

MSIA Reading Series 27

URBAN PROJECT DEVELOPMENT: A NEED FOR LIVELIHOOD RESTORATION AS MITIGATION OPTION

Speaker I:
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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
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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 institutionalised. 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. Part I deliberates on the state of Project Planning and Identification In Malaysia followed by a description of the development projects needing the preparation of a SIA in Peninsular Malaysia. Livelihood restoration has not yet been given special attention in urban development projects. The principles of mitigation of potential impacts are discussed. Compensations to affected parties and the computation methods provided. A significant argument is that SIA must be done as early as possible at the Land Need Assessment and not during *Kebenaran Merancang (KM)* or Planning Permission stage. Yet livelihood restoration is an aspect that ought to be included. Part II deliberates on a special case study of urban redevelopment project in Sarawak that incorporates mitigation measures beyond compensation by incorporating livelihood restoration activities. Part III deliberates on a comparison examining the state of livelihood restoration as a critical element in urban development projects across Malaysia with comparisons from 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 in development projects in Malaysia.

2. Conceptual Foundations of Livelihood Restoration

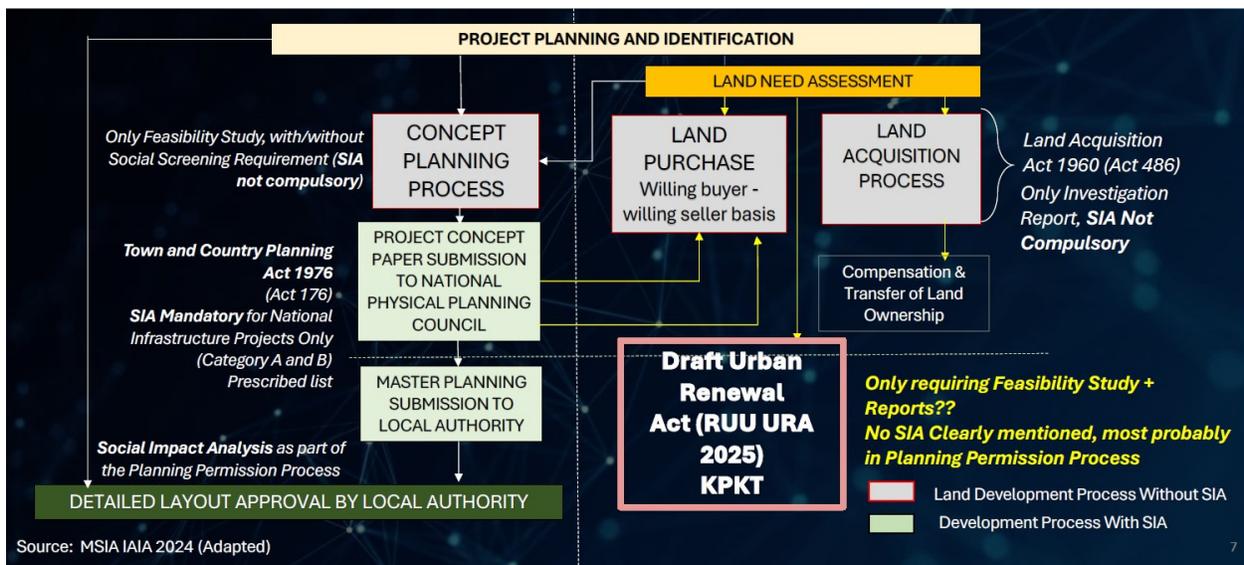
Livelihood restoration refers to processes and measures designed to re-establish and improve the income, assets, and quality of life of affected persons following involuntary displacement. It goes beyond cash compensation by ensuring access to resources, employment, training, and social support. The main objectives are to promote economic independence, social stability, and long-term sustainability (Cernea, 2000).

3. State of Project Planning and Identification in Malaysia

Project planning and identification would start with the concept planning process, project concept paper submission to the National Physical Planning Council (MPFN), followed by

Master Plan Submission to the Local Authority and eventual obtaining of the Detailed Layout Approval from the Local Authority (Figure 1). For projects not requiring submission to MPFN, only a Feasibility Study is required with or without a concurrent SIA Report. For projects requiring Project Concept Paper Submission to MPFN, a SIA report is required as part of the Planning Permission Process.

The land need assessment is undertaken by the project proponent either through land purchase based on willing buyer – willing seller basis or through land acquisition whereby compensation and transfer of land ownership would follow suit. This land acquisition process is by virtue of the Land Acquisition Act 1960 (Act 486). An Investigation Report would be needed. SIA report is not mandatory to be undertaken.



Source: Herlina (2024)

Figure 1: Flow of Project Development Planning and Approval

SIA is currently mandated for early decision making only at the development project level, lacking recognition and mandatory status at the feasibility study and land approval processing levels.

The PPSIA lists down various categories of projects needing SIA submission; Category A projects for submission to PLANMALAYSIA Headquarters and Category B projects for submission to State PLANMALAYSIA (Figure 2). In the current lists of project a question cropped up. Where is Urban Renewal in the list of projects that need SIA? It is not specifically mentioned. There is a need to amend the provisions of law A1522, state procedures and the PPSIA Guidelines.

Category A Projects – SIA Submission to PLANMalaysia Headquarters

No	Category	Types	Characteristics
1.	Coastal Reclamation	<ul style="list-style-type: none"> Coastal area and sea reclamation Artificial Island 	<ul style="list-style-type: none"> 50 hectares or more Excluding reclamation for jetty construction and coastal restoration
2.	Infrastructure	<ul style="list-style-type: none"> International Airport Domestic Airport Other Airports (Civil Aviation Act 1969) 	<ul style="list-style-type: none"> Construction of a new airport Runway 1000m or longer Upgrading / expanding by more than 50% of existing area
		Sea/Land Port <ul style="list-style-type: none"> National Port Regional Port Naval base Private Seaport 	<ul style="list-style-type: none"> Construction of a new port Upgrading / expanding by more than 50% of existing area Cargo transfer services
		Railway Transportation <ul style="list-style-type: none"> Construction of railway lines and stations 	<ul style="list-style-type: none"> Railway tracks traverse between two or more states Cross international borders
3.	Major Utilities	<ul style="list-style-type: none"> Waste Disposal Site Radioactive Waste Disposal 	<ul style="list-style-type: none"> All toxic waste disposal sites Upgrading projects / expanding more than 50% of existing area
		Power Plant <ul style="list-style-type: none"> Power plant Gas pipeline 	<ul style="list-style-type: none"> All power subject exceeding 100 MW Gas pipeline routes spanning more than 50km
4.	New Township	<ul style="list-style-type: none"> Mixed Development Residential Commercial 	<ul style="list-style-type: none"> An area of more than 100 hectares or population over 10,000 people

- Industrial

Category B Projects – SIA Submission to PLANMalaysia State

No	Category	Types	Characteristics
1.	Industrial	<ul style="list-style-type: none"> • New Industrial areas • Oil and gas refineries centres 	<ul style="list-style-type: none"> • Heavy and medium-scale of 50 hectares or more • Located within 500 meters from existing residential areas
2.	Waste Management	<ul style="list-style-type: none"> • Incinerator • Solid Waste disposal site • Inert waste disposal site • Solid waste transfer station 	<ul style="list-style-type: none"> • All types of waste management centres and incinerators
3.	Energy and Utilities	<ul style="list-style-type: none"> • Gas pipeline • Main Intake substation 	<ul style="list-style-type: none"> • Involves the construction of gas pipelines less than 50km • Involves main intake substation exceeding 50ha
4.	Road	<ul style="list-style-type: none"> • Main road of the R4/U4 	<ul style="list-style-type: none"> • Main roads connecting towns and rural areas
5.	Coastal Reclamation	<ul style="list-style-type: none"> • Coastal Reclamation 	<ul style="list-style-type: none"> • Coastal reclamation with an area of less than 50 hectares and more than 20 hectares
6.	Labour Quarters	<ul style="list-style-type: none"> • Centralised Labour Quarters (CLQ) 	<ul style="list-style-type: none"> • New CLQ with capacity of more than 1000 people • Expansion of existing CLQ that involves a total no of workers more than 1000 people
7.	Other Development Projects	<ul style="list-style-type: none"> • Determined by the State or Local Authorities from time to time 	<ul style="list-style-type: none"> • Example: mining, agriculture, off- river storage

Source: PLANMalaysia (2023)

Figure 2: Categories of Projects Requiring Submission of SIA to either PLANMALAYSIA Headquarters or State.

According to the PPSIA (Figure 3), a SIA is needed for Infrastructural Project involving Sea / Land Ports Category (3), for which the potential impacts to be given attention are on

- Impact on socio-economic activities of local communities, especially fishermen;
- Closure of exit and entry routes for boats or ships
- Loss of recreational beaches due to coastal erosion
- Heavy vehicle movement endangering the public; and
- Land acquisition

Land acquisition is just one of the impacts to be given attention ! We are too comfortable assuming that land acquisition issues have been resolved by the Project Proponent or by the JKPTG Office.

Similarly according to the PPSIA, a SIA is needed for New Township Project Category (9), for which the potential impacts to be given attention are on

- Decrease and increase in population
- Pressure on existing public facilities
- Increase and decrease in property values
- Economic and social gaps between existing and new communities; and
- Impact on traffic conditions.

There are no mention of land acquisition/relocation issues as a main feature.

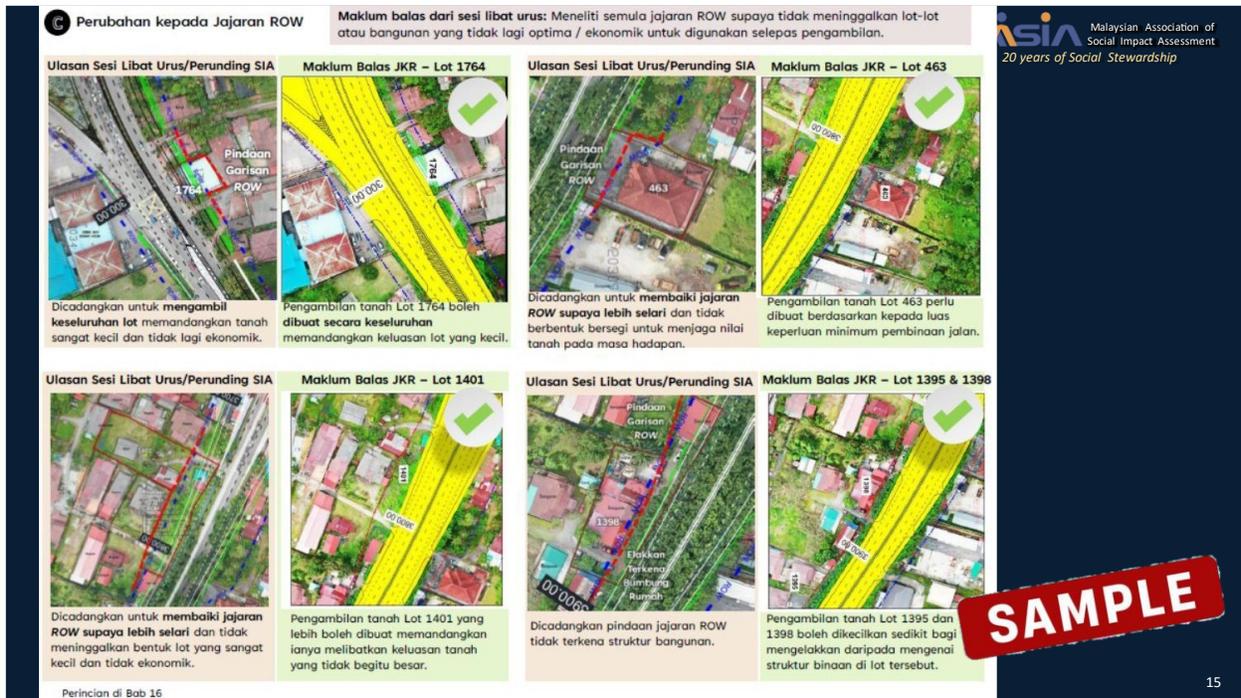


Source: PLANMalaysia (2023)

Figure 3: List of Potential Impacts to be Given Attention under Infrastructural Project involving Sea / Land Ports Category (3) and New Township Project Category (9)

In other cases, SIA is to investigate impacts upon surrounding project areas within the ZOI. Yet projects may be sited close or within areas affecting community livelihood. Eg. Gamuda Cove's Development / Salak Land. The original land is the Kuala Langat HS Area which is a promised land to the Orang Asli community who were forced to move here when they moved from the Putrajaya development area. Now they are affected again due to another urban

In another case, such as Road Widening Project Involving The Acquisition Of Residential Land such as Jalan Tun Hamzah-Amj Melaka Project, an SIA is needed as it would involve land acquisition (Figure 4).



Source: Peers Consult (M) Sdn. Bhd. (2025)

Figure 4: Road Widening Project Involving The Acquisition of Residential Land such as Jalan Tun Hamzah-Amj Melaka Project, an SIA

Or the case of Urban Renewal Act (URA) involving Kg Sg Baru, may involved

- Residents' association not recognized by all residents
- Hastily buying 'support' and creating psychological pressure on those who disagree
- Carrying out demolitions even though the case is still pending in court

Residents' associations that are not recognised by the Project are commercial in nature but the Community is only paid at the current price (because it uses the ACT 1960)

The method of mixing respondents from terrace houses and apartments 1:1 while 37/64 (58%) of terrace house residents disagree. Flat 27.28 % disagree (Figure 5).

Kg Sg Baru...Dimana silapnya



PART II
ACQUISITION

Acquisition of land

3. (1) The State Authority may acquire any land which is needed—

- (a) for any public purpose;
- (b) **by any person or corporation** for any purpose which in the opinion of the State Authority is beneficial to the economic development of Malaysia or any part thereof or to the public generally or any class of the public; or
- (c) for the purpose of mining or for residential, agricultural, commercial, industrial or recreational purposes or any combination of such purposes.

(2) An application for the acquisition of any land under paragraph (1)(b) or (c) shall be made in writing to the Land Administrator in the form as prescribed in the Rules made under this Act.

Figure 5: Mixing respondents from terrace houses and apartments 1:1 is creating dissatisfaction.

The uneasiness, is not about who's right and who's wrong..but it's about how we manage conflict. This has created stakeholders to reject the draft URA BILL 2025 (Figure 6)

RAKYAT BANTAH URA
- TIMBALAN PRESIDEN BERSATU TERIMA
MEMORANDUM BANTAHAN
AKTA PEMBAHARUAN SEMULA BANDAR

BANTAHAN PERTUBUHAN PROFESSIONAL & PERSATUAN

1. Kuala Lumpur Residence Action for Sustainable Dev Assoc (KLRA+SD)
2. G25 Malaysia
3. National House Buyers Association (HBA)
4. Pertubuhan Professional Tanah Malaysia (PERTAMA)
5. Royal Institute of Surveyors Malaysia
6. PEREKABANDAR
7. IKRAM
8. Malaysian Institute of Property & Facilities Managers (MIPF)
9. many others...

Rencana

RUU PSB lindungi kepentingan siapa?

Stakeholders firmly reject URA

Govt urged to rethink and restart fresh 'genuine consultations'

Tanggung Akta Pembaharuan Bandar (URA): Utamakan Keadilan Sosial dan Hak Komuniti

Haji Badlishah Sham Baharin
Presiden
Pertubuhan IKRAM Malaysia

la bukan mana yang benar mana yang salah... ia berkenaancara kita mengurus konflik

Figure 6: Rejection of Urban Renewal Act (URA) Bill 2025 by professional associations

According to the draft URA BILL 2025, the Project Approval Scopes (PSB) of the Urban Renewal Project is provided in Table 1;

Table 1 : Project Approval Scopes of the Draft URA Bill 2025

Building Category	Threshold Agreement Conditions
Voluntary application by owner	Full approval (100%)
Building ≤ 30 years	80% Approval by Interested Persons
Building > 30 years	75% Approval by Interested Persons
Idled Building	51% Approval by Interested Persons
Building declared Unsafe by Professional Engineer	51% Approval by Interested Persons

Source: Draft URA BILL 2025

An important note is that “Interested Person” includes legal owner, administrator / executor if owner dies, or other registered party with legal interest. In the case of absentee owner or disputed inheritance, they are counted as dissenting in the threshold calculation, if there is no legal administrator. If the threshold is met, the project can proceed as PSB even if there are units that refuse or are suspended.

Urban Renewal Activities come in three forms:

- i. Urban development
- ii. Urban Regeneration
- iii. Urban revitalization

Table 2 provides the activities allowed and disallowed for each of the above urban renewal activities

Table 2: Urban Renewal Activities permitted

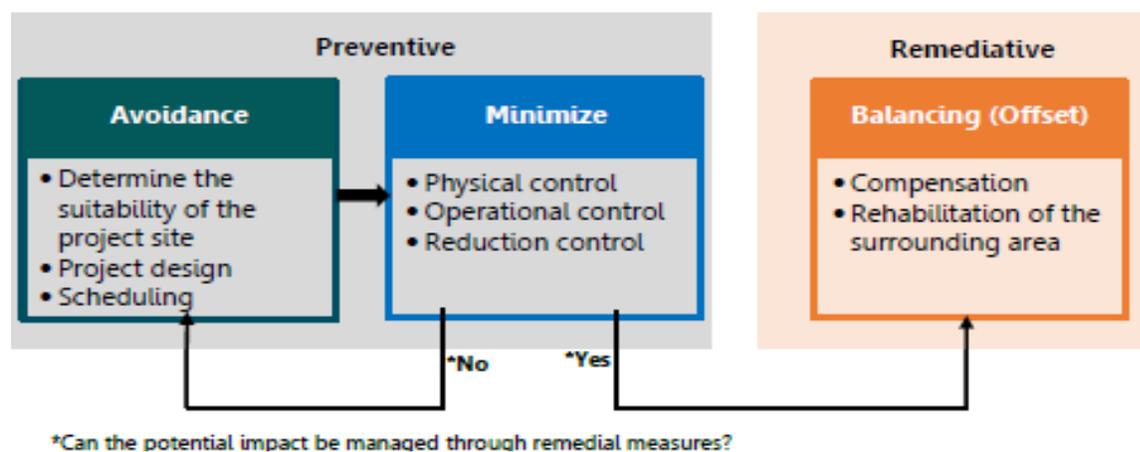
i. URBAN DEVELOPMENT Changing Existing Physical Structure. Development involves the following works:	2.URBAN REGENERATION Recovery of an old site, debilitated and abandoned	3. URBAN REVITALISATION Revitalising debilitated area or building and declining socio-economic activities
Modifications to the building	Existing building rehabilitation process	Changing activity suitable to status and function of the particular area or building
Rehabilitating the building but rebuilding is not allowed	Providing facilities & infrastructure, utility and landscape	Upgrading building
Changing land use status, subdivide or combining land and including breaking up land and building are not allowed	Retaining design, structural and function of area	Beautify and provide landscape

Source: MSIA Feedback to URA 2025

4. Mitigation Measures

The PPSIA (2023) adopts a mitigation hierarchy that gives the priority order of mitigation measures that need to be considered in managing the potential social impacts, from the most important to the less important. The three components of the mitigation hierarchy can be classified into two categories, which are preventive and remedial (Figure 7). Priority is to conduct preventive over remedial and within preventive priority is avoidance over minimizing impact.

Effective mitigation measures need to be formulated to overcome or minimize negative impacts in development project. Similarly, the improvement measures should also be designed to ensure the benefits and positive impacts of the project are equitably accrued to the surrounding community.



Source PPSIA (2023)

Figure 7: Mitigation Hierarchy in PPSIA (2023)

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.

5. Valuation Basis of Acquired Land in Malaysia

Malaysia adopts the Residual Value Method (RVM) to assessed value of acquired land. It is a technique in property valuation used to determine the value of a piece of land or property based on its potential use after development.

According to the RVM, the value of a property is determined by deducting all development costs and developer profits from the Gross Development Value (GDV). Widely used in urban redevelopment, vacant land valuation, or land requiring land acquisition. This method ensures that land is valued based on its potential future use, not just its current condition.

The Residual Value Method (RVM) has been applied in several cases

i. Land Valuation in the Land Acquisition Process

The RVM is used to determine compensation to landowners based on the actual value of the land after development, not the current value of the land which may be lower. Example: Malay Reserve Land, waqf land, or native land that faces valuation challenges using the usual method.

ii. Urban Area Redevelopment

RVM helps governments and developers assess whether a piece of land or area is suitable for development. If the residual value is positive and profitable, then the land is suitable for development.

iii. Real Estate Investment

Investors and developers use this method to determine whether purchasing land for development will be profitable for them after deducting costs.

The formula to compute the acquired land using RVM is as follows:

Land Value = Gross Development Value (GDV) – Development Cost – Profit Margin to Developer

Where

Gross Development Value (GDV) = Estimated market value of the development when completed

Development Cost = Included construction cost. Infrastructural cost, professional fee, payment to government and other relevant costs

Profit Margin to the Developer is the returns expected by the developer to cover the risk and development activities.

The advantages of the RVM are that it takes into account future development value. This is fairer to landowners because it factors in elements of future risks. It also helps in

urban development as it identifies potential areas for development. It is widely used in the real estate sector by developers, governments, and professional valuers.

The disadvantages of the RVM are that it depends on future market assumptions. GDV and development costs can change. Hence, it requires accurate market information to ensure that the value estimate is realistic. It can produce inconsistent values – if there are changes in government or economic policies.

In conclusion, the RVM is more dynamic and realistic in valuing land, especially in the context of urban redevelopment and land acquisition. It ensures that landowners receive fairer compensation, compared to traditional valuation methods that only look at the current value of the land without considering its potential after development. It only technically values the acquired land. Not included are social impacts upon the affected parties in particular the effects upon livelihood of the individual whose land is being acquired.

6. Developer's Viewpoint on Livelihood Restoration 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).

To have a clear understanding of this lack of emphasis on livelihood restoration, requires obtaining the viewpoints of developers. The followings are some views that would have to be pondered upon.

i. Developer Business Orientation

The main focus for developers is for projects to generate profit and financial returns. Social costs (relocation, livelihood programme, additional allowance) are considered “extra cost” with no direct return. In the development culture in Malaysia, developers are used to only bearing the cost of compensation plus minimum replacement units, not social programmes.

ii. Legal Framework

Land Acquisition Act 1960 equates compensation to market value compensation with no obligation for livelihood restoration. The PPSIA on Social Impact Assessment is more in the form of development project's impact identification, analysis and mitigation recommendations, not a binding document in terms of

social compensation. RUU URA 2025 only mentions minimum benefits (Section 24), and there is no clause on livelihood restoration.

iii. Developer Perception Factor

Developers in Malaysia has the perceived idea that “Livelihood Restoration” is the government responsibility, not developer. Developers are worried that if the precedent livelihood restoration is mandatory, the project cost “destroys the business model”. They prefer to offer “small ex-gratias” (example: relocation allowance, consolation token) rather than long-term commitment.

Hence, it can be seen that base on the above analysis 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

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 in the country requires an understanding of the Kampung Sungai Baru sace study.

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).

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.

10. Conclusion

Livelihood restoration represents a shift from compensatory justice to developmental justice. Leaving to developers to incorporate livelihood restoration in urban redevelopment projects would be difficult. The Government would have to step in,

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Disclaimer

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