

# MSIA Reading Series 29

## LIVELIHOOD RESTORATION AND MITIGATION IMPLEMENTATION METHODOLOGY IMPROVEMENTS

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### LIVELIHOOD RESTORATION AS MITIGATION OPTION IN PROJECT DEVELOPMENT

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**Date:** 3 OCTOBER 2025  
**Time:** 03:00 PM - 5:30 PM  
**Venue:** IPAS SEMINAR ROOM, UPM  
**Zoom**

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## 1. Introduction

Urban development projects often trigger land acquisition, relocation, and livelihood disruptions. While compensation addresses material losses, the restoration of income sources, social networks, and community resilience remains less institutionalized. Livelihood restoration is a development safeguard that aims to ensure affected persons are 'no worse off, and preferably better off' after displacement (World Bank, 2018). The Hard Talk session explores how Malaysia, Indonesia, and international frameworks approach livelihood restoration within urban renewal contexts.

Due to the significance of this topic, the proceedings of this session on Livelihood Restoration as Mitigation Options in Project Development has been parcelled out into three parts. This Part III deliberates on a comparison examining the state of livelihood restoration as a critical element in urban development projects across Malaysia, Indonesia and World Bank frameworks. Considering the importance of livelihood restoration beyond just compensation for land acquisition, further deliberations were provided on how best to incorporate it in development projects in Malaysia.

## 2. Comparative Frameworks of Livelihood Restoration

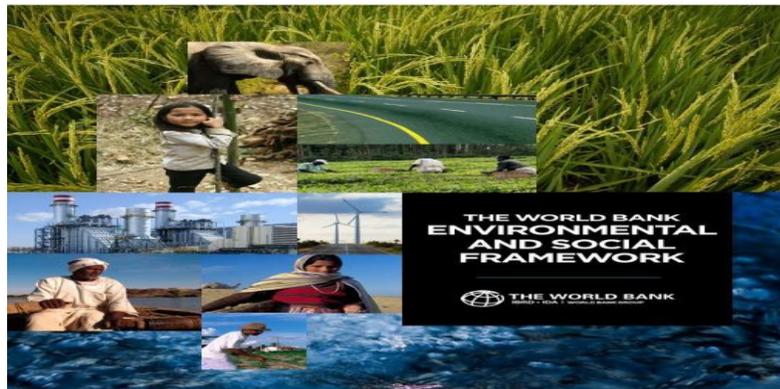
It is reiterated that livelihood restoration refers to processes and measures designed to re-establish and improve the income, assets, and quality of life of affected persons following involuntary displacement. It goes beyond cash compensation since the main objectives are to promote economic independence, social stability, and long-term sustainability (Cernea, 2000). Livelihood restoration within urban renewal contexts are approached quite differently among countries. A comparison is provided below of the frameworks approach adopted by Malaysia and several other countries within the region

### 2.1 Malaysia: PPSIA and Urban Renewal Act (URA 2025)

Malaysia's social impact assessment (SIA) framework, guided by the *Prosedur Penilaian Impak Sosial* (PPSIA) of PLANMalaysia, focuses primarily on identifying and mitigating project impacts. However, livelihood restoration is not yet a legal requirement. The draft Urban Renewal Act (URA 2025) proposes to formalize social safeguards through entitlement matrices, grievance mechanisms, and adaptive management systems.

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## 2.2 World Bank Environmental and Social Standard 5 (ESS5)



The World Bank has set 10 Environmental and Social Standards (ESS) that comprised of (World Bank, 2018):

- i. ESS1: Assessment and Management of Environmental and Social Risks and Impacts;
- ii. ESS 2: Labor and Working Conditions;
- iii. ESS 3: Resource Efficiency and Pollution Prevention and Management;
- iv. ESS 4: Community Health and Safety;
- v. ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement;
- vi. ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources;
- vii. ESS 7: Indigenous Peoples/Sub-Saharan African Historically
- viii. ESS 8: Underserved Traditional Local Communities;
- ix. ESS 9: Financial Intermediaries; and
- x. ESS10: Stakeholder Engagement and Information Disclosure

The World Bank's ESS5 sets global benchmarks for land acquisition, restrictions on land use, and involuntary resettlement. It mandates that displaced persons receive full replacement cost compensation and access to livelihood restoration programs. ESS5 also emphasises inclusive participation, transparency, and grievance redress mechanisms.

While World Bank Environmental and Social Standard ESS5 does not directly outline "Urban Renewal" principles, it provides a foundation on land acquisition, resettlement, and livelihood restoration which are central to urban renewal projects.

i. Minimization of Displacement

Urban renewal should avoid or minimise involuntary resettlement by carefully considering project design alternatives. This reduces social disruption and preserves community cohesion.

ii. Prevention of Forced Eviction

Projects must prohibit forced evictions and ensure that any relocation is conducted lawfully, fairly, and with dignity. This aligns with human rights and safeguards community trust.

iii. Fair and Adequate Compensation

When land acquisition is unavoidable, affected individuals must receive compensation at full replacement cost. Compensation should not just cover lost assets but also secure livelihood restoration opportunities.

iv. Livelihood Restoration and Improvement

Urban renewal must go beyond relocation. It should restore and, ideally, improve the living standards of displaced communities compared to pre-project levels. This includes access to housing, services, facilities, and secure tenure.

v. Inclusive Participation and Transparency The process must be transparent, inclusive, and participatory, ensuring disclosure of information, meaningful consultation, and informed participation of affected persons throughout the renewal process.

Taking the spirit of the above principles, it is essential to identify the affected parties from the impacts of land acquisition, resettlement, and livelihood restoration (Table 1). Once identified, there is a need to understand how each affected party is impacted. In this way, it would help in determining appropriate remedial actions to be taken later. The first category of affected parties is those impacted from the changes in property ownership ranging from individual land and building owners to joint owners and other forms of ownership including rights from caveats. The second category is those impacted from changes in use that involved ranges of tenants, users of building and employees at the buildings. The third category is those impacted from changes in the environment and structure of society that included owners and tenants of neighbouring lands and buildings. These parties are impacted differently and extent of grievances vary.

Table 1: Affected Parties and Expected Impacts Of Land Acquisition For Urban Renewal Purposes

Impacted from Changes in Ownership	Impacted from Changes in Use	Impacted from Changes in the Environment and Societal Structure
Land Owner Building / Strata Unit Owner Absentee Owner (untraceable) Joint Owner (Multiple Owners of Units/Land – their heirs and family members) Rights from Caveats on land and buildings (e.g. banks) Oral inheritance Other forms of ownership rights that are not legally recorded	Tenant of the building (long term) and has made additions to the unit Second and subsequent tenants (whether legally or not) Users of activities in the building Employees	Owners of neighbouring land / adjacent areas in the same neighborhood tenants of neighbouring buildings Certain community groups, especially Bumiputera (whose rights are protected under the constitution and laws such as Malay Reserve Land) and vulnerable groups as well as other interests such as customary land and waqf land

Authors own analysis

Urban renewal activities impacted the categories of affected parties differently and hence their entitlement for compensations would vary (Table 2). The types of impacts range from losses of original housing unit, inheritance rights, residences and business premises, and livelihood. These different types of losses imply different levels of entitlements ranging from cash compensations, property replacement, relocation allowances, income replacements and social rehabilitation programmes.

Similarly the entitlement concepts, practices and other financial considerations arising from land acquisition related to urban renewal activities vary. Entitlements involve financial compensations as well as in kind property replacement and even considerations for future share of the incoming development programmes. These practices however, varied among countries.

Table 2: Entitlement Matrix for Urban Renewal Act

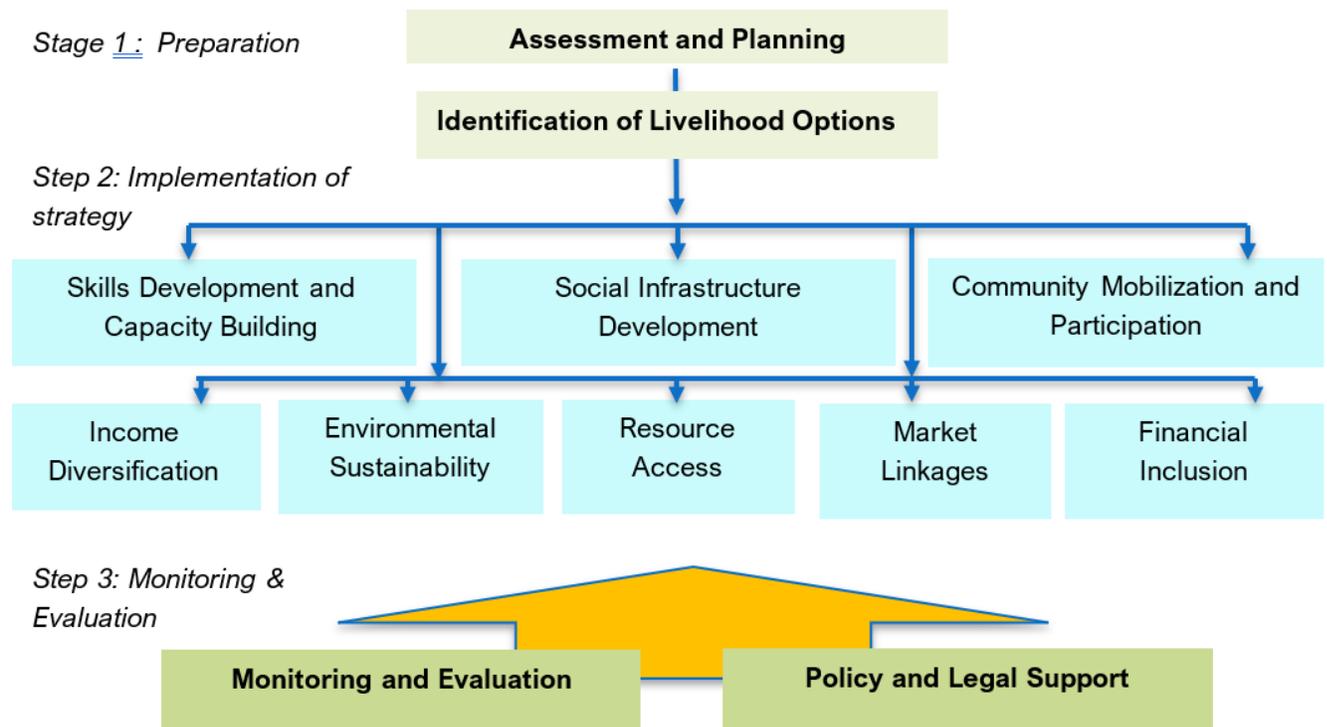
Categories of Impacted People	Types of Impact	Hak / Faedah (Entitlement)	Catatan
Registered legal owner (name on grant/strata title) Administrator / Executor of Estate (if owner dies) Legitimate heir (estate is divided) Registered tenant (with legal agreement) Informal tenant (without agreement) Small trader (licensed) Small trader (unlicensed/informal) Absentee owner (untraceable)	Loss of original housing unit Loss of undistributed inheritance rights Loss of inheritance property rights Loss of temporary residence Loss of residence Loss of business premises Loss of livelihood Pending ownership rights	1 replacement house unit or compensation cash equivalent to market value + relocation allowance + future value 1 replacement house unit/cash compensation held in escrow* until the estate is settled. Part of compensation or replacement unit according to the division of the estate Relocation allowance + rental compensation for 3 to 6 months One-time ex-gratia relocation allowance Replacement lot at new site or 6 months income replacement allowance Ex-gratia relocation compensation + low-cost commercial space opportunity at new site. Compensation/unit held in escrow (High Court/Amanah Raya)	Replacement unit of minimum size; cash option must be clear; temporary relocation is covered So that threshold can be calculated without waiting for heirs to agree Requires legal documents (Authority to Administer / Probate) Not eligible for replacement housing, only ex-gratia compensation Depending on the discretion of state policy Can be relocated to a replacement business complex To avoid marginalization Project cannot be disrupted due to absenteeism
Caveat holder (bank, Sales & Purchase Agreement (SPA) buyer)	Financial Interest	Compensation distributed among owners in accordance to Caveat rights	Notice obligatory to be given to all caveat holders
Neighbouring community (non-owner)	Social disturbances (access, community identity)	Social rehabilitation programs, community support, project employment opportunities	In line with the concept of livelihood restoration

\*Escrow is a trust account or holding of money/rights by a neutral third party (usually a bank, lawyer, or trust agency). The money or documents are not immediately given to the recipient, but are held in trust until certain conditions are met.

## 2.3 Indonesia: Land Acquisition and Resettlement Action Plan (LARAP)

Indonesia's LARAP integrates livelihood restoration within its land acquisition processes, emphasizing census-based identification of affected persons, baseline socio-economic surveys, and tailored livelihood programmes.

In general, livelihood restoration may involve 3 Steps – Preparation, Implementation of Strategy and Monitoring and Evaluation (Figure 1)



Source: Ministry of Agrarian Affairs and Spatial Planning/ National Land Agency (ATR/BPN) of Indonesia. (n.d)

Figure 1: Processes of Livelihood Restoration

### 2.3.1 Step 1 on Preparation

Preparation involves proper assessment and planning. Critical in this step is the identification of affected persons that are related to the project. It is done from evaluating

demographic data on their age, gender, family size, births and deaths and from socio-economic data on their ethnicity, health, education, occupation, income sources.

### **2.3.1.1 Affected Persons**

The criteria for eligible affected person involve:

- i. the person who has formal legal rights to land or assets that affected from land acquisition process,
- ii. the person who does not have formal legal rights to land or assets and using the land for generations without formal documentation under customary or traditional tenure arrangements that are accepted by the community and recognized by national law,
- iii. The person who has no recognizable legal right or claim to the land or assets they occupy or use.

### **2.3.1.2 Identification of Livelihood Options**

Several key components of livelihood restoration may have to include skills development of affected persons, income diversification, access to resources (land, water, credit, markets), community participation, infrastructure development, and environmental sustainability.

### **2.3.2 Step 2 Implementation of Strategy**

The Yogyakarta International Airport case demonstrates how agricultural livelihoods were re-established through skill training, cooperative support, and social reintegration (Fathunnafi et al., 2023).

Livelihood restoration programmes and their components are classified below (Table 3):

- i. Land-based Livelihood Programmes  
Displaced persons with land-based livelihoods should be offered replacement lands of similar size and productivity, or assistance to find such lands if compensation for land loss is cash based.
- ii. Wage-Based Livelihood Programmes  
Wage earners in the affected households and communities may benefit from skills training and job placement. When it comes to wage-based livelihoods, employability and navigating the transition period become primary concerns.
- iii. Enterprise-Based Livelihood

By understanding the unique challenges and opportunities faced by displaced entrepreneurs, a targeted approach should consider enabling conditions to their current businesses, and the components that they lose as a result of displacement.

Table 3: Components of Livelihood Restoration and Improvement

Component of Livelihood and Improvement	
<ul style="list-style-type: none"> <li>• Restored or improved income levels</li> <li>• Restored or improved household food security</li> <li>• Restored or improved access to infrastructure and services</li> <li>• Restored or improved security of tenure</li> <li>• Restored or improved household health and nutrition conditions</li> <li>• Restored or Improved livelihood opportunities for women and vulnerable groups</li> <li>• Restored or diversified income sources</li> </ul>	<ul style="list-style-type: none"> <li>• Restored or improved access to markets</li> <li>• Restored or increased yields and sales</li> <li>• Restored or improved consumption and diet</li> <li>• Fewer households living below the poverty level</li> <li>• Restored or improved safety and security conditions</li> <li>• Restored or improved resilience to natural or economic shocks</li> <li>• Restored or improved access to safety net</li> </ul>

Source: Ministry of Agrarian Affairs and Spatial Planning/ National Land Agency (ATR/BPN) of Indonesia (n.d).

### 2.3.3 Step 3 Monitoring and Evaluation

To establish the continuous livelihood restoration programme, monitoring and evaluating the implementation of the programme is required. At this stage, collaboration with third parties such as NGO and other parties is needed.

### 2.3.4 Contents of LARAP

The full contents of LARAP are summarized in Table 4.

Table 4: Contents of LARAP

<b>Livelihoods of affected people</b>	Summarise the result of the SIA on how affected people gain their livelihoods; main and supplementary income sources; endowments such as skillset and education; access to finance/ safety net; enabling / constraining conditions such as land / labour / commodity markets and infrastructure / services.
<b>The project impacts</b>	Describes how the project may affect, positively and negatively, the affected people's livelihoods as described above.
<b>Stakeholder Engagement</b>	Provide an overview of the stakeholders (affected people and other interested parties (government and other organizations) in project area, relevant to affected people's livelihood, including line ministries who may provide services critical to restoring livelihood impacts described above.

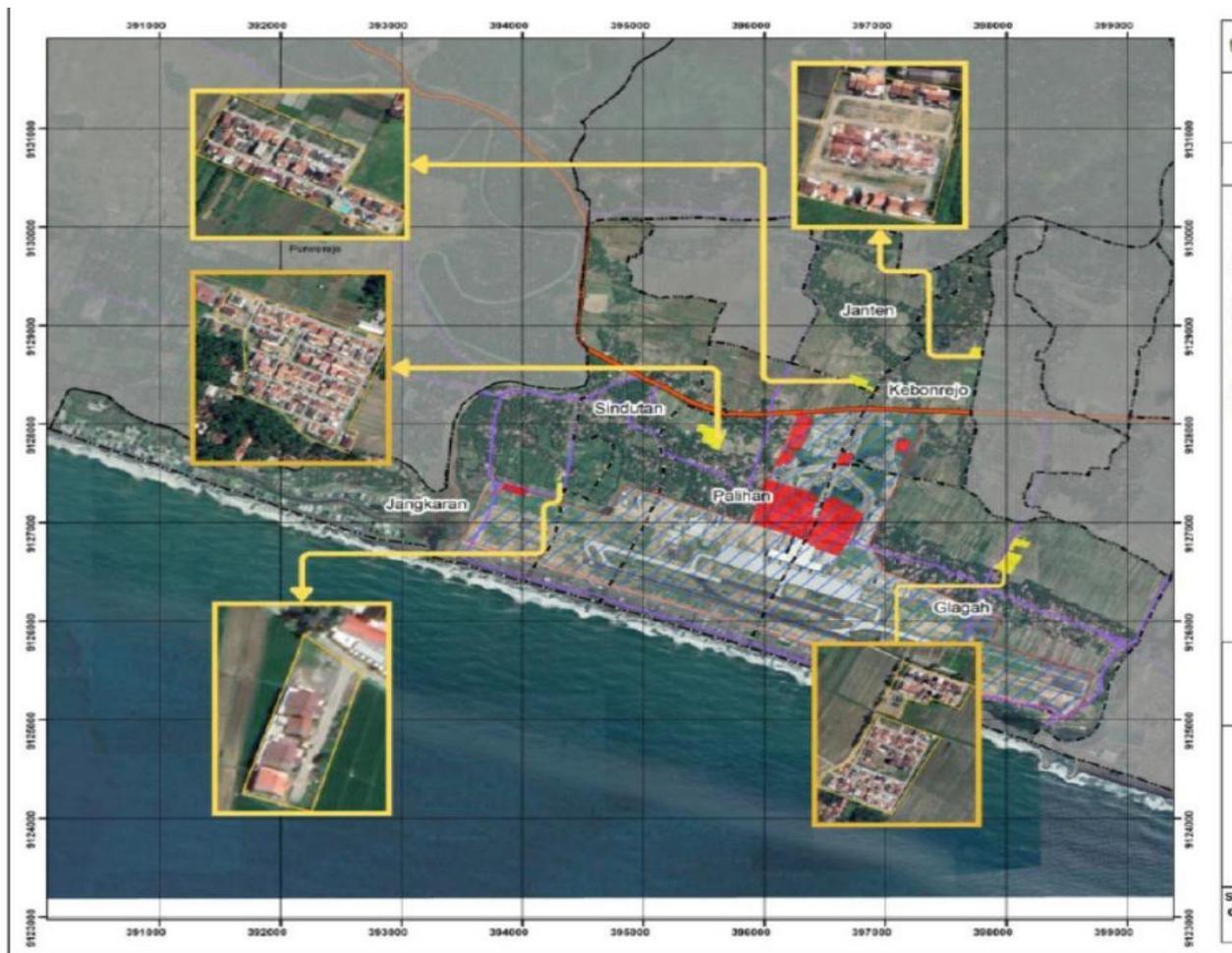
<b>Livelihood Restoration and Community Development Programme</b>	Describes the approach to livelihood restoration and community development programmes associated and measuring the success through the performance indicator.
<b>Vulnerable Group</b>	Explain about the assistance measures that could be made available to vulnerable people and groups, address the key element of the vulnerable group programme.
<b>Grievance Management System</b>	The affected community should be able to raise their concern through the grievance mechanism. All the affected persons will be informed of the way they can engage with the process and submit grievances and ensure grievances are responded to in a timely manner.
<b>Monitoring and Evaluation</b>	To establish the continuous livelihood restoration programme, monitoring and evaluating the implementation of the programme should be required. At this stage, collaboration with third parties such as NGO and other parties is needed.
<b>Adaptive management</b>	To keep the project on track and adjust things as needed, a group (made up of both project staff and people from the affected communities) will regularly review what's working and what's not. They'll have some money set aside specifically for making small changes on their own, while bigger adjustments will need approval from the project leaders. This system ensures the project stays focused, can adapt to new situations, and everyone takes responsibility for its success.
<b>Resource Allocation</b>	Long term and flexible fund allocation secure for LRP with the project owner or through other channels (sharing cost/programmes with relevant government).

Source: Ministry of Agrarian Affairs and Spatial Planning/ National Land Agency (ATR/BPN) of Indonesia. (n.d.)

**2.4 Case Study of Jogjakarta International Airport Project**

The construction of the Jogjakarta International Airport is a national strategic project. But it involves displacement of affected parties and upon their livelihood assets. Its construction involved some households 587 hectares of land acquisition across five villages of Glagah, Palihan, Sindutan, Jangkaran and Kebonrejo (Figure 2).

This process displaced 518 households as their land was repossessed for the purpose of the airport project. The project converted agricultural land, including 62.75 hectares of paddy fields and dry fields. This land loss left farmers, who made up 1,925 (46%) of the compensated individuals across the five villages, vulnerable due to the loss of their livelihoods. Livelihood capitals comprise five types: natural, human, social, physical, and financial capital.



Source : Fathunnafi and Wijayanti (2023)

Figure 2: Location of Yogyakarta International Airport (YIA)

There are three groups of affected parties:

- i. The Self-Managed Relocation Group, being the largest (54.6%), voluntarily moved to village-owned land provided by the government, receiving relatively higher compensation due to prior land ownership.
- ii. The Magersari Group, with limited means or low compensation, was relocated to Pakualaman-owned land with building use rights, forming a smaller proportion.
- iii. The Independent Relocation Group chose to move outside government schemes, using compensation to independently purchase land or houses.

Among the mitigations undertaken included:

- i. Provision of alternative agricultural land. The affected persons are allocated formalised village-owned land for subsidised lease or cooperatives. The issues included limited land, potential conflicts, soil quality, and productivity concerns.

- ii. Supporting Community Activities. Regular gatherings and cultural events to rebuild social capital are funded. This requires overcoming social fragmentation and ensuring sustained participation and funding.
- iii. Offering Regular Healthcare Services and Education on Health Insurance. Mobile clinics are provided to cover uninsured households. The key barriers faced are funding, staffing, trust, and regular premium payments.
- iv. Conducting Skill-Building Training. The vocational training offered are aligned with jobs related to tourism and digital literacy. Challenges faced are the relevance to job market, trainer availability, and follow-up support.
- v. Improving Road Conditions. Repairing and paving of roads within and around relocated areas to boost mobility and access.
- vi. Providing Low-Interest, Flexible Loans. Low-interest loans are provided with simple application processes and flexible terms. Challenges are to address repayment risks, operational scale, and trust in formal lending.
- vii. Promoting a Savings Culture. Encourage savings groups with incentives and links to formal banks. Barriers include low income, weak saving habits, and sustaining participation.
- viii. Community Groups formation:
- ix. Facilitating the Formation or Strengthening of Local Business Groups: Form or strengthen livelihood-based groups (e.g., tourism, crafts) with training, seed funding, and market access. Challenges faced are group cohesion, business viability, market availability.

The applicable impoverishment-centred concept used is the Impoverishment Risks, Risk Management, and Reconstruction (IRR). In tackling displaced persons, the IRR model utilizes 8 risks as its main features:

- landlessness,
- joblessness,
- homelessness,
- marginalization,
- increased morbidity,
- food insecurity,
- loss of access to common property, and
- social disarticulation.

The New Yogyakarta International Airport Construction, involved the following Impoverishment Risks (Table 5)

Table 5: Impoverishment Risks of Landlessness, Joblessness and Marginalization

Sector/Description	Landlessness	Joblessness	Marginalization
Agriculture/Sponge gourd	60 ton/hectare/year	12,000 agriculture workers	Displacement caused economic, social, and psychological marginalization on farmers in those agricultural field. <sup>25</sup> The affected farmers of economic marginalization are ranging from 4,000 to 60,000.
Agriculture/Melon	180 ton/hectare/year	60,000 agriculture workers	
Agriculture/Watermelon	90 ton/hectare/year	60,000 agriculture workers	
Agriculture/Eggplant	90 ton/hectare/year	12,000 agriculture workers	
Agriculture/Chili	30 ton/hectare/year	4,000 agriculture workers	

Source : Fathunnafi and Wijayanti (2023)

The policy of business enterprises that respect human rights and support this compensation programme is adopted.

To use human right approach and to undertake human rights ‘due diligence process’ is the most preferred mitigation. This means, it is important to involve local residents in the resettlement process by facilitating them in decision making for the resettlement programme.

- i. To develop and upgrade practical technical skills needed to raise community livelihood, various training programmes have been hosted for the community that include in areas like:
- ii. Financial Planning Mentorship – assisting the community in managing their finances.
- iii. Expansion of Business Opportunities – opening more job and business opportunities.
- iv. Expansion of Airport Operations Support Opportunities – involving the community in airport operational support.
- v. Tourism Development – training the community to be involved in the tourism sector.

- vi. ERT (Emergency Response Team) Management – training for emergency response team management.
- vii. Protection and Empowerment of the Elderly – programs for senior citizens.
- viii. Protection and Empowerment of the Disabled – programs for the person with disabilities (PWD) community.
- ix. Educational Scholarships and Strengthening of Early Childhood Education – support for educational scholarships and early childhood education.
- x. Habitable Housing Assistance – providing suitable housing assistance for the community.

Financial assistances were provided for the communities to embark on small and medium business enterprises.

### 3. Compensation Basis from Land Acquisition in Urban Renewal as Practiced Internationally

Compensation from land acquisition in urban renewal development projects vary among countries in the region (Table 6).

Table 6: Compensation Basis from Land Acquisition in Urban Renewal as practiced in different countries

Country / Standard	Compensation Basis	Have Potential Development Been Taken into Account?	Additional Fairness Mechanism	Social Implications
Malaysia (Land Acquisition Act 1960 & URA Bill 2025)	Current market value + replacement house of similar size / price	No – only existing value, not future potential	Phrase “not less than good” (Clause 24) but vague; no benefit-sharing	Old owners feel they suffer a loss; developers make big profits → risk of conflict & rejection.
Singapore (URA & HDB Redevelopment)	Market value compensation + modern HDB replacement flat	Partial – cash compensation according to market; but owners are given new, more modern flats	“Selective En Bloc Redevelopment Scheme (SERS)” – owners can buy new units with subsidies; there is temporary rental support.	More acceptable because new flats are of better quality & same location, even though commercial potential is lost

South Korea (Urban Renewal Act)	Current value + share rights in the project	Yes – owners are given shares/lots in new development	Old owners can choose: replacement units or shares (profit-sharing model).	More fair because original community shares development profits
Hong Kong (Urban Renewal Authority)	High cash compensation (market + premium) or new unit	Potential value is partially taken into account, as compensation is higher than normal market value	Has “flat-for-flat” and “flat-for-shop” schemes	Owners feel more satisfied because compensation is greater
World Bank / ADB (ESS5 - Involuntary Resettlement)	“Replacement cost” + livelihood	Yes – international standards must take into account better life after the project, not just the value of the house	LARAP has mandatory entitlement matrix, livelihood restoration, grievance mechanism	Stronger social security; community does not lose economic opportunities

Source: Authors own analysis

In Malaysia, basis of compensation of land acquisition is based on the Current market value plus replacement of the house of similar size or price. No potential development would be taken into account adhering to the principle “not less than good” with no benefit sharing. Old owners feel they suffer a loss and have the perception that developers make big profits. There is a risk of conflict and rejection of the urban renewal project. This is unlike the practice in Singapore, South Korea, Hong Kong and as that recommended by the World Bank/ADB under the ESS5 (Involuntary Resettlement). Singapore (under URA & HDB Redevelopment) provides market value compensation + modern HDB replacement flat. Whereas in South Korea (under Urban Renewal Act) offers current value compensation plus a share rights in the project. Hong Kong (Urban Renewal Authority) gives a choice either a high cash compensation at the on-going market value plus a premium or new unit. The World Bank/ADB under the ESS5 (Involuntary Resettlement) recommends replacement cost plus assurance of better livelihood after the land acquisition. Under LARAP, there is mandatory preparation of entitlement matrix, livelihood restoration and grievance mechanism. There is stronger social security being felt and the affected community does not lose economic opportunities.

#### **4. Current Awareness of Livelihood Restoration in SIA Practices in Malaysia**

PPSIA outlines SIA procedure and focuses on general impacts (public facilities, congestion, housing, etc.). Where possible a project is encouraged to reduce and minimise these impacts, failing to do so it focuses on compensations. There is less emphasis on livelihood restoration (livelihood restoration, post-displacement programs).

Efforts would be needed to encourage this change and readiness to incorporate livelihood consideration in SIA preparation for urban renewal activities (URA SIA). Among them would include:

- i. The integration of LARAP into URA SIA by making it a mandatory component.
- ii. Capacity training for consultants & PBT/PLANMalaysia officers are needed. Among new skills to incorporate would be not just doing questionnaires surveying, but preparing entitlement matrix, livelihood plan and grievance mechanism.
- iii. Community awareness have to be raised to make them aware that their rights are not just compensation money, but also the right to an equal or better life after renewal.

For this change, an amendment of PPSIA is needed or a special guidelines for SIA URA incorporated into PPSIA. This is so that SIA for urban renewal has higher standards than SIA for regular projects. To raise awareness on the above suggestion, a comparison of existing PPSIA with LARAP and World Bank ESS5 would enhance the understanding (Table 7). As can be observed, Malaysia's PPSIA lags behind the latter two in aspects of:

- i. Focus and scope of the SIA reporting
- ii. Rights and entitlement of affected parties
- iii. Depth of socio-economic data collection and analysis
- iv. Livelihood restoration programmes
- v. Post Project Monitoring & Grievances Mechanism
- vi. Basis of law on legally binding guideline requiring urban renewal project to conduct SIA

Table 7: A Comparison of PPSIA, LARAP and World Bank ESS5

Aspect	PPSIA (Malaysia)	LARAP (Indonesia)	World Bank ESS5
Focus & Scope	Screening, scoping, Impact projection, mitigation (physical)	Comprehensive plan (census, livelihood, grievance, monitoring & evaluation M&E)	Outcome-based: 'No worse off, preferably better off'
Rights & Entitlement	Only legitimate ownership acknowledged	Identification of all potential affected parties (owner, renter, informal)	Mandatory to engage all potential affected parties (owner, renter, informal)
Baseline & Data	General socio-economic baseline survey	Mandatory census & baseline survey	Survey is basis for measuring livelihood outcome
Livelihood Restoration	No livelihood programme	Income restoration, training and business support	Mandatory livelihood restoration outcome
Monitoring & Grievance	No post project monitoring	Formal monitoring & grievance	Clear mandatory monitoring & evaluation, grievance redress mechanisms
Basis of Law	Non-legally binding guideline requiring project to conduct SIA	Mandatory for project to conduct SIA financed by WB/IFC	Conditional project approval and financing

Given the above state of affairs, one wonders on a need for a Land Acquisition and Resettlement Action Plan in Malaysia. Table 8 provides an analysis of the strengths and challenges of such an action plan in terms of:

- i. Social fairness on which affected parties to consider
- ii. Standard to adopt – Malaysian Land Acquisition Act or that used by World Bank
- iii. Outcome to focus – how to ensure that affected residents are not only worse off but better off
- iv. How to ensure conflict reduction
- v. The conduct of post project monitoring
- vi. Political pressure and risk of further project delays

Table 8: Pro and Kontra of a Land Acquisition and Resettlement Action Plan in Malaysia:

Aspect	Strength / Pro	Challenges / Contra
Sosial Fairness	Protect all affected groups including renters & labour	Malaysia focus on land owner – difficult to acknowledge informal group
Balanced Standard	Used by World Bank / IFC → raise project credibility	Need to adapt to Land Acquisition Act & PPSIA
Focus Outcome	Ensure resident 'no worse off, better off'	Need comprehensive baseline survey – limited capacity
Conflict Reduction	Consultation & grievance redress reduce opposition	Long process & high cost → developer reluctance
Monitoring	Conduct monitoring & evaluation until recovery	Require long term institution & financial resources
Political Risk	Reduces political pressure & marginalization feeling	Certain Parties consider LARAP burdensome & delaying project

## 5. Urban Renewal Activities (URA) Mitigation and Implementation Methodology Improvements

As mentioned earlier, an amendment of PPSIA or a special guidelines for SIA URA incorporated into PPSIA would require a higher standard than SIA for regular projects. Hence, Figure 3 provides for further improvement upon the PPSIA's SIA preparation and implementation processes.

It is suggested that apart from the regular SIA preparation for development project, a urban renewal activity would require the extra efforts during the

(a) Screening and Scoping Process that included:

- i. Confirming Threshold Levels
- ii. Creating a 100% Socio-Economic Census for LARAP
- iii. Obtain complete and valid information about ownership status
- iv. The affected parties are not only the landlord/building but all interested parties.

(b) Mitigation

- i. Mitigation measure can be made mandatory for urban renewal activities (URA) project that include the preparation of a Land Acquisition and Resettlement Action Plan (LARAP)

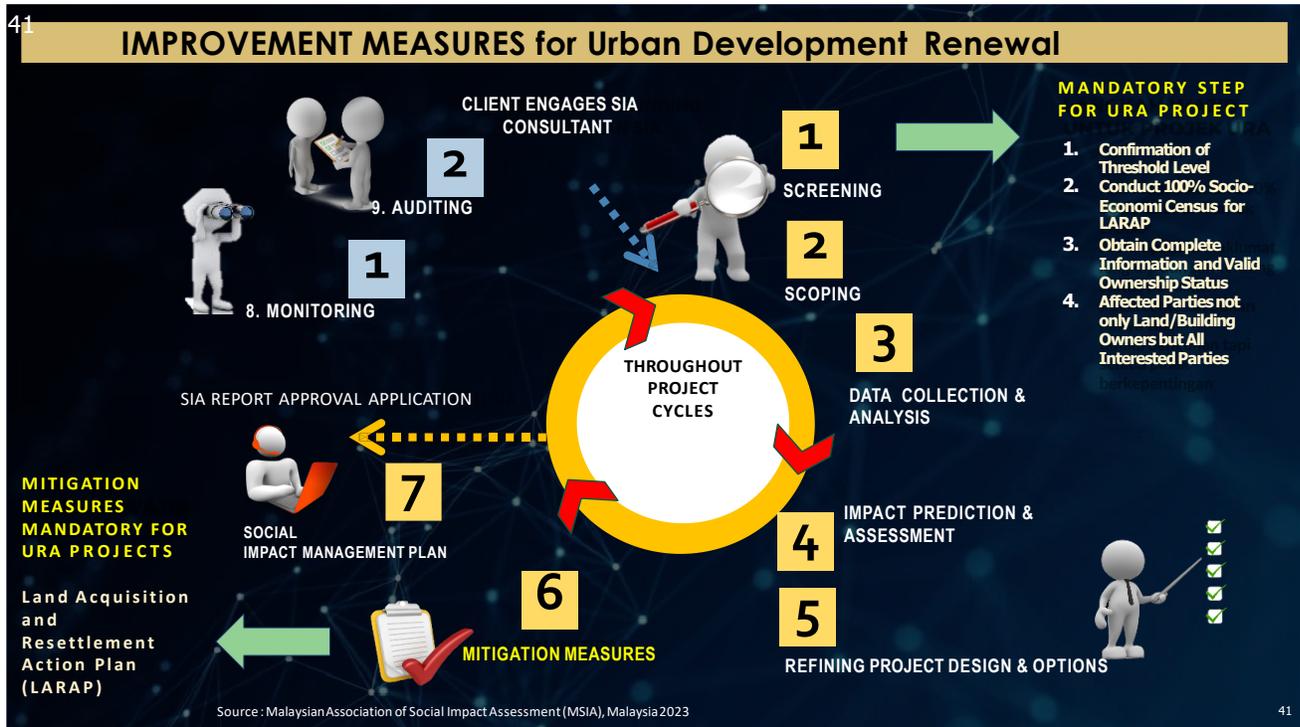


Figure 3: Improvement Measures for Urban Renewal Activities (URA)

As suggested in MSIA Reading Series 26 (Mohd Shahwahid H.O. and Herlina A. A., 2026), that if livelihood restoration is to happen in Malaysia, it may not voluntarily occur or depend on the initiative of developers. Instead it may have to occur through:

- i. Legal Mandatory / URA Rules that requires a livelihood plan (even a simple one).
- ii. Government support fund / URA special fund that the government covers part of the livelihood costs (e.g. allowances, rehabilitation programmes).
- iii. Non-Governmental Organisation (NGO) / Corporate Social Responsibility (CSR) collaboration to provide community support and worker retraining.
- iv. “Cross-subsidy” model whereby part of the project profits are channeled to the livelihood fund.

In general, the government must make livelihood restoration part of the legal requirements, not expect developers to implement it voluntarily.

a) There exists policy options on livelihood restoration in URA in the form of a **URA Special Fund (Urban Renewal Social Fund)**. The Structure can be established under PLANMalaysia / KPKT. Funds can be collected through:

- Small levy/cess from each URA project (e.g. 1–2% of development cost).
- Federal/state government allocations.
- Private sector CSR.

The Fund can be used for:

- i. Relocation allowance costs, temporary rental support, livelihood programs (training, micro-credit for small traders).

There are advantages:

- Does not burden a single developer.
- Large scale, can accommodate many projects.

## b) Fiscal & Tax Incentives for Developers

If developers agree to implement the livelihood programme, they will get:

- Special tax deductions.
- Relief in land premium or development charges.
- Fast-track approval for URA projects.

Example: If a developer builds a “low-cost business complex for small traders”, the cost can be deducted from the development levy.

### **c) Mandatory in URA Rules**

A clause can be included that: “Every URA proposal shall provide a Livelihood Restoration Plan for affected residents and small traders.”

The Scopes of Livelihood Restoration Plan are

- Minimum relocation allowance.
- Low-cost replacement business premises.
- Community income restoration programme.

With this, livelihood restoration becomes a condition for project approval, not an option.

### **d) “Cross-Subsidy” mechanism**

Developers are given additional commercial/density plots. It is anticipated that with this density bonus would materialize with additional profits. Part of this additional profit is required to be channeled for:

- Social allowances.
- Low-cost/replacement housing schemes.
- Livelihood programs.

Example: Singapore uses GFA (gross floor area) bonus to obtain social development funds.

### **e) NGO / CSR / Government Linked Companies (GLC) cooperation**

NGOs and GLCs can be strategic partners in livelihood programmes.

Example:

- NGO cooperatives help small traders move to new sites.
- GLCs (e.g. MARA, PUNB) provide micro-credit & business space.

In this way, livelihood costs are not 100% on the developer but are borne jointly through partnerships.

Hence, it can be summarised that livelihood restoration can take place in Malaysia through

- i. Establish a URA Special Fund.
- ii. Use fiscal incentives to encourage developers.
- iii. Make it mandatory through the URA Method.
- iv. Use cross-subsidies from project profits.
- v. Involve NGOs/GLCs in livelihood restoration.

With this combination, livelihood restoration can be implemented in a structured manner, without affecting the financial viability of the project.

## **6. Towards the Establishment of Urban Renewal Fund**

A fund to be called the Urban Redevelopment Fund (“URA Fund”) can be established that shall be managed and supervised by the Federal Executive Committee, and at the State level by the State Executive Committee, as the case may be.

The purpose of the URA Fund is for the money from the URA Fund to be used for the following purposes:

- i. to cover the cost of preparing the Social Impact Assessment (SIA) including consultant fees; to cover the cost of temporary resettlement of affected occupants;
- ii. to finance livelihood restoration programmes for interested persons and the affected communities;
- iii. to provide an additional or ex-gratia compensation scheme for categories of parties not fully covered under the minimum benefits;
- iv. to cover the cost of administration, monitoring and enforcement of this Act by the Executive Committee.

The Rationale for Proposal of the URA Fund are:

- i. To fill the financial gap if the original Bill did not have a funding mechanism.
- ii. To recognise the importance of SIA & livelihood: consultant fees can be borne by the fund, not by the developer alone.
- iii. To enhance social legitimacy: communities see that there is a specific fund to protect them, not just the physical project.

It is important though to ensure transparency by having annual audits and reports so that the fund does not become a "dark fund". This concern is in the fields of inheritance & probate management, social engagement, community conflict management. The administration of the Fund is provided in Figure 4.

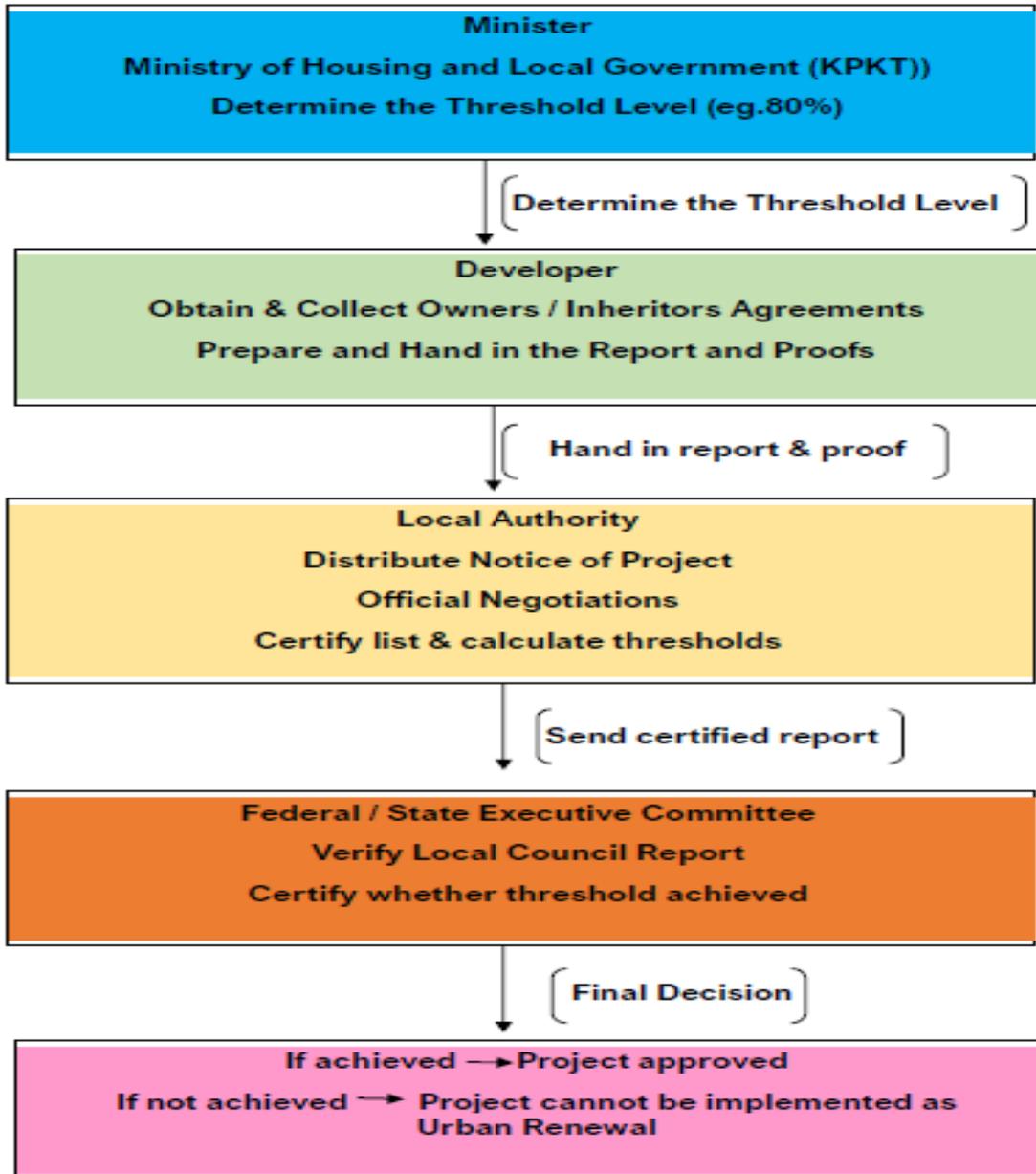


Figure 4: Administration of Urban Renewal Fund

Duties of the Local Councils in the context of URA are as follows:

- i. Issuing project notices and calling for negotiations (Section 18).
- ii. Verifying the list of legal owners/heirs based on land records.
- iii. Collecting and recording written consent forms.
- iv. Calculating and verifying whether the consent threshold is met.
- v. Acting as secretariat to the State Executive Committee.
- vi. Assisting in facilitating inheritance/absentee owner issues, and coordinating information with PLANMalaysia.

This requires technical expertise, legal, land data, and also social mediation among local council staff. Specific training for local council officers are needed to perform these duties efficiently. This may also include special knowledge in the fields of inheritance & probate management, social engagement, community conflict management.

## **7. Lessons Learnt**

Livelihood restoration activities are new in Malaysia, adequate information dissemination is essential. To illustrate the state of livelihood restoration within urban renewal contexts both in the country and overseas, several case studies could serve as references:

- i. Kampung Sungai Baru, Malaysia

The Kampung Sungai Baru redevelopment project in Kuala Lumpur illustrates challenges in urban renewal governance. Residents faced uneven compensation, fragmented representation, and lack of livelihood planning. The absence of a structured livelihood restoration framework led to conflict and distrust between the community and developers (MSIA, 2024).

- ii. Yogyakarta International Airport, Indonesia

In contrast, Indonesia's approach to Yogyakarta Airport demonstrated multi-tiered livelihood interventions, including financial counseling, entrepreneurship support, and health services. This holistic strategy reduced impoverishment risks such as joblessness, landlessness, and marginalization (Cernea & Mathur, 2008).

Malaysia's current SIA framework remains compliance-oriented. Key limitations include: (i) absence of socio-economic baselines; (ii) lack of entitlement matrices; (iii) insufficient attention to vulnerable groups; and (iv) weak post-project monitoring. Integrating

livelihood restoration into PPSIA and URA procedures would align Malaysia with international best practices.

Given the state of SIA implementation and urban renewal activities in Malaysia, several policy recommendations can be of considerations:

- i. Institutionalize livelihood restoration as a mandatory URA requirement.
- ii. Establish a dedicated Urban Renewal Social Fund to finance resettlement, training, and small business recovery.
- iii. Provide fiscal incentives for developers implementing livelihood programs.
- iv. Develop cross-subsidy mechanisms to channel profits into community programs.
- v. Strengthen collaboration among government, NGOs, and GLCs for social reintegration.
- vi. Build the capacity of SIA practitioners and local authorities in livelihood planning and monitoring.

## 80. Conclusion

Livelihood restoration represents a shift from compensatory justice to developmental justice. As Malaysia advances urban renewal initiatives under URA 2025, adopting LARAP and ESS5 principles can ensure that urban transformation benefits all stakeholders. Embedding livelihood restoration in statutory frameworks, funding mechanisms, and professional practice will help create equitable, resilient, and inclusive urban futures.

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