

## The Rural Transformation Centre (RTC) Programme of Malaysia: An Examination From The Perspective of Inclusive Rural Development Concept

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### ABSTRACT

In the contemporary discourse, it is argued that the ultimate objective of rural development is to improve the quality of life for rural people. This makes it essential to go beyond the income-related factors of rural development. Inclusive Rural Development, a more specific concept than the concept of conventional rural development, accommodates the variables for the quality of life in rural development. This concept covers three different but interrelated dimensions: economic dimension, social dimension and political dimension. The key drivers of this concept are: high overall economic growth, effective land reform, rural infrastructure, effective institutions, rural financial services, a dynamic agricultural sector, rural non-farm enterprises, and subsidies. Rural Transformation Centre (RTC), implemented by the government of Malaysia, is the third generation of the rural development programmes in the country. RTC is a site to implement some integrated initiatives for the rural communities within 100 kilometre radius of the sites. There are eight major initiatives under the RTC implementation programmes, which are: training of rural population; setting up of 1Malaysia information kiosks; high-value agriculture initiatives; agro-food products processing; agricultural produce supply chain management; university cooperation; food safety and pharmaceuticals services; and rural population financial facilities. This paper will attempt to examine the merits of RTC concept of Malaysia in light of the concept of Inclusive Rural Development, which will help relevant governmental and non-governmental bodies and researchers to gain some insights regarding the potentials and challenges of RTC in improving the quality of life for rural people.

**Keywords:** *Rural development, inclusive rural development, rural livelihood development.*

## INTRODUCTION

The concept of rural development has changed significantly during last few decades (Harris 1982; Chambers 1983; ADB 2000). Until the 1970s, rural development used to be synonymous with agricultural development and, hence, focused on increasing agricultural production. This focus seems to have been driven primarily by the interests of industrialisation to extract surpluses from the agriculture sector to reinforce industrialisation (Francks, et al. 1999). With the focus on increasing agricultural production, the stated objective of most countries was to promote smallholder agriculture.

Over time, this smallholder agriculture-centric concept of rural development underwent changes. By the early 1980s, the World Bank defined it as "...a strategy designed to improve the economic and social life of a specific group of people—the rural poor" (Harris 1982). Four major factors appear to have influenced the change: increased concerns about the persistent and deepening of rural poverty; changing views on the meaning of the concept of development itself; emergence of a more diversified rural economy in which rural nonfarm enterprises play an increasingly important role; and increased recognition of the importance of reducing the non-income dimensions of poverty to achieve sustainable improvements in the socioeconomic well-being of the poor. The establishment of the Millennium Development Goals has significantly reinforced the concerns about non-income poverty. With the paradigm shifts in economic development from growth to broadly defined "development," the concept of rural development has begun to be used in a broader sense.

In more recent years, increased concerns on the environmental aspects of economic growth have also influenced the changes. Today's concept of rural development is fundamentally different from that used about three or four decades ago. The concept now encompasses "concerns that go well beyond improvements in growth, income, and output. The concerns include an assessment of changes in the quality of life, broadly defined to include improvement in health and nutrition, education, environmentally safe living conditions, and reduction in gender and income inequalities" (Chino 2000). Today there seems to be a universal consensus that the ultimate objective of rural development is to improve the quality of life of rural people. This makes it essential to go beyond the income-related factors such as prices, production, and productivity to a range of non-income factors that influence quality of life and hence inclusiveness of rural development.

Rural Transformation Centre (RTC), a programme implemented by the government of Malaysia, is a central facility established to incorporate nearby villages in high value-added product oriented activities with the objective of enhancing market competitiveness in rural communities by enabling improvement in the quantity and quality of their products. According to its mandate, RTC is supposed to improve the living conditions of people living in rural communities around 100 kilometre radius of the centre. Based on reviewing relevant literatures, this paper

attempts to investigate whether the RTC concept is in alignment with the concept of inclusive rural development within the realm of sustainable development.

### **AN OVERVIEW OF RURAL DEVELOPMENT IN EAST ASIA AND MALAYSIA**

In East Asia, Japan, Taiwan and South Korea achieved a significantly high level of rural development primarily through their structural transformation process during the 1950s to the late 1970s. Agricultural development played a critical role in rural development in these economies. In Taiwan, agricultural development contributed to capital, labour, and government revenue for the development of other sectors. In addition, it enabled rapid development of rural nonfarm economy with the assistance of appropriate government policies. The growth of the rural nonfarm economy contributed in particular to reduce potential for sharp income disparities between rural and urban households. As agriculture's share in total employment declined in these three countries between 1960 and 1980, the agricultural sector was able to provide much needed labour for sustained growth in the urban manufacturing sector. While inter-sectoral disparity constituted an important problem, economic growth and development have freed rural areas of these countries from absolute poverty and as a result the rural people started to enjoy a higher standard of living than before.

These three economies—Japan, South Korea and Taiwan—also seem to have adopted a development policy that emphasised adequate investments in basic services for the rural population and promote social development of the rural population. They ensured adequate facilities for both primary health care and primary education for rural population at the early stages of their growth, preventing a situation in which circumstances and opportunities for significant inequalities could emerge in rural areas. Egalitarian land distribution pattern resulted from land reform initiatives also fundamentally contributed to reduce sharp rural-urban inequalities in income and social indicators.

Malaysia, classified as a middle-income country in the East Asia region, was also remarkably successful in rural development through its structural transformation in the 1980s and 1990s. High overall economic growth, reasonably high growth rates in agriculture, rural nonfarm employment and rural-to-urban migration contributed to enhanced rural development in the country and millions of rural households, largely farm households, were able to improve their socioeconomic well-being and escape poverty.

Hand in hand with the success of these development initiatives, income inequality is also rising in Malaysia and other south-east Asian countries. High incidence of landlessness, poor access to quality education facilities in rural areas, inequalities in access to institutional sources of financial services, and inequalities in social indicators have a significant bearing on these income inequalities.

Moreover, the story of non-income poverty further reinforces concerns about inadequacies in rural development in Malaysia and neighbouring countries for various reasons. Firstly, most people with low social development are concentrated in rural areas. Secondly, significant intra-sectoral disparities in social development exist in rural areas. Thirdly, social development in rural areas continues to be much lower than that in urban areas. In most developing countries in south-east Asia, educational levels and health indicators of the rural population are much lower than those of the urban population; quality of education and health in rural areas significantly lag quantity. The poor quality further increases urban-rural disparities in education and health. Public facilities providing these services in rural areas are generally poor. In addition, lack of qualified staff and a high rate of absenteeism among workers at these facilities aggravate the problems (Nimal 2008).

### THE CONCEPT OF INCLUSIVE RURAL DEVELOPMENT

Inclusive rural development is a more specific concept than the concept of rural development. In broad terms, inclusive rural development is about improving the quality of life of all members of rural society. More specifically, inclusive rural development covers three different but interrelated dimensions. The first is the *economic dimension* that encompasses providing both capacity and opportunities for the poor and low-income rural households in particular to benefit from the economic growth process in such a way that their average incomes grow at a higher rate than the growth of average incomes in the sector as a whole (UNDP 2005). The economic dimension also includes measures to reduce intra- and inter-sectoral income inequalities to reasonable levels. Second is the *social dimension* of supporting social development of poor and low-income households and disadvantaged groups, eliminating inequalities in social indicators, promoting gender equality and women's empowerment, and providing social safety nets for vulnerable groups. Third is the *political dimension* of improving opportunities for the poor and low-income people in rural areas, including women and ethnic minorities, to effectively and equally participate in the political processes at the village level and beyond compared with any other categories of the population within and outside rural areas.

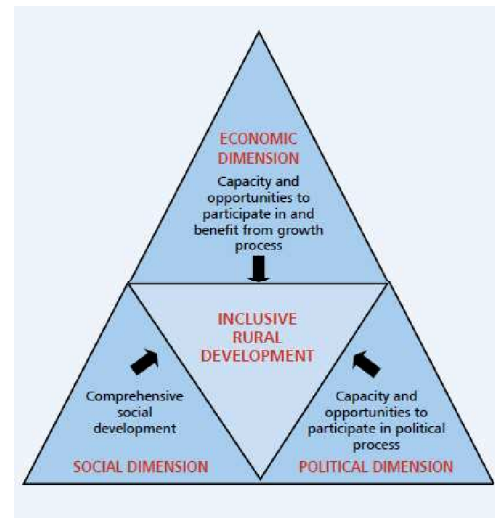


Figure 1: the three dimensions of inclusive rural development (Nimal 2008)

Scholars and practitioners differ over defining what the most important drivers of inclusive rural development are: the diversity of country contexts makes it even more difficult to offer firm answers to these questions (Sen 2006). Moreover, the global context in which countries operate today is different and it continues to change; resource endowments and economic characteristics across countries also differ. However, despite these, and many other cross-country differences, the development experience over the last five decades seems to offer some insights on what is likely to drive rural development and what could make it more inclusive. Based on these insights, the key drivers of inclusive rural development are: high overall economic growth, effective land reform, rural infrastructure, effective institutions, rural financial services, a dynamic agricultural sector, rural non-farm enterprises, and subsidies.

### THE RURAL TRANSFORMATION CENTRE (RTC) CONCEPT

Rural Transformation Centre (RTC), implemented under the National Blue Ocean Strategy 4 (NBOS4) by the government of Malaysia, is a site to implement some integrated initiatives for the rural communities within 100 kilometre radius of the site. There are eight major initiatives under the RTC implementation programmes, which are: training of rural population; setting up of 1Malaysia information kiosks; high-value agriculture initiatives; agro-food products processing; agricultural produce supply chain management; university cooperation; food safety and pharmaceuticals services; and rural population financial facilities. Additionally,

aqua tourism has been incorporated under the scope of some RTC's. The implementation of these initiatives is led by various ministries with the support and cooperation from other relevant ministries. For instance, in the execution of agro-food products processing, various agencies including the Federal Agricultural Marketing Authority (FAMA), MARDI and Department of Health support in the development of their products through branding, labelling, packaging and certification.

Under the initiative of *skills training for rural population*, The Ministry of Rural and Regional Development (KKLW) helps the rural population by providing training opportunities to rural communities around the RTC sites and surrounding areas with the objective of enhancing their knowledge, skills and abilities so that they can get better job opportunities, earn more money and improve living standards. Some of these training initiatives are in the areas of entrepreneurship, entrepreneurial motivation, packaging and branding, product performance, animal feed management, fertigation techniques, air conditioner repair skills, and welding skills.

*1Malaysia information kiosks*, a one-stop information centre that combines information and services offered by various ministries and government agencies, is another initiative of the RTC. There are five information kiosks located in the RTC and they offer a variety of services, such as: KKLW kiosk, providing InfoDesa information and agencies' mailing system; Malaysia jobs kiosk, offering employment opportunities; Agro-food Business Development Centre kiosk, allowing people to get information on the community development of agro-food business; KPDNKK kiosk, facilitating consumerism issues like the Price Watch current price forums and users' SMS application service; and MyEG kiosk, facilitating to receive a range of useful information of various public agencies.

Under the initiative of *high-value agriculture*, there are three ongoing and planned major projects, which are: premium vegetable production, dairy production project, and arowana fish breeding project. Under the premium vegetable production project at Lojing Food Production Permanent Park (TKPM), a variety of vegetables are produced that are high in demand, such as tomato and capsicum. Under the safe and quality daily production project, Dairy Industry Service Centre (PPIT) assists small-scale dairy farmers to market their raw milk. In addition, PPIT also provides technical advice and carries out tests on the quality of milk. PPIT is proposed to purchase raw milk and market them to processing plants to produce pasteurised milk, yoghurt, buttermilk and ice-cream. Arowana fish breeding project, which is yet to be implemented, is a high-value industry and has good potentials for earning high rate of returns.

The initiative *agro-food products processing*, aiming at developing food processing entrepreneurs in the field level, emphasises on the development and improvement in agro-food product quality for domestic and global markets. Attention is placed on value-added activities and towards the national agro-based industry development that is integrated into improvement of income for the farming



community. RTC Perak, in particular, is focusing on the following agro-food products: traditional cakes, virgin coconut oil, citrus fruits, salted eggs, juice, sauce, chips, frozen food and herbs.

The initiative *agricultural produce supply chain management* is planned to re-rationalise the marketing concept of agricultural products through the management of supply chain from farm to consumer involving efficient and effective planning, implementation and operational control in the supply chain, particularly in movement and storage of raw materials, inventory and end-products from the point of production to the point of consumption.

The initiative *university cooperation* aims at creating awareness through students to produce a knowledgeable society in order to achieve the objective of enhancing the socio-economic status of rural communities. The Ministry of Higher Education is responsible for leading this initiative of strengthening rural and urban links. Volunteering activities that will be implemented under this initiative are Health for Malaysia, Educate Malaysia and Rural Ambassador.

The initiative *food safety and pharmaceutical services*, offered by the Ministry of Health, incorporates mainly two programmes: technical advisory service for food safety assurance and technical advisory for security assurance of traditional medicines and cosmetics. Under the technical advisory service for food safety assurance programme, the Food Safety and Quality Division (BKKM) offers some recognition to assist the food industry— especially for small and medium industries— to produce safe food. Under the technical advisory for security assurance of traditional medicines and cosmetics programme, the National Pharmaceutical Control Bureau assists the traditional medicine and cosmetics product producers in the registration and notification of their companies' products. The bureau is responsible to ensure that registered traditional products and modified cosmetics produced by local or imported advertisers for the local market are safe, effective and of good quality.

The initiative *rural population financing facilities*, implemented by the Ministry of Finance in collaboration with various financial institutions and government agencies, provides micro credit financing to borrowers at the RTC at low interest or profit rate to help the entrepreneurs conducting their business activities in RTC. The financial institutions and funding facilities that are operating or are planned to operate at RTC are: Rural Economy Financing Scheme (SPED), Bank Simpanan Nasional, Agrobank, Perbadanan Ushawan Nasional Berhad (PUNB), TEKUN Nasional, SME Bank, MARA Entrepreneur Guarantee Scheme (SJUM), Yayasan Pembangunan Ekonomi Islam and Amanah Ikhtiar Malaysia (AIM).

## CONCLUSION

Rural Transformation Centre (RTC) is the third generation of the rural development programmes in Malaysia, green revolution being the first generation of development and building up of essential rural infrastructures being the second generation of development. The programme has already been implemented in the states of Perak, Kelantan, Malacca and Pahang and the government of Malaysia has a plan to rollout RTC to all states across the country. Among the eight major initiatives some have already been executed at some of the centres and others are in the pipeline for implementation when circumstances allow.

Among the three dimensions of inclusive rural development, the RTC concept incorporates two of them, namely economic dimension and social dimension, economic dimension being the main driver. It is expected that if implemented as per plans, RTC will enhance market access for agricultural and agro-based commodities and products for the surrounding rural communities that will have a cascade down effect on members of the rural community through more employment opportunities, business opportunities and income opportunities. Once these economic benefits are achieved, the targeted community members should be able to spend more money on their social needs such as education and better healthcare. Additionally, through government information services and through the presence of many government agencies providing basic and essential services for the rural communities, some of their social needs will be fulfilled directly by the RTC. However, neither the concept nor the implementation of the project so far has embraced any political dimension from the perspective of inclusive rural development concept.

As two of the three major dimensions of inclusive rural development have been considered in the conception and execution phase of RTC, it would be fair to say that this programme is highly likely to be an effective tool for improving living standards and socio-economic wellbeing of the targeted community members. However, some time is needed to assess the full impacts of the Rural Transformation Centre (RTC) programme from the perspective of inclusive rural development considering the fact that many of the eight major initiatives of the programme are yet to be implemented in the field level.

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