

# MALAYSIA'S URBAN FUTURES

## The Demand-side of Public Service Delivery and the Strengthening of a New Malaysia

Shahridan Faiez (Think City)

Vijayendra Rao (Development Research Group, The World Bank)

Issue No. 1, April 2019

IN PARTNERSHIP WITH



THE WORLD BANK

IBRD • IDA | WORLD BANK GROUP

Development Economics • Research

### 1.0 Introduction

Malaysian voters made history recently when they elected a new coalition government after sixty-one years of one-party rule.<sup>1</sup> While many factors played a role in this unprecedented political shift, the desire for better governance played a central role in shaping public opinion and influencing voter sentiment. The governance deficit here is not simply about high profile corruption scandals but about increasing concern with perceived weaknesses of the economy and the continuous decline in the quality of public service performance.<sup>2</sup> Several scholars have highlighted important structural issues faced by the Malaysian economy and polity which include rent seeking behavior coming from large natural monopolies and weak market competition; ethnic dynamics including the longevity of the affirmative action policies and ethnic/race dynamics; the role of GLCs and GLICs in the economy; and questions around the planning mandates of the federal-state authorities in sectors such as water.<sup>3</sup> However, the relative lack of accountability of the public sector to citizens and its effect on the delivery of public services have received less attention even though they are an important component of ongoing debates in Malaysia. In this policy note we provide a framework for understanding the changing landscape of public administration in Malaysia and propose that it is time to re-balance its focus from the supply-side to the demand-side of public service delivery.

### 2.0 Contextualizing Public Service Delivery

Malaysia's impressive record in combating poverty and transforming its agrarian economy into an industrialized middle-income nation since its formation in 1957 has been well documented.<sup>4</sup> This was achieved by a developmental state that relied on robust macroeconomic planning and the deployment of effective institutions to build human capacity, provide critical infrastructure and attract private investments to spur economic growth. This achievement is even more impressive when we consider the affirmative action policy that was instituted during the same period to correct for long-standing

ethnic differences in economic status. Between 1967 and 1997 Malaysia recorded continuous average GDP growth of 7% earning it a status as one of the 'tiger economies.' At the same time, it recorded sharp and consistent drop in poverty levels from 49.3% to 1.7% between 1970 and 2012 respectively.

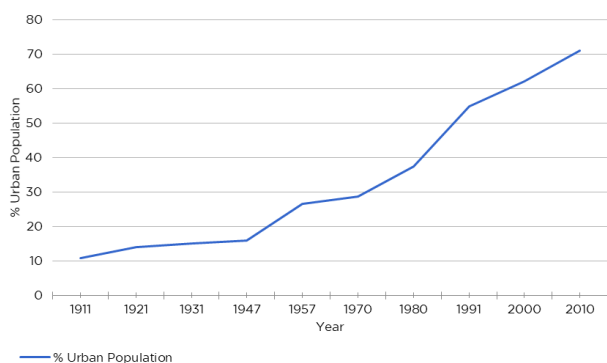
From Malaysia's inception in 1957, a central part of this transformation was the creation, training and production of high-quality public officials to work in state institutions and deliver services necessary for nation building. These civil servants represented a continuation of the legacy of the nation's founding leaders who were themselves administrators during the colonial period.<sup>5</sup> It was this historical antecedent that formed the foundation of the developmental state. From building irrigation canals, roads and bridges, to establishing schools, courts and health centres, public service delivery was planned and implemented by a professional corps of highly motivated and driven technocrats. From its early beginnings, the concept of governance was framed as the ability of technocrats to solve technical issues related to development objectives. Whether it was the eradication of communicable diseases and the establishment of good sanitation practices, the creation of jobs in new agri-land development schemes or the building of new townships, this 'supply-side' approach to service delivery yielded huge benefits in the transformation of the nation during the latter half of the twentieth century.

By the time Malaysia entered the 21st century, the country had undergone dramatic structural change. As income growth and standards of living increased in urban centers they became a magnet for attracting out-migrating people from rural spaces to towns and cities. Rapid urbanization transformed Malaysia's demography with the share of urban population doubling from 34.2% in 1980, to 71% in 2010, making it one of the most urbanized countries in Southeast Asia. Between 1970 and 2000 the number of urban centers in Malaysia multiplied more than three-fold from 55 to 170, along with a doubling in Malaysia's population from 13.7 million to 28.3 million between 1970 and 2010. Figure 1 below illustrates the dramatic pace of urbanization in peninsular Malaysia over the last century.

**Acknowledgement:** The authors are grateful to Rajni Bajpai, Firas Raad, Hamdan Abdul Majeed and members of the World Bank Knowledge and Research Hub in Malaysia for valuable comments.

**Disclaimer:** The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of Think City or the International Bank for Reconstruction and Development/World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent. Moreover, this paper is by no means the final word on the important subject of re-thinking Malaysia's governance structure. It is a preliminary effort to spark dialogue, debate, research and action which we hope will involve many voices and a diversity of interests.

Figure 1: Urbanization rate in Peninsular Malaysia, 1911-2010



Sources: Ooi, J.B. (1975) "Urbanization and the Urban Population in Peninsular Malaysia, 1970," *Journal of Tropical Geography* 40, 40-47, and Department of Statistics, Malaysia, 2010, Population and Basic Demographic Characteristics Report 2010.

As urban centers expanded rapidly and population density increased, new pressures for services, infrastructure, housing and job opportunities began to emerge. The history of Malaysia's public administration, consequently, has been shaped by this demographic transformation and its attendant pressures.

To meet the rising public expectation in service delivery, the Government, already a federation of thirteen states, passed the Local Government Act 1976 that rationalized a new sub-national level of government through the creation of 144 Local Authorities. Innovative approaches were taken such as the formalization of the Malaysian Administrative Modernization and Management Planning Unit (MAMPU) in 1986 to promote the continuous improvement of a citizen-oriented public service delivery. Over the last three decades a comprehensive program of reform initiatives had been deployed ranging from quality management initiatives, to ISO certification systems, improving personnel remuneration system, modernizing budgeting and accounting systems, the privatization of certain services, introduction of performance indicator-based programs, public accountability systems such as the Client's Charter, and the automation of process flows through various e-government reforms. Tables 1 and 2 provide an outline of some of the key public sector reform initiatives over the decades.

### 3.0 Limits of the Supply-Driven Model

These reform programs have attracted well-deserved international recognition and accolades.<sup>6</sup> However, and paradoxically, service delivery performance has continued to fall short of public expectations. The huge investments in reform programs appear to have failed to yield positive returns in public satisfaction. This problem was observed by the opposition coalition in the 2013 *Pakatan Rakyat* manifesto, and reiterated more strongly in the 2018 *Pakatan Harapan* manifesto.<sup>7</sup> Table 3 below, for example, shows that the largest proportion of complaints received by the Public Complaints Bureau has been about local authorities and public amenities. There remained a persistent perception that the delivery system was not listening to citizen's concerns, and that Government decisions felt at the local level were not being made with public interest at heart.<sup>8</sup>

Table 1: Major Milestones in the Malaysian Public Service Reform

No	Year	Initiatives
1	1968	Programme and Performance Budgeting Systems (PPBS)
2	1987, 1992	Micro - Accounting System (MAS)
3	1990	Modified Budgeting System (MBS)
4	1991	Productivity Improvement Initiative (PMI)
5	1992	Total Quality Management (TQM)
6	1993	Clients' Charter
7	1996	ISO
8	1999	Benchmarking
9	2004	Key Performance Indicators (KPIs) for government-linked companies
10	2005	Key Performance Indicators (KPIs) for all other government agencies
11	2007	Treasury Strategic results area and strategic KPIs
12	2007	Auditor-General's Star Rating on Financial Management
13	2008	MAMPU's Star Rating System on Public Management
14	2009	Key Performance Indicators(KPIs) for Ministers and Ministries
15	2009	Key Performance Indicators (KPIs) for jobholders in the senior echelons of public service

Source: Adopted from Abu Bakar, Nur Barizah & Saleh, Zakiah & Mohamad, Muslim Har Sani. (2011). "Enhancing Malaysian Public Sector Transparency and Accountability: Lessons and Issues," *European Journal of Economics, Finance and Administrative Sciences*. 31. 133-145.

Table 2: Public Sector Reform Initiatives by Category, 1981-2005

Areas of Reform	Nature of Reforms
Structural/ Institutional Aspects	Restructuring of Public Sector Agencies
	Merger of State Administrative Services with Federal Civil Services
	Implementation of Privatisation Policy since 1983
Procedural Matters	Revision of Service Delivery Systems and Processes
	Improvements in Counter Services
	Introduction of New Application Forms; Establishment of One-stop Services Centres
	Introduction of Public Service Networks (PSN)
Personnel Management	Introduction of New Remuneration System (NRS), 1992
	The New Performance Appraisal System, 1992
	Malaysian Remuneration System, 2002
Financial and Budgetary Issues	Introduction of Modified Budgeting System (MBS)
	Introducing Micro-Accounting System
	Adoption of Standard Accounting System for Government Agencies (SAGA)
Quality & Productivity Focus	Quality Assurance Circles
	Adoption of Total Quality Management
	Establishment of Quality Assurance Units
	Adoption of MS ISO 9000 Series
Public Integrity & Accountability	Implementation of Benchmarking
	Introduction of the Client's Charter, 1993
	Strengthening of Anti Corruption Agency (ACA), 1997
	Establishment of Management Integrity Panels at all levels
ICT & Electronic Service Delivery	Introduction of "Meets the Clients Programme"
	Establishment of Multi-media Super Corridor
	E- Services Programme
	E-Procurement
	Telehealth Scheme & Multipurpose Card
	Electronic Labour Exchange Scheme
E-Public Services (E-PS)	

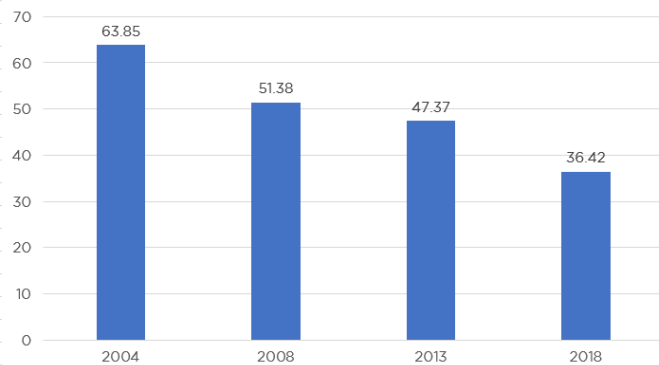
Source: Adopted from Noore Alam Siddiquee and Mohd. Zin Mohamed (2007). "Paradox of Public Sector Reforms in Malaysia: A Good Governance Perspective," *Public Administration Quarterly*, Vol. 31 No. 3/4, Pp: 284-312

**Table 3: Number of complaints against the Government received by the Public Complaints Bureau from 1 January to 31 December 2012**

Sector	No. of Complaints	% of Complaints
Local Authority	1,638	33.44
Public Amenities	1,321	26.96
Services	510	10.41
Land	313	6.39
Others	265	5.41
Environment	254	5.18
Housing	199	4.06
Security	139	2.84
Welfare	105	2.14
Finance	57	1.16
Health	28	0.57
Legal	26	0.53
Education	17	0.35
Nationality	13	0.27
Agriculture	13	0.27
Foreign Affairs	1	0.02
Total	4899	100

Source: Biro Pengaduan Awam Malaysia (2013) *Laporan Tahunan 2012, Kompleks Jabatan Perdana Menteri, Putrajaya, pg.55*

**Figure 2: Popular vote share of BN**



Source: Ida Lim, "At 36.42pc, BN records lowest popular vote in history", *Malay Mail News Portal*, 11 May 2018 (<https://www.malaymail.com/news/malaysia/2018/05/11/at-36.42-pc-bn-records-lowest-popular-vote-in-history/1629546>)

The first warning sign of this disconnect was the poor performance of the *Barisan Nasional* in the 12<sup>th</sup> General Elections in 2008. Frustrated at the seeming inability of the public sector to improve public approval, the then-Prime Minister, Abdullah Badawi, criticized 'little Napoleons' within the bureaucracy for allegedly undermining the efficiency of service delivery.<sup>9</sup> Even the launch of ambitious reform programs like the Government Transformation Program (GTP) and creation of innovative institutions such as the Performance Management and Delivery Unit (Pemandu)<sup>10</sup> failed to improve public confidence. This is evidenced, among other things, by the continued erosion of voter support for the *Barisan Nasional* in the 13<sup>th</sup> General Election in 2013 and, ultimately, its removal from power in the 14<sup>th</sup> General Election in 2018 – as seen in Figure 2.

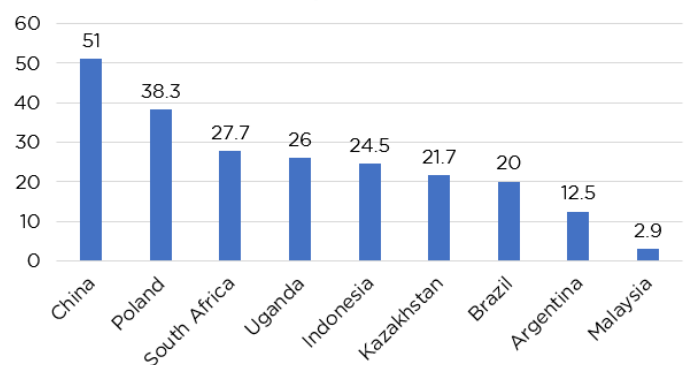
How do we explain the disconnect between an apparently reform-oriented public service delivery system, and its inability to translate the reforms into tangible improvements that are felt by citizens? One important answer lies in the limits of the supply-driven service delivery paradigm. This refers to the highly centralized and top-down allocation of resources upon which developmental programs were designed and implemented. The term 'service delivery' as used in Malaysia reflected this mindset as

public officials fashioned themselves into a simple binary relationship with citizens – the former's job was to deliver, while the latter were required to behave simply as clients. Such a paradigm worked well when citizens had limited access to the latest information and technologies for services and goods and, therefore, had to rely on the public sector to meet their needs. However, as the country urbanized, and the middle class expanded in tandem with the growth of the population, three major changes happened to challenge this paradigm:

**A) Centripetal Decision-Making.** Various scholars have pointed to the unstable anatomy of Malaysia's evolving government administration – a highly decentralized government structure with state and local level governments, regional development authorities, and deconcentrated federal agencies – yet, operating within a decision-making environment that has become highly centralized.<sup>11</sup> These centripetal forces have been shaped not by objective developmental imperatives, but by the modalities of power driven by the political economy of interest groups. In this context the principle of subsidiarity is compromised as centralized authority disempowers local level structures of governance. A telling instance is when even the decision of where to locate a bus-stop in Penang requires the approval of Putrajaya!<sup>12</sup>

Figure 3 shows the stark extent to which Malaysia's local government structure has been neglected in contrast to other comparable countries. For instance, the share of local government expenditure to total consolidated public sector expenditure in China is 51 percent and 24.5 percent in Indonesia, while in Malaysia it is a mere 2.9 percent. This is a significant outlier where local government expenditures around the world average 23 per cent of total public expenditures, and 28 percent in OECD countries.

**Figure 3: Comparing Malaysia's local government share of consolidated public sector expenditure with selected countries (Ratio of Local Expenditures to Total Public Expenditure)**



Source: Anwar Shah (Ed) *Local Governance in Developing Countries, The World Bank Public Sector Governance and Accountability Series*, Washington DC, 2006, pg.34. Data from 1997 Poland; 2001 Indonesia and South Africa; and 2003 Argentina, Brazil, China, Kazakhstan and Uganda. Malaysian data from Commonwealth Local Government Forum Country Profile for Malaysia 2017-18.

It is difficult to sustain an argument for this extremely centralized form of command-and-control government against a landscape of decreasing satisfaction with government performance. Public officials, in their everyday work, are forced to operate within a web of power relationships involving multiple govern-

ment agencies, state entities and non-state actors across different national and sub-national authorizing environments. This causes even the most well-intentioned of initiatives to struggle. The outcome has been an administrative structure with the outward appearance of national-scale technocratic reach, but whose ability to solve problems is increasingly disconnected from the needs of local communities.

**B) Change in Social Structure.** The second change relates to the profound transformation of society in both urban and rural spaces. By the turn of the 21st century, two thirds of Malaysians lived in urban areas – reflecting increased population density, greater social differentiation within ethnic groups, and greater complexity of spatial relationships. In contrast rural spaces experienced depopulation, labor force outmigration, and low levels of public and private investments. These changes intersected with shifts in power-relationships within cities. Urban areas became the locus of new forms of struggle between elites, the state apparatus and dispossessed citizens.<sup>13</sup> Citizens became more engaged with conflicts over land-use, environmental quality, education and health services, payment for services and cost of living issues. The demands by the private sector on the government also increased with requirements for greater levels of data transparency, clarity of policies, and enforcement of laws to allow firms to innovate and provide goods and services to increasingly complex and segmented urban consumer markets.

Against this background, the public service delivery system – already retarded by intrinsic structural contradictions – struggled to comprehend, much less engage with, the evolving complexity of social structures. This was exacerbated by centralized decision-making that made the system susceptible to elite capture. How decisions were made and how resources were disbursed, thus, became subject to how power was wielded rather than to the effectiveness of the bureaucracy. The alarming percentage of national schools facing low-enrolment, and the controversy surrounding the building of MRT stations in areas that are unaffordable to most of the public are examples of such mis-alignments in public policy.<sup>14</sup>

**C) Change in the Nature of the Citizen.** The third major change to affect the supply-driven paradigm is the change in the outlook and nature of urban Malaysians. As the nation's GDP per capita increased the size of the middle class expanded and citizens experienced upward social mobility. New aspirations began to take root centred around individual and group identity, long-term economic security and issues affecting the quality of service delivery. With greater economic prosperity, stronger linkages to domestic and global markets and the rapid utilization of internet technology, citizens are better able to access information, goods and services by themselves rather than depend on the public administration for information and support. Citizens now have greater voice and can communicate their demands with greater levels of sophistication. Citizens expect services to work and are more sensitive to their quality. The debates surrounding dissatisfaction with the

quality of education are testimony to this phenomenon.<sup>15</sup>

With these three structural changes, the limits of the supply-driven approach to public service delivery have become more apparent and have created institutional blind-spots. Reform programs, often conceived around narrowly defined efficiency propositions, end up making incremental changes on the margins without creating substantial impact.<sup>16</sup> The sharp expansion of civil society organizations to address new demands and requirements of citizens is indicative of the perceived shortcomings and structural failures of the public sector. From neighbourhood security committees to residents associations, and from dialysis support groups to home schooling collectives and enterprise associations, civil society organizations have organically emerged to fill a void created by the perceived dysfunctionality of the state.

#### 4.0 Local Governance and the Demand-Driven Public Sector

The craft of public administration requires a balance between the supply of service delivery and the dynamics of citizen's demands and interests. In the case of Malaysia, the system has become heavily skewed and entrenched in a highly centralized supply-driven paradigm that has failed to adapt to the changing social and economic landscape. This is unlike most other middle and high-income countries, where the principle of subsidiarity is well established in the governance framework. Local governments in these countries tend to be elected and planning systems enhanced by high levels of innovation that incorporate citizen feedback. With effective levels of local participation, they are able to develop solutions based on citizen's needs and their own national characteristics to enhance public sector performance.

Evidence from around the world, as documented in the 2004 World Development Report, establishes a strong link between effective public service delivery and governments that are accountable to citizens.<sup>18</sup> Particularly at the local level, citizens' needs are better matched with the supply of services when service providers have a downward accountability relationship with the consumers of those services. In contrast, Malaysia's local governments are not downwardly but "upwardly" accountable to centrally managed bureaucrats and politicians.<sup>19</sup> It is widely recognized that a necessary condition to improve local government accountability in a democracy is to have elected local governments. But, it is also increasingly recognized that elections alone are not sufficient, because elected governments can be captured by elites and can suffer from clientelist practices where one group is favoured over another due to electoral calculations.<sup>20</sup> Therefore it is also important for democratic processes to continue in the time in-between elections – to nurture a continuous process of constructive engagement between officials and citizens.

There are many different mechanisms for enhancing accountability.<sup>21</sup> Two important examples are participatory budgeting that was pioneered in the city of Porto Alegre in Brazil, and the People's Planning Campaign in Kerala, India. Both systems set up sys-



tematic processes of public deliberation via public meetings where citizens debate and discuss priorities to determine the allocation of public budgets. Local elected officials and bureaucrats are involved in these planning meetings by attending them, chairing them, and engaging in a continuous process of dialogue with citizens. The main idea is to build a consensus on local plans for the year. These plans can then be matched with sources of funds and implementation programs, and citizens are able to keep track of expenditures and provide feedback on public services. The innovations in Brazil and Kerala have had a wide influence all over Latin America and were included in the recent territorial peace plan of Colombia. Elsewhere, countries as diverse as Korea, Taiwan and the United Kingdom have now developed systems of participatory planning for local governments.<sup>22</sup> For countries like Estonia, that have high levels of literacy and effective internet access and connectivity, new ways of building online citizen planning systems have been pioneered where feedback from people is constantly monitored by government officials who are incentivised to act on them and to respond.<sup>23</sup>

For Malaysia, strengthening local governance is central to the crafting of a demand-responsive public sector. This will entail enhancing political and institutional processes at the local level through which decisions are taken and implemented. Such a system would address three key governance principles that are weakly represented in the current service delivery system. These are:

- i. **Responsiveness.** To ensure that government does the right thing by delivering services that solve citizen's problems and which are consistent with citizen priorities.
- ii. **Responsibility.** To ensure that government activities are done correctly, fiscal resources managed prudently, and activities produce the intended impact.
- iii. **Accountability.** To ensure that government is accountable and adheres to appropriate safeguards to ensure that it serves the public interest with integrity.

These governance principles have shaped the design of successful reform programs in public service delivery around the world. In the Malaysian context, the reform agenda may be framed around a local governance strengthening program built on the following six pillars.

**1) Public participation.** Public participation is the defining component of any demand-driven service delivery system. Without it the capacity for responsive, responsible and accountable governance is compromised as public expenditure and programs become susceptible to manipulation and capture. The benefit of effective public participation is manifold:

- i. It provides critical information feedback to help public officials plan and implement programs that address priority issues and reach target beneficiaries.

- ii. It makes transparent the lines of accountability and responsibility of public agencies thus acting as a deterrent against corruption.
- iii. It can enhance resource mobilization especially for the co-management and co-funding of public programs.
- iv. And finally, it spurs innovation as communities work together with governments to solve local problems.

Various mechanisms for empowering citizens participation have been developed (e.g. citizens charter, sunshine rights, citizens report cards, participatory budgeting, etc) and there is now a rich literature on their application in different countries and cities.<sup>24</sup> In Malaysia the principle of public participation is provided for in various planning and development instruments.<sup>25</sup> These, however, have largely been observed in the breach or rendered impotent through administrative subversion.<sup>26</sup> Moving forward, Malaysia needs to strengthen the institutional framework to mainstream public participation as a key component of a demand-driven public service delivery system.

**2) Local government elections.** The free and fair election of local public officials is a key mechanism for strengthening accountability. The idea is that elected local representatives would be more responsive to the needs of their constituents compared to bureaucrats sitting far away in Putrajaya. In addition the physical proximity between elected government officials and citizens would promote greater transparency and therefore ensure efficiency of performance. This is not a new idea as various municipalities with a history of local elections had already been in existence prior to Malaysia's independence. The practice however was discontinued in 1964 following the *Konfrontasi* with Indonesia,<sup>27</sup> when the responsibility of governance was transferred to appointed officials. It would be prudent, however, to note that while local elections help strengthen accountability, it is not a panacea against corruption. Global experience has shown that, without adequate safeguards, elected local governments are also susceptible to collusion and elite capture.<sup>28</sup>

**3) Financing, Capacity Building and Performance Based Grants.** The devolution of power involves a significant shift in Malaysian democratic and governance practices. This would require careful thought about the authority and jurisdiction of local governments keeping the principle of subsidiarity in mind; that powers and jurisdiction devolved to local governments should be those that are best managed locally. The devolution of jurisdictional authority within the existing structure is a good place to start. The financing of local governments also must be carefully thought through – with attention paid to the generation of local revenues and other fiscal considerations. This will have implications not just for local governments but also for state governments and the federal government. Substantial attention will have to be paid to building local capacity – of local politicians, bureaucrats, and citizens – which will have to be done, among other modalities, via formal training, web-based training, and participation in public events. In

addition, consideration will have to be given to incentivising the performance of local governments. This addresses questions such as: how will performance be measured so that the data are objective and not subject to compromise? Should incentives be just symbolic, such as awards for the best performing local government, or should they also include performance-based grants?

**4) Nurturing Collective Action.** Often the policy concerns of citizens cannot be solved by the government alone. They require coordinated and collaborative action between three key actors: the state, private sector and civil society. And when these three actors work meaningfully together impressive results are obtained with high levels of public satisfaction. Malaysia's Think City provides a good example of such a successful initiative. Utilizing small grants and the power of social networks to bring key stakeholders to the table, Think City created effective platforms to promote collective action with the three key actors to solve issues and challenges, particularly in urban areas. This approach not only builds community ownership of development programs, it also enhances local resource mobilization as citizens, local governments and private sector co-fund joint programs.<sup>29</sup> Think City is not the only collective action initiative and there are other similar initiatives around the country that emerged in response to the vacuum created by the failure of the service delivery system. Creating an institutional framework to support and nurture collective action initiatives will stimulate local level development and significantly enhance the public service delivery system. This builds on the very long history of community action in Malaysia and South-East Asia as exemplified by the Malay term *gotong-royong* which loosely translates to group-work or collective action.<sup>30</sup> With innovative and successful Malaysian models already in existence, what remains is to support the ecosystem and scale up.

**5) Digital Governance.** The convergence of new communication technologies with artificial intelligence (AI) has created powerful new possibilities for local governance. The public can now communicate with government agencies in real time and provide timely evidence-based feedback. Satisfaction with public service delivery can now be obtained with a high level of precision, identifying performance levels of specific units within agencies and individual officers. Systems are now being developed in Indonesia and India to give citizens the ability to collect and analyse their own survey data to track their well-being and the quality of public services.<sup>31</sup> These systems of citizen-generated data greatly facilitate participatory planning at the local level and give higher levels of government access to high-frequency census data on the delivery of public services and citizen well-being.

**6) New generation of talent.** For the creation of a demand-driven public service, a new type of public official is required – one who is less of a 'service deliveryman' and more of a facilitator and interlocutor between the citizen and the state. As more activities and processes get replaced by digital-and-AI based systems, the function of public officials too will nec-

essarily change with greater emphasis needed on relationship building with communities, problem solving and strategic planning. This new generation of public official will need to possess skills that enable them to both engage with local communities and manage intelligent machines. Given the network structure of the fast-emerging digital economy, the supply of talent and how it is organized will have to be reshaped. Ineffective old hierarchical structures would need to be replaced by new network-based organizational systems that understands the power of informational flows that can deliver positive development outcomes. The current preoccupation with public-official competency based on 20th century metrics will quickly become outdated as the demand for digital government increases rapidly with its attendant need for a new generation of citizen-responsive, tech-savvy, talent.

## 5.0 Conclusion

Malaysia is one of the most centralized countries in the world, with public service delivery largely "supply driven by Putrajaya. Drawing on international experience, we have argued that this extreme emphasis on the bureaucratic delivery of services needs to be balanced with an increased focus on the "demand-side" of the calculus - the needs, aspirations, opinions and interests of ordinary citizens. To achieve this there are strong arguments for public servants to realign their focus and become "downwardly accountable" to local residents. This calls for two mutually interdependent reforms: increased devolution of powers to elected local governments, and systems of participatory planning which give citizens the ability to plan, demand and monitor the work of government officials at the local level.

The recent political change is a reminder of the necessity for reform. All over the world our familiar ideas of state and society are being re-shaped by information flows emanating from ever transmuting and increasingly inter-connected networks. Older governance structures based on command-and-control are no longer as effective in this new landscape. A new type of engagement that aligns the state, the private sector and civil society needs to take shape in the emerging New Malaysia. Fundamental to this reconfiguration is the role of local governance in providing public services that are well-matched to the needs of citizens.

---

## About the authors

**Shahridan Faiez** is interested in the intersection of finance and sustainable development and provides policy advice to governments and the private sector. A former World Bank official, he structures investments in sustainable development, especially in the fintech, agrifood, and smart cities sectors. Dr Faiez chairs the NCCIM Digital Economy Committee and holds a PhD from the University of Cambridge. He can be reached at [enquiry@thinkcity.com.my](mailto:enquiry@thinkcity.com.my).

**Vijayendra Rao** is a Lead Economist in the Development Research Group of the World Bank. He is a leading thinker in participatory development, adopting inter-disciplinary approaches to public policy. He co-authored the 2006 World Development Report on Equity and Development, and has written extensively on development issues. His latest book, co-authored with Paromita Sanyal, is *Oral Democracy: Deliberation in Indian Village Assemblies*. His website can be accessed at [www.vijayendrarao.org](http://www.vijayendrarao.org).

## Endnotes

1. Initially founded as the *Parti Perikatan* in 1957 (comprising the three dominant ethnic parties of UMNO, MCA and MIC), the coalition expanded to more than a dozen parties after its re-invention as *Barisan Nasional* in 1973, and remained continuously in power until 2018 when they lost to the *Pakatan Harapan* coalition.

2. See Hamden Ramli, 'Birokrasi jejas system penyampaian', *Utusan Malaysia* 9 Februari 2007. Additionally, in the ETP Annual Report 2012, in the chapter on Public Service Delivery (Pg.282), the report alludes to problems of motivation, performance, and rent-seeking behavior in the service delivery system. See also the Manifesto Pakatan Harapan (2018), *Buku Harapan: Membina Negara, Memenuhi Harapan*, which describes a system plagued by corruption and bureaucratic obstacles that had disempowered citizens and produced poor outcomes across a range of sectors such as education, health, transportation and housing. See for example Promises 8,9,21 and 25 that explicitly address quality of service delivery issues.

3. See Jomo K.S. and Wee C.H. (2014) *Malaysia@50: Economic Development, Distribution, Disparities*, Strategic Information and Research Development Centre, Malaysia; E.T. Gomez and Jomo K.S. (1999) *Malaysia's Political Economy: Politics, Patronage and Profits*, Cambridge University Press; Muhammed A.K. (2014) *The Colour of Inequality: Ethnicity, Class, Income and Wealth in Malaysia*, MPH Book Publishing, Malaysia.

4. For an analysis of poverty reduction see Ravallion, Martin, 2019, "Ethnic Inequality and Poverty in Malaysia since 1969," NBER Working Paper 25640, National Bureau of Economic Research, Cambridge MA. For analysis of overall trends in the economy see Malaysian Economic Monitor, 2008, *Repositioning for Growth*, World Bank, Washington DC and Malaysian Economic Monitor, July 2018, *Navigating Change*, World Bank, Washington DC

5. For example the first two prime ministers of Malaysia, Tunku Abdul Rahman and Tun Abdul Razak respectively, served as district officers for the colonial government. Even the practice of 5-year planning cycle is a legacy of British colonialism with the first 5-year plan launched in 1956.

6. World Bank. 2017. *Driving performance from the center: Malaysia's experience with PEMANDU (English)*. Washington, D.C., World Bank Group.

7. Manifesto Rakyat (2013) *The People's Pact, The People's Hope*, pg. 30. Manifesto Pakatan Harapan (2018) *Buku Harapan: Membina Negara, Memenuhi Harapan*.

8. In the 2017 Edelman Trust Barometer, 48% of Malaysians distrusted public institutions, while 52% believed the overall system had failed them (<https://www.slideshare.net/EdelmanAPAC/2017-edelman-trust-barometer-malaysia>). See also news report <http://www.theedgemarkets.com/article/trust-system-plunges-all-time-low-and-2016-interview-with-Daim-Zainuddin> <http://www.theedgemarkets.com/article/cover-story-chronic-trust-deficit-must-be-addressed>. A case study from Perak can be seen in Osman et al (2014) "Government Delivery System: Effectiveness of local authorities in Perak, Malaysia", *Procedia-Social and Behavioral Sciences*, 153.

9. See also 9<sup>th</sup> Malaysia Plan 2006-2010 which states: "...the Government will continue to reduce bureaucratic red tape especially at the local authority and district level"

10. Pemandu was created out of a recognition that poor government performance had reached alarming levels. See pg.26, *Driving Performance from the Center: Malaysia's Experience with PEMANDU*, World Bank Knowledge & Research Series April 2017.

11. Kai Ostwald, Federalism without Decentralization: Power Consolidation in Malaysia, *Journal of Southeast Asian Economies* Vol. 34, No. 3 (2017), pp. 488-506. Francis E. Hutchinson (2014) Malaysia's Federal System: Overt and Covert Centralisation, *Journal of Contemporary Asia*, 44:3, 422-442. Francis Kok Wah Loh, Restructuring Federal-State Relations in Malaysia: From Centralised to Co-operative Federalism?, *The Round Table: The Commonwealth Journal of International Affairs*, (2010), 99:407, 131-140

12. Personal communication, Hamdan Abdul Majeed, Managing Director of Think City

13. Gomez and Jomo K.S. (1999) *Malaysia's Political Economy: Politics, Patronage and Profits*, Cambridge University Press; MTEM (2016), Francis Loh, "A New Era of Politics in Malaysia: Ferment and Fragmentation", in Inoguchi and Carlson (Eds) *Governance and Democracy in Asia*, Melbourne, Trans Pacific Press, (2006), Liew Chin Tong, *Middle Malaysia: Centre ground is Battle Ground*, Kuala Lumpur, Genta Media (2013); See also David Harvey, "the Right to the City", *New Left Review*, 53, (2008); The topic and title of publications by the Consumer's Association of Penang (CAP) since its inception in 1969 captures the evolving range and complexity of development issues as the country urbanized (<http://www.penggunan.org.my/index.php/pembangunan/alam-sekitar>) 14. Berita Harian, "2,058 Sekolah Kebangsaan Kurang Murid", 31 July 2017, <https://www.bharian.com.my/berita/>

pendidikan/2017/07/307334/2058-sekolah-kebangsaan-kurang-murid; The MRT Report: The Affordability of Homes Surrounding MRT Stations, a research paper presented by Cent-GPS, Kuala Lumpur 2018

15. Niaz Asadullah, "Managing Malaysia's Education Crisis", East Asia Forum, 5 December 2014 (<https://www.eastasiaforum.org/2014/12/05/managing-malaysia-education-crisis/>). See also Malaysia Primary School Parents, "Some areas of concern in the current education system", New Straits Times, 30 May 2018; Public Complaints Bureau (2013), "Response To Letter By 'Datin Noor Azimah Abdul Rahim'", <http://www.pcb.gov.my/maklumbalas%20agensi/Maklumbalas%20media/2013/januari/The%20Star%20Not%20following%20circular%208%20January%202013.pdf>

16. Siddiquee (2008) *Service delivery innovations and governance: the Malaysian experience*, Transforming Government: People, Process and Policy, Vol. 2 No. 3, 2008, pg. 206

17. P. Ramasamy, "Civil Society in Malaysia: An Arena of Contestations?", in *Civil Society in Southeast Asia* by Lee Hock Guan (Ed.), ISEAS 2004. See also Meredith Weiss, "Edging Toward a New Politics in Malaysia: Civil Society at the Gate?", *Asian Survey*, Vol. 49, No. 5 (September/October 2009), pp. 741-758. Urwah Saari, "The future of civil society groups in New Malaysia", The Malaysian Insight News Portal, 22 June 2018 (<https://www.themalaysianinsight.com/s/56125>)

18. World Bank (2004), *Making Services Work for Poor People*, World Development Report, World Bank and Oxford University Press

19. Nooi, Phang Siew, 2011, "Decentralization and Local Governance in Malaysia," in Evan M Berman (editor), *Public Administration in Southeast Asia*, CRC Press, Boca Raton, London and New York

20. Mansuri, Ghazala and Vijayendra Rao, 2012, *Localizing Development: Does Participation Work?*, World Bank, Washington DC <http://www.worldbank.org/en/research/publication/localizing-development-does-participation-work>

21. For critical review see Heller, Patrick and Rao, Vijayendra (Eds), *Deliberation and Development: Rethinking the Role of Voice and Collective Action in Unequal Societies*, Washington, DC, World Bank, 2015.

22. More information on citizen planning innovations in the world are available via two very informative websites. Participedia: <https://participedia.net/en/> and Latino.net <https://www.latinno.net/en/>

23. Jonsson, Magnus E, 2015 "Democratic Innovations in Deliberative Systems – The Case of the Estonian Citizens' Assembly

Process," *Journal of Public Deliberation*, Vol 11, Issue 1.

24. For various examples and evidence see Mansuri, G and V. Rao, 2012, *Localizing Development*, World Bank <http://www.worldbank.org/en/research/publication/localizing-development-does-participation-work>

25. For example Malaysian Town and Country Planning Act (Act 1129) (Sections 9 and 13).

26. See Siddiquee, "Malaysia's government transformation programme: A preliminary assessment," *Intellectual Discourse*, 22:1 (2014) 7-31. See also K.Dola and D.Mijan, "Public Participation in Planning for Sustainable Development: Operational Questions and Issues", ALAM CIPTA, Intl. J. on Sustainable Tropical Design Research & Practice, Vol. 1 (Issue 1) December 2006: pp. 1-8

27. Francis Loh, "Malaysia's Electoral System", *Aliran*, Issue 6, 2011.

28. Mansuri, G and V. Rao, 2012, *Localizing Development*, World Bank <http://www.worldbank.org/en/research/publication/localizing-development-does-participation-work>

29. Neil Khor and Matt Benson, "Place Making in George Town, Malaysia", Chapter 6 in Jamieson and Engelhardt (Eds.) *The Planning and Management of Responsible Urban Heritage Destinations in Asia: Dealing with Asian urbanization and tourism forces*, Goodfellow Publishers Ltd, Oxford 2019. See also Richard A. Engelhardt and Neil Khor, "Community-focused urban regeneration: Preserving and activating the HUL in Malaysian cities", mimeo, Think City. See also Robyn Eckhardt, "In Malaysia, Tourists Are Lured by George Town's Colorful Past", *The New York Times*, 2 December 2010

30. *Gotong-royong* is central to Indonesia's development planning processes and is part of its *Pancasila* principles. It shows a strong cultural affinity for collective action that creates "symbolic public goods" that can be drawn on to generate stronger systems of citizen participation. See V. Rao, "Symbolic Public Goods and The Coordination of Collective Action: A Comparison of Local Development in India and Indonesia," Chapter 10 in Pranab Bardhan and Isha Ray (editors) *Contested Commons: Conversations Between Economists and Anthropologists*, Wiley-Blackwell Publishers, 2008. Open Access: <http://documents.worldbank.org/curated/en/879081468049454680/Symbolic-public-goods-and-the-coordination-of-collective-action-a-comparison-of-local-development-in-india-and-indonesia>

31. See <http://socialobservatory.worldbank.org/categories/democratizing-data>. See also Jakarta Smart City initiative, <https://govinsider.asia/smart-gov/inside-jakartas-new-smart-city-hq/>

## About Think City's Urban Policy Series

Malaysia has experienced one of the highest rates of urbanization in Asia. By the first three decades since independence in 1957, Malaysia had already transformed from a mainly rural population to an urban-majority society. Today more than seventy-five percent of Malaysians live in the country's towns and cities. This change has brought enormous benefits to the nation and driven the rise of an aspirational middle-class. However, with the rapid pace of urban transformation, new challenges affecting the development and well-being of citizens continue to surface. Public policy tends to lag behind, even as the forces of globalization and climate change impact upon the economy and reshape the political ecology of the city. There is a need therefore to bridge the gap between the emerging challenges faced by citizens and public policy making. This Urban Policy Series is a special initiative by Think City to bring together key thought leaders to address the multiple dimensions of urban transformation. These policy notes aim to raise public awareness about specific issues and frame these issues in a manner that stimulates public debate and policy dialog.



REJUVENATING THE CITY TOGETHER

Think City is a social purpose organisation that works to make cities better. We want to make cities more liveable, resilient, inclusive, and enjoyable. Our research team focuses on solving urban problems, whilst our on-the-ground teams run projects and public events in four cities across Malaysia. We partner with local communities, local authorities, government, NGOs, and the private sector, as well as giving out grants for research and projects that improve public spaces, restore heritage buildings, and build community ties. In the long term, we hope to change the way cities are planned and developed.

Think City Sdn Bhd <sup>869941-P</sup> RUANG by Think City, 2nd Floor, No. 2 Jalan Hang Kasturi, 50050 Kuala Lumpur, Malaysia **W** [www.thinkcity.com.my](http://www.thinkcity.com.my) **T** +603 2022 1697



**THE WORLD BANK**  
IBRD • IDA | WORLD BANK GROUP

Development Economics • Research

The World Bank's Development Research Group (DECRG) is the World Bank's principal research department. With its cross-cutting expertise on a broad range of topics and countries, the department is one of the most influential centers of development research in the world. DECRG in Kuala Lumpur conducts and disseminates research, and under-takes activities to promote a community of researchers in the region. DECRG conducts original research spanning economic growth and risk management to program evaluation and the implementation of key public services.