further Considerations to be Incorporated into the Malaysian LR System	5-3
5.4	Conclusion and Recommendations	5-4

## APPENDICES



## LIST OF TABLES

	Page
1.1 Composition of the Study Team and Relevant Organizations .....	1-4
2.1 Type of Plans by Levels of Government Administration .....	2-9
3.1 Land Readjustment Projects in Japan (1919-1993) .....	3-9
3.2 Comparison of Land Readjustment Projects Among the Large Cities in Japan .....	3-9
3.3 Process of Local Plan Formulation .....	3-38
3.4 Proposed Contents of LR Project Implementation Plan .....	3-42
4.1 Planning Framework for Kg. Seri Subang Study Area .....	4-1
4.2 Planning Framework for the Concept Plan Area .....	4-8
4.3 Demographic Framework by Development Area Category .....	4-16
4.4 Land Use Plan of the Master Plan Area .....	4-17
4.5 Public Facilities Provided in the Project Area .....	4-19
4.6 Classification of the Lands .....	4-24
4.7 Lease Period of Alienated Land .....	4-25
4.8 Remaining Lease Period of Alienated Land .....	4-25
4.9 Existing Buildings .....	4-28
4.10 Land Use Plan in the Project Area .....	4-29
4.11 Estimation of Construction Cost .....	4-37
4.12 Assumed Cost Sharing in Providing Related Public Facilities .....	4-39
4.13 Land Use Transformation .....	4-41
4.14 Estimate of Land Value .....	4-42
4.15 Estimate of Land (Replot) Value and Site Utility Increase Ratio .....	4-42
4.16 Planned Financial Lands and Estimated Values .....	4-43
4.17 Estimate of Maximum Contribution for Financial Land .....	4-44
4.18 Project Cost Estimates .....	4-45
4.19 Revenue Estimates .....	4-46
4.20 Cost Disbursement and Revenue Generating Schedule .....	4-47
4.21 Contribution Rate Calculation .....	4-47
4.22 Factors Which Affect Street Values and Coefficient Values .....	4-50
4.23 Adjustment Factors and Coefficient Values for Valuation of Individual Lots .....	4-51
4.24 Distribution of Lot Value Index Before the Project .....	4-52
4.24 Block Values by Land Use Type .....	4-52
4.25 Contribution Ratio by Land Use Transformation After the Project .....	4-57
4.26 Components of the Case Study in Kg. Kuantan Area .....	4-60
4.27 Area Allocation in Land Use Plan .....	4-73
4.28 Classification of Lands .....	4-77
4.29 Existing Buildings .....	4-77
4.30 Land Use Plan .....	4-79
4.31 Other Public Facilities .....	4-81
4.32 Estimated Construction Costs .....	4-87
4.33 Land Use Transformation .....	4-88
4.34 Estimate of Land Values .....	4-90
4.35 Estimate of Land (Replot) Value and Site Utility Increase Ratio .....	4-90
4.36 Planned Financial Lands and Estimated Value .....	4-90
4.37 Estimate of Maximum Contribution for Financial Land .....	4-90
4.38 Estimated Project Cost .....	4-91
4.39 Estimated Project Revenue .....	4-92
4.40 Cost Disbursement and Revenue Generating Schedule .....	4-93
4.41 Contribution Rate Calculation .....	4-93
4.42 Adjustment Factors in Street Value Method .....	4-94

4.43	Factors and Coefficient Values for Land Valuation in Kg. Kuantan Project Area	4-95
4.44	Land Valuation Results Before and After the Project	4-96
4.45	Contribution Rates	4-97
4.46	Type of Benefits and Beneficiaries	4-99
4.47	Economic Impact of LR Project	4-101
4.48	Comparison of Estimated Cost to Government Between Acquisition Method and LR Method	4-103
4.49	Understanding LR Concept	4-106
4.50	Factors to be Considered for Replot	4-106
4.51	Participation in the Proposed Project	4-106
4.52	Estimated Erosion for Project Site under the Worst Case Scenario	4-109
4.53	Water Quality Analysis of Stream Samples	4-109
4.54	Air Quality Results	4-111
4.55	Average Noise Level at the Sampling Sites	4-111
4.56	Trip Generation Rates by Land Use Type	4-113
4.57	Estimated Erosion for Project Site under the Worst Case Scenario	4-117
4.58	Water Quality Analysis of Stream Samples	4-117
5.1	Introduction of LR in Malaysia	5-1

## LIST OF FIGURES

	Page
1.1 Overall Study Framework	1-3
1.2 Overall Study Organization	1-4
2.1 State Development Planning Process	2-6
3.1 Mechanism of Land Readjustment	3-2
3.2 Example of LR Project Carried Out in Japan	3-2
3.3 Conceptual Framework of Land Readjustment	3-3
3.4 Financing Structure of LR Projects in Japan	3-10
3.5 Possible Areas of LR Application	3-18
3.6 Existing and the Proposed Statutory Procedure for Developing Action Areas	3-23
3.7 Administrative Proposals for Land Readjustment	3-25
3.8 Proposed Malaysian LR Framework under New LR Law	3-35
3.9 Overall Framework of LR Project Implementation Planning	3-40
3.10 Overall Process of Replotting Planning	3-44
3.11 Land Valuation Framework	3-47
4.1 Location of the Concept Plan Area	4-2
4.2 Draft Structure Plan for Petaling District	4-4
4.3 Building Height Restrictions	4-6
4.4 Proposed Regional Development Structure	4-7
4.5 Development Structure of Concept Plan Area	4-7
4.6 Physical Conditions of the Master Plan Area	4-9
4.7 Evaluation of Living Environment (Kg. Seri Subang Area)	4-13
4.8 Land Use Structure in the Master Plan Area	4-15
4.9 Standard Block Design for Housing, Industry and Shop House	4-18
4.10 Layout Plan for Kg. Seri Subang	4-20
4.11 Layout Plan for Open Space and Commercial/Community Facilities	4-21
4.12 Existing Land Use in Kg. Seri Subang Project Area	4-23
4.13 Distribution of State Land and Reserve Land	4-26
4.14 Designated Use of Alienated Land	4-26

4.15	Lease Period of Alienated Land	4-26
4.16	Remaining Lease Period	4-26
4.17	Land Titles with Encumbrances	4-26
4.18	Land Surrender and Alienation was Practised	4-26
4.19	Lands Once Covered by Compulsory Acquisition	4-27
4.20	Distribution of Illegally Erected Factories/Workshops	4-27
4.21	Types of Proposed Roads	4-30
4.22	Road System Plan	4-31
4.23	River Improvement (Typical Cross Section)	4-34
4.24	Cross Section of Retention Pond	4-34
4.25	Flood Protection System Plan in Subang Area	4-34
4.26	Water Supply System Plan in Subang Area	4-34
4.27	Sewerage System Plan in Subang Area	4-34
4.28	Concept of Proposed Electricity Supply System	4-34
4.29	Land Development Plan	4-36
4.30	Land Use Transformation through LR Project	4-40
4.31	Street Value Indexes Before the Project	4-49
4.32	Street Value Indexes After the Project	4-49
4.33	Comparison Between Assessed Value by Valuation Department and Calculated Street Value	4-51
4.34	Individual Lot Valuation Before the Project	4-53
4.35	Block Valuation After the Project	4-53
4.36	LR Replotting Design in Subang Project Area	4-56
4.37	Location of Replots and Original Lots	4-58
4.38	Location of the Concept Plan Area	4-61
4.39	Historical Change of Sg. Batang Kali	4-62
4.40	Proposed Regional Development Structure	4-65
4.41	Development Structure of Concept Plan Area	4-65
4.42	Physical Conditions of Kg. Kuantan	4-67
4.43	Assessment by Residents of Infrastructure and Living Conditions	4-71
4.44	Land Use Plan	4-73
4.45	Location and Catchment Area of Retention Pond	4-75
4.46	Selected Project Implementation Area	4-75
4.47	Existing Land Use	4-76
4.48	Land Classification by Lot	4-78
4.49	Distribution of Buildings by Type	4-78
4.50	Land Use Plan for Kg. Kuantan Case Study Area	4-80
4.51	Road Network Plan in Kuantan Area	4-82
4.52	Retention Pond Sectional Design	4-84
4.53	River Drainage System Plan	4-84
4.54	Present Water Supply System in the Region	4-84
4.55	Water Supply System Plan	4-85
4.56	Sewerage System Plan	4-85
4.57	Land Development Plan	4-85
4.58	Diagram of Land Use Transformation	4-88
4.59	Street Value Index Before the Project	4-95
4.60	Street Value Index After the Project	4-95
4.61	Individual Lot Valuation Before the Project	4-96
4.62	Block Valuation After the Project	4-96
4.63	Change in Lot Shape through Replotting	4-98
4.64	Replotting Design in Kg. Kuantan Project Area	4-98
4.65	Identified High Risk Erosion Areas	4-109
4.66	Water Sampling Locations	4-109
4.67	Airport Noise Cones	4-111
4.68	Steps in Traffic Demand Forecasting	4-113

4.69	Future Traffic Demand on the Major Network and Major Intersection	4-113
4.70	Proposed Intersection Geometric Design	4-113
4.71	Identified High Risk Erosion Areas	4-117

## LIST OF APPENDICES

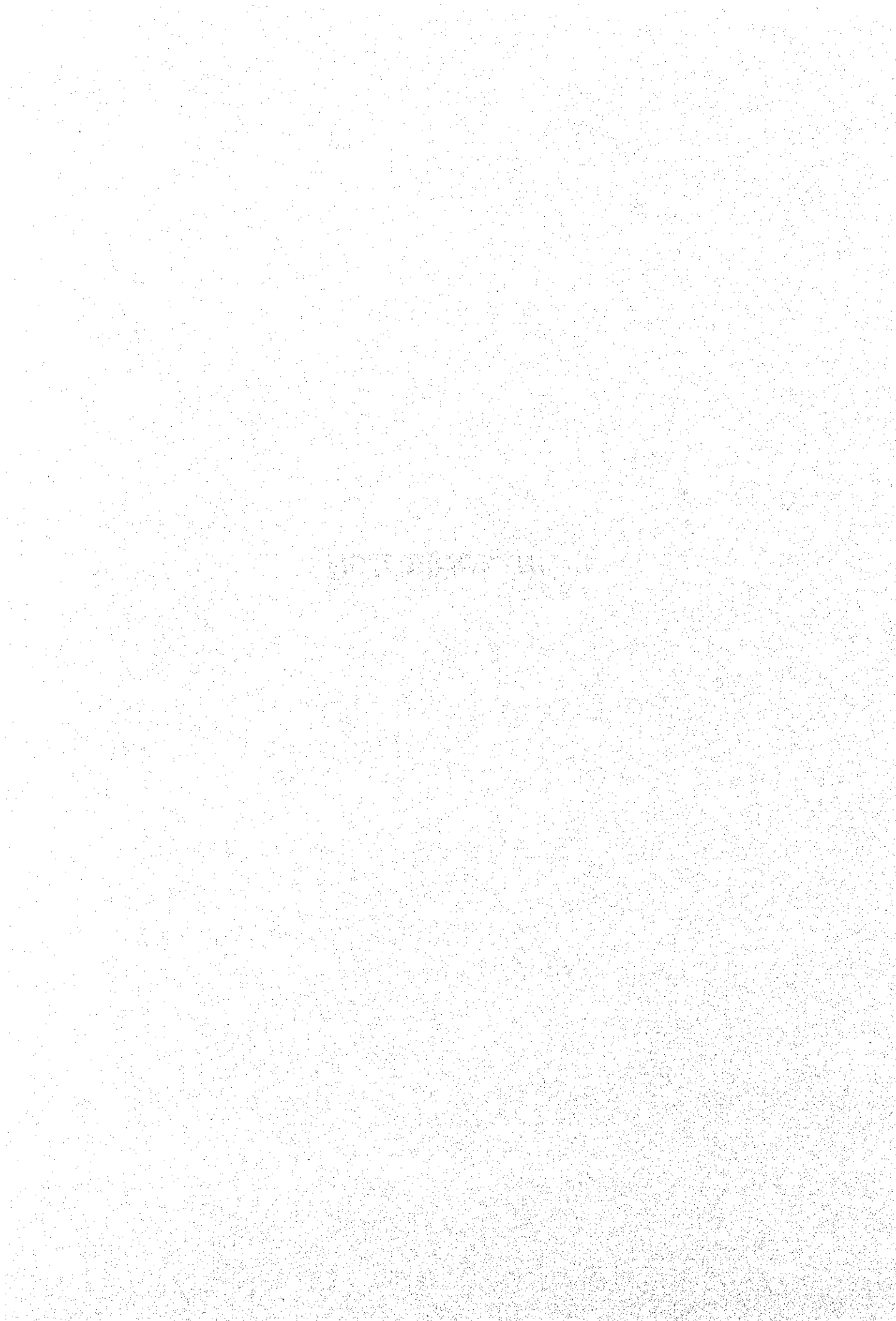
	Page
1.1 Summary of Workshops Conducted	A1-1
3.1 Outline of the Proposed Separate Law on Land Readjustment	A3-1
3.2 Short Term Legal Framework Based on the LAA 1960	A3-5
3.3 Legal Framework Based on the Surrender and Alienation Method of the National Land Code	A3-11
3.4 Proposed Legal Framework for Land Readjustment in West Malaysia under the Local Authority Implementation Type (involving amendments to the Town and Country Planning Act and the National Land Code)	A3-15
4.1 Definition of Class A Industry and Service Industry	A4-1
4.2 Estimated Compensation Cost (Kg. Seri Subang)	A4-2
4.3 Estimated Survey Cost (Kg. Seri Subang)	A4-3
4.4 Estimated Project Management Cost (Kg. Seri Subang)	A4-3
4.5 Estimated Conversion Premium (Kg. Seri Subang)	A4-4
4.6 Estimated Alienation Premium (Kg. Seri Subang)	A4-4
4.7 Assumed Cost Sharing (Kg. Seri Subang)	A4-5
4.8 Assumed Cost Disbursement and Revenue Plan (Kg. Seri Subang)	A4-6
4.9 Estimated Compensation Cost (Kg. Kuantan)	A4-6
4.10 Estimated Survey Cost (Kg. Kuantan)	A4-7
4.11 Estimated Project Management Cost (Kg. Kuantan)	A4-7
4.12 Estimated Conversion Premium (Kg. Kuantan)	A4-8
4.13 Estimated Alienation Premium (Kg. Kuantan)	A4-8
4.14 Assumed Cost Disbursement and Revenue Plan (Kg. Kuantan)	A4-8
4.15 Assumed Cost Sharing (Kg. Kuantan)	A4-9
5.1 Opinion Survey Questionnaire	A5-1

## LIST OF ACRONYMS/ABBREVIATIONS

DID	- Densely Inhabited District
DDC	- District Development Committee
DOE	- Department of Environment
EIA	- Environmental Impact Assessment
EPU	- Unit Perancang Ekonomi (Economic Planning Unit)
F.T.	- Final Title
FELDA	- Federal Land Development Authority
GDA	- Group Development Areas
IB	- Implementing Body
ITM	- Institut Teknologi Mara (Mara Institute of Technology)
JICA	- Japan International Cooperation Agency
JKKK	- Jabatan Kuasa Kemajuan dan Keselamatan Kampung
JKPTG	- Jabatan Ketua Pengarah Tanah dan Galian (Federal Land and Mines Department)
JKR	- Jabatan Kerja Raya (Public Works Department)
JPBD	- Jabatan Perancangan Bandar dan Desa (Town and Country Planning Department)
JPN	- Jabatan Peguam Negara (Attorney General's Department)
JPPH	- Jabatan Penilaian dan Perkhidmatan Harta (Valuation and Property Services Dept.)
JPS (DID)	- Jabatan Pengairan dan Saliran (Drainage and Irrigation Department)
JUP	- Jabatan Ukur dan Pemetaan (Survey and Mapping Department)
KEMAS	- Kemajuan Masyarakat (Community Development Division of Ministry of Rural Development)
KPLB	- Kementerian Pembangunan Luar Bandar (Ministry of Rural Development)
KS	- Kukaku Seiri
LA	- Local Authority
LAA	- Land Acquisition Act
LADA	- Langkawi Regional Development Authority
LPA	- Local Planning Authority
LR	- Land Readjustment
MARA	- Majlis Amanah Rakyat (The Council of Trust for the Indigenous People)
MDHS	- Majlis Daerah Hulu Selangor (Hulu Selangor District Council)
MDP	- Majlis Daerah Petaling (Petaling District Council)
MHLG	- Kementerian Perumahan dan Kerajaan Tempatan (Ministry of Housing and Local Government)
MIDF	- Malaysian Industrial Development Finance
MIEL	- Malaysian Industrial Estate Limited
MPSA	- Majlis Perbandaran Shah Alam (Shah Alam Municipality)
MRE	- Malay Reservations Enactment
NCLG	- National Council for Local Government
NDC	- National Development Council
NDWC	- National Development Working Committee
NFC	- National Finance Council
NLC	- National Land Council/National Land Code
PTD (HS)	- Pejabat Tanah dan Daerah Hulu Selangor (Hulu Selangor District and Land Office)
PTG	- Pejabat Tanah dan Galian Negeri Selangor (Selangor State Land and Mines)
Q.T.	- Qualified Title
RDA	- Regional Development Authority
SA	- State Authority
SDC	- State Development Council
SDWC	- State Development Working Committee
SEDC	- State Economic Development Corporation
SEPU	- State Economic Planning Unit
SEPC	- State Economic Planning Committee
SPC	- State Planning Committee
TCPA	- Town and Country Planning Act
T.O.L.	- Temporary Occupation License
UDA	- Perbadanan Pembangunan Bandar (Urban Development Authority)
UPP	- Unit Penyelarasan dan Pelaksanaan or ICU (Implementation and Coordination Unit)



## **1. INTRODUCTION**





## **CHAPTER 1 INTRODUCTION**

### **1.1 Study Background and Objectives**

#### **1) Study Background**

Rapid urbanization and population inflow have been taking place so significantly in many cities that existing urban areas have been deteriorating and expansion of urban areas has been done ineffectively. In Malaysia, especially, the urbanization associated with high economic growth demands the provision of higher levels of infrastructure and living environment which the Government has been actively implementing, directly and indirectly, through various urban projects covering new towns, housing and industrial estates, expressways and arterial roads, etc.

Hitherto, the normal technique for urban development has been for a developer, whether a public or private entity, to build on its own land following a planning standard or development guideline. However, this method has often proved difficult to follow because nowadays the task is to transform and reorganize previously developed areas with an anachronistic property subdivision and infrastructure. Faced with situations of this kind, many countries have tested possibilities of having landowners participate in the project and subsequent reorganization of the lands to comply with the consented development scheme, which is called "Land Readjustment". Since 1987, Jabatan Perancangan Bandar dan Desa (JPBD or Federal Department of Town and Country Planning) has been conducting a series of preliminary studies on land readjustment with the assistance of experts dispatched by Japan International Cooperation Agency (JICA).

In view of the fact that land readjustment has been very successfully and extensively applied in Japan, JPBD is keen to adopt a similar system for the implementation of urban programmes in Malaysia. In response to the request made by the Government of Malaysia, the Government of Japan agreed to conduct a comprehensive study on determining the feasibility of introducing land readjustment in Malaysia and commissioned JICA to conduct the study based on the Scope of Work signed by both parties on 25th February 1993. JICA organized a Study Team, composed of the consultants of ALMEC Corporation in joint venture with Japan Association of Land Readjustment, and started the study in October 1993.

#### **2) Study Objectives**

The study aimed to achieve the following main objectives:

- (a) To propose a Malaysian Land Readjustment System;
- (b) To conduct case studies covering the entire implementation process of land readjustment for two study areas, namely Kg. Seri Subang and Kg. Kuantan, Ulu Selangor;
- (c) To formulate a plan on how to introduce and implement the proposed Malaysian Land Readjustment System; and
- (d) To conduct adequate technology transfer schemes.

## **1.2 Study Framework and Report Composition**

### **1) Overall Study Framework**

The overall framework of the study consisted of the following major tasks which were implemented in three stages (refer to Figure 1.1):

- (a) Formulation of the Proposed Malaysian Land Readjustment (LR) System;
- (b) Conduct of Case Studies for Kampung Seri Subang and Kampung Kuantan, Ulu Selangor;
- (c) Conduct of Supplemental Surveys; and
- (d) Facilitation of Technology Transfer.

The study was implemented in three major interactive stages, as follows:

- Phase 1 : Formulation of Possible Alternative Malaysian LR Systems and Preparation of Conceptual Plans of the Case Study Areas: This phase of the study intended to formulate possible alternative LR systems based on review/assessment of LR systems practised in other countries and conduct of case studies. (Completed and summarised in Interim (I) Report).
- Phase 2 : Formulation of Malaysian LR System and Preparation of Master Plans and LR Project Implementation Plans: This phase was the core component of the study wherein all conditions and factors which determine the feasibility of formulating a Malaysian LR System were thoroughly assessed based on the preparation of Master Plans and LR Project Implementation Plans. (Completed and summarised in Progress Report and Interim (II) Report).
- Phase 3 : Formulation of the Introductory Program of the Proposed Malaysian LR System and Recommendations: This phase intended to formulate further a concrete and practical plan for implementation of the proposed system and the development of the project area through the proposed system. A possible development method of the area under the LR concept, based on existing institutional framework, was also sought.

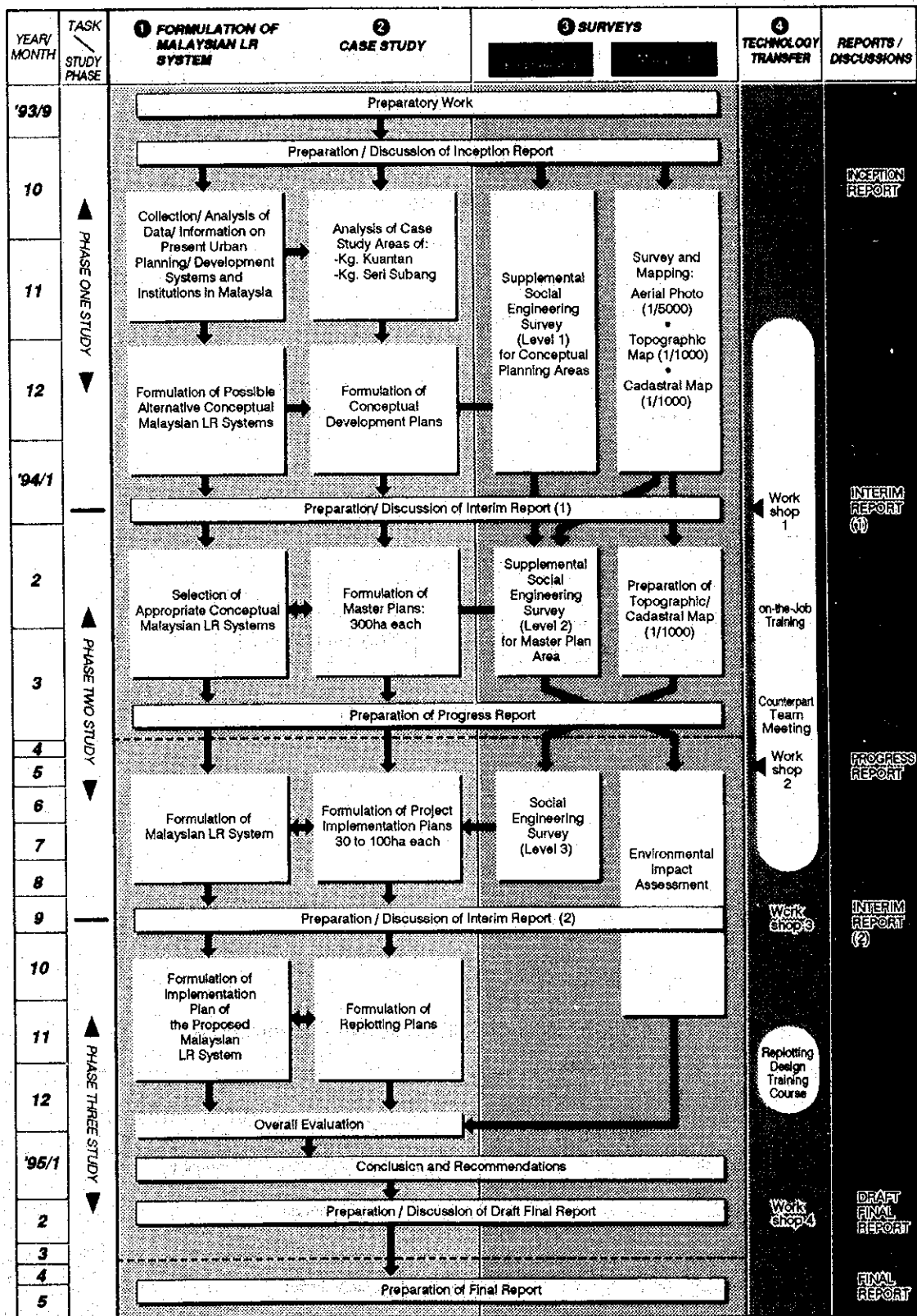
Throughout the study phases, transfer of technology was undertaken by way of on-the-job (OJT) training which focused on a number of key areas in accordance with the study progress and the holding of workshops at the time when major findings/outputs of the study were made.

### **2) Report Composition**

The results of the study are contained in the following reports;

- ☐ Summary
- ☐ Main Text
- ☐ Supplemental Text Volume 1 : Physical Planning and Project Implementation Planning
- ☐ Supplemental Text Volume 2 : Replotting Planning

Figure 1.1  
Overall Study Framework



## 1.3 Study Implementation

### 1) Study Organization

The study was jointly undertaken by the Study Team organized by JICA and the counterpart team organized by JPBD. A Steering Committee and a Technical Committee composed of the representatives of relevant government agencies were organized to provide adequate directions and make necessary decisions for the smooth and effective implementation of the study. An Advisory Committee provided JICA with necessary advice on the technical aspects of the study.

Figure 1.2  
Overall Study Organization

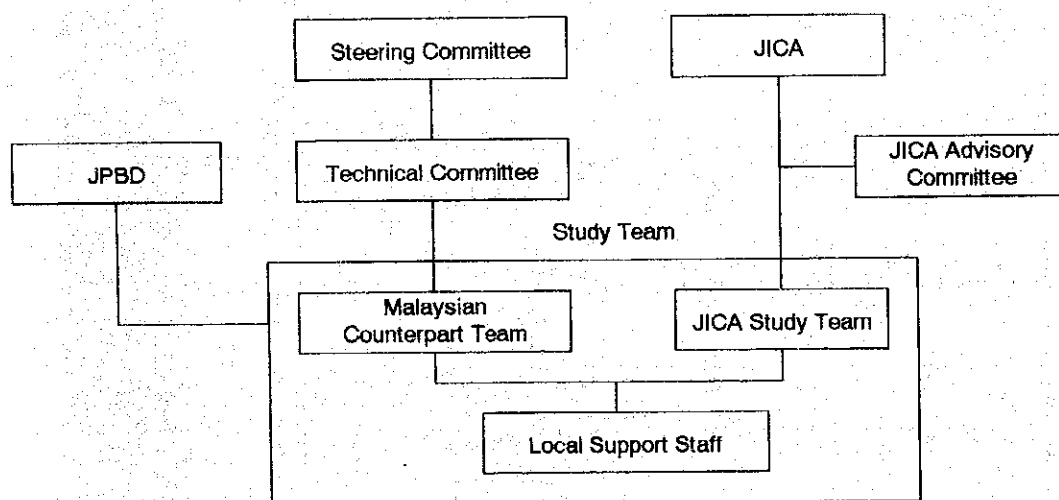


Table 1.1  
Composition of the Study Team and Relevant Organizations

<u>Steering Committee of Malaysian Government</u>	
Chairman:	Hon. Dato' Umar B. Hj. Abu
Members :	Hon. Dato' Zainuddin B. Muhammad
	Mr. Jun Katsumi
	Mr. Abbas Abd. Wahab
	Ms. Patricia Chia Yoon Moi
	Mr. Mohammad Izat Hasan
	Mr. Tan Swee Yeong
	Ms. Rozaini Abdullah
	Ms. Cheah Gaik Lian
	Ms. Sumirah Bt. Ahmad
	Mr. Isa B. Kassim
	Mr. Zainuddin Abd. Aziz
	Director General
	Mr. Teng Chee Boo
	Mr. Lim Ah Tong
	Secretary General, Ministry of Housing & Local Government
	Director-General, Town & Country Planning Department
	JICA Expert, Town & Country Planning Department, HQ
	Selangor Town & Country Planning Department
	Economic Planning Unit, Prime Minister's Department
	Selangor State Secretariat
	Local Government Department
	Drainage & Irrigation Department
	Federal Land & Mines Department
	Valuation Department
	Ministry of Rural Development
	Urban Development Authority
	Public Works Department
	Survey & Mapping Department
	Selangor State Economic Planning Unit
	Implementation & Coordination Unit, Prime Minister's Department

#### Technical Committee of Malaysian Government

Chairman: Hon. Dato' Zainuddin B. Muhammad  
 Members: Mr. Ho Khong Ming  
 Dr. Hajjah Halimatun Saadiah Bt. Hashim  
 Mr. Mohd. Yusof B. Mat Judin

Mr. Mohd. Yusoff B. Abu Bakar  
 Mr. Chia Chong Wing  
 Mr. Wan Abd. Shukor B. Wan Mohamad  
 Mr. Abbas Abd. Wahab  
 Tuan Hj. Ahmad Zairi b. Burak  
 Mr. Kamaruddin b. Ghaffar  
 Ms. Yip Siew Kuan  
 Ms. Cheah Gaik Lian

Director-General, Town & Country Planning Department, HQ  
 Town & Country Planning Department, HQ  
 Town & Country Planning Department, HQ  
 Deputy State Secretary, Selangor State  
 Selangor State Financial Office  
 Selangor State Economic Planning Unit  
 Principal Assistant Secretary, Local Gov't Division, Selangor State  
 Survey Department, Selangor State  
 Public Works Department, Selangor  
 Drainage & Irrigation Dept., Selangor  
 Valuation Department, Selangor  
 Selangor Town & Country Planning Department  
 Petaling District Officer  
 Hulu Selangor District Officer  
 Town & Country Planning Department, Central Region  
 Land & Mines Department, KL

#### Counterpart Team of Malaysian Government

Chairpersons: Mr. Husin B. Abd. Rahman/ Haji Mr. Isa Bin Jaafar/  
 Ms. Yip Siew Kuan

Members: Ms. Cheah Gaik Lian  
 Tuan Hj. Md. Yusuf B. Badul  
 Mr. Chia Wee Thong  
 Mr. Wan Abd Shukor B. Wan Mohamad  
 Ms. Shamsiah Bt. Ajmain  
 Mr. Abbas B. Wahab  
 Mr. Kamaruddin B. Ghaffar  
 Tuan Hj. Ahmad Zairi B. Burak  
 Tuan Haji Abdullah B. Mohd. Rejab  
 Ms. Sumirah Bt. Ahmad  
 Mr. Wan Mohd. Yusoff B. Abdullah  
 Mr. Ab. Rahman B. Abd. Latif  
 Mr. Ahmad Zamri B. Kamaruddin  
 Ms. Yip Siew Kuan  
 Mr. Ab. Hamid B. Abd. Majid  
 Tuan Hj. Mohamed Fauzi B. Zain  
 Mohd. Jaafar B. Mohd. Atan  
 Ms. Lilian Ho Yin Chan  
 Ms. Khairiah Bt. Talha  
 Mr. Ismail B. Ibrahim  
 Mr. Jun Katsumi  
 Ms. Norasiah Bee Mohd Haniff

Town & Country Planning Department,  
 Federal Land & Mines Department  
 Selangor Land & Mines Department  
 Survey & Mapping Department, KL  
 Valuation Department, Selangor  
 Valuation Department, Selangor  
 Selangor Town & Country Planning Department  
 Ulu Selangor District Office  
 Petaling District Office  
 Survey & Mapping Department, Selangor  
 Valuation Department, KL  
 Mara Institute of Technology  
 Mara Institute of Technology  
 Shah Alam Council  
 Town & Country Planning Department, Central Region  
 Town & Country Planning Department, Central Region  
 Bank Data Unit, Town & Country Planning Department, HQ  
 Training Unit, Town & Country Planning Department, HQ  
 Research Unit, Town & Country Planning Department, HQ  
 Research Unit, Town & Country Planning Department, HQ  
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## 2) Major Activities Undertaken

Following are the major activities undertaken during the study:

### (1) Supplemental Surveys

A number of important surveys have been conducted to supplement available information and data. They are as follows :

- (a) Mosaic Photos: For Kampung Seri Subang; about 1,000 ha. with 1:5,000 scale and for Kampung Kuantan, Ulu Selangor; about 5,000 ha. with 1:10,000 scale.
- (b) Topographic Map for Kampung Seri Subang and Kampung Kuantan, Ulu Selangor; 1:5,000 scale for approx. 1,000 ha., 1:2,500 scale for approx. 300 ha. and 1:1,000 scale for approx. 300 ha. for both areas.
- (c) Overlay of Topographic Map and Cadastral Map for Kampung Seri Subang and Kampung Kuantan, Ulu Selangor on 1:1,000 scale for approximately 300 ha. of the master plan area.
- (d) Supplemental Engineering/Socio-economic Surveys (Level 1, Level 2 and Level 3): The surveys included interview survey of households and various establishments on their socio-economic characteristics and assessment of existing conditions, land title survey, building survey and other engineering surveys on infrastructures, natural condition, flood, landuse, etc. The three levels of surveys provided necessary inputs to the concept plan, master plan and project implementation plan, respectively.
- (e) Sociological Survey: During the Phase 1 study period, Malay and Chinese villages selected for the survey were Kampung Jenderan Hilir and Seri Dengkil New Village from the District of Sepang and Kampung Pasir Baru and Tarun New Village from Hulu Langat district. The surveys were conducted in two stages. Sampled residents were interviewed on their socio-economic characteristics and perception on development in the first stage, and on their direct response on the concept of land readjustment in the second stage. During the Phase 2 study period, based on these pilot surveys, an opinion survey was undertaken to assess more specifically and directly the acceptability of land readjustment through direct dialogue with community leaders in the case study areas.
- (f) Legal Aspect Survey: This activity was intended to clarify overall administrative and legal frameworks with relevance to land readjustment. Based on the thorough review of existing laws related to land development and city planning, alternative legal frameworks for LR have been worked out.
- (g) Environmental Impact Assessment: This task intended to identify comprehensively the environmental impacts due to the LR project implementation. Prior to the commencement of the work, the DOE was

- (g) **Environmental Impact Assessment:** This task intended to identify comprehensively the environmental impacts due to the LR project implementation. Prior to the commencement of the work, the DOE was consulted to incorporate the Department's views.

(2) **Study Proper**

The conduct of the study proper involved the following major components:

- (a) **Collection and Analysis of Data and Information on Present Urban Planning/Development Systems and Institutions in Malaysia:** Necessary basic information were collected and analyzed.
- (b) **Analysis of Case Study Areas:** On the basis of various available information and those collected from the supplemental surveys, existing conditions of the case study areas were analyzed in detail to assess requirements of infrastructures/services as well as development potentials, and to determine planning conditions.
- (c) **Formulation of Malaysian LR System :** Various aspects and factors which relate to the formulation of the Malaysian LR system were identified and analyzed and discussions were held on the necessity of LR, constraints of existing urban development methods, and concept of Malaysian LR. Then, possible alternative Malaysian LR systems were formulated and discussed on which basis further study were done to propose Malaysian LR system.
- (d) **Formulation of Concept Plan and Master Plan:** Concept plans intended to determine the planning direction and framework of the case study areas at the regional level were prepared in compliance with the structure plan or overall development direction of the government. Master plans which cover approximately 300 ha for each case study area were then prepared based on 1 : 2,500 scale topo-map, including demographic framework, overall layout plan, landuse plan, infrastructure development plan, development cost estimates, and scoping of environmental impact assessment.
- (e) **Formulation of Project Implementation Plan:** In the master plan, specific areas have been selected for LR project implementation, including 319 ha for Kg. Seri Subang and 45 ha for Kg. Kuantan, Ulu Selangor. More detailed planning work was done based on 1 : 1,000 scale topo-map and construction cost estimates were refined. Based on the plan, various implementation aspects such as transformation of land use, determination of contribution rates, and financial land plan were analyzed to formulate the project implementation plan. The results are explained in this report.
- (f) **Formulation of Malaysian LR System Introduction Plan:** This task sought to formulate a more concrete plan on how to introduce the proposed Malaysian LR System.

(3) Technology Transfer

(a) Regular Meetings with the Counterpart Team: A total of 30 counterpart team meetings were held between the JICA Study Team and Counterpart Team where key issues related to land readjustment were discussed. The main topics discussed were as follows :

- discussion of Inception Report, Interim (I) Report, Progress Report, Interim (II) Report, and Draft Final Report
- calculation of contribution rate
- land evaluation and replotting planning
- layout plan and planning standards
- administrative/legal aspects of LR in Malaysia
- project implementation planning
- pilot projects

(b) Training on Replotting Design: A full-time short training course on replotting design was organized by the Study Team for about two weeks in December 1994. The course included lectures and exercises. A total of five participants successfully completed the course.

(c) Conduct of the 1st, 2nd and 3rd Workshops: The 1st workshop was held during the time of Interim (I) Report discussion. The workshop was attended by a total of approximately 50 participants including the Steering Committee members, Counterpart Team members, JICA Advisory Team members and Study Team members. Although the workshop was principally a joint undertaking of the Study Team and the Malaysian Government, it was handled by the Counterpart Team to facilitate comprehension and dissemination of the study outputs more effectively. The 2nd workshop, which was held to discuss Progress Report, was attended by a total of 86 participants from the abovementioned organizations. The 3rd workshop was held for the discussion of Interim (II) Report and was attended by about 100 participants. The 4th workshop is scheduled at the time of the Draft Final Report. The topics covered in these workshops are listed in **Appendix 1.1**.

(4) Counterpart Team and Activities

An extensive counterpart organization and activities were worked out by the Malaysian Government to facilitate smooth and effective conduct of the study. These are outlined as follows:

(a) Organization of Committees and Counterpart Team

Steering Committee: The Committee consisted of representatives from relevant organizations, headed by the Secretary General of the Ministry of Housing and Local Government (MHLG). It acted as the higher committee that guided to steer the implementation of the study.



**Technical Committee:** This Committee, headed by the Director General of JPBD and comprised of representatives of various agencies, monitored the specific technical issues during the course of the study.

**Counterpart Team:** The Team, composed of representatives from various agencies, was organized to work closely with the Study Team by facilitating access to needed information, holding discussions on relevant issues and, at the same time, maximizing the effects of technology transfer through daily activities and regular meetings with the Study Team.

(b) Organization of Meetings

The following meetings were regularly held for better coordination and effective conduct of the study:

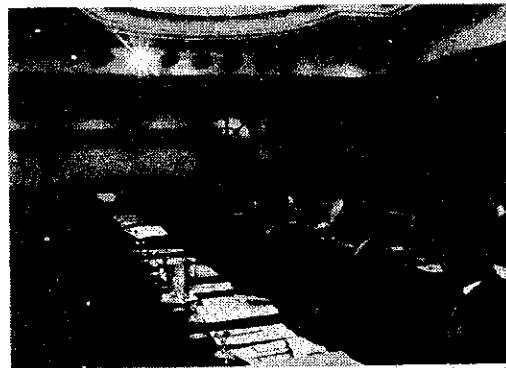
- Counterpart Team meetings
- Working sessions
- Meetings with agencies

(c) Counterpart Staff Training in Japan

The first group of trainees was sent to Japan for about three weeks during the months of March and April to experience LR activities being practised there. The second group was sent for about a month in July under a similar arrangement. The third group is scheduled for the second quarter of 1995.



Briefing for community leaders at District Council



Workshop



2-week training on replotting design



## **2. URBAN AREA DEVELOPMENT SYSTEM IN MALAYSIA**

THE UNIVERSITY OF CHICAGO

## **CHAPTER 2 URBAN AREA DEVELOPMENT SYSTEM IN MALAYSIA**

### **2.1 Urban/Infrastructure Development Administration**

#### **1) General**

While the process of National Development Planning (Five-Year Development Plans) and the project planning procedures are well structured, the framework for urban development in Malaysia is quite complex and, in several respects, fragmented. This is not surprising as the thrust of previous national development plans had been towards agricultural development through the development of resource frontier regions and industrial development through a policy of import substitution and industrial dispersal. It is only in recent years that specific attention was given to the need for a national urban policy and the preparation of urban development plans (structure and local plans) to guide the growth of the cities.

A comprehensive administration of urban and infrastructure development is further complicated by provisions of the constitution which provide for executive responsibilities to be shared between the Federal and State Governments. Matters related to urban development that fall within the Federal Government's purview include transport facilities such as federal roads and bridges, railways, airways, telecommunications, electricity and gas works. Community facilities such as public schools, libraries, museums, hospitals and postal service also fall within its jurisdiction.

The State Government, on the other hand, has jurisdiction over land matters including land tenure and registration, local government, cadastral land survey, state roads and bridges and water supply. Social facilities of a local nature such as burial grounds, markets, religious schools also fall within state jurisdiction.

The constitution also provides for the concurrent list where executive functions are shared by both Federal and State Governments. These include town and country planning, drainage and irrigation, housing, fire protection service and sports facilities.

This obviously creates some problems in the coordination of urban development in the country. There is no Ministry for Urban Development in Malaysia although the need for greater Federal Government involvement in urban/infrastructure development planning and coordination is a pressing one in view of the rapid urbanization experienced in the country.

#### **2) Federal Level**

At the Federal level, there are several Ministries involved in the urban and infrastructure development. These include the Ministry of Works, Ministry of Transport, Ministry of Housing and Local Government, and Ministry of Energy, Telecoms and Posts. In addition, there are several departments at the Federal level that play an important role in the urban development process. These include, among others, the Economic Planning Unit, the Federal Department of Town and Country Planning, Drainage and Irrigation Department and the Department of Public Works.

There are also a number of urban development organisations established at the Federal level. Many of these were set up in the 1970's with the twin objectives of poverty elimination and the restructuring of society. Some of the key urban development organisations include UDA, MARA, Regional Development Authorities and MIDF Bhd. A brief description of the key Ministries, Departments and urban development organisations follows:

- (a) **Economic Planning Unit:** The principal national planning agency is the Economic Planning Unit of the Prime Minister's Department. This agency is principally responsible for the preparation of long term perspective plans and five-year development plans. Although there is no explicit reference to spatial issues in its functions, the Economic Planning Unit through the Regional Economics Section also formulates policies, strategies and directions related to the distribution of economic activities among regions and states. This section is also responsible for advising the State Economic Planning Units on the formulation of state development strategies as well as on the environment. Furthermore, it is responsible for overseeing the implementation of the privatisation programmes of the government.
- (b) **Federal Department of Town and Country Planning (Ministry of Housing and Local Government):** The Federal Department of Town and Country Planning is primarily responsible for the smooth implementation of the Town and Country Planning Act and for the preparation of development plans at the regional, state and local levels. The department has its headquarters and regional office in Kuala Lumpur with three other regional offices in Alor Star, Melaka and Kuantan.
- (c) **Ministry of Rural Development:** This Ministry is responsible for the promotion of rural industrialization, rural infrastructure, and rural growth centres as well as the monitoring of activities of the Regional Development Authorities.
- (d) **Ministry of Housing and Local Government:** This Ministry is essentially responsible for public housing as well as for enforcing the Housing Developers (Control and Licensing) Act 1966. The Ministry also provides both technical assistance and financial grants to Local Development Authorities.
- (e) **Ministry of Energy, Telecommunication and Posts:** With the privatisation of several of the key departments for electricity, telecommunication and posts, the Ministry now exercises regulatory powers over the private companies.
- (f) **Ministry of Public Works:** Although this Ministry is generally responsible for implementing federally funded infrastructure projects, it also undertakes the planning of water supply projects and federal road planning through the Highway Planning Unit.
- (g) **Ministry of Public Enterprise:** This Ministry is responsible for a number of urban development agencies such as the Urban Development Authority (UDA), the Majlis Amanah Rakyat (MARA), the Malaysian Industrial Finance Berhad (MIDF) and the State Economic Development Corporations

(SEDC). The function of this Ministry is to ensure that these agencies operate in accordance with the objectives of the National Development Policy.

- (h) Department of Irrigation and Drainage: This department within the Ministry of Agriculture is responsible for providing technical advice on irrigation and drainage. Increasingly, quite a number of urban drainage projects are handled by this department. It is also responsible for flood mitigation works.
- (i) Constitutional Councils: There are three important councils established under the Federal Constitution which have important urban planning functions. These councils have both federal and state representation.

The National Finance Council (NFC) is chaired by the Prime Minister and must be consulted by the Federal Government on federal-state financial relations including the making of loans to the state for the preparation of development plans.

The National Land Council (NLC) is charged with the responsibility of formulating a national policy on land utilization for mining, agriculture, forestry and the administration of laws relating to such a policy. It also advises the Federal and State Governments on land legislation and the administration of land laws. The NLC has also created the National Forestry Council to administer policies and legislation pertaining to forestry.

The National Council for Local Government (NCLG) is chaired by the Minister of Housing and Local Government. This council, in consultation with the Federal and State Governments, is responsible for formulating policies for the promotion, development and control of local governments and gives advice on related policies. Very often rules prepared under the Town and Country Planning Act 1976 are first cleared with this council prior to their adoption by the respective states as the decision of this council is binding on the respective states.

- (j) National Development Council (NDC): The National Development Council replaced the former National Action Council in July 1991. The NDC is a council of Ministers chaired by the Prime Minister. It is responsible for ensuring that government policies are implemented in line with the National Development Policy and to evaluate programmes and project implementation strategies. It is primarily responsible for monitoring and evaluation and does not perform a planning function per se. The NDC is supported by the National Development Working Committee (NDWC) which is chaired by the Chief Secretary to the government and represented by the Secretary General of Ministries and Heads of Department. The Secretariat to both the NDC and the NDWC is the Implementation and Coordination Unit (ICU) of the Prime Ministers Department.
- (k) Urban Development Authority (UDA): UDA was established in 1971 under the Urban Development Authority Act 1971 (Revised 1981) and charged with the main objective of promoting and implementing the New Economic Policy through urban development. The Act gives UDA a wide range of powers to

act on its own or with others. UDA can be funded from federal grants, loans, debentures and money earned from project operation.

- (l) Council of Trust for the Indigenous People (Majlis Amanah Rakyat or MARA): MARA was established under the Majlis Amanah Rakyat Act 1966 mainly to promote economic and social development of the Bumiputra Community especially in the rural areas.
- (m) Regional Development Authorities (RDAs): The regional development authorities are set up by Act of Parliament and subject to the Ministry of Rural Development with the exception of LADA (Langkawi Regional Development Authority) and the Labuan RDA. There are eight RDAs in Peninsular Malaysia. The RDAs were created to undertake new land development in order to generate economic growth and job creation and to reduce regional imbalances. The more recent ones, such as LADA, were created to support the tourism-related development of Langkawi while the Labuan RDA was established to support the development of Labuan as an international offshore financial centre.
- (n) Malaysian Industrial Development Finance Berhad (MIDF): The MIDF was established in 1960 to provide capital for manufacturing industry and consultancy support through its subsidiaries, namely the Malaysian Industrial Estate Limited (MIEL) and the MIDF Industrial Consultant Limited (MIDFIC). The MIEL constructs factories on industrial estates while MIDFIC provides consultancy support.

Unlike in the past when most urban/infrastructure development projects were planned and implemented by the Government agencies, the recent trend in infrastructure development in the country is geared towards privatisation. Hence, the toll expressways are now built and maintained by private concession companies, with the Government through the Malaysian Highway Authority exercising regulatory control. Similarly, utilities like electricity and telecommunication are completely privatised. It is also likely that domestic gas supply will also be provided by private gas companies in the future. Sewerage facilities are also privatised with the Ministry of Housing and Local Government (MHLG) exercising regulatory control. It is also likely that solid waste disposal will also be privatised in the near future. In the area of urban transportation, the LRT for Kuala Lumpur will be operated by private concessionary companies who built and operate the system along different routes with regulatory function retained by the Government.

All these suggest that the traditional role of government agencies as both the planning, funding and implementing agency has changed. While the trend in privatizing infrastructure development will improve the quality of such facilities, there is a need for strategic urban development planning to be coordinated with infrastructure development.

There is currently no special allocation for city planning roads (i.e., roads identified in statutory urban plans). The ministerial responsibility for other urban development functions such as urban transport, urban development and renewal is also unclear.



It should be noted that urban development programmes are integrated programmes that require a great deal of lateral coordination among the implementing line agencies. This is often lacking at the federal level as each technical department continues to implement its projects according to its own priorities.

### 3) State Level

At the state level, the principal authority on development lies with the State Authority (SA). Unlike the Federal Government, there are no ministerial portfolios in the state except for Sabah and Sarawak. In making its decision on development projects, the SA is assisted by heads of technical departments such as the Director of Lands and Mines, State Director of Town Planning, State Director of Public Works, etc. With the establishment of the State Planning Committee, as required by the Town and Country Planning Act, major infrastructure and urban development projects are first deliberated in this committee. The SPC, which is chaired by the Chief Minister, is responsible for advising the State Government on matters relating to conservation, use and development of land in the state.

As land is a state matter, it is not surprising that state urban development organisations are active participants in the urban development process. These include the State Economic Development Corporation (SEDC) which are state sponsored developers of new towns and housing schemes. New urban development organisations have also emerged with the privatisation policy such as the State Secretary, Incorporated which has encouraged the growth of several property development subsidiary companies.

The development planning process at the state level is shown in Figure 2.1. The main departments involved are the following:

- (a) State Economic Planning Unit for socio-economic planning and privatisation projects. It acts as secretariat to the SEPC.
- (b) Town and Country Planning Department for physical and land use planning, which acts as secretariat to the SPC.
- (c) State Development Office for small projects and project monitoring/implementation, which acts as secretariat to the SDWC.

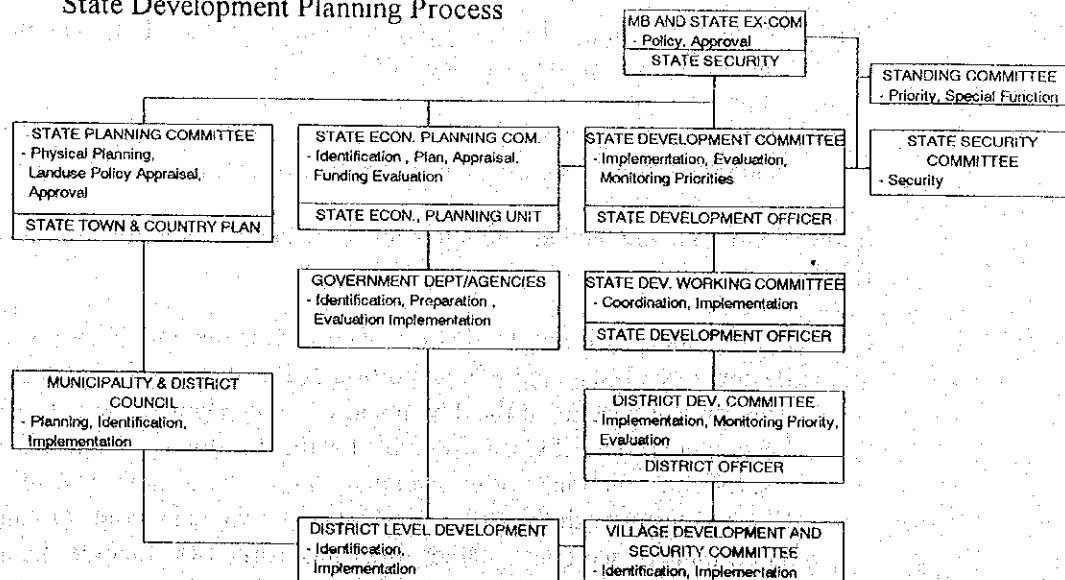
Some of the main committees and agencies for urban development in the state are as follows:

- (a) State Planning Committee (SPC): The SPC is the only committee within the framework of planning administration at the state level, established through legislative provisions of the Town and Country Planning Act, 1976 (Act 172) Section 4(1). The SPC is responsible for the development and use of all lands, and for conservation and physical planning. This committee is chaired by the Chief Minister with the State Director of Town and Country Planning acting as committee secretary. Other functions of the SPC include the approval of

draft structure plans and giving directions to local authorities particularly relating to the preparation of local plans.

- (b) **State Economic Planning Committee (SEPC):** This committee is an advisory and coordinating committee chaired by the Menteri Besar. It assists in the review, prioritization and coordination of projects. The secretariat to this committee is the State Economic Planning Unit (SEPU) which is the principal agency responsible for economic planning. The SEPUs coordinate socio-economic planning and development expenditure proposals for each five-year plan period. All requests for loan financing and project reports are submitted to the EPU through the SEPU.
- (c) **State Development Council (SDC):** The former State Action Committee which was chaired by the respective Menteri Besar/Chief Minister is now replaced by the State Development Council (SDC). The responsibilities of the SDC are similar to those of the National Development Council, i.e., evaluation and monitoring of development projects and programmes. They submit progress reports to the NDC through the ICU. This council is assisted by a working committee known as the State Development Working Committee (SDWC) which is chaired by the State Secretary. Members of this committee include heads of departments while the secretary is the State Development Officer (SDO). The SDOs are federal officers accountable to ICU and are responsible for monitoring the physical and financial progress of federally financed projects in each state.
- (d) **State Economic Development Corporation (SEDC):** The SEDC has been established in every state by State Enactments. Generally, the SEDCs are set up to promote, stimulate, and undertake land development in the state for purposes of agriculture, residential, industrial, mining and commercial development. The SEDCs operate as commercial business enterprises of state governments.

Figure 2.1  
State Development Planning Process



#### 4) Local Level

Each state in West Malaysia is divided into districts which are further divided into mukims comprising groups of villages. Local government organisation was also restructured with the Local Government Act 1976. The former 374 local government territories have been amalgamated into slightly over 90 districts and municipal councils. Municipal councils can also be upgraded to city status. Administratively, not all the land in the district is incorporated within local authority boundaries.

This, however, varies among states. For example, Penang and Kedah chose to include the whole area of the state under local authorities. Others including Selangor have gazetted territories using a criteria of serviceable urban and semi-urban areas. The results have been curious, awkward gazetted areas.

The planning administration at the district level includes both the District Office and the Local Authority within the districts. Very often the District Officer also presides as the president of the Local Authority.

The District Officer is principally responsible for transmitting village level concerns to the State Government and to chair the District Development Committee (DDC). Parallel to similar committees at the federal and state levels, this committee is primarily responsible for project monitoring and evaluation. The secretary to the committee is the Chief Assistant District Officer and draws its membership from district level government officials. The DDC submits reports to the SDC once every three months.

Local government is a state responsibility and the powers are often limited. There is no elected authority and all councillors are appointed by the State Government. The Federal Government, with the exception of City Hall of Kuala Lumpur, has no direct authority in relation to local authorities (LA). However, the Local Government Department within the MHLG does monitor and assist the LA with specific grants. At a policy level, the National Council for Local Government plays a coordinating role.

The fiscal resources and revenue generating capacities of local authorities are generally weak, relying on a combination of federal grants, state grants and local collections from fees and licenses.

The strength of the local authorities varies considerably among the LAs. The larger municipalities are comparatively strong in staff, institutional capacities and financial position, while District Councils have very little funds for development purposes.

Local Authorities are essentially governed by the provision of three complementary Acts:

- (a) The Local Governments Act (LGA);
- (b) The Town and Country Planning Act (TCPA); and
- (c) The streets, Drainage and Building Act (SBDA)

The Local Government Act, among others, empowers local authorities to collect fees and in return provide urban services to payers. The LAs also have several duties/obligations with respect to public health and community welfare.

The TCPA empowers the local authority to be the local planning authority. The LPA is also responsible for preparing statutory plans, e.g., structure and local plans, and to develop areas designated as development areas under Part VIII of the Act.

The SDBA essentially sees to the laying out of streets, drainage and building control.

The LA council is generally managed by committees made up of councillors and local authority officials from various public agencies such as JKR and JPS. All decisions of the committees must be endorsed by the full council.

## **2.2 Urban Planning System**

### **1) General**

The jurisdiction for town and country planning in Malaysia is spelt out in the Constitution of Malaysia. Town and country planning is included under the Concurrent List. This is a list of matters on which both the Federal and State Governments may make laws. For uniformity of applications, however, such matters are further subject to prior approval from National Land Council and National Council for Local Government in which the states are represented and have a say.

It should be noted that federal jurisdiction in town and country planning does not extend to Sabah and Sarawak, although the Federal Government may set up town planning departments for the purposes of conducting survey and compiling statistics.

Following the federal system of government, urban and regional planning is applied at all three levels of administration, i.e., federal, state and district. The plans prepared may be statutory in that they are prepared by law, or they may be nonstatutory (refer to Table 2.1).

### **2) Federal Level**

At the federal level, there has been a continuous planning exercise since 1966 in drawing up the Five-Year National Development Plans for the country. The spatial planning components were generally incorporated into the National Development Plans. The underlying consistent objective of spatial planning in these Malaysia Plans was to promote a balanced regional development. The Second Malaysia Plan (1971 - 1975), for example, called for the development of new growth centres in the peripheral areas while the Fourth Malaysia Plan (1981 - 1985) attempted to define regions in the Malaysia context. Notwithstanding this, there was a lack of a coherent programme for spatial planning at the national level. Spatial planning was, however, applied on an ad hoc basis for Regional Development Authority Areas and Urban Development Areas.

**Table 2.1**  
**Type of Plans by Levels of Government Administration**

Level of Government Administration	Type of Plans	Legislation Empowering the Preparation
A. Federal Level	National Development Plan	Article 92 Federal Constitution
	National Spatial Plan/National Urban Policy (Draft)	-
	Urban Development Area	Urban Development Authority Act 1971
B. State Level	State Development/Economic Plan	(Nonstatutory)
	Regional Plans	(Nonstatutory)
C. Local Level		
° Local Authority	Structure Plans, Local Plans, Action Area Plans	Town and Country Planning Act 1976 Federal Territory (Planning) Act 1982
° District Office	District Development Plan	Circular of the Secretary General to the Government 1988 (Nonstatutory)
	Rural Growth Centre Plan	A New Approach in Kampung and Rural Development Policy, PM's Dept. Circular 10th July 1984 (Nonstatutory)

- (a) **National/Regional Development Plan:** The Constitution also provides for the preparation of National Development Plans under Article 92. This is not to be confused with the Five-Year Malaysia Plans which are done for national development budget purposes. This article enables the preparation of development plans by the Federal Government in consultation with the National Finance Council, National Land Council and the State Government in any area of one or more of the states provided it is of national interest. Once the area is declared as a development area, Parliament has the power to give effect to the plan.

This article has not been resorted to and most of the regional plans prepared are for the Regional Development Authorities which are established under a separate enabling Act of Parliament.

- (b) **National Urban Policy:** Malaysia has yet to adopt a comprehensive national urban policy although elements of such policy statement are evident in the Five-Year Malaysia Plans. Nevertheless, a national urban policy will be formulated under the ongoing national spatial planning exercise. A national urban policy was found necessary, in view of the rapid urbanization and the problems faced by the country, to ensure sustained efforts at realizing the goal of making Malaysia a fully-developed nation by 2020.
- (c) **Urban Development Area:** The declaration of urban development areas is provided under the Urban Development Authority Act 1971. This Act enables UDA to be the planning authority over any urban development area declared under the Act.

Urban and regional planning at the federal level is often not well coordinated due to the absence of a comprehensive urban policy and the necessary government vehicle to administer them. Spatial policies, however, have generally to conform with the National Development Policy (1991 - 2000), a sequel to the New Economic Policy

(1970 - 1990) which primarily aims at eradicating poverty and the restructuring of society to reduce social and economic imbalances between races and developing a modern, industrialized economy. Other related government policies are as follows:

- National Industrialization Policy
- National Transport Policy
- National Agriculture Policy
- National Forestry Policy
- New Approach in Kampung and Rural Development Policy
- National Sports Policy
- Malaysia Incorporated Policy
- Privatization Policy
- Public Spending and Management Policy
- Adoption of Islamic Values in Administration Policy
- The Clean, Efficient and Trustworthy Policy
- The Look East Policy

### **3) State Level**

The Constitution provides that both land and land-related subjects such as forest, agriculture, water, hills, mines as well as local governments fall within the State List. This explicitly empowers the state to play a more significant role in town and country planning than the Federal Government.

The State Authorities' involvement in town and country planning is provided for in the Town and Country Planning Act 1976 and the National Land Code 1960. The TCP Act 1976 s.3, empowers the State Authority to be responsible for the general policy in respect to planning and use of all lands within the local authority area and may even give directions to the State Planning Committee as well as the Local Planning Authority.

The State Planning Committee is subordinate to the State Authority and its functions include the promotion of the conservation, use and development of all lands in the state. It ensures that all development plans prepared are in compliance with state policies and development objectives. This is enforced primarily by way of approval of structure plans and through directives to local authorities.

The National Land Code also vests on the State Authority the authority to approve of all conversion application (i.e., change of category of land use) and applications for subdivision of land. In giving its approval, the State Authority has to be satisfied that the necessary approval of the planning authority has been obtained and that it is not contrary to any plan approved by the State Authority.

However, none of the existing legislations requires the state to prepare a State Development Plan. The absence of State Development Plans has often been cited as one of the shortcomings in coordinating planning at the local authority level. Although several states have to date prepared State Development Plans or Regional Plans for part of the State, several of these plans are outdated as there is no statutory requirement to keep the plans in review.

#### 4) Local Level

Historically, town planning in West Malaysia has been primarily tied with local authority administration. This is evident from various town planning legislation that were enacted such as the Municipal Ordinance (Cap 133), the Town Improvement Enactment 1927, the Town Planning Enactment 1927, the Sanitary Town Boards Enactment, Cap 137 (still in force in some states), and the current Town and Country Planning Act 1976. The Town and Country Planning Act 1976 requires the Local Authority to prepare two types of plans, i.e., structure and local plans.

##### (a) Structure Plan

The structure plan is in essence a strategic written planning document outlining the long-term development strategies for the area. In preparing the structure plan, consideration has to be given to the physical, social, economic and environmental issues.

The structure plan performs seven closely-related functions, as follows:

- (i) To interpret national and regional policies;
- (ii) To establish aims, policies and general proposals;
- (iii) To provide a framework for local planning;
- (iv) To indicate action areas;
- (v) To provide guidance for development control;
- (vi) To provide a basis for coordinating the decisions of the wide range of government agencies; and
- (vii) To bring the main planning issues and decisions before the public and the State Planning Committee.

##### (b) The Local Plan

The draft local plan, which may be prepared after the structure plan, also consists of maps and a documented detailed planning and implementation of the policies and proposals for the development and use of land of an area including measures for the improvement of the physical environment, the improvement of communication and the management of traffic.

The local plan is prepared essentially for purposes of development control and relates to specific parcels of land. While structure plans are required to be approved by the State Planning Committee, local plans could be adopted for implementation by the local authority without the need to refer to the State for prior approval.

##### (c) Town Plans Under Earlier Planning Laws

Gazetted town plans prepared under earlier planning laws are valid until expressly repealed. Plans prepared under Cap 137 were of a two-tier type, i.e., general town plans and layout plans.

The general town plans were prepared for the whole or part of the area of the Town Board. They were essentially zoning plans showing the types and categories of use.

Layout plans were more detailed plans prepared by the Town Board for land in the process of development. However, very few towns have legally gazetted these plans, largely to avoid claim for compensation and to keep development schemes in a flexible state as possible. One of the earliest gazetted plans was the Ipoh (Kinta) Town Plan B3 which was gazetted in 1931 and is still being used for development control purposes.

In addition to statutory development plans, other nonstatutory development plans prepared at the local level include the district development plans and the rural growth centre plans.

(a) District Development Plan

The district development plans for every district in West Malaysia are prepared following Government Circular 1988. The objective of this plan is to serve as a guide for implementing and coordinating government development projects at the district level. These plans cover proposed development strategies and programmes as well as project identification for a period of 10 - 15 years. The funding for the preparation of these plans comes from the Ministry of Rural Development while funding for the structure plan is from the Economic Planning Unit and the local authority concerned. The Federal Department of Town Planning is entrusted to prepare these plans. In order to reduce cost and avoid duplication, the preferred approach now is to prepare both the structure plans and the district development plans simultaneously.

(b) Rural Growth Centre Development Plan

The rural growth centre development plan is prepared under the policy on the New Approach in Kampung and Rural Development. (Prime Minister Department Circular 10th July, 1984). The aims of the plan are:

- to increase the income of farmers and workers in the rural areas;
- to ensure a balanced development between urban and rural areas; and
- to improve the quality of life of the rural population.

This approach basically covers three aspects:

- Agriculture development based on estate management system for small holding;
- Establishment of small-scale rural and village industries and other nonfarm economic activities; and
- Reclustering of traditional villages via proper planning to foster development of a small centre such as the rural growth centre with a threshold population of 500 families.



## 2.3 Existing Land Development Methods

The National Land Code spells out the various development methods that a proprietor or coproprietor of any alienated land may carry out. These include the following practises:

- (a) Conversion
- (b) Amalgamation
- (c) Subdivision
- (d) Partition
- (e) Surrender and Realienation
- (f) Surrender and Alienation
- (g) Variation of Condition and Simultaneous Application of Subdivision

a) Conversion of Land (Variation of Condition)

All alienated land is imposed with a particular category of landuse, i.e., building, industry, agriculture or nil category. A proprietor of any alienated land must apply to convert the category of landuse from agriculture to building in order to build housing schemes. The approving authority for the conversion of the category of landuse is the State Authority.

b) Amalgamation

Amalgamation takes place when a proprietor of two or more contiguous lots applies to combine them together to be held by him under one title. The approving authority is the Land Administrator for land under land office title while for those with registry title is the Director of Lands and Mines. However, approval can only be given if the conditions of S.136 (1), which states that planning permission must first be obtained, are satisfied. Amalgamation is only possible for contiguous lots located in the same mukim, town or village.

c) Subdivision of Land

This is the reverse of amalgamation where a piece of land is divided into several lots, each under a separate title. Again, a layout plan for the subdivision must be approved by a planning authority. The consent of those having a beneficial interest in the land, such as chargees and lien holders, must also be obtained. Usually, land for public purposes such as roads and open spaces are surrendered to the government.

d) Partition

Co-proprietors of land may unanimously apply to partition the land under separate titles proportionate to their undivided share in the land. Generally, the unanimous consent of all the coproprietors has to be obtained. However, it is also possible for the majority shareholder in the land to make the application. Again, planning permission must be first obtained. The approving authority for lands under land office title is the Land Administrator while for those under registry title it is the State Director of Lands and Mines.

e) Surrender and Realienation

Surrender and realienation (S & R) method is a novel concept introduced to overcome some of the practical problems associated with developing adjoining lots owned by the same proprietor. Previously, he had to amalgamate the land and apply for subdivision. This inevitably took a long time, not to mention the redundancy of work. Application for surrender and realienation can be made under S.203 (Form 12C) or under 204D (Form 12D).

Surrender and realienation under S.203 only applies to lands under land office title. The lands must be located within the same mukim, town or village. The lands must be of the same land use category and of similar tenure. Before S & R can be approved, all registered interest and tenants protected by endorsement must be removed. This is unlike the previous development methods where the mere consent of those with beneficial interest is sufficient. The approving authority under S.203 is the Land Administrator. The realienated lots must not be more than 4 ha. and they will be subject to the same category of land use and condition as previously held.

Surrender and realienation under 204D is the preferred method for urban development purpose. This provision can apply to any two or more contiguous lots held by the same proprietor. In this case, it is possible for the lands to be of different tenure or have dissimilarities as to the condition, land use and rent. The approving authority is the State Authority. Again under this method, all registered interest must be discharged and the consent of lien holders and caveators must be obtained before S & R can be approved. Upon approval, the State Authority can determine the new land use categories and other express conditions that will apply to the realienated lots.

f) Surrender and Alienation

This process is seldom used in practice and is essentially a combination of S.195 and S.79 of the National Land Code. The proprietor of the land surrenders a whole or part of his land to the State Authority with approval of the State Director or Land Administrator. A fresh application for alienation is made under S.79. The SA may approve the alienation with express condition and impose restriction in interest.

g) Variation of Condition and Simultaneous Application of Subdivision

This provision under S. 124A allows for simultaneous application for variation of condition and subdivision. This method also requires the consent of all proprietors of the land.

## **2.4 Constraints of Existing Urban and Infrastructure Development System**

There are several constraints to urban and infrastructure development in the country. Having in the past focused mainly on agriculture development and industrial dispersal

policies, it is only in recent years that greater attention is being given to urban and infrastructure development. Some of the issues are as follows :

(a) Absence of a Ministry for Urban Development

There is currently no Ministry responsible for urban development in the country. Urban development functions are carried out by a number of government agencies including both federal and state agencies. This obviously creates problems for coordinated urban and infrastructure development in the country. In response to this, JPBD has proposed the setting up of a National Physical Planning Council to coordinate urban development at the federal level. The administrative organisation for urban development is also one of the aspects that is being covered in the ongoing National Spatial Planning Study.

(b) Absence of a Statutory Framework for National Spatial/Urban Development Policies

Although there are several policies on urban development contained in the Five-Year National Development Plan, there is no statutory framework to prepare national spatial plans nor regional/state development plans in the country. Part of the reason is the absence of a Ministry for urban development. The other problem is related to the existing Town and Country Planning Act, which was enacted pursuant to Article 76(4) for the purpose of controlling and regulating town and country planning in local authority areas. The scope of the Act, however, does not seem to extend to national spatial planning nor regional planning.

(c) Need for Systematic Urban and Infrastructure Development

With the rapid urbanisation felt in the country and the concomitant infrastructure inadequacies that followed, the Government's response was to privatise infrastructure provision. Toll expressways, electricity supply, telecommunication, gas, postal, railways, and sewerage services have been either privatised or corporatized. It is also likely that solid waste disposal and water supply may also be privatised in the future. While the exercise to privatise infrastructure development may bring about better quality of service, there is a need to coordinate urban development planning with infrastructure provision. Crucial to this is federal assistance for city planning roads (i.e., roads identified in the statutory development plan). There is currently no programme for the implementation of these roads. This often frustrates the realisation of city plans.

(d) Absence of Clear Guidelines on Cost Sharing for Infrastructure Development

Large scale urban development is practised both by the government agencies as well as the private sector. In the case of private sector initiative, the cost of infrastructure development is borne by private developers. Land for community facilities such as schools and markets, is also provided by the developer. The development of these facilities, however, depends on the availability of funds of the government agencies. Very often they are not coordinated with housing development. The cost of providing infrastructure

is also passed on to the consumer. Such a model of development may only be possible for large tracts of land and not for infill development within urban areas. This trend in urban development is also very inequitable in that some may benefit tremendously out of the development process while others lose substantially.

The sharing of development costs and benefits have to be explicitly analysed and reflected in the cost sharing principles. Government financial support should be provided for land readjustment projects, city planning roads, public parks, urban drainage, sports facilities and for urban renewal projects.

(e) Need to Increase the Technical and Financial Resources of the Local Authority

Local Authorities are at the third tier of the government structure and are the closest to the public in contrast to State/Federal Governments. In addition to the traditional functions of providing urban services and collecting fees, local authorities are also the local planning authority for the area.

The Local Planning Authority is responsible for controlling and guiding development as well as developing action areas. As such there is a need to increase the technical capacity and financial resources of Local Authorities. Except for large Municipal Councils which are in a better position to carry out the above functions, most District Councils do not have the technical nor financial capacity. Notwithstanding this, the constitution under Article 109 (3) provides for Parliament to make grants to the State for specific purposes. An example is the State Grant (Maintenance of Local Authorities) Act 1981.

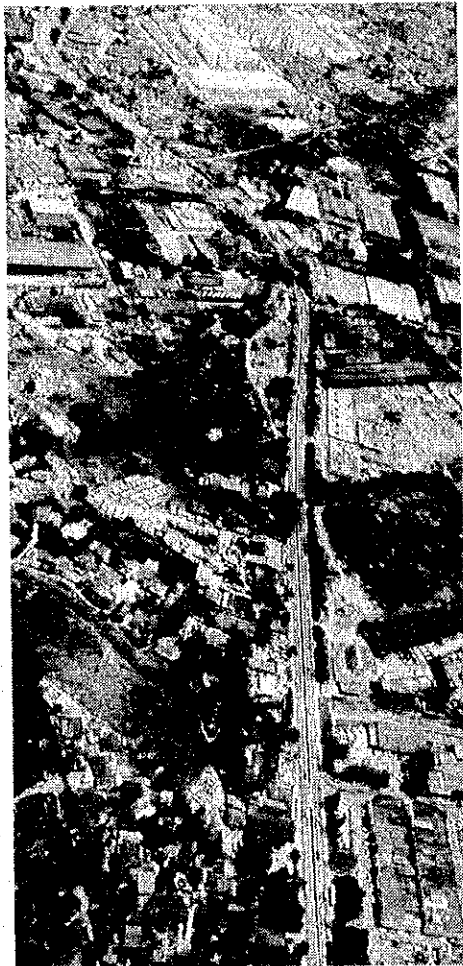
(f) Limitation of Existing Land Development Methods

Generally, the Malaysian land development methods, as prescribed in the National Land Code, seem to follow the development of single or adjoining parcels of land held under sole proprietorship or co-ownership. Co-owners can develop their land by themselves or they may give the power of attorney to someone else to develop their land on their behalf. The National Land Code in its literal interpretation does not seem to allow for group land development akin to that in land readjustment.

Group land development is envisaged in the Land (Group Development Areas) Act 1960 and the Kelantan Land Settlement Act 1955. However, both these acts are not particularly relevant to land readjustment. For example, the GSA 1960 is mainly used for opening large tracts of State Land for settlers such as in Felda Schemes. As such, it may not be relevant to lands which are already alienated.

The Kelantan Land Settlement Act 1955, although it applies to "any area within the State", was essentially enacted to resolve problems of land ownership in Kelantan. Under the Act, the district officer is empowered to adjust boundaries, settle issues of ownership and issue new land titles in the land settlement area.

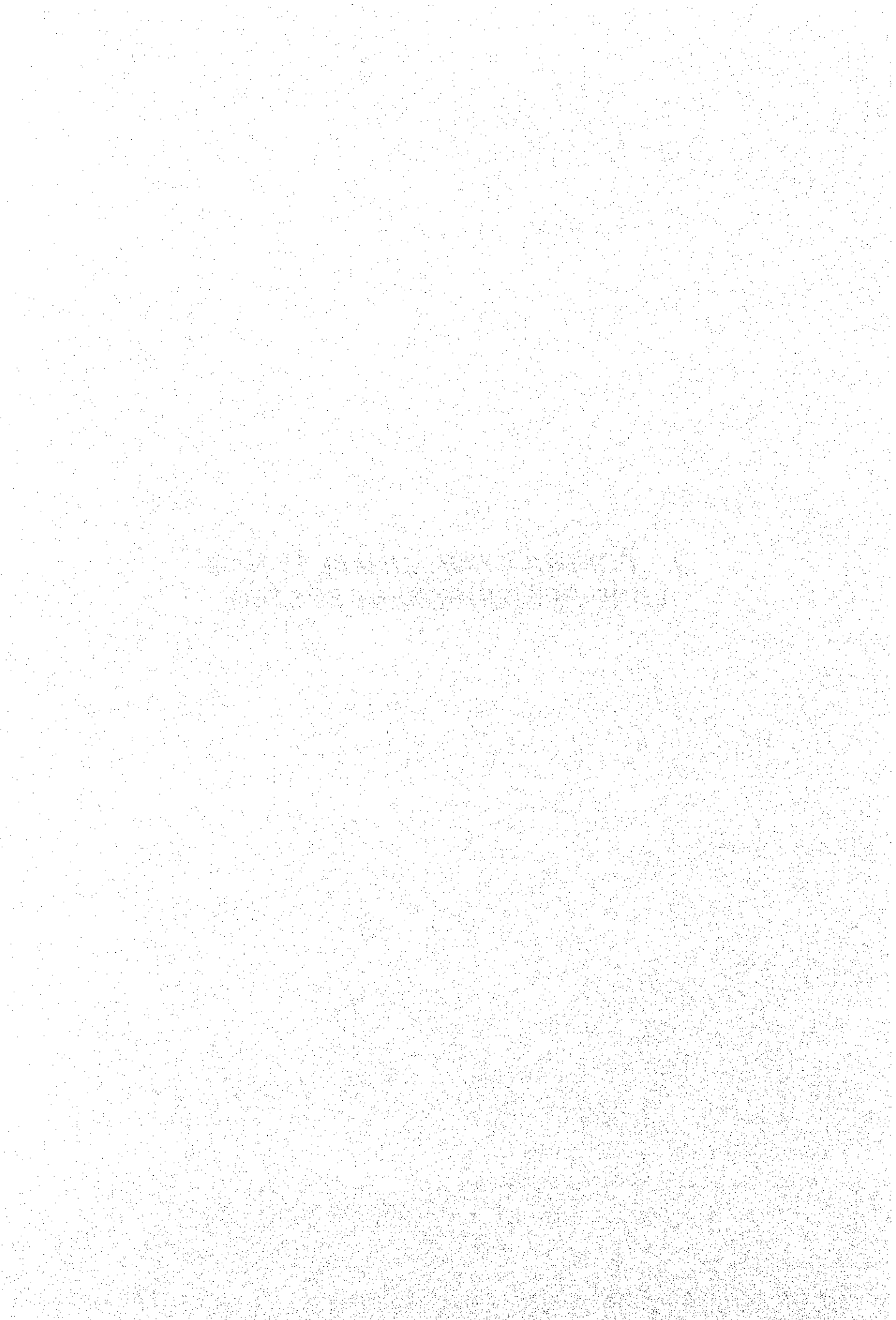
The lack of group land development methods poses problems in realising a contiguous urban development pattern. In many Malaysian towns, there are pockets of small and fragmented land holdings within urban areas which remain undeveloped as developers prefer to develop large tracts of state land in the peripheral areas. The undeveloped lands are eventually occupied by squatter settlements and unplanned developments. It is, therefore, recommended that a comprehensive Act for land readjustment be required in the future.



Aerial view of existing urban developments in Metropolitan Kuala Lumpur



### **3. FORMULATION OF MALAYSIAN LAND READJUSTMENT SYSTEM**





## **CHAPTER 3 FORMULATION OF MALAYSIAN LAND READJUSTMENT SYSTEM**

### **3.1 Land Readjustment Concept and Experience of Other Countries**

#### **3.1.1 Basic Concept of Land Readjustment**

##### **1) Definition and Concept**

Land Readjustment (LR) is a land development method in which a group of adjoining land parcels are reorganised through cooperation between landowners/lessees to provide necessary economic and social infrastructures in compliance with a unified layout plan and to enhance the utility/value of the land parcels. The general aim of LR is clearly to promote land development for new or more efficient use of an urban nature which covers the following typical situations: urbanization of suburban areas in advance of urbanization; improvement of previously urbanized area; integration of large infrastructure facilities into existing urban area; and rehabilitation of disaster and war-damaged areas. LR in its concept and implementation has a number of unique features, which are as follows:

- (a) **Active involvement of landowners:** LR requires an intensive involvement of landowners in the project. They will be organised into an association or committee through which landowners are not only consulted but are also made to participate in a limited decision-making. These formal organizations are dissolved after the project.
- (b) **Maintaining existing community environment:** Since LR does not involve land acquisition, the landowners and lessees can stay in the project area, thus allowing existing social systems/neighbourhood relationships to continue.
- (c) **Provision of a set of LR land management techniques:** LR involves the systematic exchange, subdivision and amalgamation of lands and equalisation of economic effects due to the implementation of the project, which are the key components of the process. To do these, specific technique is provided and the process is completed with land titles unimpaired (refer to Figures 3.1 and 3.2).
- (d) **Cost-sharing:** LR projects are partly or wholly financed by landowners through contribution of their land, while the government and other relevant agencies will also take part in sharing the cost.
- (e) **Certain statutory powers granted to the implementing body:** The process includes certain peremptory rules and statutory power. Therefore, the area of action is delimited wherein the implementing body is allowed to practise compulsory actions for the effective implementation of the projects.

Figure 3.1  
Mechanism of Land Readjustment

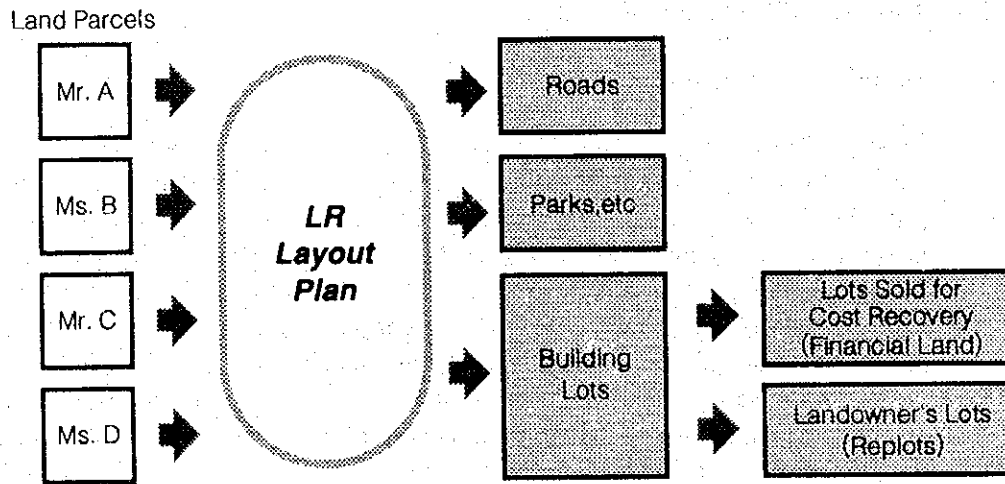
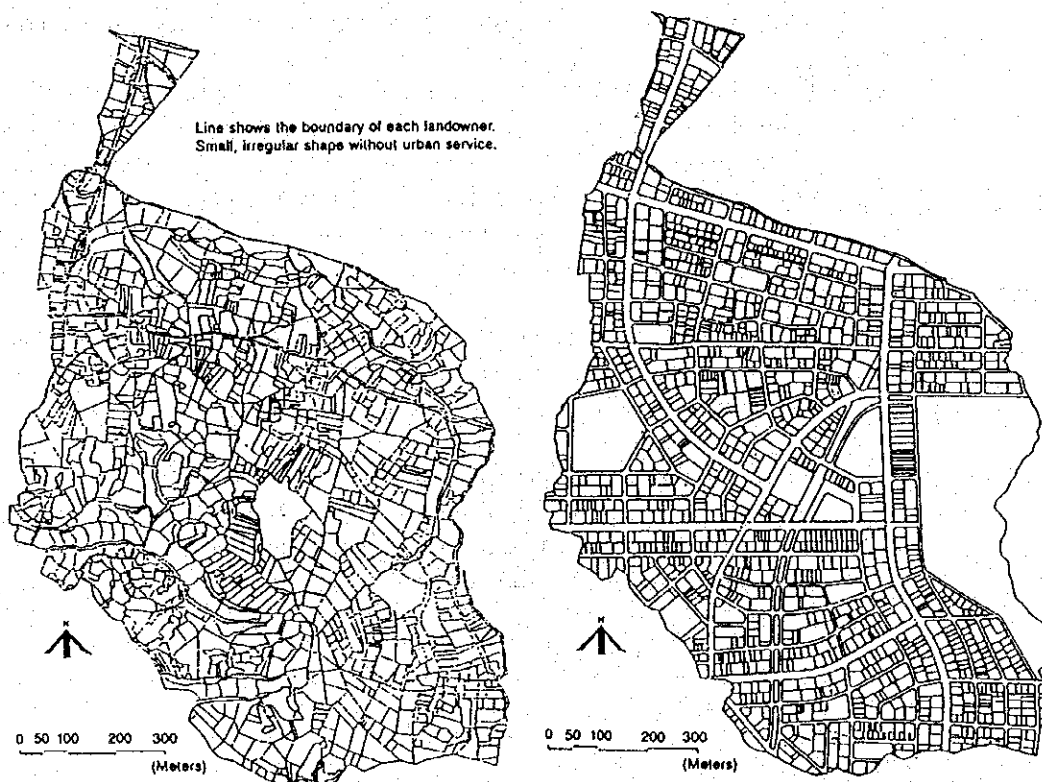


Figure 3.2  
Example of LR Project Carried Out in Japan

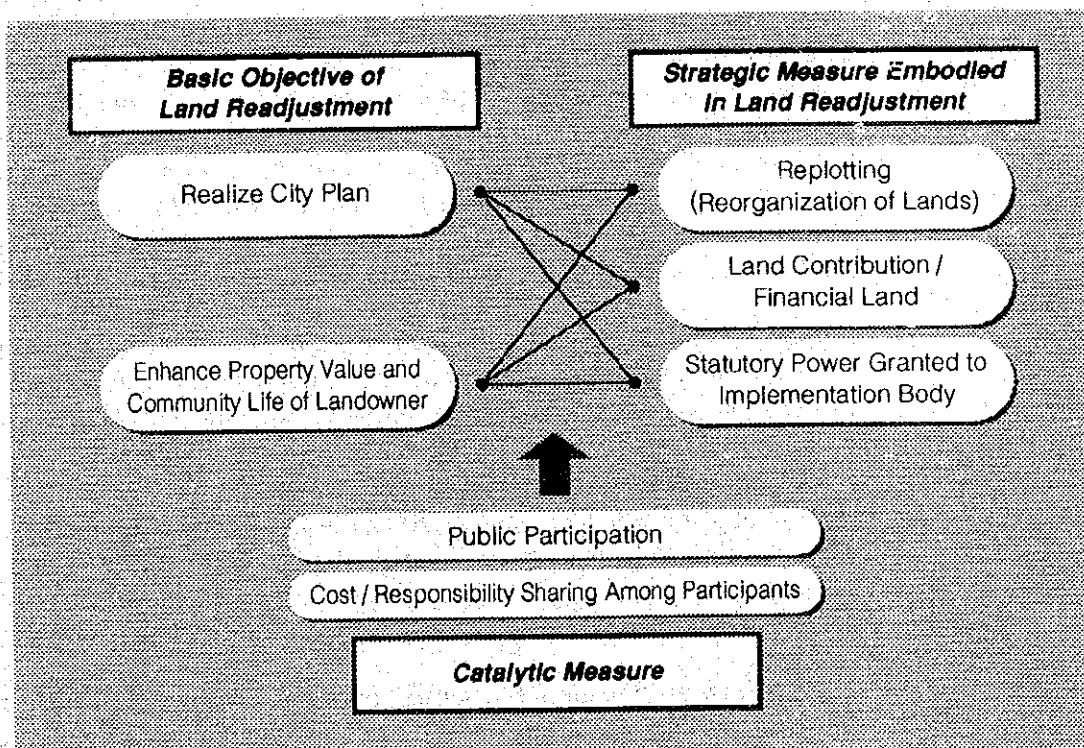


## 2) Key Elements of Land Readjustment

The basic objectives of LR is to realise a city plan or unified layout plan and, at the same time, to enhance the utility of individual land parcels. The former relates to maximizing public interests while the latter relates more to private benefits through the LR project. In order to meet these often conflicting interests at the public and private levels, the LR system is equipped with a number of strategic measures which are conceptually illustrated in Figure 3.3 and briefly explained below:

- (a) **Contribution:** Contribution, in a narrow sense, is defined as a portion of land deducted from the lands of the participants (landowners) of a LR project as their share of the project cost. The lands are the principal input to a LR project which cannot be replaced with any other resource. As a result, the LR project does not require any land acquisition. This nature also makes any LR project significant in terms of participation of landowners. As depicted in Figure 3.1, the contribution is composed of lands necessary for public facilities and of financial land which will be sold in the market to generate revenue to cover the project cost. The amount of contribution varies by nature of the LR project and the cost sharing principle between landowners and government agencies. The higher planning standards of public facilities and the more extensive self-financing principle require higher contribution rates.

Figure 3.3  
Conceptual Framework of Land Readjustment



- (b) Financial Land: Financial land is part of the contribution of landowners. In LR projects, lands contributed by landowners are assembled in a number of locations with different purposes, depending on their marketability. These are then sold in the market to generate revenues to cover the project cost which consists of construction cost of public facilities, compensation cost for building and activities, as well as project management cost. Due to this nature, LR is known as a "self-financing" project.
- (c) Replotting: Replotting is a key technical and institutional concept sustaining LR. Replotting ensures that all rights and encumbrances attached to a land will be untouched and carried over from the original lots to replots. Replotting makes it possible to reorganize the distribution of lands in compliance with planned land use and desired physical features of lands. Replotting protects the rights of landowners, ensures equitable sharing of costs (in terms of contribution) and benefits (in terms of increase in land value) among landowners, and simplifies troublesome administrative procedures for moving lands, which are otherwise required. Replotting benefits landowners, the implementing body, and the government.
- (d) Public/Private Responsibilities Sharing: LR is a joint undertaking of all concerned, including landowners, those other than landowners who own various rights on the lands, government and its attached agencies who are responsible for the development and maintenance of the area regardless of LR projects, and private utility/public service companies related to the area. The principal concept of contribution, in a broader sense, is to shoulder the costs according to the benefits received. The contribution will be made both in physical and monetary forms. However, as lands are only owned by landowners, landowners' contribution of lands is physically non-reciprocal, though this can only be adjusted in monetary form. Contribution of other bodies is by way of sharing the project cost necessary for land and facilities. Although there is no standard rule on how to split the responsibilities (costs) between public and private sectors, it is a common criteria that the costs of public facilities which benefit only the community in the project area will be shouldered by landowners, while those which generate benefits at the regional level and beyond (outside the project area) will be covered by the public sector.
- (e) Statutory Powers Granted to the Implementing Body: Once a LR project is approved, the implementing body is normally granted certain statutory powers to ensure smooth and effective implementation. After the procedure has begun, changes and other measures undertaken within the area, apart from the readjustment process, can be disrupted. Various laws stipulate that certain changes may not be made without consent from the implementing body. For example, the implementing body, either the local authority or landowners association, is given powers as to when the concerned buildings will be demolished or relocated in accordance with the construction plan.
- (f) Public Participation and Consensus Building: Public participation and consensus building among landowners is an important factor for the success of any LR project. To achieve this, formal and informal mechanisms are provided. In some countries, implementation of a LR project is permitted by

law if majority (say, two-thirds of landowners with more than half of lands) agree to the project. Then, all landowners are obliged to participate in the project. If landowners do not want to participate, they can either sell their lands in the market anytime even after the official approval of the project or request the implementing body to acquire their lands.

Formal methods of public participation are through public hearing/objection, organisation of LR committee comprised of representatives of landowners which can directly negotiate and consult with the authorities, and so on. With these, landowners are consulted, provided with needed information, and can negotiate and participate in limited decision making. While the faculty of formal appeal is primarily confined to the occasions of the commencement, replotting and valuation, more informal means of public participation are spread over the entire project period to resolve differences and to arrive at a decision which will be acceptable to the majority. In Japan, for example, the implementing body takes more effort in canvassing the opinions of those affected and to influence their decisions through informal meetings of landowners, hearings, etc. As a result, although Japan's LR Law gives compulsory power to the implementing body, this has hardly been practised.

### 3) **Process of Land Readjustment**

The LR process requires a considerably length of time, depending upon the characteristics of the project area (size, number of landowners, needs, social system, etc.). It involves the following four steps:

- (a) Preparatory Stage: The preparatory stage is very important in determining the feasibility of the project from the technical, social, financial, legal, environmental and administrative viewpoints. The project should be acceptable to the landowners and the Government as well as the society.

<Consensus of Landowners> The project should ideally be agreeable to all landowners. However, there are always some people who do not want to participate due to various reasons. As such, it is crucial that not only adequate information is always available to these people but also a law is necessary which stipulates that if majority of landowners consent, the rest are obliged to participate in the project. Consideration should also be given that those who oppose can request the purchase of land or they can sell their land and move out of the area.

<Determination of Implementing Body> A Land Readjustment project can be implemented by different bodies, such as the following:

- Land owners association
- Public corporation
- Government, either central or local government
- Other forms such as joint undertaking among public sector, landowners association, private developer, etc.

The nature of the project will determine who the implementing body should be. When a project is initiated more for private benefit for a limited area coverage,

a landowners association will be suitable. On the other hand, if the project is more for public concern, the Government will be a more proper implementing body. And when the LR project is new to a country, it is more adequate that Government takes the initiative to lead the projects.

<Conduct of Feasibility Study> To determine the viability of the project, landowners views and needs are heard; necessary information on land title and building condition, socio-economic profile, and physical conditions are collected; layout plan is prepared; preliminary replotting work is done; contribution rate is calculated; and financial analysis is made. At this stage, the technical and financial involvement of the public sector is important to guide and motivate landowners properly.

<Gazetting of Land Readjustment Project> Before the LR project is gazetted as a legal plan, a public hearing will be conducted. The project area has to be carefully selected to ensure the beneficial effects and implementability of the project.

- (b) Implementation Stage (Initial): The formal commencement of a Land Readjustment project requires a legal organization of participants. When the project is initiated and conducted by landowners, a landowners association which is normally covered by a law will be established. The advantages of such an organisation are as follows:

- Matters of concern can be delegated to authorities;
- Various matters can be decided by a majority vote;
- After this, no individual landowner can stop activities or extort special benefits by refusing to take part;
- The association as a legal corporation can negotiate and conclude agreements more easily than with many different bodies representing the project; and
- The association can contract loans for the activities.

When the project is conducted by the public sector, a special consultative body made up of elected representatives of landowners and lessees in the project area, which is called the "Land Readjustment Committee", will be organized. The committee reflects opinions of landowners and has the following specific functions:

<Matters for Consultation>

- Determination/alteration of replotting plan;
- Designation of replots; and
- Compensation for loss in land value (if total land value of a lot decreases due to the contribution in the project, the difference will be compensated in monetary form).

<Matters for Decision>

- Selection of land valuers from third parties;
- Measures to handle extremely small lots; and
- Allocation of financial land.

A primary concern of the landowners at this stage is to know the detailed information on their individual properties before the actual construction work commences, since general information on layout, average contribution rate, etc. have been basically provided and accepted. Rights on existing lands are precisely assessed, replot designing is undertaken, specific contribution rates are calculated, negotiation for compensation is started, and so on. Replotting is the central focus at this stage. It is governed by the following principles:

- The objective of replotting is to reorganise and redistribute the land equitably in such a manner that necessary space for various public infrastructure is secured and utilities of lands are enhanced. The new land (replot) must be coordinated with a detailed layout plan adopted by the authority.
  - Each landowner is to obtain land in proportion to his shares (calculated value of land before the project), unless he himself prefers otherwise. The new land is, as much as possible, to have a similar location with similar surroundings and facilities. Buildings and facilities may not be moved or demolished without consent unless it is absolutely necessary to implement the project. When it is necessary, adequate compensation in the form of similar buildings or equivalent money will be made.
  - From the legal viewpoint, the ownership as well as all charges imposed on lands will be carried over automatically to the replotted lands. With this, the right of landowners will be protected and landowners as well as financial institutions are free from discharging the encumbrances.
- (c) Implementation Stage (Middle): This stage mainly involves the construction of necessary facilities including relocation of existing buildings. During this period, there are some measures to restrict and at the same time, minimize inconvenience of landowners activities. Adequate compensation will be provided to those affected by the project, including relocation of buildings, temporary suspension of business activities, loss/damage to products, etc.
- (d) Implementation Stage (Final): This stage winds up the LR procedures. Financial land will be disposed, replots are officially registered, minor differences between calculated share and actual land will be adjusted in monetary form, and constructed public facilities will be transferred to respective administrative agencies. The timing of selling financial lands can be earlier depending upon the progress of replotting design and construction work, because it will directly affect the timing of generating income from the project.

### 3.1.2 Land Readjustment System and Practice in Japan

#### 1) Significance of LR in Urban Area Development

Japan is known as the country with the most extensive LR practice where Kukaku Seiri (KS) is called as "mother of city planning". The total area developed by KS between 1919 and 1993 reached 345,600 ha of which 269,400 ha have

been completed. At present, 1,877 projects covering an aggregate area of 76,200 ha are still underway.

The KS projects have been carried out by different bodies including local governments, cooperatives, national authorities, public corporations and individuals. The average size of the projects is 35.5 ha which varies between a few hundred hectares of the public corporations to about 20 ha. of cooperatives. KS projects are still popularly implemented.

An average of 220 to 230 projects covering 5,000 to 6,000 ha have commenced every year during the last few years. As a result, many cities were developed/improved through KS, such as Tokyo (18.3% of the total area or 47.7% of the wards area), Nagoya (62.4% of the total city area), Osaka (39.9%), Yokohama (18.5%), Kawasaki (16.8%), and so on. The KS commenced with the improvement of agricultural lands and has been expanded to cover urbanized areas, to-be-urbanized areas, disaster areas, etc. Moreover, it has become a very important tool for urban area development and improvement in Japan (refer to Table 3.1 and Table 3.2).

The objectives of the KS projects vary depending on the public or private implementors. Cooperatives (landowners association) implement KS projects mainly for the development of new urban areas (87% of the total area) followed by development of public facilities (9%), while local governments are mainly for the development of new urbanization (55%) and development of public facilities (28%) as well as improvement of existing urban area (13%).

## **2) Institutional Environment of Land Readjustment**

In order to meet suburban expansion of large metropolitan areas in Japan, LR projects have been extensively implemented based on the Agricultural Land Readjustment Act. The first City Planning Act enacted in 1919 established the legitimacy of urban KS project as a method of urban development, but practical procedures depended on the Agricultural Land Readjustment Act. This irregular application lasted until 1954 when the existing Land Readjustment Act was enacted.

In 1923, the Great Kanto Earthquake hit the Tokyo/Yokohama region, and the built-up areas were extensively destroyed. The KS method was first adopted in a large-scale for urban reconstruction. Furthermore, when the Second World War ended, majority of the cities were devastated by air raids, and the reconstruction of more than 100 of these cities were also implemented under the KS projects.

The Japanese model has been supremely viable for the conversion of scattered agricultural holdings into building land, the renewal of more central parts of urban communities, and the establishment of new infrastructure in previously developed areas. The KS in Japan can be implemented by different bodies such as individual(s), cooperatives, associations, local governments, public corporations and the Minister of Construction. The KS is the dominant urban development method widely accepted by the people.



Table 3.1  
Land Readjustment Projects in Japan (1919 - 1993)

Type of LR	No of Projects	Project Area ha	Area Completed ha (%)	Area Project Size : ha
A. LR under Old City Planning Act	1,183	49,101	49,101 (100.0)	41.5
B. Under LR Act				
(1) Individuals	1,167	20,421	18,820 (92.2)	17.5
(2) Cooperatives	4,586	103,397	74,235 (71.8)	22.5
(3) Local Governments	2,325	118,207	83,453 (70.6)	50.8
(4) National Authorities	320	33,888	32,287 (95.2)	105.9
(5) Housing and Urban	144	19,255	11,278 (58.6)	133.7
(6) Regional Development	5	1,068	- (0)	213.6
(7) Local Corporations	5	246	203 (82.5)	49.2
Sub Total	8,552	296,484	220,276 (74.3)	34.6
Total	9,735	345,585	269,377 (77.9)	35.5

Source : Ministry of Construction, Japan

Table 3.2  
Comparison of Land Readjustment Projects  
Among the Large Cities in Japan

Name of City	City Area : km <sup>2</sup>	Number of Projects	Area Covered by LR Projects : ha	Coverage of LR : % to Total
(1) Tokyo	2,145	778	39,402	18.3
(Within Wards Area)	(592)	(588)	(28,227)	(47.7)
(2) Sapporo	1,118	77	4,980	4.5
(3) Kawasaki	142	27	2,393	16.8
(4) Yokohama	427	144	7,886	18.5
(5) Nagoya	328	303	20,433	62.4
(6) Kyoto	611	85	3,777	6.2
(7) Osaka	211	105	8,423	39.9
(8) Kobe	541	75	5,427	10.0
(9) Hiroshima	676	82	2,488	3.7
(10) Kitakyushu	477	85	4,011	8.4
(11) Fukuoka	336	41	3,389	10.1

Source : Ministry of Construction, Japan

The revised City Planning Act 1969 divides the areas close to urban communities into either an "urban area" where urbanization is promoted or an "urban reserve area" where urbanization is to be kept under restraint for the time being. If an area is classified as urban, then the implementation of a project can be considered. This does not require that the area has previously been a subject of planning at a comprehensive or detailed level. The KS need not be linked to a formal detailed plan but is regarded more as an alternative method of achieving planned development. The procedure deals solely with the physical layout of public facilities and property zones but, as a rule, does not include any provisions to regulate buildings and further subdivision of land. Planning and plan implementation in Japan involve a great deal of allowance for the interest of landowners and lessees. Many urban development projects take place under private initiatives on the basis of various financial subsidy and technical support from the government.

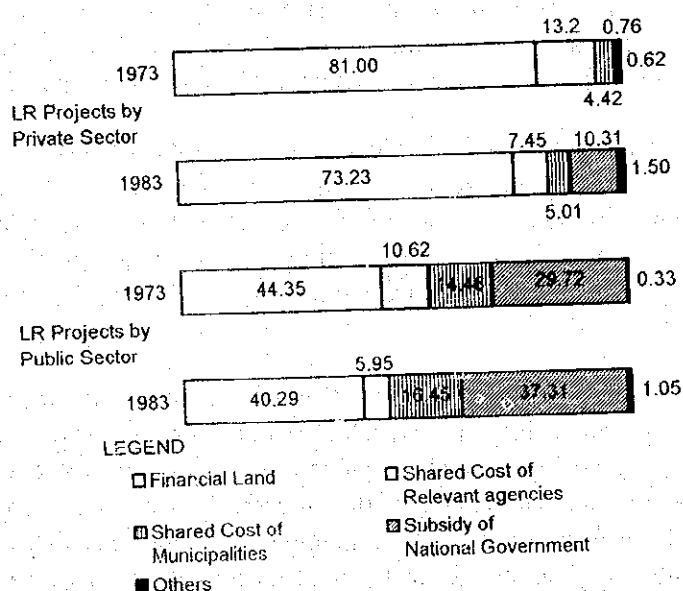
### **3) Project Financing and Support Measures**

KS projects are financed internally by the sale of financial land and externally by defrayal of relevant agencies as well as subsidies of the government. The KS projects of the private sector are mainly financed by the sale of financial land, while those of the public sector are made by defrayal and subsidies (refer to Figure 3.4).

In order to promote the KS projects and facilitate effective use of lands created by the KS project, a set of preferential tax measures are also provided in Japan. They are as follows:

- Reduction in tax on transfer of lands for KS project to be implemented by public organization;
- Tax exemption for compensation to relocation of buildings;
- Exemption of income tax, property acquisition tax, registration tax, and license tax with regard to replotting, which are otherwise imposed in voluntary exchange and merger of land;
- Tax reduction for advance transfer of land to implementing body;
- Tax reduction for the sale of financial land owned by implementing body; and
- Tax reduction for transfer of developed lands to a person who builds a house.

Figure 3.4  
Financing Structure of LR Projects in Japan



### 3.1.3 Land Readjustment Systems and Practises in Other Countries

#### 1) Germany

Methods for the restructuring of agriculture lands were already being used in certain German states during the first half of the 19th century. It was not until 1936 that a single 'Umlegungsgesetz' was passed, followed in 1937 by a 'Reichumlegungsordnung', defining the material law for land reallocation activities in the then territory of the Reich. Already in 1903, however, the city of Frankfurt had acquired a special law for the re-grouping of property within its boundaries, and similar by-laws were later adopted elsewhere in Germany.

The massive destruction wrought by the Second World War made it absolutely necessary to reorganise the urban structure as soon as possible. After the war, these laws were superseded by a new 'Flurbereinigungsgesetz' of 1953, this time common to the whole of West Germany. The 1960 'Bundesbaugesetz' was made to include uniform rules of 'Umlegungsverfahren' in urban environments. In 1987, following various amendments, these rules were made the fourth part (Bodenordnung, sections 45-84) of the 'Baugesetzbuch' (BauGB), together with provisions on boundary regulation.

Unlike Japan, there is no stipulation of pre-planning before permission is formally granted. This is partly because readjustment in Germany is directly linked with an adopted plan. In principle, then, Umlegung (land reallocation) is preceded by detailed planning. To a certain point, the absence of pre-planning stipulations is due to the municipality's having to take responsibility for initiatives and implementation. Umlegung is inaugurated by municipal order and without any stipulation of consent from landowners. The actual process begins with the municipal Umlegung resolution.

When an Umlegung is to be implemented, it is considered that it must be profitable, that is, yield a benefit to the community. There is no formal definition as to profitability. However, it is interpreted that it has to be "necessary to realize a detailed plan", on the ground that the detailed plan is assumed to be socioeconomically correct and Umlegung is taken to be the best means to its realization.

The basic principle of public-private apportionment is that, since the public sector is responsible, through the municipality and national authorities, for implementation, then the municipality must also be able to claim the profit if it so desires. Since the municipality bears the full cost of the enterprise, profits will be sequestered through the land surplus to which the municipality is entitled. This surplus, it will be appreciated, need not be confined to land for public places but can be a residual item after the landowners have received what is due them on the basis of allocation. What the landowners are entitled to, in principle, is the market value of their previous land before the readjustment. This is compared with the estimated market value after readjustment.

Umlegung is now a firmly established method in Germany for the development of areas with fragmented property structures. Since fragmentation is greatest in Southern and Central Germany, this too is where the procedure is applied most. Taking the Federal Republic as a whole, the number of such procedures recently appears to have been something like 1,000 per annum, and the hectareage thus processed has usually exceeded 5,000 hectares per annum.

Umlegung seems on the whole to be an efficient procedure and one which can often be completed relatively quickly, usually in two to three years. This, of course, is connected with the dynamic role of the municipality. The influence exerted by the landowners is limited during the formal process, while general civic influence can assert itself in connection with the preparation of the detailed plan. After the process, the sale of plots and building development are in the hands of the individual landowners. Thus, there may be a certain risk of development not pursued as intended. Since, however, the completion costs rest on the landowners, the latter are under pressure not to leave land unutilized. Usually, therefore, an area is built up within four to five years. As mentioned earlier, if there is a delay in completion then the municipality has the option to order the landowners to build, in which case the municipality will have to purchase the land if the landowner could prove that he does not have the economic resources to complete the process. The actual design of the building development can be controlled through the detailed plan and by means of a building permit.

Umlegung can, of course, imply a certain risk for the landowners due to the expense involved. On the other hand, it also gives them the chance of making a profit, since the land remains theirs. The procedure can also be advantageous from a municipal viewpoint. Apart from accelerating the procedure, it saves the municipality from resorting to expropriation. It also gives the municipality a chance of obtaining the land it needs for public purposes within the area, and to take part in the development process through the surplus land usually accruing to it.

## 2) Korea

In Korea, a model closely resembling the Japanese procedure was already introduced during the Japanese occupation, mainly based on 1934 Town Planning Act. It was only after the Korean War that the LR came to be extensively applied for reconstruction. A series of projects were launched during the 1950s in Seoul metropolitan area which, however, were quite small-scale involving less than 25 ha. In 1966, the Land Readjustment Project Act was enacted. Especially during the 1960s and 1970s, LR activity was very intensive with a large number of projects averaging 300 to 400 ha.<sup>1)</sup> The overwhelming part of the planned urbanization during this period took place through LR.

The projects were primarily conducted not by the property owners themselves (as individuals or associations) but through municipal authorities and quasi-governmental organisations. The formal initiative for a LR project comes from the Ministry of Construction, which designates the project area. Individual landowners and associations are invited to take part. If they have not - usually within a period of six months - indicated a desire to take the initiative, then the project is taken over by the local authorities or by public corporations. By 1984, about ¾ of all LR projects had been taken over by local authorities, while private sector accounted for less than 20 percent. Methods similar to Japan are applied to valuation and the calculation of shares.

Certain drawbacks to the procedure have been observed. Often the landowners have not had sufficient technical expertise to play an active part. Fear of the process has led many landowners to sell prematurely to professional middleman and developers who then obtained most of the profits. The procedure of selling financial lands escalated the price levels, because at this stage both individuals and authorities wanted to obtain maximum cost coverage. Therefore, the housing areas produced have mainly gone to people in medium and high income brackets, while less social housing has been produced.

Since the late 1970s, policy was directed to restrain the practice of LR. Through 1983 and 1986 administrative measures, the implementation of LR projects have been restrained in the six major urban areas unless other public development methods are found disadvantageous. Project size has also been limited to less than 50 ha.

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<sup>1)</sup> In the 1960s, a total of 91 LR projects with 6,176 ha were carried out, while in the 1970s, 151 projects with 14,509 ha. were undertaken

While policy changes slowed down the application of LR methods, a total of 85 projects with 0,929 ha. had been completed by 1985. During the 1980s, many projects also included homes for low-income earners. A common technique has been for the municipality to increase the amount of contribution from landowners, which was partly sold at market price while part is held back for low-cost rental housing. However, in the six major cities, no new LR projects have been initiated. By then the LR contributed greatly to the urban development (the LR covered 29% of the urban development area); the housing area equivalent to about 2.2 million units was supplied; through LR the construction of public facilities (of the total 434 sq.km LR project area), 128 sq.km or 30% of the area and facilities were transferred at no cost to relevant authorities, and so on.

The characteristics of the Korean LR are briefly summarized as follows :

- (a) **Weak Role of Private Sector:** The LR projects have been overwhelmingly in the hands of public sector. This is partly because there is insufficient support systems and there is negative response to the undertaking by associations where only a group of specialized members corner the profit for themselves rather than representing those of the members as a whole.
- (b) **Application of High Contribution Rate:** High contribution rates were applied in the Korean LR projects ; usually 40 to 60% in the case of Seoul, though a law limits the ceiling. Mainly because the project area is normally selected in urban development control area which can be converted to urban use through the LR project, the difference in land value before and after the LR project becomes very large. This is further amplified by the overall sharp increase in land prices in Korea then. Another factor that adds to the high contribution rate is that have landowners shoulder the land and costs of regional facilities such as expressway, major urban roads, regional park, etc.

### 3) Taiwan

The LR projects in Taiwan have also been influenced by Japan. The first LR project was carried out in 1958 in Kaohsiung when there was no legal provision. The project was based on the power given by the Equalization of Urban Land Rights Act, 1954 and the city ordinance of Kaohsiung was especially formulated for the LR project. In 1979, the Central Government enacted the Implementation Regulation on Land Readjustment, which became the main legal framework for the implementation of LR projects in Taiwan.

Taiwanese LR projects are generally implemented by local governments, with privately initiated LR projects still representing a small proportion. In both cases, there are conditions to acquire an agreement from more than half of the landowners and leaseholders involved in the LR project. There is a way to request the government agencies to implement the LR project if there is an agreement of more than half of the landowners and leaseholders, though this type of request is not a common practice. The government sector's initiative is normally stronger to implement the LR project.