

## **Sustainable Housing Policy and Low-income Group Housing: the Malaysian Experience**

<sup>1</sup>Bawa Chafe Abdullahi, <sup>2</sup>Wan Nor Azriyati Wan Abd Aziz, <sup>3</sup>Abd Aziz Abdullah, <sup>4</sup>Abdul Mutalib Beksin, <sup>5</sup>Ali Mohammed Alashwal and <sup>6</sup>Rafikullah Deraman

<sup>1,2,3,4,5,6</sup>C/o Faculty of Built Environment, University of Malaya, 50603, Kuala Lumpur, Malaysia.

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**Abstract:** The low income group (LIG) housing is one challenge that haunts most developing countries. This paper explores the Malaysian housing policies and its meticulous implementation and how the sustainability aspect of such policies improves significantly the housing affordability and accessibility to the majority of the LIG in the country. The study builds upon multiple data sources. An extensive review of past and current published literature and periodicals were carried out. Further, this review is part of a larger study which explores the subject matter, adding both breadth and depth. The five low-cost housing estates in Kuala Lumpur, a federal territory of Malaysia, were selected to serve as case study. The findings of the study show that the majority of the beneficiaries of low-cost housing programmes fall within the principal target of LIG and much contribution has been made to the cohort housing. The study also provides evidence that contrary to path dependent policies. In particular, the Malaysian housing policies adoption of pragmatic and all inclusive role of the government, provide institutional support for a well functional housing delivery to the LIG not only in Kuala Lumpur, but for the entire country.

**Key words:** Sustainability, housing policy, housing, low-income group (LIG), Malaysia.

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### **INTRODUCTION**

The importance of housing in the economic and social development of a nation cannot be over emphasised. Housing is the key element in the generation of economic growth and development. The state of housing has had strong positive impact on the growth and development of society. Over the decades ago the challenge of the housing policies in the developing countries was to ensure that basic accommodation needs are met and at an affordable price to the majority of the citizens. However, at the same time, housing challenges in developing countries has arisen due to rapid population growth and urbanisation. As a result, governments of these countries face tremendous pressure to provide housing especially decent and affordable for the LIG. Consequently, there are many LIG without adequate and affordable housing for now and in the future. Naturally, these dynamics require a policy framework and institutional mechanism that focus on addressing the housing supply to cope with the increasing demand on sustainable basis. These are the issues the sustainable housing policy intends to resolve now and in the future for the LIG.

The housing policy literature strongly emphasises the significant role played by the East and Southeast Asia countries in general and Malaysia in particular (Doling,1999; Agus, Doling & Lee,2002). Despite the priority accorded to meeting LIG housing some scholars argued that Malaysia is lagging behind the success recorded, for instance, in Singapore, South Korea and Hong Kong (Salleh & Meng, 1997; Sirat, *et al.*, 1999; Agus, *et al.*, 2002). This is because in Malaysia, resources are committed to commensurate with the prevailing expectations and the intervention has been narrowly focused. Therefore, to realise the level attained by its neighbours, the Malaysian government, at the onset of second Malaysia National Development Plan, has gone into partnership with the private sector cum market in low cost housing (Drakakis-smith, 1977). To enhance private sector developers' performance, a number of incentives and regulations have being introduced. These incentives and regulation include faster development approvals, relaxed planning and infrastructure standards and licensing procedures, mixed development to include 30% low-cost component, minimum design standards and ceiling price of low-cost house.

After four decades the Malaysia government has developed partnership with the private sector developers in housing delivery to house the LIG.

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**Corresponding Author:** Bawa Chafe Abdullahi, C/o Faculty of Built Environment, University of Malaya, 50603, Kuala Lumpur, Malaysia.

The performance so far has been laudable and shows that the private sector developers' involvement has fostered the development of low-cost housing delivery in the country (Jamaluddin, 2005). Subsequently, the private sector has attained dominance over the state, as the major producers with state roles beginning to diminish in the supply of the LIG housing (Hamzah, 2002).

This paper focuses primarily on private sector participation and its implication on the attainment of sustainable housing policy in Malaysia. The broad aim of the paper is to contribute to literature on the extent the Malaysia housing policy has being sustainable in housing the LIG in the country. The paper first sets out the background to the study and followed by a brief overview of concepts of sustainable housing policy and low-cost housing policy, and socio-economic transformations in Malaysia. The result of empirical analysis highlights the sustainability of Malaysia housing policy in achieving a success story of housing the LIG. The paper concludes by showing the remarkable role played by the Malaysian government in promoting the sustainability of the country's LIG housing through private sector participation.

## **2. Socio-Economic Transformations in Malaysia:**

Housing is one sector of the overall national economy and significantly interrelates with other sectors of the society. The success of housing policy entirely depends on the political, economic and social transformations carried in a given society (Goebel, 2007). This is why the success of housing policy in a way is a reflection of success realised in other facet of the society (Choguill, 2007; Holden, *et al*, 2008). The sub-section reviews the Malaysian political, economic and social transformations to situate the sustainability of its housing policy in attempt particularly to meet housing need of the LIGs citizens.

Malaysia is located at the heart of the South-east Asia, comprised of the peninsular on the tip of mainland and two states of Sabah and Sarawak on the Island of Borneo, covering a total area of 329,740 square kilometres. Malaysia was colonised by British and secured its independence in 1957. The growth of the population and specifically, the urban population has been tremendous in Malaysia. In 1957 the country's population was 7.3 million. However, the population has doubled to the figures of 13.3 million and 27.0 million by 1980 and 2008 respectively (DSM, 2009; World Bank (WB), 2010). Similarly, the size of the urban population has increased at the rate of 4.5 % per annum and from the total population, the urban residents population has increased from 51 % in 1991 to 55.1 % in 1995 and by 2000, this proportion has risen to 61.8 %; 67 % in 2005 (Zin & Smith, 2005) and projected to reach 75 % by 2015 (WB, 2010). The rural population had dwindled to 36 % by 2005 and the labour force employed in agriculture had shrunk to 13 % (Nelson, 2008). Bumiputera meaning 'sons of the soil' (comprises of Malays and smaller indigenous groups) life expectancy at birth increased from 62 in 1970 to 71 years, while Chinese life expectancy similarly rose from 69 to 75 years. These changes in the demographic composition of the country are fundamentally the restructuring prong of the NEP, that produces industrial expansion and rapid economic growth and that promoted the mass rural-urban migration, most especially among the Bumiputera, which accounts for two-third of the migrations (Agus, 2002).

Politically, Malaysia is a union of 13 states, a constitutional monarchy and a bicameral parliament and governed by a coalition of parties with regular elections (Pepinsky, 2007). The factor of ethnicity has been the organising opinion of politics since independence (Gomez, 2007) and a significant factor in the political economy (Weiss, 2007). In general terms, Freedman (2006:127) described Malaysian democracy as comparable to Japanese politics "with a dominant party in power and strong government in the economy". The nation has been able to establish stable political history, without a single military intrusion in politics, as one of the added advantage of the country's development. The policy making is highly centralised by the dominant political leaders of the country and "characterised by remarkable continuity in broad objectives" (Nelson, 2008:10). Accordingly, this has inspired the leaders to adequately set the nation policy priorities and the required design of policies and programmes, originating from wider and broad consultations with all the stakeholders in the country (Nelson, 2008).

Economically, Malaysia built on its footage for economic development from the 1970s and thereby has sustained periods of economic development for the last four decades. The country since then has progress into one of the most progressive and fastest growing countries in Asia with a modern diversified economy (Menon, 2009). The Malaysia development foundation was laid with launching of New Economic Policy (NEP) and the subsequent policies thereafter, arising from the ethnic riots in 1969. The two principal objectives of the NEP were to eliminate poverty and socially restructure the society to bridge the disparities in occupation, income and wealth between Malay (bumiputera) and non- Malay (non-bumiputera) in the country. Despites the policies shortcomings, the NEP have succeeded in facilitating the economic development of the country.

The country has succeeded of transforming the economy from primary agricultural products dominated at independence to manufacturing and services based economy. For instance, agriculture accounted for 30 % of GDP and manufacturing accounting for less than 8 % until mid 1970s (Bhohal & Rowley, 2005). However, as a result of rapid growth in export-oriented manufacturing, its share of GDP made a quantum increase to 33.1 % in 1995 (Ahn, 2001) and 47.7 % in 2007 (WB, 2010). As a result, the economy is vulnerable to world economy. Yet the Malaysia annual economic growth has been spectacular, in most times exceeded 8 % and averaged more than 6 % (Meerman, 2008). Consequently, the national income increased more than six fold and per capita income increased from US\$390, US\$4,370 to US\$8,209 in 1970, 1996 and 2008 respectively (Ang & Mckibbin, 2007; WB, 2010). The country has been able to maintain a single digit inflation rate hovering between 3.0 % and 5.0 %. Equally important, the country has developed a highly well-developed financial system (Lee, 2003). The system consists of the banking institutions, non-bank intermediaries, and a network of money exchange and capital market. The sustained growth, Malaysia aspires to become a fully developed country by the 2020 (Nelson, 2008).

Socially, Malaysia is a multi-racial and multi-religious society. The population is 27 million (WB, 2010) and about 65 % are Bumiputera, 26 % Chinese and 8 % Indians. The Malays have always been dominant group politically and the constitution guarantees their supremacy, while Chinese have sustained greater economic power, even with affirmative policies by the governments to benefit Bumiputera (Thirkell-White, 2006). The government social transformation programmes results shows that the benefits of strong economic growth achieved in the country are widely distributed, as evidenced by the sharp decline in poverty and general increase of household income (Meerman, 2008). Generally, national poverty has been reduced, estimated at 37 % of the population in 1972 to less than 4 % and planned to be eliminated by 2010 and the change was most impressive among Bumiputera community, where poverty dropped from 65 %, 23 %, to 5 % in 1970, 1990 and 2007 respectively (Meerman, 2008; Department of statistics Malaysia (DSM), 2009). Also the government has succeeded in narrowing the ethnic income gap substantially, though not eliminated, most especially between Bumiputera and Chinese (Nelson, 2008). The ethnic and poverty have important implication in housing, since it serves as a means to achieve national unity and creation of settlements that have no particular ethnic association in Malaysia. Consequently, just like other south eastern Asian countries, Malaysia is experiencing the emergence of middle class (Hughes & Woldekidan, 1994) as result of economic prosperity realised. The increased wealth of this middle class has created huge demand for quality houses and the LIG benefit by the units vacated by the middle class, whose demand are met by the private market and the state resources been devoted to LIG housing.

Finally, the Pugh (1995:414) assessment of East and Southeast Asia countries reinforces the above observations

"They have followed political policies of establishing clear private and social property rights, political stability, market friendly attitudes to economic development and the modernisation of institutions. In economics they have gradually turned from import substitution to freer trade: they have liberalised markets and promoted competition, they have increased human capital formation in education and health, and they have provided macroeconomic stability. The results are high rates of physical and human capital formation, high growth rates, the reduction of incidence and volume of poverty... and successful integration with the international economy".

In summary, the analysis above shows the extent of Malaysia state capability and economic prosperity. Over the decades the country has built a considerable political stability of governance; free market economy which ensures availability of financial facilities for the housing industry and the efficiency of the construction industry. Significantly, the urbanisation of the Malaysian society, the immediate consequence is the increased demand for housing; but the economic prosperity attained over the past decades increased households' income and housing affordability.

### **3. Sustainable Housing Policy:**

In recent years, there has been an increasing interest in the concept of sustainability in research and policy framework, emerging at the end of 1980s, in response to the intensity and deflation of resource use and degrading of the environment (Rees, 2001; Capello & Nijkamp, 2002). The concept first became popularised by the Brundtland Commission report to the World Commission on Environment and Development in 1987. Subsequently, the international bilateral and multi lateral organisation, most especially United Nations (UN) organs have done much on its advocate at the world stage (Holden, Roseland, Ferguson & Perl, 2008). Global conferences organised by these organs of UN which actually played a major role in defining and propelling the sustainability agenda over the last two decades.

The consequence of these developments is that, the concept of sustainability became a wide-ranging term commonly associated with all facets of human life and fairly common place term in policy parlance. The purpose of associating the concept with these human life and policy is more to "measure progress toward desirable state" (Choguill, 2007:143). Therefore, the concept has succeeded to generate benchmarks by which efforts towards realisation of its objective are judged worldwide and has become a uniting and purposeful focus for the 21st century.

The Brundtland Commission defined the concept of sustainability as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". The same Commission also elaborated the ambiguous definition by defining 'needs' as the "essential needs of the world's poor, to which the overriding priority should be given". The definition upholds the position that the basic needs of mankind must be met and most especially priority given to the poor. Consistent with this interpretation, Choguill (2007) define sustainable housing policy as one that meet the housing needs of the poor and is economically viable, socially acceptable, technically feasible and environmentally compatible. However, if there is polarisation between the rich and poor in the housing policy outcome, that definitely does not lead to desirable results of sustainability. Therefore, it is the necessity of sustainable housing policy to put the poor as its mainstream goal in as much more desired to be sustainable as the ultimate objective of a country in housing arena. Hence, Myllyla & Kuvaja (2005) argued that sustainability should not be considered as a goal, but more as a criterion that would create motivated and transparent administration that would be efficient, flexible and achieve equal service provision and resource allocation in a development programme. There is an increasing concern that LIG and poor are being at disadvantaged in the implementation of housing policy in developing countries (Keivani & Werna, 2001a,b; Yeboah, 2005 ) and housing of this cohort assuming perpetual problem in most of these countries (Cullingworth, 1991). The growing housing shortage is identified as one of the main reasons for developing housing policies by the governments (UN, 1996). Recent developments in sustainability have heightened the need for sustainable housing policies to address the lingering housing challenges in such societies. Consequently, the researchers have generated thoughts regarding the sustainability strength and weakness of housing policies in developing countries in an attempt to address the low-income housing issues (Choguill, 1993; 2007; 2008; Goebel, 2007). There is growing literature on sustainability housing policy and measures of its realisation. For instance, Islam (1996); Andreassen (1996); Myllyla & Kuvaja (2005) made contribution of societal premises such as political will, good governance and socio-economic equity as precondition of sustainability. These are core challenges of realising sustainability not only in housing but all other aspect of development. The fulfilments of these criterions are capable of generating efficient, flexible and resource allocation in the course of housing policy implementation. Using measurable indicators developed by Choguill (1993), Islam (1996) and Choguill (2008), discusses the mismatch between the housing policy and measurable indicators of housing sustainability in Bangladesh, and planning and sustainability in Saudi Arabia respectively. And Goebel (2007) investigates the challenges of sustainable low-cost housing in South Africa and discovered that the challenges of the human resources and poverty were among the major impediments. The apparent outcome from these studies shows that sustainability is desirable and attainable in all societies, in as much the quality of peoples life would be improved and preserved for the future generations.

Similarly, it is the consensus among the researchers on sustainable housing policy to focus on the poor in the society (Islam 1996; Myllyla & Kuvaja, 2005; Choguill, 2007). In fact, Choguill (2007) argued labelling a housing policy sustainable is a necessary guide to attainment of its objective. But, without significant improvement of the housing of the poor, is pointless. In assessing any country's housing policy and sustainability two fundamental questions must be addressed. First, does the housing policy institutional framework addresses the needs of the poor? This requires prioritising the poor as the central principle of the policy. Second, does the socio-economic structure of the country enhance and supportive of poor? This also requires that the privatisation and liberation of the supply of housing should not exclude the poor from participation.

#### **4. Development of Low-cost Housing Policy in Malaysia:**

Broadly, the Malaysia's housing policy has a primary of aim of realising all its citizens, especially the LIG, are guaranteed access adequate and unhindered access to a satisfactory housing needs. This is why according to Agus (2002:128) government policies made income differentials in housing consumption so that it can ensure that "people could buy housing of a size and quality compatible with the income they received from working." In addition, the focus of the housing policy is the creation of amenable and sustaining housing environment in the country.

The policies regulations set to ensure comprehensive settlement planning that comes with basic and social infrastructure provisions in the housing estates. It is hoped that the quest of the country for a viable and sustainable human settlements can be achieved through a proper and well planned housing provision.

There is no housing policy document per se in the country (Endan, 1984). However, the housing policy is adequately articulated in the all five-yearly Malaysia national development plans (Agus, 2002). It is usually in these plans that the annual targets and policy issues for housing achievement are documented. The government in each of such plans designed a wide range of housing programmes to achieve, most especially to house the LIG. Under such various development plans, the government has vigorously embarked on numerous housing programmes, both in the rural and urban areas, with the aim of making Malaysia a 'home-owning society'. Such housing programmes include Special Low Cost Housing Programme (SLCHP), Peoples Housing Programme (PHP) and Integrated Peoples Housing Programme (IPHP) among others (see Malpezzi & Mayo, 1997).

The Malaysia's low-cost housing policy got its legacy from the British colonial administration. To weaken the support for the rise of communist insurgency, they built 600 new villages all over the country to resettle Chinese, popularly known as 'Briggs plan' (Tan, 1983; Agus, 2002). The priority given to such new villages' development was to achieve a political goal; such effort subsequently set precedence for the new government on the attainment of independence in 1957, to accord priority on low-cost housing (see Abd Aziz, 2007). The First Malaya plan (1956- 1960) saw concerted effort to provide well- planned houses in urban areas, in an attempt to improve the slum conditions of urban areas. A number of low-cost houses were constructed solely for renting. The role of major local authorities in major municipalities of Kuala Lumpur, George Town, Ipoh and Melaka were strengthened in the management of the rental housing (Tan, 1983).

The study of Endan (1984) recognised Malaysia's housing policy based on impact, to be distributive when it uses public funds to assist LIGs; regulatory when impositions of restrictions or limitations are made and redistributive when the government broaden assistance to certain classes of the population. However, Abd Aziz (2007) consistent with the Asian housing policy model developed by Doling (2002) narrowed the above classification and recognised, in general terms, the housing policy to be residual in nature, meaning to say government intervention offer support to those whose needs not catered by the market, most especially to the poor and LIG households. The position of LIG in the above identifications buttress the high priority it is accorded by the government. This is why the government of Malaysia being proactive in an attempt to house the LIG by shifting its role in housing provision. For instance, the state first started as provider, changed to one that enables market provision and later reverts to the earlier position of provider. Currently, the state implements policies that promote its role both as enabler and provider, arising from its commitment to address the housing of the LIG in the country (Jamaluddin, 2005; Abd Aziz, 2007).

Consequently, the low-cost housing in the country has become the preoccupation of both the public and private sectors (Salleh & Meng, 1997). When the government began building low cost housing, the entrance of the private sector began during the third Malaysia Plan (1976- 1980) on the invitation of the government to contribute its quota in housing the LIG (Salleh & Meng, 1997). Since then, on broad terms, private sector performance is much better than public sector with the total units completed (Table 1). Specifically, the private developers account for over 90 % of housing provision from the private sector in Malaysia (Salleh, 2008) and account for bigger portion of low cost housing since Sixth Malaysia Plan (1991-1995). The wide range of incentives and controls exercised by the government to the private sector strengthen their capability in meeting the housing needs of the LIG in the country. This is more so with the implementation of privatisation policy in the country further gave boosts to the role of private sector participation over the years in low income housing delivery.

The housing provision performance over the plans period is shown on table 1. The performance variation reflects the priority goal of the government, resources committed and the state of the economy. The lower records in most cases reflect the economic recession the country under went, most especially during 1998 Asian financial crisis.

The government always tries to identify clearly the target groups entitled to low-income housing. The target group has continued to expand in accordance with the higher aspirations of the people, often matched by a corresponding increase in the capacity for delivery. The low-cost housing has relatively low selling prices or rentals so as to maintain high levels of affordability by the LIG. The country was able to maintain the ceiling price of a low-cost house for about two decades at RM 25, 000 per unit. To further enhance the transparency of the allocation of the low-cost housing to the beneficiaries the government maintained an 'open registration system' (OPS) in 1997, in response to the allegations of favouritism, corruption and political interference levelled against the former paper based register system.

The efficient allocation system of low cost housing allocation system through OPS is one of the features of housing policy in Malaysia. The OPS has succeeded of creating a nationwide verifiable waiting list of LIG, uniform criteria of selection, control of misconduct and building confidence of transparency in the allocation system. Through the operation of the system as at the end of 2005 about 120,000 LIG were offered to purchase low-cost houses in the country (Shuid, 2010).

With these strong development fundamentals, the next subsection reviews on how the government housing policy responded, particularly for the LIG housing, in expanding supply to address the demand in the Kuala Lumpur.

### **5. Sustainability of LIG Housing in Kuala Lumpur, Malaysia:**

The government of Malaysia began the sustainable housing programme for the LIG with the advent of NEP. To realise the goal, the state maintained a sustained intervention, influencing and directing the course of action of the market to meet its responsibility of housing this vulnerable group in the society. This is more so to the Malay ethnic group that was made to migrate from the rural to urban centres from the beginning of the NEP era. The bulk of these that migrated were unskilled. The migration subsequently generated the emergence of squatter settlements in the urban centres. The government task was to take responsibility to house the LIG through the provision of owner occupier and rented quarters. The state champion as the main actor in the provision for the LIG and private sector at that time was making provision for the medium and high income groups.

It was in the 1980s when the economy registered a boom that the government extolled on the private sector to join hand with the state in addressing the housing of LIG. The maturity, capability, capacity and efficiency of the country's housing industry as well as to achieve the economy of scale informed the reasoning of the government to draft the private sector to participate in the provision of LIG housing (Sirat, *et al*, 1999). To ensure their participation, the regulation of minimum of 30 % of private sector mixed development must be set aside for LIG housing was introduced as precondition for their planning approval, in as much their proposed development exceeds 2 hectares of land. Of course there were resentment and criticisms towards its implementation from the private sector. But, this measure has gone a long way in energising the private sector in meeting the housing needs of the LIG, as part of their corporate social responsibility. The supplementary provision of the private sector coupled with the state provision boosted the low- income housing delivery varying from one period to another and depending on the state of the nation economy. The inclusion of the private sector participation therefore has been subjected state regulatory controls to ensure that the LIG have a house. The encouraging response received from the private sector in this regard, is one of the unique feature of Malaysia housing policy.

It is important to state that both the public and private sectors housing productions are subjected to planning processes and approvals by the respective local planning authorities. This is to ensure that before the houses are delivered to markets have met the standards and regulations set. The private sector developers are governed by the Housing Developers (Control and Licensing Act 1966; Housing Developers (Control and Licensing) Regulations 1989 and Housing Developers (Housing Development Account) Regulations 1991 (Buang, 2008). These regulations stipulate that the developer must obtain licenses, advertising and sales permits from the Ministry of Housing and Local Government before undertaking any housing project in the country. This shows that the licenses and permits which enable private developers to participate in this industry are regulated at the federal level. In Malaysia the federal government provides policy frameworks in general terms. But it is at the state level that the policy is translated into more detailed and strategized. At the state level the policies are expressed in the structure and strategies plans for each state. Finally at the local government levels the prepared plans are made more detailed with specific requirements elaborations.

In Malaysia the development of low housing is facilitated by the cross subsidy policy. The low cost housing is conceptualised planned and executed, through a regulation earlier mentioned of developing a minimum of 30 % of development that comprise of low cost housing and the profit gained from the medium and high cost, cross subsidise the low cost housing, that allows the sustenance of the development of low cost housing from the private developers in the country. To sustain the participation of the private sector the low-cost housing ceiling price has enjoyed series of revision, to reflect the inflationary trends and value of land in the country. The goals to achieve from the revision were to have an increase in the supply and quality of housing and ultimately meet the national target of the LIG housing (Table 2). The low-cost house was initially pegged at RM12, 000 for flats and RM8, 500 for other types. This was revised in 1982 to RM25, 000 per unit regardless of type of housing unit and remained so until in 1998 when the current four-tier pricing (Table 3) range between RM42, 000 and RM25, 000 came into effect.

**Table 1:** Performance of public and private sectors housing delivery from 1981-2005 in Malaysia

Programme	(1976-80) Plan Built(000)	(1981-85) Plan Built (000)	(1986-90) Plan Built (000)	(1991-95) Plan Built (000)	(1996-00) Plan Built (000)	(2001-05) Plan Built (000)
Public Sector	221 122	400 202	149 174	174 85	230 122	312 189
Housing for the poor	-	-	-	-	35 17	16 10
Low-cost	- 26	177 71	121 74	127 46	60 61	192 103
Low-Medium	-	-	-	-	110 19	37 23
Medium & High	- 38	54 70	28 23	47 38	25 25	67 51
Private Sector	262 363	525 204	553 204	399 563	570 738	303 655
Low-cost	30 60	90 19	374 90	217 215	140 130	40 97
Low-medium	-	-	-	-	240 54	94 61
Medium & High	70 140	259 86	178 14	182 348	190 554	169 497
Total	483 485	925 406	702 378	573 648	800 860	615 844

Source: The various Malaysian Development Plans (3rd, 4th, 5th, 6th, 7th, 8th, 9<sup>th</sup>)

**Table 2:** Low Cost Housing Price in Malaysia.

Period	House price/unit	Area	House Type	Target Group
Before 1970	RM 5,000 to	All	All	Income less than RM300 per month
	RM 12,000	All	All	
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 - 2010	RM 25,000 - RM42,000	Based on land value	According to location	Income RM750 - RM 1,500 per month
2010- to date	RM 25,000 - RM42,000	Based on land value	According to location	Income RM2,500 per month

Source: Adapted and modified from Shuid, 2010:5

**Table 3:** Four-tier pricing for low cost housing (MHLG, 1998).

Selling price per unit (RM)	Location (land cost per sq. metres)	Monthly Income of tar get group (RM)	Type of suitable houses
42,000	A: Cities and major towns (RM45 and above)	1,200 to 1,500	More than five storey flats
35,000	B: Major towns and fringes (RM15 - RM44)	1,000 to 1,350	Five storey flats
30,000	C: Small towns (RM10 to RM14)	850 to 1,200	Terrace and cluster
25,000	D: Rural areas (less than RM10)	750 to 1,000	Terrace and cluster

The primary data indicates that the four-tier pricing is the guide on pricing of the low-cost housing development among the private developers in the study area. The private developer's sale the housing units according to the pegged house price without a direct subsidy from the government.

**a. Management of Partnership:**

The management of the joint venture project is a good example that demonstrates the painstaking path of attaining housing delivery in the country, most especially at the local level like City Hall of Kuala Lumpur (CHKL). The joint public and private sectors participation is guided by what is called privatisation agreement. The agreement specifies the responsibility of the parties. To ensure the diligent participation of the private sector, the agreement first require the payments of 10 % and 5 % of land value of the land granted by the CHKL and performance bond of the construction cost respectively. It is upon these payments and the approval building plans that the developer is issue with the notice of site possession. On the progress of the development of the project, the CHKL maintain "Joint Project Management Committee" (JPMC) with 7 members comprises of equal representatives from the CHKL and private sector.

**b. Financing:**

Considering the income and access to credit of most householders in the country, the government gave a boost to LIG access to financing by a way of creating organisations, regulations and subsidies and UNHabitat (2005) recognised such success achieved in terms of housing finance. The financing frameworks in the country have been highly regulated by the Central Bank of Malaysia (Bank Negara Malaysia (BNM)). Prominent among these organisations is the Malaysia Building Society Berhad (MBSB) (formerly Malaya and Borneo Building Society) (MBBS) established during the colonial period, with the singular role of providing loans on favourable terms than those from other sources of financing.

In 1994, in attempt to increase the purchasing power of the citizens, by broadening the use of savings made in the Employees Provident Fund (EPF) in financing housing. EPF is mandatory regular contribution to be made by each employee and employer as to be withdrawn on retirement. The policy allows early withdrawal of 30 % to finance house acquisition. The EPF integration with housing has remarkably improved access to housing in the country.

The government finance directly to the LIGs by a way of offering subsidised rates of interest and revolving loan funds to them to enter into homeownership. For example, the interest rate used to be as low as 4% payable over a generous period of 25 years and can enjoy 100% financing (Jamaluddin, 2005). This was achieved through the National Housing Corporation (CAGAMAS) established in 1986 owned largely by the private financial institutions with joint ownership with National Bank, to essentially provide security to the financial institutions that provide loans to home buyers. In addition, from 1976, the Central Bank of Malaysia gave a boost to housing financing by formulating a policy requirement on the commercial banks to set a minimum proportion to their lending to housing financing acquisition and pegging the chargeable interest at rates below government-determined maximum. Onwards this is how the commercial banks became significant players in the housing acquisition financiers in the country.

The study data results further buttress the above facts. For instance, the study result shows that the sample respondents of about 76 and 20 % obtained their finance to purchase the housing units from financial institution and government loans respectively. The majority of respondents also about 92 % expressed that they do not face any problem in the course of sourcing the finance to acquire the housing units. These findings buttress the commitment made by the government in ensuring that the LIG financial burden is resolved through government loans and regulations that required the financial institutions to extend loan facilities as much as 100 % to low cost purchasers.

### **c. Land & Other Incentives:**

The land issues are constitutional responsibility of the states governments in Malaysia. All issues relating to acquisition, conversion and subdivision of land must be referred to state authority (Buang, 1993). The states use the instrument of Land Acquisition Act (LAA) to acquire land for development purposes such as housing. The Act has made it possible for sustained supply of land for housing development, away from the private land subdivision prior to independence (Hamzah, 2002).

Our field work data shows that the joint participation, the government offered incentives to the private sector, with a view of reducing the development cost and collectively sustains their participation of providing the low-cost housing to the LIG in the study area. The range of incentives provided includes easier access to CHKL land or squatter land; the reduction of parking space requirement from 1:1 to 1:4 and exemptions from the payment of development charges and improvement service funds.

Also the private developers are offered with 'one-stop approval' section in the CHKL, that provide timely approvals for the development of low-cost houses, view of streamlining the delays and cost associated with the development and building plans applications.

Another measure adopted to relieve the pressure of LIG housing in the city is the provision of the rented quarters through the Public Low-cost Housing Programme. These are developed by the CHKL government with loans provided by the federal government. The houses are allocated based on the standing eligibility factors of income and as such benefited the squatters at subsidised rates of RM124 per month. The government in the 1990s were selling the houses to the sitting tenants after 10 years of occupation. However, the policy decision changed to maintain such housing units as rented quarters for renting. These rented housing units are under the management of the Housing Department, which oversee the day-to-day management of the housing estates.

However, the success of the housing policies programmes does not end with the provision of the house alone. But there are other salient issues relating to housing that seeking for urgent attention. The attainment of the higher standard of living among the people tends to generate the demand for quality homes. Tan (2008) of recent reported not only glut in the property market but houses built with lack of adequate amenities and facilities on poor unattractive locations. Similarly, Salleh (2008) highlighted through empirical study shows low levels of satisfaction with the neighbourhood facilities and environment of the private low- cost housing in the country. There is need for the housing policy to respond by improving the quality of the housing to meet up with the increasing affluence of the population. On an impressive note according to Zainul Abidin (2010) there is progressive adoption of sustainable practices in the construction industry, on the path of achieving green agenda, such practices would in the long run address the discrepancies observed in the housing estates satisfaction in the country.

On the other hand, there is much emphasis placed on the physical development of housing, while the issues of social and cultural are not dealt with. Even the objective of social cohesion of the multi ethnic society set to be achieved through housing has not been realised (Abd Aziz, 2007). Perhaps this is why Rasdi (2007) observed the socio- economic dilemma through housing development in the country created in the distribution of the house owners from the different races, which brought about disintegration of age- long social values. These were replaced with housing estates that display what Rasdi (2007:2) called "community of strangers just living next door to one another". There is a need to inculcate social values associated with housing, as such community participation; social exchanges and interactions, since housing is considered as one of the mediums in the attainment social integration and national unity in the country.

The construction industry in the country is being confronted with escalating cost aggravated by increasing prices of building materials and skilled labour, and dependency on unskilled foreign workers. The government is making emphasis on research and development to discover cheaper alternatives to building materials and resource saving designs and construction. It is hoped with the participation of the private developers, the housing industry would be moved forward with innovative designs and technologies (Sirat *et al*, 1999). The implementation of the industrialised building system (IBS) from conventional building methods will definitely go along way of ensuring the sustainability of the housing provision and reducing the cost of housing development in the country.

### **Conclusion:**

In response to the successful realisation of rapid economic growth, the Malaysian housing policy has demonstrated its ability in responding to these spontaneous and on a large-scale rapid population growth, urbanisation and growing affluence, particularly by meeting the housing needs of the LIGs in the country. The development of the economy and the sustained growth through export led-industrialisation has been accompanied by rapid employment growth, reduction of poverty, growth of the middle class and general improvement of the living standards are the strong fundamentals explaining the extent of success achieved. The Malaysian housing policy strongly advocates Public Private Partnership (PPP) as a means to manifest much of the housing needs and the synergy between the government and private developers have ensured timely and quality delivery of mass housing products.

The key lesson emerging from the Malaysian experience is that with government regulations and controls facilitated by a vibrant private sector, the solution of LIG housing is not far in sight. The Malaysia's changing housing policies shows how it has demonstrated learning from experience and evolving national realities in their implementations. Unlike many other developing countries, Malaysia has never to an extreme confined itself to the so-called World Bank consensus or path dependant housing policies. Thus, by and large, the policy makers have been meticulous in redefining and refocusing the way forward on achieving the housing of the LIG with policy pragmatism, coupled with the political stability, the housing policies emphasis on the LIG has never compromised. Malaysia by developing countries standard has been successful in mobilising its private sector in achieving home ownership among its LIG. Thus, the Malaysia private sector has become a catalyst in the quest of the nation to realise the home owning democracy.

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