



Malaysian Government Initiatives in Alleviating Poverty in Agriculture Sector

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INTRODUCTION

Malaysia is a newly industrialized country and one of the most competitive nations in Asia. Although Malaysia's economy is stable and growing, the issue of poverty is still the main concern and given a high priority by the government. The government of Malaysia has formulated a range of national development policies, programs and initiatives and mostly addressed the issues of poverty. The major policies embody the philosophy of economy development with poverty reduction.

The economic development policies that addressed the issue of poverty were generally started in 1971, with the New Economic Policy (NEP) that covered the period of 1971-1990. This policy marks a new phase in the economic and social development of Malaysia. The NEP was basically ethnicity oriented policy, which its overriding objective was to achieve national unity through two specific strategies. The first strategy was to reduce absolute poverty with the intention of eventually eradicating it. The second was to restructure the society to correct economic imbalance so as to eliminate the identification of race with economic function.

The National Development Policy (NDP) succeeded the NEP in 1991. The main objective of NDP was to attain balanced development in order to create a more united and just society. As the problem of poverty was not as serious as they were in 1970, the NDP policy focused on the eradication of hardcore poverty and relative poverty. Under this policy, the government creates more employment opportunities and increases the participation of the Malays in the modern sectors of the economy.

GOVERNMENT INITIATIVE IN COMBATING POVERTY IN AGRICULTURE SECTOR

Besides the national policies that addressed the poverty eradication in general, the Malaysian government introduce one special program for agriculture sector called Azam Tani or literally translated as Special program for alleviating poverty in agriculture sector. The program is an initiative aims to move low income household out of poverty line level by involving the poor family in the agro-based entrepreneurship programs. This initiative provides opportunities for

poor and hardcore poor households to generate income and reduce the dependency on government aids. The incentives offered by the the Azam Tani Programs are :

- Participation in group farming or contract farming,
- Venture in farming, fishing and rearing ruminants or non-ruminant livestock
- Venture grant of up to RM10,000 for start-up agriculture venture

The implementation of Azam Tani project (Agriculture Venture)

The implementation of Azam Tani Project is managed by the Ministry of Agriculture and Agro-based Industry. The ministry was mandated to serve 22,500 poor and hard core poor within the period of 2010-2015. The objectives of the Azam Tani project are as follows:

- To increase the income of the target group with economic projects in the area of crops, fisheries, livestock, processing of agricultural products, agricultural products, agri-business and agriculture services.
- To increase the knowledge, skills and competencies of the targeted groups in agriculture through courses, hands-on training, self-reliance and technical training provided by MARDI.
- To move the Azam Tani participants out from the shackles of poverty in line with the government's aspiration to be a high-income developed nation by 2020.

The participants of this project were selected from the government database involving the target group or the beneficiaries of households as follows:

- Hardcore and overall poor with income less than the PLI. They must register with the e-Kasih database to be enable to participate in the project. E-kasih is an online database that contains the profile of the poor and hard-core poor family.
- The head of household, single mother, housewife of the head of household, children, disable person, indigenous person and hardcore and poor productivity farmers
- The priority is given to the head of household, single mother, and children of hardcore and overall poor
- People who have already involved in the economic projects, either as an entrepreneur, worker or land owner.

MARDI is a premier agricultural research institution in Malaysia. It was mandated to generate and disseminate technology for the development of agricultural sector in Malaysia. For many years MARDI has transferred agricultural technologies to farmers, breeders and entrepreneurs. In the case of Azam Tani Project, MARDI was mandated to transfer agricultural technologies to poor and hard core poor family. The Azam Tani project is a new mandate to MARDI. It is a great challenge for MARDI to implement this project because the participants are not real farmers or entrepreneurs who have been involved in the agricultural activities. This project has been set as one of the MARDI's Key Performance Indicators (KPI) for the year 2010-2015. The number of participants and its breakdown are presented in Table 1.

Table 1. The participants of AZAM Tani managed by MARDI

No	State	2011	2012	2013	2014	Total
1.	Selangor	550	30			580

2.	Perak		240	80		320
3.	Kelantan		90	150	150	390
4.	Terengganu		100	50	50	200
5.	Pahang			50	100	150
6.	Kedah			50	50	100
7.	Melaka				50	50
8.	Pulau Pinang				50	50
10.	Johor			40		40
	Total	550	460	420	450	1880

Source: MARDI Report for Azam Tani 2014

Generally, a participant can decide to take part in individual or group project. In the context of MARDI, participants are encouraged to venture in individual project. This is to ensure the technology can be transferred efficiently and effectively. The participants are given the option to choose a project that suits their interest, capabilities, skills and suitability of the location. However, the project must be within the scope that was specified by MARDI. The participants must take part in the motivational and skill training provided by MARDI before they can embark the project. This is to ensure the participants are aware about the risks and benefits from the venture, the technology that they will use, the marketing aspects and personal motivation. The projects specifically selected for the Azam Tani are as in Table 2.

Table 2. Projects for AZAM Tani Program

Sector	Example of Activity/project	Example of machinery and infrastructures provided	The value of financial assistance
Crops	Cultivation and marketing of short term crops such as sweet corns, watermelon, chili and mushroom	Mushroom house, mushroom bag, fertigation system, fertilizers and seedling.	A maximum of RM10,000
Fishery	Farming and marketing of catfish, ornamental fish and farming fish in net	Pond construction, net, canvas, boat and engine	A maximum of RM10,000
Livestock	Farming of village chickens, broilers and duck for egg production	Eggs, construction of chicken house and animal feed	A maximum of RM10,000
Processed food	Production of traditional cake, salty fish, chips from potato and banana, traditional snack, salty eggs and beverages	Oven, mixer, raw materials and machinery	A maximum of RM10,000
Agribusiness	Venture in small scale business such as selling of ready to drink soya, minimally processed fruits and traditional cake	Small stall for business venture, raw materials	A maximum of RM10,000

MARDI received about RM18.8 million from the government, during the implementation of the Azam Tani projects from 2010-2015, of which about 90% were used for the construction of infrastructures and the operation cost of the projects. The balance 10% of the budget was

allocated for administrative cost that includes training and traveling expenses for technical officers.

MARDI transfers appropriate technology for every project. A technical officer is appointed and responsible to monitor and supervise a maximum of 30 projects. He or she monitors the progress of the project very closely for two years and becomes his or her KPI. The secretariat for Azam Tani program at MARDI's headquarters monitors the progress of the project every month. A higher-ranking officer will go down and solve the issues if the technical officer or supervisor is unable to handle the problems faced by the Azam Tani participants. The process of the implementation of the Azam Tani project is presented in Fig. 1.

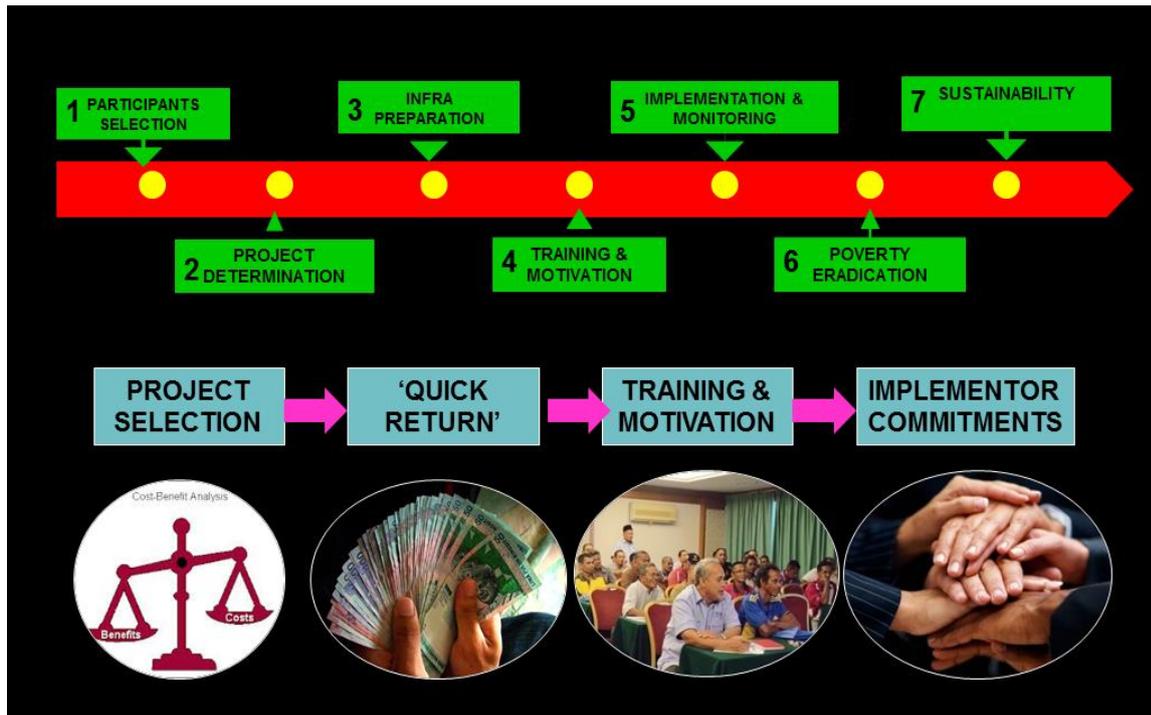


Fig. 1. The process of the implementation of AZAM Tani project

In general, the processing of agro-based products were the most popular projects selected by the Azam Tani participants, followed by agricultural services such as bush cutting, provide plow services to paddy farmers and agro-based business (Fig. 2). The demand for processing food, especially the frozen food is increasing every year. The frozen industry is projected to grow between 10-15% a year for the next five years. This is a great opportunity for the entrepreneurs to venture in this industry.

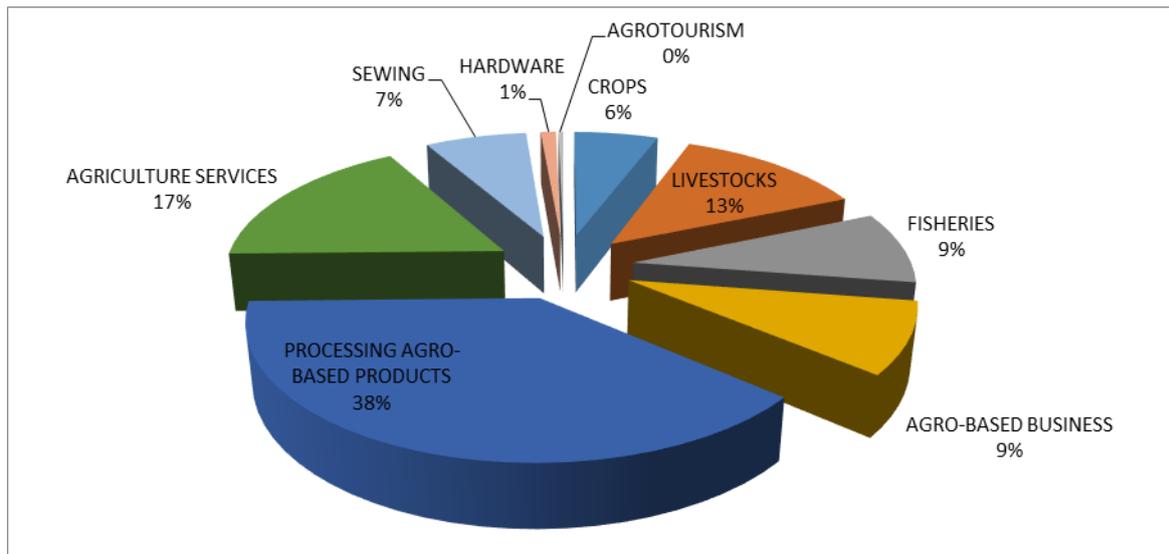


Fig. 2. Breakdown of the Azam Tani project managed by MARDI

Integration and quality improvement of the program

During the implementation of the program, progress was made in developing viable, competitive and resilient entrepreneurs. There was a significant increase in the number of entrepreneurs who earns more than RM2000 a month and moved out of the poverty groups. The implementation of a broad range of assistance provided by the government through several departments and agencies as well as private sector improved the performance of the program. The monitoring system implemented at every stage of the program such as during the selection of the project, purchasing and building the infrastructure and business running activities were the key success factors.

The biggest challenge is to sustain the program and the level of incomes earn by the entrepreneurs. Hence, the MARDI formulated several activities to improve the implementation of the program:

- Established cooperative involving all participants in the program. The establishment of a cooperative aims to gather fund that can be used to help the members should they need financial assistance. This is because, the government will not provide any financial assistance after they have moved out of the list of the poor household in the e-Kasih data based.
- Established a mentor-mentee program by which the successful entrepreneur will oversee and guide the new comers in the similar business venture. The mentor is responsible to provide consultative assistance to the new entrepreneurs and helps in the marketing efforts. The mentor will help the mentee the direction, motivation and support during the implementation of the program. This program will provide the successful entrepreneur (Mentor) to share wise counsel, knowledge, skills new entrepreneurs. The mentor can help the new entrepreneur how to overcome problems and challenges during the business venture.

The effectiveness of the initiatives/program

The Azam program was introduced to alleviate poverty and reduce the hardcore poverty level in Malaysia by providing employment and entrepreneurship skills to the hardcore and poor

citizens. The Azam program aims to increase income above the PLI which is USD210 per month for the poor and below USD550 a month for low-income earners. Based on a report published by the Ministry of Woman, Family and Community Development, more than 80,579 people in the Azam program showed its effectiveness as a strategic effort by the government to eradicate poverty in 2014. The report also indicates that the program recorded a reduction of 55.3% of the national poverty rate. The national poverty rate, consequently has dropped from 3.8% in 2009 to 1.7% in 2014. The report also revealed that since it was launched in 2010 until the end of 2013, 65.65% of the 106,967 1Azam program participants comprised women (single mother, house wife and young citizens). The program has trained and created more than 4300 woman entrepreneurs.

In the context of 1AZAM Tani project managed by MARDI, more than 54% of the participants has moved out from the poverty level, 35% progressing very well and 8% moved slowly from hardcore poverty to overall poverty level (Figure 4). Participants who are not progressing very well required more training and motivation to improve their capability.

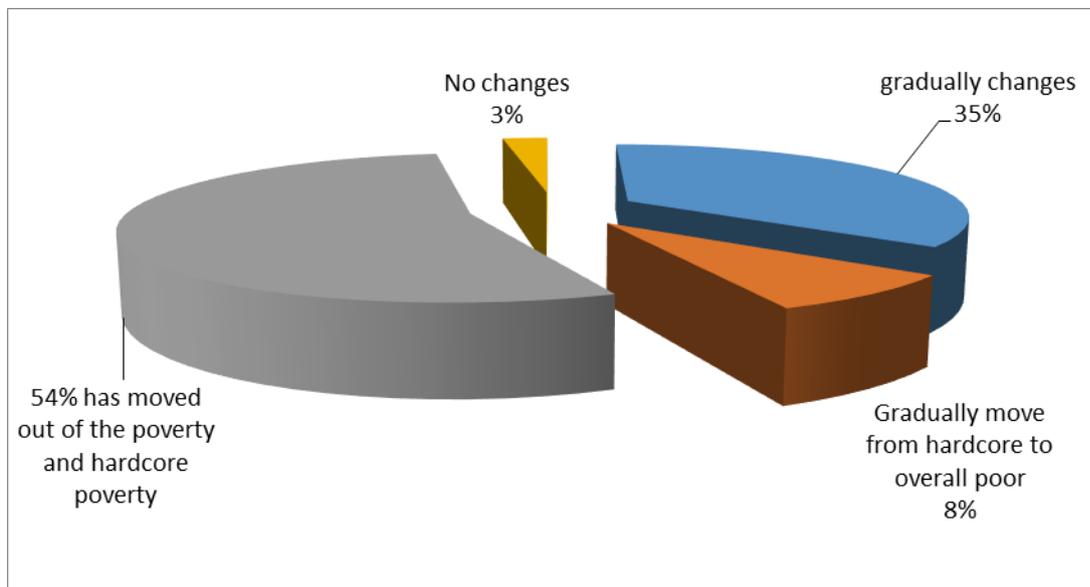


Fig. 3. The effectiveness of the 1AZAM Tani project in reduction the poverty and hardcore poverty

Generally, the socioeconomic of the participants started to change after six months they involved in the Azam Tani projects. Figure 5 shows the changes of income after the participant involved in the project. Majority of the participants earned additional income of between RM500 and RM1000 a month. About 25% of the participant increased their income less then RM300 a month, while some of the participants have earned more than RM 5,000 per months.

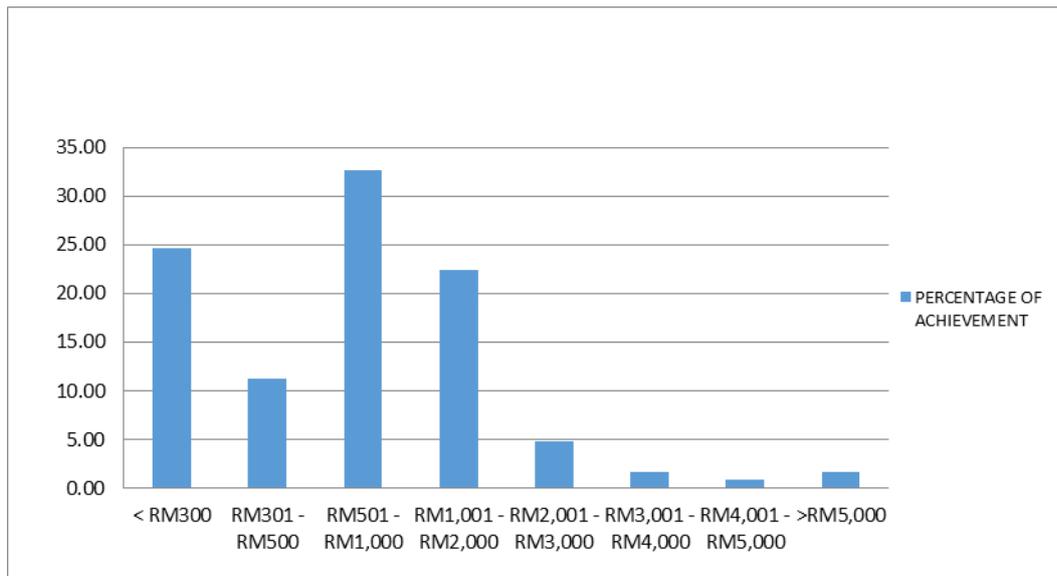


Fig. 4. The income of Azam Tani participants

WAY FORWARD

The Malaysian development, policy's responses and achievement were unique. Malaysia has successfully achieved its target to reduce poverty among its people. Taken the definition of poverty income by the World Bank is USD1.25 per day or around USD32 per month, Malaysia can be considered a free poverty country. The poverty line income for Malaysia is RM210 per household and the e-Kasih data based revealed that no household earns less than USD71 a month.

Nevertheless, there are still rooms for improvement, and thus some recommendations are suggested as follows:

- As a multiracial and multi-cultural country, there is a real need for peaceful and harmony environment and close cooperation among ethnic groups. Generally Malaysian political situation is stable. The poverty alleviation programs must be implemented across the ethnicity and supported by all parties. In a multiracial country, racial or any inter-group strife or violence is totally cannot be accepted. In other words, the key success factors for poverty alleviation are a real peaceful among ethnic or other groups and political stability.
- Technology is one of the efficient tools for the transformation of agricultural to become a dynamic, modern, innovative and competitive sector. In the context of poverty alleviation, the application of simple and cost effective technology is proven to be more effective than that a complicated and modern one. This is because the participants are generally less educated. Transfer of technology directly from a research institution to target groups is more efficient and lead to project success.
- Experience of implementing the project has provided some guidance in implementing projects involving the poor households. The commitment of participants is one of the most important key success factors in of the project. At the same time, the commitment and passion of the technical officers in monitoring, guiding and motivating the participants are another critical success factor.
- Improving the distribution of income and narrowing income imbalance between and within ethnic group, income groups, economic sector, regions and states. This can be

achieved by enforcing all employer to comply with the minimum salary scheme and provide a better job environment to all employees.

- Intensifying efforts to improve the quality of life, especially in rural areas by upgrading the quality of basic amenities, housing, health, and recreation and education facilities. This is include to provide better housing scheme that enable all people to own their house and have the access to public clinics.

CONCLUSION

Malaysia has done remarkably well in both economic growth and poverty reduction. The initiatives and programs established by the government of Malaysia are proven to be very effective in reducing the poverty incidence and at the same time improve the societal well-being of the rural population. Specifically, the Azam Tani program has the potential to reduce poverty in rural areas in Malaysia by providing these target groups with skills, knowledge and technologies. As the extent of rural poverty in Malaysia is expected to be reduced and societal well-being to be enhanced, this will result in less pressure on government to make provision for additional spending on welfare aids. At the same time, correct and poverty friendly policies are required to address the future issues and challenges pertaining to poverty in Malaysia.

Although Malaysia has made a great stride in reducing poverty and inequality (especially between ethnic groups) from 1957 to 2015, the wealth gap remains high. The gap between the rich and the poor also did not seem to improve very much. It has remained almost at the same level for the past 20 years after the new economic policy ended its period. If this gap is left unchecked, it could be harmful. Not only would it create social instability, it could stifle long-term growth, breed social resentment and generate political instability. Thus, the future economic policies development, initiatives and programs are to optimize and sustain the growth of real household income and ensure that income, and wealth are distributed in an equitable manner. The policymaker needs a new thinking of how to address new challenges in a very short time because the vision to be a develop nation is just five years away.

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