

Public-private partnerships approach: A success story in achieving democracy in the home ownership for urban inhabitants in Kuala Lumpur Malaysia

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1 ABSTRACT

It has been argued that public-private partnerships (PPPs) and other forms of cooperation between the private sector and local and national governments are used frequently around the world for a variety of reasons. Underpinning this notion are the facts that neither national nor local governments in most countries have sufficient budgetary resources to extend services and infrastructure or to subsidize inefficient state enterprises or agencies. It is further argued that many goods and services can be delivered more efficiently by involving the private sector. Involving the private sector is perceived as often brings stronger managerial capacity, access to new technology, and specialized skills that governments cannot afford to develop on their own. Most importantly is that forming public-private partnerships to assume functions that were formerly public sector responsibilities has potential benefits for both citizens and governments. Against this background, this paper seeks to examine the public-private partnerships between local authority and private developer in meeting the challenge to fulfill the housing needs of the urban poor in Kuala Lumpur, the capital city of Malaysia. It establishes that for many decades, the governance of city of Kuala Lumpur have formulated and implemented a wide range of policies to provide home ownership to urban poor in the city in the quest of assimilating them to become part of the home owning democracy. Yet, lack of funds has to a great extent posed to be the main barrier in implementing the policy designed to meet this social challenge. Drawing upon a case study of Wangsa Maju, Kuala Lumpur this study demonstrates that public-private partnership (PPPs) has successfully met this challenge. The findings suggest that a public-private partnership has transformed Wangsa Maju into new well-planned sub-centre with complete and organized modern urban facilities. Further insights into the level of satisfaction of households who were given the opportunity to enter into home ownership in this project confirm that this PPPs project is indeed fruitful. The study concludes that this PPPs approach is considered as the best practise in meeting housing needs of the urban poor. It has achieved the necessary balance between commercial and social priorities. The developer is able to reap profits they anticipated and the local authority is able to fulfill their social obligations to achieve democracy in the home ownership for all level of income.

Keywords: Public-private partnership, home ownership, social obligations, urban poor

2 INTRODUCTION

The public-private partnerships (PPPs) and other forms of collaboration between the private sector and local and national governments are widely used around the world for a range of objectives. Underpinning this, is the notion that the adoption of PPPs in urban development policies considerably resulted from the need of local authorities to expedite in the materialization of public services without committing significant funds from the public budget (Spacksman, 2002). It is claimed that neither national nor local governments in most countries have sufficient budgetary resources to extend services and infrastructure or to subsidize inefficient state enterprises or agencies. For instance, Kyvleou (2006) in her study on urban development through PPPs in the Mediterranean region, argued the main incentive of creating PPPs lays in the public sector's desire to bring private financing and managerial skills to public services provision. Furthermore, by using private sector management as a tool, Kyvleou (2006) further argued that PPPs contribute towards achieving better success and more cost-effective outcome. More specifically, local authorities tend to form PPPs due to the nature of urban development projects, which demand particular "know-how" and resources.

Adams and Young (2006) asserted that the introduction of PPPs across a range of sectors and nation at several stages of economic development has increased considerably since the 1980s. It is also perceived that many goods and services can be delivered more efficiently by involving the private sector. Involving the private sector is perceived as often brings stronger managerial capacity, access to new technology, and specialized skills that governments cannot afford to develop on their own. Most importantly is that forming

public-private partnerships to assume functions that were formerly public sector responsibilities has potential benefits for both citizens and governments.

It has been argued that the public-private partnerships are not the same across countries, even within the developed countries, in the context of their formation and operation (Xie, 2002). For example, Keating (1998) contended that there are marked differences in PPPs between the United States and European countries. In particular, these differences illustrate that national political, socio-economic, cultural and institutional contexts should be taken into consideration in analysing PPPs. Most importantly, is the understanding of international trends and commonalities.

Against this background, this paper seeks to examine the public-private partnerships (PPPs) between local authority and private developer in meeting the challenge to fulfil the housing needs of the urban poor in Kuala Lumpur, the capital city of Malaysia. It first establishes that for many decades, the governance of city of Kuala Lumpur have formulated and implemented a wide range of policies to provide home ownership to urban poor in the city in the quest of assimilating them to become part of the home owning democracy. Yet, lack of funds has to a great extent posed to be the main barrier in implementing the policy designed to meet this social challenge. Secondly, drawing upon a case study of the development Wangsa Maju Township, Kuala Lumpur this study demonstrates that public-private partnership (PPPs) has successfully met this challenge.

A case study capitulate deep but narrow outcome (Fellows and Liu, 1997). Yin (1984) noted that the single case study method is an appropriate application where the case in question represents an extreme or unique case or that situation has not previously been the subject of detailed scientific investigation. This research draws on a large amount of documentary evidence gathered from case study of the local authority of Kuala Lumpur and structures interviews with 200 low income households given the opportunity to enter home ownership within Wangsa Maju Township. No specific criteria were outlined in choosing the households, rather they were chosen because of their willingness to participate in this study.

3 PUBLIC-PRIVATE PARTNERSHIPS (PPPS)

A partnership refers to collaboration for a specific purpose or purposes between the two or more parties. It requires commitments from all the parties involves in achieving common goals. Thus, PPPs in urban economic development can be defined as an arrangement between the public and private sectors in providing urban services and promotion of urban economic development (Xie, 2002).

The study by Jeneleniewski (1997) defined the characteristics of PPPs as:-

- Involving one of more public authorities ; and
- One of more private partners;
- Working together to fulfil a mutually agrees objective, though
- A specific organizational framework set up by the parties involved.
- Each party retains its own identity.
- There is an input of resources by the parties concerned; and
- Parties bear the risk of the project together and share profits, according to their possibilities.

Recent researches suggest that PPPs have entered into the mainstream of urban development practise and that many variations on this are evolving to respond to different conditions and needs (Payne (2003). Indeed, many authors argued that formal partnerships have so far made only a limited impact in both scale and their ability to benefit low-income people. In contrast, informal partnerships appear to have been operating at a large scale and are perceive more successful in meeting the needs of the poor. This scenario however does not portray in the context of Malaysia (Wan, 2006).

The essential quality of successful partnerships is that of complementarity, in which the strengths and weaknesses of each partner are offset against those of the other in generating developments that merge the best quality of each. This could be seen as developments that are economically resourceful, socially responsive and environmentally sustainable. Partnerships do not require the parties involves to subordinate self interest. In fact, they provide a wider and longer term framework within which such interests can be

protected and promoted. Thus, it should be seen as providing each party benefits that cannot be realized when operating independently.

This study will explore the success story of PPPs in Kuala Lumpur which has not only successful in meeting the housing needs of the urban poor in Kuala Lumpur but at the same time accomplished the private sector partner to reap profits from the development. However, the following section will first discuss the wide range of policies designed to provide home ownership opportunity to the urban poor in the city in the quest of assimilating them to become part of the home owning democracy.

4 LOCAL POLICIES TO ASSIST THE URBAN POOR TO ENTER HOME OWNERSHIP IN KUALA LUMPUR

City Hall of Kuala Lumpur (CHKL) as the local authority responsible for the administration of the capital city of Kuala Lumpur, Malaysia has established a wide range of low-income housing programs in meeting the challenge to provide housing for low-income households. The role of CHKL in assisting low-income households to enter home ownership evolved from being an enabler during the early post independence to a distinctive provider role after the establishment of the New Economic Policy (NEP) in 1970s. The shift of role to state provider, as practised by Singapore and Hong Kong (Doling, 2002), was part of the social agenda to create political stability amongst a mixed ethnic population. In terms of housing provision, direct participation by the state as provider as exemplified by Singapore and Hong Kong is perceived to be more successful (Castells et al, 1990; Mitlin, 2001) in meeting the needs of the low-income group.

CHKL began to relinquish this role as provider and instead shifted the role to the market, when the country's economy was considered relatively mature. This radical shift in the role of the state mirrors the experience in a number of Europe countries recently (Edgar et al., 2002). Hence in the mid-1980s, almost thirty years after self-government, the private sector was required to actively participate in providing low-cost housing to enable the low-income group to become part of the homeowners' democracy. This role of the market however, received a good response from private developers, accepting that the profit made by them in a political and economically stable country should be equally enjoyed by all levels of income regardless of race. The state maintains its role as enabler but continues to monitor the performance of private developers. Legislation was introduced to ensure private developers fulfilled the target outlined by the state in meeting the housing needs of low-income group.

Low cost housing in Malaysia context refers to the houses with selling prices fixed by the government as range from RM25,000 to RM42,000 per unit depending on the location of the development (Wan and Noor, 2005). The price guideline introduced by the state to replace the original price which was fixed at ceiling price at RM25,000 regardless of the location is to improve the quality of low cost houses. These prices have been argued as an indicative of the financial capabilities of prospective buyers within the low-income group. The target group is stipulated as those household earning an income of between RM750 to RM1,500 per month (MHLG, 1998). The state has also specified that effective from June 1998 each low cost housing unit must have a minimum built-up area of between 48 to 60 square metres accommodating minimum three bedrooms, a living and dining area, a kitchen and separate bathroom and w.c. (MHLG, 1999). It is perceived that this concept is able to accommodate an average household of five members.

The evolution of the role of the state has affected the programmes established by CHKL. The establishment of a policy mix in meeting the housing needs of the low-income households has been driven by the experiences as both provider and enabler. Broadly, the programmes can be categorised into three key groups (see table 1).

Type of low-cost housing programs	Government's own projects	Joint-venture projects	Project imposed on private developers through planning permission
<i>Housing program for hard core poor (for rent)</i>	X		
<i>Housing provided by developer through planning permission (for sale)</i>			X
<i>Privatisation and joint venture project (for sale)</i>		X	
<i>Joint venture project with Employees Provident Fund (EPF) (for sale)</i>		X	
<i>National Housing Company (SPNB) (for rent and sale)</i>		X	X
<i>Program using City Hall of Kuala Lumpur's own housing fund (for sale)</i>	X		
<i>Public housing program (for rent)</i>	X		
<i>Integrated public housing program (for rent)</i>	X		

Table 1: Category of low cost housing programmes in Kuala Lumpur (Wan, 2006)

This broad classification indicates that more than half of the programmes outlined by the authority were projects designed to provide entry to home ownership for the low-income group. It also illustrates that fifty percent of the programmes represent projects initiated by both the federal state and local authority. Through this heavy state intervention, the state intervenes obviously by using the state's own funds to construct, deliver and distribute low-cost housing to lower income households, themselves driven by the objective to accomplish both the economic and social goal of the nation. Additionally, through regulation the private sector contributes to supplement the housing supply to low-income households. CHKL through the planning system, as suggested by Barlow and Duncan (1994), influenced the market by imposing a certain percentage of low cost housing to be built by private developers in any proposed residential development. This form of intervention to some extent portrays the housing enabling role leaving the market to construct and deliver (Doling, 1999), but revert to the state to distribute. Most importantly, is that this joint-venture project or more widely known as PPPs aimed to release the financial burden of the state but at the same time demonstrated serious commitment by the state in providing entry to homeownership for low-income groups. Certainly, this mode of development not only portrays a public-private partnership but also a joint effort between public-public organisations to expedite the supply to the market.

5 THE CASE STUDY: WANGSA MAJU TOWNSHIP

Wangsa Maju, is a major township in Kuala Lumpur developed by a private-public partnerships of CHKL and Landmarks Land and Properties Sdn Bhd, (formerly known as PGK Sdn Bhd). This matured 2,000-acre township, is located close to the Kuala Lumpur city centre. The township is well-networked by both rail and road connection. In terms of rail, two LRT stations are provided in this township, while by road, it takes the form of the Middle Ring Road II, a free-flow expressway connecting the area to the south and north of KL; the Ampang Elevated Highway; and the soon-to-be-built KL North Eastern Expressway, also called the Damansara-Ulu Klang Expressway or "Duke".

The site is a former rubber plantation estate covering an area of 1,301 hectares (3,211 acres). Designed to accommodate a population of 120,000 people, a total 25,970 dwelling units comprising various types of housing varying from 5-storey walk-up flats, medium and low-cost integrated houses in addition to linked and condominium houses were constructed in phases commencing from mid 1980s (UPU, 1992).

Wangsa Maju township was launched in 1987 as an ambitious PPPs. Wan (2006) record that the township has grown from a housing estate with medium-density flats to an established and self-contained area which boasts of commercial centres, Alpha Angle, Jaya Jusco shopping complex, Carrefour, affluent semi-detached houses, luxurious apartments and some of the most “happening” places in the city. The township now has an estimated population of 400,000 within its 4km radius from Setapak, Taman Melawati, Taman Setiawangsa, Ukay Heights and Bukit Antarabangsa.

Wangsa Maju was primarily developed as a new township to accommodate the increasing demand for housing in Kuala Lumpur. The Wangsa Maju project is considered as the first well-planned new township to meet the housing needs of all levels of income (PGK, 1992). The private partner, PGK Bhd owned by Paremba Group (The State of Selangor own part of shares of this group), is known as one of the reputable housing developers in Malaysia.

A total number of 7,791 units of low cost housing were developed in this well-planned township of Wangsa Maju (UPU, 1992). Providing low-cost housing as part of fulfilling the public-private partnerships development’s requirement is in fact part of social obligation since low-cost housing involved a considerable element of subsidy that has to be absorbed by private developer. Thus, the developer has to have sound technical and financial capacity to be able to meet the obligation imposed on them.

This PPPs project witnessed the unique arrangement between the CHKL and private partner. In materialising this project, CHKL has to acquire the former rubber plantation estate at market value. The site was then made available for PPPs project as a form of equity for CHKL. The developer is responsible to plan a new township which is sustainable. All the cost incurred in developing this new township is borne solely by the developer. In return, CHKL provides assistances in expediting the necessary development approvals required from relevant authorities. With this arrangement, the guaranteed return to CHKL is the form of 7,791 units of low cost housing. This is significant in meeting the needs or housing shortage for the acute problems of rural-urban migration which prevails at that time. Additionally, CHKL is also offered a substantial number of medium cost houses as staff quarters. The developer is even allowed to sell certain acreage of vacant land within this township in generating the capital outlay for the project. To a certain degree, it can be concluded that the rest of the development after taking into account the return in kind to CHKL, is left entirely to the developer to optimise development profit in accordance to the master plan of the area.

6 THE PROUD HOME OWNERS AMONGST THE URBAN POOR

The dominant percentage of low-income households interviewed is Malays. About two third (66%) of households surveyed declared they were ethnic Malays followed by 18.5% ethnic Chinese and 14% ethnic Indian. The ethnic composition in this PPPs project corresponds to the rough percentage of ethnicity at the national level. A large majority of respondents (91%) were families with children.

A clear majority of the respondents do not wish to move out from the present address. This suggests that they are indeed pleased with their present residence. To some extent, this confirms the success of PPPs to assist the low income people to enter home ownership. The findings indicate that the dominant reasons for feeling very pleased was that they have made decision to purchase due to likely the only chance to afford to own a home. This suggests that majority of these low-cost house owners were indeed those who warrant assistance from the state to enable them to enter home ownership. Since this is likely to be the only opportunity to enter home ownership, together with the fact that majority of their households’ head are at their active age, which means they are in employment or have their own source of income explains why they are able to sustain the ownership.

The study also demonstrates that majority of them were very pleased with their decision to purchase their current dwellings, and none of them claimed they regretted purchasing the low-cost housing. This suggested that the policy of providing housing to the low-income group through PPPs have assisted them to become homeowners, an aspiration desired by most Malaysian regardless of race and income group. Nevertheless, about 16% of them declared they have mixed feelings on their decision to purchase. Most of this group of 16% stated their reason for not feeling absolutely pleased with their decision to purchase is due to the condition of the low-cost housing. A small percentage claimed they now face difficulties to commute to their work place. Although none declared they face difficulties to access to basic amenities such as schools or

market, some of them blamed their neighbours for not feeling absolutely pleased with their decision to purchase low-cost housing.

Most significant is the introduction of subsidised housing made available to the low-income to enter home ownership would seem to have provided an opportunity for home ownership to a wide variety of households who would otherwise never have bought. More than half stated their reason for buying as this is likely to be the only chance to afford to own a home. About 30 per cent claimed their reason for buying as good financial investment as well as it gives a sense of security. The desire to give something to leave for their family and gives them a sense of belonging as citizens of Kuala Lumpur were the next important factors stated by respondents in this owner occupied group. There also exist a small percentage of 5 percent who professed they have spare money to purchase these units. There are those who do not qualify to be low-cost owners but loopholes of the implementation system have enabled them to become home owners of subsidised unit.

The study suggests that buying a low-cost housing is indeed a significant commitment made by these low-income people. Despite that only two thirds of the owner occupied households interviewed declared they would continue living at the current address. Another one third professed they were keen to move to new address. Majority of the one-third group who expressed to move out were not satisfied with the current low-cost housing owned by them. They claimed that the size of rooms (which refers to bedroom size) is too small to accommodate their family. This may be due to the fact that majority of the households interviewed were family of 4-6 members cramped in a unit of built up area of 650 square feet. Thus, this suggests that the size of family should be taken into account when designing a low cost unit rather that remain to the rigid built area of 500 to 650 square feet as outlined by the central government.

In particular, the above findings on household's experience in low cost home ownership indicated that two third of those who now become homeowners feel that PPPs has provide the low-income households a mean of entry to home ownership. This suggests PPPs has significantly assists low income people to enter homeownership is significant. Without this assistance they would not have the opportunity to become home owners of which a wide range of benefits were derived (see Steele, 1990: Steele, 1993)

Further findings also indicate that PPPs is a successful initiative by the government to assist them to become part of home owning democracy. Despite that, a small number argued that becoming homeowner of these subsidised units has created financial problem to the poor.

Above all, the evidence from the survey shows clearly that whilst a high proportion of the owner occupied household feels proud being part of the owning democracy group, a handful wish to move to other type of housing due to a number of reasons, some wish for bigger space and better quality and some could no longer tolerate their neighbours behaviours. Perhaps the objective to achieve social cohesion amongst multi ethnic society is not fully met. However, most important is the low cost housing policy has successfully assisted them to enter home ownership earlier than they would.

7 CONCLUSIONS

Housing for low-income group has important features that make it a unique and highly sensitive area of urban policy, both economically and politically. The PPPs programme between the state and the private sector has demonstrated a satisfactory achievement. It could be argued that the success of key actors in negotiating some of the realised profits from the partnership development for the benefit of home ownership entrants of low income households should be considered as the best practise in meeting housing needs of low income people. Rather than accepting the profit in cash, it has instead turned into more low cost housing units.

The first lesson derived from this study is that the PPPs have successfully met the housing needs of low income people in Malaysia. Implicitly this has led to successfulness of social cohesion amongst not only the multiethnic society but also between different levels of income groups. This is made possible because the state persists in providing a wide range of opportunity for low income people to become home owners and thus created 'a great sense of belonging' to the country.

In this regard, the empirical findings of this study provide up-to-date evidence from Malaysia. The study demonstrates that the provision of housing for low-income group in Malaysia is a matter of both the public and the private sector. PPPs have been a tool in encouraging private sector to participate in fulfilling this social obligation. Most importantly the study has illustrated that PPPs proved to be successful. The private

sector to a great extent understands the role to be played in meeting the housing needs of low income people, and the public sector understands the implication of subsidised cost to be borne by the market. Thus, a win-win situation prevails where the private sector is able to reap its profit and the public sector to fulfil the obligations to achieve democracy in the home ownership particularly for the urban poor in the context of Kuala Lumpur, Malaysia.

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