

# CHANGING STRUCTURE OF LOW INCOME HOUSING PROVISION IN MALAYSIA: HOUSING ALLOCATION UNDER THE COMPUTERISED OPEN REGISTRATION SYSTEM (ORS) FOR LOW COST HOUSE BUYER

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## ABSTRACT

*Malaysia is one of the countries in East Asia that has experience the rapid economic growth during the early 1990s before suffered the severe downturn during the Asian Financial Crisis in 1997-1998. Following the crisis, the property sector particularly housing have badly affected and required federal government intervention to revive the economy through provision of low income housing. Nevertheless the state intervention in low income housing provision is against the practice in other East Asian countries which generally moving towards market economy as propagated by International Monetary Fund (IMF). Low income housing provision by the federal government also earmarked changes in structure of low income housing provision in Malaysia including the allocation of the houses to eligible buyers. Using Structure of Housing Provision (SHP) approach developed by Michael Ball and Harloe as framework to analyse the changes in low income housing provision in Malaysia. The paper then will discuss the role played by the state in housing allocation for the poor using the Computerised Open Registration System (ORS) for low cost houses provided by the state and market.*

*Keywords: Malaysia, Housing, Low Cost Housing, state and market, Structure of Housing Provision.*

## 1.0 Introduction

Malaysia is one of the countries in East Asia that has experience the rapid economic growth during the early 1990s before suffered the severe downturn during the Asian Financial Crisis in 1997-1998. Following the crisis, the property sector particularly housing have badly affected and required federal government intervention to revive the economy through provision of low income housing. Most East Asian countries began to embark on neo liberal reform particularly those required financial assistance from International Monetary Fund (IMF) to revive the collapsed economy. Malaysia is one of the countries refused to accept financial assistance and therefore not bound to economic reform propagated by IMF. The development in political economic towards market economy during the last decade clearly have the effect on housing policy in the country which remain unexamined.

Based on the case study at the state of Selangor, the analysis of the role of state in housing provision in Malaysia will be examined particularly the low income housing segment. State of Selangor is located in the heart of Peninsular Malaysia within the most developed region in Malaysia known as Klang Valley and covered an area of 795,736.59 hectares (125,000 sq km). Selangor also has the highest number of population in Malaysia with 4.91 million people in 2005.

Nevertheless, as part of on-going research the paper will discuss only the changes of structure of low income housing provision in Malaysia and preliminary findings on the implementation of the computerised Open Registration System (ORS) for low cost housing in the state of Selangor.

## 2.0 Research Background

### 2.1 Theoretical Framework: Role of State Perspectives

Determination of Malaysian housing provision direction or path will be based on two major perspectives of the role of state the neo liberal and developmental state. The linchpin of neo-liberal ideology is the belief that open, competitive and unregulated markets, liberated from all forms of state interference, represent the optimal mechanism for economic development (Brenner & Theodore 2003, Robison & Hewison 2005). The neo liberal ideology was based on individualism, competition and self-reliance, and collectivism in all except the most rudimentary forms was anathema (United Nations, 2003 p. 43). Meanwhile, according to Peck & Tickell (2003, p. 33), neo-liberalism provided a kind of operating framework or ideological “software” for competitive globalization inspiring and imposing for realizing programs of state restructuring and rescaling across a wide range of national and local context.

Meanwhile, the developmental state thesis as described by Boyd & Ngo (2005, p. 1) “hinges upon the claim the plan-rational state can engineer economic growth”. In other word a state led by technocrats who enjoy a high degree of political economy, insulation from societal demands, and yet who are simultaneously embedded in that society. The advocates of developmental state suggest that state played an important role in the economic development (Boyd & Ngo 2005, Groves et al 2007. Meanwhile, Ju Kwon (2005, p. 6) define developmental state as “a state that plays a strategic role in economic development with a bureaucracy that is given sufficient scope to take initiatives and operate effectively. Economic development is given priority over other spheres of public policy, and the national economy as a whole has priority over the comparative advantage of particular industries”.

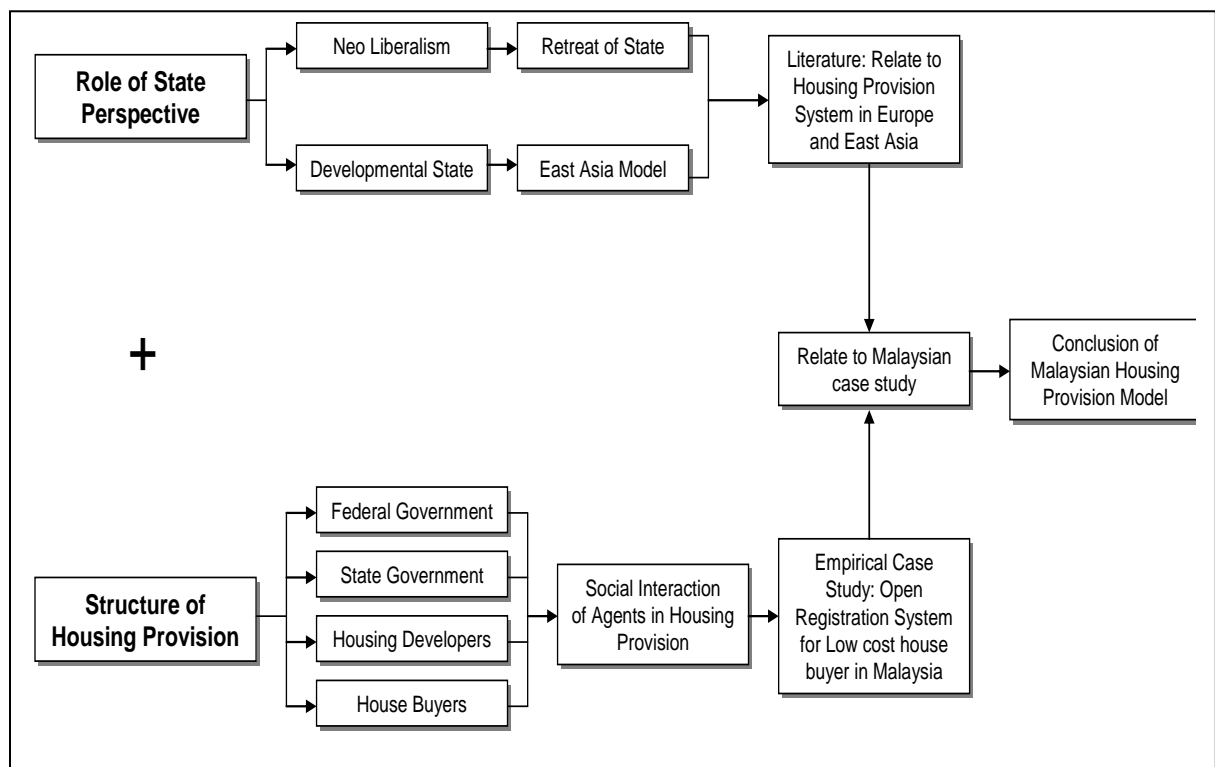
Since most literature on the role of state in East Asia focuses on political economy shift towards market economy particularly after the 1997 financial crisis. Literature on changes of housing provision towards market economy in East Asia still limited and focuses on selected countries only. This research will examine the impact of neo liberal reform and globalization process into housing provision in Malaysia. Malaysia, like most East Asian countries prior to the crisis embraced developmental state path in most sector.

## 2.2 Research Framework: Structure of Housing Provision (SHP) Thesis

SHP has been developed and defended by Ball and Harloe since mid 1980s as a tool for the explanation and comparison of housing system (Lawson 2006, p. 27). What determines the nature of a structure of housing provision is how the *various social agents intervene* in the physical process of provision (Ball 1986, p. 146). Criticized *consumption-oriented* approach in housing research since it can lead to misunderstanding of the courses of the housing problems. He believed many housing related issues need analysis in the context of *social relations* associated with the delivery and reproduction of housing particularly the relations between particular sets of agents involved in the production, exchange and consumption of housing.

However SHP is meta-tool and it does not theorise or generalise the type of relations that may exist in a housing system. SHP also suggests the examination of surplus value through exchange and production and the reproduction of labour power through consumption of certain forms of housing. Secondly, SHP does not stress how differences are established between or within housing system. Third, SHP approach does not provide a clear epistemology or clues to help distinguish cause from association in 'context'. Ball according to Lawson (2006, p.27) also tends to downplay the role of state and emphasise the economic relations of production. He assumes that the state plays on integral role in regulating such economic relations. Various studies have used SHP as framework (see Ball & Harloe, 1988; Fulong, 1996; Li, 1998) for explanation and comparison of different housing system. SHP will be useful to establish the Malaysian housing system and later to determine Malaysian housing direction.

Figure 1: Research and Theoretical Framework



### 3.0 Literature Review

Housing provision in developed countries as described by Kemeny (2002, p.191), 'in different historical epochs different conditions alter the balance between market and state'. He explained when market cannot profit out of housing the state intervenes to fill the gap and once housing becomes profitable, the state partially withdraws. The question regarding the respective roles of state and the market in the development process has been debated continuously since the end of the 1940s (Martinussen, 1996 p. 257). There are great variations in how different countries during different period of time, have arranged the interactions between the state and market. Market for housing can go considerable way toward meeting housing needs, but do not always do so effectively (World Bank, 1993) and therefore require state intervention. Experiences around the world indicated neither the state nor the market alone can provide a satisfactory solution to the housing problem.

Unlike in developed countries, there is still lack of literature on the role of state and market in housing provision in East Asia and Malaysia in particular. Many research on the role of state and market in East Asia only focused on the countries like China, Singapore, Taiwan, Japan, South Korea and Hong Kong. Whereas other countries like Malaysia, Indonesia, Thailand and Philippine study on the role of state and market in housing provision still unsatisfactory. The changes in the region political economy since the Asian Financial Crisis in 1997-1998, thus required further examination of structure of housing provision.

In the case of Malaysia, except study by Agus (2002) generally there is no literature on the role of state and market in Malaysia housing provision particularly after the financial crisis. Many researchers only focussed on the country's political economy development during and after the crisis (see Jomo 1998, Richter 2000, Beeson 2000, Boo Teik 2001, Robison and Hewison 2005, Beeson and Islam 2005). Hence, there is considerable huge gap in the literature between the both changes in political economy and housing provision in Malaysia. Using the low income housing provision in the state of Selangor as the case study, the paper will discuss the role of state in housing provision particularly the consumption aspect.

### 4.0 Low Cost Housing In Malaysia

According to Drakakis (1981), low income housing provision in developing countries could be categorised into conventional and unconventional housing. The conventional housing housing mainly provided by the public and private sector based on the formal and legalised system. Meanwhile unconventional housing refers to informal housing such as squatter and slums. The discussion on this paper is based on the low income housing provision in Malaysia under the conventional housing.

In Malaysia the low income housing through conventional method also known as low cost housing although recently also given the name such as 'people housing' or 'affordable housing'. Generally 'low cost' reflects the construction cost and the selling price of the house in comparison with other categories of houses in the market. To ensure the price of low cost house remained affordable for the low income people, the state since independence not only involved in direct provision but also controlled the selling price built by the private sector (refer to Table 1). The price of the house will be review by the government from time to time. Since 1998, the state also determined the house design with floor space size of 550-600 sq ft and 3 bedrooms (including a living room, a kitchen and bathroom).

**Table 1: Low Cost Housing Price in Malaysia**

Period	House Price (per unit)	Location	House Type	Target Group (Monthly Household Income)
<1981	RM15,000 to RM18,000	All	All	RM500 – RM700
1981-1998	RM25,000	All	All	RM750 – RM1000
1998 – To date	<ul style="list-style-type: none"> <li>• City and largest town (Area A) – max. RM42,000</li> <li>• Larger town/Urban periphery (Area B) – max. RM35,000</li> <li>• Small town/urban periphery (Area C) – max. RM30,000</li> <li>• Rural areas (Area D) – max. RM25,000</li> </ul>	According to Location	According to Location	RM750 – RM1500 According to Location

Source: Ministry of Housing and Local Government Malaysia, 2001

Since 1971, a total of 1,047,861 units of low cost house were built by public and private sectors in Malaysia (MHLG 2006). Nevertheless, the figure only represents 55% from the total number of low cost houses planned by government (refer to Table 2). Thus, the achievement of public and private sector in low income housing provision in Malaysia still not satisfactory despite numerous programmes initiated by government and regulations imposed to private sector to build low cost houses. Overall, private sector achievement is much better than public sector although they only began active involvement after 1980 with total 546,563 units completed as compared to public sector at only 501,298 units completed. Private sector also managed to complete 64% of total unit planned as compared only 48% by the public sector. Since Sixth Malaysia Plan (1991), the private sector steadily improved its performance and surpassed public sector in term of completed units.

During the rapid economic growth in the early to mid 1990s the private sector actively built low cost houses and almost achieved the total number of unit targeted. Reduce roles of government during this period also in line with the World Bank effort for government to play the enabling role in housing provision including low income housing. Interesting to note during the economic slowdown periods in 1986-1987 and after 1997 economic crisis, the government began to increase its role in low income housing provision. Understandably the objectives of Malaysian government are to stimulate the economy after the crisis but in both periods the public sector failed to achieve it target.

**Table 2: Low Cost Housing Achievement by Public and Private Sector in Malaysia (1971-2005)**

Malaysia Plan	Public Sector			Private Sector			Total		
	Planned	Completed	%	Planned	Completed	%	Planned	Completed	%
Second Malaysia Plan (1971-1975)	44,000	13,244	30	-	-	-	44,000	13,244	30
Third Malaysia Plan (1976-1980)	73,500	26,250	36	-	-	-	73,500	26,250	36
Fourth Malaysia Plan (1981-1985)	176,500	71,300	40	90,000	19,170	21	266,500	90,470	34
Fifth Malaysia Plan (1986-1990)	398,570	201,900	51	370,400	88,877	39	768,970	290,777	38
Sixth Malaysia Plan (1991-1995)	126,800	46,497	37	217,000	214,889	99	343,800	261,386	76
Seventh Malaysia Plan (1996-2000)	60,000	60,999	102	140,000	129,598	93	200,000	190,597	89
Eight Malaysia Plan (2001-2005)	175,000	81,108	46	39,000	94,029	241	214,000	175,137	82
<b>Total</b>	<b>1,054,370</b>	<b>501,298</b>	<b>48</b>	<b>856,400</b>	<b>546,563</b>	<b>64</b>	<b>1,910,770</b>	<b>1,047,861</b>	<b>55</b>

Source: Five Years Malaysia Plan (various years)

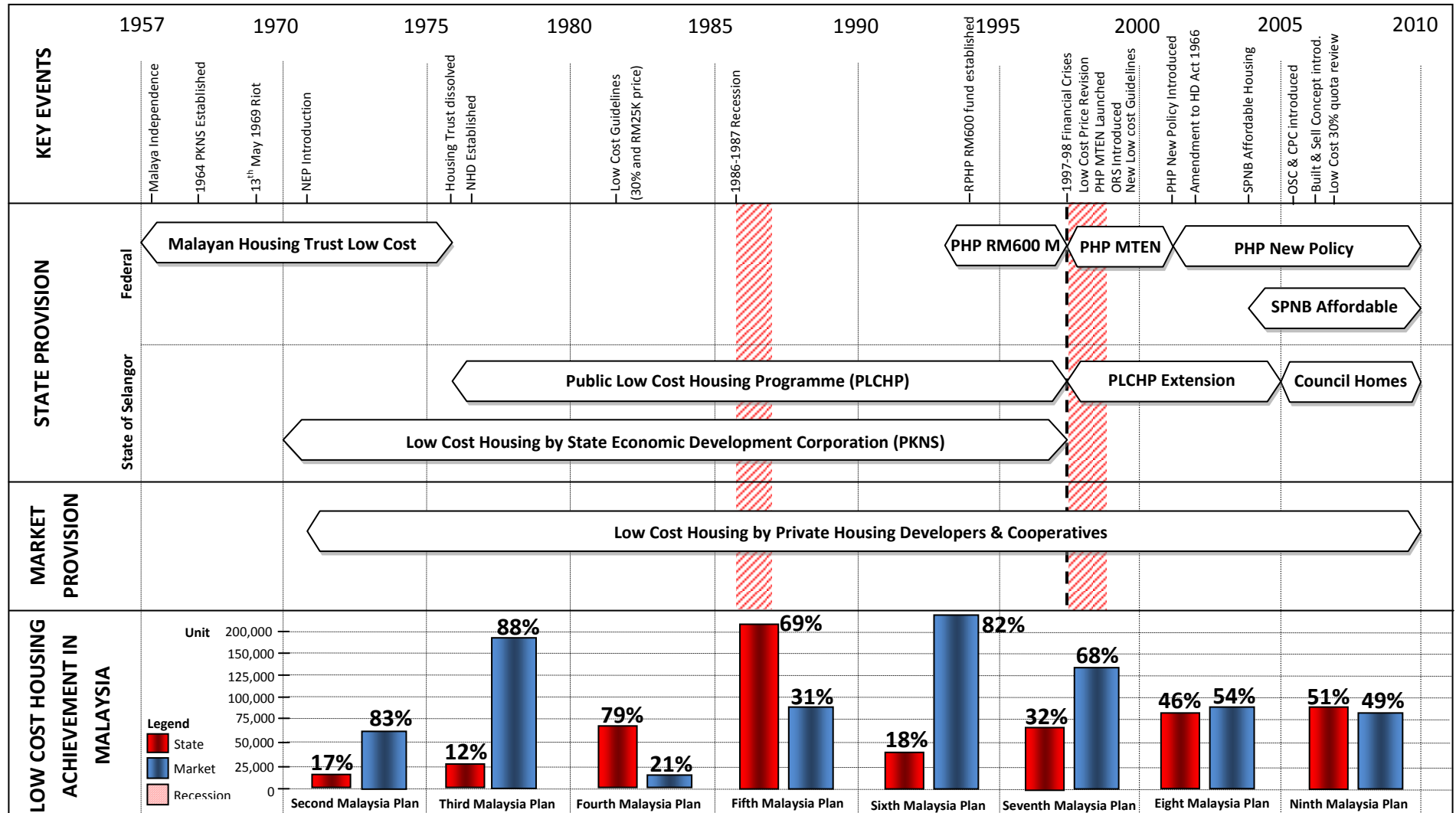
## 5.0 Case Study: Structure of Low Income Housing Provision In Selangor

The changes in the structure of low income housing provision happened after 1997. The reasons for changes during this period mainly due to:

1. Major shifts in housing policy in Malaysia happen during this period i.e. housing enabling policy propagated by World Bank in 1993 and Asian Financial Crisis in 1997-1998. Market has contributed significantly during 1991-1995 period and taken the leading role in low income housing provision. But the Asian Financial crisis in 1997 reduced the role played by the market in low cost housing provision.
2. Changes in low cost house ceiling price policy by federal government in June 1998 from RM25,000 per unit to RM42,000 per unit also marked an increased in low cost housing provision especially by the private housing developers.
3. Under People Housing Programme (PHP) introduced since 1994, the Federal Government had taken the leading role in low cost housing provision for rental and homeownership from the state government.
4. With implementation of PHP, the Federal Government also introduced the Computerised Open Registration System (ORS) for low cost housing allocation in 1997.

The analysis of housing tenure changes in Selangor is also will be discussed in the following part of the report. Figure 1, explained the milestones in low income housing provision in Malaysia with reference to the state of Selangor. The analysis clearly shows the changing role played by the state (federal and state government) and market since last four decades.

Figure 1: Low Income Housing Provision Milestones in Malaysia



## 5.1 Structure of Low Income Housing Provision in Selangor before 1998

The structure of low income housing provision in Selangor generally remained the same from 1971 until 1997 (refer to Figure 2). The changes only involved the leading role played by the state and market in low cost housing provision.

### a. The state

There are two key players involved in low income housing provision under the state, the federal and the state government of Selangor as follows:

#### Federal Government

Meanwhile MHLG operates a housing loan scheme for low income group or known as Housing Loan Trust Fund for Lower Income Group under a revolving fund (Asek 2007, p. 220). It was created in 1976 to enable the ministry to granting loans to low income non-government employees to build house on their land or land belong to their next of kin or buy low cost house. This loan targeted lower income group particularly rubber tappers, farmers, fishermen, labourers, petty traders, industrial workers, etc who are not eligible to secure housing loan from banks and financial institutions.

Under this scheme the maximum loan is RM20,000 with repayment period between 5 to 20 years. The interest charged is 0% for first RM10,000 and 4% the balance RM10,000. MHLG still offered the loan under the scheme until now. Asek (2007, p.221) argued although the loan scheme is relatively small compared to other low income housing programmes, but it has contributed a significant role in giving opportunity for the poor in the remotes areas of the country to uplifting their standards of living and housing conditions. During 1991-1995 periods, only 16 houses were built using this fund in Selangor.

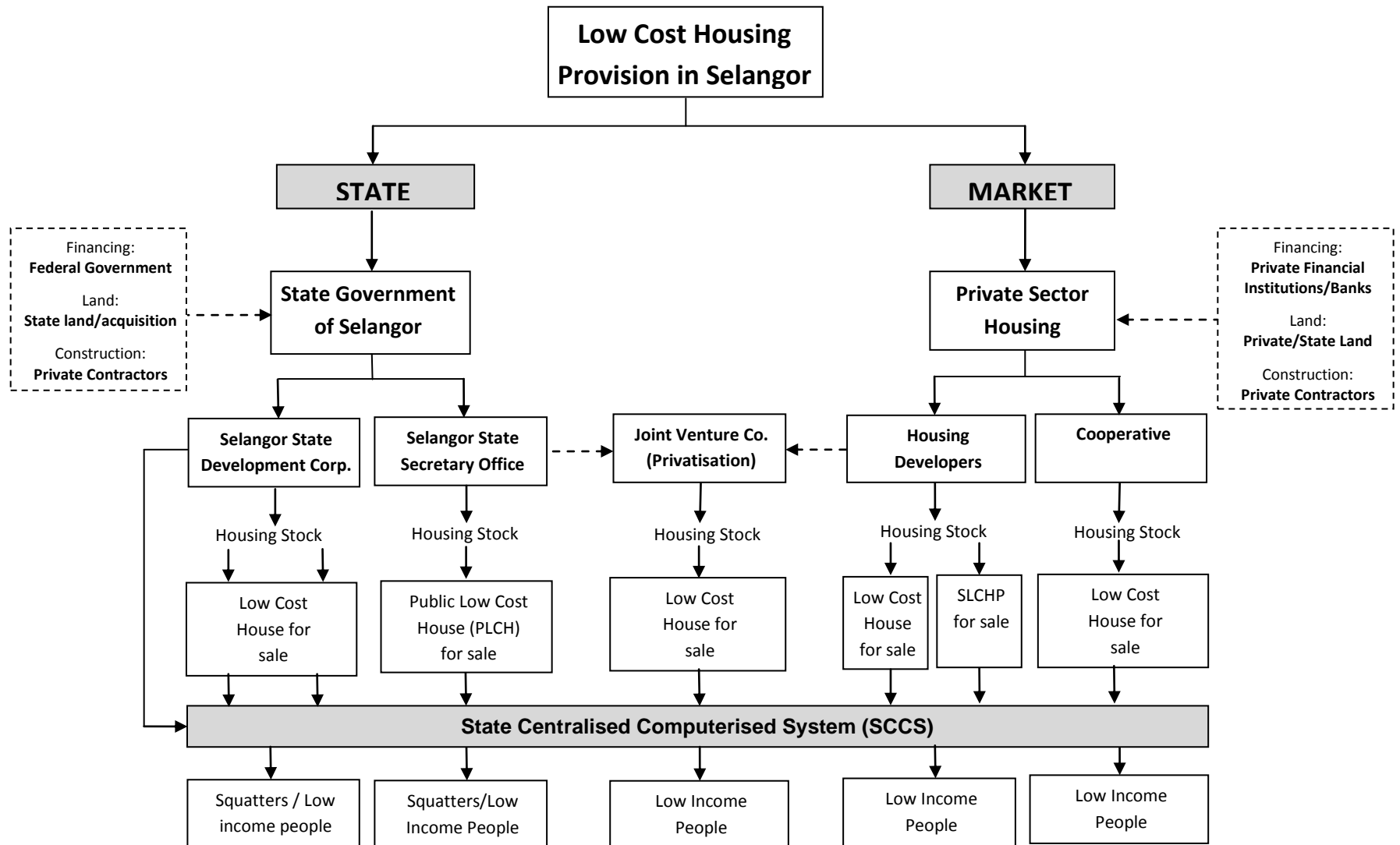
#### State Government

The state government generally provide low cost housing in the state through the Public Low Cost Housing Programme (PLCHP). PLCHP is a main housing programme formulated by the Federal government to accomplish the objective of providing affordable housing for the lower income people. The state government responsible for planning, implementing and administering the programme and assisted by the federal government through National Housing Department (NHD) especially on the technical matters. Meanwhile the state government will identify the suitable state land for the projects. Low cost houses built under this programme are either for sale or for rent for a number of years with the option to buy (Dali, 1998 p.125). Therefore, eventually all the rental houses were sold to the tenants under the hire purchase scheme. PLCHP schemes are also provides integrity among the various racial groups in Malaysia since the housing allocation was based on the racial composition.

PLCH features includes selling price not exceed RM25,000 per unit with 3 bedrooms, minimum size of 60 sq meter and targeted for people with household income less than RM750 per month since 1982. Meanwhile the financing of the PLCH projects are provided by the federal government from the Treasury through MHLG. The loan given are based on number of units proposed by the state at RM25,000 per unit with 4% interest rate and repayment period of 20 to 25 years (Asek, 2007, p. 211).



Figure 2: Structure of Low Income Housing Provision in Selangor Prior to 1998



The state then could sell the house to the low income people at the same price and charged the buyers 5.5% interest rate paid directly to the state government every month for the period of 20 to 25 years. End financing for PLCH units does not involved loan transaction but house buyers has to sign a separate sale agreement with the state government. The state government are also responsible for collecting loan instalments from the house buyer and pay back the money to the federal government (Asek, 2007, p.211). The construction of the projects is carried out by private building contractors and selection is made according to government standard procedures (Dali, 1998, p. 131).

The state government is also fully responsible in selection of house buyers for the scheme. In the case of Selangor, the state government used the State Centralised Computerised System (SCCS) since 1990 for the house buyer application process. There is no interference on the public low cost house allocation by the federal government since the programme was handled fully by the state government. Nevertheless, the federal government does set the target group for the people intended to own low cost housing. Dali (1998, p. 127) explained, the financial arrangement to purchase the house under SLHP is more convenient because purchasers has to pay only RM143.35 per month for 30 years and the upfront money equivalent to two or three months instalments. These people usually are not qualified to purchase private low cost housing because the available commercial financing for people with a minimum household income of RM825.00 per month and RM275.00 instalment per month including ten percent deposit from the house price.

Nevertheless the programme faced with several problems as highlighted by Asek (2007). Among the problems he argued were poor federal government loan repayments by the state. To develop low cost housing, the state government are require to have effective and efficient system to deal with loan repayment to the federal government and loan instalments by house buyers. Since most state government facing these constraints, state governments prefer not to undertake low cost housing development directly instead impose it on the private sector. Secondly due to delays in many PLCH projects, the state governments facing with financials constraints and inadequate development fund. Even some of the project was abandoned especially built poor locations. Third, the practice among the state government to privatize the government lands located in strategic areas to private sector or through turnkey projects. Thus left PLCH projects located in undesired locations leading to unsold completed low cost housing units and some eventually abandoned. Finally the political intervention in allocation process to house buyers as described by Endan (1984) and as the results there cases of completed public housing projects were not occupied for months or even over a year because buyers were not selected.

Another key player in low income housing provision in the state is Selangor State Development Corporation or *Perbadanan Kemajuan Negeri Selangor* (PKNS). PKNS was established on 1<sup>st</sup> August 1964 under the Selangor State Development Corporation Enactment, 1964 as a statutory body. Played important role as state development agency with among the objectives are to encourage, develop and undertake residential, industrial, commercial, development of new growth centre, agriculture and other activities as directed by the state government. In term of housing provision, a total of 97,879 units

of house have been built by PKNS from 1964 until 1995. From the total, 44,249 units (45.2%) are low cost house, 47,312 units (48.3%) are medium cost and the remaining 6.5% are high cost. Agus also concluded PKNS has been successfully implemented housing development in the state and always become source of reference for other state economic development corporation in Malaysia.

## **b. The Market**

Two key players involved on the market side of low income housing provision in Selangor, the housing developers and cooperatives. During the Sixth Malaysia Plan, private sector has built total 54,206 units low cost house in Selangor compared to only 4,827 units by public sector. The biggest provider is private housing developers with total 29,079 units followed by low cost houses under the Special Low Cost Housing Programme (SPLCHP) also built by private housing developers with total 25,058 units. Meanwhile the cooperatives only provide 1,069 units of low cost house. The remarkable achievement of private sector earmarked the success of government policy on privatisation and enabling strategy.

The statistic of low income housing provision in Selangor shows a dramatic turnaround in the performance by private housing developers in the Sixth Malaysia Plan compared to previous plan periods. In addition to low cost house built under SPLCHP, private housing developers also built low cost in their development schemes. The reasons for the sudden increased in low cost housing provision by private sector according to Chan (1998, p. 212) mainly contributes by mandatory requirement of 30% low cost units allocation in housing development. More important he argued that during early 1990 the country experiencing a booming economy. The high demand for housing from general prosperity enabled cross-subsidy element made possible by the higher cost housing. The involvement of private housing developers was started during the Second Malaysia Plan (1971-1975) and was given greater impetus under government privatisation policy during Fourth Malaysia Plan (1981-1985).

Salleh and Lik Meng (1997, p. 37) also highlighted involvement of state government with private housing developers in low cost housing provision in the state of Selangor through privatisation and joint venture projects. Under privatisation, the state will privatise the housing development to private developers. The project usually is on government land which is sold to private housing developers according to certain conditions. Normally the state government will provide the land while the private developers will provide capital and technical expertise. Both the types of project required at least 50% of the project component with low cost houses. In view of critical need for low medium and medium cost houses in the state.

Financing of the projects are provided by the private financial institutions and banks. The lands for low cost housing usually obtained through purchase from the private owners at market price. Meanwhile, the houses construction is undertaken by the private contractors. Finally, low cost houses allocation to low income people is managed by the state using their State Centralised Computerised System (SCCS) developed and managed by the state government. SCCS initially used to allocate house under SPLCHP but later expanded for private sector low cost house in the state.

## 5.2 Structure of Low Income Housing Provision in Selangor after 1998

Since 1997-1998 Asian Financial Crisis, the structure of low income housing provision in Selangor have changed significantly especially role played by the state and federal government in low income housing provision. The structure of low income housing provision in Selangor is shown in Figure 3. Although the key players in low cost housing provision by state and market still remain the same. But the new strategies on low income housing provision by the federal government since 1998 and the impact of Asian Financial Crisis altered the structure of low income housing provision in the state.

### a. The state

#### Federal Government

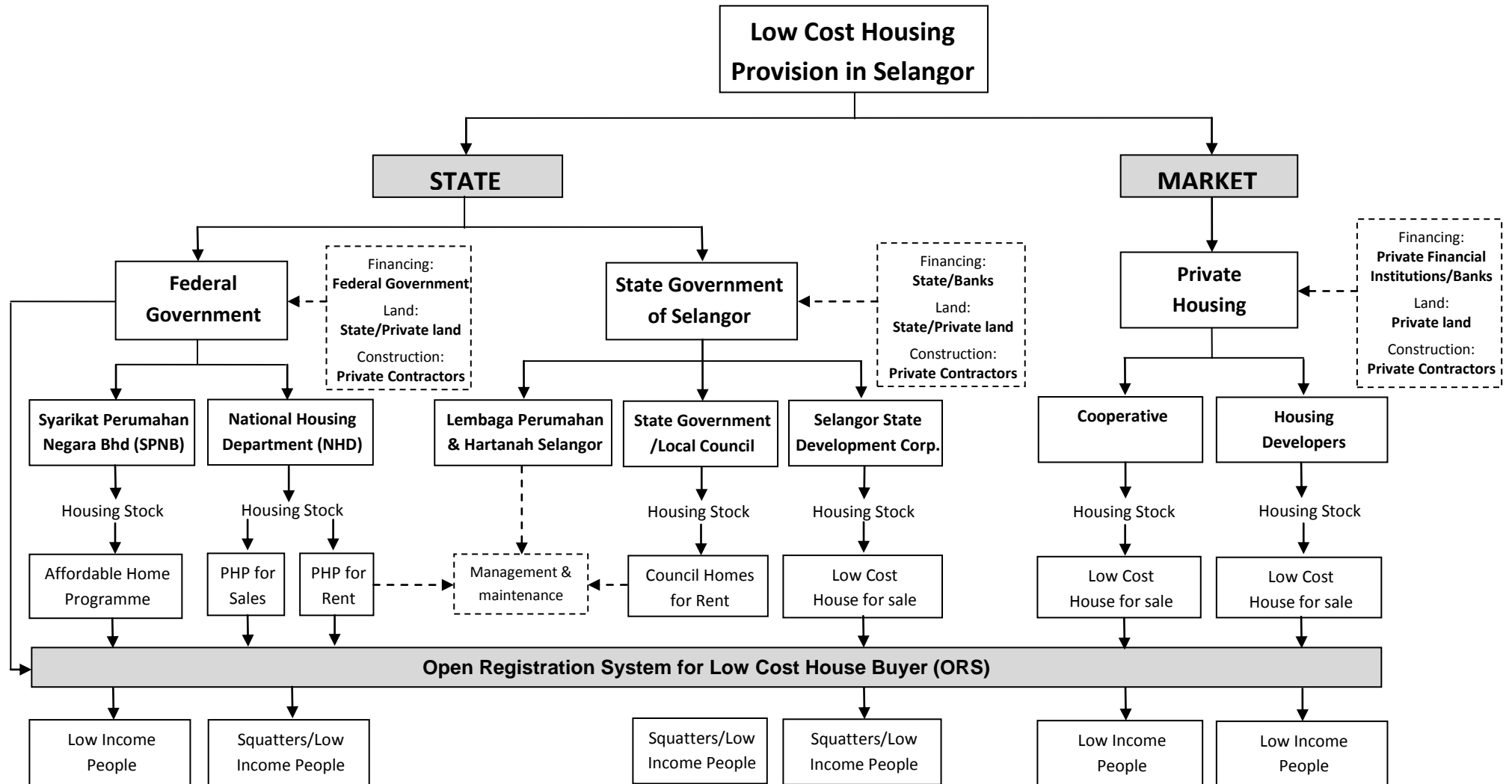
The federal government felt frustrated especially when many issues related with providing adequate housing for low income people (Asek, 2007 p. 257) could not be solved. Thus, triggered the need for federal government to get involved and tackle the issue 'once and for all'. Therefore in 1994, the federal government began to devise a new approach in low income housing provision in the country and subsequently alter the structure of low income housing provision in the state. The idea was initiated by NHD in view of many existing squatter in the major urban areas occupied government land reserved for public purpose. The programme was named the People Housing Programme (PHP) to replace the previous Public Low Cost Housing Programme (PLCHP) developed by the State government. The development and implementation of PHP could be divided into three stages as shown in Table 2. In the implementation of PHP, the federal government is trying to emulate the success of Singapore's government in implementation of low cost housing (Asek, 2007, p. 238). Nevertheless the implementation of full scale PHP nationwide only began after 1998 following the crisis.

**Table 2: People Housing Programme (PHP) Implementation Stages**

Stage	Programme	Tenure/ Total Units	No. of Projects/Cost	Target Group/ Allocation Policy
<b>Stage 1: 1994-1998</b>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <b>PHP RM600 Million</b> </div>	For rental at RM124 per month / 14,751 units	<ul style="list-style-type: none"> <li>• 28</li> <li>• RM600 million</li> </ul>	<ul style="list-style-type: none"> <li>• People in squatters with income less than RM500 per month.</li> <li>• Selection of tenants by the state.</li> </ul>
<b>Stage 2: 1998-2002</b>	<div style="text-align: center;">↓</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <b>PHP NEAC or PHP Integrated</b> </div>	For rental at RM124 per month / 52,496 units	<ul style="list-style-type: none"> <li>• 53</li> <li>• RM2.3 billion</li> </ul>	<ul style="list-style-type: none"> <li>• People in squatters with income less than RM500 per month.</li> <li>• Selection of tenants by the state using ORS</li> </ul>
<b>Stage 3: 2000-2005</b>	<div style="text-align: center;">↓</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <b>PHP New Policy</b> </div>	For rental at RM124 per month / 50,000 units  For sale / 40,000 units		<ul style="list-style-type: none"> <li>• Squatters and low income people</li> <li>• Tenants selected by state.</li> <li>• Selection of buyers by the state using computerised ORS.</li> </ul>

Source: National Housing Department, 2005 and Asek, 2007

Figure 3: Structure of Low Income Housing Provision in Selangor after 1998



Interesting to note that since introduction of PHP, the state particularly the federal and states government not only involved in direct low income housing provision but also in rental market. During 1994-2005 periods federal government already has built total 117,247 units of rental houses throughout the country. Although the idea is was mooted to resolve squatter issue, but the practice clearly against the trend in other countries in East Asia towards state retreat in housing provision. Never before the federal and state government owned such huge number of public rental houses since independence other than institutional quarters. The new role of federal government in low income housing provision also triggered the need for greater transparency, standardized and efficient housing allocation system at the state. Therefore in 1997, federal government introduced the Computerised System (ORS) for that purpose. Under PHP federal government are no longer have to rely on state to provide land but can resort to buying land direct from the market.

Asek (2007) described PHP implementation by the federal government are unprecedented and “first time in history after the independence in which federal government directly involved in developing low cost housing in large scale”. PHP also managed to reduce the ‘red tape’ and bureaucracy dealing with state and therefore the implementation can be done on the ‘fast track’ approach (refer to Figure 6.12). The success of PHP implementation according to MHLG (2006) contributed by several factors. First is strong support by top leadership of the government. Second is no stringent cost limit imposed by the federal government and finally they manage to complete 50 projects consisting 90,000 units within four and the half years. Nevertheless Asek argued with implementation of PHP, it also shows the centralized trend in low income housing provision in Malaysia over the last ten years and thus unlike other countries in the region. As the result of PHP implementation, in 2000 the federal government proposed to the state government to reduce low cost housing quota by private sector from 30% to only 10% with another 20% allocated for low medium cost houses priced between RM46,000 to RM70,000. Thus encourage private sector built more low medium cost houses meanwhile federal government concentrate in low cost housing construction under PHP.

#### State Government

Since implementation of PHP, the role of state government in low income housing provision is now reduced only to selection of house buyers/tenants and maintenance of PHP for rental through LPHS. With large number of low cost housing provided by the private sector since 1998, the federal government gave less emphasis on PHP implementation in Selangor. Nevertheless, the state still actively involved in low income housing provision through its own programmes without financial support from federal government such as ‘Council Home’. Under ‘Council Home’ programme, currently there are 8,264 units has been built throughout the state for the hardcore poor, elderly, single mother, factory workers, pensioners and ex-servicemen who cannot afford to buy house in the state. The study by the state government revealed there are people still could not afford to buy low cost house and also not enough houses under PHP for rental in the state. Therefore the state government with local council began development of council homes. The rental under this

programme also fixed at RM124 per month similar with PHP for rental rate. Meanwhile, PKNS still actively involved in low cost housing provision in the state. PKNS began to purchase the private land to build low cost house targeted the remaining squatter in the particularly in the district of Petaling and Hulu Langat.

#### **b. The Market**

In term of low cost house provision in Selangor, during 2001-2005 periods, private sector particularly housing developers are managed to built total 406,475 units with 85,929 units are low cost (21% from the total). Nevertheless the figure is far higher than total low cost house built by the federal government under PHP in Selangor. Without direct subsidy from the state and federal government, the private sector still managed to build large number of low cost houses in the state. The increased in low cost housing construction contributed by the state government effort to achieve zero squatter target by 2005 and effort to stimulate the state economy following the Asian Financial Crisis. Since 1998, selection of buyers for low cost house build by private sector also was made through the Computerised Open Registration System (ORS).

Therefore, it can be concluded the issue of low cost housing provision in the state is not on the production side but rather the distribution aspect. Analysis of low income housing provision from both state and market during the last 20 years revealed the remarkable achievement. Many researchers have discussed the issues related to low income housing provision in Malaysia particularly on the production side either by the State (Endan, 1984; Dali, 1998; Asek, 2007) or market (Sirat, 1997; Saleh, 1998; Yunus, 2006; Yusuf, 2007). Therefore the following part will discussed the distribution or allocation side of low income housing in Malaysia with reference to implementation in the state of Selangor.

### **6.0 Implementation of Open Registration System for Low Cost House Buyers in the State of Selangor**

In view of large number of low cost unit completed during the Fifth and Sixth Malaysia Plan and increasing number of criticism toward the existing low cost housing allocation, federal government began to take initiative to improve the system. According to Salleh & Meng (1997), Lee (1997) 'once sold to individuals the pricing for low cost houses could no longer be controlled'. The same sentiment highlighted by the Real Estate and Housing Developers Association of Malaysia (REHDA) in their memorandum send to the relevant authorities, urged them to take closer look at the system of allocating the sale and distribution of low cost housing to the public. The action was necessary to check the unhealthy activities of speculators in low cost housing. Meanwhile, study by Sirat et al (1999, p. 99) based on their study in 1995 highlighted the issue of delays in allocation process by the relevant government agencies, so that the developers do not have to hold on too long to uncommitted housing units. The delays also affected the applicant opportunity and there are cases where the applicants have to wait up to ten years. Not to mention politicians and political parties intervention in low cost housing allocation as described by Agus (2005). Although this is not new to Malaysian housing since independence, but rapid urbanization and economic growth worsen the situation.

The allocation system in the past also subject to many other criticisms such as the names in the state low cost register is not up-to-date. There is no device to regularly update the potential buyer particulars and change of status of applicants in the system. The updating of the state register is also important to weed out those potential buyers who already own homes. The government uses the point system to determine the allocation priority of eligible buyers (Salleh & Chai, 1997, p. 226). The system of allocating low cost houses to eligible buyers from the state register is not transparent. The list prepared internally by the state government, therefore it was criticised as lacking transparency in the allocation process.

The idea of 'on-line centralized registration' system for low cost housing application initially started by the State of Selangor in 1995 (Sirat et al 1997, p. 90). The system was developed with objective to have proper vetting procedure to ensure that only eligible applicants are given access to low cost housing (Rashid, et al 2005, p. 299). In 1996, the federal government through Ministry of Housing and Local Government Malaysia issue the Guidelines for Selection of Low Cost House Buyers under The Computerised Open Registration System. The ORS aims to standardized the policies and selection criteria for buyers of low cost houses developed by the public and private sectors. The system also incorporates systematic and effective measures for the buying and selling of low cost houses. Previously most state government developed and maintained individuals system of registration and allocation of low cost house buyers. The main purposes of the ORS are as follow:-

1. To provide a countrywide "waiting list" of eligible low cost house buyers;
2. To standardized the criteria for the selection of eligible buyers that are considered qualified and therefore can be "short listed";
3. To avoid misconduct in the selection of eligible low cost house buyers
4. 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
5. To make the selection process are more transparent.

Applicants who aspire to purchase a low cost house must register with the MHLG through the respective state. Registration is open throughout the year. 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 (refer to Figure 2). The ORS reflects objectivity in its implementation. 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 based on 'Waiting List System'. According to MHLG full implementation of the ORS throughout Malaysia may derive the following benefits:-

1. 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;
2. The processes can be monitored with relative ease;
3. Evaluation of backgrounds of the applicants and selection of eligible buyers can be done within a shorter time frame; and
4. The ORS affords a more transparent and fair distribution of low cost houses.



Nevertheless, the comparison between the state and federal low cost housing allocation policy indicate differences in many area of policy. The policy followed by the state are only the price structure and building specification. Thus indicate the state government superiority over the housing policy and implementation at the state level (refer to Table 4).

**Table 4: Comparison between Federal and State Low Cost Housing Policy**

Federal Government	State of Selangor	Analysis
<p><b>1. Application Procedure:</b></p> <ul style="list-style-type: none"> <li>• Computerised Open Registration System (ORS) managed by Ministry of Housing and Local Government of Malaysia</li> </ul>	<ul style="list-style-type: none"> <li>• State Centralised Computerised System (SCCS) managed by the State government.</li> <li>• Applicants data transferred to ORS for record</li> </ul>	<ul style="list-style-type: none"> <li>• State using it independent system for allocation</li> </ul>
<p><b>2. Application Pre-conditions:</b></p> <ul style="list-style-type: none"> <li>• Malaysian Citizen</li> <li>• Applicant/spouse do not own low cost house</li> <li>• Age 18 and above</li> <li>• Household income less than RM2,500 per month</li> </ul>	<ul style="list-style-type: none"> <li>• Malaysian Citizen</li> <li>• Reside in Selangor</li> <li>• One family one application</li> <li>• Applicant/spouse do not own house in the state</li> <li>• Age 18 and above</li> <li>• Household income less than RM2,500 per month</li> </ul>	<ul style="list-style-type: none"> <li>• Generally similar with federal except conditions related to people reside in Selangor. Emphasis on people who do not own any house in the state.</li> </ul>
<p><b>3. Eligibility criteria priority:</b></p> <ul style="list-style-type: none"> <li>• Household income</li> <li>• Dependents</li> <li>• Applicant age</li> <li>• Applicant status (marital, health and disability)</li> <li>• Current resident status</li> <li>• Occupation</li> <li>• Others (ex-police/army, family members disability and length of register in the system)</li> </ul>	<ul style="list-style-type: none"> <li>• Household income</li> <li>• Dependents</li> <li>• Birthplace status</li> <li>• Length stay in Selangor</li> <li>• Applicant age</li> <li>• Applicant disability</li> <li>• Current resident status</li> <li>• Marital status</li> <li>• Occupation</li> </ul>	<ul style="list-style-type: none"> <li>• State gave priority to Selangor born applicants.</li> </ul>
<p><b>4. Allocation Policy:</b></p> <ul style="list-style-type: none"> <li>• 100% to applicants apply through ORS including squatters.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Scenario A</b> – Area with squatters, 100% of the house allocated for squatters. The balance, if any to be handed over to Local State Assemblymen for distribution</li> <li>• <b>Scenario B</b> – No squatters, 50% of the buyers will be decided by State Secretary Office and the remaining 50% by District Land Committee (DLC) based on State Assemblymen Area</li> </ul>	<ul style="list-style-type: none"> <li>• Unlike Federal, the state likely to get politicians involves in low cost housing allocation</li> <li>• Priority of the state is for squatters clearance programmes</li> </ul>

Source:

1. Source: Selangor Housing 'Blue Print' Report, 2005
2. MHLG, Improvement to ORS Study Report, 2007

Based on the interviews conducted with federal and state government officers revealed additional reasons behind ORS implementation in Malaysia as follows:-

1. ORS is to achieve the New Economic Policy (NEP) objectives to distribute wealth among the population of Malaysia
2. Use ORS to control private sector housing
3. Identify low cost housing need according to location
4. Centralized house allocation monitoring
5. Resolve issues related to squatters relocation
6. Government distrust of low cost house buyers
7. Provide adequate list of eligible buyers to housing developers
8. Allow for inter-state low cost house application

Clearly ORS served many other purposes unintended during the programme establishment. Thus confirmed government intention to control the market by controlling the low cost housing allocation including built by the private sector. Nevertheless the state government seem do not share similar vision with the federal government on ORS implementation at the state. For state government, they still prefer to use their existing low cost housing allocation system. Therefore the state government of Selangor currently used two different computerised housing allocation systems. Applicant's data from state computerised system will be transferred and updated into ORS for reference. The case study also revealed several issues in the state of Selangor that could jeopardized the success of ORS implementation as follows:

1. ORS could not solve low cost house location mismatch in the state
2. State used difference criteria and computerised system
3. Not all low income people register with ORS
4. List of low cost house buyers based on quota
5. Under-utilised the ORS data by the state
6. Political Interference still persist

## 7.0 Conclusion

Since the Asian Financial Crisis 1997-1998, the structure of low income housing provision in Malaysia has changed significantly. The state clearly not going to retreat from direct housing provision based on the current trend. The establishment of ORS gave more power and influence over housing market although it main purpose is to facilitate low cost housing allocation. Through ORS, the state can identify the housing demand for particular location, thus provide the private sector with valuable housing market information. Nevertheless the implementation of ORS at the state still faces many challenges. The case study at the state of Selangor revealed several issues that could undermined the success of the ORS in Malaysia.

Based on the analysis, the low cost housing provision in Malaysia is clearly embarks on developmental path since the crisis although in general the federal government tried to promote neo liberal reform in housing provision. The crisis actually is the main reason behind greater state intervention in low income housing provision in Malaysia. Other reasons including the need to protect socio-politic stability among the multi-racial population of Malaysia and thus require constant state intervention in low income housing provision and allocation. The centralisation of housing allocation

system based on ORS is also against neo liberal policy towards decentralisation and greater market power.

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