

Low Income Housing Allocation System in Malaysia: Managing Housing Need for the Poor

By:

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Abstract

Since early 1990s, Malaysia experienced rapid urbanization in line with continuous economic growth. Despite various housing programmes implemented by the Malaysian government together with private sector to provide housing for the low income people but the number of squatter settlements continue to grow. In 1999, the total people living in squatter is more than half of million including the illegal immigrants from the neighbouring countries. The government began to increased number of new housing stock in order to resolve the issue. However the government later realized the issue is no longer related to housing production but due to inefficient allocation system. Many studies indicated problem faced by the low income people to purchase the house due to bureaucratic process and corruption practices among the bureaucrats and politicians in housing allocation. Thus, in 1997 the Computerised Open Registration System (ORS) for low cost housing allocation was introduced by the government to provide efficient and more transparent system of allocation. The system not only used to allocate the house for sale built by the government but also those built by the private sector. Finally the system not only to ensure the targeted people will eventually owned the low cost house but also to reduce corruption which is common problem in developing countries.

Keywords: *Low Income People, Low Cost Housing, Squatter, Developing Countries, Housing Allocation*

Introduction

According to United Nations Human Settlements Programme Global Report on Human Settlements (UNHS 2003) in 2001 924 million people or 31.6% of the world's urban population lived in slums. The majority of them were in developing regions and 60% of the world's total slum dwellers lived in Asia. The report also suggested the number could increase to 2 billion people live in slums in the next 30 years if no firm and concrete action is taken. Meanwhile, the process of economic liberalization during the 1990s forced many governments to move towards market economy and retreat from direct housing provision as promoted by international agencies. However the move contributed to widening income inequality and slum formation during the last three decades in many developing countries.

During the early 1990s, Malaysia has experienced rapid economic development and urbanization alongside other East Asia countries (World Bank 1993a). Malaysia also labelled as 'Asian Four' or the second generation of New Industrializing Countries (NICs) together with Thailand, Indonesia and the Philippines. These countries according to World Bank are more typical of developing countries compared to other 'East Asia Tigers' such as South Korea, Taiwan, Hong Kong and Singapore. In Malaysia, the pressure on housing is enormous particularly among the low income people. More people demanding better quality of housing in line with rising income but at the same time thousands still live

in poor condition squatter settlements throughout the country. The social and economy change of the people in the country required improvement in the housing condition over the years. Despite Malaysia rapid economy growth and the success of various housing programmes implemented by the government during the 1990s, the number of people living in squatters continues to increase. Thus, raised question among the policy makers and scholars about the effectiveness of low cost housing allocation system in Malaysia. Most studies in the past tend to focused on the issues related to housing policy, development and construction in developing countries (see example Pugh 2001; Jenkins et al 2007) and Malaysia in particular (see Johnston 1980; Drakakis-Smith 1981; Malpezzi and Mayo 1997; Bertaud and Malpezzi 2001). But there are still lacked of studies on how the low income people access to low cost housing and the role played by the state in the housing distribution and allocation process.

Therefore, this paper will focus on the role of state in low cost housing allocation in Malaysia for home ownership. The paper will divided into five parts to discuss, first the literature review related to low income housing provision in developing countries. Second part on low cost housing provision in Malaysia, third on issues related to housing allocation, fourth on low cost housing allocation under Open Registration System and finally the conclusion.

Literature Review: Low Income Housing Provision in Developing Countries

Much of the early theory and ideas for low cost housing especially for developing countries during the 1970s to 1980s were written as a reaction to the realities of squatter settlement or to the inappropriateness of public housing. More appropriate knowledge gradually accumulated from the experience of experts in United Nations (UN) sent to advice governments in developing countries during the 1950s and 1960s. The emergence housing literature of the 60s depended upon 'learning by observing' experiences of the authors in Latin America, Africa and Asia. Among them is Charles Abram, a UN expert and author of the book 'Man's Struggle for Shelter in an Urbanizing World' (1964). According to Abram, housing conditions in the developing countries were bad because the problem had largely been ignored and although he was initially doubtful about the feasibility of state assisted site and services schemes, he later became advocate of both in-situ slum improvement and instalment construction by self-help. Another significant scholar is John F.C. Turner was more detailed observer of self-help housing. Turner was advocating 'aided self-help' housing with the state assisting with regularised tenure, provision of plots in subdivided land and basic affordable utility infrastructure services. In 1970s, the World Bank adopted Turner theories into their development programmes. The 'aided self-help' housing represented a paradigm shift in the theory and practice of low income housing (Pugh, 2001 p.403). Though it ran into conflict with the professions which held to high-standard, formal social housing and with political leaders who favoured the marks of technocratic modernisation in housing and urban building.

However by early 1980s, self-help approach could not keep pace with continued growing urban housing demand and spontaneous occupation (squatting) of land for informal housing continued to increased world wide (Jenkins et al. 2007 p.162). By mid 1980s according to Jenkins et al., the new approach was introduced by the World Bank characterised as a transition from housing supply to support policies for state intervention. The enabling market approach was adopted by most international agencies and countries based on the World Bank Report (1993b). Introduction of new policy direction in housing provision by the international agencies according Drakakis-Smith (2000 p.163) still could not resolve housing issues in developing countries which saw a substantial retreat of the state. Neoliberal reform towards low income housing clearly has had fundamental impact on housing provision particularly related to public sector investment in land and infrastructure. During the 1990s most developing countries also experience the growing expansion of informal housing in the form of squatters and slums.

Similarly Pugh (2001) argue housing sector development in the developing countries has taken a different course and has been subject to far greater internationalisation than was the case for the developed countries during the 1990s due to first, demographic transitions have produced higher rates and volumes of demographic growth due to the earlier ages of marriage and improved health. Second, economic growth has been characterised with greater emphasis to the service sector and the rate of saving and investment has been largely insufficient to absorb the annual volume of new labour supply. Third, effects from the first and second factors, millions have been economically pushed into the urban informal sectors where income is low, intermittent and uncertain. Finally, urbanisation and housing sector development have been subject to mass squatter settlement. To resolve the issues, during 1990s almost all low cost housing was provided either by the state or within the existing rental market. Thus, in developing countries according to Drakakis-Smith (2000) still concern about conventional public housing scheme, large scale clearance and redevelopment. Malaysia is one of the countries pursuing conventional public housing programme with large scale squatter clearance particularly during the 1990s. Since 1980s, the government are not keen to implement the squatter upgrading and self-help housing programmes as suggested by the World Bank unlike other developing countries. Instead, the government rely on private sector to provide conventional low cost housing in addition to public housing programmes.

Low Cost Housing Provision in Malaysia

Federation of Malaysia consists of 14 states including Federal Territory and cover an area of 329,750 sq. km. (refer to Figure 1). According census in 2000, population of Malaysia is at 20,966,284 people with 81.6 % live in Peninsular of Malaysia. The population are projected to be at 28.3 million people in 2009 (Statistical Department Malaysia 2009). Most population concentrated along the west coast of peninsular of Malaysia especially in the Klang Valley region, Penang Island and Johor with 55% live in urban areas in year 2000. Consist of three major races, the Malay/Bumiputera (65.7%), Chinese (25.6%), Indians (7.5%) and others (1.2%) and therefore having one of the most complex ethnic mixes in South East Asia (Funston 2001 p.160). The political stability has been the key factors for Malaysia continuous economic growth since independent.

Housing provision in Malaysia are divided into several categories according to selling price namely high, medium, low medium and low cost housing based on Ministry of Housing and Local Government definition. Unlike other housing categories, selling price and buyers for low cost housing in Malaysia are controlled by the government (refer to Table 1) since independence. The target group usually are low income people with maximum monthly household income determined by the government from time to time. Since 1981, the ceiling price was set at RM25,000 per unit for people with income between RM500 to RM750 per month. For seventeen years the price remained the same throughout the country regardless of project location, house type and inflation. Despite many complained from private housing developers since early 1990s (Morshidi et al. 1997; Saleh and Lee 1997), MHLG only introduced the low cost housing new price structure in June 1998. The determination of new low cost house price is based on the land cost where the project located. Therefore, it reflects market consideration in the pricing of low cost house for sale. However for the public housing projects, the price structure is slightly different with lower selling price according to location. The maximum low cost house price fixed at maximum RM42,000 for private sector projects and RM35,000 for public low cost housing projects. The government also imposed a 30% low cost housing quota for every private sector residential development regardless of the project location.

Figure 1: Map of Malaysia



Source: <http://lib.utexas.edu/maps/malaysia.html>

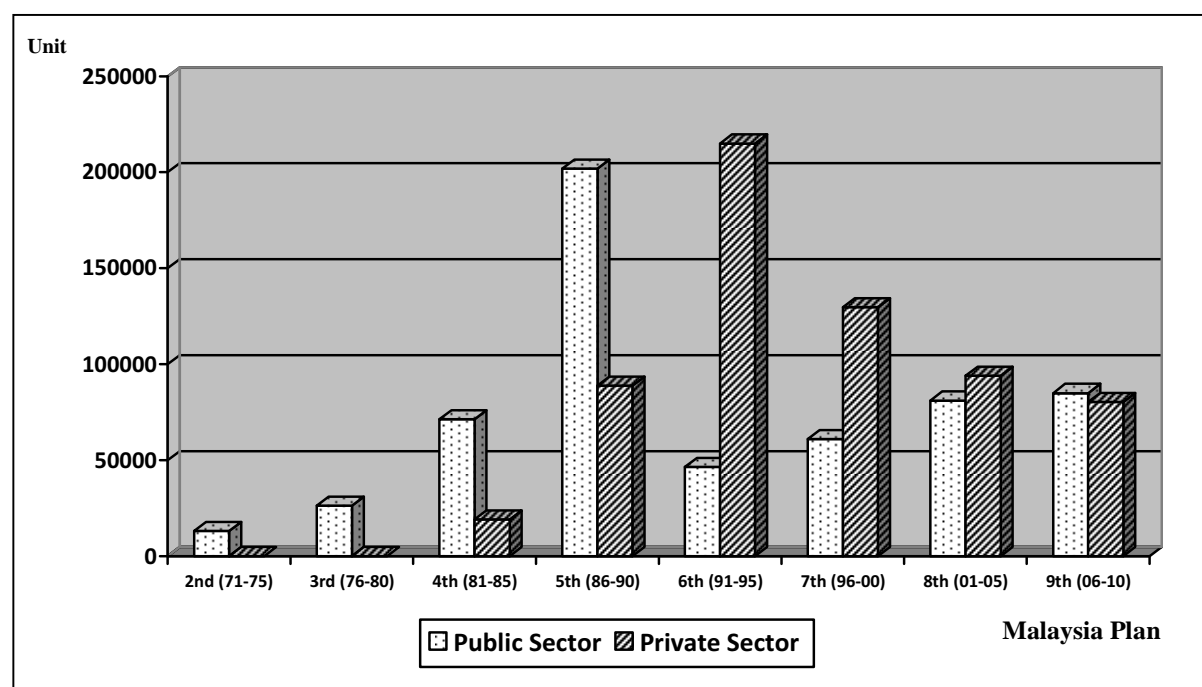
Table 1: Low Cost Housing Price in Malaysia

Period	House price/unit	Area	House Type	Target Group
Before 1970	RM 5,000 to RM 12,000	All	All	Income less than RM300 per month
1970 - 1980	RM 15,000 to RM 18,000	All	All	Income RM500 – RM 700 per month
1981 - 1997	RM 25,000	All	All	Income RM750 – RM 1,000 per month
1998 – to date	RM 25,000 – RM42,000	Based on land value	According to location	Income RM750 – RM 1,500 per month

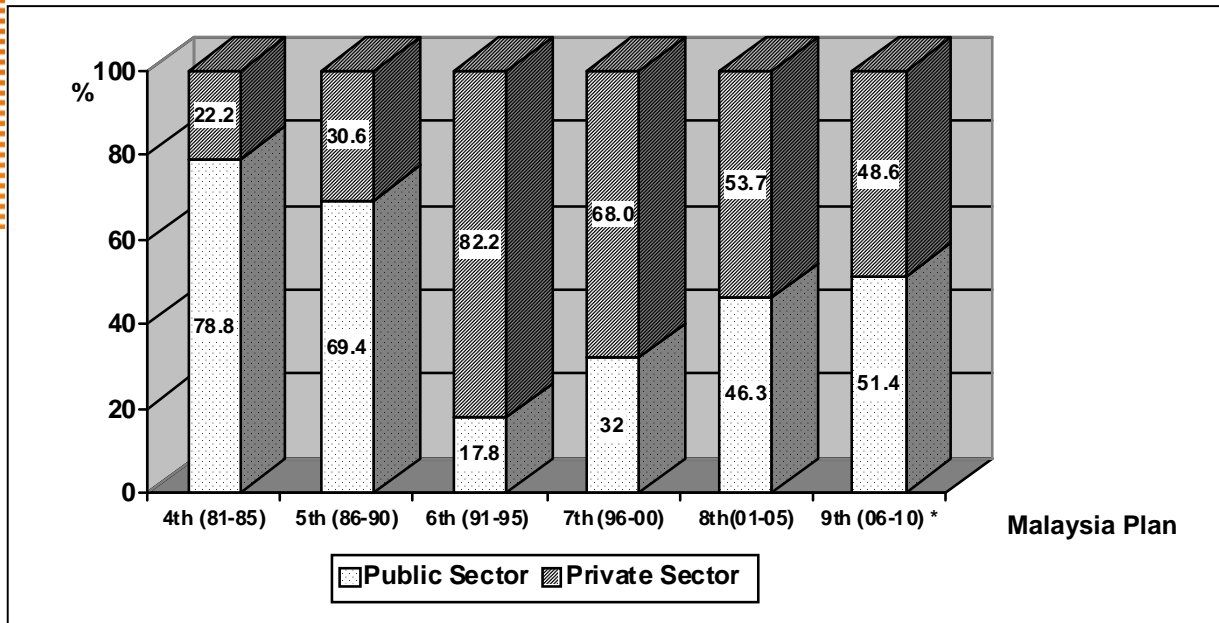
Note: 1.00 Malaysian ringgits = 0.21 British pounds sterling (as of 31st May 2010)

Source: Asek 2007

From 1971 to 2005, a total of 1,047,861 units of low cost house were built by public and private sectors in Malaysia with another 165,400 units planned for 2006-2010 period. Overall, private sector achievement is much better than public sector although they only began active involvement since 1980 with total 546,563 units completed as compared to public sector with only 501,298 units completed. The private sector contributed bigger portion of low cost housing since Sixth Malaysia Plan (1991-1995) in line with global trend towards market provision. However the contribution by private sector began to decline following to Asian Financial Crisis in 1997 (refer to Figure 2 and Figure 3).

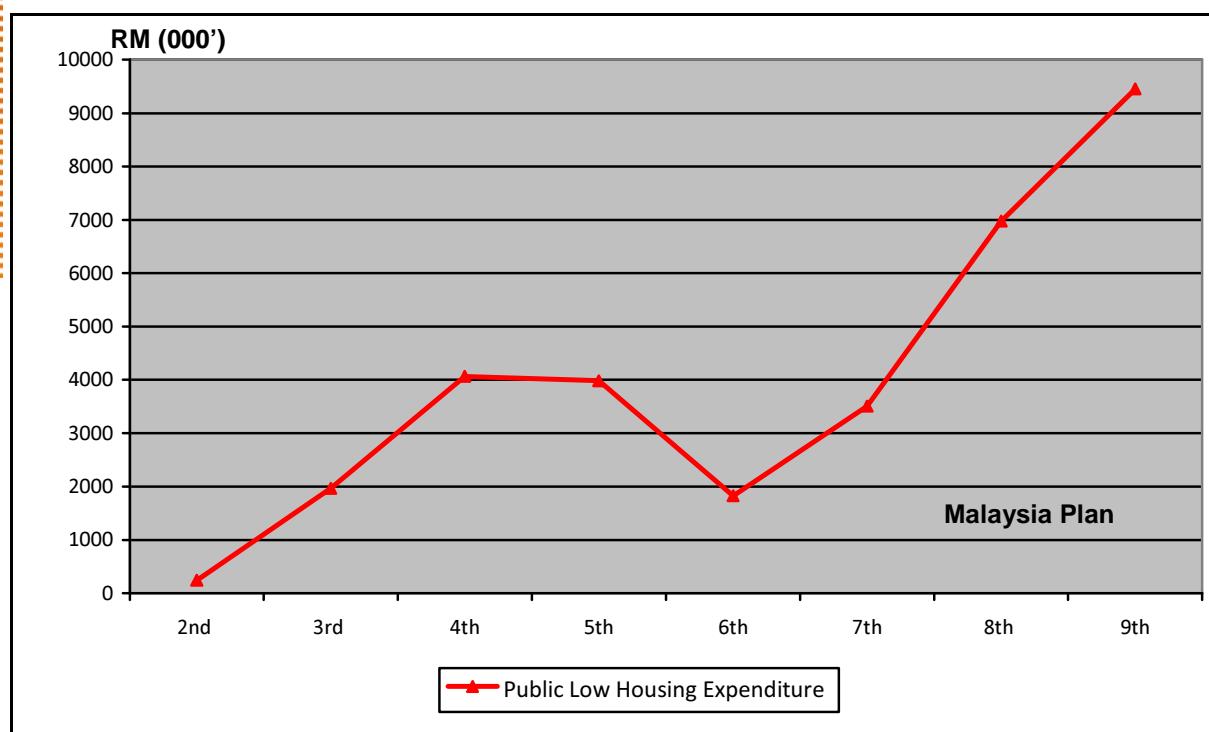
Figure 2: Completed Low Cost Housing Unit by Public-Private Sector from 2nd to 8th Malaysia Plan

Source: Various Malaysia Five Years Development Plan

Figure 3: Share of Public-Private Low Cost Housing Provision from 4th to 8th Malaysia Plan

Source: Various Malaysia Five Years Development Plan

Meanwhile in term of public low cost housing expenditure in Malaysia, since 1971 the public housing expenditure is steadily increased in every five year Malaysia plan (refer to Figure 4). However the government began to reduce the public housing expenditure during the Fifth Malaysia (1985-1990) and Sixth Malaysia Plan (1991-1995). This is in line with economic liberalisation and increased role played by the private sector in housing provision during the booming period. But since the crisis, the expenditure continued to increase sharply in line with bigger role played by the state in housing provision. A total of RM9.4 billion allocated for low cost public housing during the Ninth Malaysia Plan (2006-2010) compared to RM4.2 billion in the Eight Malaysia Plan (2001-2005), an increased of more than 110%. Unlike in the public sector, there is no records on the expenditure spend by the private sector in low cost housing provision. If the expenditure for private sector low cost housing is included the figure could be more than double.

Figure 4: Public Low Cost Housing Expenditure (1971-2010)

Source: Various Malaysia Five Year Plan

The Structure of Housing Provision (SHP) in Malaysia using framework developed by Ball (1986), indicated growing state intervention in low cost housing provision in Malaysia despite pressure from international agencies particularly International Monetary Fund (IMF) for neoliberal reform and state retreat during the Asian Financial Crisis (refer to Figure 7). In addition to private sector provision, the federal government is also involved directly in low cost housing provision through implementation of People Housing Programme (PHP) since 1998. Under PHP, a total of RM 2.32 billion was allocated for construction of 52,496 unit public rental houses within 5 years (1998-2002) nationwide. For the period of 2002-2006, another 50,000 units were planned for rental and 40,000 units for sale. The objective of the program is to spur economic growth following the Asian Financial crisis and to eliminate the squatters (Asek, 2007). Federal government believe by building rental houses not only use for squatters resettlement programme but also crucial to kick-start the economy through construction industry during the crisis (refer to Figure 6).

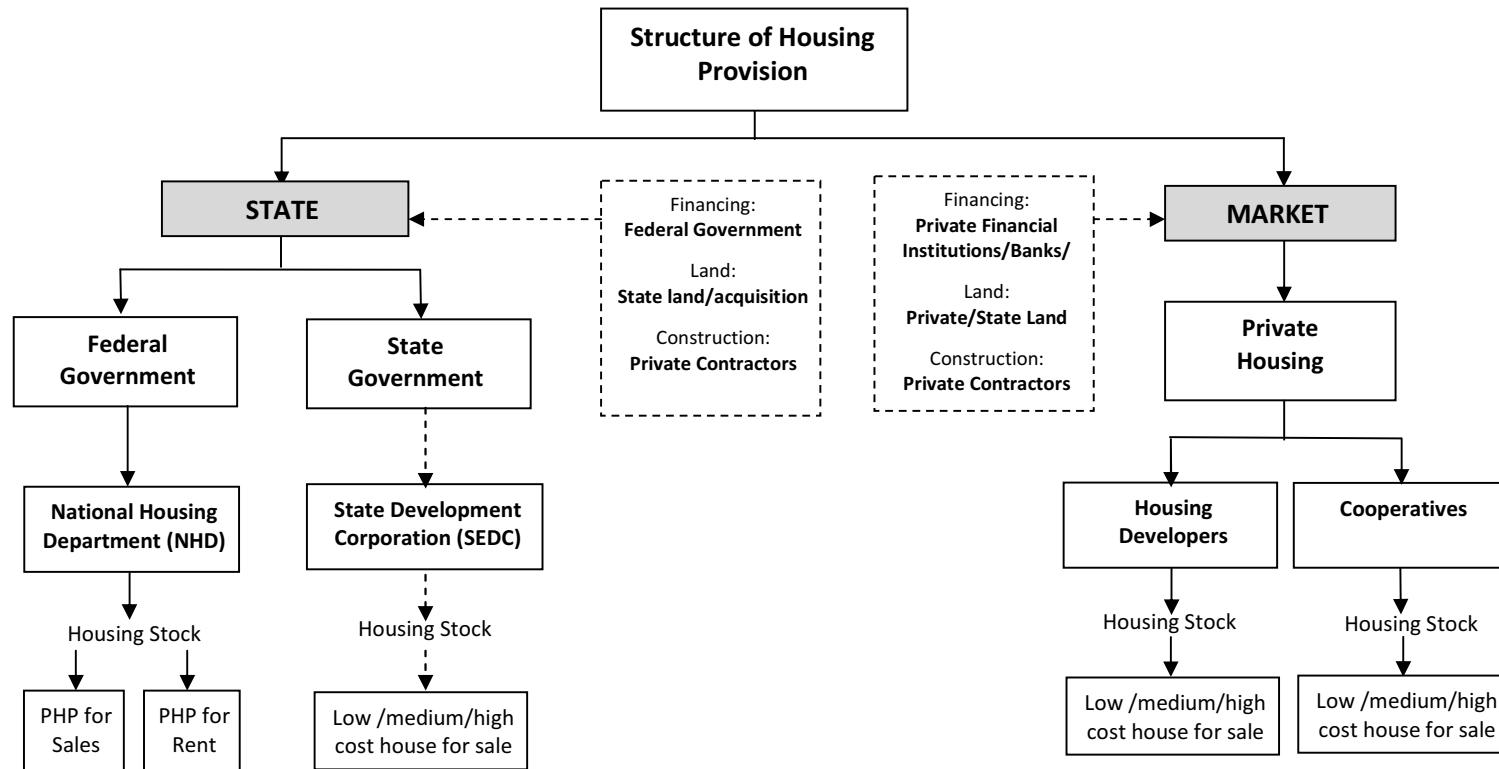
Figure 6: Squatters area redevelopment for low cost housing under PHP



Source: Author Collection

PHP is the largest public low cost housing programme dedicated for rental since independence by federal government. PHP for rental initially planned as temporary house to relocate the squatters and later will be offered to other low income people when the Zero Squatter Programme have achieve it target. Meanwhile PHP for sale are targeted towards low income people particularly squatters at the discounted price of RM35,000 per unit. Among important features of PHP including the federal government are no longer have to rely on state government to provide the land but can resort to buying land directly from the market. Under the programme, the house is still rented out at a very low rate of RM124 per month to make them affordable to the squatters (Asek, 2007 p. 221). Although the state governments still responsible for low cost housing allocation, but the federal government realize the need for them to monitor the allocation process at the state government level. Therefore, federal government require every state government to use the Computerised Open Registration System (ORS) for low cost housing allocation for both PHP and private sector low cost housing. However the analysis in this paper is only based on the allocation of low cost house for sale.

Figure 7: The Structure of Housing Provision in Malaysia After 1997



Source: Author

Issues related to Low Cost Housing Allocation in Malaysia

Despite the success to increase low cost housing provision by both public and private sector in Malaysia since 1980s. The study by MHLG (1999) and state of Selangor (1997) revealed there are total 571,261 people still living in squatters throughout the country (refer to Table 2). The squatter areas concentrated mainly in the Klang Valley (Selangor and Kuala Lumpur), Johor, Penang and Sabah. State of Selangor has the highest number of population live in squatter with 171,396 people or 30% of the total. Meanwhile Sabah, the squatter residents are mostly illegal immigrants from Southern Philippines which become threat to national security (MHLG 1999). Therefore, the low cost housing provision issues in Malaysia is no longer at the development and construction stages but rather on consumption stage.

Table 2: Squatter Settlements, Buildings and Population according to State in 1999

State	1999		
	Settlements	Buildings	Population
Selangor (1997)	314	40,064	171,396
Sabah	143	32,235	148,099
Federal Territory Kuala Lumpur	197	26,941	134,345
Johor	74	7,708	30,832
Sarawak	75	8,268	29,173
Perak	118	3,945	14,991
Kedah	58	3,074	12,822
Pulau Pinang	26	2,009	6,985
Perlis	22	1,380	6,558
Pahang	23	1,074	4,511
Federal Territory Labuan	1	1,315	5,978
Terengganu	12	792	3,915
Negeri Sembilan	9	256	1,460
Melaka	5	56	196
MALAYSIA	1,077	129,117	571,261

Source: Ministry of Housing and Local Government, 2006

There are two main reasons identified which could explain why government could not resolved the squatters problem during the 1990s. First, according to Salleh & Chai (1997, p. 217) is due to mismatch between low cost housing supply and need. This problem also contributed partly by the blanket 30% low cost house requirement imposed by the government to the private housing developers. Hence, the supply does not reflect the actual housing need in the particular area. Similar issue also raised by Sirat et al. (1999) as they argue that private sector failed to deliver the houses where demand was most pressing particularly in urban areas. With most squatters settlements located within existing town but it was identified most new low cost housing development located in the sub-urban and rural areas. Second, related to poor system of low cost housing allocation system as highlighted by many researchers (Salleh and Meng 1998; Sirat et al. 1999). Poor allocation practice and corruption led to difficulty faced by the genuine applicants including the squatters to get access into low cost housing.

At the same time MHLG also received many complaints from the public including the houses were not sold to the target group and the selection process of buyers is highly questionable (MHLG 1998). Thus, it is important for the Ministry to intervene and standardize the selection criteria for low cost house buyers in order to resolve the issue. The MHLG's officer interviews revealed there are three main reasons behind the federal government intervention in low cost housing allocation. First, is to ensure the low cost houses are owned and occupied by the genuine low income people. MHLG needs to make sure only eligible low income people are allowed to purchase low cost houses. The new housing allocation system could reduce negotiation by the housing officers and eventually could eliminate the corruption. The reform in allocation practice is crucial to reduce misuse of power by the politicians. With the system linked directly to the MHLG, the officers at the state level are unlikely to delete or amend the applicant information. Thus, at the same time it promotes greater transparency in low cost house buyer selection. This is very important in order to restore public and private sector confidence in the low cost housing allocation system in Malaysia. The effort is also in line with government strategy to improve public sector management and governance as promoted by the international agencies.

Secondly, to assist private housing developers in low cost housing provision. This is in line with recommendation by the World Bank in 1993 for government to become facilitator and enabler for market to work (World Bank, 1993). With the role for low cost housing provision has shifted from the public sector to private sector during 1990s in Malaysia, the MHLG does what ever it can to facilitate the market. Without reliable data on low cost housing demand according to particular area, most private housing developers are reluctant to build the house. Thus the creation of a centralized low cost house registration at the MHLG could provide valuable information to the private sector in their planning. With the list of eligible buyers provided by the state government, housing developers generally don't have to worry about saleability of the houses. Thus, indirectly the state is helping market to operate efficiently. Finally, is to provide the information required for low income housing planning by the government and the private sector. The need to plan for the Five Years Malaysia Plan required comprehensive housing demand data. With other demographic and housing condition data, Ministry will be able to project the total housing need accurately. The data available in the system not only useful for low cost housing planning in the public sector but also for private sector. The data also could be used to determine people migration pattern and housing land use requirement in Structure or Local Plans by local authorities. The data in the low cost house buyer's registration system could be used by both public and private sector in low cost house planning and development.

There are also limited studies focused specifically on low cost housing allocation system in Malaysia except by Alithambi (1979), Norehan (1984) Agus (1986) and MHLG studies in 1996, 1998 and 2006. Meanwhile other studies focus mainly on the low cost housing provision but indirectly discussed the issue related to low cost housing allocation (Malayan Housing Trust 1956 and Ministry of Housing and Local Government 1968). Therefore it is difficult to do comprehensive analysis of low cost housing allocation system in the past. As shown in Table 3, the state and federal governments are always played an important role in low cost housing allocation in Malaysia. The main eligibility criteria are hardly changed especially the household income and number of dependent. The allocation system also remained the same since 1970s which is still based on waiting list system according to ethnic quota. While many other countries in the region such as Singapore are no longer use waiting list system and move towards more market oriented allocation, but the practice in Malaysia still ignore the market input in the allocation process. Prior to 1981, the government role in low cost housing allocation only limited to public housing allocation. However, when private sector actively involve in low cost housing provision during the 1980s, the government began to intervene in the private sector low cost housing allocation. Thus, since 1980s the allocation systems were used for both public and private sector low cost housing.

Table 3: Low Cost Housing Allocation System in Malaysia

Period	Allocation System	Key Eligibility Criteria	Responsibility
1950s	'First Come First Served System' (public low cost housing)	1. Household income of less than RM300	Federal Government (Malayan Housing Trust and Local Councils)
1960s	'Waiting List System' based on First Come First Served (point based for public low cost housing)	1. Household income of between RM300-RM750 2. Dependents up to 16 person	Federal Government (Malayan Housing Trust and Local Councils)
1970s	'Waiting List System' with Ethnic quota in some state (point based for public low cost housing)	1. Household income of between RM300-RM750 2. Dependents up to 16 person 3. Period live in the state	Federal Government (Malayan Housing Trust and Local Councils) and State government
1980s	'Waiting List System' with Ethnic quota in some state (point based for both public and private low cost housing)	1. Household income of between RM500-RM750 2. Dependents up to 16 person 3. Applicant's Age 4. Type of House 5. Period live in the state	State Government (state government allocation system)
1990s	'Waiting List System' with Ethnic quota (point based for both public and private low cost housing)	1. Household income of between RM500-RM750 2. Dependents up to 16 person 3. Applicant's Age 4. Type of House 5. Period live in the state	State Government (state government own computerised allocation system)
1997 to date	'Waiting List System' with Ethnic quota (point based for both public and private low cost housing)	1. Household income of between RM1000 – RM1500 2. Dependents up to 7 person 3. Applicant's Age 4. Disability	Federal Government (Open Registration System)

Source: 1) Malayan Housing Trust Annual Report, 1957
 2) Ministry of Local Government and Housing, 1968
 3) Alithambi, 1979
 4) Agus, 1986 and 1992
 5) National Housing Department, 2006

The low cost housing allocation system in Malaysia has gone through many changes since British Colonial period. For the purpose of this paper, the discussion in the next section will focus on the development of low cost housing allocation system under Open Registration System (ORS) for low cost house buyers since 1997.

Low Cost Housing Allocation in Malaysia under the Open Registration System (ORS)

In view of various issues related low cost housing allocation during the early 1990s, the federal government believed there is a need for more efficient and transparent system for low cost housing allocation for the whole country. The Research and Development Division or known as MAHSURI (Malaysia Housing Research Institute) of National Housing Department was responsible to come out the proposal to establish the Open Registration System (ORS) in the early 1996. ORS finally approved for introduction and implementation throughout the country in May 1997 (MHLG, 2004 p.1). The ORS aim to standardized the policy and selection criteria for low cost house buyer for all state governments in Malaysia. Before implementation of ORS, low cost housing allocation is responsibility of respective state government without MHLG intervention.

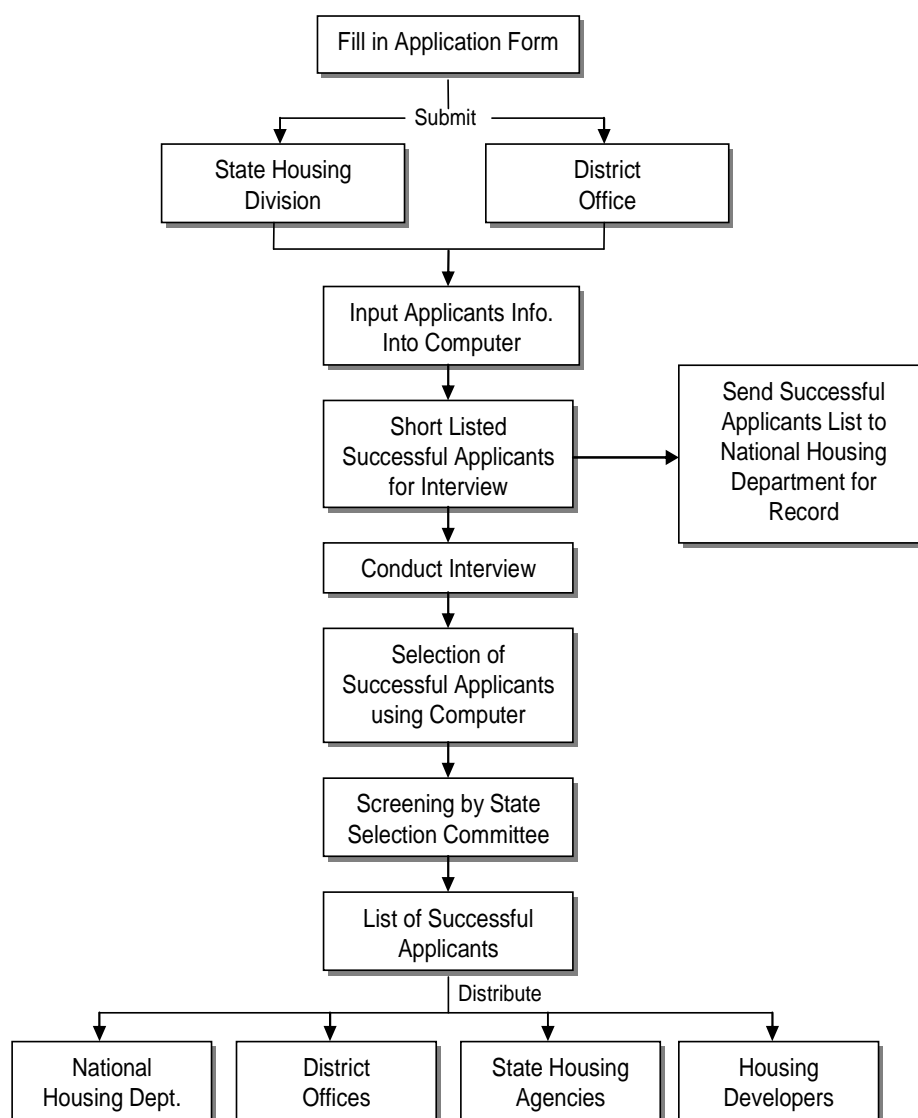
The new allocation system not only limited for selection of buyers for public low cost housing but also include those built by private sector. The system also incorporates systematic and effective measures for the buying and selling of low cost houses. There are five main purposes of the ORS establishment according to MHLG (MHLG 1998). First is to provide a countrywide “waiting list” of eligible low cost house buyers. Second, to standardized the criteria for the selection of eligible buyers that are considered qualified and therefore can be “short listed”. Third, to avoid misconduct in the selection of eligible low cost house buyers, Fourth, to ensure that only eligible buyers will be entitled to buy and subsequently own low cost houses and that no buyers shall be allowed to purchase more than one unit of low cost house; and finally to make the selection process are more transparent. The federal and state government believe it is important for them to control low cost housing allocation in the private sector to make sure the house are sold only to low income people. Under ORS, the applicants who aspire to purchase a low cost house must register with the MHLG through the respective state (refer to Figure 8). The registration is open throughout the year, which explained why the system named as ‘Open Registration System’. Registration can be done manually at all state housing sections or district offices by filling in the provided form. Subsequently MHLG through its agents at the state level then will inputs the data into the computerized ORS.

Upon receiving the form, the state government will start processing the application. Data on the applicants are sorted by computers and on the basis of their incomes, dependence, age and their housing needs, numerical scores are assigned to each applicant. Priority will be given to eligible applicants with the highest points to buy low cost house based on ‘Waiting List System’. According to MHLG (MHLG 2006) full implementation of the ORS throughout the country may derive several outcome, first data on the potential and eligible applicants and supplies of low cost housing stocks can be compiled by relevant authorities in a more systematic and comprehensive manner. Second, the allocation processes can be monitored with relative ease. Third, evaluation of backgrounds of the applicants and selection of eligible buyers can be done within a shorter time frame; and finally ORS allowed a more transparent and fair distribution of low cost houses.

Since its establishment in 1997, ORS has undergone several phases of improvements. However basic criteria such as applicant’s income, dependents, occupation, age and disability are always used to determine buyer’s eligibility. The first edition of Guideline for Selection of Low cost House Buyers under the Open Registration System was issued in January 1996. The guideline later revised in September 1997 (Second Edition) and April 1998 (Third Edition). The guidelines issued by MHLG provide guidance for the state government to set the eligibility criteria for house buyer selection. The latest revision to the guidelines implemented since April 2006 (refer to Table 4). In addition to income, the current house location also will be considered in awarding the point since it reflects the burden faced by the applicants. The income is also will be adjusted based on Consumer Price Index (CPI) and only real income will be used to determine the applicant eligibility. For the first time, economic factors such as cost of living and CPI are taken into

account when making decision to allocate the low cost house. Simple application form are aim to encourage more low income people to apply and register with the system. Under the revised system no additional document are needed during application except a copy of identity card to ensure only Malaysian citizen apply for low cost house.

Figure 8: Allocation Process for Low Cost Houses under the ORS 1996-2005



Source: National Housing Department Malaysia, 1997

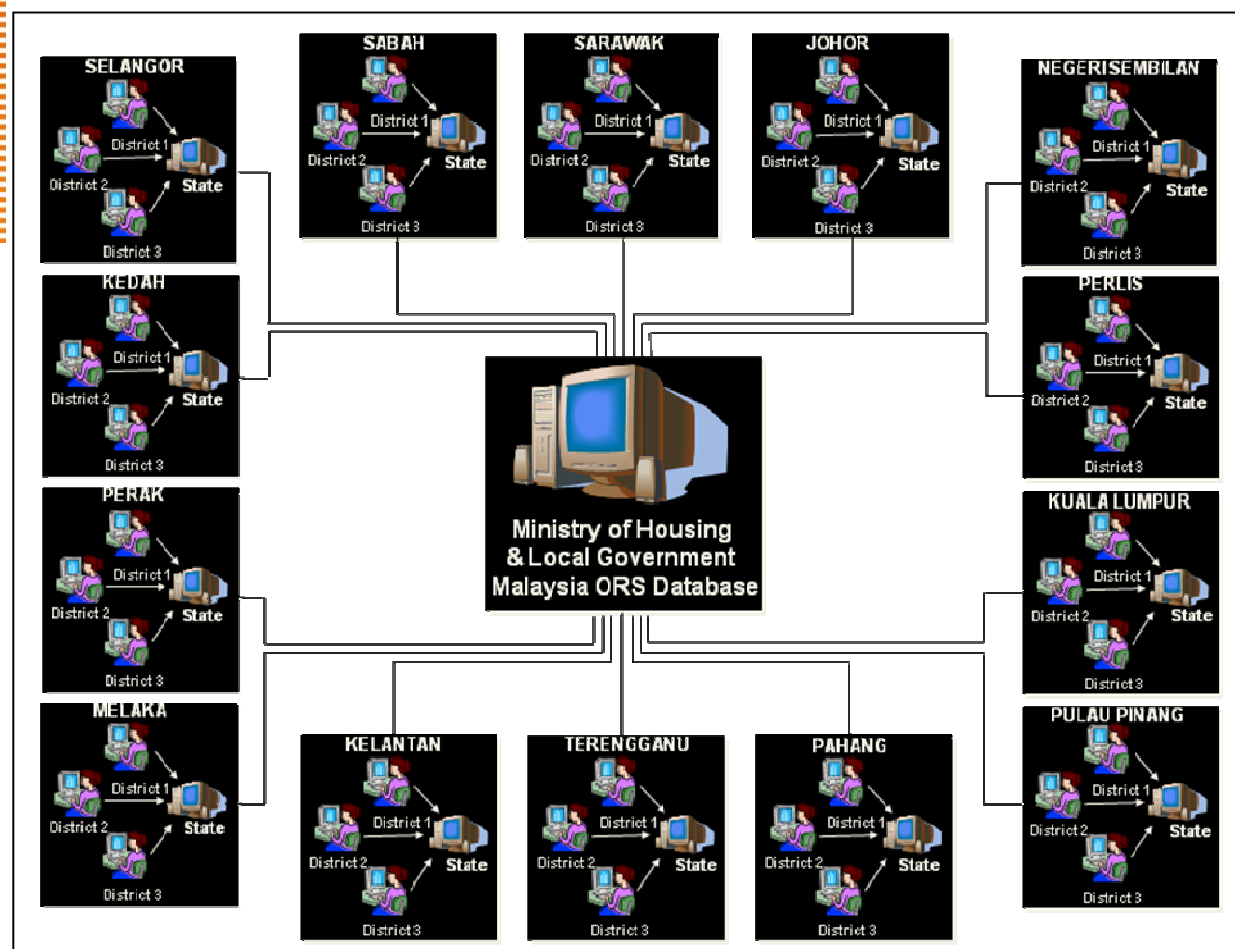
Table 4: Eligibility Criteria according to MHLG 2006 Guidelines

Rank	Main Criteria	Max Points
1	Monthly household income	30
1	Dependents	30
2	Applicant age	10
3	Marital status	6
4	Applicant Disability status	5
5	Health status	4
5	Status of existing house	4
6	Ex-police/Army	3
7	Occupation	2
7	Registration duration	2
7	Disable children	2
7	Disable spouse	2
Total Max. Points Awarded = 100		

Source: National Housing Department, Malaysia 2006

In December 2001, MHLG began to implement a central computerised database system for ORS because some of the state governments still don't have their own computerised system (MHLG, 2004b p.1). The computerised system was created in order to get updated information on the low cost housing application at the state level for monitoring and record purposes. The data from ORS data base would allow for inter-state cross-checking for low cost house applicants information, eliminate multiple applications, statistical purpose for low cost housing planning and research by Ministry or state governments (MHLG, 2004b p.2). Under the new computerised system introduced in 2006, all state governments are provided with computers which linked directly to Ministry of Housing and Local Government database in Kuala Lumpur (refer to Figure 8). The registration and applicants data could be up-date immediately by the state government. Thus, enable an on-line inter state applicant's database cross-check, inter state application and an on line application status checking by the applicants. Federal government therefore will be able to keep track the registration and allocation practice at the state government level.

MHLG also believe involvement of the politician and government officials in the state during selection process could be minimized using the improved computerized allocation system. At the same time it will promote greater fairness and transparency in allocation process. During the 1980s and early 1990s, political intervention and corruption in low cost houses allocation is rampant as explained by Agus (1986 & 1992), thus hampered federal government effort to improve homeownership among the low income people. Centralised computerized system also mean applicants from different state can now apply low cost house in another state (i.e. by retired army or government servants). Data from the system not only can be used to identify local people demand but at the same time for inter-state low cost house demand. The allocation process also will be improved which includes appeal process for unsuccessful applicants directly to MHLG and easier access for application. In the past no appeal was allowed for applicants failed in the selection process.

Figure 8: Computerized ORS Operations in Malaysia Since 2006

Source: MHLG, 2004

Since its establishment in 1997 until 2005, a total of 492,150 people already registered with ORS (MHLG, 2005). The low cost house applicants are sorted according to different status in the system before being placed in the waiting list. As of 31 December 2005, a total 119,964 people have been offered to purchase low cost houses through ORS. Under the Ninth Malaysia Plan (2006-2010), measures for further improvement of the registration and allocation system for low cost houses to ensure proper distribution and prevent genuine target groups from being denied the opportunity to buy these houses. Information in the database will be regularly updated and the criteria for selection of eligible buyers will be revised and standardised for all states. The existing centralised database system at MHLG will be upgraded and integrated with the database administered by state governments to facilitate the selection and distribution of low cost houses in a more systematic and transparent manner (Malaysia, 2006 p.447). The new improved system also allowed applicants to check application status on-line via internet at Ministry of Housing and Local Government website (refer to Figure 9). The move is clearly to make it easier for low cost house applicants to check their status and at the same time to promote greater transparency into the system.

Figure 9: Example of On-line ORS Application Status Checking from MHLG's Website

The screenshot displays two web pages from the MHLG's Website. The top page, titled 'SEMAKAN STATUS PERMOHONAN', shows application details for a user named SYAFIEE SHUID. The bottom page, titled 'SEMAK MARKAH', shows the scoring criteria and results for the same user.

SEMAKAN STATUS PERMOHONAN

Tarikh Permohonan	: 16/03/2006	Tempat Mendaftar	: Kelantan
Tarikh Kemasukan Rekod	: 16/03/2006	Status Permohonan	: Dibekukan
Tarikh Akhir	: 16/03/2006	Tarikh Akhir Kemaskini Status	: 16/03/2006
No. Pendaftaran	: 03/83/2006/00278	Catatan Kemaskini Status	:

MAKLUMAT PEMOHON

Nama Pemohon (Seperti dalam K/P)	: SYAFIEE SHUID
No. KP Baru	: 731222105677
No. KP Lama (Awam/Tentera/Polis)	: A2357599
Alamat	: NO 22 AMPANG
Negeri:	: Selangor
Bandar:	: Bandar Metroplitan Selangor 1
Poskod	: 68000
No. Telefon Rumah	:

SEMAK MARKAH

No. Pendaftaran	: 03/83/2006/00278
Nama Pemohon	: SYAFIEE SHUID
No. KP Baru	: 731222105677
No. KP Lama (Awam/Tentera/Polis)	: A2357599
JUMLAH PERATUS	: 25 %

Senarai Markah Yang Diperolehi

NO.	KRITERIA PEMOHON	MARKAH
1.	Umur 26 tahun - 45 tahun	10
2.	Lebih dari RM2500	5
3.	Bandaraya Metropolitan	4
4.	Taraf kediaman Sewa	3
5.	Bujang/Duda/Janda	2
6.	Tempoh Mendaftar Kurang dari 3 tahun	1
7.	Tiada Anak Cacat	0
8.	Isteri/Suami Sihat	0
9.	Bukan Bekas Tentera	0
10.	Sektor Pekerjaan Menganggur	0
11.	Sihat dari Kecacatan	0
12.	Tiada Tanggungan Ibu Bapa	0
13.	tiada tanggungan anak	0
14.	Sihat dari Masalah Kesihatan	0

Keluar

Source: Ministry of Housing and Local Government Malaysia, 2006

With strong commitment from the public and private sector to provide low cost housing combined with an efficient low cost housing allocation system under ORS, Malaysia successfully reduced the number of people living in squatters. The data from MHLG revealed, in 2006 the total number of people live in squatter has reduced significantly to 102,045 from 571,261 in 1999, reduction of 82.1% over seven years period (refer to Table 5). In some more urbanised state like Selangor and Kuala Lumpur, the achievement is very impressive with more than 90% reduction in number of people living in squatters. Therefore, the government is committed to improve allocation system in order to provide better access to low cost housing among the low income people.

Table 5: Population of Squatter according to State in 1999 and 2006

State	Population (1999)	Population (2006)	Changes (+/-)	
			Population	%
Selangor	171,396	3,928	-167,468	-97.7
Sabah	148,099	38,868	-109,231	-73.8
Kuala Lumpur	134,345	11,969	-122,376	-91.1
Johor	30,832	11,411	-19,421	-63.0
Sarawak	29,173	9,515	-19,658	-67.4
Perak	14,991	7,766	-7,145	-48.2
Terengganu	3,915	846	-3,069	-78.4
Kedah	12,822	3,520	-9,302	-72.5
Pulau Pinang	6,985	5,835	-1,150	-16.5
Perlis	6,558	2,266	-4,292	-65.4
Pahang	4,511	2,928	-1,583	-35.1
Labuan	5,978	1,068	-4,910	-82.1
Negeri Sembilan	1,460	247	-1,213	-83.1
Melaka	196	85	-111	-56.6
MALAYSIA	571,261	102,045	-469,216	-82.1

Source: Ministry of Housing and Local Government, 2006

Conclusion

The squatter's population during 1990s in Malaysia has shown an increasing trend despite rapid economic growth and active low cost housing provision by both state and the market. The trend is also common in other developing countries. The Malaysian government realize without efficient, transparent and fair allocation system, the objective to ensure home ownership among low income people and squatters elimination could not be achieve. Therefore in 1997, the Ministry of Housing and Local Government (MHLG) established the Open Registration System (ORS) for low cost house buyer registration in Malaysia. Among the objectives of ORS are to eliminate the corruption and political intervention in low cost housing allocation which could jeopardize the chances of genuine buyers. The practice low cost housing allocation in Malaysia is rather unique in the sense, the state not only control the selling of public housing but also those built by the private sector. Although implementation of ORS managed to improve housing allocation system in general, but at the same time it restrict the private sector to sell low cost houses directly into the market.

Unlike in other developing countries, the Malaysian government is willing to implement large scale low cost housing programmes such as People Housing Programme (PHP) for rental and sale in order to clear the squatters since 1998. For the first time since independence, the government undertake large scale public housing programme to solve squatter problem in Malaysia. The government also skilfully tap the potential of private housing developers to provide low cost housing without direct subsidy. This is unique in the sense both state and market worked together to provide housing for low income people. Despite various rules and regulations governing private sector, they still managed to deliver the low cost housing as intended by the government. Thus, low cost housing provision in Malaysia is clearly did not fit with neoliberal model as suggested by the international agencies. The state clearly intervened directly in low cost housing provision and showing no sign of retreat in the near future.

However the practice of low cost housing provision and allocation in Malaysia could provide better answer to growing housing issues in other developing countries. The improvement of housing construction alone proved difficult to achieve better access to housing among the low income people. Therefore it is important for government to intervene to ensure only targeted group eventually buying and live in low cost housing. Although the government control in housing allocation is common in other countries but mainly for public low cost housing. But the control of private sector low cost housing allocation is the key to government success to reduce the number of squatters in Malaysia for the last 15 years.

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