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**Power Shift and Administrative Reforms – Governments in  
Transition**

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## FOREWORD

Professor Robert Bignall  
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A key responsibility of a university is to discover, analyse, deepen and disseminate knowledge, share new ideas and insights and contribute to the social and intellectual development of the society in which it operates. In the case of Sunway University, which has its historical origins in an institution with a mission oriented to teaching but not research, fulfilling the role of a university has required, and continues to require, a significant shift in our culture. This inaugural issue of an Occasional Paper Series by the School of Business is one outcome of this process of cultural change and is a testament to the progress that is being made.

The School of Business Occasional Papers Series thus represents an important step in the promotion of a research and publication culture within both the school and the wider university. It will also help to build research ties between the School and its collaborative partners and associates, including the prestigious Lancaster University Management School (LUMS). We very much hope and expect that our colleagues in LUMS will see this Occasional Paper Series as a suitable vehicle for the publication of some of their research, particularly future joint work that is undertaken with academic colleagues in the School of Business.

The frequency of the Series is expected to be around two to three issues per year. The emphasis will be on achieving recognition and building the reputation of the Series through the maintenance of a high publication standard. The quality of the papers that are published as part of the Series will be safeguarded by a review process that draws on the expertise of the School's external research associates, including colleagues from LUMS.

The initiative shown in launching this publication is highly commendable. Congratulations are due to the editors of the series, Professor Dr. Phang Siew Nooi and Associate Professor Dr. Walter Tan Teck Hong for bringing this project to fruition. Sunway University strongly supports the School's efforts in developing its research programmes and research activities and I wish the editors and the School of Business every success with this Occasional Papers Series.

Professor Robert Bignall  
January 2011



# **Power Shift and Administrative Reforms – Governments in Transition**

## **Abstract**

It is evident that administrative reforms are undertaken by many countries in the world today and in fact, administrative change appears to be a constant factor in regimes that desire to reform their social, political and economic systems. Normally, reform initiatives are regarded as necessary for organizations that want to adapt to the changing environment and to be able to expand and cope with increasing activities and global challenges. Nevertheless, strategies for reform initiatives will differ between sectors and also between nations as each country tries to handle reform in accordance with the country's administrative traditions, political and cultural nuances and level of economic development. The process of reform may involve a particular sector or administration of the government or an entire level of the government such as the local government. The main characteristic of administrative reform is normally projected in attempts to decentralize powers and autonomy to lower levels of government. It connotes importance that such transition of powers is supposedly significant to the unification and development of a nation. This is especially so, as some studies have shown, where the shift of power to local government has created a series of hierarchically ordered units of administration at some of the lowest levels of government. The implication is a movement of power from the centre and may determine the scope of decentralization, nonetheless it involves a transition process that ultimately may change the characteristics of power structure of the different levels of government.

## **Introduction**

It is evident that administrative reforms are basically undertaken by many countries in the world and in fact, administrative change appears to be a constant factor in regimes that desire to reform their social, political and economic systems. Reform initiatives are normally regarded as necessary for organizational environments that want to adapt to the changing environment and to be able to expand to cope with increasing activities and global challenges. However, strategies for reform initiatives will differ between sectors and also between nations as each country tries to handle reform depending upon the country's administrative traditions, political nuances and level of development. The outcome will determine the scale, extent and substance of the reform initiatives and may involve only a particular sector of the government or an entire system of government such as the local government.

The main characteristic of administrative reform is normally projected in attempts at decentralizing powers and autonomy to lower levels of government. It connotes importance that such transition of powers is supposedly significant to the unification and development of a nation. This is especially so in many of the developing countries where the shift of power to local government has created a series of hierarchically ordered units of administration at some of the lowest levels of government. Although the implication is a movement of power from the centre, however, the degree of power that has been assigned to these lower units actually determines the scope of decentralization; wherein it is akin to either deconcentration or devolution and underscores central government's ability to intervene in local affairs. Nonetheless, any change will be significant to the nation when undertaken at a magnitude that changes the characteristics of the power structure of the government. More so, when it involves the expansion of autonomy and activities which may result in changed strategies and policy directions for future implementation.

Reform initiatives will be discussed within the dynamics of decentralization and shifting of power between levels of government especially to local government. Research data from countries involved in this exercise such as Malaysia, China and neighbouring nations are extrapolated for comparative discussions.

### **The Malaysian Context**

In Malaysia, from independence until the period of the 1970's, the role of the civil service remained relatively unchanged. It still performed the perfunctory duties of general civil services, in effect a continuation of colonial administration in maintaining peace and order in the country. The issue of implementing any program towards physical; and infrastructural development was never at the forefront as the civil service was from the moment of gaining independence involved in consolidating its efforts towards peace and confronting the problem of communist insurgency occurring within the country. It was towards the later part of the 1960s that pressures were exerted upon the civil service to gear itself away from its maintenance culture to a more developmental and performance oriented role. Conceptually, the Malaysian civil service since independence was unquestionably an efficient bureaucratic apparatus but still having the aura of colonialism being attached to it. This was due to the fact that most of the expatriate officers were still employed in responsible administrative positions. Only a small percentage of local officers who possessed the required educational qualifications were given the opportunity to assume specific administrative posts. Certainly, this limited the quantum of locals that could be duly appointed to high office in the civil service.

At the local level, there is the local government which is non-elective and does not adhere to any political party majority votes to form the government. Local government in Malaysia is provided for in Paragraphs 4 and 5 of the Ninth Schedule to the Federal Constitution. Although federal government exercises certain powers over local government, it is the state governments that ultimately have general responsibilities for local authorities within their jurisdiction. In

Malaysia, local government represents the third tier of government and is closely associated with the local community and the residents under its ambit of power. Due to this proximity to the local people, local government tends to have a profound effect on the lives of the people it serves. Since its inception, Malaysia's local government had undergone periods of political and administrative reforms and change that were supposed to enable it to manage the multi-faceted expectations of the local community. In line too with the process of reform within the Malaysian civil service, local government ultimately had to undergo various stages of change that were essential to allow it to be more effective and efficient in tandem with the country's quest of following the principles good governance.

### **Reforming and “Malayanizing” the Civil Service**

The reform of Malaysia's civil service was undertaken during the process of “Malayanizing” the civil service when it adopted a Malayanization program in the civil service. Basically, there were two objectives; namely to replace the expatriates and secondly to enlarge the bureaucracy. This exercise was carried out in stages where once a suitable local understudy was available, the expatriate was requested to retire and replaced by the local officer. Indeed, this made for a smooth transition with comparatively few problems. Some figures indicate the success of this programme. In 1957, expatriate officers staffed 67% of all Malayan civil service posts (about 1564 officers), but by early 1963, there were only 9.2% expatriates (around 24 officers) left in the service (R.O. Tilman, 1964). While this was reflected in the administrative side of the civil service, in the technical and professional sectors, the process of Malayanization was taking a much longer process as the number of local technical professionals was limited and training still had to be expanded to this group of officers. Efforts at increasing the number of government officers also took on a rapid pace especially with the inclusion of the states of Sabah and Sarawak with the formation of Malaysia in 1963. For example, in 1962, the size of the central and state bureaucracies was around 119,516 employees; in 1972, this increased to approximately 166,569 employees (Malaysia, 1962-1972).

The process of administrative reforms had been set in motion the moment the nation put into operation its Malayanization programme.

This period of the country's transformation and the need for further administrative changes hastened the government's efforts towards reorganizing the civil service structure. This change process had to be carried out bearing in mind the needs of a population that had just realized independence and full expectations of a better tomorrow. There was also a need to control government expenditure, continue rural development to bridge the gap of economic imbalance between those in the rural and urban sectors, caring for the wellbeing of the citizens and raising the standard of living. Foremost was the need to generate more officers capable of taking over the tasks of civil administration. The philosophy was bent towards a more active and vitalized bureaucracy. The government in power realized the need to give attention to the efficiency of the public service as it was the instrument that "delivers the goods to the people". Thus, it was of utmost importance to improve the government administration to meet the needs of a rapidly developing nation and aspirations of the people. With the civil administration shouldering more tasks and functions since independence, its capacity for growth was only constrained by the lack of training opportunities and career development for its officers and administrators. These civil administrators had to be trained and equipped with special skills and knowledge in public administration, economics, science and technology. In short, it was necessary that certain administrative reforms and innovations had to be deliberately introduced into the civil service "to improve the administrative system and achieve efficiency and administrative leadership in the public service to meet the needs of a dynamic and rapidly developing country" (Montgomery and Esman, 1966). This period then was acknowledged as the period of Malayanization and contributed to the transformation of the Malaysian civil service into the backbone of the government. Indeed, it provided the base upon which the political party in control of the government would consolidate its strength by "making use" of the civil service to enhance the party's image and powers. This period of reform thus strengthened the ruling government's position and reinforced its image

as a government that delivers. Politically it served the ruling party well to have this philosophy as government policies and programmes accepted and implemented presented less political mileage to the opposition parties to criticize the government. In fact, this philosophy started to encroach upon the neutrality concept of the civil service as party politics begin to influence the decision-making process of the civil servants.

### **Initiating Public Sector Reforms Post “Malayanizing”**

This was the beginning of the era of the Mahathir administration where major reform efforts were once more initiated during the 1980s. Dr. Mahathir Mohamad was Malaysia’s fourth Prime Minister from 1981-2003 and during his tenure as the leader of the nation, there was a dynamic change in government administration. This renewed interest in public administration reform was to a certain extent influenced by public sector reforms being carried out in countries such as Britain, under Margaret Thatcher; and the United States led by Ronald Reagan, during the early period of the 80s (R.C. Mascarenhas, July/August, 1993). Inevitably, countries elsewhere followed with renewed reforms of their public sectors and Malaysia consequently subscribed to this process in its civil service. The reform movement under the administration of Prime Minister Mahathir used an approach that was grounded on the concept of power, authority and influence in order to effect a positive behavioral change in the civil service personnel (Sirajuddin H. Salleh, 1992). This was a conscious attempt to inject new ideas into government administration so as to be able to achieve the goals of national development in a quick and orderly manner. With this view, there begun the implementation of a series of major policies and actions which set new dimensions in Malaysia’s political and socio-economic developments. This phase of administrative reforms in modernizing the bureaucracy required the civil service to work together with the political leadership in every aspect of government operations. For instance, the government instilled the “Leadership by Example” motto and started to liaise with the private sector under the concept of “Malaysia Incorporated”.

During this phase of administrative reforms, major emphasis was given towards efficiency, political stability and economic growth. Government administrators were encouraged and expected to undergo various training programs and courses to enhance their skills and professional competence. Inevitably, this led to a change in the mindset of the civil servants as they were constantly bombarded with the introduction of new ideas and innovations to their work environment. For instance, work manuals and desk files were introduced. Name tags were worn to make the officers personally accountable to the general public and stated working hours were strictly adhered to; making punctuality at work an immediate requirement. New policies such as the “Look East Policy”, “Malaysia Incorporated”, “Client’s Charter”, “Privatization” and “Paperless Administration”, were incorporated into the civil service. These varied policies were aimed at enhancing the image of the civil service vis-a-vis the public and to be comparable with the government administration of the developed nations.

The reform process continued throughout the tenure of the Mahathir Prime Ministership, and the 1990s was the period of strong economic growth for the nation. The GDP was about 8.7% per annum during 1996-1997 (8<sup>th</sup> Malaysia Plan, 2001-2005) and given the impetus of the privatization policy, the private sector was attractive in terms of employment and further encouraged its prime role in the nation’s economic development and growth. Malaysia, as with other Asian countries, was at this juncture experiencing high productivity as reflected in the oft-mentioned East Asian miracle. But, by 1998, the financial bubble had burst and the economic slowdown had begun among the so-called Asian tigers which would ultimately bring down the economies of the other smaller nations especially in the ASEAN region.

### **Global Events & Reform Adjustments**

Malaysia was not spared and faced a negative growth rate with the GDP recording a minus 6.7% in 1998 (Okposin and Cheng, 2000). Inevitably,

the crisis affected everyone in the country as employment opportunities decreased amidst dampened productivity. The crisis exposed the country's vulnerability to external influences and its weakness in government administration. At the same time, the accelerated use in information technology and digitization made local communities more aware of changes taking place globally and to compare these with the local situation. The link to local government affairs is obvious in view of its role in accentuating community participation, transparency, accountability and overall good governance.

The systemic forces of democratization, the new world order and deregulation have made great impacts upon the nation itself and necessitate the government to put in place policies that will allow it to sustain the forces and pace of globalization. Global incidents such as the Iraq war, rise of terrorism, oil crisis, crude oil price spiraling, natural disasters and increasing incidences of separatist movements in various regions have begun to impact on government policies. The government under Abdullah Ahmad Badawi, who became Malaysia's fifth Prime Minister in 2003 realized that it had to address these changes at the domestic level. The 9<sup>th</sup> Malaysia Plan (2006-2010) which was launched during the tenure of Prime Minister Abdullah Ahmad Badawi provided some strategies and policy directions that to a certain extent enabled the country to meet these global challenges. The continuing reforms for administration relied upon the administrative officers to improve the delivery system whilst using the key performance index as a means to gauge their performance. Government administration changes have continued despite the country's general election on March 8, 2008 which resulted in the party in control of the government losing for the first time its two thirds majority to the Opposition. At the national level, Malaysia's economic structure has changed to one less dependent upon external demand, thereby reducing the country's vulnerability and risks involved in over dependence on imports. Although the anticipation is that the manufacturing sector will continue to expand, the present administration is giving priority to develop further the agricultural sector. This is to reduce the country's expenditure on import of foreign food products and to increase rice production locally.



Politically, the wave of change can be felt at both the state and local government levels where the opposition party has formed the state government and by virtue of local government being a state responsibility has assumed control of the local authorities in these states. The impact on local government was apparent in that it had an important role to play within this context of national reforms of the civil service and government administration as a whole. This is more so bearing in mind local government's close proximity to the local community and the influence of globalization which can lead to changing norms and behavior of the local people.

### **Impact on Local Government**

In Malaysia, the community regards local government as the 'grass root' government or the government that is the closest to the people. But, it operates within a centralized system because of the country's federal system that entitles, under the Constitution, that the central government has the final authority over local government. As such, if local government is to be able to perform its functions effectively and efficiently, it has to be given some degree of autonomy and therefore reinforces the idea of decentralization. Therein the necessity to transform and strengthen local government into an institution that possesses the capacity to grapple with rising urbanization, unprecedented growth of cities and increasing demands from a continuously growing population. These combined with basic issues such as poverty, crime, economic disparity and trans-boundary activities, undoubtedly challenge local government's capacity to cope. Initiatives to transform local government into a dynamic level of government able to sustain these challenges and to continue providing the essential services to the community have begun. However, within the context of a globalizing and liberalizing world, such reform initiatives can be influenced by current events and activities that occur in countries that are close neighbors.

For instance the growing importance of China in this region due to its dramatic economic developments has certainly made its impact felt on lesser developed countries (LDC). China has been achieving high GDP growth rates averaging 12.5% over the last decade, i.e. from 1999-2010 (IMF, 2010) due to various economic reform initiatives being implemented. It is inevitable that China's rising prominence and transition into the global market will have some significant impact not only on regional economics but also on bi-lateral relationships with countries in ASEAN. This is particularly reflected in the Lao PDR where trade and investment activities have increasingly shifted to China from its traditional trading partners of Thailand and Vietnam in this region. Of particular significance was China's success in market reforms and private ownership while preserving one-party rule which influenced the Lao PDR into taking a similar approach in its administrative reforms (St. John, 2006). Lao PDR also initiated structural reforms which accelerated its transition from a centrally planned economy to a market oriented economy. For this to occur, the Lao government instituted various legal and administrative changes to be adopted by the Lao National Assembly. An important aspect that developed from this was the law of establishment of the government which resulted in the Lao PDR being administered by two levels, the Central Administration and Local Administration (Sisoutham, 2005). With the establishment of a tier of administration at the local level, it can be summarized that even in Lao PDR a less developed country (LDC) and a country that is authoritarian; some aspects of decentralization are acknowledged as essential to government administration.

Globally, there is recognition that local government is best placed to help tackle problems of not only the community but also the national problems of poverty, crime, climate change, sustainable development, migration and a host of related issues. There is a case for reforming local government in Malaysia to be recognized as an autonomous level of government. This will be in line with the country's concept of adhering to the philosophy of democracy and providing local

government with the basic powers for it to function as an effective third tier of government.

### **Experiences of Decentralization and Shifting of Power – China, Lao PDR and Malaysia**

Providing a platform for the community to participate in the process of decision making at the local level symbolizes the existence of decentralization. Decentralization is a known concept throughout the world and as in China's case; it is also not an exception. However, in China's situation decentralization is perpetuated for the sake of enhancing efficiency and to improve responsiveness of the government. It forms part of the country's initiatives in administrative and economic reform agenda. China's quest for decentralization is based on the desire for economic liberalization and part of its strategic economic management principle. Nevertheless, the central government still retains considerable influence (Straussman and Zhang, 2001).

As previously mentioned, steps towards decentralization had taken place in the Lao PDR. It is a country with a small population of about 6.43 million compared to China (1.34 billion) and Malaysia (28.23 million) (IMF; World Economic Outlook Database, 2010), and minor reforms which started in 1980 for socio-economic transformation was an attempt at decentralizing central leadership autonomy. A round of structural and economic reforms was initiated in 1986 under the New Economic Mechanism (NEM) where administrative decentralization was attempted but within the scope of controls on wages, production targets and private activities (St. John, 2006). During this period, various other reforms were also carried out that influenced government administration and correspondingly the role of the state. This was particularly noticeable in revenue raising and civil service administration which became less inclined towards party politics pressures (Reyes, 1998). Inadvertently, the Asian financial crisis of mid 1990s had a serious ripple effect on the Lao economy. Coupled with the nation's weak constitution, laws and regulations, these set backs exposed the government's inability to manage its domestic affairs

especially the economy and its decentralized local government system. Efforts towards further reforms transcending economics to political administration were nullified as the government faced increasing financial and human resource constraints at both the central and local levels. To prevent increasing deterioration of the Lao economy, it necessitated centralizing all major functions and finances with the central government. The tightening of control by central government meant that transitional structural and administrative reforms were abandoned and replaced instead by interventionist policies and single political party rule. However, research investigations have shown that Lao's macroeconomic conditions are currently improving and there are attempts to begin the process of transferring responsibilities to local government via a new budget law and allowing local government units to seek their own finances.<sup>1</sup> The Lao experience suggests that there are limits to decentralization when a country's state of economy is near bankrupt and centralization is legitimized to prevent further deterioration.

In Malaysia's case, reforms in government administration appears to be a continuous process and are basically concerned with improving service delivery performance by government organizations at all levels. Inadvertently, decentralization became a by-product of this exercise because the central government cannot deliver all that are required at the local level. Thus some forms of decentralization become essential whether in the form of devolution or deconcentration. The central government has to accede to calls for public participation and some form of democratic decentralization if it is to achieve its objective of being able to 'deliver to the community'. Calls for common global issues to be tackled by involving the local community and for the practice of good governance are related to local government and decentralization as local democracy and decentralization go hand in hand (Mkhatshwa and Otekat, 2005). Yet, at the same time, the government still holds to the principle of central government control for

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<sup>1</sup> From an interview with the Deputy Director General of the Local Administration Department, Prime Minister's Office, Vientiane, Lao PDR, 5 December, 2007.

the sake of national unity in a country which comprises different ethnic groups with diverse religious and cultural beliefs (Phang, 2006).

It is recognized that not all central governments can accommodate the demands of the community for participation at the central level and this is where local government is ideally placed as a point for local participation and representation. While China's administrative reforms were not consciously implemented for the sake of local government, but clearly the resulting economic changes and programs that came about indirectly benefited China's local government in the sense that economic liberalization had the effect of dispersing political powers to the provinces. This was because the central government faced difficulties in coordinating regional development and overcoming obstacles to reforms at the local level. Ultimately, the central government had to decentralize powers to the provinces in an attempt to achieve efficiency and better coordination in economic development (Straussman and Zhang, 2001). Indeed, in Malaysia which has the practice of good governance as part of its reform agenda; to carry out these principles of good governance, it needs the support of local government. But to achieve any degree of success in carrying out these principles at the community level, local government needs to have some powers and autonomy to shape local policies and implement programs and projects in accordance to the needs of the local community. This means empowering local government and decentralizing autonomy to local government which currently is limited in the Malaysia's context.

According to the Commonwealth Secretariat decentralization involves not only the transfer of powers to local government but also the sharing of finances and devolution of functions appropriate for local government to carry out (Mkhatshwa and Otekat, 2005). In sum, there has to be decentralization in politics and administration; whereby political decentralization incurs the devolution of political decision making powers to the lower tier governments and having locally elected and accountable representatives. In line with administrative decentralization, central government will have to devolve tax-raising spending powers to allow a share of central money to local government.

The main contention is that central government has to enable local government to perform its functions satisfactorily and this needs the devolution of powers and finances to this level of government. Notwithstanding, decentralization within the Malaysian context can be a contentious issue as it will mean the delegation of federal government powers and responsibilities to the state and local governments. This creates an obvious tension between central-state-local governments as the federal government wants to maintain over-riding control.

### **Some Comparative Features and Malaysia's Dilemma**

Local government in Malaysia can be categorized into basically four types; city hall, city council, municipal council and district council. Presently, the country has 144 local authorities throughout the different states and they provide services to at least 84.4% of the country's population of about 28.23million people (Phang, 2006). This is small compared to China which has 43,965 municipalities. On the other hand there is Uganda which has only 70 municipalities. However, India with 254,119 municipalities surpasses all the other developing countries. Among the developed nations, the number of local authorities in these respective countries is much less as compared to the developing countries. For instance, France with 36,679 municipalities possesses the most, with United States next at 35,906. New Zealand has the least with only 74 municipalities (A. Shah, 2006). The figures in Table 1 give an indication to the distribution of local authorities in the various selected countries.

On the issue of population size, Malaysia's average population per local authority of 134,818 is high when compared to some Commonwealth countries such as Belize, 17657; Malta, 5650; New Zealand, 55,177; Solomon Islands, 48,905; United Kingdom, 130,289 (Table 2).

**Table 1: Number of Local Authorities in Selected Countries.**

<b>Country</b>	<b>Number</b>
Argentina	2154
Brazil	5560
Canada	5184
China	43965
Denmark	275
France	36679
India	254119
Indonesia	1312
Japan	3230
Malaysia	144
New Zealand	74
Sweden	288
USA	35906
Uganda	70

*Source: A. Shah (ed.) 2006*

**Table 2: Average Population Size of Local Authority**

<b>Country</b>	<b>Population</b>
Belize	17657
Malta	5650
Malaysia*	134818
New Zealand	55177
Solomon Islands	48905
United Kingdom	128000

*Source: Commonwealth Local Government Handbook 2009*

*\* Based on local government population by number of local authorities*

However, there is a great contrast with China where some 283 municipalities have between 500,000 to 1 million people and about 50 municipalities each having more than 1 million people. In India, at least

388 municipalities have close to 200,000 people and 35 municipalities that have more than 1 million population size (A. Shah, 2006). Yet such large numbers are apparently insignificant if these people are not involved with decision making in the local authorities. There has to be a structure in place that will allow some form of community participation in local government affairs. One cannot discount the significant impact and influence from such a large mass. With the process of change happening everywhere, people become more aware of government activities that affect them as citizens of the country.

### **Local Government – the Need for Change**

The uniqueness of Malaysia's situation is based on appointed representation because of the absence of local elections at local government level. Ever since the abolition of local elections in mid 1970s, all local councilors have been appointed by their respective state chief ministers. The consequence is that the process of nomination and appointment has the tendency of biasness towards members of the component parties of the ruling political party in control of the government at the centre. There are approximately 3,482 appointed councilors in Malaysia and with a local government population of about 19.41 million; each councilor has actually been appointed to represent an average of 5,575 people at the local level. This is in contrast to many countries that have some form of local elections whether they are the developing or industrialized countries. For instance, local government elections are carried out in the United States, India, England, Australia, China, Thailand, Indonesia, and even in centrally controlled regimes of Vietnam, Lao PDR and Cambodia.

The situation in Lao PDR where although its local administration level is still dominated by the central government; yet there is some form of local elections being carried out at the village level. There are three levels of local administration in the Lao PDR, i.e. provincial, district and village (Article 75, Constitution of Lao PDR, 2003). Accordingly this system divides administration into Province (16), District (142) and Village whereby local elections are held at the Village level. There are



approximately 10,868 villages (this figure varies according to mergers and separation due to development activities) and the village is considered the grass-root or basic organization of the Lao administration. The Village Head is elected by eligible voters from the village and approved by the Chief of district or the Chief of municipality (Article 49, Law on Local Administration of Lao PDR, 2003). As an elected representative of the villagers, he receives annual financial support and together with a committee can implement rules and regulations. In a way, through elections, the villagers are given the opportunity to determine their own priorities and action plans for their village and the elected representative is expected to maintain law and order in the village.

It appears that Malaysia established its local government based upon traditional concepts of governance that was not prepared to confront the consequences of managing and governing its cities via locally elected representatives. It demonstrates a typical 'top-down' approach in local governance and centralized administration. With increasing public awareness, global activities and demands of demonstration of good governance on the ground, central government is severely challenged to respond to this issue of political decentralization. There is indeed a necessity for less bureaucracy and community empowerment. Much as the local community seeks redress to centralization; local government seeks more self autonomy from the higher tiers of government. Basically, this hinges on the concept of decentralization, especially devolution of powers to sustain local autonomy and confronting the issue of re-centralization.

There is a perceived notion that in Malaysia, deconcentration is encouraged at the expense of devolution. The administrative structure actually promotes administrative decentralization. Indeed, there is a delegation of higher level government duties to lower level units with a corresponding transfer of authority to the state and local governments. In a sense, decentralization of this nature seeks to improve governance and service delivery by reducing delays and bureaucratic processes at different tiers of governments. However, present trends in community

and inter-government relationships indicate a need for delegation of powers to citizens and representative government accentuating the relevance of political decentralization, co-existing with administrative decentralization.

### **Support for Decentralization**

In an effort to harmonize relationship between states and local government and between local government and the community, the idea of decentralization has become the link-pin for formal harmony. Due to this convoluted relationship, formal harmony is achieved via institutionalized polices, rules and the law. However, this mechanism weakens considerably when exercised at the local government level especially with the community where as a consequence of institutionalized regulations; formal representation from the community through voting in an electoral process is completely absent. It is obvious, that implementing administrative decentralization will result in informal discord. This supports the notion that the concept of centralization is further reinforced at the expense of decentralization. On the other hand, the implementation of Local Agenda 21 (LA 21), and its characteristic 'bottom-up' approach actually acknowledges that a relationship exists between the local government and its community. Unfortunately, LA 21 in Malaysia did not achieve political decentralization via formal delegation of powers from local government to the community. Basically, because formal and legitimate transfer of powers and accountability to the community is absent; local officials instead become primarily accountable to themselves and local influential elites. Apparently, this appears to be a recurrent trend in Africa too (Smoke, 2003). In addition, a consequence of a lack of or weak implementation of political decentralization can give rise to informal discord.

While the traditional relevance and position of local government in Malaysia remains, its approach in deliverance requires re-orientation in line with the needs for greater decentralization, emerging localism, devolution of authority and empowerment. As Stren has aptly stated that this is one of the intriguing paradoxes of globalization generating a

new interest in relationship between civil society and government; and as civil society flourishes, there is weakening of state institutions especially at the national levels (Stren, 2001).

In line with the needs for increasing public participation in the business of local governance, the Organisation for Economic Co-operation (OECD) has stated in its reference to the concept of governance that *“In a world where the participation of business and civil society is increasingly the norm, the term ‘governance’ better defines the process by which citizens collectively solve their problems and meet society’s needs, using ‘government’ as the instrument”* (OECD, 2000). The fundamental challenge for local government is therefore, how to strengthen local governance in the quest for change in line with the objectives of good governance especially the need for increasing community participation while trying to consolidate its autonomy within an emerging trend of neo-centralism.

At the global level, the support for decentralization is gaining momentum. It is agreed that central governments have found it increasingly difficult to perform the function of efficient service delivery at the local levels without the support and help of local governments. In most countries, there is evidence that local authorities carry out a variety of functions that are not performed by the central or national governments (Commonwealth Local Government Forum, 2007). This is evident in a variety of functions that are performed by local authorities at the ground level that relates especially to rapid urbanization and the challenges that accompany this process. The argument for decentralization is strengthened as local governance will allow the flexibility for local government to make decisive decisions that affect local issues such as land use, infrastructure and service provisions (United Nations Population Fund, 2007). Research has shown that for central government to achieve a measure of success in service delivery at the local level, the support and performance of local government is essential; which means that devolution of powers needs to be carried out by central government. However, the transferring of functions to the lower tier government should take cognizance of the

carrying capacity of the local authority, i.e. undertaking the function at the local level should be sustainable and also cost effective (Alam, 2006).

### **Insights into Administrative Changes and Decentralization: Malaysia and China**

Increasingly, more national governments in developing countries such as those in Kenya, Tanzania, Cambodia and Honduras are devolving some of their powers to local governments and creating opportunities for their local councils to be more active in social and economic development (United Nations Population Fund, 2007). The process of decentralization is also being encouraged by the European Union and several countries in Latin America where there is a demand for local democratic control and autonomy (Devas, 2006). Even China, despite it being the world's largest authoritarian political system, has a local government system that is decentralized; especially the Chinese fiscal system that has decentralized authority and autonomy to expand revenue generation through offering of new services (Wong and Bird, 2006). The way in which the country's fiscal system is reformed will have a direct impact on the performance of China's local government, especially in economic functions; in a sense that China's local government will almost always adapt to a specific economic system (Wang and LI, 2007). China's reform of its local government was carried out at the beginning of 2000 at the initiative of the central government which was simultaneously undertaking economic reforms at the national level. To be precised, the country has been carrying out administrative reforms since the early 1980s while economic changes had begun towards the end of 1978 (Wang, 2006). China's central government believed that for the reform to be successful, it has to be fair and open to local government and allow its involvement in politics, economics and the community (Qingyun Chen, JiChen, and Qingdong Zhang, 2002). Such events currently happening in these countries will to a certain extent influence decentralization initiatives in countries that are close neighbors for instance Malaysia and China who are in the same region sharing some commonalities and interests.

Today, China is transiting into a global player and its transformation into a dynamic economy is nothing less than dramatic. The scale and speed of her growth is viewed with awe but also apprehension by Malaysia and its ASEAN neighbors. To a certain degree, its ability to influence regional trade and economic development as well as geopolitical activities has to be given due recognition. China has great potential resources and in 2007 China's gross domestic product (GDP in PPP) was US\$7.35 trillion and in 2008 it was US\$8.01trillion, and by 2009 it increased to US\$8.74 trillion (<https://www.cia.gov>). On the other hand, Malaysia's GDP in 2006 (in 2000 constant price) was close to RM475 billion (about US\$153 billion) and increased to RM529 billion in 2009 (about US\$171 billion) (Malaysia, Economic Planning Unit, 2009). As a member of the ASEAN +3, and with its formidable resources, China's influence upon its neighbors and Malaysia specifically, is obvious especially in the area of trade and commerce, tourism and the services sector. In 2009, China was Malaysia's fourth largest trading partner as well as its fourth largest export market (<http://www.chinadaily.com.cn>) and both countries will need to continuously review their policies to deal with regional changes that may come about due to intensive regional competition and administrative reforms.

In both Malaysia and China, a range of reforms have been introduced that affect most aspects of the functioning of government administration, in particular the local government sector. In fact, the changes encompass various sectoral reforms including political management, performance finance, service integration across agencies and international policies. China's ability to modernize and face the challenges of globalization is a reflection of its willingness to manage change in a transforming world especially through macroeconomic demand management and by reforming its wage-setting in the mid-1990s (Flassbeck, Dullen and Geiger, 2005). China has become liberal in its protective tariffs and opening up its domestic markets (McGregor, 2005). It has established a socialist market economy and carried out significant organizational reforms especially at the local level with the

re-allocation of powers of various departments (Qingyun, Ji, and Qingdong, 2005). Shift of power to local government has recently been further encouraged especially with the continuous rationalization of China's power structure and the transferring of power from central to lower level governments. Along this line, China's reform process is also moving towards the idea of shifting power to the local community or what some proponents have termed as to the "micro-cosmic level"; the transferring of power to the farmers and "returning power to the general public" (Zhang, and Xin, 2008).

In Malaysia, the implementation of the Local Government Act (Act 171) was an effort at reforming local government, but one consequence of it was the abolishment of local elections while curtailing financial autonomy at the behest of central government. The changes that have taken place in Malaysian local government is to render local government better administratively, but weaker politically. The reform of local government did not result in devolution as expected, but essentially a pursuit of deconcentration. Apparently, it can be assumed that the process of reform was to depoliticize local government and reinforce centralization of powers. At least in some crucial areas, local government prominence has dissipated especially with the privatization of its traditional services; abolition of local election and replacing it with centrally appointed councilors, and seconded federal officers as heads of municipal and city councils. However, it still retains its position as the third tier government after the state and federal governments. This position has not changed and most unlikely in the future.

### **Concluding Remarks**

It is recognized that reform is a continuous process and that decentralization requires central government support and commitment whether in a centralized or liberalized political system. Decentralization has remained elusive for local government in Malaysia with powers still consolidated with central government. Compounded with this is the fact that local government needs the help of central treasury as it suffers

from financial constraints and a lack of professional staff. China believes that too much decentralization will negatively influence its economic growth in the long run, but hold to the principle that central-local relationship should include the society. Although in Lao PDR reforms have been carried out in the area of central-local government relationships, real devolution of power is limited and top-down approaches still dominate. However, the authorities believe that decentralization will promote responsible behavior but delegation of power can only be implemented when the nation's administrative mechanisms are in place. With this optimism, there is a possibility of transition from current local administration to local government in the future.

Nevertheless, political, administrative and fiscal decentralization has been happening in other developing countries augmenting the authority of local government and increasing society's participation in local affairs. With continuing liberalization and globalization perhaps, there is hope that such events may influence the transition of local government into a level of decentralized government possessing autonomy and powers to make its own decision – local self government in truism.

There are important lessons to be learnt about sustaining reforms in whatever type of political system. The starting point may vary widely between countries with some having in place a set organization while others may begin to develop units suitable to their nation's needs and desires. The crux is upon central agencies which are important drivers of change with influence over the direction in which local government reforms may proceed. These trends are noticeable in many countries as noted especially in Malaysia, Lao PDR, China and other developing nations in ASEAN. The overriding conclusion is that the essence of administrative reforms and decentralization is for good governance and good public sector management. However, there is also a need to relate it to the paradigm and context of the country concerned and to adapt accordingly.

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