

The Governments of Malaysia & the State of Johore

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THE GOVERNMENT OF MALAYSIA AND THE STATE OF JOHOR

**JOHOR TENGAH AND TANJONG PENGERANG
REGIONAL MASTER PLAN**

**SUPPORTING VOLUME 9
ORGANISATIONS**

AUGUST 1971

C O N T E N T S

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CHAPTER 1

INTRODUCTION

1.1 The Scope of Work states that "recommendations should be made for the establishment of organisation(s) to take overall responsibility for the implementation, progress evaluation and future planning of the development of the areas, clearly defining functions". (Scope of Work B(3)(a)).

Chapter 10 of the Master Plan Report recommends that a Development Authority be established to take this overall responsibility. This volume describes the alternative forms of organisation that have been considered and sets out in greater detail the powers, functions and staff requirements of the Authority.

1.2 Scale and Complexity

The Project for the development of Johor Tenggara has three notable characteristics - very large scale, complexity and the proposed speed of development of new land.

The Project Area includes 281,500 acres of land to be developed for agriculture and 92,000 acres of forest land to be logged within the area. A variety of different agencies will be engaged in agricultural production and processing, including new agricultural activities, timber, tourism and other industry, the provision of housing and services and other activities. They will include Federal agencies - FLDA, MARA and others - agencies under the auspices of the SEDC and the State Government, PERNAS and private sector interests. This variety of agencies and of productive activities distinguishes the Johor Tenggara Project from other regional development schemes such as the Jengka Triangle, in which rural settlement and agricultural production are wholly under FLDA, or the Muda River scheme, in which irrigation for rice production is common to the region.

The Master Plan proposes clearance of 237,000 gross acres of new agricultural within the ten years 1971-80.

To deal with the sheer volume of operations and to contain their varied character, and to ensure smooth development and the effective co-ordination of the many developers involved will present a management problem of considerable complexity. Operations will have to be planned some years ahead, with every aspect of economically productive development being coordinated and related to the provision of physical infrastructure, of places to live, work and shop, and of services for the large numbers of people who will be moving into the area. Moreover the management of the area will have to be of a calibre which can not only supervise and, when necessary, control all the on-going activities, but can adapt to changes which may be generated externally to the project or which may come from the need to reappraise objectives or methods, or both. There will be need for the qualities of determination, percipience and intelligence of a high order, understanding and experience of the role and responsibilities of management if results are to be achieved with maximum economy and maximum human satisfaction.

These remarks underline the importance of the calibre of personnel and of the need for confidence and support at the highest levels of the State and Federal Governments, which are stressed in Chapter 8 of the Master Plan Report.

Without these, formal organisational arrangements of any kind cannot, by themselves, achieve anything.

1.3 Summary of Functions

The functions of the organisation are to initiate, expedite and coordinate action; to monitor and evaluate progress and continue comprehensive forward planning of implementation, identifying present and prospective bottlenecks and designing measures to remove or avoid them; to formulate policy for future development; to ensure execution by outside agencies and to execute by outside contract or directly where other agencies cannot meet requirements on time or where no agency exists to perform the required tasks.

CHAPTER 2

EARLIER PROPOSALS

2.1 Proposals were put forward in the Draft Project Report (Chapter 6) and Supporting Report 9 of January 1971 for an overall organisation for planning and control of implementation. It was proposed that a public development corporation be established with a mixed Federal/State policy board, with co-chairman the Menteri Besar of the State of Johor and the Assistant Minister to the Prime Minister. It was recommended that the chief executive be appointed as soon as possible and preferably not later than April 1971, to take part in the Master Planning phase, to begin work on the establishment of the Corporation and to initiate the most urgent development tasks. Alienation of unalienated land in the Project Area to the Corporation was recommended. (Draft Project Report Chapters 6.1 and 8.2: in SV 1).

These proposals were discussed by Review Group V, with particular attention to the control and authority of the Corporation, the State Economic Development Corporation (SEDC) and land alienation. In concluding its report to the Steering Committee in March 1971, the Review Group emphasised that on most of the issues "no specific recommendations could be submitted. This was due to political and legal implications which bounded such issues, thus placing them beyond the competence of the Group" (Memorandum from Review Group No. V - Development Corporation and other agencies, to the Steering Committee, paragraph 11). The Steering Committee invited the Consultants to put forward "ideas on possible types of administrative set-up which they think would be appropriate, for consideration by the Federal and State Governments. When all possible alternatives have been laid out within the Master Plan, the two Governments could then decide on an alternative agreeable to both". (Notes of the eleventh meeting of the Steering Committee, South East Johor Project, 23rd March 1971).

The recommendations in Chapter 8 of the Master Plan Report, which are considered in greater detail in this volume, have been prepared in the light of the report of the Review Group and of later discussions.

They also take into account the promulgation, in February 1971, of Emergency (Essential Powers) Ordinance No. 87 of 1971. Even if the recommendations in the Draft Project Report had proved acceptable and practicable in other respects, they would have had to be revised after the promulgation of this Ordinance, which provides for Federal participation in State corporations established by State law.

2.2 Ordinance No. 87 1971

Ordinance No. 87 was promulgated in February 1971 and applies to all State development corporations established by State law after 31st December 1970. It provides for Federal participation, elements of Federal control over such corporations and for their access to Federal resources.

Extracts from the Ordinance which are particularly relevant to the establishment of the Development Authority are quoted in Appendix A of this volume. Amendments to the Ordinance are recommended in Appendix B. Important provisions are summarised below.

No corporation shall after the coming into force of the Ordinance, be established by any State

for the purpose of carrying out the development of urban and rural areas, unless arrangements shall have been made between such State and the Federation in relation to the establishment thereof.

The Ordinance provides that "the Federation may grant monies to a Corporation for the purpose of carrying out its functions". (Section 6). It provides for three Federal representatives to be on the Board of the Corporation; State law may provide for more than three. The Corporation will be subject to any directions of the Minister (The Prime Minister or his designate), who will also approve the budgets of the Corporation.

The Ordinance includes provisions which make it possible for a corporation which is responsible for coordinating the activities of both Federal and State agencies to have formal authority at least as extensive as that enjoyed by any of those agencies: "State law establishing a Corporation may provide a) for the performance of any functions of any authority of the Federation by the Corporation; and b) for the executive authority of the Federation to extend to such a Corporation" (Section 4 (2)).

ALTERNATIVE CORPORATIONS/AUTHORITIES

3.1 Three possible alternatives are considered in this chapter:

- a) the State Economic Development Corporation (SEDC) in its present form and with present sources of finance;
- b) the State Economic Development Corporation reconstituted under Ordinance No. 87, with Federal participation and resources;
- c) a new and separate authority, established in the form of a State development corporation under Ordinance No. 87 with Federal participation, initially to take overall responsibility for implementation of the Johor Tenggara Master Plan, but with the law so drafted that the same authority may gradually take responsibility for other projects.

Like the present SEDC, alternatives b) and c) are State development corporations established by State law, in which the Chairman of the Board is the Menteri Besar or appointed by the Menteri Besar.

The third alternative - a separate authority - is recommended in the Master Plan Report. The crucial objection to the use of SEDC itself is on grounds of conflict of interest. SEDC in any form will have particular commercial interests in the Project Area. It cannot also act as the impartial coordinating body with overall responsibility for implementation of the Master Plan.

This objection is discussed in section 3.4. It may be left aside for the moment, however, in order to describe SEDC and consider the changes that would be required in resources and control if it were to be given the capacity which the organisation with overall responsibility for implementation will need.

3.2 State Economic Development Corporation

The Johor State Economic Development Corporation was established by enactment under State law (No. 4, of 1968, effective from 18 May 1968).

It is "the duty of the Corporation to promote, stimulate, facilitate and undertake land development in the State of Johor for purposes of agricultural, residential, industrial, mining and commercial development" (Section 16(1)). Wide powers are provided by the enactment.

The Chairman of the Board is the Menteri Besar. Ex officio members of the Board are the State Secretary, State Legal Adviser and State Financial Officer. Other members are the Director of the Corporation, and the Deputy Chairman and three to five other members appointed by the Ruler in Council.

The first Director of the Corporation took up his appointment on 1st August 1970.

The main initial assets of the Corporation were a rubber estate, purchased by the State Government and transferred to the Corporation, and a concession for extraction of silica sand on the East coast of Tanjong Penggerang. Its main sources of initial finance are grants and loans from the State Government and borrowing from other sources. Earnings from operations and from investments will not add significantly to its fund

for some time. Share issues by subsidiary companies, or by the Corporation itself, may be possible later.

The amounts the State Government can provide are limited by the State's own revenues and reserves. The SEDC can borrow from normal commercial sources, but the extent to which the State Government can guarantee such loans is limited. This implies that most of SEDC's borrowing, apart from borrowing from the Federal Government for specific limited purposes, must be on the security of land or other assets. The sums that can be raised in all these ways may amount to \$30-\$40 millions over the next five years.

As at present constituted, the Corporation is the instrument of the State Government for commercial investment. It is already engaged in commercial ventures and is preparing to embark on others, in various sectors. In the selection of projects some weight is given to the amount of employment created and to the contribution to other social objectives; but the main emphasis, especially in the first period of relatively small resources, is on commercially profitable projects which will yield a fairly quick return, in order to build up the Corporation's capital and borrowing power.

In preparation for expansion of its investment activities the Corporation is establishing its headquarters organisation. By the end of 1971 it plans to have nine managerial and professional staff.

Although the initial resources of the Corporation and those which should become available to it in the next five years are quite substantial in themselves, they represent no more than a small fraction of the amounts required for organisation and implementation of development of the Project Area.

Federal support and finance are essential to create an effective organisation to take overall responsibility for implementation of this large scale programme and to provide development finance for those parts of the plan which are implemented directly by the organisation or for which it provides the channel for finance to other agencies. The supply of Federal finance, including finance raised by the Federal Government from international lending agencies, would have to be accompanied by elements of Federal control and the introduction of Federal participants to the Board. The organisation with overall responsibility for implementation must itself have implementing powers. It is proposed in the Master Plan that it should have direct responsibility for control and finance of very substantial development expenditures on major construction programmes. Even if this were not so, and if the organisation were to have little direct responsibility for development expenditures, Federal support and participation would be necessary. A strong coordinating body and well-staffed and effective forward planning of implementation are essential to maintain the pace of the whole programme and to avoid possibly very large waste of resources in projects using Federal finance and external loans.

Under existing law, reconstitution of the State Economic Development Corporation to introduce Federal participation and resources would imply the creation of a corporation subject to Ordinance No. 87 of 1971 (see Chapter 2 and Appendix A).

3.3 SEDC Reconstituted or A New, Separate Corporation

The choice between the second and third alternatives lies between a single corporation: a reconstituted SEDC; and two separate corporations: a new corporation for Master Plan implementation and SEDC in its present form, responsible for its specific development activities or projects in the whole of the State, including projects and contracts in the Project Area.

The single corporation - the State Economic Development Corporation reconstituted - would be responsible for both the implementation of the Master Plan in the project area and also for the specific development activities or projects of SEDC in the whole State of Johor.

The arguments for a single corporation - that there should be one semi-autonomous State corporation engaged in development in the State, creating divisions or subsidiaries for different projects as required - have been given most serious consideration by the Consultants. It is obviously sensible to avoid the creation of a number of separate corporations for different projects, each requiring separate enactments, separate Boards and separate staffs, some of whom are bound to duplicate each other's activities. In practice, three or more members of each Board would be the same individuals - the Menteri Besar, the ex officio members: the State Secretary, State Financial Officer and/or State Legal Adviser, and almost certainly some of the other members appointed by the Ruler in Council. It is clearly preferable to set up a single corporation, with one Board and one Director, which can create subsidiaries or divisions without separate enactments and which can provide common services required by several projects from its headquarters professional and technical staff: it is preferable, but only if the objectives and functions of the various subsidiaries or divisions are similar or, at least, are not in conflict with each other, and cannot easily be thought to be in conflict. This condition is emphasised. It cannot be satisfied by a subsidiary or division of SEDC being given overall responsibility for implementation of the Johor Tenggara Master Plan. The crux of the matter is conflict of interest. This is considered further below (3.4). Apart from this, other objections do not seem to be insuperable. Two are dealt with briefly in the following paragraphs.

If a reconstituted SEDC were responsible for Master Plan implementation, it would either concentrate its efforts and resources on the Project Area, to the neglect of other areas of the State, or give inadequate attention to the Project Area. These dangers could be reduced if the corporation had really adequate resources for both tasks and if the Project Area responsibility were separated from other activities and handled by a separate staff.

A reconstituted SEDC would have Federal members of the Board, who would thus be involved in the affairs of SEDC outside the Project Area. Again these problems might be reduced or removed by separation, which would mean, in effect, the creation of a separate, but associated Board and corporation (not a subsidiary) with Federal participants for Johor Tenggara.

The measures required to meet these two objections amount to the establishment of a new corporation with Federal participants and its own separate staff and resources, to take on the new and additional huge task of ensuring implementation of the Master Plan. If this were done, SEDC could be

maintained as a separate instrument, without Federal participants, undertaking development projects and other activities anywhere in the State. But the avoidance of conflict of interest makes it essential that a new corporation or authority should not be any more closely associated with SEDC than a department of Government.

3.4 Conflict of Interest

The objectives and functions of the organisation with overall responsibility for implementation of the Master Plan are not the same as those of SEDC. They will often conflict, or appear to conflict.

The organisation will assist, coordinate and when necessary implement directly economic and social development in accordance with State and national policies. It will have to reconcile priorities and resolve differences between operating agencies. It will consider and advise on future allocations of land to different kinds of agency. It will award contracts. It will itself control and be the channel of finance for projects from which there is no direct financial return - like road construction - and other projects - like urban housing development - which are social services, not normally commercially profitable. The organisation is not intended to make money directly: its activities will contribute to increasing general tax revenue and they will be financed from general Government funds. Its functions are much closer to those of a Government development planning development with strong reserve powers to implement, than to those of a commercial corporation.

In contrast, the State Economic Development Corporation is expected to be self-financing and, if possible, to make profits. It is the commercial instrument of Government, but deliberately separated from the ordinary Government machine. In selection of type and location of projects, it will take account of Government policy requirements, but if to do so means financial loss, it must expect Government to cover the loss. It may develop services, to be provided at no more than cost, but its main and valuable function must be to undertake financially profitable investments.

SEDC is already operating in the Project Area and opportunities exist for its investment in forest industries, agricultural projects, tourism and possibly mining, which by themselves could absorb more than its probable resources, quite apart from projects elsewhere in the State. Once it has built up its capability, it can also act as a contractor, providing services on commercial terms.

But, as one of the operating agencies and contractors in the Project Area, it could not also take on the coordinating and other functions of the organisation charged with overall responsibility for implementation. Like other operating agencies, public and private, it has clear interests in particular decisions of that organisation - for example on award of contracts and on advice on land allocation. In such matters the organisation has to play an impartial role.

The differences between the objectives and functions of the organisation and those of SEDC provide the overriding reason for the recommendation that a separate Development Authority be established. Although under existing law including Ordinance No. 87 it should be established as a State development corporation, the title "Authority has been used to mark this difference in functions.

ALTERNATIVES: CONTROL AND APPOINTMENT

4.1 Table 4.1 summarises several possible alternative relationships between State and Federal Governments and a corporation or authority, and alternative powers to appoint and scopes of functions of Chairman, Board and chief executive.

Alternatives 7 and 8 are included for purposes of illustration. They are Federal corporations or authorities, whereas the organisation for the Project must be a State corporation.

The table excludes the proposal put forward in the Draft Project Report of January 1971 for two Co-Chairmen to be appointed by State and Federal Governments. The promulgation of Ordinance No. 87 in February 1971 allows the legal and political complications of that proposal to be avoided.

In columns 1 and 2, alternatives 1 and 2 are State corporations established before Ordinance No. 87 of 1971 came into force. Alternatives 3-6 are subject to that Ordinance, so that the Prime Minister or his designate may give directions to these corporations, approve their budgets and issue Federal resources to them. The Boards of such corporations include Federal participants in accordance with the Ordinance (Column 5).

In column 4 a broad distinction is made between Chairmen with executive functions and Chairmen whose functions are policy making, not execution. The same distinction can apply to Boards. In practice there exists a wide range of possible variations in the extent to which a Chairman or Board is intended to be concerned primarily or wholly with policy.

In two relevant examples - the Johor SEDC and the recently established Jengka Development Corporation (Perbadanan Kemajuan Jengka) - the scope of functions is not spelt out in detail; but one important indication is the location of administrative control of the staff of the corporation. In the Johor SEDC this rests with the Director, whereas in the Jengka Development Corporation it rests with the Chairman of the Board, who also makes contracts and prepares budgets.

In table 4.1, the Johor SEDC has been classified as having a Chairman (and Board) concerned with policy, with the Director as Chief Executive; the Chairman of the Jengka Development Corporation has been classified as executive.

In alternatives 5 and 6 the senior executives (chief executive in 5; Chairman and chief executive in 6) are appointed by the State with Federal concurrence.

In addition to Federal concurrence, if the corporation is the key organisation in implementation of the whole Master Plan, consultation with international lending agencies may be required on certain appointments. Even if the corporation itself is not a direct recipient of international loan funds, its operations will affect the implementation of projects by other agencies which are direct recipients. (For example certain key appointments in FLDA and in the Jengka Triangle Forestry Project require IBRD consultation or agreement).

TABLE 4.1

Alternatives: Control and Appointment

	1	2	3	4	5	6	7
	Relationship of Government Federal	State	Chairman appointed by	functions	Board appointed by	Chief Executive appointed by	Example
1	-	control	S	policy	S	S	Johor SEDC
2	-	control	S	executive	S	S	
3	general instructions, finance	control	S	policy	SF	Chairman	
4	"	"	S	executive	SF	Chairman	Jengka D.C.
5	"	"	S	policy	SF	State, with Federal concurrence	Recommended Development Authority
6	"	"	State, with Federal concurrence	executive	SF	State, with Federal concurrence	
7	control	-	F	policy	F	F	Lembaga Urusan dan Tabong Haji
8	"	-	F	executive	F	F	FLDA

S = State Government F = Federal Government SF = State and Federal Governments

4.2 Assessments of Alternatives: Control and Appointment

Alternatives 1 and 2, without access to Federal finance and without Federal participants, have inadequate resources to be effective organisations with overall responsibility for implementation.

In alternatives 3 and 4, the appointment of the Chief Executive is determined directly or indirectly by the State Government alone. This is not likely to be compatible with the Federal Government's need to assure itself of the effective use of Federal resources and it may not satisfy requirements of international lending agencies. Such requirements may well be more important for the Authority responsible for Johor Tenggara than they are for the Jengka Development Corporation, especially if at some future time applications for loans are made for the development of an entire area rather than for a specific project within the area. Provided that it is established at the start of development, the Development Authority will have wider functions than the Jengka corporation. The latter has limited functions concerned mainly with the urban development within the Jengka Triangle and other social amenity developments; FLDA remains solely responsible for agricultural development and settlement. In Johor Tenggara, agricultural development will be undertaken by various agencies, which will require coordination and pressure to maintain progress, and not solely under FLDA as in Jengka. Development in Johor Tenggara includes tourism, logging and establishment of timber industry: the Authority will have to initiate these developments and will take part directly in execution of certain programmes. Moreover, if established early, the Authority will undertake functions which in the Jengka Triangle have had to be undertaken by other agencies, in particular by FLDA itself.

Alternatives 4 and 6 each have an executive Chairman. This cannot be recommended for the Development Authority. The Authority's chief executive must have full executive control.

An executive Chairman would only be effective if he were fulltime and had himself been selected as the chief executive, with the necessary calibre and experience. With an executive Chairman the Board would become either an executive Board or an advisory Board, whereas what is required is a policy Board (see section 4.3).

Rejection of alternatives 1, 2, 3, 4 and 6 leaves the remaining alternative: 5. This is a State corporation established by State law subject to Federal Ordinance No. 87 of 1971, with a Policy Board and a chief executive appointed by the State with the concurrence of the Federal Government (Prime Minister or his designate).

4.3 Policy Board

The Board of the Authority will be composed of a mixture of politicians, officials and others. It could be either

executive
policy making
advisory

An executive Board containing politicians and other part time members would be impossible since it would be bound to involve itself in details of management, when what is required is unified, purposive management at all levels.

A policy making Board should provide valuable political balance; it should introduce a broader

view of national and state priorities into the decisions of the organisation; it should provide a buffer against political, group and personal pressures; it should ensure close collaboration with the agencies and departments of various levels of Government.

On the other hand care must be taken to ensure that a Policy Board cannot turn itself into an executive Board, weakening the authority of the chief executive and senior staff, leading to inconsistent decisions and gaps between planning and execution.

An advisory Board is inappropriate. The Board must include as Chairman the Menteri Besar (or someone appointed by him) and other members who represent the highest levels of Government and who are able to take well-informed and rapid policy decisions - not merely give advice - on the plans and proposals submitted by the chief executive.

The proposed powers of the Policy Board of the Authority are set out in section 6.2.

4.4 Composition of the Board

The composition of the Boards of the present Johor State Economic Development Corporation, of the new Jengka Development Corporation, of the corporation proposed in the Draft Project Report and of the Development Authority recommended in the Master Plan Report, are set out below.

(a) Johor SEDC

Chairman	- Menteri Besar
Deputy Chairman	- appointed by Ruler in Council
Ex officio members	- State Secretary
	- State Legal Adviser
	- State Financial Officer
Corporation	- Director of the Corporation
Other members	- Three to five other members appointed by the Ruler in Council

(b) Jengka Development Corporation

Chairman	- appointed by the Menteri Besar
State Officers	- State Secretary
	- State Financial Officer
Federal members	- Ministry of National and Rural Development
	- Federal Treasury
	- FLDA
Corporation	- General Manager of the Corporation
Other members	- Two members appointed by the Menteri Besar.

(c) Draft Project Report Proposals

Co-Chairmen	- Menteri Besar and Assistant Minister responsible to Prime Minister or Federal Minister.
State Legislature	- Two members of Executive Council
State Officers	- State Secretary
	- State Financial Officer
	- Commissioner for Lands and Mines
SEDC	- Director SEDC

- Federal Officers
- Treasury
 - EPU
 - GPU or DNU
 - Ministry of National and Rural Development
 - Ministry of Agriculture Lands and Mines
 - Ministry of Commerce and Industry
 - General Manager
- Corporation Others (without voting powers)
- Two to six other members appointed by the Co-Chairmen.

Two members of the Executive Council or appointed by the Ruler in Council.

Of these the State Secretary, the State Financial Officer and two members of the Executive Council or appointed by the Ruler in Council should be included.

From two to six other members, with relevant experience but not representatives of agencies operating in the area should be added with or without voting powers. The method of their appointment and the question of voting powers should be agreed as part of the arrangements in relation to the establishment of the Authority as a corporation, made between the State and Federation, under section 3(1) of Ordinance No. 87, 1971.

(d) Revised membership of Board of Development Authority

The proposal in (c) that there should be two Federal and State Co-Chairmen is now made unnecessary by the promulgation of Ordinance No. 87, under which the Prime Minister or his designate may give instructions and approves the budgets of State development corporations.

This Ordinance requires there to be three Federal members of the Board, although the State law establishing the corporation may provide for more. It specifies representatives of the Treasury, the Ministry of National and Rural Development and FLDA. This combination is designed for the Jengka Development Corporation, but it may be quite inappropriate for other State Corporations that may be established (e.g. primarily for industrial development). For Johor Tenggara it is definitely not recommended that any of the several implementing agencies should be a member of the Policy Board. It is recommended that three Federal members should be appointed from the Prime Minister's Department (EPU/GPU), the Treasury, and the Ministry of National and Rural Development, and that one other member be appointed from a Federal Ministry - possibly the Ministry of Commerce and Industry, in view of the importance of tourism. This recommendation requires amendment of Ordinance No. 87 (see Appendix B). The views on policy of FLDA and those of MARA and other agencies under the auspices of the Ministry of National and Rural Development will be presented by the member from that Ministry. The major share of FLDA in the agricultural development programme obviously makes it especially important for the staff of the Authority to work closely with FLDA's regional organisation in South Johor.

The proposed Board comprises:

- Chairman - Menteri Besar or appointed by Menteri Besar (these alternatives are discussed below)
- Federal members - Prime Minister's Department
- Federal Treasury
- Ministry of National and Rural Development
- One other Ministry - possibly Commerce and Industry
- Development Authority - Chief executive
- Other members could be drawn from
- State Secretary (as in SEDC and Jengka DC)
 - State Financial Officer (as in SEDC and Jengka DC)
 - State Legal Adviser (as in SEDC)

They should be drawn from among those appearing to be qualified by shown capacity and/or with experience in matters relating to finance, manufacturing, housing and town development, commerce, local government, forestry, agriculture, tourism, administration and management, or others qualified in any appropriate learned profession or otherwise suitable by virtue of their special knowledge and experience. None of these should be directly engaged in or represent bodies engaged in developments in the area.

The Chairman and Board will be concerned only with broad policy questions and approval of budgets and plans submitted by the chief executive.

It is suggested that the Chairman should be the Menteri Besar or appointed by the Menteri Besar. This choice is for consideration. Whatever the choice, it is essential that the Menteri Besar should be responsible for ensuring political and administrative cooperation in the State and be personally committed to the successful implementation of the Master Plan.

MENTERI BESAR

PRIME MINISTER
or designate

- 1. Chairman of Board or appoints chairman.
- 2. Appoints senior staff with Federal concurrence.

EXECUTIVE COUNCIL *

- 1. Final authority on land alienation etc.
- 2. Approves State expenditure.

- 1. Concurs senior staff appointments.
- 2. Policy directions.
- 3. Budget approval.
- 4. Federal finance.

- 1. Information on progress
- 2. Advice on policy direction and budget.
- 3. Advice on instructions Federal depts. & Agencies

DEVELOPMENT AUTHORITY

STATE COMMITTEES & DEPARTMENTS *

- Natural resources
- Agriculture
- Local Government
- Social Welfare
- State Officers
- District Officers

POLICY BOARD

- Chairman
- * State Members
- Federal Members ▲
- Other Members
- Chief Executive

FEDERAL DEPARTMENTS

- ▲ PM's Department
- ▲ Treasury
- ▲ MNRD — { FLDA, MARA, FELCRA, Etc.
- ▲? Min. of Commerce & Industry, Town & Country Planning, Education, Health, Etc. etc.

- 1. Submits plans, budgets etc. for approval of Policy Board
- 2. Submits recommendations to Ex Co on land proposals.
- 3. Liason with heads of all Federal and State depts. and Agencies, Policy Board members, senior executives of other agencies.
- 4. Leader of senior staff group.

Officers in Federal Ministries
Officers in State

Development Implementation Deputy CE Planning & Policy Technical Services

---LIAISON--- ---LIAISON---

Implementing Agencies

Direct Control & Finance

Contract

Close liason to assist implementation, joint forward planning, services etc.

Cattle scheme
New town development corporations etc.

SEDC
PERNAS
Private Contractors

Independent department Agencies.
FLDA S. Johor division
SEDC
Timber Complex organisations etc.
Public departments providing services.
Private developers
Tourist development.

LAND ALIENATION

5.1 The Master Plan prepared by the Consultants will be considered by the Federal and State Governments and may be modified in certain respects. It is assumed that the modified plan will then be accepted by the Governments.

The Master Plan is the start of what must be a continuing process of planning for the development of Johor Tenggara. The indicative nature of the Plan increases with time and the need for interpretation and revision in the light of later developments and information, are stressed in section 7.2.

Decisions with respect to land in the Project Area should be taken in the light of as full information as possible on their implications, especially if they may affect the planned location of roads or villages or the timing of developments elsewhere.

Arrangements are required which ensure that land alienation complies with the approved plan and

(a) ensure that "the final approval for alienation... will be vested in the State Government";

(b) meet "the need to reflect vital interests of the Federal Government in specific alienation policy".

(Quotations from Report of Review Group V, 6 March 1971).

A procedure which appears to meet these requirements is set out in the Master Plan Report and repeated, with additional comments, below. The essential point is that no land in the project area should be alienated without prior examination of applications by the chief executive of the Authority and his recommendations to Executive Council.

a) Before any decisions are made on alienation or other proposals relating to land in the Project Area, the applications or proposals will be examined by the chief executive who will make recommendations to the Executive Council or to a body or person to whom requisite powers have been delegated.

b) The primary purpose of the chief executive's examination of applications or proposals will be to ensure that they are consistent with approved policies and plans, or, if not, that they justify plan revision, and that they will not adversely affect implementation of other projects or of the programme as a whole.

In preparing his recommendations he will consult as appropriate with the specialist officers in the State, especially with those whose approval is required by law.

c) The chief executive's examination and recommendations will take account of the vital interests of the Federal Government.

d) If, on first consideration, the Executive Council is not satisfied with these recommendations, it should postpone its decision in order to give the Board of the Authority the opportunity to examine the matter and to advise the Executive Council, before it makes its final decision. This provision does not alter or affect the final authority of the Executive Council.

e) The Executive Council will inform the Board of the Authority of all alienations and other

decisions with respect to land in the Area as soon as they have been made.

Points a), d) and e) should be incorporated in the law establishing the Authority.

This procedure applies to all applications or proposals with respect to land in the Project Area, including applications for changes in express conditions, if any are imposed (see SV 6 Section 3.2.2 for recommendations on express conditions).

In his comments and recommendations the chief executive will be primarily concerned with the broad purpose for which the land is to be used (agricultural, industrial, tourist etc.), how it is to be developed and when. If detailed physical plans have been prepared for the area, he will examine proposals jointly with the State Department of Town and Country Planning to ensure that the proposals are consistent with those plans or that, if not, they are sufficiently good to justify plan revision. He will consult directly with applicants when appropriate.

In many cases the Authority, on behalf of the State Government, will have invited applications for areas of land whose development is due according to plan. The purpose of the examination of applications will be to identify those in which the proposed development is seriously inconsistent with the objectives of the plan or where an applicant appears to lack the capital or competence to undertake the development. Normally the majority of applicants will pass these tests and the recommendation would say little more than that the land should be alienated to any one of them. Further recommendations might be added on prices and rents to be charged in urban or tourist development areas, and in agricultural areas in which infrastructure has already been provided (where the premium might be based on market valuation).

Less straightforward are the cases in which applications for land anywhere in the project area are received without prior invitation by the Authority. Such applications may represent new proposals by potential public or private developers for projects which imply different land use or different timing or a significant change of agency from those in the plan as approved. Some of these proposals will be promising and attractive. The planning process must be flexible enough to take them into account. These applications and proposals should be evaluated by the chief executive and staff, with respect to their direct consequences and their effects on other parts of the programme, including their direct and indirect effects on the vital interests of the Federal Government. Effects of changes in phasing of development and provision of infrastructure are likely to be particularly important. These evaluations may lead the chief executive to submit revised plans to the Board for approval. If, however, an application and proposal are inconsistent with the objectives of current plans and do not appear to the chief executive to justify the revision of those plans, he will recommend to Executive Council that the application and proposal be rejected.

If this outline procedure seems satisfactory and acceptable several points require further consideration and decision, including those below.

5.2 a) Definition of matters affecting the "vital interests of the Federal Government" may be by size of area, scale of capital investment or Federal or international loan component, nature of project or a combination of these. It is noted that projects of interest to the Federal Government may be affected indirectly by alienation and development elsewhere, especially if these alter phasing.

b) The area with which the Authority is concerned will include all that land currently unalienated to which the Master Plan applies; but the areas covered for certain purposes should extend beyond this. For example the planned provision of roads and establishment of services will affect and be affected by developments in already alienated areas and existing settlements, especially in Tanjung Penggarang and in the towns of Kluang and Kota Tinggi. This point may be taken into account generally in drafting the law by a provision that "the areas within which the Development Authority operates will be defined by the Ruler in Council". (See also Chapter 10).

It will be necessary for the land in the Project Area to continue to be frozen until the Master Plan has been approved and the recommended procedure adopted. The State should also consider freezing all land within a reasonable distance of the Project Area boundaries in order to preserve its betterment rights.

5.3 Alternative Considered

One main alternative was considered which would maintain the final authority for land alienation in the Executive Council and at the same time ensure that, when taking decisions, Executive Council is informed of the advice and recommendations of the chief executive. It might be possible to adopt arrangements similar to those made with FLDA, whereby the State Government vests an area in FLDA for the purposes of development and settlement. Settlers are selected in accordance with policies agreed between the State Government and FLDA. Settlers are registered by FLDA as occupiers in expectation of title. On completion of debt repayment by the settlers, FLDA will revert the area in the State Government, recommending that the planted area be alienated to a cooperative society or to the individual settler and that the house lot be alienated to the settler.

The precise form of this arrangement does not quite fit the requirements for implementation of the Master Plan, but the procedure that has been recommended is intended to have similar effects. Alienation to FLDA settlers does not take place until long after initial development and establishment of production has been completed. A scheme remains under the auspices of FLDA for at least 20 years. Once the land is alienated, FLDA will, in principle, withdraw from the scheme area, although it is envisaged in the agreement with settlers on oil palm schemes that FLDA will continue to process the scheme's output.

In contrast, land which is to be developed in the Project Area by private developers - for agriculture, tourism or other purposes - will normally be alienated to the developer before any development takes place. After alienation, the Development Authority will still be closely concerned with the area. It will ensure that development takes place in accordance with approved policies. In tourist and urban areas especially, it will work with the Department of Town and Country Planning to see that developments are in accordance

with approved plans, and to consider proposals for changes in broad zoning which may affect Master Plan implementation. While it may be considered worthwhile formally to vest the land in the Development Authority, it should be unnecessary, provided that the procedure outlined earlier is followed.

Where the Development Authority itself is directly responsible for initial development - for example, of village and town sites - permission will of course be necessary for the Authority to proceed with development before alienation to private individuals or agencies takes place.

5.4 Land Office Within the Authority

It is recommended in the Master Plan Report (8.3.4) that a State Land Office should be established to deal with land administration for the Project Area, located within the Development Authority, with a Collector and Land Revenue officers posted by the Commissioner for Lands and Mines but financed from the budget of the Authority.

Expansion or redistribution of capacity for land administration would be required in any event to deal with the work arising from development of the Project Area, especially in Kota Tinggi district, in which the greater part of the Project Area lies. (See Project paper on land administration in Kota Tinggi district, 1970 in Project file P15).

To locate the expanded or redistributed capacity within the Authority itself - instead of in Kluang or Kota Tinggi Land Offices or in the CIM's office - avoids many unnecessary steps of correspondence and ensures that land administration, and especially the processes of dealing with new applications and proposals, is carried on in the context of plans for development implementation. It allows rapid adjustment of capacity to needs and the introduction and trial of systems to speed processes more easily than in an established District Land Office.

It is recommended that the staff of the Development Authority should include a Licensed Surveyor and that surveys carried out by him should be accepted by the Chief Surveyor in Johor and the Surveyor General in Kuala Lumpur and normally ratified immediately, in order that title surveys which are urgently required are made without any delay.

DEVELOPMENT AUTHORITY: POWERS OF THE POLICY BOARD

6.1 The effectiveness of the Authority depends on the calibre of the chief executive and senior staff group and on their ability to command support and cooperation. It can be assumed that a Policy Board would allow a first class chief executive in whom it had confidence to go ahead without intervention into details of execution. But it is recommended that the powers of the Policy Board be laid down in such a way that, from the beginning, it concentrates on matters of policy, and that it cannot gradually transform itself into an executive Board.

6.2 The following powers are recommended.

The Board after proper consideration and with due urgency

- a) shall approve the recurrent and capital budgets submitted by the chief executive;
- b) shall approve all plans - both for the immediate period and long range plans - submitted by the chief executive;
- c) shall approve any proposals by the chief executive for variations of land zoning from that already approved;
- d) whenever it thinks fit may make proposals to amend these budgets, plans or proposals, subject to the following procedure:

If the chief executive is of the opinion that these are of major significance, or require further investigation, then these proposed amendments shall be remitted to the senior staff group for evaluation and appraisal as to the direct consequences of the proposed amendments, and their effect upon other parts of policies, plans and budgets, existing, proposed, or envisaged. The full evaluation shall be reported back to the Policy Board as soon as possible, and its decision will be binding upon the chief executive.

- e) may require the chief executive to submit a report on any aspect of the Development Authority's working and plans, policy proposals or budgets.

6.3 The Board shall not discuss, pass resolutions, nor seek either as a corporate body or individually to influence the chief executive or any other employees of the Authority over any of the following:

- a) the alienation of land or of any natural resources to particular individuals or agencies except when the Executive Council gives the Board the opportunity to consider and advise, under the procedure recommended in 5.1 above;
- b) the award of particular contracts or particular financial arrangements with individuals or any body;
- c) the appointment or dismissal of or any matter concerning any member of staff other than cases specifically provided under regulations;
- d) intervention in any matters which are considered by the chief executive to be matters of administration and management and which are not matters arising under the provisions of section 6.2 above.

The chief executive shall refer to the Board any proposals or plans which deviate substantially from the Master Plan. He shall provide the Board with information in a form which will enable the Board to monitor the progress of plan implementation.

He shall make available to the Policy Board information to enable them to discharge other duties as set out in the previous paragraph. Wherever possible he shall indicate what alternative choices are open to the Policy Board. In matters of urgency, which would normally be settled by the Policy Board, he shall consult with the Chairman and, at his discretion, one of the Federal members of the Board, and act with their advice. Such action shall be reported to the Board at its next meeting.

DEVELOPMENT AUTHORITY - PROFESSIONAL AND ADMINISTRATIVE STAFF

7.1 Sections 8.4 and 8.5 of the Master Plan Report describe the recommended organisation of the Development Authority, its developing workload and the qualities required in the chief executive and members of the senior staff group. The minimum requirements for professional and administrative staff are summarised in Table 7.1. This table is confined to the central staff of the Authority concerned with Johor Tenggara only, and with no other projects. It does not include the two additional senior staff with wide development planning experience, recommended in the Master Plan Report to support the chief executive in the first years, nor the professional and managerial staff required for the cattle multiplication scheme, the forestry and timber complex and other projects which require specialist knowledge and experience. Nor does it include the staff of the Land Office for the Project Area, for which the requirements should be worked out by the CIM in consultation with the chief executive.

Apart from the publicity/information officer, the staff below the level of the senior staff group is divided into three groups, with equal numbers required in 1972 and 1973: planning and policy and development implementation, technical services, and administration, personnel and finance.

7.2 Planning, Policy and Development Implementation

The small staff of six proposed for these two divisions together in 1972 is the minimum requirement, assuming that no major amendments have to be made to the Master Plan, and that all six are selected for their ability, initiative and sound judgement. Personal qualities will be more important than advanced academic qualifications.

The first tasks of the chief executive and the senior and supporting staff are to initiate and expedite action on the developments listed in the Master Plan Report section 8.4.1.

In addition, in the first year, systems have to be established for coordination, forward planning of implementation by the various agencies, monitoring progress and budget preparation. The first budget of the Authority itself has to be prepared. Substantial new work on planning in general should only be required in this period if large amendments are made to the Master Plan Report; but detailed planning of implementation will be required and preparations need to be made for an increasing planning task.

The Master Plan Report divides the Project Area into broad land use zones - agriculture, urban, tourist resort area, etc. - and shows recommended road alignments and locations of villages, towns etc. The agricultural zones are subdivided into smaller units showing potential uses in terms of suitable crop groups. For those units which are to be developed in the first few years recommendations are made on the timing of development, the choice of crop from the range of potential crops and, where appropriate, the classes of agency which might undertake development. For units developed later suggestions are made on the same points. Both recommendations and suggestions for later development are based on the information and assumptions of 1971: they must be revised

TABLE 7.1 Summary of Minimum Staff Requirements

	Immediate	By start of:-			
		1972	1973	1974	1975
<u>Chief executive</u>	1	1	1	1	1
Assistant to chief executive and secretary to Board	1	1	1	1	1
<u>Senior staff</u>					
Deputy chief executive	-	1	1	1	1
Head(s): Development implementation	1	1	2	2	2
Head: Technical services	1	1	1	1	1
Assistant to deputy chief executive	-	1	1	1	1
Publicity/information officer	-	1	1	1	1
<u>Planning and policy and development</u>					
General economics	1	2	3	3	4
Agricultural planning	-	1	1	1	1
Agricultural economics	-	-	-	1	1
Regional planning	-	-	-	1	1
General qualifications	1	3	4	4	4
<u>Technical services</u>					
Chief engineers	-	1	2	2	2
Engineers	-	3	4	6	6
Architect planner	-	1	1	1	1
Licensed surveyor	-	1	1	1	1
<u>Administration, personnel, finance</u>					
Controllers	1	2	2	2	2
Administrative and contracts	1	2	3	3	3
Accountants	1	2	2	2	2
Training Officer	-	-	1	1	1
Total staff, graduate or equivalent	9	25	32	36	37

in the future to take account of new information, changes in conditions and progress of implementation.

Thus the plan should not be regarded as immutable. It does provide a framework within which a tight programme of rapid development by a number of interdependent agencies can be implemented; but the process of detailed planning must be continued by the Authority and the operating agencies concerned.

Plans for the next stages of implementation will be prepared from time to time by the chief executive and staff of the Authority and approved by the Board.

By the middle of 1972 the staff must be prepared to evaluate proposals put forward by private and public agencies for developments in agriculture, apart from FLDA, in tourism and other sectors; to make arrangements for provision of housing and services; to begin identification of bottlenecks and the design of measures to eliminate or avoid them. From 1973, additional work will include revision to the Master Plan assumptions in the light of new information and progress to date; work arising from the migration of new permanent population to the Project Area, outside existing FLDA schemes, which begins in this year.

From 1974 the staff must be ready to undertake the continuing and growing tasks of evaluation of progress and methods and formulation of revised policies in the light of these evaluations and of changes in surrounding conditions. The preparation of detailed proposals for implementation and budgets for the Third Malaysia Plan period should begin in this year, in consultation with Federal and State departments and agencies and the private sector.

The minimum staff in 1972 comprises a senior general economist, a junior general economist, an agricultural planner and three persons with general qualifications.

The senior economist should have considerable experience of planning the implementation and coordination of diverse projects in the public or private sector. He will be responsible for establishing systems of programme planning, budget preparation, monitoring progress, devising measures of performance, evaluating alternative projects, and establishing the information services required for these purposes.

With an able and experienced senior economist, the second economist in 1972 need not have more than one or two years experience after graduating with a very good first degree in economics with statistics. Between them, initially, they will continue the socio-economic work in connection with physical planning and construction requirements, including forward planning of population service needs and transport, tourism, commerce, industry, credit and agriculture, in collaboration with the agricultural planner.

The agricultural planner should be qualified in agriculture and have had several years of wide, practical experience. He will advise on the suitability or need for modification of proposals by public or private agricultural agencies, taking into account progress to date, new information and changes in conditions. He will also advise, when necessary, on the ability of the agencies to carry through the proposed developments. He will keep in close touch with MARDI, the officers of the Ministry of Agriculture and Lands and the agricultural development agencies.

The two economists and the agricultural planner will work with the three other staff with general qualifications in assisting implementation, identifying obstacles and designing measures to reduce or avoid them.

The three with general qualifications are required initially for liaison and assistance in negotiation with implementing agencies. One should work with the consultants appointed to study tourist development, and should later be responsible within the authority for matters relating to tourism. The second should be responsible for liaison and coordination with agricultural and other development agencies, and for arrangements for advisory services, credit, processing and marketing. The third should be responsible for liaison and coordination with the timber organisation; once that organisation is established and functioning, this will become a part-time responsibility. Problems of implementation in connection with the incoming population will require increasing attention from the third and (from 1973) the fourth members with general qualifications.

Two of the three with general qualifications and the junior economist should take short courses in the Staff Training Centre in project preparation and management and budget preparation.

7.3 Additional Staff for Training

To prepare for the future larger staff required to meet the increasing work load by 1973/5, it is desirable that additional staff be appointed for training inside or outside the Authority. Much of the most useful training will be learning on the job within the Authority, provided that the senior staff are really capable and experienced.

One additional general economist should be appointed in 1972, gradually to take over socio-economic work on population, employment, village and town development, provision of services and transport.

By 1974 the Authority should be capable of carrying out small scale socio-economic surveys (with assistance, when necessary from the Department of Statistics) in order to provide information for evaluation and revised policy formulation and for purposes of physical planning and planning the provision of social and other services. If none of the first three general economists appointed in 1971 and 1972 has training and experience in the planning and conduct of surveys, one additional general economist should be appointed at the start of 1973, either to be trained himself, or to release one of the others for training and experience.

It is recommended that a regional planner be on the effective staff by the start of 1974, in order to take part in the increasing amount of new planning work for the Third Malaysia Plan period. An appropriate way to ensure that a suitably qualified person is available by that date is to appoint, in early 1972, an able and interested recent graduate in geography with economics and statistics, for training and experience outside Malaysia. A course in planning, including transport planning, coupled with 6-12 months practical experience in a metropolitan or regional planning authority in Britain would be one suitable programme. Arrangements for appointment and programme should be made in consultation with the Department of Town and Country Planning and the Economic Planning Unit. By 1974 these departments may wish to appoint additional people

with this kind of qualifications and experience; if so, provision must be made in 1972 to appoint and train not one, but several.

It is highly desirable that, in preparation for the establishment of new towns, one of the members of staff with general qualifications and one of the junior general economists should work for at least six months in a new town development corporation or similar body overseas.

It is recommended that by the start of 1974 the staff should include an agricultural economist. He will be concerned primarily to advise on the introduction of new agricultural activities and services into the Project Area and to evaluate the effects of changes in the price and yield assumptions made in the Master Plan Report on the implementation programme. He will not be concerned with the economics of individual farm or estate management, which is the responsibility of the individual production agency, except insofar as it may influence advice on future selection of agencies. Nor will he be responsible for preparation of market and yield projections for major, known commodities - this again is the responsibility of FLDA and other major agencies; but he will be responsible for advising on the implications of changes in these projections for the contributions of the development programme as a whole to the achievement of development objectives.

The additional appointments of people for training and experience or to release others for training and experience are summarised below and in Table 7.2.

General economics:

- in 1972: one additional for training/experience in the Authority, taking a regular staff appointment at the start of 1973.
- in 1973: one additional either for training or to release another for training and experience in planning and conduct of socio-economic surveys, and to release one for experience in a new town development corporation overseas, in 1973 and 1974.

By the end of 1974 the regular staff of general economists will be 4.

Regional planner: appointment in early 1972 for at least two months experience in the Authority and then training and experience overseas, to take up effective duties at the start of 1974.

General qualifications: one additional to be appointed in 1972, either to gain experience himself or to release another to gain experience in a new town development corporation overseas. This will increase the number of regular staff in this category from three to four by the start of 1973.

Further appointments of staff for training and to gain experience will be required if initial appointments of regular staff are filled from outside Malaysia.

Once established and effective, the Authority should be able to provide valuable in-service training for staff to be appointed to similar authorities elsewhere in Malaysia. Additional staff provision would be required if this function became important.

TABLE 7.2 Regular and Additional Staff of Planning and Policy and Development Implementation Divisions

	1972	1973	1974	1975
General economics				
regular staff	2	3	3	4
training/experience in Authority	1	-	-	-
outside Authority	-	1	1	-
Regional planning				
regular staff	-	-	1	1
training/experience outside Authority	1	1	-	1
General qualifications				
regular staff	3	4	4	4
training/experience outside Authority	1	-	-	-
<hr/>				
Additional senior staff with wide planning experience to support and advise chief executive (MPR 8.5.4)	2	2	2	?

7.4 Technical Services

The head of the technical services division should be a senior engineer with planning experience as described in the Master Plan Report.

This division comprises a physical planner, a licensed surveyor and staff for engineering and public utility services as described below.

Physical planning: the recommended staff is one architect-planner or an experienced planner working with a recently qualified architect. The main tasks are the preparation of detailed village and town plans as defined in the Master Plan Report and in Supporting Volume 8, and on-site supervision of implementation and adjustment of those plans. These tasks will be carried out in close cooperation with the Department of Town and Country Planning. They include the planning of villages for FLDA schemes, a task normally performed for FLDA by the Department of Town and Country Planning, within the requirements of FLDA. (See SV 8 Section 3.10).

The architect-planner and, later, the regional planner in the planning and policy division will advise on the physical planning implications of proposals for new development projects, with special attention to the development of the tourist resort area and of the two new towns.

The licensed surveyor and survey team will undertake surveys for development purposes and prepare title surveys as described in 5.3.

Engineering services require a relatively large staff in order to arrange and supervise the construction programme for 1971-75 which it is recommended should be carried out, through contractors, by the Authority. This is the main programme recommended for direct implementation by the Authority in the SMP period. The reasons for this recommendation are given in the following section.

7.5 Engineering Services for the Project Area

High priority engineering and construction tasks are listed below:

- a) Construction of primary roads and bridges and secondary roads
- b) Construction of villages
- c) Provision to villages of power, initially by local generators, and water supplies
- d) Construction of infrastructure for agricultural development, including harvesting roads
- e) Construction of temporary accommodation (camps) followed by low cost housing for the labour force required for clearance, planting, maintenance, road and other public works construction; home and other building construction. Estimated labour forces required for these purposes are 1,000 in Tanjong Penggerang, 800 in Johor Tengah.

In the Project Area, land clearance under FLDA is planned to start in October 1971. Land clearance can go ahead in areas which are now accessible or to which access roads are in process of construction (the main example being the road to the southern part of the Ayer Tawar area) only in the first two years.

Unless 100 miles of primary road and two major bridges have been constructed by 1975, the planned rate of land development cannot be achieved. The establishment and operation of the forest industries complex in Johor Tengah and tourist development in Tanjong Penggerang will also be delayed.

To construct the required mileage of primary road and the bridges by 1975, implies an annual rate of construction of about 30 miles per annum allowing one year between decision and the start of construction. In Tanjong Penggerang over the last three years the construction of primary roads has proceeded at an average rate of little more than 5 miles per annum.

Existing JKR capacity in Johor is already committed to priority projects until after 1975. Additional capacity must therefore be found to undertake the road construction and other works listed above. (See Draft Project Report, Section 5.3.7 on pp 44-45, and, for a more general discussion of JKR capacity: DAU and Treasury, Joint Report on the problem of shortfall development estimates 1964-68, March 1970).

It is recommended that the additional capacity required for organisation and supervision of the whole 1971-75 construction programme (including FLDA requirements) should be created in the Technical Services division of the Development Authority instead of forming part of the JKR organisation in the State.

The principal reason for this recommendation is that Johor Tenggara is the only area in the State for which a comprehensive master plan has been prepared, making rapid development possible. This implies an extremely tight programme of interdependent activities, over which the Development Authority should have as full control as possible. The primary road construction programme is one of the most critical parts of this overall programme. Any shortfall here will require rapid and costly adjustment of other parts of the programme. Shortfall is anticipated by JKR if it is given the task. The programme should therefore

be directly under the supervision of the Authority which has overall responsibility for implementation.

Action is being taken to increase the general national capacity of JKR; but at the time of production of the Master Plan Report (July 1971) it does not seem likely that the capacity which will be available in the State of Johor during the SMP period will be sufficiently expanded to manage the Master Plan requirements in addition to other high priority projects. The Development Authority is intended to have greater freedom in establishment policy, salary scales and recruitment than a Government department. The costs of additional salaries required to attract qualified engineers of the necessary ability and experience from the private sector or from outside Malaysia for the next five years are quite insignificant compared with the opportunity costs of shortfall in the construction programme.

Six qualified engineers are required by the start of 1973, and eight by the start of 1974, to be organised in three sections with a chief engineer for each of the two regions of Tanjong Penggerang and Johor Tengah:

Roads
Water and drainage
Other buildings and services

The functions of these sections are to plan, organise and supervise new work and maintenance in the period of major construction; and to evaluate work that has been done.

The annual expenditure to be organised and supervised will be of the order of \$20 million during the main development period (see SV 8).

To carry out the actual work of construction, the employment of PERNAS or other private construction agencies is recommended. Otherwise special (additional) autonomous road construction units of JKR might be established with their own manpower and machinery for the two regions, to work under the supervision of the head of the technical services division of the Development Authority; this latter arrangement might, however, give rise to problems of overlapping responsibility and conflicting priorities.

The possibilities of transferring direct responsibility for implementation of the construction programme to JKR after 1975 should be reviewed in 1973/4, taking into account the past and prospective expansion of JKR capacity and the growth of other demands upon it. If it is thought practicable to transfer responsibility for all the further programme, it will still be necessary for the Authority to have at least one senior engineer with supporting staff, in order to monitor and evaluate progress and to be ready to implement through contractors if in fact a shortfall does occur.

7.6 Administration and Finance

The deputy chief executive is responsible for the two divisions: administration and personnel, finance and contracts. It is recommended that each division be headed by an experienced controller, in order to allow the deputy chief executive to concentrate on implementation planning and policy formulation.

The functions of both divisions are to provide and control these services which support and complement the other professional departments.

The administrative controller is responsible for detailed administration of the internal operations of the Authority; for recruitment of subordinate staff, establishment of terms and conditions and promotion policies; for equipment and materials; and for staff training. Preferably he should have had experience of the rapid establishment of a new organisation; some legal knowledge would be an advantage. He should be assisted by a senior executive officer. When the Authority is established and effective, an additional officer will be required to assist the deputy chief executive with the detailed organisation of in-service training within the Authority of staff for similar organisations and with additional arrangements that may be required for provision of training in the Project Area.

The financial controller will be responsible to the deputy chief executive for control of finance for the Authority itself and for those agencies and contractors which are financed through the Authority. He must command the full confidence of the Federal Treasury and the State Financial Officer and establish financial control procedures which are acceptable to them (see Chapter 8 below). He will work closely with the staff of the planning and policy division in budget preparation. He should have a very good knowledge of financial procedures, but preferably he should be a specialist in administration rather than an accountant.

With modern accounting machines now available at relatively low cost, one senior and one junior accountant should be adequate to provide accounting services for the whole organisation.

One officer with administrative experience and special knowledge of contract preparation and control in private or public organisations will be required. He will work closely with the staff of the technical services division.

7.7 Publicity/Information Officer

This officer has three important groups of functions:

a) with the help of the planning and policy division, to prepare clear and reliable information for potential migrants to the Project Area, about employment and income prospects in agriculture and other activities, living conditions, school and health facilities, and about methods of application for employment, for places on settlement schemes or for land; to disseminate this information as widely as possible in accordance with the policies of the Board;

b) in cooperation with the planning and policy and development implementation divisions and SEDC, to prepare information for potential investors;

c) to assist the chief executive and senior staff group by preparing material to explain the objectives and methods of the Master Plan for the development of the Project Area to Government officers, private sector agencies and the general public.

FINANCIAL AND ESTABLISHMENT POLICIES

The forward planning of operations will require commitment of phased capital and recurrent expenditure for long periods ahead. Rolling five year capital and recurrent budgets (extending beyond the calendar-dated periods of five year plans) or other arrangements with equivalent effects are recommended, with provision for supplementary budgets if the Authority finds it necessary to take over direct implementation of functions of which the performance by other agencies is seriously behind schedule.

As regards Treasury control, the financial arrangements made by the Board should be only after careful consultation with the Treasury and State Financial Officer to satisfy them that proper skills and arrangements exist for the development of accurate accounting, and the development of procedures appropriate to a public corporation/ authority; that proper arrangements exist for costing new proposals and that forward budgeting is as accurate as can be reasonably expected. The budgets as approved by the Policy Board together with the Master Plan should be sufficient for the Treasury to appraise block requests for funds for recurrent and capital expenditure, and for the forward commitment of funds. The adoption of rolling budgets or equivalent arrangements as recommended above may require modification of the practical operation of the submission of budgets annually under subsection 8(2) of the Schedule (Section 8) of Ordinance No. 87 and may require amendment of the Ordinance itself.

Subject to those modifications, the combination of chief executive, a first class financial controller, a senior Treasury representative and the State Financial Officer on the Policy Board should ensure a blend of prudent control over expenditures and enterprising decisions. The key to financial arrangements which contribute positively to the task of managing rapid development is to establish systems and procedures which encourage the staff at all levels to act quickly and decisively, and which secure the confidence of the Prime Minister's Department, the Treasury and the State Government and Financial Officer.

In addition to delegating to the chief executive the powers required to control operations with freedom from financial controls which can cramp decisive action, there is need also for a similar policy regarding establishments. Many development corporations in different countries, as well as in Malaysia, have been severely handicapped by a very restrictive policy over engaging staff to meet the urgent needs of the moment, dismissing incompetent personnel, providing incentives to encourage initiative and hard-work, and encouraging recruitment through salary scales and conditions which are competitive in the open market.

To provide the minimum of restrictions to the executive body, it is suggested that a block estimate by the chief executive for salaries and wages be approved by the Policy Board and that within this total the chief executive and his senior staff engage staff in accordance with a manpower budget which would be for guidance, for balancing the needs of different sections, rather than mandatory. This manpower budget consisting of broad categories would be submitted as one of the annual documents to the Policy Board, so that they could judge changes

over time and express opinions upon them. The manpower budget for the ensuing year would be incorporated in a long-range manpower budget and forward planning would include recruitment and training.

Within the total of money allocated to salaries, wages, allowances etc. the chief executive would be authorised to make the best use of the money available, to appoint whoever is needed for the effective execution of the Master Plan. Flexibility and speed over establishment matters is essential if management is to be effective.

In consultation with the Policy Board, and after hearing the advice of the Public Services Commission and of employers from other sectors, internal regulations should be issued regarding discretion at different levels to appoint and discharge, the creation of interviewing committees for the more senior posts (or those likely to be promoted to them) and general rules made regarding conditions, promotion and discipline which are intelligible, equitable and easy to operate.

PRINCIPLES OF RELATIONSHIPS WITH OTHER AGENCIES

The Development Authority has overall responsibility for the implementation of the Master Plan for the Project Area. It has powers to execute directly through its own organisation or through separate implementing agencies.

In general it is recommended that the Authority should aim to secure implementation as far as possible through existing departments and agencies. It should limit direct execution by its own organisation to new functions which are not the responsibility of any existing agency and to functions which existing agencies are unable to perform adequately and within the time required. The latter functions it should undertake only until the capability of the responsible existing agencies has been built up to meet the requirements of the Authority. The Authority must give careful attention to forward planning of requirements and the implications for the necessary increases in capability of existing agencies, and take steps to ensure that the increases are brought about. A corollary of this approach is that the Department Authority gradually withdraws from parts of the Project Area and hands over all or most of its functions to agencies which are not specific to the Project Area, once the initial stage of development - opening up of new land, settlement of first populations, initial establishment of services - is over.

A contrasting approach would be to treat the Project Area as a whole as a special area, largely separate from the surrounding areas of the State, for most of the Master Plan period of 20 years; to place more emphasis on special machinery under the Development Authority to ensure rapid and effective development within the Project Area both in the initial stages and in the further development thereafter. The Development Authority would then become, in effect, a long-lived regional authority for the Project Area.

There are strong general grounds for recommending the first approach and also specific reasons which follow from decisions made on the Draft Project Report.

In both approaches, the Development Authority must be strong and active. The planned development of the area is very rapid; the timetable of the many interdependent activities by various agencies is extremely tight and leaves little or no room for shortfall or delay. Such a plan can only be carried out by a strong coordinating authority, ready to take quick, informed decisions and able to obtain quick decisions from others at all levels, and with power to ensure their implementation and with power and resources to execute directly when necessary to avoid shortfalls.

The general grounds for preference for the first approach are as follows. A strong authority responsible for large scale development of this kind, which aims to rely for existing functions and services on the agencies currently responsible for these functions and services in the State or country, or to ensure that these agencies are built up so that it can rely on them in the future, can be a very important agent of change, with beneficial effects far beyond the boundaries of the Project Area which is its main concern. Pressure of demand from a strong authority will lead responsible departments and agencies to increase their capacity - by reorganisation and change of methods as much as by increased resources - to respond to the requirements of rapid development.

Such improvement will be directed first to meeting the demands of the authority; but in time it will also benefit the much wider community. The more effective is the authority's forward planning of its requirements, the more the agencies' own forward planning should be improved and the more practicable should be the achievement of the required increase in capacity. Where the authority itself takes over existing functions temporarily, it will evolve its own methods of carrying out those functions. These methods, if effective, will help to improve the performance of the existing agency even before the functions are transferred back by the authority. Similarly new functions and services which are seen by the Authority to be required in the Project Area but which are more widely applicable, should in time be extended outside the area, either by extension of the scope of functions of existing Government departments and agencies, or by creation of new ones.

In contrast, the second approach leads to creation of a larger number of special organisations to perform functions specifically and solely within the Project Area, without the intention to build up the existing agencies responsible for those functions in the rest of the State or country, so that they can, in time, take over. In the short run this does nothing to improve the existing agencies which serve a much larger area and greater population; in fact it is likely to weaken them. In the longer run conflict is almost certain to arise, to the detriment of development in general.

Two specific reasons for recommending the first approach arise from decisions on the Draft Project Report. First, the Development Authority will not be directly engaged in on-going activities on a permanent basis in the Project Area once initial developments and settlement of the first population are completed. Agricultural production will be established and carried on by other agencies, with a large proportion by FLDA; logging and the timber industry by SEDC, MARA and possibly others; the tourist industry by some combination of PERNAS, SEDC and private developers. The Authority will have to initiate action, and it may have to engage initially in the establishment of production, but only for a time. It will engage directly in road construction and the first establishment of villages and towns and it will be involved for much longer in the development of the urban areas than in particular agricultural areas; but in the urban areas it will transfer its executive functions to town development corporations or similar bodies, which will come under the same State Government administration as other towns and cities in the State.

The second reason, on which renewed emphasis has been placed, is that measures must be avoided which appear to separate the Project Area from the rest of the State more than is necessary to carry through the development programme.

Given this approach, the recommendations that the Authority should execute directly in areas which are, in principle, the responsibility of existing agencies, are intended to ensure that overall capacity is rapidly supplemented to meet the needs of the Project. They are necessary only

SCOPE OF THE DEVELOPMENT AUTHORITY

10.1 It is recommended in the Master Plan Report (section 8.2.2) that the law establishing the Authority be drafted to allow it gradually to be made responsible for other projects or areas in the State in which substantial Federal resources are combined with State resources. A possible example is the industrial area associated with the Port.

The main purposes of this recommendation are to avoid future multiplication of similar semi-independent organisations for separate projects in which the Federal Government has important interests to prevent duplication of services and to ensure that Johor Tenggara is developed in the context of the State as a whole. It has been noted in Chapter 3 section 3 of this volume that if the same form of organisation were used for other projects as for Johor Tenggara, several of the State members of each Board would be the same individuals. There would be a clear advantage if the member from the Federal Treasury and if possible one other Federal member were also the same. With a nucleus of common Board members in any case, it appears sensible to establish one Board and one Authority able to deal with all major Federal/State projects.

Recommendations are made in the Master Plan Report (8.2.2) to avoid placing too great a burden on the chief executive appointed initially to supervise implementation of the Master Plan for Johor Tenggara, by adding specific responsibility for other projects before he, and his staff, are ready to take this responsibility.

Apart from these recommendations, the Master Plan Report and, up to this point, this Supporting Volume have concentrated exclusively on Johor Tenggara. This section describes briefly the possible extension of the scope of the Authority to other major Federal-State projects. The stages are shown in Figure 10.1 and described in the following paragraphs.

a) Initially, the Development Authority is established and is concerned only with Johor Tenggara.

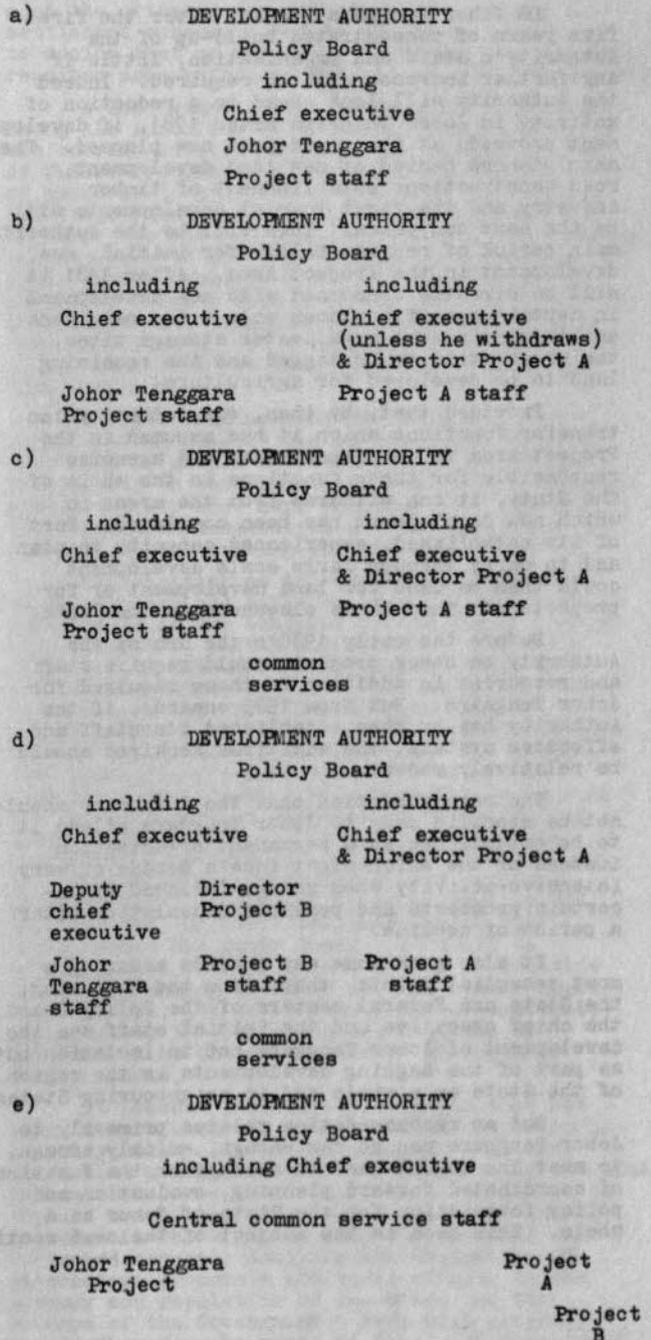
b) The Policy Board takes responsibility for another project (project A) which combines substantial Federal resources with State resources. Project A has its own fully capable director and its own staff. The director becomes a member of the Policy Board when it discusses project A. The chief executive initially appointed for Johor Tenggara remains a member of the Policy Board, but with no more specific responsibility for project A than other Board members. He may even decide to withdraw temporarily from membership of the Board when it considers project A.

c) Once the staff for Johor Tenggara is established, the chief executive may, at his discretion and subject to the provision of additional resources, provide common information, technical and other services to project A, or to the Board in connection with it, and work jointly with the staff of project A on common problems.

d) The Policy Board takes responsibility for a third project (project B). The chief executive is now ready to accept specific responsibility for this additional project. The director of the project is responsible to the chief executive; he attends Board meetings when required but is not a member of the Board. The central staff of the Authority is expanded

as required to provide common services to project B.

e) Eventually the chief executive takes specific responsibility for all Federal-State projects with which the Board is concerned.



The date by which the final stage (e) might be reached will depend on the speed with which the Authority becomes established as an effective organisation and, most important, on the views of the State and Federal Governments on the experience in Johor Tenggara of cooperation in implementation of the planned development of a large region of the State.

In favourable conditions, the final stage could be reached before 1980.

In Johor Tenggara itself, after the first five years of concentrated build-up of the Authority's staff and organisation, little if any further increase will be required. Indeed the Authority will look ahead to a reduction of activity in Johor Tenggara after 1981, if development proceeds at the rapid pace now planned. The main planned period of new land development, road construction, establishment of timber industry and the first tourist developments will be the next ten years. This will be the Authority's main period of responsibility for initial, new development in the Project Area. After 1981 it will be directly concerned with new development in certain specific places only - the new towns and tourist resort area, water storage sites, the areas still to be logged and the remaining land to be developed for agriculture.

Provided that, by then, the Authority can transfer functions which it has assumed in the Project Area to the departments and agencies responsible for those functions in the whole of the State, it can withdraw from the areas in which new development has been completed. Part of its established, experienced capacity to plan and to carry through large scale development could then be used for land development or for projects of other kinds elsewhere in the State.

Before the early 1980's the use of the Authority on other projects would require staff and resources in addition to those required for Johor Tenggara. But from 1975 onwards, if the Authority has by then established its staff and effective systems, the additions required should be relatively modest.

The recommendation that the Authority should not be specific only to Johor Tenggara allows it to be established as a permanent organisation instead of one which might face a decade of very intensive activity when young, followed by uncertain prospects and possible dissolution after a period of decline.

It also goes some way towards ensuring a most essential point: that, from the beginning, the State and Federal members of the Policy Board, the chief executive and the initial staff see the development of Johor Tenggara not in isolation but as part of the ongoing developments in the region of the State as a whole and in neighbouring States.

But no recommendation related primarily to Johor Tenggara can go far enough, quickly enough, to meet the urgent need to strengthen the functions of coordinated forward planning, evaluation and policy formulation for the State of Johor as a whole. This need is the subject of the next section.

DEVELOPMENT PLANNING FOR THE STATE

11.1 The Master Plan report for Johor Tenggara is concerned with plans for the development of the Project Area alone. It considers and prescribes for developments elsewhere only to the extent that they are directly relevant to the development of the Project Area. But in practice the Project Area is not separable nor self-contained.

The implementation of the initial land development and settlement programmes depends on the provision of services and material from outside. Further developments in the area require complementary developments elsewhere. Coordination, progress monitoring and forward planning of these linked developments are required. Soon, the rate and nature of development of the Johor Tenggara regions will begin to have effects on, and be affected by developments in surrounding areas - for example, by the growth of industry and population in Kluang and in Johor Baharu, the growth of incomes and employment for Malaysians in Singapore, the rate of migration into Johor from other States of West Malaysia. Over time choices will have to be made, in the allocation of resources, between the Project Area and other areas of the State or country.

Forward planning and coordination of resources and people entering the Project Area are the concern of the Development Authority; so also are decisions on allocation of resources and policy formulation within the Area, as long as it is responsible for implementation of initial development programmes. The development of similar functions in the wider region of the State is badly needed; a large improvement could be obtained quickly with very modest additions to personnel.

The lack of comprehensive planning capacity at the State level may not hinder the initial development of Johor Tenggara if the Development Authority is an effective body. But possible effects outside the Project Area, even of the early initial development, deserve informed consideration. For example, the achievement of the agricultural development programme for the first years and the early creation of additional employment requires land clearance to be started in the Project Area in October 1971, by FLDA. If land were made available, but FLDA found itself unable to undertake clearance in 1971, the chief executive of the Authority would have to advise on postponement of clearance or allocation of the land to another agency, such as SEDC. Even given the required additional financial resources to undertake such development, this would divert some of SEDC's supervisory capacity from other projects elsewhere in the State. State Economic Development Corporation itself may advise the State on the probable effects of such a diversion; but at present there is no other informed body which is competent to do so.

Another example relates to the movement of population. People will move into the Project Area to obtain employment and prospects of incomes. The rapid creation of additional employment and incomes is undoubtedly the most important aim and it may be decided that, in the present unemployment situation, it makes little difference where the people come from, in the State of Johor. But it will make some difference to the areas which they leave. A concentrated movement from three or four

mukims on the west coast might or might not be the best solution for those areas to problems of localised severe unemployment or under-employment and poverty. Such considerations would affect the direction of information about opportunities in the Project Area and possibly also the criteria for selection of settlers on settlement schemes. But to decide on policy, or to decide that no policy is necessary or desirable, requires some informed analysis of the alternatives.

A last example relates to forward planning. Among the functions of the Development Authority are coordination in advance, the identification of future problems and obstacles and the design of measures to avoid or reduce them. To carry out these functions, the Authority will put together the forward plans of the various agencies and departments and their estimates of future requirements, examine them for consistency and conflict, compare them with the expected capacity of agencies and departments to provide services and other inputs, and attempt to find solutions to problems that are anticipated as a result of this examination.

Similar examinations of combined forward plans, making greater use of local and regional information, should be developed at the State level, both to complement the work of the Development Authority and, more important, to improve development implementation and the provision of services to the growing population.

Coordination at the State level between State officers and officers of the main Federal departments is the business of the State Development Committee, partly superseded by and overlapping with the Capital Investment Committee. In both Committees the principal State officer concerned is the State Development Officer, a Federal officer appointed by the Federal Ministry of National and Rural Development. The Development Committee's coordination functions in practice appear to be limited largely to dealing with difficulties or exceptional cases that have already arisen. It is little concerned with coordination in advance - with the anticipation of problems of interdependence. It is not a planning body: for example, it apparently did not consider the Johor Tenggara Master Plan study before the study began. It would be surprising if it were, since it has no fulltime economic planning or other central staff, apart from the SDO with one recently added assistant, to undertake the collation and analysis of information or the evaluation of proposed or past projects.

At present the State Government does not have the professional economic staff which would normally be considered essential in a modern State with a population of 1.3 million and abundant natural resources at its disposal. Decisions on the use or allocation of those resources should be taken in the light of properly informed and conducted economic analysis and evaluation of alternative proposals and their effects on the economy and population of the State and the revenue of the Government. Very high priority should therefore be given by the State Government to the appointment of a professional economist at a senior level, to work closely with the State Development Officer, the Director of the Department of Town and Country Planning and others and to be a permanent member of Development Committee

and other relevant committees. This role cannot be filled adequately for the Government by the SEDC (which has considered it worthwhile to appoint three officers trained in economics in its first year). State Economic Development Corporation can give great assistance, but it is not within Government itself and it will be increasingly occupied with its own projects. This recommendation would imply upgrading the present post of Assistant Secretary (Economics) and ensuring that the officer appointed to the senior post is able to work as a practical Government economist, and not largely on administrative or secretariat tasks.

In essence what is required is the study in advance of certain projects, areas, programmes and policies, and comparison of alternative proposals, in order to make informed selections and to anticipate and to prepare for problems instead of trying to deal with problems and bottlenecks after they have arisen. Such studies should use in their analysis more specific regional and local information than has been used so far, including the results of evaluations of completed projects.

For example, information on population, distribution of incomes and employment and underemployment, on vehicle ownership, on the employment creation potential and prospective returns of various activities, is relevant to decisions on allocation of land for particular uses, transport priorities, urban and village planning, and selection of industrial and other activities. Much information exists and new information has been collected by the consultants on the Johor Tenggara Study and used in their analyses of prospects and proposals in the course of preparing the Master Plan. The State Economic Development Corporation also is now making use of information not previously analysed in the State, in the evaluation of its own projects.

An economist at a senior level within Government would contribute not only to informed decision-making and coordinated forward planning on matters which concern the State alone; he would also assist in the preparation of projects and policy proposals to be submitted by the State to the Federal Government. He would work closely with the Economic Planning Unit, as a State Officer, and would ensure that information relating specifically to conditions in Johor was taken into account in the evaluation of proposals.

An initial appointment could be an appropriate subject for technical assistance.

Associated with this, it is recommended that high priority be given to the urgent and immense tasks attention has been drawn in Supporting Volume 8 confronting the State Department of Town and Country Planning to which the Department has recently proposed an expansion of staff which the Consultants would regard as the very minimum that is required (SV 8.3.10).

11.2 It has been noted in Chapter 9 that the Development Authority can withdraw from the areas of Johor Tenggara in which initial development has been completed, provided that it can transfer the functions it has performed in these areas to existing or new departments and agencies responsible for these functions in the whole of the State. There may be one important exception. Although the Authority's primary responsibility is to ensure initial development implementation, it also has a secondary responsibility to ensure that further development in these areas continues in accordance with national

and State development policies. This should be a function of a department or agency serving the whole State, because after initial development and settlement the potential and problems of the areas of Johor Tenggara will be generally similar to those of already developed areas in the rest of the State.

By the early 1980's, therefore, arrangements will have to be made, in some way to merge the Authority's capacity for development planning and policy formulation with the general capacity that by then should have been built up to serve the whole of the State.

ARTICLE 1. THE FEDERAL GOVERNMENT OF THE UNITED STATES OF AMERICA

Section 1. All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

Section 2. The House of Representatives shall be composed of Members chosen every second Year by the People of the several States, and the Electors in each State shall have the Qualifications requisite for Electors of that State.

(a) The Electors in each State shall have the Qualifications requisite for Electors of that State.

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Section 3. The Senate shall be composed of two Senators from each State, chosen by the Electors in each State for six Years, and each Senator shall have the Qualifications requisite for Electors of that State.

Section 4. The Electors in each State shall have the Qualifications requisite for Electors of that State.

Section 5. The Electors in each State shall have the Qualifications requisite for Electors of that State.

APPENDIX A

APPENDIX A

EXTRACTS FROM THE EMERGENCY (ESSENTIAL POWERS) ORDINANCE NO. 87, 1971

Section 3 subsection (1) of Ordinance 87 states that

"No corporation shall after the coming into force of this Ordinance, be established by any State under the Incorporation (State Legislatures Competency) Act, 1962 for the purpose of carrying out the development of urban and rural areas, unless arrangements have been made between such State and the Federation in relation to the establishment thereof."

Section 4 states that

"(1) A State law establishing any corporation shall provide for the corporation to be subject to any direction of the Minister." ("Minister" is defined in Section 2 as "the Prime Minister or such Minister as may be designated by him.")

(2) Such law may also provide -

(a) for the performance of any functions of an authority of the Federation by the corporation; and

(b) for the executive authority of the Federation to extend to such operation."

Section 6 states that

"The Federation may grant monies to a corporation for the purpose of carrying out its functions."

The Schedule (Section 8) includes the following provisions:

Three members of a corporation will be appointed by the Minister - representatives of the Ministry of National Development (sic), of the Treasury and of the Federal Land Development Authority (1 (1)).

The corporation may from time to time with the approval of the Minister borrow such sums as it may require for the purpose of carrying out any of its functions (5).

Disclosure of interest:-

A member of the corporation having any interest in any undertaking with which the corporation proposes to make any contracts or having any interest in any such contract or in any matter under discussion by the corporation shall forthwith disclose to the corporation the fact of his interest and the nature thereof, and such disclosure shall be recorded in the minutes of the corporation and unless specifically authorised thereto by the person presiding at such meeting, the member shall take no part in any deliberation or discussion by the corporation relating to the undertaking or contract (4).

The assets of the corporation may, insofar as they are not required to be expended by the corporation, be invested in such manner as may be approved by the Minister of Finance (7).

Expenditure and preparation of estimates:-

(1) The expenses of the corporation shall be defrayed out of monies in the Fund in accordance with such estimates as may be authorised in sub-paragraph (2)

(2) Before the beginning of September each year the corporation shall submit to the Minister

an estimate of the expenses for the following year in such forms and with such particulars as the Minister may require; and the Minister shall before the beginning of November of each year notify the corporation of the amount authorised for expenses generally or of the amounts authorised for each description of expenditure.

(3) The corporation may at any time submit to the Minister a supplementary estimate for any one year and the Minister may allow the whole or any part of the additional expenditure included therein (8).

Each year the corporation shall submit to the Minister an estimate of the expenses for the following year ... and the Minister shall notify the corporation of the amount authorised for expenses generally or of the amounts authorised for each description of expenditure (8 (2)).

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APPENDIX B

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APPENDIX B

AMENDMENTS REQUIRED TO ORDINANCE NO. 87 OF 1971

1. It is recommended that a Development Authority be established in the form of a State development corporation. This form is adopted because, under existing Federal law, including Ordinance No. 87, it appears to provide the most appropriate vehicle for cooperation between Federal and State Governments in a project like the development of Johor Tenggara. It is emphasised, however, that the Authority established in this form is not intended to be self-financing from its own direct earnings, which is a connotation apparently often given to the term "corporation".

The recommendations on the establishment of the Development Authority in the Master Plan Report and in this Supporting Volume will require amendment to Ordinance No. 87 as it now stands (July 1971) with respect to the Federal membership of the Board, and possibly also to the procedure for approval of expenditure estimates. These amendments are described in the following sections.

2. Federal Members of the Board of the Development Authority

Four Federal members are recommended from Prime Minister's Department (EPU/GPU)
Treasury
Ministry of National and Rural Development
One other Ministry, possibly the Ministry of Commerce and Industry in view of the importance of tourism.

The two members from the Treasury and Ministry of National and Rural Development are in accordance with Ordinance No. 87. The third member mentioned in the Ordinance is from FLDA. In this respect Ordinance No. 87 as it now stands was drafted specifically to allow the establishment of the Jengka Development Corporation by Pahang State law. This provision is not appropriate for Johor Tenggara nor for any State Corporation which has major functions outside agricultural development and settlement. Jengka is an FLDA area; the Master Plan was prepared for FLDA and FLDA is the sole agency responsible for agricultural development and associated settlement. In Johor Tenggara this is not the case. Subject to State agreement, FLDA will have a large share of the Project Area in the SMP period and possibly later; but substantial agricultural development will also be undertaken by other public and private agencies. Other public agencies will be concerned with implementation in tourism. Other public agencies will be concerned with implementation in tourism, logging and timber industry, the establishment of settlements and in other sectors.

The recommended membership of the Policy Board requires amendment of Ordinance No. 87 in this respect. The recommendations exclude from direct membership of the Policy Board any and all of the operating agencies. The member from the Ministry of National and Rural Development will represent at Board level the policy views of FLDA, MARA and other agencies under its auspices.

The chief executive of the Authority, being responsible for coordination, will work closely with the operating agencies and will receive policy advice from them. In view of the large and rapid programme of land development by FLDA in the SMP period, the closest liaison between the chief executive and senior staff and the FLDA

organisation for the Project Area will clearly be especially important.

If in amending Ordinance No. 87 it is considered that all three required Federal members should be specified, they should be from

The Prime Minister's Department
Treasury
Ministry of National and Rural Development.

For the Development Authority whose initial responsibility is Johor Tenggara, the inclusion of a member from the Prime Minister's Department is essential.

In addition to three Federal members - the number required by Ordinance No. 87 - it is recommended that the State law provide for a fourth Federal member. The addition of a fourth member is covered by the subsection of Section 8 (Schedule) of Ordinance No. 87 which provides that "... the law establishing the corporation may provide for the appointment of any number of other members " (Ordinance No. 87: 8).

On this point the State law should leave the specific Ministry open for decision - "a fourth member from one other Federal Ministry, as the Minister (the Prime Minister or the Minister designated by him) shall decide".

3. Expenditure Estimates and Approval

It is recommended in the Master Plan Report and in this Supporting Volume (9.9.8) that the Authority be financed by rolling five year capital and recurrent budgets (extending beyond the calendar dated periods of five year plans) or other arrangements with equivalent purposes and effects, with provision for supplementary budgets.

This may require amendment of subsection 8 of the Schedule (Section 8) of Ordinance No. 87 as now drafted, which might be taken to mean solely annual budgets. This point should be examined by the Federal and State Treasuries and legal advisers.

It is intended, in practice, that once financial arrangements have been worked out in which the Treasury and State Financial Officer have confidence, and competent staff have been appointed, approval of budgets by the Authority's Board, including the State members and the Treasury member, will normally imply approval by the State and Federal Governments.

APPENDIX C

POINTS TO BE NOTED IN DRAFTING THE STATE LAW ESTABLISHING THE AUTHORITY

The list of points in this appendix does not pretend to be exhaustive. The law should be drafted in the light of the Master Plan Report Chapter 10 and the more detailed discussion in this volume, and taking into account other considerations. The aim should be to create an Authority which is free (within reason) to undertake new tasks, some of which are unpredictable, and to evolve its own most effective methods of carrying out these tasks.

1. Functions are summarised in Chapter 10.1 of the Master Plan Report.

2. Organisation, control, membership of the Board

Recommendations are summarised in Master Plan Report Chapter 8, Section 2.1 and discussed in Chapters 3 and 4 of this volume.

Among the important points are the following:

The Authority is established in the form of a State development corporation, and therefore subject to Ordinance No. 87 as amended (see Appendix B).

The Board is a Policy Board which approves or amends proposals, plans and budgets submitted by the chief executive.

The chief executive is responsible for all administrative and executive functions, including administrative control over staff, making contracts, preparing budgets, plans and proposals.

The chief executive and the members of the senior staff group are appointed by the State Government with the concurrence of the Federal Government.

The recommended Board excludes all operating agencies with particular interests in the Project Area (see Chapter 4.4 of this volume and Appendix B).

The powers of the Policy Board are set out in Chapter 6 of this volume. For a shorter version intended to have similar effects, the Act establishing the Lembaga Urusan dan Tabong Haji may provide a model. The possibilities of the Board or Chairman assuming executive powers are to be firmly avoided. In these and certain other respects, the Perbadanan Kemajuan Jengka Enactment, 1971, (Jengka Development Corporation) should not be taken as a model. In this, the Chairman has administrative control over staff, makes contracts and prepares budgets. (See discussion of an executive Board or Chairman in Chapter 4.2 of this volume).

3. Scope of the Authority

This Authority is established initially to take overall responsibility for the implementation of the Johor Tenggara Master Plan but it is recommended that the law establishing it be drafted to allow the same Authority gradually to be made responsible for other projects or areas in the State in which substantial Federal resources are combined with State resources. (MPR Chapter 8.2.2).

This recommendation is discussed further in Chapter 10 of this volume. It may be incorporated in the law on the following lines: "the areas and projects for which the Authority is responsible will be defined by the Ruler in Council" or "the

areas within which the Authority operates will be defined by the Ruler in Council".

But it should be noted that the geographical area to be covered by the Authority will be wider for some functions than for others. (See Chapter 5.2(b) in this volume).

4. Land Alienation

Points a), d) and e) in Master Plan Report Chapter 8 section 3.3 should be incorporated in the law establishing the Authority. Further discussion is given in Chapter 5 of this volume.

5. Financial and Staff Provisions

The law should allow for rolling five year budgets or equivalent arrangements once Treasury confidence has been established.

Establishment and salaries should be flexible (and not confined within Government scales) within a broad financial allocation and a broad manpower budget. The chief executive should have powers to recruit, appoint and discharge staff.

See Chapter 8 in this volume.

6. Relations With Government Departments and Public and Private Implementing Agencies

It will be necessary for the legal draftsmen to consider the need to specify in the law reserve powers for the Authority in its relations with public or private agencies, on matters which are not or cannot be adequately covered by existing law on planning approval, pollution etc. or in conditions in leases or titles.

Relationships with the Governments and agencies are described in Master Plan Report Chapter 8, section 6. Detailed and frequent intervention by the Authority is not intended (see the second last paragraph of MPR 8.6.4) but it may be necessary for the Authority to require agencies to take part in discussions of problems of implementation, to provide reports on progress etc., and possibly to modify the form of their development to comply with the development objectives for the whole area. A provision that "departments and agencies will comply with reasonable requests of the Authority" is probably too vague to be useful or acceptable. This point may have to be covered by provision for the future addition of such powers as are seen to be required after some experience of operations.

