

Decentralisation or Recentralisation? Trends in Local Government in Malaysia

Commonwealth Journal of Local Governance

Issue 1: May 2008

<http://epress.lib.uts.edu.au/ojs/index.php/cjlg>

Phang Siew Nooi
University of Malaya

Introduction

Local government in Malaysia occupies the third and lowest level after federal and state governments. Under the Malaysian federal constitution (paragraphs 4 and 5 of the Ninth Schedule), local government is the responsibility of the states, but the federal government also exercises considerable power and influence over local government, especially in peninsular Malaysia.¹ The dynamic of the Malaysian federal system is such that it has shifted the balance of power to the centre.

Local government accounts for only 1% of GDP. There are 144 local authorities divided into cities (major administrative and commercial centres), municipalities (other urban areas), and districts (chiefly rural areas). Executive powers rest with the Mayor (cities) or President, supported and/or overseen by a system of committees. Currently, local councils in Malaysia are not elected: councillors are appointed by the state government for 3-year terms (with the option of re-appointment) and in most cases come from the ruling coalition.²

Dynamics of Inter-government Relations

The Malaysian federal constitution, which came into force when the nation obtained its independence in 1957, outlines the framework of the relationship between the three levels of government. It was conceived to strike a balance between the need for a strong central government at the federal level, the rights and powers of the states, and the expectations and

¹ Sarawak and Sabah have special constitutional status and exercise more independent control over local government than the peninsular states.

² Recent elections have significantly weakened the coalition's position nationally and in several states.

needs of the local level (Sheridan and Groves, 1987). However, the division of powers between levels of governments reveals a central bias. While each state is recognized as an independent tier of government exercising legislative and executive powers within constitutional limits, federal laws take precedence over those of the states if for any reason there happens to be conflict or inconsistency. It has been observed that “in practice the states have little real autonomy. Although some federal functions have been decentralized, most decision-making remains at national level” (Morrison, 1994).

The table below shows the constitutional division of powers between federal and state governments:

Federal List	State List	Concurrent List
External Affairs	Muslim Religious Law	Social Welfare
Defense and Security	Land Ownership and Use	Public Health
Trade, Commerce and Industry	Agriculture and Forestry	Town and Country Planning
Shipping, Communication and Transport	State Works and Water Supply, when not federalized	Drainage and Irrigation
Water Supply, Rivers and Canals	Loans for State Development and Public Debt	Rehabilitation of Mining Land and Soil Erosion
Finance and Taxation	Malay Reservation and Custom	National Parks and Wildlife
Education and Health	Local Government	
Labor and Social Security		
Public Works and Utilities		

Source: Andrew Harding, *Law, Government and the Constitution of Malaysia*, 1996

Historically, state-local relations in Malaysia were problematic, with intermittent federal interventions whenever the occasion demanded, especially in financial and political matters (Norris, 1980; Phang, 1997; Garzia-Jansen, 2002). State governments were seldom in a position to offer financial assistance to their local authorities, which therefore came to rely extensively on federal funding. This further enabled central government to reinforce its control.

Extensive reforms took place in the 1970s. Under the Local Government Act 1976 the federal Minister for Housing and Local Government is responsible for implementing laws relating to local government policy in peninsular Malaysia. Federal influence is also exercised through the National Council for Local Government (NCLG), which was established in

1960 to ensure uniformity of local government laws and policies in peninsular Malaysia. Section 95A of the federal constitution provides that after consultation with state governments the NCLG can “formulate policies for the promotion, development, control of local government throughout the federation and for the administration of any laws relating thereto.”

Current Position of Local Government

State and local governments in Malaysia now operate within a framework of being politically, financially and economically subordinate to the federal government. Whilst previous moves for reform, such as the 1976 Royal Commission of Enquiry to Investigate into the Workings of Local Authorities in West Malaysia, have proposed redistributing responsibilities between tiers of government and greater community participation, local government remains tightly controlled from the centre with limited revenues and only a minor role.

As a result, the local government system has serious difficulties meeting the challenges of a changing global environment and of a community that has become more aware of local government’s inability to deliver what it wants. As a consequence, local government’s perception of what is being ‘delivered’ may often not match that of the community. There is a gap between ‘demand’ and ‘supply’ both in service delivery and in judgements of local government’s performance. Increasingly communities are focusing on the need for more efficient and effective provision of services by local government, and for more public participation.

Rhetorical support for decentralization has not been translated into practice and local government continues to function from a position of weakness. Indeed, recent research suggests an emerging neo-centralism: there is a growing tendency for central government, under the pretext of providing better services to the public, to remove traditional functions of local government and privatise them (Phang and Beh, 2006; Kuppusamy, 2001). This approach means cutting back on local autonomy and strengthens an apparent trend towards re-centralization in the federal-local government relationship.

At the same time, local government autonomy and capacity has been further constrained by the delegation of burdensome services from central government. Two current examples are highlighted here. The first involves the central government’s objective of reducing urban poverty, in pursuit of which local government has been given a major role. Secondly, the need to address a rise in the nation’s urban crime rate has also been linked to the role of local government, which has therefore had to engage in crime prevention activities. These additional responsibilities have severely taxed local government’s financial and human resources. As a consequence, its performance is generally considered poor and its

relationship with the public is fragile. Yet local government has never been mandated to carry out these services in the first place, and its pleas for more and better infrastructure, personnel and finance are oftentimes ignored.

Consequences for Participation and Service Delivery

Local government in Malaysia thus operates within a centralized political system that does little to encourage autonomy or public participation at the local level. While the federal government exhorts application of the principles of good governance such as transparency, accountability and participation, local government's subordinate position within the government hierarchy stymies or curtails its ability to engage freely with the community. Local government faces constant criticisms over delays, poor attitude, weak enforcement and displaying arrogance.

Such problems are not confined to local government. When the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) conducted a week's survey on how to improve the public service delivery system, it received nearly 700 emails of criticisms and suggestions from the public (The Sun, 2007). As far back as 2000, the Complaints Bureau of the Prime Minister's Department had received complaints regarding weaknesses in government administration including slow and ill-mannered public counter services (New Straits Times, August and September, 2000).

In response to such problems, the Ninth Malaysia Plan 2006-2010 highlighted the urgency of improving the local government delivery system:

The Government commits to improve the quality of public services as it is a fundamental prerequisite toward achieving the National Mission. Towards this end, the Government will continue to reduce bureaucratic red tape, especially at the local authority and district levels (Malaysia, 2006).

This is indicative that for a nation to deliver services efficiently and effectively, effective leadership at the local level is essential. The government appears anxious to bridge the perception gap between the demands coming from the community and what local authorities are currently delivering.

Addressing the Weakness

While much depends upon local government, it cannot be denied that central agencies too are responsible for effectiveness in service delivery. The civil service has to re-examine its work manuals and try to reduce burdensome procedures. "Public organizations are identified as rigid bureaucratic cultures which are shaped by their own internal interests, and are therefore not responsive to the needs or preferences of those who receive public services: ordinary citizens." (Minogue, 1998) Clearly,

cutting back complex bureaucratic procedures is one of the proclaimed objectives of the New Public Management philosophy to which Malaysia is committed. This is evident in various government reports espousing the need for excellence in service delivery and performance (see unpublished reports of Ministry of Finance, 2006; Ministry of Housing and Local Government and Economic Planning Unit, 2006; Ninth Malaysia Plan, 2006).

A number of research projects have been carried out, some in collaboration with the relevant ministries, to address the issue of public dissatisfaction with local government service delivery and seek measures to improve its performance. For instance, a recent report of the Ministry of Finance discussed work culture and monitoring mechanisms, as well as questioning the calibre of local leadership that has been responsible for a decline in the quality of service delivery (Ministry of Finance, 2006). Prior to this, the National Institute of Public Administration had reported to federal cabinet on how local authorities can improve their functions and services by following a prescribed format (National Institute of Public Administration, 2004). This was followed closely by a report of the Ministry of Housing and Local Government and the Economic Planning Unit on necessary local government reforms (Ministry of Housing and Local Government, 2006).

Various studies have revealed that current adverse perceptions of local government are not solely the result of a weak service delivery system, but can also be attributed to the absence of a transparent method for public participation and consultation. The community wants to be involved in the decision making process of its local authority, and hesitates to accept decisions which appear autocratic and are viewed as 'top-down' directives (Ministry of Housing and Local Government and Economic Planning Unit, 2006; Phang, 2006; Kaur, 2005). In response, in 1998 the Ministry of Housing and Local Government supported a national program for implementation of Local Agenda 21 (LA 21), highlighting the need to expand community participation and involvement in the work of local government. However, the initial enthusiasm for this program was not sustained and not all local authorities embraced LA21 or actively promoted public participation (Ministry of Housing and Local Government, 2002). Nevertheless, LA21 did generate a number of promising initiatives and associated research (Kuppusamy, 2006; Kaur, 2005; Noor Hazilah, 2003), whilst various non-governmental organizations and voluntary groups have renewed calls for better community participation and transparency.

Conclusion

The current situation in Malaysia highlights the traditional top-down approach to local administration (Phang and Ahmad, 2001). However, global influences and growing community awareness are now challenging the practice of centralized administration, and local government leadership is being forced to reappraise its role and contribution in local affairs. The

community seeks empowerment and to reinforce its right to be consulted in the decision making process of its local council. Nonetheless, it seems unlikely that federal and state governments will accede to calls for greater devolution of powers, or to change the current system of appointment of councillors. This lack of political decentralization strains the relationship between citizens and their local councils: implementing *administrative* decentralization without adequate *political* reforms will result in formal harmony but informal discord. In the absence of a legitimate transfer of powers and increased accountability to the community, the local leadership may instead become primarily accountable to itself and to local elites (Phang, 2006). The system lacks the necessary link between decentralization and participation through democratic representation (Gaventa, 2004).

Under such circumstances, questions arise as to the viability of local government within the federal system and its capacity to sustain challenges from an increasingly aware community. Its weakness in sources of finance, service delivery and community participation have given local government a negative reputation. Without elected councillors, further attempts at local government restructuring to make local government more transparent, accountable and efficient may well fail. It seems likely that decentralization will remain elusive with powers remaining consolidated at the centre.

References

- Garzia-Jansen, B (2002) *Town Planning Legislation and Land Use in Malaysia: A Case Study of Petaling Jaya*, PhD Dissertation (unpublished) University of Malaya, Kuala Lumpur.
- Gaventa, J (2004) 'Towards participatory governance: assessing the transformative possibilities', in Hickey, Samuel; Giles, Mohan (eds.) *Participation: From Tyranny to Transformation*, Zed Books, London/New York, pp. 25-41.
- Kaur, Hardev (2005) *Community Participation in Local Government Decision Making – What Does It Mean?* Paper presented at Faculty Seminar (unpublished), University of Malaya, Kuala Lumpur.
- Kuppusamy Singaravelloo (2006) 'The Composite Performance Index for Local Authorities in Peninsular Malaysia: A Measurement', in Proceedings of the National Conference on Public Management 2006, December, Universiti Utara Malaysia.
- Kuppusamy Singaravelloo (2001) 'Fostering Public-Private Partnership in a Win-Win Situation: The Experience of a Malaysian Local Government', in Moutanheiro, L., Spiering, M. (eds.), *Public and Private Sector Partnerships: The Enterprise Governance*, Sheffield Hallam University Press.
- Malaysia, *Federal Constitution of Malaysia*.
- Malaysia (2006) *Ninth Malaysia Plan 2006-2010*, Government Printers, Kuala Lumpur.
- Ministry of Finance (2006) *A Study on Improving Local Government Delivery System in Malaysia* (confidential and unpublished).
- Ministry of Housing and Local Government and Economic Planning Unit (2006)

Efficiency, Role and Functions of Local Authorities in National Development Draft Final Report (confidential and unpublished).

Ministry of Housing and Local Government (2002) *Local Agenda 21*.

Minogue, M (1998) 'Changing the State: Concepts and Practice in the Reform of the Public Sector', in Minogue, M, Polidana, C, Hulme, D (eds.) *Beyond the New Public Management*, Edward Elgar Publications, United Kingdom.

Morrison W (1994) Spatial Planning Procedures in Malaysia, Final Draft prepared for the Meeting of the Steering Committee for the National Spatial Planning Project, Kuala Lumpur.

National Institute of Public Administration (2004) *INTAN Report* (confidential and unpublished).

Noor Hazilah bt. Abd. Manaf (2003) *Quality Management in the Public Sector: An Empirical Survey of the Ministry of Health Hospitals in Peninsular Malaysia*, PhD Dissertation (unpublished), University of Malaya, Kuala Lumpur.

Norris, M.W. (1980) *Local Government in Peninsular Malaysia*, Gower, London.

Phang Siew Nooi (2006) *Local Government in a Transforming Society: Formal Harmony, Informal Discord*, Monograph, University of Malaya, Kuala Lumpur.

Phang, Siew Nooi and Beh, Loo See (2006) 'Pursuing Public-Private Partnerships and Moving Beyond: Malaysia's Experience with Malaysian Airline System (MAS)' in *TINJAUN: Policy and Management Review*, (2004-05), No. 6. pp. 44-61.

Phang, Siew Nooi and Ahmad Abdullah Sanusi (2001) 'Role of Universities in Meeting the Challenges of a Changing Urban Environment', in *Malaysian Journal of Economic Studies*, Vol. XXXVIII, No. 1 and 2, pp. 65-71.

Phang, Siew Nooi (1997) *Financing Local Government in Malaysia*, University of Malaya Press, Kuala Lumpur.

Sheridan L. A. & Groves H. E. (1987) *The Constitution of Malaysia*, 4th ed., Malaysian Law Journal, Singapore.

The New Straits Times (2000) August 15, September 6, Kuala Lumpur.

The Sun (2007) March 5, Kuala Lumpur.