

The Malaysian Bureaucracy

Four Decades of Development

Abdullah Sanusi Ahmad
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Madrasah

Foreword

My congratulations to the authors for writing this book on a topic which has not been widely researched, much less published in the past.

Yet, management is a subject very relevant to the socio-economic development of Malaysia. Public administration, in particular, is the vehicle for the planning and implementation of the Government's policies and programmes to develop this country. Very few works have been done on this subject in the past forty years since our Independence, least of which by Malaysians.

This book is not only written by Malaysians but by a combination of practitioners and the academia, a rare effort. Tan Sri Dr. Abdullah Sanusi Ahmad, has a long and distinguished experience in the country's civil service at the district, state and national levels as well as the Vice President of Petronas. He has been in the academia as well, having served as the Vice Chancellor of the University of Malaya for a number of years. To add and strengthen the academic side is Professor Dr. Norma Mansor who has been with the Faculty of Economics and Administration of the University of Malaya for several years and was, until recently, the Head of the Department of Administration Studies and Politics. The third author, Dato' Dr. Abdul Kuddus Ahmad, is also an experienced administrator of some thirty years who has served in various capacities in the government service including a stint as Registrar of Institut Teknologi MARA (now UiTM). I would consider this a formidable combination on the subject of public administration.

Public administration in this country has not been spared of criticisms and controversy in all the forty years since Malaysia became an independent sovereign nation. This is unfair to our civil servants who have worked tirelessly managing the policies and programmes decided by a democratically elected Government. As recounted in this book, it is this public service that took over the task of administering this nation successfully from the colonial officers from *Merdeka* day, steered the country during the dark days of *Konfrontasi*, and spearheaded the country's development from agro-based to an industrializing nation. The progress of this country for the last forty odd years could not have been possible without the capability and dedication of its civil servants.

We have four decades of achievement and progress. The landscape of the country has changed in these years. So has the quality and productivity of our public service. Long queues and delays are things of the past. The counters of public-related agencies like Road Transport, Immigration, Registration, Local Authorities and hospitals are client-friendly and work like clockwork. Our public servants are professionals who manage this country during good times and bad. The tremendous growth, especially from the seventies to the nineties, and the success of overcoming the recession years in between, as well as the regional economic crisis of 1997, are testimony of their capabilities.

Looking ahead, I have no doubt this professionalism and capability will continue. The country faces tremendous challenges in the coming years. I am optimistic that our public service is capable of meeting them. I am also fully confident that it will help achieve our vision to be a developed country in 2020.

With the publication of this book, I would expect more to follow. We have several public and private universities in this country offering courses in management at undergraduate and post-graduate levels. The text and reference materials are almost exclusively by foreign gurus citing hardly any cases involving Malaysia. Our country must also be the supplier, rather than the receiver, of knowledge on management and other subjects as well. We have the gurus and the experts on many disciplines in the institution of higher learning as well as the public and the private sectors.

I trust this book will be a source of reference for practitioners, faculty and students of public administration as well as the reading public.

A handwritten signature in black ink, appearing to read 'Abdullah Ahmad Badawi', with a date '8/5/2002' written below it.

DATO' SERI ABDULLAH AHMAD BADAWI
Deputy Prime Minister, Malaysia

About the Authors



Tan Sri Dato' Dr. Hj. Abdullah Sanusi Ahmad has worked in many senior positions in the government and the private sectors. He has served in the Malaysian Civil Service for more than 25 years starting as an Assistant District Officer and rose to be the Secretary-General of the Ministry of the Public Enterprises.

He took an early retirement to join the National Oil Company (PETRONAS) as one of its Vice Presidents. He has served as Chairman and Directors of a number of listed and non-listed companies.

In the academia, he was a Vice Chancellor of the University of Malaya for many years and now he is the President/Vice Chancellor of the Open University, Malaysia. He has been an Adjunct Professor for the Universiti Utara Malaysia and also was a Visiting Academic at the University of Southern California, USA. His many years of exposure to the world of work has made him a unique academic.

He has written a number of books on public administration and management, notably the **Pentadbiran Kerajaan dan Raayat and Developments in Public Administration and Management: Current Issues**.



Professor Norma Mansor is the Executive Director of the International Institute of Public Policy and Management. She teaches Public Administration and Governance to post-graduate students of the University of Malaya's Department of Administrative Studies and Politics. She consults and trains managers and administrators from the private and public sectors on strategic planning and policy development. Her other interests include public policy, organisational development and comparative management. Professor Norma Mansor has been a resource person for national and state level government organisations in Malaysia, the World Bank, the UNDP, and for numerous national and international organisations. She has published widely in the area of management and administration.



Dato' Dr. Abdul Kuddus bin Ahmad, born on Feb 14, 1939, graduated with BA (Honours) from the University of Malaya in 1964. He was awarded Master of Public Administration (MPA) by the University of Pittsburgh, USA, in 1973, followed by Ph. D. from the same university in 1981.

Dato Dr Kuddus joined the Malaysian Civil Service, the present PTD, soon after graduation in 1964. He first served as Assistant Secretary in the Ministry of Education for five years before moving up to other positions in the Malaysian Government. Among them were as Registrar, Institut Teknologi MARA (ITM), Deputy Director General MAMPU, Director General of Civil Aviation and Deputy Secretary General, Ministry of Agriculture. His last position before retirement in 1994 was as Senior Deputy Secretary General of the Prime Minister's Department. Upon retirement, he was appointed a member of the Public Service Commission for five years. In all he spent 35 years in the public service. Dato' Dr Kuddus then joined the academia. He was appointed a Senior Research Fellow at the University of Malaya in 1999–2000. He also taught post-graduate courses in management at the same university as well as Universiti Putra Malaysia.

Dedication

*To my wife **Hashimah Hj. Ismail** and family members **Faizal, Sharifah Aishah, Mudzafar, Redza and Iskandar.***

Tan Sri Dato' Dr. Hj. Abdullah Sanusi Ahmad

*To **Sam, Irfan** and **Hajjah Fatimah**, the loves of my life.*

Professor Norma Mansor

*To **Azizah, Don, Sabarina, Atifi, Danial** and **Arman**, the loves of my life.*

Dato' Dr. Abdul Kuddus bin Ahmad

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List of Abbreviations

ACA	Anti-Corruption Agency
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
AWT	Annual Work Target
BMF	Bumiputra Finance Bhd, a finance company, subsidiary of Bank Bumiputra Bhd.
BN	<i>Barisan Nasional</i> (National Front)
BNM	<i>Bank Negara Malaysia</i> (Central Bank of Malaysia)
BPA	<i>Biro Pengaduan Awam</i> (Public Complaints Bureau – PCB)
CCR	Cabinet Committee Report (on public sector salaries), 1976
CSP	Civil Service of Pakistan
CUEPACS	Congress of Unions of Employees in Public and Civil Service
DAU	Development Administration Unit
DO	District Officer
EPF	Employee Provident Fund
EPU	Economic Planning Unit
FAMA	Federal Agricultural Marketing Authority
FELDA	Federal Land Development Authority
FEO	Federal Establishment Office
FMS	Federated Malay States
FNM	<i>Filem Negara Malaysia</i> (Malaysian Film Unit)
FOA	Farmers Organisation Authority
FRIM	Forest Research Institute of Malaysia
GAS	General Administrative Service
HICOM	Heavy Industries Corporation of Malaysia
IAPG	Inter-Agency Planning Group
ICT	Information and Communication Technology
ICU	Implementation Coordination Unit
IMF	International Monetary Fund
IMR	Institute of Medical Research

INTAN	<i>Institut Tadbiran Awam Negara</i> (National Public Administration Institute)
ISA	Internal Security Act
ITI	Industrial Training Institute
ITM	<i>Institut Teknologi MARA</i> (MARA Institute of Technology)
JKK	<i>Laporan Jawatankuasa Kabinet</i> (Cabinet Committee Report), 1976
JLS	Judicial and Legal Service
JPA	<i>Jabatan Perkhidmatan Awam</i> (Public Service Department)
JPM	<i>Jabatan Perdana Menteri</i> (Prime Minister's Department)
JUSA	<i>Jawatan Utama Sektor Awam</i> (Premier Positions in Public Sector)
KLIA	Kuala Lumpur International Airport
LADA	Langkawi Development Authority
LDA	Labuan Development Authority
LOFSA	Labuan Offshore Authority
LRT	Light Rail Transport
MAMPU	Malaysian Administrative and Modernisation Planning Unit
MARA	<i>Majlis Amanah Rakyat Bumiputra</i> (Indigenous Peoples Authority)
MARDI	Malaysian Agricultural Research and Development Institute
MAS	Malay Administrative Service Malaysia Airline System
MBS	Modified Budgeting System
MCKK	Malay College Kuala Kangsar
MCS	Malaysian Civil Service (PTD – <i>Perkhidmatan Tadbir dan Diplomatik</i>)
MFU	Malayan (Malaysian) Film Unit (<i>Filem Negara Malaysia</i>)
MIDA	Malaysian Industrial Development Authority
MISC	Malaysian International Shipping Corporation
MPG	Managerial and Professional Group
MRS	Malaysian Remuneration System
MSC	Multimedia Super Corridor
NCLG	National Council for Local Government
NDP	National Development Policy
NDPC	National Development Planning Committee
NEAC	National Economic Action Council

NEP	New Economic Policy
NGO	Non-Governmental Organisations
NOC	National Operations Council
NRS	New Remuneration System
OSA	Official Secrets Act
PAS	<i>Parti Islam SeMalaysia</i> (Islamic Party of Malaysia)
PBS	<i>Parti Bersatu Sabah</i> (Sabah United Party)
PCB	Public Complaints Bureau
<i>Pernas</i>	<i>Perbadanan Nasional</i> (National Corporation)
<i>Petronas</i>	<i>Petroleum Nasional</i> (National Petroleum Corporation)
PMD	Prime Minister's Department
PMS II	Project Monitoring System II
PORIM	Palm Oil Research Institute of Malaysia
PPBS	Program Performance Budgeting System
PSC	Public Service Commission
PSD	Public Service Department
PTD	<i>Perkhidmatan Tadbir dan Diplomati</i> (Malaysian Civil Service – MCS)
PWD	Public Works Department
RIDA	Rural and Industrial Development Authority
RISDA	Rubber Industry Smallholders Development Authority
RRI	Rubber Research Institute of Malaysia
RTM	Radio and Television Malaysia
SEDC	State Economic Development Corporation
SOCSSO	Social Security Organisation
SPA	<i>Suruhanjaya Perkhidmatan Awam</i> (Public Service Commission – PSC)
TH	<i>Tabung Haji</i> (Pilgrims Board)
UDA	Urban Development Authority
UIA	<i>Universiti Islam Antarabangsa</i> (International Islamic University)
UiTM	<i>Universiti Teknologi MARA</i> – MARA University of Technology (formerly ITM – <i>Institut Teknologi MARA</i>)
UKM	<i>Universiti Kebangsaan Malaysia</i> (National University of Malaysia)
UM	<i>Universiti Malaya</i> (University of Malaya)
UMNO	United Malay Nationalist Organisation

UPM	<i>Universiti Putra Malaysia</i> (Putra University of Malaysia, formerly <i>Universiti Pertanian Malaysia</i> – Agriculture University of Malaysia)
USM	<i>Universiti Sains Malaysia</i> (Science University of Malaysia)
UUM	<i>Universiti Utara Malaysia</i> (University of Northern Malaysia)
WTO	World Trade Organisation



Preface

It has often been argued that public administration had played a vital role in the development and modernisation of developing countries. The developing countries or newly independent nations often placed the task of nation-building and socio-economic development on the shoulder of public administration. This hope was further reinforced by the countries of Europe and United States which were more than eager to transplant expertise and administrative know-how to the newly-independent nations.

In the 1950s and 1960s, a number of international aid programs on administration came from Europe and US to the newly-independent nations. The underlying notion guiding this new relationship of administrative transfer lies in the following,

"... the primary obstacles to development are administrative rather than economic, and not deficiencies in natural resources."¹

However, the classical approach to administrative change, i.e. the transfer of personnel administration, budgeting and financial administration² does not necessarily meet the demand of the task of planning for and managing economic development.

Malaysia is a case in point. The public service plays a significant role in economic and social development of the country. During the pre-independent period the British had introduced and often superimposed

its institutions and practices according to its needs. The prime consideration for having a government had been to ensure 'law and order' on the one hand, and to exploit the natural resources of the country on the other. Thus, the orientation of the public service had been toward needs other than toward serving the people.

But with gradual progress towards self-determination and independence, there arises in a developing country a compelling need to change the orientation of the public service and to cope with problems of development in all sectors which become significant after independence. There is a sudden burst of activities in all spheres of life.

New institutions emerge and new demands are made by an independent populace. Development becomes a byword and new political leadership rushes headlong towards giving priority to social and economic development. The independent government is forced to act in this direction as it is now committed to uplifting the economic and social development of the people. It is also desirous of proving the worthiness of the independent political leadership.

The burden of development efforts falls mainly on the bureaucracy, as the private sector is relatively less developed. Few of these countries, however, seem to realise the equally urgent need for administrative development to match the demands upon them to carry out the other efforts needed for achieving progress. The history of many of these developing countries shows that, in many instances, there is an inherent "administrative lag" in the development efforts. Political leaders seem to focus more attention on programs and projects while the machinery for implementing them is almost taken for granted. It appears that the lack of understanding of the need to give equal attention to administrative planning is due to the fact that administration and bureaucracy are relatively little known fields of study in these countries, whereas politics and economics are known and easily understood concepts in the context of the countries' political and economic turmoils, especially during the first few years of independence.

Yet, in the light of some disappointing experiences of newly developing countries' development efforts, there is a clear need for a public service that is development-oriented so that it matches its newly acquired tasks of being the vehicle for implementing development projects. A major reason why many socio-economic development projects fail is that the administrative machinery, including the civil service system, is not equipped for its tasks. It still has the structure, characteristics and

orientation of the colonial administrative machinery and is thus ill-equipped to perform the development functions.

Malaysia, like many Third World countries, has tried to overcome these institutional difficulties. There is need for planned administrative improvements and innovation in the entire civil service system. One major concern for a newly independent country is the need to evolve a new civil service system and the need for innovative social structures.

This book examines the role, progress and development of the Malaysian Public Service. It traces the development of the bureaucracy since Independence till today. It argues that the system of administration fashioned along the British style has changed drastically to accommodate the socio-political values and multi-functional roles of the public service. It traces the efforts of the new independent government to shape its own public service to cope with development issues from the sixties till the present.

The book examines the role played by the civil service in the formulation and implementation of major policies of the Government during the last forty odd years since the achievement of *Merdeka* (Independence) in 1957. It traces the role within the framework of the development chronology of the country, that is, the maintenance of the law and order stage at the time of *Merdeka* to the globalisation era of the nineties. The first major policy which shaped and tested the civil service was in connection with rural development of the early 1960s with its Red Book system against the background of the formation of Malaysia and the turbulent times in the region. The second was the launching of the New Economic Policy (NEP) in the 1970s in which the public sector was the main vehicle for its implementation. It was also the decade in which many public enterprises were established in order to achieve the NEP. This was followed by the industrialisation stage of the country in the 1980s with the increasing role of the private sector *vis-à-vis* the public sector. The decade also witnessed the beginning of the privatisation policy. The last was the nineties which was marked by the rapid growth in communication and information technology and the enunciation of Vision 2020.

In all the decades there were periods of high economic growth as well as deep recession confronting the Government. The civil service played a pivotal role in the management of major policies and events during these times. This book analyses the extent of the success and shortcomings of the public service.

SIGNIFICANCE AND PURPOSE OF THE BOOK

This book will help to clarify or fill in a gap in knowledge of the Malaysian Public Service. More significantly, this work, unlike other textbooks examines the administrative machinery in the context of economic development. The national economic plan is mammoth, all-embracing and future-oriented but there has always been considerable shortfall in the implementation of every development plan since Independence which puts into question the capacity and capability of the public service. This aspect of the history of the public service has not been researched well in the past.

First, the book is written with the purpose of assessing the nature of the progress and dynamics in various facets of administration. It also examines the success achieved by the civil service in initiating and administering management reforms in the light of the development phases of the country. Secondly, the book will describe some of the institutions established and policies formulated since Independence to implement development functions. Various organisational changes adopted will be looked at, in order to understand the new duties and emerging demands of the public service.

Finally, this book hopes to acquaint students of administration of the mix of the socio-economic, cultural and political factors that tend to promote and influence the Malaysian bureaucracy. Also this book hopes to generate further interest in the area of public administration.

THE SCOPE OF THE BOOK

The aim of this book is to provide a comprehensive discussion on the Malaysian Public Service. The major part of the study will cover the following areas: (1) the historical background of the Malaysian Public Administration; (2) the growth of the indigenous administration from its humble beginning on *Merdeka* day to the present; (3) the structure of the public service, its central and operating agencies, and the various services that supply the manpower for the agencies to operate with special reference to the Malaysian Civil Service (MCS) (4) the development of the administrative state from the 1960s to the 1990s where public administration became the most developed institution and

had the largest pool of professional and educated personnel; (5) the budget and the human resource systems; (6) the profile of upper echelon of the public service; and (7) the administrative reforms and innovations.

THE STRUCTURE OF THE BOOK

This book begins with the historical development of the administrative system as a background. This is to focus on the system of administration prior to the new demands expected of the bureaucracy. The ensuing two chapters are devoted to the growth and development of Malaysian public bureaucracy, its structure and organisation. These include the federal and state relationship, and local government.

In Chapter 4, the profile of Public Bureaucrats is analysed. Among the variables being covered are the socio-economic background, gender, attitude and behaviour of the top group of the service, the managerial and professional officers.

The personnel management system, which includes the recruitment process, selection, classification and compensation, is discussed in Chapter 5. Among other aspects being covered are training, promotion, performance evaluation and disciplinary control. The latter part of the discussion is on the role of the Public Service Department and the Public Service Commission in the public administration system of the country.

The structure of the budget system is described in Chapter 6, the Budgetary Process. How the budget system is formulated right up to the execution stage is explained in the Chapter. The budget reforms including the current one practised by the Government, the Modified Budgeting System (MBS), are also discussed.

In Chapter 7, the entire discussion is on Public Accountability on the part of the Government. Besides the concept of accountability other major aspects covered by the chapter are the government accounting system, the audit, the enforcement agencies as well as the role played by Parliament and the media on the accountability of public executives.

The role of the public service in development is discussed in Chapter 8. The formulation of the national development plan, its implementation as well as its success and shortfall are examined. Also highlighted are the winners of major international awards for public service.

In Chapter 9, administrative reform becomes the topic of discussion. Various reform measures in the forty years since Independence including the goals, approaches, success and shortcomings are discussed.

The book ends with a brief discussion in Chapter 10 on the challenges to public administration in Malaysia in the early decades of the new millennium.

ENDNOTES

¹ Donald W. Stone, *Development Administration* Pittsburgh: University of Pittsburgh Press, 1968

² John D. Montgomery and William J. Siffin *Approaches to Development, Politics, Administration and Change*, USA: McGraw Hill Book Company, 1974



CHAPTER

1

The History of Public Administration

The administrative system of a country is shaped by the historical development of its social and political institutions. Malaysia is no exception. From the classical period to the great Malacca Empire in the fifteenth century, followed by about 450 years of successive colonial rule till today after some forty years of Independence, the basic system of government has survived. Monarchy, as the apex, still exists, progressing from being an absolute ruler who listened to no one, to constitutional monarch, who acts only on advice from an elected Prime Minister. Along with this change is the evolvement of the country from Hinduism to Islam in the fifteenth century, from a homogeneous society to a plural one in the nineteenth, as well as its transformation towards the end of the twentieth century from being the world's largest primary producer of rubber and tin to a more diversified export-oriented industrial economy.

The Malaysian system of public administration is fashioned after the modern western bureaucracy, which the nation has inherited from the British since Independence. Basically the system of government and administration resembles the Westminster model but it has its own characteristics especially in the style of administration as well as its own cultural values. To truly understand the full works of the system and pattern of Malaysian public administration, Tilman wrote:

Contemporary Malayan bureaucracy must be viewed as a product of the total Malayan environment, for its development has been influenced by the culture, history, and politics of Hinduised, Islamic, colonial and independent Malaya.¹

The analysis of the Malaysian administration should, therefore, give due recognition to the factors mentioned above. Tilman further asserted that the present bureaucratic structure has been disproportionately affected by the colonial experience. Following this argument, the Malaysian bureaucracy at the time of *Merdeka* (Independence) could not, therefore, fully function to play its role well in an independent nation. It has to take into account the influence of the elements of society that had roots extending through the four major periods of Malaysian history.

At the same time one has to also agree with Milne when he claimed that:

More than anything else, the racial composition of Malaysia is the key to understanding the whole picture. It dictates the pattern of the economy, has helped to shape the constitution and has influenced the democratic process and the party system.²

It is important to be acquainted with the historical background of the country which helped shaped the administrative system. At the same time it is equally crucial to understand the country's plural society. The British took over ninety years from 1824 to 1914 before the whole of Malaya came under its administration. However, it was not until 1946 that the country was federated and unified. During those years the country slowly assumed the characteristics of a plural society.

THE HISTORICAL BACKGROUND

In the early days of the country's history, a society grew together with the development of agricultural activities. The cultivation of wet paddy, for example, required the farmer to look for a suitable area to settle down permanently in order to be successful in his undertakings. Besides rainwater, the river was also the source of irrigation. People, therefore, started setting up their homes along the riverbanks. Not only was the river the source of irrigation but it was also the means of transport as well as inter-village communication. The development of a village which varied in size, from hamlets of some five houses to large settlements of a hundred houses or more depended on the availability of land for paddy cultivation.³ There were also those who grew other crops and fruit trees

on a small scale for domestic consumption. These smallholders made up the peasantry who sometimes paid in kind to the authorities, the ruling class, by letting the latter pick whatever they wished from their harvest.

Even before the presence of the European ascendancy, each individual state in Malaya had its own political hierarchy. The state, which was typically the basin or (less often) of a group of adjacent rivers as the main lines of communication and trade,⁴ was headed by a ruler called either *Yang di-Pertuan* (He who is Lord) or *Raja* (Hindu Ruler) or *Sultan* (Arabic Ruler) depending on their inheritance from their forefathers. Whatever the title he may have assumed, the Ruler during the nineteenth century, and even earlier, was the symbol of unity. There were essentially two classes in the system of government (*Kerajaan*): the ruling class (*Raja and Pembesar*) and the subjects (*rakyat*).

The Sultan had an hierarchy of greater and lesser officials to assist him in the state's administration. Among the officers of great importance were the *Bendahara* (Chief Minister), *Penghulu Bendahari* (Treasurer), *Temenggong* (Commander of Troops and Police), *Menteri* (Secretary of State), and *Shahbandar* (Harbour Master and Collector of Customs).⁵ When it came to daily government affairs, the Sultan consulted his advisers who were either aristocrats or pseudo-aristocrats. From these consultation, the Sultan decided. His decisions were taken down in writing by the assistants who were of the lower status known as secretaries. The decision was then put into action.

Here, it is good to note that writing is important in the Malayan political system. Writing was used to record the agreement of chiefs to elect a sultan, the appointment of a district chief or of a village headman, the grant of a territory and the terms of a treaty. It was also less often used to preserve accounts and for private memoranda.⁶ Basically, the commoners made up the majority of the secretaries and from the nature of their work, they knew matters of great secrecy and importance. The manuscripts that survived to this day showed a richness in classical Malay court language and protocol and masterfully written. These characteristics were not even lost in the treaties with colonial powers or their agents which changed the course of history such as the ones with Francis Light, Raffles, Brooke, North Borneo Company, and those on British intervention in the Malay states though they were more direct and to the point.

While the Sultan confined himself in the palace, reigning over but not ruling the state, the real power of administration lay in the hands of

district chiefs who were from the ruling class.⁷ These chiefs exercised authority over outlying villages through the *Penghulu* (headman) of each village. He governed the district as well as collected revenues and taxes. A chief had the support of entourage which comprised family members, remoter kinsmen, and other 'aristocratic' supporters who acted as deputies and lieutenants in the work of government and performed multiple duties when the occasion arose.⁸ The size of his entourage depended very much on his wealth and strength.

In the beginning of the sixteenth century, the Portuguese, under the command of Alfonso de Albuquerque, attacked Malacca and captured it in 1511. Significantly, this event marked the end of the reign of the Malacca Sultanate. Although the glory of the Sultanate lasted only a century (c. 1400–1511), it had immense influence on the traditional pattern of political organisation which has lasted till today. The actual practise was not reproduced in other states because of prevailing local circumstances. It was also during this period of the Malacca Sultanate that the Malays were converted to Islam. After the defeat, the Malacca Sultanate fled south and rebuilt their dynasty in Johore. They fought the Portuguese constantly but were unable to recapture Malacca. As for the Portuguese, they were not keen in enlarging their empire but more interested in expanding their trade as well as winning souls for the Catholic faith. As such, they were not well received by the locals who were basically Muslims. The Portuguese lost the port to the Dutch in 1641.

The Dutch were just interested in sustaining European trade domination. They held the Christian Portuguese to be their major adversary and did not regard Islam as an unclean thing to be stamped out at all costs.⁹ Because their attitude towards religion was different from that of the Portuguese, they were better received by the locals. The Dutch realised that to gain monopoly over the trade that was going on in the Straits of Malacca, they would have to establish themselves in Malacca. The Johore rulers collaborated with the Dutch, in the hope that Malacca would be restored to them, with the Dutch only occupying the port. Having succeeded in their quest, the Dutch kept Malacca to themselves, much to the disappointment of the Johore rulers.

Although Malacca was now in the hands of the Dutch, they concentrated on building Batavia (now Jakarta) as the commercial center of the area. Malacca's primacy of trade suffered. In 1795, Malacca was handed over to the British under the order of the Dutch

ruler who was in exile in England as a result of the Napoleonic war but Malacca was given back to the Dutch in 1818. On March 17, 1824, there was a treaty between Britain and the Netherlands governments by which Malacca was given to the British in exchange for Bencoolen (Fort Marlborough). The two countries made a practical compromise which ended their two hundred years of feud in Southeast Asia. The general sense of arrangement was a division of spheres of influence. Britain left Holland a free hand in the Indonesian Archipelago and she herself was given likewise in Malaya. By that time, the British were in control of all the trading that was going on in the Straits of Malacca as they had earlier built their ports in Penang and Singapore.

The British entered the scene when they were in search of trade especially in finding a settlement to further their trading with China. The other reason was to prevent the French domination over the Indian Ocean. At the same time the Sultan of Kedah was eager to break free from Siamese suzerainty. So, in 1786, he leased the island of Penang to Captain Francis Light in return for military protection from the British. Subsequently, in 1800, the adjacent area, Province Wellesly, was leased to the British as well. However, the British did not keep their bargain of the treaty, and when Kedah was attacked by the Siamese in 1821, the Sultan of Kedah was defeated. The British remained in the island. From 1786 to 1805, Penang became the island dependency of Bengal. In the later years, the status of Penang was elevated to the fourth Indian Presidency. The British established their influence in Singapore (1819) and the state of Malacca (1824) which formed the outposts of the East India Company.

In 1825, Penang, Malacca and Singapore formed the Straits Settlements. Singapore and Malacca became part of the presidency of Penang which was the capital till 1832 and the centre of judicial administration till 1856. Due to heavy expenses of elaborate office establishment coupled with the failure to meet with the expectations of the East India Company, Penang fell in disfavour. Instead, Singapore replaced it as the capital of the Straits Settlements. With the emergence of these three seaports, the British had secured their sea-route to China as well as domination of the Straits of Malacca. The value of the Straits Settlements was that it proved to be a strategic link between the Indian Empire and the Chinese traders.

In the early days of British administration in the Straits Settlements, the various communities in both Penang and Singapore were left to

organise for themselves under their own leaders. The legal system practiced by the Straits Settlements was based on local customary law. The legal system that was based on English law applied in India was first introduced in 1807 in Penang. A Recorder was appointed by the Crown to preside over the court and in 1826 the jurisdiction of the court was extended to Singapore and Malacca. The law, however, was tailored to suit local circumstances.

In 1867, these three states which formed the Colony of the Straits Settlements came under the responsibility of the Colonial Office. As the Straits Settlements was under the umbrella of the British Crown, a Governor assisted by a nominated Executive and Legislative Council headed it.

In 1826, an Anglo-Siamese treaty was signed whereby the suzerainty of the Siamese ended at the northern boundaries of Kedah, Perlis, Kelantan and Trengganu. As such, the British viewed the rest of Malaya as part of their sphere. However, the British interest in the Malay states within its sphere of influence was essentially negative; the aim was to prevent wars between the States and to exclude foreign powers from interfering in them. The treaties signed by the British with the rulers of the Malay states of Perak, Selangor, Negri Sembilan and Pahang marked the second phase of British administration. According to the conditions of these treaties, the British must recognise the Sultan's claim to be the ruler of their individual states but, on the other hand, the Rulers would have to

receive and provide a suitable residence of a British Officer to be called Resident who shall be accredited to his court and whose advice must be asked and acted upon on all questions other than those touching Malay Religion and Custom.¹⁰

Under this system, the British Resident was expected to rule through the Malay sultans. This system of indirect rule implied that the imperial power did not supersede a pre-existing political authority but established its dominance over it. The British Resident took over the duties of collecting as well as controlling the state revenue and the general administration. The British did not see the necessity in strengthening local administrative powers. Since they were now the administrators, the Resident found great difficulty in curbing their role as mere advisers to the rulers.

The British administrations needed people to perform minor administrative jobs and police work. For these minor positions, they looked to the natives to form a subordinate civil service and, at the same time, to act as middle persons between administrators and the local people. For these reasons, the British kept the traditional system of government with its *Penghulu* (headman) and *mukim* (parish) for their own convenience in the administration of the state. The local chiefs and nobility were roped into the local government but the British found that their absorption into the administration was unsuitable because the natives were not trained in modern administration. It was far better to compensate them by giving the local chiefs and nobility allowances and pensions for their loss in revenues.

In 1895 the power of the sultans was reduced as the result of the creation of the federation with Kuala Lumpur as the capital. The hierarchy of the British administration was extended with the inclusion of the High Commissioner of Malaya, and below him the Resident-General. These two positions came above the state Resident. In 1909, the Federal Council was formed which marked the beginning of a unified, centralised administration although the British still practiced indirect rule. The Governor, who was also the High Commissioner, wanted to establish a common civil service under the Resident-General who was basically the chief officer. Malayan Civil Service (MCS) was born. As chief officer, his functions were to supervise and control the administrative staffs which included the Legal Adviser, Secretary of Chinese Affairs, Commissioner of Police, Judicial Commissioner, Financial Commissioner, and Directors of Public Works, Railways, Forest, etc.¹¹

The Resident still held on to his old regional power but now he was a civil servant under central control. When the federation began to grow and consolidate, the position of the State Councils, which had been so vital a feature of the old Residency system, started to deteriorate and shrink. This was because the administrative centre had already shifted away from the Sultans and the Residents to the Resident-General and his secretariat in Kuala Lumpur, and legislation was not slow in following it to the same efficient destination. The case of indirect rule had now turned to direct rule by the British authorities. Although the consolidation of the four states under a federation brought about modernisation, the Malays resented it because they were excluded from the administrative responsibilities. As a result the Federal Council was formed in 1909 which consisted the Governor, Resident-General, the

four Sultans and their Residents, and four unofficial members nominated by the High Commissioner. The four unofficial members were, over the years, mostly British, except for a few Malay and Chinese who represented the chief economic interests of the country. The Council met once a year to discuss the financial estimates of each state and to legislate for the federation as a whole.

In the Agreement for the Constitution of the Federal Council, it was stated once again that nothing in it was intended to curtail any of the powers or authority then held by any of the rulers in their respective states.¹² However, in practice, the authority and the power of the Rulers was reduced one step lower. Nevertheless, the profits obtained from tin and rubber soon clouded the political situation in the Federated States. As pointed out by Wilson,

In the general rush of development, bringing with it increased prosperity, any discontent with the highly centralised bureaucracy at Kuala Lumpur seems to have been forgotten.¹³

However, the old issues were not forgotten and they reappeared during the term of Sir Guillemard. He undertook to be responsible for securing decentralisation in the Federated Malay States which should provide each state more freedom of action.

By 1927, the influx of Chinese and Indian immigrants into the country was increasing due to the expansion of the tin industry and the introduction of rubber. The system of indirect rule did not cater for the administration of immigrants as these people did not fall within the purview of 'native' administration. A more direct administration was therefore established although the form of indirect rule was still maintained. As the shaping of plural society began to take place, the Malays turned to the British objecting to the economic exploitation of the country by the immigrants. Consequently, Sir Hugh Clifford made a significant speech regarding this issue before the Federal Council in 1927,

These States were, when the British Government was invited by the Ruler and Chiefs to set their troubled houses in order, Muhammadan monarchies. Such they are today, such they must continue to be. No mandate has ever been extended to us by Rajas, Chiefs, or people to vary the system of government which has existed in these territories and doctrines are spreading like an infection, bring with them, too often, not

peace but a sword, I feel it incumbent in me to emphasise, thus early in my allotted term of office, the utter inapplicability of any form of democratic or popular government by majority which would forthwith entail the complete submersion of the indigenous population, who would find themselves hopelessly outnumbered by the folk of other races; and this would produce a situation which would amount to a betrayal of trust which the Malays of these States, from the highest to the lowest, have been taught to repose in His Majesty's Government.¹⁴

The British then declared in 1928,

Our position in every state rests on the treaty obligations and, however great the changes may appear to have been since the dates when they were made, those changes have not in any way modified the fundamental status of these communities. These were, these are, and they must remain 'Malay States' and the primary object of our share in the administering of these countries must always be the progress of the indigenous Malay inhabitants for whom at the invitation of whose forefathers we first assumed responsibilities.¹⁵

The policy of assisting the Malays in the economy was contradicted by the education policy which placed the Malays at a disadvantage as it did not allow them to participate in the modern sector of the economy. This was because the Malays were placed in Malay medium school at primary level but were expected to continue their secondary education in English medium schools. However, a substantial number of them did not go beyond the primary level. In order that the Malays could be absorbed into government service where the language of administration was English, a special school was set up in 1905 in Kuala Kangsar called the Malay College. Upon graduation from this college, the Malays joined the civil service but at a lower level as the entry into the Malayan Civil Service still remained in the hands of British officers.

In 1909 Siam relinquished to the British its rights over the northern states which comprised Kedah, Perlis, Kelantan and Trengganu. Simultaneously, these states accepted British advisers. With the coming of rubber in the early twentieth century the pace of development quickened and the completion of the railway link between Singapore and the Federated Malay States in 1908 made western Johore more accessible. Like the Sultan in the other northern states, the Sultan of Johore tried to avoid having a formal British adviser in his state.

However, in 1914, the Sultan, who prided himself on his friendship with Queen Victoria, had to accept an adviser because of some defects in local administration.

These five states did not come under the Federation. As such, they were known as the Unfederated Malay States. The Unfederated States joined the Straits Settlements and the Federated Malay States to form British Malaya. On the other hand, these five states continued to be independent Malay monarchies. They were lumped together only through the historical accident that the federation was an accomplished fact by the time they came under British protection.¹⁶ The mistakes committed by the sultans of the Federated Malay States were looked upon as examples to be avoided. Their independence paradoxically brought them together against the encroachments of Singapore or Kuala Lumpur. The five rulers of these states made sure that the rights of the natives were preserved.

Since the language of administration was Malay, there were no hindrances in recruiting Malay officers who were literate in the language to the posts in the state government in the northern states unlike in the Straits Settlements or the Federated Malay States. This was also practiced in Johore where the language of administration was either in Malay or in English. Although English was used, it did not pose a problem because there were Malays who were educated in English.

The three separate governments of British Malaya, namely, the Federated, Unfederated and the Straits Settlements, in such a small Malay Peninsula continued well into the twentieth century. In fact, it went on until the Second World War when British Malaya (and the rest of Southeast Asia) was overrun by the Japanese who occupied the country until the war ended in 1945. When the British came back they brought a proposal to unify the three separate entities and called it Malayan Union. Instead of indirect rule, it was now direct with the country headed by a Governor and the status of the state sultans relegated to looking after Malay customs and Islamic affairs. Citizenship was also liberalised. The Sultans were cajoled into giving their consent to the proposal. The Malays were incensed upon hearing it and, for the first time in their history, were united. Nationalism was born. Due to their strong opposition, the Malayan Union, which came into force in 1946, was replaced by a more acceptable Federation of Malaya Agreement in 1948. Under the Agreement, the states agreed to have a federation with a central government and the rights of each state as well

as the sovereignty of the sultan enshrined. There was a special provision for the economic upliftment of the Malays and the pre-Malayan Union citizenship qualifications were retained. The Federal Government was headed by a High Commissioner, advised by a Federal Legislative Council whose members included *ex officio*s from the States. A federal legislation must not only be signed by the High Commissioner to come into effect but witnessed by two of the Rulers. The fears of the former Unfederated Malay States were apparently put to rest in the new Agreement.

THE POLITICAL AND GOVERNMENT SYSTEM

Malaysia achieved independence from Britain in 1957 and has been a constitutional monarchy based on the British model. Every five years, the rulers of the nine sultanates select one of their own as Head of State (known as the Yang di-Pertuan Agong), basically a symbolic supreme ruler. In those states in which there is no hereditary ruler, a Governor, appointed by the Yang di-Pertuan Agong, heads the state. The governors do not participate in the election of the Yang di-Pertuan Agong.

The thrust of the Malaysian political system has been to achieve consensus between the different ethnic groups in the country, although it is frequently argued that certain political parties represent and promote the interests of the elite of a community. Historically, consensus mode of politics started when the different ethnic groups bargained for each position in independent Malaysia (then Malaya). The ethnic groups were economically and socially segregated. The Malays inhabited the rural areas and worked as farmers and fishermen. The Chinese and, to a certain extent, the Indian migrants, brought in large numbers during the colonial period, dominated the more lucrative economic sector. The Chinese came in as traders, occupied the ports and trading centres and exploited the tin fields, described to be among the richest in the world.¹⁷ The majority of the Indians worked in the rubber plantations but some were also traders and white-collar workers in the former Federated Malay States. By the early 1920s the Malays became a minority. Several years before independence, the Malays were apprehensive about losing their country, given their economic plight and having to decide over limited affairs in government such as religious and cultural matters. Meanwhile the immigrants were already demanding citizenship.¹⁸

This led to the bargain and compromise between the main ethnic groups before *Merdeka*. The founding fathers agreed to citizenship for the immigrants while preserving the special position of the Malays as an indigenous group. This was later incorporated in the *Merdeka* Federal Constitution. The arrangement was well suited for the particular period. However, after ten years of independence the bargain was evidently unsuitable. The Malays started to realise that political power did not guarantee economic improvement. The Chinese, on the other hand, started to feel that good trading and economic opportunities alone were not good enough; they wanted some political power. The racial riot that broke out in 1969 led to another bargaining process which resulted in the formulation of the New Economic Policy (NEP) to cover a period of twenty years from 1970 to 1990. Henceforth, it has been argued that the 'second' bargain gave the country some balance and stability.¹⁹

The system of government is based on the Westminster model which consists of the Yang di-Pertuan Agong, the Senate (*Dewan Negara*) and the House of Representatives (*Dewan Rakyat*). The Prime Minister must command the confidence of the Parliament or he and his Cabinet must resign or request that the Yang di-Pertuan Agong dissolve Parliament. The policy of the government is formulated by the Cabinet and the implementation of policy is the individual responsibility of each Minister, who is assisted by the civil service. The members of the Cabinet share collective responsibility to Parliament for all decisions and dissident members are honour-bound to resign. (This system is further elaborated in Chapter 3).

The government has a federal framework but a closer study of the constitutional provisions shows that federalism is very formal in nature, with the balance of effective power lying heavily with the central government. This remained so in 1963 when several safeguards were given to Sabah and Sarawak when they entered the federation.

The focus of the political system is on national unity. Any tension in the country could disrupt racial harmony. The government argues that it is necessary to foster a peaceful environment in order to attract foreign investment. Economic growth is central to the Malaysian government and expressed in all national development plans. The aim has always been to enlarge the economic pie so that Malaysian of every ethnic origin can have an equitable piece of it.

ENDNOTES TO CHAPTER 1

- ¹ Robert O. Tilman (1964). *Bureaucratic Transition in Malaya*. Durham, N.C.: Duke University Press.
- ² R.S. Milne (1967). *Government and Politics in Malaysia*. Boston: Houghton Mifflin Company. p.3
- ³ J.M. Gullick (1965). *Indigenous Political System of Western Malaya*. London: Athlone Press. p.54
- ⁴ *Ibid.*
- ⁵ *Ibid.*
- ⁶ Sir Frank Swettenham (1907). *The Real Malay*. London. p.258
- ⁷ Gullick, *op.cit.* p.53
- ⁸ *Ibid.* p.97
- ⁹ Richard Allen (1968). *Malaysia: Prospect and Retrospect*. London: Oxford University Press. p.21
- ¹⁰ Engagement entered by the Chiefs of Perak and Sir Andrew Clarke, Governor of the Straits Settlements at Pulau Pangkor dated 20 January 1874. The text of the Treaty of Pangkor and other treaties are contained in *Treaties and Engagement Affecting the Malay States and Borneo*, edited by William George Maxwell and William Summer Gibson (London), Truscott and Sons Ltd, 1924. Also quoted in Northcote C. Parkinson, *British Intervention in Malaya* (Kuala Lumpur: University of Malaya Press, 1964
- ¹¹ Parkinson, *op. cit.*
- ¹² *Ibid.*
- ¹³ Sir Samuel Wilson, a Colonial Office official, who brought to Malaya a proposal to reorganise the administration of the Federated Malay States.
- ¹⁴ Parkinson, *op. cit.*
- ¹⁵ D.A. Low (November 1964). 'Lion Rampant', *Journal of the Commonwealth Political Studies*. Leicester University Press, Vol. II, No. 3. p.237
- ¹⁶ Jus Faarland, J.R. Parkinson and Rais Saniman (1990). *Growth and Ethnic Inequality - Malaysia's New Economic Policy*. London: Hurst and Company.
- ¹⁷ *Ibid.*
- ¹⁸ *Ibid.*
- ¹⁹ *Ibid.*



CHAPTER

2

The Growth and Development of the Public Bureaucracy

The growth and development of public bureaucracy from Merdeka day in 1957 was marked by a humble beginning. The administration was left with barely a few hundred top personnel after a good many of the colonial officers took the generous offer of early retirement under the Malayization scheme and left for home. It was this small band of officers with an equally small number of agencies that undertook the task of administration in independent Malaya. The strength gradually rose to cope with the expansionary role of the public service in view of major policies and new development programs including the New Economic Policy. In this context, the major player in the public service is analysed: the Malaysian Civil Service (MCS), which has personnel in key positions at every level of the Government. The analysis includes professionalism and neutrality.

THE MALAYSIAN BUREAUCRACY AT INDEPENDENCE

When Malaysia gained *Merdeka* in 1957, the shape of the administration was as diverse as it was before independence. The government has a federal framework but a study of the constitutional provisions shows that the federalism is very formal in nature, with the balance of effective power lying heavily with the central government.

Although there is a federal civil service, all the states have a state clerical service, and all except the previous federated states have a system of state posts above the clerical level. In the words of R.S. Milne,

The structure was diversified in that there were various 'layers' in it: the indigenous Malay layer reaching from the Ruler down to the *penghulu* (headman); the administrative layer of districts, each under the District Officer, introduced by the British following the pattern they have used in India; the top 'democratic' layer of political, powerholders who owed their positions to democratic elections, whether at federal level, state level, or at the level of elected head authorities.¹

Be that as it may, the Malaysian bureaucracy at the time of independence has been asserted to have enjoyed 'the services of a highly sophisticated and unquestionably efficient bureaucratic apparatus'.² However, it was still a 'colonial bureaucracy' since at that time it was mostly staffed by expatriate officers, while local officers were given the opportunity to assume more responsible positions. This worked very well, especially since there was already a pool of local officers who were qualified to fill the top positions.

Malaysianisation of the Bureaucracy

Like many developing countries in Southeast Asia, which obtained independence from colonial rule, Malaya at that time adopted an '-isation' policy in the civil service. The Malaysianisation program was carried out in stages, with generous compensatory terms, which prevented an exodus of expatriates. In many cases, only when there was a competent understudy was an expatriate requested to retire. This made for smoother transition and less hostile compared to other countries which implemented the same indigenisation of the bureaucracy.

R.O. Tilman has an illuminating picture of this process. In 1957, expatriate offices staffed 67% of all MCS posts and by early 1962 there were about 9.2% expatriates (26 officers) left in the service. In the technical and professional field, the Malaysianisation process extended over a much longer period as there were a limited number of local officers to take the place of the expatriates and training first had to be expanded.³

The Formal Organisation of the Bureaucracy

The Malaysian bureaucracy is structured vertically around various functional departments, which represents an accidental and pragmatic historical development. Its structure includes three main categories:

- (a) The Administrative, Executive and Clerical classes. These are commonly known as the general-user services or common user services.
- (b) Professional or specialist service, staffed by professional officers including doctors, engineers, dentists, architects, accountants, chemists, legal officers, etc.
- (c) Departmental services such as customs and excise, immigration, survey, audit, and the like.⁴

In addition to this vertical structuring based on functional departments, there is a horizontal stratification superimposed on the total bureaucracy. The horizontal classification in terms of level of operation before the introduction of the New Remuneration Scheme (NRS) in 1992 was as follows:

- (a) Division I (University degree entry qualification)
- (b) Division II (College Diploma/Higher School Certificate)
- (c) Division III (School Certificate)
- (d) Division IV (Lower School Certificate and below)

After the introduction of the NRS, the classification is as follows:

- (a) Premier Group (Superscale C and above of former Division I)
- (b) Professional and Managerial Group (Timescale to Superscale D of former Division I)
- (c) Support Group I (the former Divisions II and III)
- (d) Support Group 2 (the former Division IV)

All the four groups are further structured hierarchically beginning with a broad base positions of the lowest grade, rising to the next grade with a lesser number of positions, and so on until the top grade. In the case of the Professional and Managerial Group, the bottom layer with a broad base is Grade III posts (formerly known as 'Timescale'), above which are Grade II (combination of former Superscale positions of G and F), and Grade I positions (combination of former Superscale E and D). Above Grade I, the most coveted in terms of salary, perks (including an official car with driver) and responsibilities, are Premier Civil Service positions (*Jawatan Utama Sektor Awam, JUSA*) beginning with several former Superscale C posts and rising to a limited number of staff appointments, the uppermost layer of the pyramid. The topmost staff appointment is Chief Secretary to the Government, followed by Director

General of the Public Service Department, Secretary General of the Finance Ministry, Attorney General, Director General of Medical Services, Director General of Education and a few other heads of top Ministries and Departments.

The shape of the group structures is pyramidal. The bulk of the bureaucracy is contained in the Support Group 2. In the 1970s the estimated number of civil servants including those in the statutory bodies but excluding armed forces personnel was 500,000. The figure in 1998 was around 668,000.

The NRS was introduced in 1993 to reflect the promotion and advancement of careers through merit. Basically, an employee who performs extremely well gets more pay whereas under the old scheme he received a normal annual increment like the rest. Under the matrix salary schedule, a public servant with excellent annual performance continuously and consistently for a few years can advance up his career ladder within a short span of time. The NRS is also noted for its 'caring service' with, among other benefits, an extended maternity leave from 42 to 60 days, paternity leave of 3 days for a male employee during his wife's confinement, and medical benefits for the parents. It also revised and streamlined the salary scales to be more comprehensive and uniform as well as downsizing the number of scales from 500 to around 100.

THE MALAYSIAN CIVIL SERVICE (MCS)

Within the professional and managerial group, a prominent role is played by the Malaysian Civil Service (MCS), and no discussion of the bureaucracy in Malaysia is complete without some reference being made to the role of the MCS, the present *Perkhidmatan Tadbir dan Diplomatik (PTD)*, in the public service.*

Perhaps R.S. Milne had not exaggerated the position of the MCS in the bureaucracy when he stated that 'the whole tone and temper of the Civil Service is fashioned by the Malaysian Civil Service...'.⁵

The MCS provides almost all the senior administrative officials of the federal government together with some senior positions in the states under an arrangement by which MCS officers are seconded (Article 134(2)) to work for the states. Many of the key decision-making

* MCS and PTD are used interchangeably in this book.

positions in the headquarters and in the fields are held by the MCS officers. As noted elsewhere, the District Officers in the field are invariably MCS officers (with the exception of those in East Malaysia states and the former Non-Federated Malay States) and they have tremendous responsibilities and discretionary powers.

In view of the extensive powers and prestige enjoyed by the MCS and the fact that many key positions in the bureaucracy are held by its members, including secondment positions in public corporations, the MCS can really be regarded as an elite service. The grade structure, the pan-government nature of the assignments and the broad geographical distribution of its members attest to its superior position in the Malaysian bureaucracy.

The MCS is ethnically composed mainly of Malays. The non-Malays have a representation of about 25% in a service of about 3,500 in accordance with the mandated recruitment policy. This was partly a legacy of the British administrative policy of trying to absorb competent Malays into the Western social order. With independence and political bargaining and the subsequent entrenchment of the Malay so-called 'special privileges'⁶ in the Federal Constitution, this service remains one of the few services preserved for the Malays. The other senior services, however, reflect a remarkable cosmopolitan pattern, and in fact, in terms of racial composition, are dominated by the non-Malays.⁷

The feeder service for the MCS used to be the Malay Administrative Service (MAS) but there was direct entry from the university into the MCS from the time of Independence. MAS has since been abolished in the early 1980s. In 1993, another feeder service known as General Administrative Service (GAS), created in the late 1970s, was also abolished. Since then there has been no more feeder service for the MCS except for serving officers from other services having the required qualifications who wish to change career. Moreover, there has been a sufficient supply of candidates from local universities, which has increased in number and disciplines, as well as those graduates coming back from abroad.

General Characteristics of the MCS

A brief analysis of the characteristics of the MCS seems necessary here in order to highlight its strengths and weaknesses and relate them to the need for administrative reform.

Generalist Posture and Neutrality

A striking feature of the service is its 'generalist' character. In this respect, it is not unlike the Indian Civil Service (ICS) and the Civil Service of Pakistan (CSP), which all have their protogeneity in the British Administrative Class. An MCS officer moves from one type of work to another and from one department to another during the course of his career. On first appointment, a person might first serve as an Assistant District Officer or as an Assistant Secretary in a State Secretariat or in a Ministry. After a period of junior posts (sometimes less than five years), he might become a District Officer or a State Development Officer of a small state or a Clerk (Secretary) of the Legislative Council. On the first promotion, which is the biggest jump in a person's career in terms of salary, to Grade M2 (equivalent to the old Superscale 'G'), he might fill other varied positions such as a District Officer of a sizable district or the Principal Assistant Secretary of a Ministry or as a State Financial Officer. The MCS officer is, therefore, a general-purpose civil servant who holds executive, administrative and judicial functions.

Like the officials of the Administrative Class in Britain, the MCS officers hold the concept of neutrality of the civil servants. They play the role of advisers to the political officials once they are in the higher echelon of the service. This adds to their prestige and standing, as they are nearest to the political decision-makers. What Ferrel Heady has remarked about the CSP in Pakistan seems to ring true for the MCS in Malaysia.⁸ He observes that a civil service career offers status and security, plus the remote chance of breaking into the inner circle of the political élite. Several Cabinet ministers from the time of Independence were former civil servants.

This tradition of neutrality of the MCS and the Malaysian public service as a whole has been well tested since the Ministerial system began when the country became independent. Though there had not been any change of government at the federal level since *Merdeka*, there had been two major leadership crises within UMNO, the dominant party in the ruling coalition, *Barisan Nasional*, and at least one constitutional crisis which caused the neutrality of the civil servants to be tested. In both the leadership crises, in 1987 when Prime Minister Mahathir was strongly challenged for UMNO leadership by a group of ex-Ministers, and in 1997 when Mahathir dismissed his Deputy, the civil servants remained neutral and gave their loyalty to whoever was in

power, in this case Prime Minister Mahathir. The stronger test came during the constitutional crisis when the ruling party curtailed the immunity of the Rulers in 1993. The country, particularly the Malays, were deeply divided on this issue, their loyalty torn between the sultan and the political élites. The civil service was in an even worse predicament. The top civil servants deal directly with both protagonists but during the crisis they remained neutral and obeyed the ruling party except for one isolated case, the State Secretary of Johore who sided with the Ruler and resigned. Neutrality triumphed.

Neutrality also appears to have prevailed in two states which have been ruled at one time or another by the Opposition, namely, Kelantan and Sabah. In Kelantan, ruled alternatively by UMNO and PAS but for most years since *Merdeka* by the latter, the power of promotion and discipline of the state civil servants still lies with the State Public Service Commission, whose members are appointed by the Sultan. In other states and at the federal level, such power has been delegated to the government. Kelantan goes even further in that transfers are made by the Public Service Commission (PSC) and in the name of the Sultan, as in the officer's appointment. Thus, no matter which political party rules Kelantan, the loyalty of the officers is with the Sultan but they remain neutral.

In the case of Sabah, which had seen four changes of government since joining Malaysia (once by the Opposition and three by local strongmen of the national ruling coalition with seemingly little control from the centre), neutrality has also prevailed despite the fact that some officers holding prominent posts like the Permanent Secretary or the District Officer were transferred when a new government took over. All were done 'in the exigency of service', which is difficult to prove otherwise. There were no known cases of resignations by or dismissals of civil servants on policy grounds when a new government took over in Sabah.

Public servants have been accused of discriminatory treatment against Opposition Party members, for example in the distribution of government subsidies like fertiliser. These complaints are often heard in Kelantan, Terengganu and Sabah where political rivalry has always been intense. The ruling party has always denied such allegations. The agencies involved, such as the Agriculture Department, Farmers Organisation Authority, Fisheries Development Authority and Rubber and Industry Smallholders Development Authority (RISDA) have stated that there is a set of criteria for those eligible which are strictly adhered to by their apolitical staff.

Under the General Orders, which all civil servants are subjected to, officers from the professional and managerial group are not allowed to take an active part in politics. Active means one may become a member of a political party and hold position up to committee level, nothing higher. Members of the other groups are allowed to participate and hold any position but with permission.

Élitism and Prestige

Two most aptly used words to describe the MCS would be 'élite' and 'prestigious'. Ambitious young graduates are still understandably attracted to it. In 1999 the Public Services Commission received about 4,000 eligible applications to fill a vacancy of 100 odd MCS positions, a trend no different from that in previous recruitment exercises since the early seventies.⁹ Generally, it could be remarked that a career in the public sector is more preferable to a career in the private sector. The educated élites were mostly found in the public sector though in recent years, during the economic upswing, the number joining the private sector has been on the increase. Salaries were comparatively high and fringe benefits were more generous in the public sector with security of tenure more assured. Under the British system, prestige and élitism were vital qualities. They helped solidify the concept of ruler and the ruled. They created a cleavage between the bureaucracy and the masses. They facilitated the administration of law and order. Under the British rule, these two elements contributed significantly to the success of the system.

Needless to say, these characteristics today can have negative effects on the performance of the MCS. As the country surges forward in economic and social development, these characteristics can become obstacles to achieving development goals. They can create a barrier between the bureaucracy and the masses. Fortunately, the indigenous government realised this and took steps right from *Merdeka* to impress upon the senior civil servants that they exist to serve the people. The increasing egalitarian background of the new MCS intake from the mid-seventies and the course content of the training programs as well as the exhortations from senior officers and political leaders like Tun Razak further helped to nurture the higher sense of responsibility and the spirit to serve the people among the officers.

There has been a strong perception that the prestige and the authority of the MCS officers at the state and districts levels have been somewhat

diminished by the domineering presence of elected representatives. Many constituents go to the latter when they have problems with the government agencies such as arrears of unpaid taxes or the need to seek support of their application for such matters as land or low cost housing. They will perceive that their elected representatives have more influence if what they asked for was granted. However, the majority still go through the proper channels and see the District Officer or his assistants as the latter are apolitical and are guided by rules and policies to ensure fairness.

Generalists Versus Specialists

Another trait of the MCS, which was more prevalent in the sixties and seventies, was the fact that most of its officers were generalist, which adversely affected their performance. This British legacy of non-specialisation still exists to some extent. However, the multi-disciplinary academic background of the new intake from the early nineties as opposed to the liberal arts previously as well as the availability of more in-service training programs on functional specialisations, followed by emplacement in the relevant agencies or divisions, lessened the generalist image of the MCS. Be that as it may, officers cannot remain for long in a specialised position as they have to move on in their career to a higher position which may not be a specialised one. Wherever they are posted, even as heads of a technical department (which is rare), MCS officers essentially have to *manage* and it does not matter much if they are not specialist though it is an asset to be one.

It is to be expected that the elevated position of the MCS as the *Corp d'élite* within the civil service together with its generalist character would arouse some feelings of envy among other holders of positions in the professional and technical fields. This has heightened somewhat the usual generalist-specialist conflict. Some attempts have been made to create functional specialisation within the generalist pool, partly to match the competence of the professional officers, but more to respond to the new kind of functions and responsibilities that the MCS has to perform because of the impact of socioeconomic development.

Social Status and Rigid Structuring

Yet another discernible characteristic of the civil service was the close relationship between social status and structure and functions of the

bureaucracy. The partitioning of the hierarchy into cadres and groups/classes, mentioned earlier, created barriers in work performance. Those who serve below the élite cadre feel inferior in social status, education and life-style. This is largely associated with the large differentials in pay structure, length of vacation, quarters provided, medical assistance, loan to purchase automobiles, etc. There is a relatively low degree of vertical and horizontal job mobility although the introduction of the NRS since 1993 is supposed to minimise the issue.

Production-Oriented Bureaucracy

In spite of what has been said in the preceding paragraphs, it is our considered opinion that the Malaysian bureaucracy including the MCS is production-oriented. This view is contrary to that expressed by Ferrel Heady who points out that one commonality in the basic patterns of administration in less developed countries is the fact that the bureaucracy tends to emphasise orientations which are other than production-oriented.¹⁰ The implication here is that bureaucracy tends to be 'overtowering' and self-serving. Heady speaks of value attached to status based on ascription in lieu of achievement; status is the prime mover of the system rather than a desire to achieve program goals. In recruitment, the choice of officials prevails and eligibility examinations are only a pretext. Nonmerit considerations influence promotion, assignments and other personnel consideration. He also mentions that corruption is prevalent in such countries. The only aspect of the above criteria that has some truth is the fact that seniority still is more important than merit in regards to promotion.

The fact that there is hardly any major friction evident between civil servants at the higher echelon of the service and their political masters makes for goal achievement. This can be explained partly by the phenomenon that the 'local political leadership was virtually identical in education, outlook, and social background with the local bureaucratic élite'.¹¹ The fears of Lucian Pye, Fred Riggs, and Henry Goodnow, who express somewhat similar views that the authoritative organs of government would tend to overshadow the nonbureaucratic subsystems of the political system¹² or even suppress the institutions essential to economic development as well as representative democracy, does not seem to apply in Malaysia. Some summary reasons can be advanced:

1. Recruitment into the higher civil service is now broad-based. Children of farmers and ordinary citizens are holding positions of importance in the bureaucracy. Many come from the villages and rural sectors and can, therefore, empathise with the need for bringing about socioeconomic changes to better the lot of their fellow men in the rural areas.
2. Many politicians have got into positions of power without a good background as to the workings of government and the functioning of the economy especially before the early eighties. Their tenure is limited according to their political fortune. It is the career civil servants who have the expertise and capability to evolve policy alternatives. These are carried out with the sanction of the politicians. So both the administrative and the political élites share the same aspirations of bringing development to the people.
3. The bureaucratic élite is well paid with generous fringe benefits. Many are awarded national honours. There is security in the public service vis-à-vis in the political arena of a developing nation. They form a solid responsible group that can hold the nation together, even in times of political crisis.
4. The bureaucratic élite is motivated and contented. Many have a number of options open in terms of a career. There is no necessity for them to use the authoritative organs of government to usurp political power or suppress democratic institutions. At the higher echelon, the dynamic ones are often invited to join the Cabinet to hold a political office. They can resign and do so. They are also very sought after by the private sector even after their retirement. Some find their way into positions of responsibility in public corporations and the universities. Their governmental experience is invaluable to these institutions.

STATE CIVIL SERVICES

In addition to the Federal Civil Service, each of the five former Unfederated Malay States and the east Malaysia states of Sabah and Sarawak has both a State Civil Service (except Perlis) and a State Clerical Service. Most of the other personnel required by the states are recruited by the respective State Public Service Commission or, in limited cases, by the National Public Service Commission. The four

former Federated Malay States and the two former Straits Settlements and Perlis have their own state clerical service but no state civil service though Penang and Malacca each had one till the early seventies. However, under constitutional arrangement MCS officers occupy key positions in these peninsula states such as the State Secretary, State Financial Officer, and Commissioner of Land and Mines.

The productivity of the civil service of the former Unfederated Malay States and the East Malaysian states had been questionable before the 1970s but had improved considerably since then due to improved salary schemes, higher qualified new entrants, proper training programs including post-graduate, and more federal assistance.

THE ADMINISTRATIVE LAG

The public service found that it had to change pace and reorientate itself after *Merdeka*. The continued thrust of the government in carrying out economic development programs through the five-year plans from *Merdeka* strained the old bureaucratic apparatus. A more active and vitalised bureaucracy was needed. As one past Chief Secretary to the Government has remarked:

In general, our administrative systems are suitable enough for carrying out the age-old functions of government associated with maintenance of law and order and the collection of revenue but are far from effective in performing functions required in dynamically developing societies. To cope with the range, variety and complexity of the administrative problems, which come in the train of the revolution of rising expectations, the commitment of our government to development must be matched by an equally ardent commitment on our part to revamp and modernise our administrative systems. Our system must be made to be more efficient not only to discharge our traditional functions of collecting taxes and preserving law and order but also expanded and modernised to meet the needs of economic and social development planning and implementation.¹³

An administrative reform agency called the Development Administrative Unit (DAU) was set up in 1967. Attempts were made to bring about administrative improvements in such major areas as the personnel system, the budgetary process, the local government and land administration, and the management services areas. There were mixed

results towards these efforts. Functional specialisation in the MCS was also advocated. The functional specialisation was to be imposed on the generalist nature of the MCS. Strictly speaking, there was no proper administrative planning to accompany the ambitious national development plans. The development plans seek to address socio-economic problems in the country. The implementation of these development plans, beginning with the First Malaysia Plan (1965–70), required not only additional manpower but also trained and highly skilled human resource. The experience of the First Malaysia Plan demonstrated that among the factors that constrained the implementation machinery of the government was its technical and managerial capacity and capability.¹⁴ The reviews of the subsequent plans also showed similar shortfall in the administrative capacity. The third plan period (1976–1980) pointed out the limited absorptive capacity by the states, particularly in the less developed ones. Out of the total development expenditure for the period, 16% was allocated for the states of Kedah, Kelantan, Perlis and Terengganu, out of which only 40% was expanded.¹⁵ Despite the directed effort by the Federal government, the program did not meet its target due to the administrative constraints of these states. The repeated call for administrative development to be given high priority apparently failed to address the issue.

The training lag or the widening gap between the knowledge and skill required under modern condition of rapid change was identified in the 1976 training report.¹⁶ However, it was a new concept among the Malaysian leaders. Apart from the restricted preparatory type of training, administrative training for efficiency was apparently absent for a long time. This may be a reflection of the generalist tradition regarding the profession of government, which maintained that any person with a good mind and solid character was capable of developing administrative competence no matter what his field of study. The idea was that experience and routine duties were sufficient to prepare one for the job.

NEW EXPANSIONARY ROLE

A New Economic Policy was introduced in 1970. The main objective was addressing the economic disparity between the major races in the country. The NEP was a long term plan to be implemented over a twenty-year period. The Second Malaysia Plan (SMP) (1970–1975)

was the first phase. The implementation of this new Policy mandated a greater and further involvement of the public sector in the economy.

The plan also attempted to achieve a racial balance on ownership in the various sectors of the economy. The non-Malay and foreign ownership dominated the manufacturing and commercial sectors. A target had been set that within a period of 20 years (1970–1990), Malays and other members of the indigenous population would manage and own at least 30% of the total commercial and industrial activities in all categories and scales of operation. In the 1970s Malay ownership in the modern sector of the economy was negligible and strong efforts were necessary to achieve by 1990 targets such as the 30% ownership.

Even without taking into consideration the efforts that were necessary to correct the ethnic imbalance of ownership of the modern sector, public development expenditure proposed in the SMP was likely to make considerable demands on the capacity of the civil service. The rate of public development expenditure for the years 1971–1975 was 5.9% a year, more than three times the rate of growth for the period 1965–1970. Consequently, the demand on the civil service was heavy and its capacity was not able to keep pace with the explosion in public development expenditure.

In addition to the increase in the volume of work, the Plan envisaged a new departure in government function that would require a qualitative change in the service provided by the civil service. The plan was explained in this way:

The government will participate more directly in the establishment and operation of a wide range of productive enterprises. This will be done through wholly-owned enterprises and joint ventures with the private sector. Direct participation by government in commercial and industrial undertaking represents a departure from past practices.¹⁷

This departure from the accepted role of government was likely to be of increasing importance in the future as the federal government realised that in order to achieve ethnic balance in the ownership of share capital in the modern sector of the economy, it would be necessary for the public sector to play a greater part in the development of industrial and commercial enterprises that it had hitherto done. In addition, the government attempted to regulate more tightly than it had done before the activities of the private enterprises.

Thus, during the mid-1970's, there were 22 Ministries and 60 Federal Departments. The government also set out to establish additional bodies designed to perform more specialised functions. Hence, numerous statutory bodies at federal and state level were created.

Before privatisation, which started in 1988, there were altogether 880,000 civil servants. The huge size of the public bureaucracy was to facilitate the process of economic development and expansion, among which, there were 24 Ministries, 65 Departments, 75 Statutory bodies at the federal level and 91 at the state level.

The expansion of the public sector was reflected in the size of public expenditure. The size has expanded over the years and has become comparatively higher in proportion to the GNP.¹⁸ Table 2.1 shows that government expenditure increased more than twofold from the 1960s expenditure compared to the 1980s and 1990s. The operating expenditure was between 20–30% of GNP. In the 1970s and 1980s the trend continued until 1993. The recessionary period of 1981 and 1982 seemed to top the list. The items in the operating expenditure included emolument, debt service charges, grants to state governments, pensions and gratuities, supplies and services, subsidies and others.¹⁹ One of the reasons, apart from the contraction of the economy which would automatically caused the percentage to increase, was the increase in debt-servicing.

Table 2.1
Selected Public Finance Statistics, 1981–1992
(RM Billion)

	1981	1986	1990	1992
Federal Government Deficit	-11.0	-7.5	-5.5	6.2
% to GNP	19.8	11.3	5.0	4.5
Public Sector Deficit	-12.7	-6.5	-1.0	3.6
% to GNP	22.7	9.8	0.8	2.6
Federal Government Domestic Debt	22.8	45.7	69.9	76.1
Public Sector External Debt	11.3	43.3	36.5	32.5
National Debt Service Ratio (%)	7.1	18.9	7.8	5.7

Adapted from Mahbob (1994)

The development expenditure which included agriculture and rural development, public utilities, trade and industry, transport, communications and others was in the region of 10–20% of the GNP in the late 1970s into the 1980s.

Several explanations could be given for the rapid and large increase in the public sector expenditure. Firstly, the direct involvement of the bureaucracy in the economy which was part of the social engineering program. As mentioned earlier, the New Economic Policy, which was aimed at correcting the ownership pattern among the ethnic groups, involved the bureaucracy in the business and commercial activities of the government.

Secondly, the large public expenditure in infrastructure and the property sector gave impetus for faster economic growth, especially in the industrial sector. The economic services such as trade and industry particularly had increased over the years. In the period of economic contraction in the mid 1980s, the public sector stimulated the growth of the economy through expansionary expenditures. The public sector demand was to stimulate the economy and was to push it out of the recession.

The large development expenditure had been in infrastructure and education. Infrastructure development started as part of the rural development program. Under the New Economic Policy, one of the objectives was to eradicate poverty. Since poverty was acute in the rural areas, improving the income of the rural people became the primary objective. To improve the agricultural sector, irrigation and drainage schemes were planned and constructed to assist paddy planting. In 1970, three major irrigation schemes in the country, the Muda, the Kemubu and the Besut were completed, and smaller schemes for other farm facilities were provided. Under the agricultural development program too, new land development schemes were undertaken. Although these schemes did not qualify to be described as towns, with proper roads and electrification when they were developed in the 1970s, they, however, laid down the framework for further development, albeit slowly in the following decade.

Transport development was given priority in the Second Malaysia Plan. It had increased substantially, amounting to one-fifth of the total allocation for non-security expenditure. This was to finance the additional trunk road system basically to connect the agricultural products and mineral with new industrial areas.²⁰ Railway investment and port development were part of the effort to facilitate the network. Similarly telecommunications improvement was planned under the Second Plan with an increased allocation equivalent to twice that of the 1966-70 period.

A new dimension to the economic policy in the 1970s was a switch from import substitution to promoting export-oriented industries. Although Malaysia was endowed with resources and abundant labour then, it lacked capital and technology. The Malaysian government offered incentives to woo foreign investors. The Investment Incentives Act (IIA) (1968) offered, among other things, export allowance, accelerated depreciation and double deduction of export promotion expenses from taxable incomes. However, part of the strategy was to improve the infrastructure. Several areas were identified as Free Trade Zones (FTZs), in which the government focused its efforts by improving the roads, electricity and telecommunications in order to facilitate transportation of capital equipment and products.

There were efforts to spread the industries to the less developed areas of the country, which were under the NEP. Even before the NEP, the concept of a development area in the Industrial Incentive Act (1968) was to attract investors to the less developed regions. Under the Act, the Minister of Trade and Industry, with the concurrence of the Minister of Finance, could declare any area in Malaysia to be a 'development area' for purposes of granting additional incentives to industries that would locate in these areas. The states that were declared as development areas in 1969 were:

- (i) Kedah, Perlis, Pahang, Kelantan, Terengganu and Malacca
- (ii) The industrial estates of Senawang (Negri Sembilan) and Kamunting (Perak)

After 1969, two more zones were added to the list of development areas, these being the Bayan Lepas Free Trade Zone in Penang (1971) and the Sungai Way Free Trade Zone (1972). Pioneer firms located in these areas were granted an additional year of tax relief irrespective of their capital investment.

Another measure to attract industries to less developed regions of the country, was the development of physical infrastructure. The availability of good transportation is a major determinant of industrial location. Hence, industrial estates were created to disperse industries by providing a wide variety of ready-built factories on fully serviced sites. These estates, totaling 55 in 1976, were under the supervision of the State Economic Development Corporation (SEDC).

The development of infrastructure in the late 1980s and into the 1990s was part of the coordinated industrial and commercial planning.

The strategic objective of infrastructure was to increase capacity and improve productivity and efficiency of business activities. Hence, infrastructure development tended to be urban-oriented. The improvement in the sub-sectors included transportation, telecommunications, postal, water supply and sewerage. This was given a new emphasis.

With the national desire to accelerate into becoming industrialised, infrastructure was identified as one of the strategic sectors. Expenditure for infrastructure was large in the 1996 and continued into 1997 at RM4,712 million or 31.5% of total expenditure, of which 26.7% was for the transport sub-sector.²¹

Education took a big share of the public expenditure. Education was a major item in the early development plans. It has always been the third largest, bigger than defence and security items (first being rural development, second transport and communication) in the development budget. In the Second Malaysia Plan, education and training was at RM537 million which was about 63% higher than the actual development spending during the last five years. The emphasis however, was on providing basic education and upper secondary, post secondary and higher education levels.

However, during this decade national integration and national unity were central to the government policy. Therefore, education policy shared the objectives of the New Economic Policy of improving the education level among the indigenous population.

The Malaysian labour market was unable to meet the industrial requirements (technical and managerial) in the 1970s and 1980s because, although there was an increase in school enrolments at the primary, secondary and tertiary level, the tendency of enrolment was towards the liberal arts. Towards the second half of the 1980s, it was realised that labour productivity in the industrial sector was relatively low compared to the international standard. Hence, greater effort was made in human resource development, specifically planned to meet the requirements of the growing economy.

The Fifth, Sixth and Seventh Malaysia Plans emphasised scientific and technical education, and skill development. This was when the government began to promote the private sector as the leading sector. By promoting greater private investment through the provision of conducive environment for business activities, the private sector was positioned to be the engine of growth, spearheading the economy. Also there was a large inflow of foreign direct investment into the country

from 1986 onwards, to about RM 34,908 million.²² Therefore, there was a shift in employment from the public sector to the private sector.

The Sixth Plan allocated 15.4% of the total development expenditure for education, which was about 46% more than the Fifth Plan.²³ The increase was mainly to cater for expansion and improvement in education, especially for technical and vocational schools. About RM610 million was allocated for the development of formal and non-formal skills training facilities.

Under the Seventh Malaysia Plan, efforts towards improving human resources received a new impetus.²⁴ Engineering and technical fields received government priority. Both public and private sector initiatives were mobilised to provide technical education. In the 1996 Budget, a sum of RM 11.8 billion was allocated for education and training.²⁵

The large size of the public expenditure as illustrated in Tables 2.2 and 2.3, indicates the size of the Malaysian public bureaucracy. It is also a reflection of the major role played by the government in society and attests to the fact that the public bureaucracy is omnipresent in the Malaysian society.

Table 2.2
 Percentage of Total Federal Government Operating
 Expenditure to GNP From 1967-1998

Years	Total Federal Government Operating Expenditure (RM million)	GNP (RM million at Market Prices)	Percentage of Expenditure to GNP
1967	1,801	9,654	18.66%
1968	1,796	10,071	17.83%
1969	1,930	10,978	17.58%
1970	2,161	12,155	17.78%
1971	2,398	12,501	19.18%
1972	3,068	13,641	22.49%
1973	3,341	17,443	19.15%
1974	4,315	21,234	20.32%
1975	4,900	21,684	22.60%
1976	5,828	26,983	21.60%
1977	7,398	32,263	22.93%
1978	8,041	36,497	22.03%
1979	10,040	45,083	22.27%
1980	13,617	51,838	26.27%
1981	15,686	55,602	28.21%
1982	16,671	59,690	27.93%
1983	18,374	65,154	28.20%
1984	19,806	74,182	26.70%
1985	20,066	72,039	27.85%
1986	20,075	66,814	30.05%
1987	20,185	74,679	27.03%
1988	21,812	85,796	25.42%
1989	22,982	96,447	23.83%
1990	25,026	110,548	22.59%
1991	28,296	123,548	22.90%
1992	32,075	140,267	22.87%
1993	32,217	156,941	20.53%
1994	35,964	180,861	19.88%
1995	36,573	208,294	17.56%
1996	43,865	237,687	18.45%
1997	44,069	261,094	16.88%
1998	42,766	262,091	16.32%

Source: *Economic Report*, Ministry of Finance Malaysia, various issues.

Table 2.3
Percentage of Total Federal Government Development
Expenditure to GNP From 1967-1998

Years	Total Federal Government Development Expenditure (RM million)	GNP (RM million at Market Prices)	Percentage of Expenditure to GNP
1967	625	9,654	6.47%
1968	619	10,071	6.15%
1969	615	10,978	5.60%
1970	725	12,155	5.96%
1971	1,085	12,501	8.68%
1972	1,242	13,641	9.10%
1973	1,128	17,443	6.47%
1974	1,878	21,234	8.84%
1975	2,151	21,684	9.92%
1976	2,378	26,983	8.81%
1977	3,217	32,263	9.97%
1978	3,782	36,497	10.36%
1979	4,282	45,083	9.50%
1980	7,463	51,838	14.40%
1981	11,358	55,602	20.43%
1982	11,485	59,690	19.24%
1983	9,669	65,154	14.84%
1984	8,407	74,182	11.33%
1985	7,142	72,039	9.91%
1986	7,559	66,814	11.31%
1987	4,741	74,679	6.35%
1988	5,231	85,796	6.10%
1989	7,696	96,447	7.98%
1990	10,689	11,0764	9.65%
1991	9,565	12,3548	7.74%
1992	9,688	14,0267	6.91%
1993	10,124	15,6941	6.45%
1994	11,277	18,0861	6.24%
1995	14,051	20,8294	6.75%
1996	14,628	23,7687	6.15%
1997	15,790	26,1094	6.05%
1998	17,991	26,2091	6.86%

Source: *Economic Report*, Ministry of Finance Malaysia, various issues.

ENDNOTES TO CHAPTER 2

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- ⁴ Abdullah Sanusi Ahmad. (1970). *Administrative Reforms and Innovations in Malaysia*. Unpublished MPA Thesis, GSPIA, University of Pittsburgh, USA.
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- ⁶ K.J. Ratnam (1967). *Communalism and the Political Process in Malaysia*. Kuala Lumpur: Oxford University Press.
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- ¹⁰ Heady, *op. cit.*
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CHAPTER

3

The Structure of Contemporary Malaysian Public Bureaucracy

The main discussion is on the structure of contemporary Malaysian public bureaucracy. The chapter begins with the role and functions of the Yang di-Pertuan Agong, Parliament and the Executive Branch of government. This is followed by a discussion on the central agencies, principally the Public Service Department which is responsible for personnel matters, the Ministry of Finance, and the Economic Planning Unit of the Prime Minister's Department. The chapter also examines Malaysian federalism and how the system works despite more powers vested with the central government, different ruling parties at state level, state lists and safeguards, and different state civil services. The chapter ends with a description on the various forms of local government, from District Council to City Hall, and the challenge to provide efficient services for a growing population with limited budgets.

THE ANATOMY OF THE FEDERAL GOVERNMENT

Malaysia's Federal Government is based on the Westminster model. At the supreme top is the Head of State, the **Yang di-Pertuan Agong** or King. Under His Majesty are the three branches of government: the legislative, the executive and the judiciary. As he is a constitutional monarch, all activities of Government are in his name though he acts only on the advice of the Prime Minister. His main discretionary powers, however, are the dissolution of Parliament and the appointment

of the Prime Minister. He gives royal assent to any legislation passed by Parliament before it becomes law. He also appoints judges and grants pardon in his role as the fountain of justice.

The legislative branch is Parliament, where the laws and government policies are enacted. Parliament is bi-cameral, consisting of two chambers: the lower house, the House of Representatives (*Dewan Rakyat*), and the upper house, i.e. the Senate (*Dewan Negara*). The legislative process can start from either House though normally from the House of Representatives. A bill is debated and needs a simple majority to be passed except in the case of constitutional amendments bill which requires a two-third majority. After a bill is passed, it is forwarded to the Senate. It is then debated in the Senate. Once passed, the bill is then submitted to the King for his assent to become law. His Majesty can withhold his assent for 30 days but at the end of that time the bill automatically becomes law.

The supremacy of Parliament is therefore evident, particularly the *Dewan Rakyat*. The House of Representatives has 192 members chosen through general elections once in every five years. The political party winning the majority of seats in the general election forms the government. The *Barisan Nasional* has been ruling the country since 1955, two years before Independence. In the 1999 general elections it won 148 out of 192 House seats. *Barisan Nasional* is a coalition of parties comprising the United Malay Nationalist Organisation (UMNO), Malaysian Chinese Association (MCA), Malaysian Indian Congress (MIC), *Gerakan Rakyat Malaysia*, *Parti Bumiputra Sarawak*, and other smaller parties. The Opposition consists of *Parti Islam SeMalaysia (PAS)*, Democratic Action Party (DAP), *Parti Keadilan* (Justice Party) and, until 1992, *Parti Bersatu Sabah* (PBS).

The party that controls the *Dewan Rakyat* forms the Cabinet, the highest executive body, headed by the Prime Minister. The Executive Branch of government consists of 25 Ministries, headed by the Prime Minister's Department. More discussion on the Ministries is found in the next section.

The Senate, as the upper house of Parliament, can initiate its own bills beside considering all bills passed by the lower house. It has 69 members comprising 26 elected by the 13 State Legislative Assemblies (two each), 40 appointed by the Yang di-Pertuan Agong and another 3 appointed by His Majesty to represent the Federal Territories of Kuala Lumpur and Labuan. Originally, the Senate was to house the 'wise men' of the country but over the years the membership is largely drawn up

from senior members of the ruling coalition though those representing minority interests are always included. Of significance among the minority interests was the appointment in 2002 of a retired KSN to represent the public service.

THE MINISTRIES AND THE CENTRAL AGENCIES

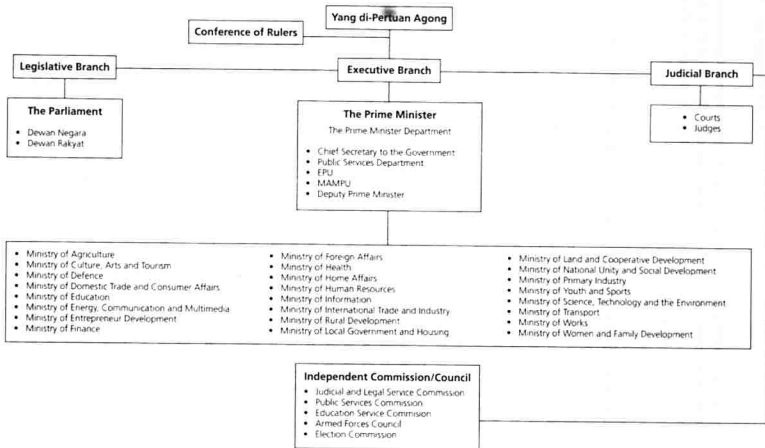
The federal administrative machinery consists of Ministries, each having several departments and statutory bodies. There are 25 Ministries, each headed by a Minister. (See Chart 3.1 which describes the components of the Government of Malaysia). The portfolios of the Prime Minister include the Public Service Department (PSD), the Public Service Commission (PSC), the Economic Planning Unit (EPU), the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) and the Implementation and Coordination Unit (ICU). The independent agencies and state enterprises are also included for administrative purposes under the portfolio of the Prime Minister, such as the Attorney General, Auditor General, Keeper of the Ruler's Seal, Election Commission, Anti-Corruption Agency, Petronas and HICOM (Heavy Industries Corporation).

The bureaucracy is further classified into central and operating agencies. The central agencies are considered more powerful as they control the operating and development budgets, and personnel matters of the operating agencies. The main central agencies are the PSD, EPU, MAMPU and the Treasury.

Prime Minister's Department

The Prime Minister's Department came into existence in July 1957, with the dissolution of the former Chief Secretary's Office and the Office of Secretary to the Government. The original department consisted of the Cabinet and the Constitution Section, the Economic Planning Unit, and the Administration and Finance Section which included the Protocol Unit. The Security and Intelligence Section has since been incorporated into the Ministry of Internal Security, subsequently the Ministry for Home Affairs, in November, 1961. From this small beginning with some sections housed in wooden structures, the Department has expanded manifold in terms of personnel and functions in line with national priorities and development. The main

Chart 3.1 The Government of Malaysia



criterion for the priority is whether a new or revamped agency deserves to be under the Prime Minister's portfolio. The rural development of the 1960s, for example, needed a strong monitoring unit on projects which led to the establishment of 'Implementation and Coordination Unit' directly under the Prime Minister. The Economic Planning Unit, which remained under the Prime Minister's portfolio, was expanded over the years because of new policies or changing priorities such as the New Economic Policy of the 1970s, the industrialisation policy of the 1980s and the privatisation policy of 1990s. National security was reorganised and placed under the Prime Minister's portfolio in 1971 with the dissolution of the National Operations Council, the body established to rule the country following the 1969 riots. In 1978 the Government found its machinery wanting which led to the establishment of MAMPU and was placed under the Prime Minister's portfolio. At about the same period the Federal Government realised that it had to play a leading role in Islamic administration and development. Thus, an Islamic Affairs Division was established and enlarged over the years which today becomes one of the biggest divisions at par with EPU, ICU and MAMPU.

The Prime Minister's Department co-ordinates the government policy-making process through the Cabinet Secretariat. The office of Chief Secretary to the Government is a designated post. He is the Chief Executive of the Prime Minister's Department and as such the main adviser to the Prime Minister. As Secretary to the Cabinet, he co-ordinates the policies of the various Ministries. He is responsible for ensuring the implementation of the decisions of the Cabinet. He is also the Head of the Civil Service and as such is responsible for its efficiency. For this purpose, he chairs many of the permanent committees including the meeting of the Secretaries-General, the federal Heads of Departments, and the Federal/State Liaison.

Besides being a department with large divisions and units, the Prime Minister's Department is also a large ministry with about 20 agencies under it. Most are commissions and independent agencies which are placed under the PM's portfolio for administrative or constitutional reasons such as the Auditor General's Department, the Election Commission and the Service Commissions. However, there are also agencies under it which are placed in view of their strategic importance such as the Attorney General's Chambers, the Public Service Department and the Anti-Corruption Agency.

Public Service Department

The central agency of great significance to the Executive machinery is the Public Service Department (PSD) which is sometimes known as the nerve centre of the bureaucracy. It was called the Federal Establishment Office (FEO) when Federation of Malaya was established in 1948. The PSD is the central personnel agency which is under the portfolio of the Prime Minister. He is answerable to Parliament on all matters related to the civil service. PSD is responsible within its functions for all the civil service subsystems except for recruitment and discipline which fall under the purview of the Public Service Commissions. (PSD is discussed in more detail in Chapter 5).

The main objective of the PSD is to ensure that the public service is manned by efficient civil servants who are capable of implementing Government programmes. Its major functions are as follows:

- (a) to exercise control over the terms and conditions of service of the public service as well as the creation and grading of posts in federal and state departments;
- (b) to manage the placement and transfers of officers in the common-user managerial and support services;
- (c) to administer the various pension legislations governing the award of retiring and death benefits;
- (d) to maintain the consultative machinery with the staff side on terms and conditions of the service;
- (e) to meet the needs of training and development for personnel in and for the public service.

The PSD is headed by the Director-General of Public Service assisted by two Deputy Director-Generals and together they manage the work of the office which is organised into ten functional Divisions. Since the PSD carries out most of the personnel function of the Malaysian bureaucracy, it is a very centralised system where personnel is concerned.

As the central human resource agency of the public service, PSD is the deciding authority on the salary scheme and its revision of all public service jobs, the compensatory benefits and perks such as pension and medical, the number and grade of posts in all public agencies, promotion and discipline, training and career development, and other personnel matters. The salary revision of the medical service, for example, has to be approved by PSD. So is the number and grading of position of, say, a

remote police station, new or revised perks such as supply of uniforms or transfer allowance, or the creation of a new agency or service. The authority is not confined to the federal departments but state agencies and public enterprises as well for the purpose of standardisation.

The highly centralised and hierarchical nature of administrative authority ensures uniformity in the salary structure and other benefits with little room for anomalies. It, however, has many major drawbacks. The over-centralised system not only causes unnecessary delays but results in senior officers not having enough time to concentrate on long-range goals or to give adequate supervision to their staff. The concentration of authority in the hands of a few officials at the top may be partly the consequences of a system of governance in which, despite the federal form, power is heavily vested with the central government.

Economic Planning Unit (EPU)

The name is a misnomer as EPU is not a small unit or division but in effect a big department by itself because of its size and authority as the chief economic planner of the Government. As in other developing countries it is placed directly under the chief executive. Its main responsibility is advising the Government on national development policy and economic issues. Its major periodical task is the preparation of five-year development plan and mid term reviews. Since Independence, EPU has produced eight such gigantic plans and reviews.

The EPU has been the secretariat of national economic policies and the reviewer of them, namely the New Economic Policy and the National Development Policy. Significantly, the EPU, rather than the Treasury, is the secretariat of the National Economic Action Council (NEAC) which was established to steer the country back to recovery during the 1997–1998 Asian economic crisis. In normal national economic planning, it is also the secretariat to the Inter-Agency Planning Group (IAPG). The main responsibilities of EPU are:

- To formulate broad objectives, policies and strategies in development planning and to plan the five-year development plans as well as the mid-term review
- To co-ordinate and prepare the development budget for the five-year plans and to assist the Treasury in the preparation of the annual budget estimates
- To evaluate the progress of development programs and projects

- To advise the government on economic issues
- To initiate economic and socio-economic research
- To plan and co-ordinate technical assistance from foreign countries and international organisations and to manage the Malaysian Technical Co-operation Program
- To implement policies and guidelines for foreign investment
- To co-ordinate the privatisation program.

Just like the central agencies dealing with personnel (PSD) and finance (Treasury), EPU is the planner and the deciding authority on every aspect of the economy, as can be seen from its list of responsibilities above. Each program and project of individual ministries and departments have to be approved and funds allocated by EPU and should be in line with overall national macroeconomic policies. EPU is also involved in major policies like investment, industrialisation and privatisation.

Implementation and Coordination Unit (ICU)

This is another big outfit with branches in all the states. The unit was established in 1970 to coordinate and monitor development projects. Federal projects cut across state boundaries and often override state projects. The ICU plays the integrative role, coordinating, supervising and monitoring the implementation of policies and programs of development. The ICU is responsible for ensuring the efficiency of the development projects. The Unit also devises on project management such as schedule and cost, and ensure that it is consistent with the projected costs. Being a member of the National Development Planning Committee and Inter-Agency Planning group, ICU is an important source of policy initiatives.

ICU also performs a few functions normally done by an operating agency which are deemed strategic and of national importance. One such subject was the lack of business know-how among the *bumiputras*. Though this problem is handled by the Ministry of International Trade and Industry, Ministry of Rural Development and other agencies, it is considered that the Prime Minister should be directly in the picture. ICU was the main coordinator in the implementation of the programmes and was also allocated special funds for entrepreneurial development and training of *bumiputras*. This portfolio was later transferred to the newly-established Ministry of Entrepreneurial Development in early 1990s.

Another operational function undertaken by ICU is the planning and implementation of programs for the hard core poor from the late 1980s when it was identified as the remaining national problem in poverty alleviation.

ICU was tapped to its fullest by Tun Razak when he was Deputy Prime Minister and later Prime Minister when the Unit, with his blessing, even had the authority to solve politically-related issues arising from projects and programs. During his tenure the emphasis was implementation of development projects when he would go to the ground for inspection. The priority appeared to be different from the mid-1980s when Dr. Mahathir, as Prime Minister, turned more attention to investment, trade, diversification, national car project, ICT, and other quantum-leap policies and programs to forge Malaysia ahead. ICU is still the top monitoring agency of federal projects, equipped with the latest technology on the subject, but implementation needs no longer constant pushing from the Prime Minister as most agencies are fully conscious of it.

Malaysian Administrative Modernisation and Management Planning Unit (MAMPU)

MAMPU is a unit set up in the Prime Minister's Department to bring out reforms in the public service. It is an expanded version of the Development Administration Unit (DAU) which was established in 1967 following one of the recommendations of the Esman-Montgomery Report. The Report highlighted inefficiencies found in the public service. And yet the public service was expected to implement activities as identified in the five-year development plans of 1970s and 1980s. Therefore, the public service has to be drastically reformed.

The stated objective of MAMPU is to introduce reforms in the public service so as to increase quality, efficiency and effectiveness in administration. It acts as a catalyst in public sector management and advises the government in the area of organisational management. Its functions covers initiating productivity and quality improvement, providing in-house consultancy services, developing work systems and improving work procedures. MAMPU also acts as the inspectorate to oversee the implementation of the administrative reforms in state and federal agencies.

MAMPU gradually rose in strength and authority. In mid-1980s the reorganisation of an agency, which normally leads to more staff and regrading of positions, has to be examined and, to a large extent, decided by MAMPU. Even the confirmation of heads of department is dependent on the evaluation of MAMPU on the extent of the implementation of the MAMPU administrative reforms by the officer in his agency.

In the first decade of the establishment of MAMPU, the Prime Minister himself gave special attention to the Unit as he was anxious to get the administrative machinery moving more efficiently. From the late 1980s onwards, the Chief Secretary to the Government was entrusted with the responsibility of overseeing MAMPU. Heads of departments who implemented major reforms were given due recognition.

The Ministry of Finance

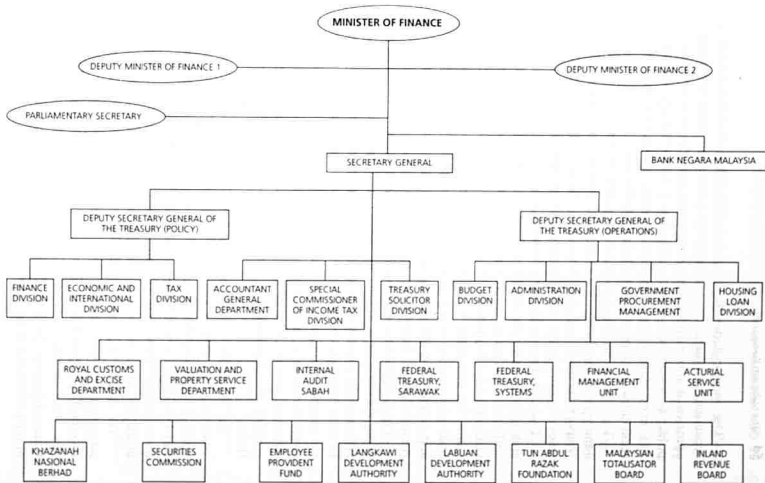
Every activity of the Government has financial implications. Managing public finance is the responsibility of the Ministry of Finance which has to ensure the availability of funds for the projects, services and other activities provided by the Government. The task of the Ministry as the custodian of public finance goes beyond the corridors of government agencies. Its fiscal and monetary policies affect just about everyone from the ordinary citizen to the investors, local and foreign. These policies must, therefore, get the country moving and be able to prosper and progress.

The Ministry of Finance comprises the Treasury, 3 departments and 4 statutory bodies. (See Organisation Chart 3.2). The departments are Accountant General, Royal Customs and Excise, and Valuation and Property Services. The statutory bodies are *Bank Negara Malaysia* (the Central Bank), the Employees Provident Fund, the Securities Commission, and the Inland Revenue Board.

The Treasury, as the Government's nerve centre of finance, is responsible for the formulation, planning and implementation of fiscal and budgetary policies. The objective is to promote sustainable economic growth, improve national economic resilience and ensure a more equitable sharing of national wealth.

The Accountant General Department is responsible for the accounting services for all government agencies. It is also responsible for all accounting policies and practices. It oversees public accounts, computer systems, and other accounting projects.

Chart 3.2 Ministry of Finance Malaysia



The work includes the preparation of public accounts, providing accounting consultancy, and advisory services to other government agencies. It also includes managing human resource on accounting for public sector agencies and regulating as well as enforcing accounting and management-related matters as prescribed under the relevant regulations on accounting standards and procedures.

The Royal Customs and Excise Department is responsible for the administration and collection of indirect taxes such as Customs Duties (Import and Export), Excise Duties, Sales Tax and Vehicle levies. Indirect taxes constitute about a third of the annual government revenue.¹

The Valuation and Property Services Department provides valuation and property services to the Federal and State Government, local authorities and quasi-government agencies. It advises on the market value of landed property for the purpose of Stamp Duty, Real Property Gains Tax and Estate Duty. The department acts for the Federal and State governments and their agencies in compulsory land acquisitions and assists local authorities in rating matters. It also publishes the Annual Property Market Report.

The Central Bank or *Bank Negara Malaysia* (BNM) is vested with comprehensive legal powers to regulate and supervise the financial system of the country. As a central bank, it is relatively independent with its main functions being to issue currency and to safeguard the value of the currency through its reserves, to act as banker and financial adviser to the Government, to promote monetary stability and a sound financial structure, and to influence the credit situation to the advantage of the country. The supervision of the insurance industry also comes under BNM.

The Securities Commission was formally established on March 1, 1993 with the coming into force of the Securities Commission Act 1992. It took over the function of the Capital Issues Committee and Panel on Take-Over and Mergers. The role of the Commission is to ensure the orderly development of a fair and efficient securities and futures market in line with the economic and development objectives of the country.

The Inland Revenue Board oversees the overall administration, assessment and collection of direct taxes. Examples of direct taxes are Income Tax, Supplementary Income Tax (Development Tax), Petroleum Tax, Real Property Gains Tax, Estate Duty, Stamp Duty and Cinematography Film Hire Duty. The direct taxes normally form almost of the total annual government revenue.²

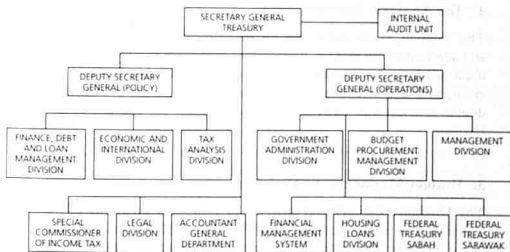
Also under the Ministry of Finance are the Development Boards: the Langkawi Development Authority (LADA), the Labuan Development Authority (LDA) and the Labuan Offshore Financial Services Authority (LOFSA). LADA was set up primarily to oversee the development of the Langkawi group of islands as a tourist destination. LDA was entrusted with the responsibility of developing Labuan worthy of its status as a federal territory. LOFSA, on the other hand, was established in 1996 to promote and develop the island as an offshore financial centre.

Khazanah Nasional Berhad, a wholly owned company of the Minister of Finance (Incorporated) is the investment holding arm of the Government entrusted to manage the assets held by the Government and to undertake strategic investments particularly in high technology projects.

The Federal Treasury

As the nerve centre of the country's finance, the Treasury is not only responsible for providing funds to the government departments to operate their services and pay the staff but to make fiscal and economic policies for the benefit of the country. There are 9 divisions in the Treasury with their own specific roles and functions. See Organisation Chart 3.3.

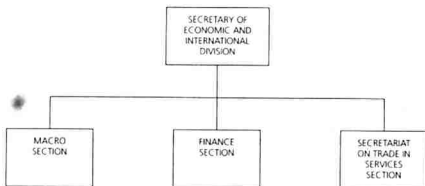
Chart 3.3 The Federal Treasury



1. Economic and International Division

The Division monitors and analyses the prospective developments of the domestic and international economy and their impacts, and advises on the formulation of macroeconomic policies, particularly fiscal and monetary. (See Chart 3.4). Such policies affect investment as well as general development of the country. It also advises on policies pertaining to international economic affairs and the country's dealings with international financial institutions such as the World Bank, International Monetary Fund (IMF) and the Asian Development Bank (ADB).

Chart 3.4 Economic and International Division



2. Tax Analysis Division

The Division, as the think tank for government revenues, formulates and administers tax policies. It recommends changes in taxation, which, if accepted, are incorporated in the Annual Budget. Approvals on tax exemptions and incentives as well as negotiations on the avoidance of double taxation with other countries come under the purview of this Division.

3. Budget Management Division

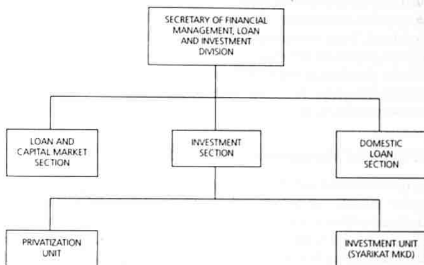
The Division examines and analyses all plans and programs of the government to ensure that the country's revenue is allocated and utilised in an efficient and effective manner in accordance with national

objectives through the preparation of an annual budget. The allocation of operating and development funds of all public agencies is, therefore, decided by this Division.

4. Finance, Debt and Investment Division

The Division is primarily responsible for the procurement of loans from foreign and domestic sources to finance national development projects. The other key functions and responsibilities of this Division are its involvement in the formulation of policies relating to privatisation, the securities industry as well as the management of the banking sector, financial institutions and provident funds. (See Chart 3.5).

Chart 3.5 Finance, Debt and Loan Management Division



Matters relating to the regulation of investments of the State Government agencies as well as the monitoring of investments made in the name of the Minister of Finance (Incorporated) are also under the ambit of this Division. Finally, matters pertaining to regional financial cooperation, with particular reference to the ASEAN Committee of Finance and Banking are also under the purview of this Division.

5. Government Procurement Management Division

The Division formulates policies and issues guidelines regarding the procurement of goods and services by government departments and agencies. It decides on central contracts (for common goods and services for government departments) and departmental contracts above a certain value. It is the member with the casting vote in all departmental tender boards delegated with procurement of supplies/services below a certain value. The division is also responsible for the write-off of government assets. In addition, the division administers an insurance fund for government properties and maintains a registry of suppliers, service contractors and consultants who wish to do business with the government.

6. Administration Division

The primary role of the division is assisting PSD in the review of salary structures and benefits of public sector employees. The division also oversees the compliance of all financial rules and regulations by government departments, the licensing of all gaming activities and collection of gaming revenues.

Under this division are the Special Commission of Income Tax which considers appeals for the review of assessments on income and property gains tax and the Actuary Unit.

7. Financial Management Systems Division

The Division undertakes the review, development and implementation of effective and efficient systems and procedures of financial management, including budgetary systems, the supervision and training functions for the Internal Audit Units in Ministries and Departments, and advises on information technology and computers for all divisions in the Treasury.

8. Housing Loans Division

The Federal Government provides housing loans to all eligible government employees including those of statutory bodies and local authorities. This division administers policies and regulations pertaining to the housing loans. It is also responsible for the collection of payments of the loans.

9. Legal Division

This division advises on legal matters on behalf of Treasury and other agencies under the Ministry of Finance.

The more prominent divisions of the Ministry are the Budget Management Division and the Economic and International Division. A brief note is given hereunder to further explain these two divisions.

Economic And International Division

This division assists the Government to monitor and evaluate current and medium-term economic situations and to formulate public policies, especially fiscal and monetary, in order to strengthen the nation's economy as well as to overcome current economic as well as structural problems.

Among the functions are: analyzing short and medium-term economic trends; handling economic issues through formulation of fiscal and monetary policies; forecasting of economic aggregates and identifying economic issues that need to be addressed by the Government; monitoring the development and trends of the world economy; providing staff function to the Treasury; collecting and consolidating data on public finance; formulating the nation's Budget Strategy; monitoring the development of financial institutions and international trade; coordinating Ministry of Finance's stance in APEC, ASEAN and WTO negotiations; and undertaking specific studies when required prior to fiscal and monetary policies.

The activities include the preparation of the Annual Economic Report, Quarterly Economic Trend for the Cabinet, Annual Budget Strategy, and the Budget Speech. The division acts as Secretariat to the Cabinet Committee on Trade and Services. Also, the Division undertakes consultations with the World Bank, IMF and WTO as well as private rating agencies (IIF, JBRI, Moody's, Standard and Poor etc.)

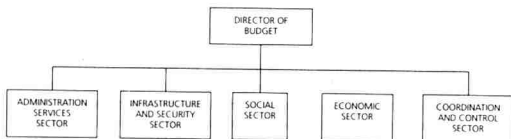
The other responsibilities are preparing meetings for the Inter Agency Planning Group (IAPG); organizing the annual Budget Dialogue; preparing country briefs, participation in APEC, ASEAN and WTO related meetings and negotiations; monitoring investments, borrowings, guarantees and sale of assets by State Government agencies including State Economic Development Corporations; monitoring activities related to the Langkawi Development Authority; monitoring the performance

of all MOF (Incorporated) companies; policy formulation and monitoring the banking and insurance industries; policy formulating and monitoring the securities industry and capital market; and administering funds such as EPF and others for investment purposes.

Budget Management Division

The Budget Management Division ensures that all Government agencies are given appropriate financial allocation to be utilised in the most efficient and effective manner in accordance with the current national budget policy. (See Fig. 3.6 for its set-up). All government departments submit annual requests for their expenditure to the Treasury. Decisions are made upon justifications offered. (The budgeting process is elaborated in Chapter 6). Other functions include ensuring the provision and distribution for federal funds to all departments and agencies; controlling expenditure on approved allocations in the most efficient and effective manner; and managing grants to the State Governments and local governments in line with the Federal Constitution, and implementing decisions of the National Finance Council and the Cabinet.

Chart 3.6 Budget Management Division



THE FEDERAL STRUCTURES

Introduction

Federalism is a common feature of contemporary nation-states, which is the division of political authority between a central government and state or local governments. It is a system that ensures a degree of

independence and sovereignty to each level of government whether it is the state government, the federal or the central government itself or the local government units. The state and local governments have a substantial margin of legal or constitutional sovereignty. However, these units of government are also subordinate in many major legal or constitutional aspects to the central government.

Many countries have adopted federalism as their system of governing the country and Malaysia has been no exception. This section will discuss federalism in Malaysia and the relationship between the federal and the intergovernmental system. Before we view the federalist structure, let us take note of the decentralised structure of the government which should be regarded as the prerequisite of federalism. A decentralised government is one in which there are other levels of government such as the state government or the local government which are given a fair share of autonomy and sovereignty in carrying out their tasks. This system can be found in most liberal countries that delegate certain responsibilities and power to smaller government units.

The most important aspect of federalism is that there is a division of political authority between the central government and the state governments. The system does not merely ensure delegation but it enshrines a constitutional arrangement guaranteeing decentralisation. The constitution safeguards the states by giving it legitimate decision-making power and implementation authority in some matters. At the same time, it also provides the central government certain responsibilities and powers, especially on broader fields such as foreign relations and defence. The constitution also establishes federal-state relationship.

However, there is a tendency among newer federations to have a dominant central government. The reason frequently given in most cases is to achieve economic development. The states' development is incorporated as part of the macro development planning. India, Malaysia and Nigeria are often cited as examples.³ In addition, most of the projects are directly financed by the centre which then dictates the terms of implementation. As a result, the arrangement robs the state powers of many important areas such as land and natural resources.

Generally, the principles of a federal government are as follows:

- (i) A country is considered an independent unit from the international viewpoint and has a whole set of institutions to perform the government's duties and has authority over the whole country.

- (ii) As the country is divided into separate geographical regions it is also equipped with a set of institutions to perform the governmental work.
- (iii) To ensure delegation, it has a constitutional arrangement whereby there is guaranteed decentralisation.
- (iv) The power to govern is distributed between the federal centre and the states in such a way that each set of governmental institutions has a direct impact on the individual citizens within its area of competence.
- (v) The distribution of authority is divided between the federal centre and the other regions by the constitution.
- (vi) Any conflict between the federal centre and the regions can be solved by the rules provided by the constitution.
- (vii) The distribution of competence between the centre and the regions is interpreted and policed by the judicial authority that validates governmental acts.⁴

Federalism has its own advantages. Firstly, a country which has a federalised government would be more powerful economically and militarily. Apart from that it would be able to mobilise effectively large-scale human effort to pursue its vision of 'the good life' and the just society. It is more likely to have a greater human and physical resource-base compared to smaller nations. In addition, it has a larger capacity to develop more vigorous economies within its territories. There is also the likelihood for such countries to face less internal strife among the units of single nation in contrast to them being divided into separate countries or states with full sovereignty and autonomy.

Federalism in Malaysia and the Administrative System

The concept of a federal government was introduced in Malaysia during the British occupancy in 1895. Following this were various experiments to find the most suitable administrative system in Malaysia, then known as Malaya. The Malayan states had an established Sultanate system which had existed for hundreds of years. The proposed arrangement of a central authority had to be agreed by the sultans. Therefore, the governmental system reflected the local and political milieu of the time. The system ran through a centralised structure and later experimented with a decentralised form and finally a unionised federal system in 1946.

Federalism began in Malaya with the establishment of Federated Malay States in 1895 whereby four states – Perak, Selangor, Negeri Sembilan and Pahang – had centralised administration. The Federated Malay States were formed mainly for economic and security reasons. The productive hinterland of Pahang was grossly neglected by the locals and was out of British reach. The growing anarchy in the four states made British administration difficult. Piracy was a rising menace as well, especially in the rivers of Perak and Selangor. The British Government decided on the federation to let the four states themselves take on these economic and security matters and deal with them.

During this period of time, the Unfederated States such as Kelantan, Perlis, Kedah and Terengganu avoided being taken over by the British. Eventually, due to the threats from the Siamese, these states subjected themselves to British rule through various arrangements whereby the British offered protection in return of full powers over foreign affairs and influence over the government. In 1895, Penang and Malacca were colonies of the British as well.

It was the Malayan Union, or rather its failure, that brought about the actual Federation of Malaya. The previous federation in 1890s was just a ploy of the British to keep a closer watch over Selangor, Perak, Negeri Sembilan and Pahang. However, the failure of Malayan Union due to the centralisation of powers with the federal government was the main cause for the formation of the Federation of Malaya in 1948.

Strong Malay opposition towards the Malayan Union especially regarding the role of the sultanate and the state's minimum position in the Union resulted in fresh round of talks between the British and the Malay Rulers. This resulted in the proposal to form the Federation of Malaya. The Federation of Malaya had the British Commissioner heading the government, an Executive Council and a Legislative Council. The sovereignty of the Malay Sultanate was revived and the states regained some of their power and authority. In 1963, Malaysia was formed with the inclusion of Sabah, Sarawak and Singapore into the Federation of Malaya. Unlike the old federation, the new states which joined Malaya this time were provided with certain safeguards in the Constitution.

Since then Malaysia has followed a federated government system. The Constitution of Malaya 1957 is the basis of the Malaysian federal structure which exists today. Part VII of the Constitution clearly spells out the provisions and obligations between the states and the federal

government: the foundation of Malaysia's federal system. The system has worked well with few frictions between federal and the states (except when Singapore was part of the federation) despite some cumbersome provisions in the Constitution pertaining to the relationship as well as the fact that one or two states have been and are being ruled by the Opposition.

The Malaysian Federal Government, as explained above, consists of the Yang di-Pertuan Agong, Conference of Rulers, three components of the administrative power namely the legislative, the executive and the judiciary, the Auditor General and the various Commissions (*Suruhanjaya*). The Yang di-Pertuan Agong is the head of the government and has the supreme power. The Conference of Rulers consists of the 9 sultans and the *Yang DiPertua Negeri* (Governor) of Melaka, Pulau Pinang, Sabah and Sarawak. Its function is to elect the Yang di-Pertuan Agong and to consider matters related to the country's policies.

The structure is mirrored in every state. Each state has a legislature, an equivalent of the *Dewan Rakyat*, with similar functions but on state matters. The state legislative assembly, called the *Dewan Undangan Negeri*, has between 15 to 62 members depending on the size of the state with Perlis, the smallest, having 15, and Sarawak, the biggest, 62.

According to the Malaysian Constitution, the delegation of legislative power in Malaysia is in accordance with the contents of the Federal List, State List and Concurrent List. The summary of the Federal and State functions is in Appendix 1.

The Federal List consists of matters which are directly under the federal government. The items of the States List are solely the responsibility of the state but laws regarding the items on the list found to be inconsistent with the federal laws are deemed null and void. Also for consistency, Federal government can pass laws on State matters. Effectively, under the Malaysian Constitution there is a clause that overrides the state power. The Federal government can exercise its influence over State governments.

The executive body at the state level is the State Executive Council (ExCo). The chief executive in the Council is the Menteri Besar/Chief Minister of the state and the members are from the state legislatures who are appointed by the Ruler/Governor on the advice of the Menteri Besar/Chief Minister.

Inter-Government Administrative Relationship: Federal and States

The allocation of administrative responsibility in federalism is based on the premise that whatever concerned the Federation as a whole comes under the jurisdiction of the Central Government and all matters within the ambit of the State i.e. local in nature, are under the control of the State.

As mentioned earlier, in post-Independent Malaysia, the administrative relations between the State and Central Government have been determined largely by the Constitution because it spells out their respective jurisdiction. The Federal concept of Government involves coordinating units of government, each acting directly on the people. The fundamental problem facing administration is the allocation of administrative jurisdiction between both governments. It is only after deciding the jurisdiction among both tiers of government that the structure, staffing and financing of administrative service, important as they are, can be determined. Thus, the design of administrative structure will follow the functions to be performed.

In Malaysia, the subjects of federal-wide interest entailing legislative and administrative responsibilities have been assigned to the Central Government, for example, external affairs and defence. Subjects of exclusive local interest e.g. land, agriculture and local government are granted to the States.

A third category of subject is the concurrent list with considerable overlapping of interest to both governments. In Malaysia such a list have largely been assigned to both the Central Government and the State Government.

The Federal Constitution also provides mechanisms for federal/state relations for purposes of coordination and uniformity in policies. In the case of land, forestry and mineral resources which are State matters, the Federal Constitution provides for the establishment of a National Land Council with membership from the Peninsular states and the Federal Government (and Sabah and Sarawak as observers). A separate but similar National Forestry Council has been established administratively. The objective is to coordinate and to have uniform policies. Both Councils are chaired by the Deputy Prime Minister with the Federal Ministry of Land as the secretariat. By having such a structure, the Federal Government maintains its influence on these subjects. However,

this remains so as long as the State Government is not ruled by the Opposition. Even if it is ruled by the same party, there have been occasions, albeit few, judging from disclosures in the media, of States not implementing Council decisions or guidelines especially on forestry matters. Things might be more complicated for Sabah and Sarawak which have autonomy on the subjects and are not bound by the Council's decisions. Open criticisms on a few occasions by the Federal Minister of Primary Industries on the East Malaysia states on forestry issues perhaps give an inkling on the State's resistance to federal pressure.

As for mineral resources, petroleum is a state subject as long as it is inland and within the three nautical-mile territorial limit. Off-shore oil beyond the limit belongs to the Federal Government which gives a small royalty to the state nearest the oilfield. Sabah, and much less Sarawak, has always complained about this quantum of royalty which became an issue during election times. On the other hand, Terengganu, the third oil-rich state, never complained, at least publicly, when it was under the *Barisan Nasional*. However, hardly a year after the State was wrested by the Opposition PAS in the 1999 General Elections, the Federal Government contended that Terengganu was not entitled to the royalty as the oilfields were in Federal waters for they were beyond the three-mile nautical limit. The Federal Government instead decided to replace the royalty with a 'goodwill grant' but solely on development projects to be administered by the federal authorities. All these differences in the open between Federal and State Government of Sabah and Sarawak are normally settled at the highest level and each made known the reasons for the stand it took. In the case of Terengganu, the new State Government disputed the federal decision and has gone to court to settle it.

The approach taken by the states against the central government was far different from what Singapore did when it was part of the federation from 1963 to 1965. Singapore, unlike the other states, enjoyed more autonomy. Education and labour, which are federal subjects, were in the State List in the case of Singapore. There was also a sharing of federal revenue collected in Singapore under which the island state kept 40%. In view of its wider autonomy, Singapore was allotted 15 Parliamentary seats which the State leaders later claimed to be disproportionate to the island's 2-million population. Singapore was also allowed to retain the title of Prime Minister for its chief executive, instead of Chief Minister like the other states. All these arrangements were made by mutual

agreement albeit after protracted and at times acrimonious negotiations. The conflict in federal-state relations, however, was more political in nature when Singapore leaders questioned and criticised openly many of the federal policies as well as indigenous privileges enshrined in the Constitution in their bid to gain power and influence. Singapore even used the medium of state broadcasting (radio and television), which was a federal subject, claiming that day-to-day administration could be handled by the State, to criticise the federal government and to promote Singapore. From political the conflict spread to almost every subject in federal-state relations affecting Singapore. As the political conflict had ethnic undertones, two racial riots occurred in Singapore in 1964. All these happened while Malaysia was virtually at war with Indonesia which waged *Konfrontasi* in its opposition to the new nation. Federalism obviously could not work despite the more autonomy given to the island state which led to the separation of Singapore after only two years in the federation. Since then, federal-state differences have never been so vocal and confrontational with both sides aware of the need to preserve inter-ethnic relations and national unity.

In both the East Malaysian States the office of Federal Secretary has been established since their entry into Malaysia, though abolished for a few years in the eighties. The purpose is to look after federal interests. When both Sabah and Kelantan fell into Opposition hands, the Federal Government established Federal Development Office in order to plan and implement federal projects in both states. The office remained when Sabah was ruled again by *Barisan Nasional* in 1995. In the case of Terengganu, no Federal Development Office was established after the changeover in 1999.

LOCAL GOVERNMENT AND DISTRICT ADMINISTRATION

Local government is the third and last tier of government in Malaysia after the federal and state government. It is, therefore, the level of government closest to the people. In terms of number, the percentage of urban population has increased from 51 percent in 1991 to 59 percent in 2000. By 2020 it is expected that 24 million people (71.4 percent) will live in Malaysia's urban centres.⁵ The role of local government is,

therefore, crucial. Its present jurisdiction are on matters pertaining to local interests. Local governments normally are expected to provide services which include sanitation, garbage collection, traffic management, roads, street lighting and recreational facilities. In Malaysia these services can be summarised under five main categories: Environment, Public Health and Cleansing, Enforcement and Licensing, Public Amenities, and Social Services and Development functions. The local government in Malaysia is empowered by three main laws in performing its functions, i.e., the Local Government Act 1976, the Street, Drainage and Building Act 1974 and the Town and Country Planning Act 1976.

The major statutory or obligatory functions of a local authority in Malaysia considered as house-keeping are:

- (a) sanitary and cleansing service:
 - (i) garbage collection and disposal
 - (ii) drain cleaning
 - (iii) street sweeping
 - (iv) grass cutting
- (b) conservancy
- (c) cleanliness and beautification
- (d) recreation, playing fields, park and open spaces
- (e) control of markets, hawkers and obnoxious trades
- (f) preparation of structure and local plans (town planning).
- (g) controlling the construction of roads, drains and buildings
- (h) maintaining cemeteries, abattoirs, public toilets and latrines,
- (i) preserving public health, public safety and abating nuisance.

The non-obligatory services are development in character include the following:

- (a) provision of housing for the poor
- (b) job creation through commerce and industry
- (c) health services and clinics
- (d) libraries, sports stadiums and swimming pools
- (e) urban transport services

The Federal Constitution places the local government under the jurisdiction of the State Government. A Federal Ministry called the Ministry of Local Government and Housing plays an advisory role. However, the Federal Government maintains its influence through the National Council for Local Government (NCLG). The NCLG, which

was formed under Article 95(A) of the Federal Constitution, comprises the representatives from the State and Federal Governments (although Sabah and Sarawak hold an observer status) and meets annually.

Due to its history the number of local authorities in the country was one too many by mid-1960s of various sizes and financial ability ranging from City Council, Municipal Council and Town Boards to the small but numerous Local Councils. In 1968 there were 374 local authorities in all, mostly facing financial and other administrative problems. A Royal Commission of Enquiry into the Workings of the Local Authorities in West Malaysia was appointed in 1968.

Following the recommendations of the Commission the units have been restructured and classified into two types based on population and revenue: municipal councils and district councils. The municipal category is further ranked into City Hall, City Council and Municipal Council. In 1997 there were 145 local authorities. Out of these, as shown in Table 3.1, 97 were located in the Peninsula, 23 in Sabah and 25 in Sarawak.

Table 3.1
Status And Number Of Local Government Authorities In Malaysia (By Status), 1997

Status of Local Authorities	Peninsular	Sabah	Sarawak	Total
City Hall	1	–	1	2
City Council	2	1	1	4
Municipal Council	19	3*	3	25
District Council	75	19	20	114
TOTAL	97	23	25	145

*Inclusive of the Labuan Municipal Council

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

Fig. 3.1 shows the progress in urban development in 1997. It is a far cry from *Merdeka* Day in 1957 or even Malaysia Day in 1963 when Georgetown Penang was the sole city in the country. The first addition was in 1974 when Kuala Lumpur became a Federal Territory with a city status. Urbanisation developed at a faster rate from the mid-1980s with more local authorities applying for 'promotion'. An ironic exception was Georgetown when the State Government 'demoted' it to municipality but enlarged the area to the whole Penang island. Likewise the whole Seberang Perai on the mainland was also declared a municipality. In 2002 the number of city halls increased to 3 when Kota Kinabalu joined

the ranks of Kuala Lumpur and Kuching North as cities. The number of city councils also increased with the addition of Ipoh, Johor Bahru and Shah Alam. In Peninsular Malaysia, there were changes in the number of municipal councils from 19 to 28 with the creation of new ones and the elevation of several district councils. These changes were necessary in view of increase of population and services in the local authorities concerned. In Klang Valley alone, the fastest growing urban centre in the country, there are seven municipalities.

Each local authority, either in the form of a municipal council or district council, is headed by a President or Deputy President under whom is a Secretary. All are appointed by the state authority and are all full time. All other employees of the local authority, including heads of department, are recruited and appointed by the local authority itself. The career of these employees, especially those serving the District Council, is limited as local authority organisation is relatively small and the staff are not transferable to another authority.

Each local authority is assisted by a Council comprising between 8 to 24 members appointed by the State Authority. The councillors are responsible for giving advice to the management on policies and decisions made by the local authority. They also sit in various committees. There have been calls for these councillors to be democratically elected so that they would be more accountable. However, the Government, possibly mindful of the adverse effects of too much politicking at the local level on national security, has refused to reintroduce local authority elections which were abolished following the aftermath of the 1969 riots.

The Local Government Finance

The Local Government in Malaysia has an unusual structure. It lacks autonomy and authority in discharging its duties. The framework was designed in such a way that it is virtually dependent of the Federal Government. Generally, local government is revenue-based. However, local authorities in Malaysia get the bulk of their finance from federal and state governments in the form of grants, subsidies and loans. (Refer to Tables 3.2 and 3.3). Although the Local Government Act allows the authorities to source income from taxes, rates, fees and other payments, the revenue is very small and inadequate.

In addition, most of the taxes are paid to the Federal Government. The grants and subsidies from the Federal Government have been in the

region of 5% out of the total annual Federal budget. Due to the budget constraint the local government is less effective. As shown in Table 3.2, the local government expenditure was a meager portion of the total annual public sector expenditure in 1993, 3.1%. The percentage has increased over the years to 4.8% in 1997.

The sources of income for all local authorities are classified under six categories as follows:

1. Assessment rates (inclusive of contribution-in-aid of rates)
2. Licenses

Table 3.2
Relative Financial Position For The Three Government Sectors, 1993-1997
(RM Million)

	1993	1994	1995	1996	1997*
(A) Consolidated Public Sector Revenue	52,612	61,136	62,271	70,912	81,360
(B) Federal Government Revenue	41,691	49,466	50,954	58,280	65,736
(C) State Governments Consolidated Revenue	7,361	7,964	8,261	9,526	9,799
(D) Local Government Consolidated Revenue	2,370	2,629	2,872	3,108	4,694
Percent of (A)	(4.5%)	(4.3%)	(4.6%)	(4.4%)	(5.8%)
(a) Own Revenue	1,904	2,032	2,294	2,364	3,641
Percent of (D)	(80.3%)	(77.3%)	(79.9%)	(76.1%)	(77.6%)
(b) States & Federal Grants	428	559	545	721	1,030
Percent of (D)	(18.1%)	(21.3%)	(19.0%)	(23.2%)	(21.9%)
(c) Federal Reimbursements	38	38	33	23	23
Percent of (D)	(1.6%)	(1.4%)	(1.1%)	(0.7%)	(0.5%)
(E) Consolidated Public Sector Expenditure	69,966	69,295	71,195	81,281	91,843
(F) Federal Government Expenditure	41,209	45,014	49,031	55,835	58,335
(G) State Governments Consolidated Expenditure	7,309	7,704	8,170	9,131	10,177
(H) Local Government Consolidated Expenditure	2,202	2,552	2,865	2,922	4,442
Percent of (E)	3.1%	3.7%	4.0%	3.6%	4.8%

Source: Ministry of Finance, *Economic Report 1998/99*

*Estimated actual

(-) indicates a build-up in reserves

Table 3.3
 Malaysian Government Finance, 1993-1997
 (RM Million)

	Federal Governments				
	1993	1994	1995	1996	1997*
Revenue	41,691	49,446	50,954	58,280	65,736
Expenditure	41,209	45,014	49,031	55,835	58,335
Net	482	4,432	1,923	2,445	7,401
	State Governments				
	1993	1994	1995	1996	1997
Revenue	7,361	7,964	8,261	9,526	9,799
Expenditure	7,309	7,704	8,170	9,131	10,177
Net	52	260	91	395	-378
	Local Governments				
	1993	1994	1995	1996	1997
Revenue	2,370	2,629	2,872	3,108	4,694
Expenditure	2,202	2,552	2,865	2,922	4,442
Net	168	77	7	186	252

Source: Ministry of Finance, *Economic Report 1998/99*

* Estimated actual

3. Rentals
4. Government grants (inclusive of road grants)
5. Car parking charges, planning fees, compounds, fines and interests
6. Loans (from higher government and/or financial institutions)

The income from assessment rates is the most important source of income to local authorities in Malaysia. Its contribution to the authorities is considerable i.e more than 60% of total revenue of almost all local authorities are derived from this source.

Basically, generation of local authority revenue is used to finance its expenses. The largest expenditure of any local authority goes towards its overhead expenditure. The bulk of the expenditure are the recurrent items such as emoluments, supplies, utilities and maintenance. In a study in 1997 these recurrent expenditures accounted for more than 70%

of local authority total expenditure. Emoluments (salaries, allowances, overtime payments) was the single largest expenditure item accounting for more than 50% of the total expenditure in most cases.⁶

Many local authorities, especially the district councils, have very little surplus funds left for development after meeting all expenditures as described. In almost all cases, local authorities need to raise money to finance their expenditure and provide services. From the early 1990s many local authorities privatise or contract out their sanitary and cleansing services. Savings might not be much but quality of service in such areas as garbage collection and disposal has relatively improved.

Despite these constraints, local authorities, particularly the municipal category, managed to facilitate economic development in their area and create wealth among the population. The growth in property development has been significant in all local authorities of the municipal category with the establishment of new townships, suburbs, urban renewal and socio-economic development. These councils helped to create entrepreneurship and business opportunities for the citizens. Through licensing and physical amenities, the authorities also created the informal sector where small traders, hawkers and others sell food and merchandise in *pasar malam* (night markets), food emporiums and other designated places. These new outlets became popular and a way of life in all Malaysian towns and cities. There is also another phenomenon among the cities. Every city strives to achieve the status beyond providing the essential urban facilities and services. Of the cities, Kuala Lumpur has achieved world class status in the facilities and services available in the city such as commercial office, shopping, MICE (Meetings, Incentives, Conventions and Education), cultural life in the evenings and efficient public transportation system including rapid transit.

The District Office

The District office is the last tier in the administrative structure and is headed by the District Officer. Several districts make up a state and, in the case of Sarawak, a residency. There is at least a local authority in a district, normally the big town, which is administered separately, as discussed above. The District Office, like the local authority, is 'on the ground', and, therefore, the closest to the people. It administers the population and settlements outside the local authority in the district which includes kampungs and small towns.

The two main responsibilities of the District Office are land administration and social development of the district. Hence, its full name is the District and Land Office. Land administration covers a variety of tasks from processing land applications, registration of ownership, acquisition for official purposes to the collection of revenue. Social development includes policies and programs from the Federal and State Governments such as low-cost housing, agricultural extension, and assistance to the hard-core poor.

The District and Land Office was very much tested in the early sixties during the Red Book days when it bore the brunt of the implementation of development projects. Despite the heavy workload of implementing the Malaysia Development Plans with staff constraints, it was only in the late seventies that major reforms were undertaken on the District Office all over the country. New administrative complex was built to house all the agencies in the district under one roof replacing prewar buildings with state-of-the art office machinery and technology. Land and district administration were also reformed including the regrading of staff positions. However, the approval of land, no matter how small, no longer lies with the District Officer but the State Authority except for Temporary Occupation Licenses (TOL) for areas less than ten acres.

Being on the ground, the tasks to administer the district go beyond the two cited above. The District Officer has to look after the security and well-being of the people especially victims of floods, fire and other calamities. Though a State department, the District Office has also been entrusted to look after federal interests including policies and programs as long as the ruling party at the state is similar with the one at the federal level. In the early 1980s it also administered Town Boards and the Local Councils scattered in the district which had since been amalgamated into a District Council.

The District Officer is the *de facto* chief of all the departments in the district, federal included. In this capacity, he is the chairman of all committees and organisations, official and voluntary, established for the development and well-being of the district. The membership of some committees like the District Development Committee includes the local elected representatives, *wakil rakyat* of state and Federal legislatures. The perceived rivalry between the DO and the local *wakil rakyat* during the first decade of independence appeared to have died down with both sides realising each other's responsibilities and the need to work together.

The DO values the feedback of the elected representatives who in turn depend on the former to get the administrative machinery of the district moving for their constituents. There is also another personality which the DO has to contend with, the *Orang Kaya Daerah*, the territorial chief, who has to be consulted on native laws and customs. Above all, the DO should be able to muster the various forces in the district to get it moving.

Appendix 1

Summary of Federal and State Government Functions
as per Ninth Schedule of the Malaysian Constitution

FEDERAL	STATE
1. External affairs	1. Muslim law and custom
2. Defence	2. Land
3. Internal security	3. Agriculture and forestry
4. Civil and criminal law and the Administration of justice	4. Local government
5. Federal citizenship and naturalisation; aliens	5. Local public services; boarding houses, burial grounds, pounds and cattle trespass, markets and fairs, licencing of theatres and cinemas
6. Federal Government machinery	6. State works and water
7. Finance	7. State government machinery
8. Shipping, navigation and fisheries	8. State holidays
9. Trade, commerce and fisheries	9. Inquiries for state
10. Communication and transport	10. Creation of offences and indemnities related to state matters
11. Federal works and power	11. Turtles and riverine fishery
12. Surveys, inquiries and research Purpose	
13. Education	
14. Medicine and health	
15. Labour and social security	
16. Welfare of aborigines	
17. Professional licencing	
18. Federal holidays, standard of time	
19. Unincorporated societies	
20. Agricultural pest control	
21. Publications	
22. Censorship	
23. Theatres and cinemas	
24. Co-operative societies	
25. Prevention and extinguishment of fire	
	SUPPLEMENTARY LIST FOR SABAH AND SARAWAK
	12. Native law and custom
	13. Incorporation of state authorities and other bodies
	14. Ports and harbours other than those declared Federal
	15. Cadastral lands surveys
	16. In Sabah, the Sabah Railway
	ADDITIONAL SHARED FUNCTIONS FOR SABAH AND SARAWAK
SHARED FUNCTIONS	
1. Social welfare	12. Personal law
2. Scholarships	13. Adulteration of foodstuff and other goods
3. Protection of wild animals and birds; national parks	14. Shipping under fifteen tons
4. Animal husbandary	15. Water power
5. Town and country planning	16. Agricultural and forestry research
6. Vagrancy and itinerant hawkers	17. Charities and charitable trusts
7. Public health	18. Theatres, cinemas and places of amusement
8. Drainage and irrigation	
9. Rehabilitation or mining land and land which has suffered soil erosion	
10. Fire safety measures	
11. Culture and sports, housing	

Appendix 2

Summary of Federal and State Revenues

FEDERAL	STATE
Tax Revenue <ol style="list-style-type: none"> 1. Direct taxes <ol style="list-style-type: none"> i. Income taxes <ul style="list-style-type: none"> Individuals Companies Co-operatives Petroleum tax Film hire duty ii. Taxes on property and capital gains <ul style="list-style-type: none"> Real property gains tax Estate duty Share transfer tax on land-based companies 2. Indirect taxes <ol style="list-style-type: none"> i. Taxes on international trade – <ul style="list-style-type: none"> Export duties: rubber, tin, palm oil, petroleum Import duties: tobacco, cigars and cigarettes, heavy oil, petroleum, motor vehicles, textiles Sugar Surtax on imports ii. Taxes on production and consumption <ul style="list-style-type: none"> Excise duties: <ul style="list-style-type: none"> Tobacco, cigars and cigarettes, heavy fuel oil, petroleum, spirits, malt liquors, motor vehicles Sales tax Service tax iii. Others <ul style="list-style-type: none"> Stamp duties Gaming tax Betting and sweepstake Lotteries Casino Pool betting duty 	Tax Revenue <ol style="list-style-type: none"> 1. Import and excise duties on petroleum products and export on timber and other forest products for Sabah and Sarawak, an excise duty on toddy for all states 2. Forests 3. Land and mines 4. Entertainment duties Non-tax Revenue and Non revenue Receipts <ol style="list-style-type: none"> 1. Licenses and permits 2. Royalties 3. Service fees 4. Commercial undertakings, and water, gas, ports and harbours 5. Receipts from land sales 6. Rents on state property 7. Proceeds, dividend and interests 8. Federal grants and reimbursements
Non-tax Revenue and Non-revenue tax <ol style="list-style-type: none"> 1. Road tax 2. Licenses 3. Service fees 4. Fines and forfeitures 5. Interests 6. Contributions from foreign governments 7. Refund of expenditure 8. Receipts from other government agencies 9. Revenue from Federal Territories 10. Royalties/Gas cash payments 	

Source: Constitution of Malaysia

ENDNOTES TO CHAPTER 3

- ¹ Malaysia, Ministry of Finance (2000). *Economic Report (1998–1999)*. Kuala Lumpur: Percetakan Nasional
- ² *Ibid*
- ³ For example, S. E. Finer (1971). *Comparative Government*, New York: Basic Books Publishers; B.H. Shafruddin and A.M.Z. Iftikhar (eds) (1988). *Between Centre and State: Federalism in Perspective*. Kuala Lumpur: Institute of Strategic and International Studies, and B. Simandjuntak (1969). *Malayan Federalism*. Kuala Lumpur: Oxford University Press.
- ⁴ Shafruddin and Iftikhar *op. cit.*
- ⁵ Malaysia (2000). *Eighth Malaysia Plan (2000–2005)*. Kuala Lumpur: Percetakan Nasional.
- ⁶ Phang Siew Nooi (1997). *Financing Local Government in Malaysia*. Kuala Lumpur: University of Malaya Press



CHAPTER

4

The Public Bureaucrats

The top segment of the Malaysian public service is the Professional and Managerial Group. It comprises officers holding strategic positions at various levels of the ministries and departments all over the country. The profile of this Group is analysed in this chapter. The main points discussed include the socio-economic background of the officers, meritocracy and their aspirations. The chapter also discusses the recruitment and selection exercise of the 1998 batch of PTD officers in terms of the universities they graduated from and their academic disciplines. The chapter ends with a small opinion survey of junior officers of this Group on work ethics and their hopes and expectations.

Introduction

The public bureaucrats of Malaysia include all government employees who work at all levels of Federal and State agencies, quasi government organisations and public enterprises as discussed in Chapter 2. In the early years of Independence, public sector employment was about 300,000 which was 16 percent of the total employment, making the Government the biggest employer in the country. The number reached 800,000 in 1997. With the rise of the private sector and the privatisation of many public services, the number is currently about 650,000. Out of this total, 80,000 are in the Managerial and Professional Group while the rest are the support staff.

It is this Managerial and Professional Group (MPG) that is the main focus of this chapter. This is the Group that is responsible for the administration and development of the country. The administrative machinery moves or slackens very much according to its leadership and

performance. This group comprises mainly the *Perkhidmatan Tadbir dan Diplomati* (PTD) (known earlier as Malaysian Civil Service – MCS), Judicial and Legal Service (JLS), Education Service, Corps of Engineers, Medical and Health Service, and Corps of Accountants and finance-related services. These are the main services of the Federal Government which have been established before *Merdeka*.

EDUCATIONAL AND ETHNIC BACKGROUND

At the time of Independence in 1957 the entry qualifications into Division One, as the Group was then called, was first degree with honours or professional qualifications from local or Commonwealth institutions or other recognised institutions of higher learning. As the University of Malaya then had only three faculties, namely, arts, science and medical, which produced hardly sufficient graduates for PTD, Education and Medical Services respectively, the Government's source of supply for the other services was mainly the United Kingdom. The Governments sponsored a small number of students to the UK where there were also a few private students. Qualifications from Australia, New Zealand, Republic of Ireland for all management and professional qualifications and, to a limited extent, medical degrees from established universities in India were also recognised.

In the early years of Independence, the local officers who replaced the colonial officers, the expatriates, represented the major ethnic groups in the then Malaya. The Malays dominated the PTD (MCS) and the non-Malays the technical and professional services such as medical, engineering and education. There were more Malays in the PTD as well as the JLS in view of the quota system for entry into these two services. Those with university qualifications in the PTD were mainly from the liberal arts discipline from the only local institution of higher learning then, the University of Malaya. There were not many of them. The majority of the officers were non-graduates who rose from the Malay Administrative Service. They possessed the Cambridge School Certificate and most had attended the Malay College, Kuala Kangsar (MCKK), the school originally established for sons of Malay nobility with the aim of producing administrators.

By the year 2000, forty-three years after *Merdeka*, the officers with School Certificate qualifications from MCKK and other schools had

long retired. However, many had served with distinction as shown by the progress of the country since Independence. One of the last non-graduates to retire as a Head of Department, Tan Sri Ahmad Noordin, won the Magsaysay Award for Public Service in 1987. All current PTD officers have at least a first-degree qualification with some senior ones having post-graduate degrees which they attained during their service. The latter were beneficiaries of the training policy of the Government which has been implemented continuously from the late sixties. Most of the JUSA officers possess a post-graduate qualification as well. One notable difference is that the PTD officers recruited from the mid-seventies were not only multi-disciplinary but possessed a Diploma in Management from INTAN. This Diploma has been a pre-service requirement for PTD since then in order to enhance the professionalism of the service.

As for the JLS, the other service with a quota, the local officers at the time of *Merdeka* were all graduates from British universities and the Inns of Courts. There was no law faculty in the University of Malaya then. The Malay officers were all on scholarships attained through vigorous competition. They were not confined to MCKK group. It is said that they possessed the best legal minds then when they strengthened the post-Independence British-based legal system for the country. Earlier, as students on British soil, they formed an association, *Persatuan Melayu United Kingdom* (UK Malay Association) which became the nucleus of the nationalist movement, producing eventually the first three Prime Ministers of the independent Malaysia. The Service continued to be dominated by British-qualified officers until the mid-nineties when the local graduates took over. Currently, many of the JLS officers have post-graduate qualifications as well.

As for the professional services, the few Malay serving officers at the time of Independence were from the lower or middle socio-economic backgrounds (but rarely the nobility) who have been sent on scholarships to become medical doctors at the University of Malay or engineers in overseas institutions. The non-Malays, on the other hand, were from the higher socio-economic status families in their respective societies who sent their children to English schools and supported their professional education locally or overseas, mainly in England, Australia and India. The non-Malays dominated agencies like the Public Works Department, Telecommunications Department, Medical and Health Department, Education Department, and the Accountant General Department.

Table 4.1
Breakdown of Officers by Service and Ethnic Group on 30 Sept 1999

Service	Malays	Chinese	Indians	Others	Total
PTD	3366	277	238	79	3960
Accountants	369	71	13	49	502
Medical	3579	1473	1614	352	7018
Engineers	1945	629	57	230	2861
Legal	503	42	31	30	606

Source: Public Service Department.

The ethnic composition in the professional services began to change gradually from the late seventies when the first few batches of students sent under an extensive undergraduate training programme graduated and joined the government. The academic institutions also went beyond the traditional Commonwealth countries. For the first time the Corps of Engineers had Malaysians who qualified from the United States, and the Medical Service admitted those who graduated from countries which offered scholarships or places to our students in their medical colleges such as Indonesia, Egypt and Belgium. At home, the University of Malaya introduced new technical and professional courses.

At the same time, the new local universities also offered similar courses and together they began to produce graduates in such disciplines as engineering, accountancy, education and dentistry. Their number and disciplines were far more than those who graduated from overseas universities. In the technical and professional services the number of local graduates gradually grew especially after the overseas training program was drastically reduced from the nineties, partly due to the need to save foreign exchange. The breakdown of officers by service and ethnic group in 1999 is in Table 4.1.

Like the PTD, most of the senior officers in the other services including those in JUSA positions, possess post-graduate or specialist qualifications. The post-graduate training policy is applied to all services and has attracted more applications than scholarships available since the early eighties.

Geographical Background

Most of the officers from this Group in the early post-Independence years came from the former Federated Malay States, the Straits

Settlements and Johore where there were more English schools. The Malays from the East Coast and northern Malaya who joined the federal service were mostly those from the MCKK. The Malays who could afford to send their children to English schools before *Merdeka* were small wage-earners like teachers, clerks and *Penghulus*. The majority of the Malays could only afford vernacular Malay education which was only up to the primary level then. *Merdeka* changed all that. Malay education was extended to secondary and, from 1970, tertiary levels. It was also free or State-subsidised. From then on, the socio-economic background of the new Malay officers changed to include those from the lower income group from the rural areas, especially from states such as Kedah and Kelantan.

A few years after the formation of Malaysia in 1963, a small number of candidates from Sabah and Sarawak began to join the federal services as more of them graduated from universities. The number today is still small as many graduates prefer to serve in the respective states. Federal services which were integrated on Malaysia Day like education, medical, police, customs and postal had a few officers from these two States holding JUSA premier positions. The Directors General of Postal Service and Education were Sarawakian in the late eighties and nineties respectively.

Gender

There were very few women officers in Division One (the original name of the Group) at the time of *Merdeka* as not many women from all the ethnic groups reached tertiary level education. They were mostly in the Education, Medical and Welfare services. The PTD service admitted women officers only in 1964. For inexplicable reason unless it was gender, female officers in all categories were paid less than their male colleagues. They had to resign on getting married and be reemployed as temporary officers. This colonial baggage in salaries and working conditions was corrected and women were given parity in the late-sixties.

Merdeka saw the change in attitude of parents from all ethnic groups toward their daughters. More were sent to schools. The new schools were also within reach. The emancipation of women began in earnest. The number of women in the professional and managerial groups gradually increased. Women have always dominated the education

service but by the end of the nineties the gender representation was almost balanced in medical, JLS and finance-related services. Their number has also increased in the formerly male-dominated services like PTD and engineering. Significantly, in the late nineties, there has been an increase in the number of female officers holding top positions in Ministries and Departments though the ratio is still small. If one were to ask the Promotion Boards, all will state that the women officers were promoted on merit, not their gender.

There have been, however, a few constraints in the placement of female officers in top positions. In the JLS, an Islamic *fatwa* (edict) in the 1980s did not allow women to become Attorney General as the duties required the holder to be the Director of Prosecution or, if appointed a judge, she could not hear capital offences. This *fatwa* appeared to be revised when a female was appointed Solicitor General in 1994 followed by another as Attorney General in 2001. Other constraints affecting women officers are physical in nature involving field work or trips such as the heads of PWD, Forestry, Aboriginal Affairs and the uniform services, or interaction with more male clientele like the Head of the Information Service and the Islamic Religious Department.

Be that as it may, female officers will probably dominate top and decision-making positions by 2010 judging by their present strength and the larger number of female students as well as their better academic performance in tertiary institutions. Generally the ratio of female to male students in all the public universities is 60:40.

The emancipation of women reached a further milestone when the Malaysian Constitution was amended in 2001 to prohibit discrimination against women. This, in fact, was one of the very first acts of the Ministry of Women and Family Development, whose establishment earlier in the year was another significant event in the cause of women.

Meritocracy

The selection process for all the services in the Managerial and Professional Group is based on merit. This also applies to the PTD and JLS, the two services which have quotas. Meritocracy may be liberally applied in the medical service which has had more vacancies than applicants until today. However, promotion is strictly based on merit including in the two quota-restricted services. For the MPG, promotion

is not only based on performance evaluation but interviews as well. For the JUSA 3 grade (the former Superscale C), there is a requirement for a pre-JUSA training course where candidates are evaluated. Seniority is considered only when all other criteria are equal. Under the NRS it is possible for the high achievers to have accelerated promotions and become heads at a relatively young age. This, in fact, is already happening.

Proficiency in English and Malay

One noticeable difference between those recruited before and after the mid-1980s is in their English proficiency, both oral and written. In the national education system, Malay gradually replaced English as the medium of instruction from 1970 beginning from Primary One and reaching full cycle at the tertiary level in the early eighties. The full implementation of the national education policy strengthened the use of Malay as the official language of administration in the country. The new generation of officers is very well versed in the language. However, the promotion prospects of officers will be enhanced if they are articulate in both English and Malay. While Malay is necessary for domestic administration, English is an asset as Malaysia is increasingly involved in regional and international relations and in view of globalisation. English is also the language of ICT, the path to k-power. The current JUSA officers are well-versed in both languages.

Training and Focus for Change

The terms 'bureaucrats' or even more, 'public bureaucrats', conjures certain negative images in people's minds. The images include regulations, rules and intricate procedures. This seems to be a universal perception of public bureaucracy. Malaysia has been no exception, at least in the early years of Independence. The post-Independent Government inherited a civil service that was steeped in British tradition, in the manner and style of work. As administration was more day-to-day with small development programs to plan and implement, the public officers were largely desk-bound, pushing files around and applying religiously rules and regulations as well as precedents. It was not until the early sixties with the implementation of socio-economic development programs, in particular rural development, that the public services were jolted to change its ways and pace.

As stated in Chapter 3, Tun Razak, the Deputy Prime Minister (DPM) spearheaded the reform of the public service with his clarion call to 'cut the red tape' and to 'produce results'. The call was heard not only in the District Offices where he would fly down unannounced to check the progress of projects but in all government offices in the country. The call to cut red tape and avoid unnecessary delay reverberated in every office and was heard, literally, by every aspiring officer. No agencies or officers would want their names tarnished through complaints to the media or the DPM. This was not confined to project planning and implementation but to day-to-day aspects of administration. This was the beginning of development administration which took place *before* the Esman-Montgomery Report and the implementation of its recommendations which included administrative reforms and intensive training programmes for the civil service.

As explained in Chapter 3, training became more systematic from then on. This is more so for the Managerial and Professional Group. In the case of the PTD the scheme of service was amended requiring an officer to successfully undergo the Diploma of Public Administration program at INTAN before he can be eligible for appointment in addition to the first degree qualification. This is to ensure that a PTD officer is professionally trained in management. The other services hold short induction courses for new intakes before they assume their duties. Along the way in their career they attend in-service courses. Public administrators serving in the new millennium are, therefore, formally trained and possessing more than first degree academic qualifications unlike many of their predecessors in the early *Merdeka* years. They most probably have post-graduate or specialist qualifications, have undergone induction and other in-service courses and have sophisticated office machinery to assist them in the performance of their work.

Public administration has also become more systematic with assistance and consultancy available from MAMPU, other central agencies and elsewhere. Yet the calls to improve the administrative machinery continue to be heard though they are more in line with the current administrative needs and technology. Since the late nineties, the exhortations from the top have been for members of the public service to be client-friendly, to master Information and Communication Technology (ICT), and to work closely with the private sector. Less is now heard of the calls of yesteryears about the need to change attitude and to preserve the value system, about cutting red tape and going down

to the field. We believe the needs are still there but they have already been covered in public management curricula in academic as well as training institutions. Furthermore, Malaysia is in a higher stage of development, namely industrialisation, in which the public and the private sectors have to work together for the common good of the country.

MAIN GRIEVANCES AND ASPIRATIONS

In the history of management-staff relations in Malaysia, there was only one instance when a union put aside claims for higher salary revision for a more noble cause. In the pre-*Merdeka* fifties the Malay Teachers' Union, consisting of vernacular Malay school teachers with low salaries, focused their struggle on making Malay the kingpin of the national education policy as well as the official language of independent Malaya. Seldom has a staff union in Malaysia departed from the objective of better salaries and working conditions for its members. Even this Union reverted back to the common universal objective once its nobler target was achieved in 1957. The teachers' quest for better pay and working conditions never seems to end as these are the basic grievance of union members despite improvements from time to time.

The case of the managerial and professional group of the public service is no different. It is made more complicated by the perceived 'greener pastures' in the private sector. The Government claims that although their salaries may not appear as high as what the private sector offers, the fringe benefits when added together – the non-contributory pension scheme, low-interest loans for housing, conveyance and computer and the opportunities for specialist training or post-graduate studies – make their incomes equal to or even higher than what the private sector offers. There is the consensus that job security is more assured than in the private sector. The many lay-offs in the private sector during the 1985 recession and the 1997 Asian economic crisis are sad reminders of this fact.

This is not to say that the grievances of all Government servants lack some substance. The JUSA officers may not have many grievances as they have reached the pinnacle of career development with salaries, allowances and other perks (staff car, driver, domestic help among them) very much higher than the other grades in the Group and, when

added together, may well be equivalent to the CEOs of government companies. However, the grievances of ordinary officers of the Group are worth highlighting. Performance evaluation is a major one because it affects pay, promotion and career development. It is highly disproportionate and unfair, so they claim, that 95 percent of the staff of an agency lead normal career development based on a very subjective evaluation. This means that only 5 percent can be evaluated as superior performers using the concept of forced ranking.

Career advancement is undoubtedly a major expectation which officers of any service aspire to achieve. Among the larger services PTD has brighter prospects compared to medical, engineering and teaching while the smaller ones such as agriculture, veterinary and town planning face more limited prospects. A career is normally enhanced by a post-graduate or specialist qualification which many officers aspire to achieve. As training funds, more so for post-graduate studies, have been significantly reduced from the 1990s, many aspiring young officers wished that the number of training awards be increased as the economy improved. Those who have qualified also wished of more challenging and better positions as well as more immediate benefits. On the grievance side was housing. Many claimed that the housing allowance was hardly enough to rent a decent house in the big towns. The Government, after selling or not maintaining existing quarters since the implementation of the housing loan scheme in 1970, began again to build quarters from the mid-nineties but only for the uniformed services and teachers. The other services wanted the facilities extended as they argued that they too developed the country. Besides better pay and level playing field in career development, these were some of the major grievances and aspirations of public servants in recent years.

Spirit of Competition

The introduction of the New Remuneration System from 1992 rewarding accelerated promotion for a small number of those with excellent performance have produced competitive spirit among many civil servants to excel despite the prolonged controversy on the evaluation system. In every agency, whether in a Ministry in Kuala Lumpur or a school in the interior of Sarawak, many staff will strive to produce top quality work as well as to perform work beyond the call of duty in order to be considered among the best of the top performers. The culture to

compete and to excel is a new phenomenon among civil servants since the introduction of the NRS. The competition is very stiff as the quota for the Excellent Service award is about 2 percent of the total number of staff in the whole agency. The Excellent Award recipients have better prospects for promotion and career development. The top names in the promotion list of any agency are normally the Excellent Award winners.

For officers in the Managerial and Professional Group, the scope and the opportunities to excel are wider than for the support staff. While the main criteria are the achievements of work target and their quality, officers in this Group are in positions to show leadership qualities, communication skills and involvement in extra-curricular and community services.

While the performance award is for the individual, there are also quality awards for the best agency as well as the innovation award. These awards require teamwork. The one that wins is not the officer but the agency. Nevertheless, the competitive spirit among agencies is evident judging by the number of entries for these awards, which are announced during the annual Quality Day celebrations on October 31.

There is another keen competition among officers of this Group which has been increasing from the mid-eighties. This is the keenness to have a post-graduate or specialist qualification. It may be an individual desire to widen one's knowledge but a post-graduate qualification is an asset in one's career development. The training award is normally on full-pay study leave which entitles the holder to a training allowance, tuition fees, passage (if overseas) for student and family as well as the monthly salary. During the study leave, promotion prospects will not be jeopardised. Since there have been more applications than awards from the early eighties, another trend has emerged from this Group. This is to undertake post-graduate studies privately made possible by local universities which offer those programs at affordable cost and flexible hours, normally evenings or weekends. Those that take advantage of these programs are not only fresh graduates who have just begun service but senior ones as well.

Professionalism and Client-Friendly

The emphasis in the training of the public service has been on professionalism. In the nineties, being client-friendly was added. Providing a service that is professional and friendly to the public or

clients is the objective of every government agency. There has been a marked improvement in this regard compared with a few decades ago. It can safely be said that one is duly attended to when making an inquiry at any government office, be it at headquarters or district level. This is not restricted to service-oriented government agencies like hospitals and immigration where there is already an orderly counter system in operation but also includes the Inland Revenue Board, an agency that collects income taxes from clients and can therefore be adversarial. This Board can have good rapport with the public as a result not only of its annual 'Taxpayer Week' campaigns but also because of its professionalism and client-friendly staff.

This is not to say that the system is not without its glitches in all agencies. Sometimes the sheer number of the crowd on certain days at immigration counters or out-patient departments of hospitals tend to wear the system and the patience of the staff down. Enforcement agencies such as police and local authorities face public relation problems on many occasions. The staff, however, maintain their professionalism in performing their duties.

Work Ethics and Culture

At one time, even in the early post-Independence years, a few schools in the interior closed early as the Education Department was too far away in the State Capital to check them regularly. This practice is unheard of today. A teacher in Ulu Kelantan will perform her duties irrespective of whether the headmaster is in school or out. The lone veterinary assistant in faraway Grik will be in his small office or doing extension services for the farmers and cattle breeders in the district. The work goes on even though the superiors are at state offices hardly able to breathe down on the veterinary assistant's neck.

Public officers are easily recognised by the name tags they are wearing. After more than a decade of the punch card system, the public bureaucrats are punctual and more time-conscious. This habit was part of the British legacy but strengthened through those measures. An increasingly complex administration as well as a more educated citizenry shaped further the officers in the MPG.

At the district or *mukim* level, a teacher, *Penghulu* or *Kemas* (Community Development) officer, usually all males, may be accused of indulging in politics. Such accusations are normally made during

election times either for legislative seats or party positions. Being support staff, these officers are allowed to take an active part in politics outside office hours with prior written permission. In many *kampungs* there is a vacuum in leadership in view of migration of youths to the urban areas leaving the retired and the elderly. The articulates from among the government officers serving in the *mukim* assume the leadership role, sometimes extending into politics.

As stated in the Chapter 2, officers in the Managerial and Professional Group are not allowed to be active in politics. The Group has wide decision-making and discretionary authority and, for this reason, the officers have to be professional and serve all. They have to accept that the civil service is neutral and serve the government of the day.

The civil service has been reminded a few times that its main role is to implement and manage policies which have been decided by the political elites. Thus, like many of their counterparts elsewhere, the Malaysian public servant works quietly in the background and is only allowed to make public pronouncements on the functions of the agencies as well as the implementation side of policies and programmes. In many cases, even this task is performed by the political masters as many of the Secretaries General and Heads of Department appear to be media shy. Some even delegate this task to their agencies' Public Relations Officers. This is not to say that the JUSA officers are less articulate as they have the capability and the training. On many occasions they have successfully negotiated for Malaysia as well as represented the country in international forums. The universal culture of a civil service working diligently in the background while giving the limelight and the credits to the political elites applies to Malaysia.

CONTEMPORARY PROFILE OF CANDIDATES FOR THE PTD

In order to illustrate the current profile of officers in the Managerial and Professional Group, highlighted in the following paragraphs are several characteristics based on a major recruitment exercise for PTD officers by the Public Service Commission (PSC) in 1995¹. PTD is a premier service of the Government as the officers hold authoritative positions in most federal agencies at every level. Hence, the background and criteria of the selection process as well as the profile of the successful candidates

reflect those of the contemporary officers in the Managerial and Professional Group of the public service.

To begin with, the selection process for PTD is the most demanding as compared to the other services in the Group. There are three elimination processes. First is the shortlisting from the total number of applications based on relevant disciplines and academic performance. The shortlisted candidates will then sit for a written test on public management as well as a psychology test. This is the second stage in which the better performers according to ranking will be called for interview. The interview itself, the third and final stage, is preceded by group discussion on a given topic followed by individual interview before the panel. Selection will be based on the performance in the interview, the written test and academic achievements.

In this recruitment exercise, the PSC received a total of 1,668 applications to fill 200 vacancies. Out of this number, 1,462 were found to be eligible and were all called to sit for the written test. Of the 1,082 who sat, 986 were selected for interview. The breakdown of candidates who were called for the written test and interview according to ethnic group and gender is in Table 4.2.

Of the 1,462 candidates eligible for the PTD positions and called to sit for the written test, 1,300 (86 per cent) were Malays, Indians 81 (6 per cent), Chinese 29 (3 per cent) and others 52 (5 per cent). It is to be recalled that PTD is a quota restricted service but while the breakdown reflects the quota, it has not been applied yet in the selection process. This coincidence can be due to several factors and the fact that PTD is a quota-applied service might be one of them. The number of Chinese

Table 4.2
Number of Candidates called for Written Test And Interview (by Ethnic Group Gender)

Ethnicity	Male		Female		Total	
	CT	CW	CT	CW	CT	CW
Malays	773	526	527	343	1,300	869
Indians	50	36	31	22	81	58
Chinese	16	13	13	9	29	22
Others	37	26	15	11	52	37
Total	876	601	586	385	1,462	986

CT = Called for Written Test

CW = Called for Interview

applicants, which was even less than the number of the Indians, was not proportionate to the over 30 percent composition of the ethnic group in the country. According to the PSC, this trend has existed not only in the PTD but in other public services as well for the past several years. Many preferred the private sector.

The academic institutions of the candidates, local and overseas, reflect the variety of choice available to Malaysians for higher education since the seventies. As stated earlier, there was only one local tertiary institution before 1970, the University of Malaya. There was a marked change in policy in the 1970s when the number rose to five, and more students were sent overseas as well. In the mid-eighties two more were established, *Universiti Utara Malaysia* (UUM) and *Universiti Islam Antarabangsa* (UIA), while *Institut Teknologi MARA* (ITM), which hitherto confined itself to diploma courses, offered some degree programs. All the local universities which offered academic disciplines relevant for the PTD were represented in this recruitment exercise. So were those students who studied overseas, mainly in the United Kingdom and the United States of America, where most were sent on Government sponsorship.

Table 4.3 provides the breakdown of passes of the written test according to university. This, however, by no means reflects the standard

Table 4.3
Breakdown of Candidates called to sit for Test and Interview by University

University	Called for Test	Called for Interview	% Pass
Local			
University of Malaya	354	229	64.69
Uni. Kebangsaan Malaysia	299	219	73.24
Uni. Pertanian Malaysia	173	117	67.63
Uni. Utara Malaysia	119	80	67.23
Uni. Sains Malaysia	165	117	70.91
Uni. Islam Antarabangsa	122	87	71.31
Uni. Teknologi Malaysia	14	7	50
Uni. Institut Teknologi MARA	50	29	58
Overseas			
United Kingdom	83	50	60.24
U.S.A.	47	30	63.83
Others	36	21	58.33
Total	1,462	986	

of the university the candidates came from as not all of them majored in public administration, the subject of the test. While many were graduates of disciplines relevant to public management such as economics, finance, public administration, business administration, accounting and information technology, there was also a substantial number of candidates with degrees in the physical sciences, social science and law. As the latter were not expected to perform equally well in the test there was a varied performance when broken down according to the university of the candidate.

The breakdown of the academic disciplines of the successful candidates and the reserves is in Table 4.4. This again reflects the multi-

Table 4.4
Breakdown of Successful and Reserved List Candidates by Disciplines

Disciplines	No. of Candidates	
	Successful	Reserved
Economics*	28	2
Finance*	1	0
Accountancy*	5	0
Business Administration*	16	1
International Relations*	0	0
Computer Science/Information Technology*	2	0
Law	16	1
Public Administration*	13	3
Environmental Studies	1	0
Human Resource Development	1	1
Agriculture	3	1
Engineering	2	1
Education	5	1
Social Science/Arts	55	10
Physical Sciences (inc. Maths)	21	0
Islamic Jurisprudence/Studies	18	0
Fisheries	3	1
Estate Management, Valuation	2	1
Zoology	3	1
Marine Science	2	0
Library Science	1	0
Town Planning	1	0
Chartered Institute of Transport	1	0
Total	200	22

*denotes Discipline A which is categorized by PSC as directly related to Public Administration. The rest are Discipline B.

disciplinary nature of the PTD. It is to be noted that only 32 per cent of the successful candidates majored in disciplines directly related to public administration (which PSC categorised as Discipline A). On closer scrutiny during the interview, many of the successful Discipline B candidates had done minors in public administration or prepared themselves well on the subject. It must be added, however, that the score on the written test formed part of the overall performance in the recruitment exercise.

Table 4.5 gives the breakdown of the states where the candidates domiciled. This was based on the correspondence address of the candidates. All states were represented, a feature in the federal service in contrast to the State Civil Service which gives preference to State nationals. The breakdown also shows that many candidates were from the Klang Valley (parts of Selangor and Kuala Lumpur), the most developed region of the country. However, a substantial number were from the rural states of Kedah, Kelantan, and Terengganu. There were also candidates from Sabah and Sarawak whose number was proportionate to their college-going population. Close scrutiny during the recruitment exercise showed many of the Malay candidates attended

Table 4.5
Breakdown of Candidates Called for the Test (CT) and the Interview (CW)
by Domicile (States)

State	CT			CW		
	M	F	Total	M	F	Total
Perlis	10	8	18	10	6	16
Kedah	68	46	114	47	32	79
Pulau Pinang	33	24	57	26	15	41
Perak	73	46	119	55	33	88
Kuala Lumpur	128	119	247	93	88	181
Selangor	202	144	346	134	92	226
Negeri Sembilan	20	22	42	15	16	31
Melaka	26	20	46	20	11	31
Johore	63	44	107	45	26	71
Pahang	45	22	67	15	16	31
Terengganu	62	26	88	47	14	61
Kelantan	81	33	114	38	16	54
Sabah	33	9	42	22	6	28
Sarawak	32	23	55	25	15	40
Total	876	586	1462	601	385	986

residential schools which proved the effectiveness of this affirmative action program in education.

The final process of selecting the candidates is the interview. The purpose of the interview is to examine the suitability of the candidates for the jobs based on many factors including their demeanour, communication skills, leadership qualities and general knowledge. In the case of the PTD their performance is also adjudged during the group discussion which took place before the individual interview. Group discussion is one of the criteria for selection as discussion and meetings are common in the working life of a PTD officer. The discussion took one hour on a current issue on management affecting the country, given just before the group assembled. The individual interview was on any topic posed by the Chairman of the Panel but normally on current affairs, government matters and management issues. It lasted from thirty to forty minutes per candidate. The performance of the candidate was graded on a score sheet consisting of a number of criteria ranging from academic performance, communication skills, extra-curricular activities and his talking points. The discussion and the interview were conducted in both Malay and English, but with less of the latter. While all candidates were fluent in Malay, many struggled to converse in English though they could read and understand. As Malay is the official language in government administration, both written and oral, fluency in English is an advantage but not a major element in the selection.

The PSC selected 200 candidates for appointment with 22 reserves. The selection was on 4:1 Malay/Non-Malay ratio in accordance with the constitutional provision on PTD appointments. The gender ratio was also 4:1 in favour of males but this was at the administrative request of the Public Service Department (PSD) which stated that there was more demand for male officers to fill the existing vacancies. There was a furious debate in PSC then whether to comply since the women faced stiffer competition as they were only allotted 40 places out of the 200 vacancies and they were generally the better performers during the exercise. PSC complied as it was bound by the request of a head of department.

The list of successful candidates also provides a breakdown according to states they were born in. The top state was Perak (28), followed by Kelantan (23), Selangor (18) with Kuala Lumpur way down the line (2). It is quite a contrast to Table 4.5 which shows States with the most applicants based on their addresses were Selangor (346), followed by Kuala Lumpur (247), Perak (119) and Kelantan (114). This goes to

show that selection is based on merit, not where one is born, bred or educated.

When the successful list is broken down by university, the University of Malaya topped it with 58, followed by *Universiti Kebangsaan Malaysia* (37) and *Universiti Utara Malaysia* (25). Of the overseas universities, there were 15 from United Kingdom and 13 from the United States. The new PTD officers continue to be from various universities as has been the trend since the mid-seventies.

OPINION SURVEY

A survey was conducted on a small group of PTD officers in MAMPU on some important issues in the public service such as salary, fringe benefits, career development and promotion². The inputs on these issues are indeed valuable feedback in our understanding of the public servants today. The survey was conducted in 1999 when the 1997 regional economic crisis was not fully over but before the 10 per cent pay rise for all public servants was announced and implemented.

The survey showed that the majority of the respondents were not satisfied with the pay they were getting. In addition, they agreed to the suggestion that the unfavourable salary might have resulted in a few public servants getting involved in corrupt practices. Aside from corruption, low pay received by the lower level public servants had caused them to be engaged in moonlighting (such as hawking or driving taxis) outside office hours that could affect public sector productivity at their level. However, despite the low pay, the majority agreed that there were other fringe benefits that a public servant enjoyed to compensate for the small income.

Most of the respondents indicated their dissatisfaction with the rate of promotion and career development. Most felt that the chances for promotion in the private sector were better than in the public sector. Many thought that the promotion system of the public sector was cumbersome. They also expressed their dissatisfaction over the slow promotion rate. They were, however, divided on the statement that promotion was given based on their annual performance as reflected in the NRS evaluation system.

On a more positive note, many agreed there was always room for career development in the public service. They would prefer more

opportunities to go for training or attending courses. Most thought that the public sector was giving more chances for training than the private sector. They were also of the opinion that the public service offered a challenging career.

Almost all the MAMPU officers said that part of their job satisfaction was the opportunity to serve King and Country. This seemed to indicate that while they valued economic rewards, they seemed to find what Herzberg would call 'motivational factors' such as achievement, recognition, qualities inherent in the job content itself as very important factors.³

ENDNOTES TO CHAPTER 4

¹ Dato' Dr Abdul Kuddus Bin Ahmad, a member of the Public Service Commission from 1994 to 1999, was a participant observer in this exercise.

² This mini-survey was carried out by Professor Norma Mansor at MAMPU, Prime Minister's Department in 1999 in the process of her research on the public service.

³ F. Herzberg (1986). *Work and the Nature of Man*. Cleveland: World.



CHAPTER

5

Public Personnel Administration

This Chapter discusses personnel administration of the Malaysian public service involving, among others, compensation management, pension, performance evaluation, and training. On compensation management, the chapter traces the practice of appointing separate salaries commission before the 1970s, a time-consuming but more transparent process, to the quicker periodical five-year review by the executive itself. The controversial New Remuneration System, implemented from the early 1990s, is also evaluated. The chapter also discusses discipline in the public service and the mechanism to fight corruption.

CONCEPT OF PERSONNEL MANAGEMENT

Personnel management is basically organizing and treating individuals so that they can contribute effectively to achieve the goals and objectives of the organisation in which they have chosen to build a career. In management, personnel administration covers the salary scheme and other fringe benefits, recruitment, selection, promotion, discipline, training, and retirement benefits. The administration of personnel is vital to any organisation. In the Malaysian public service, the central personnel agency responsible for this is the Public Service Department.

Personnel administration is an essential component of any public service. The task is to get the right people with appropriate skills and expertise. A significant portion of public expenditure is manpower cost. It was once estimated that for every ringgit of revenue received by the

Malaysian government, 60%–70% went to pay for its manpower.¹ The Government should, therefore, give great emphasis to personnel management to make sure that all staff work efficiently and effectively to achieve the goals of the government. The public service has to look into ways and means to ensure a high level of productivity.

Personnel management is part and parcel of public administration. In the case of the country's public service, personnel management in the colonial era started when Francis Light established his administration in Penang in 1786. However, the first formal personnel agency was the Federal Establishment Office (FEO) which grew out of the Malayan Establishment Agreement of 1934. It served only the Federated Malay States (FMS). FEO was extended to the whole country when the Federation of Malaya was born in 1948. All functions of personnel administration, notably compensation management, appointment and discipline, and organisational development, came under its purview. On the attainment of *Merdeka* in 1957, a separate independent agency was established, the Public Service Commission (PSC), to manage the functions of recruitment, promotion and discipline of the staff. The official name of FEO was changed in 1975 to Public Service Department (PSD) or *Jabatan Perkhidmatan Awam (JPA)*.

As outlined in Article 132 of the Federal Constitution, the 'Public Service' comprises the following:

- (a) The armed forces
- (b) The judicial and legal service
- (c) The general public service of the Federation
- (d) The police force
- (e) The railway service
- (f) The joint public services as described in Article 133 of the Constitution
- (g) The public service of each state
- (h) The education service

Generally, the Malaysian public service has achieved considerable progress throughout the years. It has brought about administrative improvements and good governance, which has received appreciation from many quarters. In his address at the UMNO General Assembly on 4th November 1993, the Prime Minister expressed his views as follows:

...We should be grateful because we have an administrative machinery which we can be proud of. It is not only efficient, disciplined and productive, but also provides quality service and is comparable to administrative machinery found in more developed nations. This has enabled our nation to implement the development process in a smooth and effective manner.

We have introduced many changes in the administrative system. If previously, our administrators were not willing to co-operate with the private sector, today the public sector and the private sector have become one cohesive entity working towards making national development a success. Those areas, which are thought to be more appropriate to be handled by the private sector, have been transferred to the private sector through the process of privatisation.²

The Malaysian public service has undergone major changes within a short time frame. Whilst maintaining its permanent nature (as compared to the 'special system' of the US), the Public Service strives to develop a new model in public delivery system in accordance with the needs of the country and its people. In order to accommodate these changes, the Public Service has to have the right kind of personnel and a dynamic administrative system.

For a newly-developed nation to prosper, the effectiveness of public service administration is crucial. Thus, in Malaysia, great emphasis is given to the implementation of administrative improvement programmes to ensure that the development of the nation is effective. (To be discussed in greater detail in Chapter 9). This improvement goes in conformity with the development planned for the country. The aim of the administrative system of the country, in accordance with Dr. Mahathir's Vision 2020, is to have the capacity and capability of running a developed nation. The overall objective of the government is to make the public service more mission-oriented, dynamic and resilient in a rapidly changing environment. This involves significant changes encompassing both structural and system, apart from changes in the values and mind-sets of civil servants.

Historical Development of the Malaysian Public Service

The Malaysian public service has gone through traditional, colonial and post-Independent stages. During the traditional era, as discussed in

Chapter 1, the administrative power was in the hands of the Sultan. Under his command, the business of government was carried out by ministers or executives (*menteri*), the highest of whom was the *Bendahara* (Chief Minister). The others, of almost equal stature, were the *Temenggong* (Chief of Police), *Syahbandar* (Chief of Ports), and the *Laksamana* (Chief of Fleet). There were other lesser officials. Near the bottom, at the ground level, was the *Penghulu* as headman of the village. At that time, the main functions were the maintenance of the ruling house, law and order, and the collection of revenue.

The coming of British colonialism changed the administrative pattern in many ways. As described in Chapter 3, the main priority of the British administration in Penang, their first base, followed later in Singapore and Malacca, was to consolidate their rule by establishing a police force, judiciary and prisons on the one hand, and a revenue system on the other. A similar pattern appeared after they intervened in the Malay States when they ruled on behalf of the Sultans. In what was officially referred to as Indirect Rule, the British maintained the traditional institutions and installed an 'Adviser' to each Ruler 'whose advice (the latter) must accept and act upon'.³ Through this system, the administrative machinery of law and order as well as revenue collection and other acts of governance were strengthened and established firmly. The British left the administration of Malay customs and religion to the Sultans themselves. However, as more non-Malays were brought into the country, the British appointed *Kapitan* (captains) amongst the Chinese and the Indians and ruled through them.

In the Malay states the British replaced the office of the Territorial Chiefs with the District and Land Office. The only traditional position becoming part of the 'new' administration was that of the *Penghulu* who became the only government staff member on the ground. He was gradually joined by teachers, policemen and a few other personnel as the district developed. In the towns, sanitary boards were established which became the first local government in Malaysia. The early departments and services established in the state were agriculture, medical and health, public works, forestry and education which were mostly confined to the town areas. Infrastructure in the form of roads, and later railways, was built mainly to link the towns and the ports to the two economic interests of British Malaya then, the rubber estates and the tin mines.

The British did not find it satisfactory to administer nine separate states on the small Malay peninsula. Attempts were made to form a federation but only four of the states joined in. It became known as the Federated Malay States (FMS), the forerunner of the central government in Malaysia. The post of Resident General was established as well as a Federal Executive Council. With a 'central' government established, there was a need for a federal administrative service. The Malayan Civil Service (MCS) was, therefore, created in 1895.

The three separate entities in the peninsula, namely, the Straits Settlements, the FMS and the Unfederated Malay States went on until 1948 when the three became a federation. From then on, things moved a little faster. As nationalism grew, the British took more unofficial members into the Executive Council and introduced the 'member system', a forerunner of the ministerial system. The ministerial system of government was established when the country achieved Independence in 1957. The states continued with the Executive Council (ExCo) system, except Sabah and Sarawak which chose to adopt the federal ministerial system on joining Malaysia.

As for the public service, the MCS became the backbone of the federal bureaucracy and of the former FMS and the Straits Settlements. The other states had their own civil service while the technical services were all federal. Each state had its own support service.

As the formulator and implementor of the policies and programmes of the government of the day, the public service has been credited with assisting the political elites in the smooth transfer of power when the nation achieved *Merdeka*, and again during and immediately after the formation of Malaysia. Above all, the public service was responsible for the major socio-economic development of the country under the New Economic Policy and the subsequent National Development Policy. The success of these Policies, including privatisation and industrialisation, helped strengthen the private sector which, in turn, joined forces with the public sector in much of the country's development in the late eighties and nineties.

The strength of the government machinery has also increased over the years since Independence, particularly with the implementation of the New Economic Policy. There were only 10 Ministries and 20 federal statutory bodies on *Merdeka* day compared with 24 and 79 respectively in 1998.

The Structure of the Public Service

There are four types of post in the public service. These posts are permanent and pensionable, permanent and non-pensionable, temporary (for a specific period on a contract basis) or supernumerary.

Each category of posts differs in its terms and conditions of service. A temporary officer, for instance, can be terminated from service if one month's notice by either side is given. He is not eligible for a car and housing loan nor is he eligible for promotion. A supernumerary officer enjoys better security of tenure than the temporary, though none can beat those in the permanent and pensionable category. A supernumerary post can be abolished when it is not required by the holder's service.

Structurally, the civil service reflected its colonial origins and the configurations of the Malaysian society. The public service of Malaysia is divided into several categories. Prior to 1967 it was classified into four divisions, Division I to Division IV, and the Industrial and Manual Group.

In 1967, the Suffian Salaries Commission introduced the following new classifications:

- Category A – Managerial and Professional Group with a monthly pay exceeding RM 1,250.
- Category B – Executive and Sub-Professional Group with a monthly pay between RM 700 and RM 1,250
- Category C – Clerical and Technical Group with a monthly pay between RM 250 and RM 700
- Category D – Industrial and Manual Workers Group with a monthly pay of less than RM 250

At the federal level, Category A consisted of the Administrative and Diplomatic Service (PTD) and the professional and technical services such as the Engineering, the Medical, and the Judicial and Legal Services.

Category B were the mid-level and sub-professional services. Among the administrative group was the General Administrative Service (GAS) which was originally known as the Malay Administrative Service (MAS). Another was the Executive Officer Service. The semi-professional and technical services were, among others, the Technical Assistants (Assistant Engineers), Immigration, Road Transport and Registration Services.

The Category C and D staff were the lower level supporting staff such as clerks, typists, technicians, office boys and drivers. Some of

these services were also divided into federal or state. However, all higher level technical and professional personnel had always been under the federal service.

Under the New Remuneration System (NRS), which came into effect from January 1992, the Public Service is collapsed into two groups, the managerial and professional, and the support group.

The Managerial and Professional Group consists of Grade III to Grade I positions (the former Division One officers from Timescale to Superscale D). The upper segment of the Group holds the Premier Civil Service positions, *Jawatan Utama Sektor Awam (JUSA)*, from Superscale C upwards. JUSA is considered the cream as well as leaders of the public service as these officers hold top positions in the Government. The Support Group is divided into Support Group 1 (consisting of the old Division II and III) and Support Group 2 (consisting of the old Division IV). The objective is to reduce the level of hierarchy. The top civil servant in Malaysia is the Chief Secretary to the Government, *Ketua Setiausaha Negara (KSN)*, who is also the Secretary to the Cabinet.

The entry qualification for the Managerial and Professional Group is a university degree. For Support 1 the qualification is a Diploma or a Higher School Certificate, while for Support 2 it is a Secondary School Certificate or a Lower Certificate of Education. The holder for position in the Managerial and Professional Group is known as 'Officer' (*Pegawai*) for example Medical Officer (*Pegawai Perubatan*), Administrative and Diplomatic Officer (*Pegawai Tadbir dan Diplomatik*), and Agriculture Officer (*Pegawai Pertanian*). The holder in Support Group I is 'Assistant Officer' (*Penolong Pegawai*) such as Assistant Administrative Officer (*Penolong Pegawai Tadbir*), Assistant Engineer (*Penolong Jurutera*), and Assistant Veterinary Officer (*Penolong Pegawai Veterinar*). As for Support 2 positions, the nomenclature is *Pembantu* (Assistant): *Pembantu Tadbir* (Administrative Assistant or Clerk), *Pembantu Penilai* (Valuation Assistant), and *Pembantu Perancang Bandar* (Town Planning Assistant).

Each group is subjected to different recruitment styles and regulations.

Central Personnel Agencies

A. Public Service Department (PSD)

The central agency responsible for personnel management is the Public Service Department (PSD). It is responsible for policies on schemes of

service of all government positions, compensation management and other incentives, performance evaluation, discipline, establishment and grading of posts, posting and transfers of common-user services, training and career development, pension, and organisational development of agencies. PSD has the final say in personnel matters not only of the federal agencies but state and local government as well so long as the posts are permanent and pensionable. Even in the case of public enterprises, PSD has to be consulted in order to ensure that their remuneration is within reasonable limits as well as uniformity in other personnel matters of all public services. Thus, despite the existence of 13 states and numerous local authorities and public enterprises in addition to the federal government, we do not see a proliferation of schemes of service but a reasonable number with standard and uniform salary scales and benefits.

PSD, however, has been criticised for being rigid, inflexible and reluctant to decentralise its numerous powers. Nevertheless, in the recruitment of temporary and lower categories of support staff, the powers have been delegated to the operating agencies. In the forty years since *Merdeka* this delegated power was withdrawn only once when PSD found selection criteria and procedures were flouted by many agencies. It was reinstated years later with rules tightened and closer monitoring. Promotions and dismissals for junior staff have also been decentralised. Salary schemes and other benefits, creation and regrading of posts, reorganisation of agencies, and pension and other retirement benefits have always remained with the PSD, to avoid non-uniformity.

Nonetheless, there should be flexibility and more substantive powers given to the operating agencies on such matters as discipline, promotion, filling of vacancies, performance evaluation and staff relations. At present, approval for acting for a short period, initial disciplinary action for senior staff, longer leave and other minor personnel matters still lie with the PSD.

The major divisions of the PSD and their respective functions are as follows:

a. *Service Division*

This is a major division as it deals with placements, transfers, promotions and discipline of all categories of staff. The formulation or change in policies on these service matters is made by this division which is also the final authority. As there are several categories of staff belonging to many operating agencies, this division deals only

with the actual deployment of 'common-user' staff such as the PTD, the clerks and other administrators. For the professional and technical staff, action is delegated to the departments concerned.

b. *Training Division*

This division is responsible for training policies for all non-uniformed staff of the federal public service. It is also responsible for obtaining training budget and its disbursement to the various departments. The selection of candidates for non-degree, first degree and post-degree courses is decided by PSD except the professional and technical services. All foreign scholarships and training awards are channeled to PSD which will decide whether to accept them and, if so, select the candidates after circulating the offers. Serving officers undergoing approved training courses (by the PSD) will be on full-pay leave in addition to the stipends that will be sufficient to cover tuition fees and living expenses. All government scholars are bound to serve public agencies. The policies and the award of the scholarships and training are all tailored to the manpower needs of the country, in particular its public service. Other details of the training policies are described towards the end of this Chapter.

c. *Organisational Development Division*

This is another major division of the PSD which is more of a 'think tank' in formulating and reviewing the various salary scales and allowances of the public service and the creation, grading and abolition of positions in every agency. It is responsible for perks and other benefits enjoyed by the public servant. Most significantly, it is the secretariat for the Cabinet Establishment Committee. As secretariat, it is responsible for the background work and policy papers on remuneration and other benefits for the public service. It is probably because of the strengthening of this Division and PSD as a whole that the Government did not find it necessary to appoint a separate Commission to review salaries of the public service since the mid-seventies. As will be described later, the last three reviews were completed much faster. One of the traditional main duties of this division, formerly known as the Establishment Division, is to examine and decide on the requests for posts in the annual operating budget for every agency. It also periodically reviews the right size of all agencies, more so as Malaysia is not among the top in public

servant per population ratio. It is a challenging exercise when every agency will not only defend its turf but will ask for more staff and better working conditions. Nonetheless, every agency, service and public employee, despite minor grudges and criticisms on issues outstanding or rejected, has much to thank this Division for what they all have today.

d. *Remuneration Division*

This is another major division of PSD. While the Organisational Development Division is mainly responsible for salary revision, the task of implementing or managing the various forms of compensation lies with the Remuneration Division. Management compensation or salary administration is not just on emoluments, though the bulk, but includes other allowances such as cost of living, housing, board and lodging while on duty outstation or overseas, warm outfits for duty overseas, regional, medical-related benefits, entertainment, acting, drivers'/servants' allowances and other cash or non-cash benefits and perks. Though the operating agencies implement existing, revised and new emoluments and allowances through circulars, this Division requires that gray areas of eligibility in the circular should be referred to it for clearance or approval. As there are many operating agencies but with not much flexibility or discretion delegated to them on remuneration matters, the red tape can be long. The Division consults the Treasury in many cases as invariably all have financial implications.

e. *Pension Division*

This is a large division in the PSD which could justifiably be turned into a department. It was enlarged and strengthened in the mid-seventies when the Government decided to extend pension benefits to widows and other dependents of public employees after the latters' death. This Division is discussed further towards the end of this Chapter.

f. *Management Services Division*

This was formerly called the Administration Division. It deals more with the internal management of PSD itself, the monthly salaries of the staff, their leave, transfer, discipline, and operational matters like office space, telecommunications and transportation. It also handles miscellaneous matters outside the jurisdiction of the other divisions.

g. *Information Technology Division*

This was originally a central office record containing up-to-date personnel data of all employees of the Federal Government. Its scope was enlarged with e-government and the advancement of the information and communication technology. The Division has since been assigned the more ambitious task of installing and operating a multi-functional human resource system called Human Resource Management Information System (HERMIS) which involves all public employees.

h. *Psychological Services Division*

This Division was only established in the early nineties with the implementation of the NRS in line with the caring concept of the System. It has a small staff consisting of psychologists and trained counselors. The Division provides written guidelines and gives talks on motivation and stress at places of work. It concentrates on large groups especially in training courses. It also handles psychology, IQ and stress and other tests for candidates vying for positions that require them. While counseling units have been around in educational and medical institutions for at least three decades, this psychology unit in PSD is the first one established in a 'normal' office. Its popularity and impact is yet to be empirically studied.

i. *Research and Development Division*

This is the newest division of the PSD. Its scope of work appears to be large as it can undertake an in-depth study of any aspect of human resource development, especially on matters which would be too time-consuming by other divisions. Being in a premier central agency, it would be a pity if it suffers the fate of R&D units of many public agencies whose many completed works remain on the shelf unimplemented.

j. *National Institute of Public Administration (INTAN)*

INTAN used to be under the Training Division but it has since become the operating training arm of PSD as well as the informal head of all the public training institutions in the country. Its duties and functions are described later in this Chapter.

B. Public Service Commission (PSC)

There is another central personnel agency but with limited specialised powers. This is the Public Service Commission (PSC) which is mainly responsible for recruitment. This task is separated from the Government and entrusted to a commission in order to ensure independence and neutrality in the selection process.

Besides PSC there are four other smaller commissions for specialised services of the Federal Government, namely, judicial and legal, railway, police and education.

According to Article 144 (I) of the Malaysian Constitution, each of these commissions is responsible for the appointment, confirmation and emplacement on the permanent and pensionable establishment, and for exercising disciplinary control over members of the service over which they have jurisdiction.

Each state in Malaysia except Perlis, Penang, Malacca and Negri Sembilan has its own State Public Service Commission responsible for recruitment to the state civil service. The states that do not have their own Commissions have delegated the task to the Federal PSC.

RECRUITMENT AND EMPLACEMENT

Recruitment

There are a number of criteria or principles involved in the recruitment of the public personnel. First, the recruitment to the public service in Malaysia is based on the principle of merit as opposed to political patronage. The objective of the merit system is to appoint candidates on the basis of their intellectual ability, personality, potential and their professional or technical skills in relation to the post to be filled. To achieve this, the recruiting agency, the Public Service Commission, has to perform its functions with independence, integrity and impartiality. The aim is to recruit the best and the most suitable candidates.

It is a requirement that the candidates are Malaysian citizens. Non-Malaysians may be considered only if Malaysian citizens are not available. It was considered necessary to limit the entry of non-Malaysians into the public service after the indigenisation of the service. However, approval for the recruitment of non-Malaysians has to be obtained from the Director-General of Public Service. Non-citizens may be hired on

contract for professional positions. There are many vacancies in such positions as doctors and accountants who will be replaced as and when Malaysians are available.

Officers who have resigned from the Government will no longer be eligible for reemployment in its service without the express sanction of the PSC. Permission has only been given in medical and a few other services having perennial vacancies or to persons who had to resign to further their studies. On the other hand, an officer who has been dismissed from the public service on grounds of unsatisfactory work or conduct or having been convicted by a court of law will not be eligible for reemployment at all.

The process of filling a vacant post by recruitment involves 5 distinct stages:⁴

- (i) Clearance from the Treasury and the Public Service Department for filling the post
- (ii) Recruitment exercise
- (iii) Offer of appointment by the Appointing Authority (PSC)
- (iv) Probationary period, and
- (v) Confirmation of appointment

The central agencies involved in the exercise to fill vacant positions are the PSD, the Treasury and the PSC. All these three central agencies have crucial and distinct authority.

(i) The role of the Treasury

The Treasury's role is to determine the justification for filling such vacant posts in terms of departmental need as well as the government as a whole. Its clearance must be obtained for all positions except for posts which have been created within the last three months. Nevertheless, clearance from the Treasury need not be obtained for posts which are rendered vacant due to retirement, resignation, death and promotion of the previous holder within the last six months. However, during the times of austerity drive, Treasury's clearance must be obtained for all cases. Even this was withdrawn during the severe Asian economic crisis of 1997/1999 when the Cabinet took over this responsibility. In such a situation, very few Ministries would be bold enough to submit such a request even though they might get the endorsement, which is rare, from PSD and Treasury. Only positions which could help to alleviate the crisis were allowed to be filled.

It should be noted that these vacancies are for positions already approved by the two central agencies, Treasury and PSD, during the annual budget exercise and subsequently passed by Parliament and received royal assent. However, approval is still needed to fill them from the central agencies.

(ii) The role of Public Service Department (PSD)

Under normal non-economic crisis times, an agency has to submit a request to the PSD to fill vacancies after getting clearance from the Treasury. In pre-1999 when vacancies were advertised in the major newspapers, agencies were also required to send along draft advertisements to ensure that they conformed with the academic qualifications, salary scale and other conditions of the scheme of service for the posts. Sometimes, the agency also sought PSD's permission to relax the entry requirements when no candidates applied or were found suitable from earlier exercises. After 1999 when a year-round on-line application system was introduced by PSC, advertisement is no longer done but all the other clearances have had to be undertaken.

(iii) The role of Public Service Commission (PSC)

The PSC has to select and appoint candidates for public service on the basis of merit. In addition, it must also confirm and emplace officers on the permanent and pensionable establishment. The selection exercise is mainly done through shortlisting followed by interviews. Shortlisting is done when there is a higher number of applications than vacancies in which case the entry qualification is raised so that only enough candidates are called for interview. The Interview Board normally consists of a chairman and a member assisted by a senior representative of the agency for the posts under interview.

Before June 1978, interviews for all categories of vacant posts were conducted by the PSC. However, the large increase in the number of candidates as well as vacancies, forced the PSC to delegate its authority to ministries and departments to conduct interviews for certain posts in Group C and all posts in Group D (the Support Group under NRS). The time period involved in interviewing a candidate depends on the post applied for and the number of candidates who are called and come for the interview. In the case of position in the PMG, the average time is normally 30 minutes whereas for Support Group it is 15 minutes. There is a special format for grading a candidate's performance which includes

communication skills, qualifications, general knowledge, co-curricular activities, personality traits, leadership qualities and suitability for the job.

Successful candidates will be offered appointment subject to passing a medical examination. They will be on probation for a period of three years. During this period they must show good performance even though they are only entitled to the salary progression of *mendatar* (satisfactory) under the NRS. If they do not perform, their service can even be terminated. At the end of the probationary period, the head of department will make an assessment based on the three annual reports and make a recommendation to the PSC for confirmation or, if it is not satisfactory, an extension of the probationary period for normally a year. Once confirmed, they enjoy the privileges and benefits of their scheme of service and as a public servant as well. On confirmation, a public servant will be given an option to be on the pensionable scheme or the provident fund, benefits of which will be explained later in this Chapter.

Problems Faced in the Recruitment Process

The very large number of applications has become one of the major factors causing delay in recruitment in the public sector. This is mainly due to the tedious process of sorting and short-listing the applications. However, nowadays, with the system being computerised, the recruitment process is faster and it also generates important information easily. There is now the year-round application system, *Sistem Mengambil Sepanjang Masa* (SMSM), by which candidates need not wait for advertisement but simply apply at any time. Applications can also be made on-line. Their applications will be stored in the system and processed whenever there is a recruitment exercise for the positions they applied for.

With the introduction of SMSM, the recruitment process, beginning from the receipt of the requests to fill the vacancy till the issue of the appointment letter, has been reduced considerably from 17 weeks to as few as four weeks. However, shortlisting procedures in the case of too many candidates for vacancies, the ratio of interviewees per vacancy, the interview format, and the time for individual interviews remain the same. Candidates have been heard to complain that the questions were seldom substantive or related to the job. With too many qualified applicants only a quarter of whom are called for interview, too little time is spent for the interview. The relevancy of the questions asked has led to the usual wonder as to whether the right candidates were selected. PSC

maintains relevancy is subjective and that the interview forms only a part of the selection process (and even that includes personality traits, technical and general knowledge, communication and leadership skills, etc) as the earlier shortlisting process with its stringent academic and other criteria leaves only the best to be called for the final (interview) stage. PSC adds that the fine record of the federal public service over the years since *Merdeka* is a testimony of the soundness of the selection process.

PSC is fully aware that the best should serve the government in view of its role and responsibility in a developing country. While the applications in the SMSM landbank are far more numerous than the vacancies, the better qualified among them did not come for interview during 'boom' times. The most qualified recruited during leaner times tend to leave for greener pastures when the economy turns better. It is also noticed in the nineties the number of Chinese applicants has been on the decrease in the technical and professional positions such as engineers, accountants, and scientists which they dominated earlier and are not subject to quota. The attraction has always been the private sector. There is nothing much which PSC could offer other than a few extra increments in the initial salary in recognition for a candidate's experience and extra qualifications as salary scale and perks are within the authority of the PSD.

On a more positive and interesting note has been the steady rise of applications from women. The number, in fact, is even or slightly outnumbers men in both the managerial and support groups. The slight disadvantage is that a few departments prefer men because of the nature of the job, especially enforcement positions and those requiring fieldwork. PSC has to accede to the gender preference of the department. However, the ratio in the support group as well as the younger members of the professional group is already equal and in some services there are even more women. In the support group services like clerical, teaching and para-medical about three-quarters are women. Among the managerial and professional group, as stated in the last chapter, the education service is already dominated by women while there has been a steady increase in the legal, medical, accountancy and even PTD services. They lack only in the number holding top and strategic positions. Significantly, the women members continue to remain in the public sector till retirement. On the other front, namely, at the source, while the gender ratio is about equal in schools and there are slightly

more girls in tertiary level, the performance of girls has generally been much better than the boys in examinations at all levels, and more so among the top performers. In about a decade, the top decision makers and those holding strategic positions in the public service except the uniformed services, will be dominated by the female employees.

Placement

Discussion about the recruitment process should also include placement. Placement is, after all, a part of the recruitment system. It is usually made immediately on appointment or at the end of a short induction course or a longer training programme. Placement, however, is the prerogative of the head of department who normally places an officer where the vacancy exists⁶. If there are many vacancies, the head will consult candidates first.

The Public Service Department is responsible for the posting of successful candidates in such common-user services as Administrative and Diplomatic Service (PTD) and clerical service of the Support Group. In line with the caring concept under NRS, and even pre-NRS, the PSD usually takes into consideration the preference of the candidates. This is especially so in such Support Group cases as administrative assistants, clerks, stenographers, and typists where there are no specific guidelines or criteria in the placement exercise. However, while the PSD tries to be accommodating, the principle of exigency of service prevails in that one is posted to where the service is most needed.

In the case of the PTD (Home Sector), the placement consideration is not as flexible as the Support Group. The officer's academic qualification and discipline, orientation during pre-service training, gender, personality traits, and personal choice are the main criteria for consideration. As for the PTD (Foreign Sector), placement is decided by the Ministry of Foreign Affairs.

COMPENSATION MANAGEMENT

Compensation for the staff in the public and other services is in the form of salary, allowances and other monetary or non-monetary benefits based on certain criteria. This is classified under the scheme of service which includes the salary scale and qualifications for entry to all

the various jobs in the public sector. As explained above, salary administration or compensation management is under the purview of the Public Service Department. Large scale salary revision is supposed to be an on-going exercise but until the mid-seventies it had been *ad hoc* with priority given to services under threat of industrial disputes. It was also too big an exercise when the salary scales numbered more than one thousand at one time. Until the Mahathir administration, the Government preferred to appoint a separate commission to look into the matter.

Since the end of the Second World War, there have been not less than ten salary commissions or committees specially established to review and make recommendations on the salary scales and other terms and conditions of service of the staff in the public sector. The Commissions/Committees, mostly known by the Chairman's name, are as follows:

- (a) The Trusted Commission, 1947
- (b) The Benham Committee, 1950
- (c) The Bain Commission for Sabah and Sarawak, 1956
- (d) The Watson Commission for Sabah and Sarawak, 1962
- (e) The Suffian Commission, 1967
- (f) The Tun Aziz Committee on Judges' Remuneration, 1971
- (g) The Aziz Commission for Teachers, 1971
- (h) The Sheikh Abdullah Committee for the Armed Forces, 1971
- (i) The Harun Commission on Statutory Bodies and Local Authorities, 1971
- (l) The Ibrahim Ali Commission, 1975
- (k) The Special Cabinet Committee on Public Sector Salaries, 1976
- (l) The Special Cabinet Committee on Public Sector Salaries (NRS), 1991

The salaries commission was normally established when there was an industrial unrest. The Suffian Commission, for instance, was set up after numerous demands for salary revision by the civil service unions while the Aziz Commission was established after a series of one-hour daily strikes by teachers on non-availability of housing and medical benefits which were enjoyed by other government services. A high court judge normally heads a commission or an eminent personality with long experience in the civil service. The advantage of a commission is that it can concentrate fully on its terms of reference (normally salary revisions and other terms and conditions of service) and no industrial action is allowed during its lifespan. The main disadvantage is it is time

consuming as the Commission has to invite memoranda, hold public hearings and then write its report which will then be considered by the Government, which also takes time. All the above Commissions took about three years to complete their work.

Committees, on the other hand, are less time-consuming as there are no public hearings though unions are consulted and called to present their cases with their memoranda. The main disadvantage of a committee is it does not have the legal power of a Commission as it cannot stop a union resorting to industrial action. However, this has never been done by the unions. Moreover, the last two committees were Cabinet-level, almost the highest in the land, and chaired by the Deputy Prime Minister and Prime Minister respectively. For the year 2000 pay revision, announced just before the 1999 General Elections and effective from January 2000, the Government simply decided to make an across-the-board 10 percent salary increase for all services. Similar decision, with the same quantum, was taken for the year 2002. We, therefore, think a salaries commission is simply history.

Nevertheless, for the purposes of record, each commission was guided by terms of reference decided by the Government. In the case of the Suffian Commission, the terms were as follows:

To consider and recommend the principles which should govern the emolument and conditions of service of monthly rate officers in the public service as defined in Article 132 of the Constitution other than Armed Forces.

In the light of such principles, to consider and recommend whether any changes are necessary in the terms and conditions of service of these services, and if so, to advise on the mode of conversion to any revised scales that may be recommended, bearing in mind the desirability of having as few salary scales as possible.

In making its recommendations, the Commission shall take into account the financial and economic situation of the country.⁵

Synopsis of Post-Independence Commission/Committee

Notwithstanding demands by civil service unions or industrial unrest, the Government on its own monitors the economic situation of the country *vis-a-vis* the wages of the civil servant through its many agencies such as the Treasury, Bank Negara, Economic Planning Unit,

and Statistics Department as well as salary development in the private sector. Indices such as consumer price index, real wages, purchasing power of the ringgit, and inflation rate are studied. Of prime importance is the financial capacity of the government and the economic impact of salary revision to the country. The Suffian Commission was established in 1964, when the country was not only in its seventh year of Independence but new territories had just joined in, its people experiencing inflationary pressure as a result of heavy defence spending, and its civil servants facing heavier workloads due to faster economic development and the war-like situation of *Konfrontasi* (Indonesia's policy of aggression against the establishment of Malaysia). The last Commission and the subsequent Special Cabinet Committees were not formed as a result of industrial agitation but a scheduled five-year review agreed to earlier by the Government and the Staff side. The review was itself a major administrative improvement along with the setting up of a tribunal to consider claims of anomalies by individuals or groups as a result of the implementation of the Commission's/ Committee's salary scales and conditions of service.

The Suffian Commission for the General Public Sector

The Commission, established just prior to the 1964 general elections, reported its findings in 1967. The principles underlying its report, which became a benchmark in subsequent Commissions, can be summarised as follows:

- (a) Public servants' salaries should be determined by the job and responsibility.
- (b) Government salaries should be consistent.
- (c) Equal payment for equal work.
- (d) Equal pay for women doing similar work under the same working conditions.
- (e) Government salaries should be fair.
- (f) General workers should be paid on the piece-rate basis.
- (g) The salaries should be related to the duties and responsibilities of the post.
- (h) The length of the salary scale should depend on whether the employees' value to the government will or will not be enhanced by increased length of service.

- (i) Salaries should not in principle be related to the cost of living, and housing should be the responsibility of the officer.
- (j) Salaries should be sufficient to induce quality staff to enter and, having entered, to remain in the public service.

The Tun Aziz Committee on Judges' Remunerations

The Committee was established on December 14, 1970 to revise the salary schemes and other conditions of service of Federal and High Court judges. Tun Aziz Abdul Majid was a former Chief Secretary to the Government, Chairman of the PSC and was later to become the Governor of Malacca. The Committee's deliberations were not given much limelight then due to the nature of the judges' work and their small number. According to its report, the principle underlying the Committee's consideration was 'fair comparison'. In this case it meant that the judges' remunerations should be comparable to the salary of the Malaysian Civil Service. The Committee also adopted the principle of clean wage as in the Suffian Report. In other words, the judges' remuneration should be consistent with other government services.

The Aziz Commission for Teachers

The earlier Suffian Report did not cover the whole teaching service. It was a large service with numerous salary schemes covering various qualifications and training, and different conditions of service for those employed after Independence. Following industrial unrest, the Commission was appointed in 1967, headed by Justice Aziz Mohd. Zain. Its report followed closely the principles of the Suffian Report. It also recommended that the salary of teachers be determined on the basis of fair comparison with other government services. The main demands of the teachers' union, that post-Merdeka trained teachers be given housing and medical benefits like other government servants, were also met.

The Sheikh Abdullah Committee on the Armed Forces

Basically, the Committee's report was based on the following principles:

- (a) Salaries should take the form of clean wages. Housing allowance should be provided separately.

- (b) Salaries should be based on duties and responsibilities.
- (c) The salaries paid should be fair.
- (d) The salaries paid should take into account the type of life that has to be led by Armed Forces Personnel.

The Harun Commission on Statutory Bodies and Local Authorities

As explained in Chapter 3 and earlier chapters, there were already not less than 70 pre-NEP statutory bodies and 120 local authorities in 1970. The salary schemes and other terms and conditions of service differed giving rise to the numerous claims and unrest, made more complicated by the fact that they were 'independent' and under different jurisdictions. The Commission was appointed in 1971 and chaired by Justice Harun. The Report also applied the principles of Suffian and it managed to consolidate and unify the disparate salary schemes.

The Special Cabinet Committee on Public Sector Salary

It was established as a direct response to the proposals of the Royal Salaries Commission chaired by Tan Sri Ibrahim Ali in 1975. The Government was concerned with the additional costs involved if the Report were implemented and the impact it would have on the private sector as well as to the ordinary *rakyat*. The Government, therefore, established this Special Cabinet Committee to review the Report, headed by Dr. Mahathir, then Deputy Prime Minister. The Committee eventually produced its own report popularly known as *Laporan Jawatankuasa Kabinet* (Cabinet Committee Report) 1976 or simply *JKK* (CCR) 1976. There was the normal upward revision in the salary scales with the number of schemes consolidated and reduced in number to 574.⁶ In addition to the 'clean wage' civil service, housing and entertainment allowances were introduced. There was also another major addition in that pension benefits were extended to the dependents of the retiree on his death.

The Special Cabinet Committee on the New Remuneration Scheme (NRS)

Fresh from the lesson of 1976, the Government did not appoint a Commission but instead opted for a Special Cabinet Committee to

review the salary schemes of the public sector. It was again headed by Dr. Mahathir, now the Prime Minister. This 1991 Committee came out with an extraordinary scheme. The Prime Minister announced the New Remuneration System (NRS) on October 12, 1991 for the Malaysian Public Sector with effect from January 1, 1992. It was a turning point and a major change with regards to the Malaysian public service salary structure.

Under the new scheme, as explained earlier, posts in the civil service were to be classified under three instead of four groups. These three groups were: the premier grade posts (*JUSA*), management and professionals, and support staff. The NRS introduced a completely new salary structure in the form of a Matrix Salary Schedule (MSS) for all sectors of the public service except those in the premier grade posts. In an effort to make the public sector more attractive and to stop the 'brain drain' to the private sector, the NRS was a performance-linked reward system. There were altogether 574 schemes of services and 2,000 different ad-hoc schemes. The NRS reduced them to 19 different classifications of service based on similar roles and functions.

The NRS is still based on an academic qualification as the entrance requirement into public service. However, talent is considered for certain jobs like musicians and cultural officers. The salary structure also gives opportunity for those in the Support Group to be eligible for appointment into the Management Group after certain years of service provided they passed the entrance examination and were successful in the interview. This somewhat mitigates the complaint of the wide gap in the salary structure and benefits between the Support and the Managerial Groups.

It should be mentioned that the Cabinet Committee on Establishment, which is responsible for public service including remuneration, has been meeting regularly under the Mahathir administration. It is chaired by the Prime Minister with the PSD as its secretariat. The Organisational Development Division, formerly known as the Establishment Division, of the PSD, which serves as the secretariat, has also been strengthened and given the task not only of monitoring salary development in the country but also elsewhere. Salary revision for the whole public service has become a permanent feature for every five years or earlier as circumstances demand. This is the case with the 2000 revision which authorised a 10 percent increase for all.

Tribunal and Staff Relations

There are bound to be anomalies and disputes in salary schemes and other benefits between management and staff despite meticulous planning and consultation. For the private sector, disputes are referred to the Industrial Court for settlement. In the case of the public sector, this task is handled by the Public Sector Tribunal whose decisions are binding on both parties, much like the Industrial Court. The Tribunal workload is usually heavy after a major salary revision as there would be staff dissatisfaction and claims of anomalies. Issues are negotiated first between the staff side and the PSD and will only be referred to the Tribunal when both sides have reached a stalemate.

The staff side of the public service is not allowed to form trade unions but it can form associations. As the public sector comprises many services, each forms its own association but may join the Congress of Union of Employees in the Public and Civil Service (CUEPACS), the umbrella association, which most did. Anomalies and other industrial disputes can be submitted by individual associations or by CUEPACS when matters affect the whole public employees.

There has not been much dispute or industrial unrest in the public service since the mid-seventies. This has been due to many factors including the mechanisms established for staff grievances in the PSD and the operating agencies. Besides regular meetings and consultations between the staff side and management at PSD and the agencies (on minor non-salary matters), CUEPACS representatives are permanently attached in the PSD on the government payroll as secretaries to the Joint Council. Credit also must be given to Dr. Mahathir who took a special interest in the civil service from the time he was the Deputy Prime Minister and made some bold decisions despite being very critical of them in the beginning. Above all, the salary and other benefits enjoyed by the public sector currently, which are among the best in the region, give little cause for dissatisfaction.

Pension

A pension is an award to public servants after retirement and to their dependents for a specified period after their death. It is a type of compensation or benefit that attracts and retains people in the public service.

In Malaysia the pension scheme was introduced in 1875. It was based on the Report of the Federal Legislative Council Committee. The Malaysian pension scheme gives a social guarantee and shelter for the public servants in their old age. The basis of pension benefit is specified by the Pensions Act, 1980 as follows:

The law applicable to any pension, gratuity or other like allowances (in this article referred to as an award) to a member of any of the public services, or to his widow, children, dependents or personal representatives, shall be that in force on the relevant day or any later law but not less favourable to the person to whom the award is made.⁷

Under the CCR (1976), civil servants had to work for ten years before becoming eligible for the pension scheme. The condition was, however, changed under the NRS wherein the period was shortened to three years provided they were confirmed in their appointments. They were also given the option then to join the pensions scheme or the Employees Provident Fund. Compulsory retirement is at the age of 56 years*. Public servants can, however, choose to retire at 40 but they can only receive their pensions when they are 56 years old. The minimum pension is RM 180 per month. Of late, this amount has been the subject of contention by the pensioners' association as it is below the poverty line. The Government promised to review the matter. It should be added that the pensioners' complaint is no longer delay of its payment of pension, as this is no longer an issue other than in isolated cases, but the pension formula and the minimum pension. The pension formula is calculated from the last drawn salary divided by length of service subject to a maximum of 25 years but the resulting amount must not be more than half of the last salary. The pensioners' demand is actual years of service. One other constant demand is the raising of the retirement age to sixty.

The most significant change introduced by the CCR was the extension of the pension scheme of a retiree upon his death to the spouse, for life, and to the children, until the age of 18 years or, in the case of college-going children, 21 years.

* This came into effect only from 2002. Previously, the retirement age was 55.

As an alternative to pension, under the NRS public employees are given the option of joining the Employees Provident Fund (EPF). Under the Fund, employers are required to provide a matching monthly contribution, a little more than the employees, and to be collected (with accumulated interest and dividends) when the employees are 56 years old or a third of it at 50. EPF is getting more popular as other benefits and partial withdrawals such as for housing and children's higher education have been added from time to time.

TRAINING

Every government or organisation will stress the importance of the training of its staff. This is normally manifested in its policies, its training institutions and the funds provided for staff training and development. In the case of the Government of Malaysia, the reason behind its stand on training is perhaps reflected in the following statement:

...essential for all grades and levels in the public services as the officer is far from being rigidly fixed in one position for the whole period of his career. The civil servants are promoted to higher posts with different responsibilities requiring different decision making techniques. At the same horizontal level, the civil servants are subjected to transfer from place to place, and this necessitates training to keep the officer up-to-date. In-service training supplies these needs to facilitate the necessary adjustment in promotions and transfer.⁸

There were on record several other statements. One was by the Prime Minister who made the following remarks on the importance of training when officiating a 'Seminar on Improving the Efficiency of the Government Service' in September 1979:

...with Independence, we have to orientate our public service from that of maintenance administration to that of development-orientated administration. There was a general expectation by our people for a better and higher standard of living for a meaningful and happier life. Therefore, the Public Service as the implementing arm of the government for achieving this objective must be geared towards providing the desired result.⁹

In contrast, during the colonial period, training was not given much emphasis. Knowledge of administration was expected to be acquired informally through work experience and on-the-job training. Only after Independence was training placed in its proper perspective. However, it was not until 1967, ten years after *Merdeka*, that a comprehensive study of the training needs of the civil service was undertaken. The report, completed in 1969, states that training should be 'a continuous process in every form and at every level'.¹⁰ It defines three broad objectives of the concept of development training:

- (a) To equip officers with the ability to make greater use of scientific and technical innovations;
- (b) To bring about more analytical approach to the conduct of government business; and
- (c) To provide a synthesis of knowledge and experience of the professionals and non-professionals.

To achieve the above objectives, a policy of sustained training was recommended by the Report:

- (a) induction training on appointment
- (b) basic training during the early stage of an officer's career
- (c) training for full capacity for performance
- (d) refresher training
- (e) training for career development

The Report was accepted by the Government. For the first time in its history the Malaysian public service had a clear training policy to guide the training efforts undertaken by the public sector to ensure a progressive civil service. The training activities were planned and implemented in a systematic manner based on the following strategies:

- (a) Providing exposure and upgrading knowledge and skills on technological development and up-to-date management techniques through short and medium-term courses;
- (b) Developing expertise and specialisation through long term courses;
- (c) Providing short courses for top management executives;
- (d) Decentralising training functions to Ministries/Departments as a step towards meeting the specific training needs of the respective government agencies.

The two main government agencies for planning and implementing training programmes for public personnel are the Training Division of the Public Service Department and the National Institute of Public Administration (INTAN). In addition, technical departments have their own programmes. The major ones are the Ministry of Education which undertakes pre- and in-service training for teachers and the Ministry of Health (for nurses and other paramedics). The others, which provide in-service training for their technical and professional staff are Public Works, Customs, Valuation, Agriculture and other departments.

Training for the public service can be classified under two main programmes: pre-service and in-service training. In pre-service training, scholarships are awarded to qualified candidates to pursue undergraduate studies in disciplines needed by the manpower requirement of the public sector. Upon completion of the course, the recipients are required to serve the government for a specific period. For more than two decades during the high growth years of the seventies till the nineties, Malaysia had been sending thousands of its best and its brightest for undergraduate studies abroad, some to top universities. The number was considerably scaled down in the late nineties due to the severe recession and the expansion of more local universities as well as the availability of more courses locally.

For in-service training, the awards are normally for postgraduate level or short-term courses conducted either locally or abroad.

The Role of INTAN

The National Institute of Public Administration (INTAN) is a division under the Public Service Department that provides training for the whole public sector. INTAN was founded in 1972. According to the 1999 Establishment List, INTAN has a staff strength of 739 made up of 175 trainers, with the balance comprising management, administration and supporting staff.¹¹ There are 6 campuses of INTAN. The main campus is in Bukit Kiara, Kuala Lumpur, with four regional ones in Peninsular Malaysia and another one under construction in Sarawak.

INTAN is headed by a Director with eight Academic Centres, each headed by a Deputy Director. The Centres are:

- (i) Quality Management
- (ii) Financial Management

- (iii) Economic Development and Policy Management
- (iv) Senior Management and Executive Development
- (v) Case Studies Development and Multi-media
- (vi) Knowledge and Graduate Studies
- (vii) Information Technology
- (viii) Language

The regional campuses outside Kuala Lumpur replicate most of the academic programmes, but on a smaller scale.

The establishment of INTAN was to provide training and development to all levels of government employees in development administration related to government systems and procedures, policy formulation and analysis, economics and project planning and management, and financial management. However, the role of INTAN has evolved with the changes following the thrusts of national development and public administration.

The focus on INTAN from the late nineties has been on training for continuous improvement of quality and productivity. Among the goals were assisting the public sector to achieve ISO 9000 certification by the year 2000, and training for the creation of an Electronic Government. To meet the challenges of Vision 2020, INTAN 'realigned' its mission to help create 'a world class public sector by providing quality and professional training to the Malaysian civil service'.¹²

INTAN has a good standing locally and internationally. The World Bank Report (1983) mentioned that 'INTAN in Malaysia achieved a reputation for its performance...' based on its 'relative autonomy to plan and manage its activities, qualified leadership and staff members', and because 'INTAN is not only engaged in training but also in research, consultancy and the development of training materials'.¹³

Besides INTAN, there are other major training institutions which are more specialised such as the Institute of Diplomacy and Foreign Relations, the Legal and Judicial Training Institute, *Institut Aminuddin Baki* (for educational administration), the Institute of Public Works (IKRAM), the Royal Customs College, the Institute of Public Health, and the Institute of Inland Revenue. INTAN alone conducted 885 training projects in 1998 ranging from training for top management, critical services, retraining and induction courses. These projects involved 30,213 participants.¹⁴ The numbers were higher during the earlier years before the economic slowdown.

PROMOTION, PERFORMANCE EVALUATION AND DISCIPLINARY CONTROL

Promotion

A promotion is 'the transfer of an officer from one post to another or from one scheme of service to another where the remuneration or prospects are better'.¹⁵ Hence there are two types of promotion. They are promotion to post and promotion to grade. The promotion of an officer from Assistant District Officer, Grade M3, to District Officer, Grade M2, is classified as a promotion by post as both positions are in the same PTD service. The promotion of an officer from Director General of Civil Aviation, grade JUSA 3 (the old Superscale C), to Director General of Immigration, Grade JUSA 2 (the former Superscale B) is a promotion to grade as the scheme of service and duties are different.

General Orders (A) 50, provides that:

...the basis for promotion is merit, that is the efficiency exhibited by the public servant in carrying out his duties. Personal attributes are also considered such as personality, qualifications and experience suitable to the post. Seniority would also be considered when the two or more candidates are equal in other respect.¹⁶

In the case of promotion to a post, the basis is merit that a person has reached an acceptable standard to fill certain posts. Merit in the case of promotion to grade is the ability to do a current job.

In the public service, promotion to higher grades is provided for by the scheme of service to which the employee belongs. A promotion exercise is conducted whenever a vacancy occurs in a higher grade in the scheme. These promotion exercises are conducted by the Departmental Promotion Board.

For the Professional and Managerial Group, and the Support Group, promotion boards are established at ministry and departmental level. Special Boards are created by the PSD to undertake the promotion exercise of all common-user services. With regards to Premier Positions (JUSA), there is only one Promotion Board comprising the Chief Secretary to the Government, the Director General of PSD and the Secretary General of the Treasury.

As in the appointment procedure, a promotion exercise has also

adopted the interview method. The annual performance and special confidential reports are also taken into consideration. All promotions are based on merit, a principle stated in the General Order 50 Chapter A, cited above, which defines merit as consisting of two factors: efficiency in performing one's duties and personal qualities, including integrity as well as qualifications and experience.

Prior to Independence, promotion was based on seniority in service and merit was second to it. However, in the sixties and seventies, more emphasis was given to merit and it soon became the primary criterion for promotion. More recently, performance during a pre-promotion course becomes another determining factor for consideration for promotion. This, however, is confined only to PTD officers.

The regulations on promotion provide an avenue for appeal to those who are not successful or not satisfied with the promotion exercise. For the Managerial and Professional Group, the appeal board is the Public Service Commission, while the Public Service Department considers appeals from the Support Group. Many of the appeals implored that seniority should not be simply cast aside as it meant invaluable experience which younger officers did not have. They argued that merit was too subjective to be quantified in the assessment report or during a thirty-minute or so interview. The appeals were heart-rending as most touched on the loss of face and the demotivation to work further after long years of dedicated service in the department. However, the appeal board would not question the performance report of the assessors.¹⁷

As mentioned earlier, like recruitment and selection, promotion in the Public Service is a non-political process in which no politicians are allowed any role in the selection or recommendation of suitable candidates. However, since the seventies a new element has been added by PSD in respect of certain positions such as Secretary General of a Ministry or head of department. This is the element of 'suitability' in which the candidate should be suitable to the Minister so that both could work together. The candidate is informed of promotion only after the Minister's positive views have been obtained. In the Federal Government, a case has seldom been rejected by a Minister.

Performance Evaluation

The introduction of the New Performance Appraisal System (NPAS), implemented on 1st January 1993 as part of the NRS, is aimed at

bringing about changes in the work culture and attitude of the civil servants. The Government also hopes the new system would serve as an impetus to efforts aimed at enhancing the quality and productivity of the public service. This new appraisal system consists of several principles or factors that have far-reaching implications to the civil service. The principles are as follows: the determination of annual work targets, mid-year review and the adoption of an open process of performance appraisal; the recognition of activities and contributions rendered outside the scope of official duty; the introduction of additional evaluative criteria and detailed weightage system; the use of different performance appraisal form according to grades and divisions in the civil service; the reduction in the levels of reporting officials (from 3 to 2) in line with the reduction in grades under the NRS; and the establishment of Co-ordination Panels on Performance Appraisal and Salary Progression to ensure fair and just appraisal.

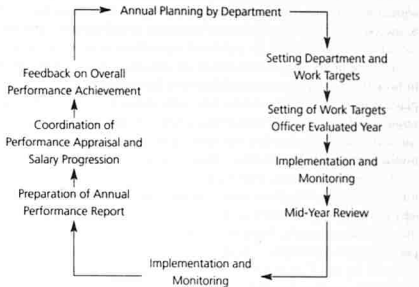
The NPAS is designed to be more objective and comprehensive compared to the old appraisal system. The NPAS is not only used for salary increment and promotion but as an essential management tool for career development, job assignment, counseling, training and merit award. However, there have been widespread complaints of possible abuse by superiors that could lead to victimisation of subordinates. The Congress of Union of Employees in the Public and Civil Service (CUEPACS) and the Malaysian Trade Union Congress (MTUC) took up this issue strongly with the Government.

The new appraisal system consists of an Annual Work Target (AWT) which is used to assess the performance of all public personnel by comparing AWT with actual achievements in the year of assessment. The AWT is actually the very basis of NRS. The work targets of all civil servants are to be established through discussions between the officer to be appraised (appraisee) and the supervising officer (appraiser). By doing so, it is hoped that a more objective and fairer system of performance appraisal can be ensured.

The AWT for an individual civil servant is set only after the AWT has been decided for the units and divisions within the department. This links the goals of the department together and becomes the target of performance to be achieved for the year by the officer. The process flow of the New Performance Appraisal System is as in Fig. 5.1.

In the setting of the AWT, special focus is given to the implementation of core activities, which are activities that occupy most of the officer's

TABLE 5.1
PROCESS FLOW OF NEW PERFORMANCE APPRAISAL
AND SALARY PROGRESSION MANAGEMENT



Source: Sarji (1994)

resources, time, energy and expertise. For an officer who is holding a Premier Post, the main duties are in the planning, formulation and analysis, coordination and evaluation of policies and programmes. On the other hand, officers in the Management and Professional Group are generally involved in the implementation and monitoring of policies and programmes as well as assisting in the formulation of public services. The Support Group revolves more on the operational task, supervision and enforcement and also physical and routine tasks.

The most important aspect in the new appraisal system is the 'Work Output' which measures the aggregate or total output produced by the individual in a given year. Essentially, this is to encourage the staff to produce better quality of work at minimum cost and time involved.

Another factor taken into consideration in the performance evaluation system is knowledge and experience of the officers concerned. Focus is given not only to the knowledge and skills that an officer possesses but also to his ability in supervision, decision making, communication and problem solving. These factors are considered essential to enable the work to be carried out effectively.

Apart from above, the character and qualities of an individual are also taken into consideration under the Personal Traits aspect. In this section emphasis is given to the *integrity, commitment, fairness and objectivity, discipline, leadership and inter-personal relations*. This is aimed to motivate and instil positive work behaviour and discourage actions that would be in conflict with the rules and regulations of the civil service.

The members of the civil service are also evaluated for their potential in undertaking higher responsibilities for the purpose of promotion and placement. The criteria taken into consideration are, among others, *vision, analytical skill, pro-activeness, creativity and innovation, ability to cope with challenges and thinking ability*. The objective is to ensure that the public service is led by capable officers and persons of high calibre.

As stated elsewhere, NPAS has been a controversial issue since its implementation. The main issue was the quantification by the assessors and the lack of uniformity as well as the difficulty of being objective in the awarding of marks. There is a certain element of subjectivity in every performance evaluation system but, unlike others that have been adopted by the Government, NPAS rewards the high achievers with more pay, leading possibly to accelerated promotion. The format is common to all services and levels, be they managerial, professional or support services in staff, operating or research institutions. In this evaluation system, only five percent of the staff is eligible for excellent performance. This is forced ranking which has its weaknesses. It drew wide opposition from members of the public service. The Government has promised to further improve this system. In April 2000 it agreed to consider a memorandum on the subject by CUEPACS.* Nevertheless, it cannot be denied that NPAS has made public servants more competitive and that the system has generally produced the best and the better among them to move ahead from the pack. This was not so before the NRS was implemented.

Disciplinary Control

Values, Work Ethics and Discipline

Good values, work ethics and discipline are essential factors in the civil service as these influence the moral character of a civil servant. The

* In October 2002, the Government finally decided on an improved version of the NRS, now called the Malaysian Remuneration System (MRS).

moral force is important as all officers are expected to play their part in the achievement of public service objectives. It is a proven fact that successful organisations portray positive values and work ethic as part of their organisational cultures. Civil service values fostered in Malaysia appear to be *quality, productivity, accountability, integrity, discipline, innovation and professionalism*.

Bersih, Cekap dan Amanah (Clean, Efficient and Trustworthy) was one of the earliest programmes that sought to cultivate good working habits and positive values among civil servants. In being 'clean', the civil servant is expected to maintain cleanliness in every respect, which includes having high moral values as well as adopting a physically clean and hygienic lifestyle. These values are, among others, being upright, impartial, considerate, loyal and modest. 'Efficient' means being firm, productive, decisive, proactive and confident. This can be achieved through constant training and practice as well as subscribing to a desire to learn and improve. 'Trustworthy' implies honesty, responsibility and accountability. This should be the very basis of a civil servant's attitude and approach towards work.

In addition, in order to provide the ideal foundation of values and ethical practice, a set of values known as 'The Twelve Pillars' was introduced. The twelve pillars are the *value of time, the success of perseverance, the pleasure of working, the dignity of simplicity, the worth of character, the power of kindness, the influence of examples, the obligation of duty, the wisdom of economy, the virtue of patience, the improvement of talent and the joy of being original*. Civil servants at all levels and in any organisation are expected to espouse these values. They are categorised as core values for civil servants in order to create quality service and promote a positive work culture.

In the nineties, a number of new measures and initiatives was undertaken by the Government to strengthen conduct and discipline in the public sector, principally in the areas of enforcement, prevention of corruption and work ethics.

1. Enforcement of Discipline

Discipline is essential in any bureaucracy, public or private. Discipline, together with a system of just reward and incentives, will make an organisation strong and its members responsible and incorruptible. The Malaysian public service has a long tradition of being a disciplined

force. The British might have emphasised too much of it through the General Orders and administrative circulars but they managed to inculcate in the colonial public service tradition of working in an environment of etiquette, rules and regulations. After *Merdeka*, the Government strengthened and introduced new legislative and administrative directives to enforce discipline in the public service. The main relevant ones are the Financial Procedures Act, 1972, Official Secrets Act, 1984, the Anti-Corruption Act, 1997, Treasury Instructions, General Orders, and Service Circulars.

The original subsidiary legislation on the discipline of civil servants was General Orders (Conduct and Discipline) (Chapter D), 1980. In December 1993, this was replaced by the Public Officers (Conduct and Discipline) Regulations 1993 that contains the code of conduct and a list of prohibited practices. This legislation is a set of rules and regulations that governs the conduct and discipline of civil servants in this country. In the code of conduct, it requires civil servants to give their undivided loyalty to the Yang di-Pertuan Agong, the country and the government, to put official duty before personal interest, to avoid bringing private interest into conflict with public duty, to avoid using public position for personal advantage, and to be honest, efficient, responsible, competent and obedient. The code of conduct provides guidelines for civil servants in terms of behavioural expectations and proper conduct.

Under the regulations, disciplinary boards are established at all levels for various categories of staff. However, the PSC is the disciplinary authority for officers in the managerial and professionals group in cases involving dismissal. In non-dismissal cases such as a limited absence from duty and lateness for work, the authority is delegated to the ministries or departments for this group of senior officers. The PSC is also the highest Appeal Board for all category of staff.

The basic ingredient of a disciplinary action is the officers' right of natural justice. They must be given the right to defend themselves in a fair hearing. For this purpose, a proper charge is made which they must acknowledge receipt. They are normally given three weeks to reply. The board will formally sit to hear cases, and can even call them to further explain, with or without legal counsel. They will be formally informed of the decision in writing. If convicted, they are given two weeks to appeal. This whole procedure is dispensed with if officers are convicted in a court of law, in which case they are simply asked by the disciplinary board to show cause why they should not be dismissed.

The punishment on conviction varies depending on the severity of the offence. Under the Regulations, the Board can impose a *warning*, *fine*, *forfeiture of emolument*, *deferment of salary increment*, *salary reduction* and, the heaviest of all, *dismissal*. The punishment could also be more than one except for dismissal.

The decisions on the punishments to be imposed are based on the gravity of the offences committed in relation to such factors as the degree of disrepute brought to the public service, previous disciplinary cases, if any, and the report of heads of department. Mitigating factors include the circumstances of the cases, staff performances and their past contributions to their agencies.

The number of disciplinary cases dealt with for a period of ten years from 1989 is as follows:¹⁸

1989	-	1049
1990	-	1306
1991	-	1615
1992	-	1185
1993	-	886
1994	-	732
1995	-	1031
1996	-	1126
1997	-	908
1998	-	748

Considering that there were about 800,000 civil servants for most years in the nineties, the above figure represents less than 0.25 percent for any given year. It is sobering statistically. Many heads of departments prefer counseling first before taking disciplinary action. Most of the officers involved in disciplinary cases were from the lower level of the support group. The most frequent cases were absenteeism. In the seventies and eighties there were many drug-related cases, the scourge of Malaysia, indicating that the public service, including the drug-enforcement agencies, was not spared of the drug menace. There were also several cases, involving Muslims only, arising from conviction in the *syariah* court, mostly *khalkwat*, as the offence is subject to disciplinary action for bringing disrepute to the public service. The more serious disciplinary cases, confined mostly to senior officers, were loss of government revenue and acts of irresponsibility aside from court conviction on corruption.

2. *Prevention of Corruption*

The government's aim is always to establish a clean, efficient and trustworthy public service. The Government's strategy is to minimise corruption because stamping it out altogether is near impossible in view of private acts between two consenting parties. In an indirect move to minimise corrupt acts, the Government raised salaries and other incentives to one of the highest levels in Southeast Asia, and continued to formulate administrative reforms so as to make the public service more efficient and transparent.

There are several more direct administrative measures to combat corruption in the public service. Among them is the declaration of assets for all staff which must be revised whenever there is a change. Officers who do not declare or underdeclare jeopardise their promotion prospects, face disciplinary action or may be charged in court. Another measure is the positive vetting by the Anti-Corruption Agency before an officer is promoted, given optional retirement or bestowed awards from state or federal government. Other measures, but more indirect, include corruption as a subject in the training programme and inculcation of positive values and work ethics. On the public side, dissemination of information and educational programmes on good governance and the prevention of corruption has been undertaken from the late eighties with emphasis in the schools.

The Government also examines from time to time the administrative causes of corrupt practices such as undue delay and decision-making powers. As elaborated later in Chapter 9, the administrative reforms at the counter services of the Registration, Immigration and Road Transport Department cut short considerably waiting and process time to get, say, identity cards, passports, work permits and driving licenses. When the Driving Tester, for instance, was thought to have too much authority in deciding a driving test, the power was delegated to a committee of three testers. While all these administrative improvements are done at the front office or ground level where the public is involved, the administrative procedures, particularly financial, have been tightened. These include the tender and contract system.

On the law enforcement side, anti-corruption legislation has been strengthened several times since *Merdeka*. The latest is the Anti-Corruption Act, 1997. The others are the Penal Code, the Essential

(Ordinance No. 22) Regulations, 1970 and many other regulations which empower the ACA to investigate, arrest and prosecute public officers as well as the public involved in corrupt practices. As in the case with discipline, the number investigated or charged with corrupt practices in relation to the total public service has been very small.

As the country has developed since *Merdeka* there seems to have been a marked change in the level of public officials prosecuted for corruption. Hitherto, the majority were the policemen, the forest rangers, the driving testers and the junior custom or immigration officers, the so-called *ikan bilis* (small fish), who were allegedly caught red-handed with the hot cash. In the nineties, there have been more *ikan yu* (big fish) facing prosecution or being investigated. They were mostly top decision makers of state governments accused of misusing their official position to approve land applications or projects. They were not civil servants but politicians elected to office. Ironically, these powers were once vested in senior officials such as District Officers before they were taken over by the State Cabinet in order to speed up the development process. The corrupt practices by the higher level have also become more complex with the involvement of dummy companies and foreign corporations. However, the conviction rate and the publicity given to these high profile cases is a deterrent in the campaign against corruption in the country.

The new Anti-Corruption Act came into force in January 1998. To coincide with its implementation, the Government established the Committee on Integrity on Government Management (*Jawatankuasa Keutuhan Atam*) at all levels of government and in every agency with the objective of stamping out corruption. At the national level it is chaired by the Prime Minister while at the state level by the Menteri Besar/Chief Minister. There are equivalent executive level committees chaired respectively by the Chief Secretary of the Government and the State Secretary. There are also committees at the ministerial, departmental and district levels chaired by the heads. This is a departure from previous practices as now the agencies themselves, rather than solely the ACA, are helping to fight corruption. They include departments such as the police, customs, road transport, immigration and the local authorities which have traditionally been perceived to be very prone to corrupt practices.

Summary

Personnel administration involves compensation management, performance evaluation, training and career development, and other elements which are essential to produce the best out of individual employees for the productivity and efficiency of the agency they work in. For the public service of Malaysia, which emphasises quality of service and productivity, the Government appears to have tackled all the major personnel issues that will help achieve the objectives. Compensation management appears to take centre-stage most of the time as it is a bread-and-butter issue. However, matters like performance appraisal, training and development, and pension are equally taken care of. As the biggest employer, the Government, cannot do otherwise since a dissatisfied and neglected public service will not help in developing the country. After some forty years since Independence, we see a well-structured salary scheme, other benefits which not many countries can offer, and an appraisal system which, despite its detractors, rewards those who perform with excellence.

ENDNOTES TO CHAPTER 5

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- ³ William George Maxwell, and William Summer Gibson, (eds) (1924). *Treaties and Engagement Affecting the Malay States and Borneo*. (London: Truscott & Sons Ltd).
- ⁴ Interview with Principal Assistant Secretary, Public Service Commission on October 2000.
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- ⁶ Malaysia, *Jabatan Perkhidmatan Awam* (1977). *Laporan Jawatankuasa Kabinet berkenaan Gaji Perkhidmatan Awam*. (mimeo).
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- ⁸ Ahmad Sarji bin Abdul Hamid, Tan Sri (1993). *Upholding the Integrity of the Malaysian Civil Service*. Kuala Lumpur: Pelanduk Publications.
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- ¹⁰ Milton J. Esman & John D. Montgomery (1967). *Development Administration in Malaysia. Report to the Government of Malaysia*. Kuala Lumpur: Government Printer.
- ¹¹ Malaysia (2000). *Senarai Perjawatan 1999*. Kuala Lumpur: Percetakan Nasional, pp. 197-201.
- ¹² INTAN *Management Journal* 1998/1999.
- ¹³ World Bank Report (1983) quoted by INTAN *Management Journal* 1998/1999.
- ¹⁴ INTAN, *op.cit*.
- ¹⁵ Mohd. Tahir Abdullah (1980) *Compensation and Motivation in the Civil Services of Malaysia*. Bonn: Institute for International Partnership.
- ¹⁶ Malaysia. General Orders (Appointments and Promotions) 1973.
- ¹⁷ From the recollection of Dato' Dr. Abdul Kuddus Ahmad when he was a member of PSC (1994-1999).
- ¹⁸ Malaysia. *Laporan Tahunan Suruhanjaya Perkhidmatan Awam*. Kuala Lumpur: Percetakan Nasional. Various issues.



CHAPTER

6

The Budgetary Process

This Chapter is devoted to concepts and systems of public budgeting as practiced by the Malaysian Government. The discussion begins from line-item budget which was inherited from the colonial period and continued long after Independence. It was replaced suddenly and in toto in 1970 by the (American) Program and Performance Budgeting System (PPBS) and continued with all its imperfections for thirty years. Only in the latter part of the 1990s was the current one implemented, the Modified Budget System (MBS), an improved variation of the PPBS. The discussion ends with an evaluation of the 1999 Operating and Development Budgets.

CONCEPT OF BUDGETING IN GOVERNMENT

Introduction

A budget can be defined in various ways. A technical definition given in Kohler's Dictionary for Accountants,¹ defines a budget as any financial plan which serves as an estimate of a control over future operations, or any systematic plan for the utilisation of manpower material or other resources, hence any estimate of future cost or revenues. In other words, it describes how money is allocated for a specific purpose to achieve a certain public goal.

A broader definition of a budget is a financial plan that serves as a basis for expenditure decision making and subsequent control of expenditure.² It is interpreted as that part of government that involves choosing and making decision on spending. However, budgeting can also be defined as the planned acquisition and use of resources by public

entities. It is a formal process used to coordinate the activities of a large number of people in public organisations and their constituents.³

However, as many recognise, budgeting is a public administrative activity of preeminent importance. Along with personnel, organisation and decision making it is at the core of public administration.⁴ Like those other subjects, it is generally surrounded by controversy and call for reform. Moreover, budgeting is so complex in its political and economic ramifications that in some respect it defies control and even understanding.

The Malaysian Treasury⁵ defines the government budget as a statement of the limit and allocation of scarce resources, which a government will use in the social and economic well being of the population. Budgets are the result of a compromise among alternative views of the desirable size and composition of government activities. A budget, therefore, contains the planned expenditure and revenue for a fiscal year.

Essentially, a budget can be categorised under three main perspectives. First, budgeting deals with the question of resource optimisation. The optimal resource allocation often entails striking a balance between individual and social welfare. A government will have to deal with different standards and ideologies in allocating its limited resources. Secondly, budgeting is also viewed as an internal bureaucratic process that is built upon theories that compare the approaches of governments towards allocation of resources to the industrial sectors and activities in the business world. Lastly, it is viewed as an empirical and descriptive approach linking budget determination to the demand for services. This perspective views the budget as a decision made in a bureaucratic process by factoring in domestic variables like inflation, unemployment, economic crisis and external factors such as worldwide recession, prices of raw materials and bilateral and multilateral agreement.

Aim and Purpose of Budgeting

Budgeting has become an essential yearly process in every country. The aims of preparing a yearly national budget are to:

- (i) enable a country to control and increase its economic growth, especially through fiscal and monetary policies;
- (ii) plan and achieve the development of the nation;
- (iii) control and guard the foreign trade of the country.

Thus, the budget can be classified as mixing fiscal policy, political bargaining and management accountability of government.

- **Budget as a fiscal policy** – The budget is a very important fiscal policy with the purpose of achieving development and economic stability through efficient and effective expenditure management and tax policy. State and local governments are required as far as possible to have a balanced operating budget. A central government, however, can and does plan deficits to solve economic problems in the country.⁶ As an alternative to this, a new approach called the *Keynesian approach* was introduced in the mid-1930s which stated that government should have substantial leverage over the business cycle fluctuations if the government spending is a proportion of a country's Gross National Product (GNP). Deficit spending can be applied to stimulate the economy out of a recession or depression. On the other hand, a government surplus budget can be used as a means of regulating economic growth and limiting inflation.

Like a family with a household budget, the government has to prioritise its expenditures and forecast the sources of revenue. Hence, a budget is a policy document that states what the government intends to do and the resources it will devote to each activity. Public policies act as government choices of actions intended to serve the public purposes. Public purposes include education, health, safety and security of the citizens, economic development and others. The amount of money allocated to a task indicates its relative importance.

- **Budget as part of political bargaining** – Budgeting involves the determination of whose policy preferences will prevail. Different interest groups and government ministries compete for limited resources. The more plural the society the more complex will be the budget making process.

The government has to take into account the needs of different socio-economic groups. Often the principle of *Pareto Optimality* that seeks to minimise adverse effect on certain groups is observed. In recent years economic growth tends to become the cornerstone of Malaysian budget. For example, in an effort to stimulate the overall development of the country supporting small and medium industries is seen as crucial. On the other hand, to attract high technology industries requires expensive infrastructure such as the launching of the Multimedia Super Corridor (MSC).

- **Budget as management accountability** – A budget is a managerial document that projects the means to implement policies. It can be divided into two purposes. First, as a financial management tool, it will make sure that all the allocations approved by the Treasury are spent as planned without any deviation or changes. The budget also enables departmental managers to control the pace and direction of spending during the fiscal year. Secondly, it is a tool or device to control and monitor performances of ministries and government agencies. This is normally done through administrative circulars and regular reporting.

BUDGETARY PROCESS

The public budgetary process varies from one country to another. However, the process that a government has to follow before it can establish its budget is about the same regardless of what system it practices. Typically, the process of budgeting goes through five stages. They are:

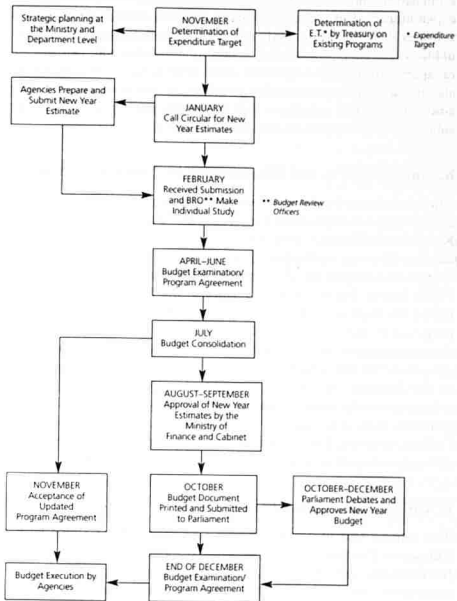
- (a) Preparation and formulation
- (b) Submission to and examination by central agencies
- (c) Cabinet and legislative approval
- (d) Execution and implementation
- (e) Audit and review

a. Preparation and Formulation

The first stage involves preparing estimates of revenue and expenditure for a specific future period, normally a year. The instruction to prepare the budget, known in some countries as the Call Circular, is normally issued twelve months before the new fiscal year. In the case of Malaysia, whose financial year is the same as the calendar year, the Call Circular is issued in January. (See Fig. 6.2).

In the circular the state of economy, the rate of growth and the forecast of revenue in the coming year are given. The circular also states the maximum percentage in the increase of expenditure or ceiling by each agency, depending on whether times are good or otherwise. Whatever the state of the economy, agencies are always reminded to be

Figure 6.2: Flow Chart on Budget Formulation Process in Malaysia



prudent in their budget submission. The budget is divided into two: estimated revenue, no matter how small, and estimated expenditure. The expenditure budget consists of costs of operating existing programs and activities which mainly include salaries, transport and traveling, rental, utilities, printing and stationery, telecommunications, and maintenance of equipment. These are normally 'sunk' or recurrent costs. The budget also includes new or alternative programs or activities which involve additional costs in manpower and machinery, among others, and are subject to closer scrutiny by the central agencies.

b. Submission to and Examination by Central Agencies

The second stage begins when the proposed budget is submitted to the central agencies responsible for finance and personnel. In the United Kingdom, the Treasury performs both functions. In the United States, the functions are performed by the Office of the Management and Budget. In Malaysia, the duties are handled separately, personnel by the Public Service Department and finance by the Treasury, with the latter having the final say as it is responsible for the budget as a whole. The proposed budget of each agency is scrutinised and examined by the central agencies which normally prune them down to within the ceiling set earlier. The whole budget covering all the agencies is then submitted to the Minister of Finance for political and other input prior to submission to the Cabinet, the final policy making authority. In many countries including Malaysia, the Minister of Finance, and even the Cabinet, is involved in the budget process at various stages, at least in giving new directions, policies and programs.

c. Cabinet and Legislative Approval

The national budget proposal is then presented to the Cabinet by the Minister of Finance. The Cabinet, as the highest policy-making body of the Executive, will carefully consider the proposal, especially the new programmes and taxes for political, economic and other ramifications. The budget is then presented to the legislature in the form of a law.

A budget is more than a revenue and expenditure document for it contains the fiscal and economic policies of the ruling party, its ambitious programmes, its new taxes or the reduction or abolition of some, and other incentives and measures to get the country going well economically

in the ensuing year. It is a significant event in the country's economic and financial calendar as well as a major tool for the ruling party for its continuity as a government. Under the Westminster model, the legislature is Parliament, in which the budget will easily be passed as long as the ruling party has a sizeable majority as has been the case in Malaysia and Singapore. When the majority is slim, however, and the ruling party is a shaky coalition, as in the case of India in the nineties, the budget will face a difficult process. In the case of the American legislative system where there is a distinct separation of powers between the President and the legislative branch, the Congress, the budget will face a more difficult passage to be passed if the party that controls the Congress is different from the President's. In the mid-nineties, for instance, the US Federal Budget had not been passed when the fiscal year began resulting in the closure of many services of the Federal Government for a few weeks. When a budget law is not passed or is defeated in the legislature, the government cannot function in the fiscal year as there are no funds to pay for services, salaries and other operational costs.

d. Execution and Implementation

Once the budget has become law, it is implemented in the fiscal year by the various agencies. The budget law, called Supply Act in Malaysia and many Commonwealth countries, contains detailed appropriations on programmes and activities and includes such items as salaries, number of personnel and rank, equipment, utilities and other operating expenditures. Agencies are not allowed to spend beyond what is appropriated. The spending is spread throughout the fiscal year and is subject to examination by internal and external audits. Supplementary expenditure is only allowed in case of emergency or due to unforeseen circumstances but it has to go through the same process again. As for revenue from a new tax, separate legislation or amended legislation has had to be passed before it can be collected. For a totally new source of revenue, an administrative structure and machinery has to be established for its collection and management.

There is also a system of monitoring the implementation of the Operating Budget. It is normally to keep track of the amount of fund expended under each standard object of expenditure. It is for a financial purpose rather than to measure the progress or performance of the agencies. In Malaysia, all agencies are required to submit to the

Accountant General a quarterly report on the Operating Budget. There is also an inspectorate system by the central agencies in addition to the internal audit of the operating agency itself.

e. Audit or review

The final stage involves auditing or reviewing the execution of the approved budget. The reviews of budget implementation are designed to see the effectiveness, to check compliance by the organisations of the authorisations to spend, and whether objectives had been achieved.

In the case of Malaysia, the Auditor General, who is appointed by the Yang di-Pertuan Agong on the advice of the Prime Minister and with the concurrence of the Conference of Rulers, is responsible for examining, enquiring into and auditing the accounts of all federal and state agencies. He submits an annual audit report to the House of Representatives which refers it to its Public Accounts Committee (PAC) to examine any irregularities in the accounting of public monies or public stores. (A further discussion on the role of the Auditor General and the PAC on accountability is in Chapter 7).

Traditional Budget Systems and Approaches

It is to be noted that the simplest approach to public budgeting, which was widely used until late in the nineteenth century, is lump-sum budgeting. However, it was considered inefficient and unsystematic. There are other approaches to budgeting adopted by many countries. For example, in the United States of America in 1914, the 'Managerial Approach of Budgeting' was introduced. It was aimed at increasing the effectiveness of economy in its management, to avoid wastage and increase the productivity of the country and to tighten national financial security. Through this system, the government granted some allocations to government agencies and to allow them to spend in accordance to their priorities with minimum control. This was untenable to the politicians because through this system the government officials had too much authority in financial matters.

A further improvement was made in the form of Line-Item Budget. The Line-Item Budget made supervision and control over expenditure easy and neat. However, its major drawback was the link between expenditure and the objective of the budget.

There were three other approaches to budgeting, each with different emphasis. They were Performance Budgeting, Program Budgeting, and Zero-based Budgeting. Performance Budgeting emphasised performance of activities and programs. There were performance indicators to show the relative efficiency of such programs and activities. Program budgeting, on the other hand, is appropriation based on a program or activity rather than by the conventional agency. A budget of the Ministry of Education, for example, is based on, say, teacher training and a special program for the handicapped rather than by departments or divisions. Zero-based budgeting is one in which all existing programs are considered new and, as such, there will be no recurrent or 'sunk' costs. In other words, the life of an existing program will be subjected to a budget examination all over again, back to Year Zero, including its staffing requirements.

It is, therefore, a matter of choice as to what type of budget and the extent and nature of supportive tools or system, will serve a country's needs adequately.

THE HISTORY OF MALAYSIAN BUDGETING SYSTEM

There are obviously many national budgetary systems and each country adopts one that is best suited to itself in terms of its administrative system. As the country develops and its government grows in size and complexity, its budget system has to keep abreast with the times. This is the case with Malaysia and many other countries. However, Malaysia, like other countries, has been very cautious in making budgetary reforms. The line-item continued ten years after Independence despite its shortcomings. This was replaced by the Program and Performance Budgeting System (PPBS) which went on for another thirty years despite reservations made ten years earlier. Only in 1995 was the PPBS replaced by the Modified Budgeting System (MBS).

Budgeting before Independence

In the period of British rule Malaysia was introduced to the British budgeting system. It had two main principles. First, revenues from taxes could not be collected without Parliamentary approval. Secondly, only the executive has the prerogative to do financial planning. These basic British taxation and budget principles were implanted into the Malaysian

system long before the introduction of representative government. Learning from the lesson of British constitutional monarchy, the colonial masters took over the taxation powers of the absolute Malay Rulers and gave them permanent pensions but ruled in their name. The budget document was made more systematic with detailed revenue and expenditure on a line-item basis. The annual budget would then be tabled by the member of the executive, the Financial Secretary, to the nominated Legislative Council for approval. These budget principles and system were improved upon along the years and were to remain in use during more than a century of British rule. The system was used until Independence.

Budgeting after Independence

The Malaysian Government continued with the old system of budgeting but placed a different emphasis. The colonial line-item remained in form. However, the financial responsibility and public expenditure accountability of the independent Government were enshrined through several articles in the Constitution. Among them were the taxation principle described earlier and the tabling of the annual financial report as well as the Supply Bill in Parliament.

The Government also began the practice of presenting the budget proposals in Parliament in the form of a Supply Bill, tabled by the Minister of Finance. The budget session lasts from six to eight weeks in the *Dewan Rakyat* alone (with another four in the *Dewan Negara*) as the proposed expenditure of every Ministry had to be debated and passed. Once passed by Parliament and assented to by the King, the budget becomes law allowing the ministries and departments to spend the funds as allocated.

At the time of Independence in 1957 the Emergency was winding down but the main focus of government expenditure was on this Communist insurgency. The expectations of the *rakyat*, however, were obviously high. Thus, despite the fluctuating prices of tin and rubber, the two commodities on which the country's economy was based, the Government launched its first Development Plan. It was modest by current standards. However, when the Emergency was declared over in 1960, the Government embarked on its first priority, rural development. The funds otherwise meant for the Emergency were channeled for the construction of facilities, services and infrastructure, mainly in the rural

areas. It was during these times that the political leaders, notably Tun Razak, the Deputy Prime Minister, called on the civil service to improve the administrative machinery in line with the independent status of the country. In financial administration, line-item budgeting was still practiced well after *Merdeka*.

Line-Item Budgeting System

Line-item budgeting was popular as it looked neat and simple. It showed the title or purpose of the item of expenditure, followed by the amount allocated at the end of the line (hence the name). The allocation for an agency, for example, was itemised into 'Personal Emoluments', 'Transport and Traveling', 'Printing and Stationery', etc and further sub-divided into details followed by the appropriations. In all the items there was, therefore, a relationship between purpose and allocation. The allocation should be spent on the item or activity stated in the budget document. It was good for control.

On the other hand, though line-item budget would show what could be done by a ministry or department, it could not state what the agency could achieve. The emphasis was more on recording and listing all the expenditure items rather than on their output. Minimal attention was given to the objectives of the expenditure which made it difficult to gauge the impact of such expenditure on the programs. Line-item also failed to show future costs and effects as well as proper organisational performance. In short, a more comprehensive budgeting system is needed to cater for a more complex organisation, more so for a government.

Many countries practising the system began to notice the deficiencies and searched for alternatives. In America, the Hoover Commission in the early fifties had proposed a new system of federal budgeting called 'Performance Budget'. The Malaysian Government, for its part, noted the many weaknesses of line-item as well. In 1965 the Government engaged two consultants from the Ford Foundation to study Public Administration in Malaysia. Their report contained several observations and suggestions on financial administration.⁷ The main ones were as follows:

- (a) Traditional budget system inherited from the British was inadequate because it failed to supply the kind of data Parliament and the Treasury needed for making informed decisions as well as to the public to understand the performance of government.

- (b) The Treasury was paying too much attention to small matters that came from the detailed document on expenditure.
- (c) The budget examiners from the Supply Division of the Treasury did not have enough opportunities to specialise in their work.
- (d) The traditional budget should be revised to furnish data on program and performance.
- (e) Heads of department were recommended to be given more discretionary financial powers.

As a follow-up to the report, Thomas Mudford, an American consultant, was invited to conduct a study on the Malaysian budgetary system. Based on his report⁸, the Malaysian Government made the decision to introduce the Program and Performance Budgeting System (PPBS) through the Treasury Circular No. 5 of 1968. This was Malaysia's first major effort in budget reform. The Government hoped that this system would enable Parliament and the executive and management at all levels to exercise their function of planning, managing and controlling all government programs more efficiently and effectively.

PROGRAM AND PERFORMANCE BUDGETING SYSTEM (PPBS)*

The government decided to introduce PPBS in 1969 out of its concern over the inadequacy of the line-item budgeting system to serve the country's development needs. In its conception, PPBS resembled the American one except for minor variations in their nomenclatures and the emphasis given in Malaysia to the devolution of budgetary authority. PPBS brought some significant changes to the budgetary and management process of the government. Budgeting under PPBS went beyond line-items. It proceeded by objectives setting, program-activity structure development and performance measurement. It required each agency to determine its major mission objectives, state how it could accomplish each and at what cost, and summarise and justify the agency's policies within each objective.

The mission objectives of the Ministry of Agriculture, for example, were to uplift the socio-economic status of the farmers, fishermen and

* We deeply appreciate the assistance of Dr. John Anthony Xavier of INTAN on PPBS and the following MBS.

animal breeders, increase food production for domestic consumption as well as for export, and to diversify crop, veterinary and fishery industrial activities. These objectives were to be achieved through several programs mainly agricultural, veterinary, fishery, drainage and irrigation, research and development, farmers' organisations, and integrated agriculture. Under each program were activities such as supply of fertiliser and seeds, soil analysis, training of target groups, irrigation schemes, issuing of licenses, development of marketing and farmer's markets and research programs. The performance was given in term of outputs such as number of training courses held for the year, number of target groups trained, tons of seeds and fertiliser distributed and yields of new varieties of paddy per hectare. In the case of an administration division or headquarters, the number of recruitment exercises or staff promotions held, number of financial vouchers prepared, and number of licenses or permits issued or cancelled had to be given.

As stated above, Malaysia implemented the PPBS almost completely with only minor variations. Essentially, this meant installing the system and implementing it outright. These two processes, however, required specific technical skills. There were very few local personnel with such knowledge or skills then. The Government wanted to implement PPBS but lacked proper planning. A small unit was established in the Treasury manned by an American expert, two Canadian Accounting Advisers, and a team of 25 American Peace Corps volunteers with local counterparts whose tasks were to set up a program activity structure for each agency, changing the format to a program and activity basis, and coding series and classifications for revenue and expenditure. In addition, the government accounting system needed to be adjusted as it was an integral part of budgetary reform.

By the end of 1971, most of the tasks were achieved but with varying success. The number of local staff trained were still insufficient. Senior management in an agency showed little interest not only due to their lack of knowledge in PPBS but because of the lack of devolution of authority by the Treasury to them that was supposed to come together with PPBS. Despite increased paperwork due to more data and information needed, the budget review examination by the Treasury was little different from the past.

To be fair, even at its birthplace, the United States, PPBS was experiencing some problems in its early implementation. The system was said to be difficult to practise as it required additional staff and more time to collect and digest information. Most multiservice agencies had

such broad objectives that they found it difficult to state them clearly. The objectives were based on political rationale rooted in the demands of particular constituency groups. The means to achieve each goal were diverse and not confined to a single objective, and resources might be shared and not attributed to a single program. The system, when implemented, had a centralizing bias at the expense of the operating agency.

The slow progress in the implementation of the PPBS in the Malaysian agencies prompted the Treasury to conduct a review. This time a more systematic and organised approach was undertaken with the establishment of a steering committee at a national level, an organisational unit at the agency, a special unit at the Treasury to monitor the implementation, and a special task force formed to draw up a master plan. Above all, the approach for the implementation was gradual and comprehensive.

This approach was a dynamic one in which the budgeting system interfaced with an organisation and its human setting with dynamism of its own. Among the advantages of an in-depth implementation were that it could be operated with relatively fewer personnel, and coordination and control in the progress of the system would be much simpler and manageable. Line management would be involved in all aspects of the system as the implementation progressed. The effectiveness could be monitored and remedial measures would be easier to undertake as fewer agencies were involved as PPBS proceeded from one phase to another. Of more importance to the agencies was that decentralisation and delegation of authority could be done stage by stage.⁹

In 1973 the national Steering Committee chose the Ministry of Health for the in-depth implementation of the PPBS. The Ministry was selected because its outputs were relatively measurable. The implementation was also felt to be sufficiently general that it could provide lessons for other agencies. Gradually, several ministries and departments were added for the in-depth implementation such as Ministry of Finance, Ministry of Education, the Postal Department, the Ministry of Social Welfare, the Ministry of Works and the Department of Telecoms.

The Treasury felt that other agencies would be ready to undertake the in-depth implementation on their own because they would be guided by the experiences of the pilot agencies. Therefore, from 1976 onwards the Treasury began to incorporate elements of this implementation into the annual Treasury Circular calling for budget

submission from agencies. Finally, by the 1980 Circular, all were included. For the fiscal year 1981, budget of all agencies in the federal government had come under the full in-depth implementation.

Studies, however, continued to show weaknesses in the implementation of PPBS.¹⁰ Under PPBS, agencies were required, for example, to devise their program structures in a way that help achieve organisational objectives and enabled a match to be made of inputs with outputs. While all agencies had submitted their budgets by programs and activities, these structures replicated organisational structures. In this way, departments developed program structures at levels of aggregation that were unamenable to linking inputs with outputs and to analysing the efficiency and effectiveness of programme operations. There were other shortcomings as well such as the continued practice of line-item preparation and examination, the lack of performance indicators, and the lack of delegation of authority to the agencies.

Following a 1985 externally-funded study on the state of PPBS implementation that exposed its shortcomings, the government decided in 1987 to rejuvenate PPBS. For this purpose, a consultant was seconded to the Treasury from the Australian Department of Finance for two years beginning from May 1987. The fruit of his joint labour with the Treasury was the Modified Budgeting System (MBS).

MODIFIED BUDGETING SYSTEM (MBS)

As mentioned earlier, the Modified Budgeting System (MBS) was introduced in 1990. One key objective was to promote a rational allocation of resources to government programs. This rationality was to be achieved without imposing fiscal limits upon agencies and by forging a link between inputs and outputs.¹¹ In the past, Treasury always had called for budget restraints as well as imposing fiscal limits upon agencies. However, the generality of the ceiling did not prevent the agencies from asking for more. The input-focused budget process that went by needs and not performance-encouraged inflated bidding. MBS sought to change all that. Discipline and rationality were to be imported into the budget process by explicitly quantifying a binding expenditure limit for each agency.

MBS also sought to promote better program management through the adoption of better management practices. Under PPBS, managers

neither had the challenge to perform to pre-set levels of performance nor had they the requisite authority to do so. This was because budgeting was input-focused, the budget constraint was lax and Treasury had only delegated limited authority to department. MBS sought to correct these defects by encouraging greater delegations of authority from Treasury to agencies and then on to line managers.

Given the devolution of authority, MBS sought to reorientate the focus of accountability on issues of program efficiency and effectiveness. Under PPBS, accountability was primarily focused on probity and stewardship of public funds. While retaining this principle, MBS strove to measure performance against pre-determined targets. Programs and activities were to be evaluated to assess their impact and relevance. Budgetary authority would be vested more with line managers so that they could be made to account for program performance.

Elements of MBS

The four key elements of MBS are the expenditure targets, program agreements and exception reports, cycle of program evaluation and a generalised approach to expenditure control. Fashioned out of the inadequacies of PPBS, these elements are the means to achieve the objectives of the budget reform.¹²

The expenditure target is basically a budget ceiling for an on-going program. It is a specific fund set by the Treasury as an allocation for a particular ministry or agency, at an initial stage of the annual budget process to finance the existing programs for the year. It is to be the Treasury's estimate of the resources required by an agency to execute its existing programs in the same way it had done in the past. The target is to be based on the previous year's allocation. Treasury is to arrive at the expenditure target by adjusting the previous year's allocation for 'one-offs' (which were extraordinary and non-recurrent expenditures provided in the previous year), salary increments and inflation. An efficiency dividend of 1% is to be deducted from all administrative expenses (except emoluments, grants and transfer payments).

As the expenditure target is only for on-going programs, agencies could apply for additional allocations for new policies, extensions of on-going programs and 'one-offs' (hereinafter called new policies) under the new policy proposal stage. If there were no new policies, the expenditure target then becomes the department's allocation for that

budget year. To qualify for additional funding, the budget for each new policy proposal has to exceed a pre-set threshold limit. When the budget for a new policy fails to meet the threshold test, the agency would have to fund it on its own. Even if it were to pass the test for each new policy, Treasury would only provide the amount beyond the threshold. The expenditure target and the approved budget for new policies would constitute the total allocation for an agency if there were no further adjustments for savings proposals.

Program agreements and exception reports make up the basic budget submission of the ministries. A program agreement is a non-legally binding contract between Treasury and the agency called the Program Manager. It requires an agency to commit itself to a set of performance targets for a proposed level of funding suggested by it for each activity in a program. Program agreements aims to explicitly relate outputs with costs and to focus budget preparation, examination and control on outputs. By doing away with line items, program agreements are to make performance targets the subject of negotiation during budget examination.

Exception reports complement program agreements. Treasury requires agencies to submit end-of-year exception reports if performance were to fall outside pre-determined variance ranges of targeted performance. For each indicator with inconsistent performance, these reports are to indicate the extent of the inconsistency, the reasons for it and the remedy to prevent its recurrence. Such reporting is also to secure departmental accountability for outputs.

MBS requires each program or activity to be evaluated at least once in a cycle of five years, as compared to yearly under PPBS. The results of these evaluations are to be the basis for the annual adjustments to expenditure targets and for decisions on new policy proposals and modification relating to program extensions. In contrast to the superficial annual evaluations of all activities under PPBS, the new approach is more meaningful. It recognises the costliness in time, effort and money of undertaking a thorough evaluation.

The generalised approach to expenditure control is designed as a two-pronged approach to expenditure management. On the one hand, it envisages the replacement of detailed line item controls with a stricter control over program and total agency allocations. As part of that approach, agencies need only to submit program agreements at the broadest aggregation of inputs. To maintain a tighter aggregate control

over expenditure, Treasury requires agencies to comply with their expenditure targets and threshold in submitting their estimates, and takes a stricter approach to requests for supplementary allocations. Treasury would consider supplementaries only if a ministry could prove that funds were required for meeting an extreme emergency caused by factors outside its control.

On the other hand, departmental management would be devolved greater budgetary authority to ease the pressure of a stricter aggregate budgetary control. While under PPBS, controlling officers could switch funds within only two of the five general objects of expenditure within an activity; under MBS they would have the liberty to shift funds across all objects of expenditure and across activities of the same program. Additionally, they could delegate these flexibilities down the organisational line.

Now that MBS has eliminated line item controls from the central budget process and encouraged virements powers to be passed down the line, line managers has a better opportunity to design a resource mix to enhance program performance.

The implementation of MBS, like PPBS, was phased over a period of years. Unlike PPBS, however, MBS was pilot tested in three agencies, namely, Ministry of Health, Ministry of Works and the then Ministry of Social Welfare. Without waiting for evaluation of the system, MBS was gradually extended to the rest of the federal government. By 1995, MBS was operational throughout all federal ministries and departments. Amongst benefits to the implementing ministries/departments are:

- (a) The 'topdown' approach to budgeting enabled controlling officers to play important roles;
- (b) Application of strategic planning is upgraded as a basis for budget preparation;
- (c) Agencies are responsible for the achievement of Program/Activity performance;
- (d) Motivation to activity managers is enhanced with flexibility in the distribution of resources.¹³

The experience of implementing MBS in the University of Malaya over the last few years has indicated that MBS is to a certain extent effective in achieving its objectives. The meaning of budgeting now has shifted from merely dealing with financing and expending of limited resources to giving emphasis on final results through careful and

purposeful expiration of limited resources. The emphasis is on production and delivery of goods and services. Although implementation of MBS has not reached its mature stage, it holds much promise for the future of budgeting in the Public Sector in Malaysia.

Other Forms of Modernisation

The Malaysian budgeting system has been modernised in other ways. One such area which reflects transparency of the Government is the holding since the early nineties of the annual pre-budget dialogue between the Minister of Finance and the private sector. The private sector consists of chambers of commerce, guilds and association of trade and industry as well non-governmental organisations which will submit memoranda, views and appeals on many aspects of the coming budget, normally taxation, which affect them. The issues range from state protection for a certain infant industry, exemption, reduction or abolition of certain taxes, or incentives for local investment or for exports. Like any dialogue, it is a two-way traffic between the government and the private sector. The former takes into consideration the contention of the latter during the preparation of the budget.

The modernisation of the budget process has made the controlling officers more focused on the long-term objectives of their agencies as well as more keenly concerned with the programs and activities to be accomplished for the year. Most agencies have been able to develop a physical measure of performance.

The new approach of the budget process helps to foster close cooperation between the Treasury, the Economic Planning Unit and the Public Service Department in the planning and formulation of the development and operating budgets. They review together, plan and develop expenditure estimates and prepare documents necessary for the year in question.

The third modernisation element is in the introduction of the philosophy of 'Let the Manager Manage' financial matters in which the Treasury agreed to delegate some measure of authority to controlling officers and heads of agencies. The virement of funds, for instance, has been delegated to controlling officers under the MBS in which they have the liberty to shift funds across all objects of expenditure and across activities of the same program. Additionally, they could delegate these flexibilities down the organisation line. The MBS has eliminated line

item controls from the central budget process and encouraged virement powers to be passed down the line. Outside the budget process, the tender board of an agency has had its financial ceiling raised.¹⁴

The budget is tabled in Parliament with great pomp every year, worthy of its economic importance as well as public expectation. The Minister's speech proposing the budget is carried 'live' over the electronic media. The next day it is the print media's turn to report on the Minister's speech and the salient features of the budget proposals. There is a substantial amount of data and information on the budget alone as well as from the debate that follows, including from members of the Oppositions, though it is partisan and laced with political undertones.

While the budget document on Federal revenue and expenditure contains financial data which are more of interest to the government departments, the accompanying Economic Report for the coming year commands a wider spectrum of interest groups such as academicians, the business sector and the public at large; the information is wide-ranging and includes the performance of the previous year as well as policies and prospects for the coming year and the immediate future.

The whole budget exercise would not take centre-stage in public management were it not for the leading role taken by the Treasury every year. The Esman-Montgomery Report, followed by the Mudford Report, opened the way for the Treasury to be more professional and its budget review officers trained. More reports and analyses have followed over the years on budget and financial management. The appointment of distinguished persons with corporate experience, Tengku Razaleigh and later, Daim Zainuddin, from the eighties as Finance Ministers perhaps changed the orientation of the Treasury from being too conservative and too text-book in its approach. Daim has been credited for getting the country out of the recession of the late eighties and the severe Asian economic slowdown of 1997-1998. The devolution of authority by the Treasury to the departments under the MBS and other financial delegation of authority are significant changes made in the nineties.

MALAYSIAN BUDGET DOCUMENTS

Three budget documents are tabled in Parliament for approval. They are the Federal Operating and Development Expenditures, the Establishment

List, and Programme and Performance Budget.¹⁵ These documents are the result of more than a year's effort by the Treasury beginning from the Call Circular it issues in January to all agencies, followed by the examination of each agency's proposals, planning the revenue measures, the pre-Budget Dialogue and culminating in the submission to the Cabinet for consideration. The main contents of each document are now briefly explained.

The Federal Operating and Development Budget

The budget contains the estimates for Operating and Development Expenditures of all Federal agencies. The Operating Budget is arranged according to ministries where each is given a 'Head of Expenditure' number. Each head is then broken down into program/activities which are further itemised into standard object types of expenditure. The Ministry of Health, for example, has several programs such as management, public health, medical care, and management of support services.¹⁶ Under the medical care program, the activities include management of the state department, hospital management, out-patient department, in-patient, obstetric and gynaecology, pediatrics, orthopaedics, ear, nose and throat, and neurology. The types of expenditure for hospital management are staff emolument, service and supply, asset, and grants and fixed charges. At the end of the allocation under 'Emoluments', the number of posts for the current and the previous years are also stated. There was only one new policy for the Ministry of Health in the 1999 Operating Budget namely 'Upgrading of Medical Services' for which RM560,245,700 was allocated. There was no 'One-Off' for the Ministry for that year unlike the Prime Minister's Department which had allocations for two significant events, namely, installation of the new Yang di-Pertuan Agong and the big shift of the Department to Putrajaya, the new federal administrative capital.¹⁷

The Operating Budget, *Belanjawan Mengurus*, is done according to the MBS. It is financed out of the Consolidated Revenue Account. The estimated revenue for 1999 was RM47 billion consisting of 77% from taxes, 22% from non-taxes such as licenses and permits, 0.7% from receipts from non-taxes, and 0.3% from revenue from Federal Territories. As for the Operating Expenditure which also totaled RM 47 billion, 30% was for emolument, 52% was for grants and fixed charges, and 13% for supply and services.¹⁸

The Development Budget is not expressed in terms of standard object (of expenditure) as in the Operating Estimates but by project. In the case of the Ministry of Health, the projects for 1999 included training, rural health service, dental service, new hospitals, and master plan and redevelopment of hospitals. The financing of the projects is also stipulated in the Development Budget where they are classified into Direct, Loan or Savings for unforeseen Projects. Under the 1999 budget, the Government allocated RM16.5 billion for direct sourcing, RM1 billion from domestic and foreign loan which can be from World Bank, Asian Development Bank and others, and RM0.5 billion from the Unforeseen Savings.¹⁹

The Development Budget, *Belanjawan Pembangunan*, forms part of the five-year development plan, the Malaysia Plan. As the projects under the Plan take normally up to five years to implement, the financing is phased out annually in the Development Budget till the end of the Plan period. Development projects are financed out of the Development Fund (Trust Fund) in the Consolidated Trust Account.

Federal Establishment List

While the number of posts for each activity of an agency is stated in the Operating Budget, no other personnel information is given. Such information is available in the Federal Establishment List. The List contains the titles of the posts, the codes of the NRS salary scheme and scale as well as the number of posts for the current and previous year of all agencies.

As an example, the establishment list for Langkawi Fire and Rescue Station is as follows where there is no change despite it being located in the fast-growing tourist island:-

Title	NRS Salary Code	Scale Code	No. of Posts	
			1998	1999
Officer-in-Charge, Asst. Superintendent	KB7	2885	1	1
Fireman	KB11	3525	6	6
Fireman	KB12	3525	6	6
Fireman	KB13	3525	42	42
Total for Langkawasi Fire Station			55	55

Program and Performance Budget

The Program and Performance Budget document contains the detailed accomplishment of each ministry and department for the various programs and activities undertaken by them. The objectives of each program and brief explanation of each activity are stated before the breakdown of the performance given in terms outputs for the previous year, current (estimated) and the coming year (estimated). For primary school activity of the Ministry of Education, for instance, the objective is to ensure that every six-year old enters school and remains in the six-year primary school system until they know the '3Rs' as well as basic skill and elementary science. The brief explanation of the activity describes the provision of facilities and services for these pupils to achieve those objectives. The outputs for the performance are given in the number of pupils for the three years in question, the number of teachers and the number of schools supervised.

The 1998/99 Budget

The performance of the Malaysian economy in 1998, as with other East Asian economies, had been adversely affected by the deflationary impact of the financial crisis that beset the region in mid-1997. Domestic demand had declined as a result of a variety of factors. These included the erosion of the private sector's wealth caused by falling stock and asset prices, higher interest rates prior to September 1998, initial difficulty faced by the private sector in accessing bank credit, tight liquidity as well as uncertainties with regard to the near term economic and employment prospect. At the same time, with the economies of Malaysia's major trading partners, particularly in East Asia, either experiencing significant slowdown in real growth or contraction, external demand for Malaysian exports was also affected in terms of real growth.²⁰

In 1998, Malaysia's real Gross Domestic Product (GDP) contracted for the first time since 1985. The contraction was severe and unprecedented; it was 2.8% in the first quarter and 6.8% in the second quarter. This was due to several factors such as contraction in aggregate demand, output of construction and manufacturing and significant service sector slowdowns. As in agriculture and mining, the output also contracted.²¹

Meanwhile, Malaysia's 1999 Budget announced on October 23, 1998 was supposedly expansionary and pro-business, planned to stimulate the national economic situation through major fiscal and other measures. The actual 1999 Budget followed and complemented measures adopted in July 1998 under the National Economic Recovery Plan and capital control. The thrust focused on immediate deflationary measures to shorten the time lag for the effect of the recently introduced monetary measures to filter through to the economy.

On October 22, 1999 when tabling the 2000 Budget, the Government announced that the Malaysian economy had recovered in 1999 from the severe deflationary impact of the 1997 regional financial crisis. Real Growth Domestic Product (GDP), which had contracted by an unprecedented 10.9% and 10.3% in the third and fourth quarters of 1998, registered a significantly milder contraction of 1.3% in the subsequent first quarter before recovering with a positive growth of 4.1% in the second quarter of 1999. On November 24, 1999, Bank Negara, in presenting the performance of the economy for the third quarter, announced continued positive real GDP growth for the period, which was 8.1%. The Central Bank also declared that the recession was over.²²

Since then the economic recovery has been underpinned by policies initiated by the National Economic Action Council in line with its National Economic Recovery Plan as well as other favourable domestic and external developments. The budget has been one of the major vehicles for those policies, playing a vital function in the economic life of the country.

ENDNOTES TO CHAPTER 6

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CHAPTER

7

Public Accountability

This Chapter is on public accountability in Malaysia. It discusses the various institutions and mechanisms established in the country's administration, including the Auditor General and the Public Accounts Committee, to provide check and balance in public accountability. Besides Parliament and the State Legislatures, the role played by the non-government organizations (NGOs) and the media is also examined.

INTRODUCTION

The idea of accountability is perhaps as old as an organised government. Whenever any form of coherent local administration exists, it is inevitable that there should be accountability. In ancient times, a simple pattern of accountability was that of a servant to his lord. However, with the advent of more complex and modern government, the servant was no longer able to render account to his lord in person but had to deal with the auditors appointed to act for him. The principle of accountability is still the same even though the political nature of the country or state has undergone several changes.¹

Malaysia practices the parliamentary system of democracy in which the people elect the government of their choice to rule the country. Hence, it is the legal duty of the government to account for its actions to the people. The importance of public accountability is a paramount concern of democratic governments and in the case of Malaysia, it is provided for in the Federal Constitution in Articles 106 and 107. The accountability is in respect of public funds by federal and state governments as well as statutory and other public bodies.

Many people are still vague about the concept of accountability and exactly what it entails. Consequently, with the expansion of the size of the public sector there is a need to understand fully the concept, the importance and the problems of strict accountability within the public sector. Efforts should also be made to find ways and means to enhance the degree of public accountability in Malaysia so that there is transparency in the management of public funds.

THE CONCEPT OF ACCOUNTABILITY

Accountability means a liability to explain and to justify what one does.² An organisation or public body is run by people who are given the power or authority to manage and allocate resources on behalf of the principals. Thus public accountability determines how these responsibilities have been discharged and whether they were carried out in keeping with existing standards. Therefore, the term 'accountable' simply means an obligation 'to give account of something to somebody'.

However, there is the technical aspect of the term 'accountability' from which we acquire the word 'account'. To give account of a certain matter involves the presentation of a written report which includes facts and figures of past proceedings. But this limited view of the term is quite outdated with the growth in government administration due to the government's extensive involvement in economic activities and business.

The notion of public accountability was introduced as far back as ancient Greece. Aristotle, in his book, *The Politics*, suggested stating monetary transactions in black and white for the public's perusal. Using this concept, the 'book keeping' system gradually developed to the 'accountancy' level. Economists later introduced the concept of 'social accounting'. This concept, which reflects moral values as well as professional and work ethics, has been applied to determine whether leaders were carrying out their respective duties and responsibilities as promised. We can, therefore, conclude that public accountability is a post-mortem of past actions, an exercise most cardinal in public management.

The Process of Public Accountability

In a medieval political system, the holder of the public purse was directly accountable to the King who would be cognizant of everything that

went on within his sphere of administration. With the advent of modern society and political parties with different ideologies, the complexity of government has been enhanced to the extent that it has been necessary to supplement administrative controls within the government with external ones through the opposition parties. Over time, with the progression in modern government, various procedures have been established to impose public accountability upon the Executive and the rapidly growing public sector.

The process of accountability includes the following elements: a description of the organisation and its participants, the identification of objectives, and the provision of relevant information to monitor those objectives. By implication, the accountability process should also include the ability of the participants to act and be responsible for the actions.

Generally there are two aspects to accountability in the public sector. The first is compliance, which means that both the collection of revenue and the expenditure of public funds have to be made in accordance with the law. The second is management, that is the effective and efficient utilisation of public funds in order to yield the highest returns possible. There is also the requirement that the accounts of both revenue and expenditure have to be maintained and audited. Auditing is, therefore, the main mechanism applied to monitor the activities of government organisations in order to promote accountability.

Auditing

Auditing basically refers to examining and verifying the accounts of an organisation and compliance with prescribed procedures. The scope of auditing has normally been extended beyond simple compliance to financial procedures to include such considerations as cost benefit, performance and the achievement of goals. There are mainly two types of audit currently being practised in Government, namely, financial auditing and performance auditing.

Financial audit refers to the traditional audit of financial transactions to determine the credibility of the formal accounts. The emphasis is more regulatory and involves compliance with financial regulations. This is the main type of auditing by the Government. The second is performance audit. While compliance is still a feature, it considers the elements of economy, efficiency and effectiveness. In other words, the main consideration is the value for money.

Financial auditing has been in practice in the Government since colonial times. The performance audit, on the other hand, began to be implemented in the early 1970s as part of the administrative reform in the Malaysian public service under the Esman-Montgomery Report. In practice, however, financial auditing has been given more priority because the Audit Department has to ensure that every agency complies with financial regulations in the management of public funds. Performance auditing, on the other hand, has been reapplied from the mid-nineties after a lapse of a few years. It is done rather selectively of the main activities or programmes of agencies such as, in 1999, the Fire and Rescue Service Department and the Tourism Development Corporation.³

Main Elements of Government Accounting System

There are several methodologies that can be applied to establish accountability within a government sector. The most common of these are the systems of budgeting and accounting, which should be effective in establishing evidence of accountability, and an independent audit body to prove the authenticity of such evidence. These three methodologies are inter-related. Each of the bodies performing these functions should uphold management efficiency and make the operations of government more accountable.

Accounting is a process where all the transactions of an organisation are listed systematically and recorded in order to amass financial information in an effort to determine the outcome of actions or activities carried out by the organisation.

These include features like systems design, which involve the development of recording methods and necessary internal controls, the documentation and verification of financial transactions, the maintenance of records and books of accounts, the continuous checking of the accuracy and propriety of the records and of effectiveness of internal controls (internal audit), the periodic summary of review and the test check of transaction practices and procedures, and the presentation of significant data in a form useful for operating and control purposes.⁴

These certified financial accounts, however, offer few explanations or reasons to the layman. Any public organisation might receive and spend large sums from the public funds but there is normally little explanation about the investments made apart from columns of figures in the annual accounts. Therefore, the formal financial accounts are no

more than basic groundwork for further investigation into the financial aspects of the organisation.

This is where public audit or state audit plays a prominent role. The importance of budget accountability is that it presents standards against which the annual accounts can be evaluated. Accountability becomes a comparison between the accounts submitted at the end of a certain period (normally the financial year) and at the beginning when the budget was proposed and allocated. Accountability does not merely suggest exercising budgetary discipline upon the accountable bodies but it also helps one to understand better the general administrative process of these bodies themselves.

EVOLUTION OF PUBLIC ACCOUNTABILITY IN MALAYSIA

Accountability in financial terms was introduced by the British when the Audit Department was set up in every state between 1930 and 1936. However, it was only after Independence that accountability in the real sense was implemented together with a more systematic audit system.

After *Merdeka*, there have been progressive yearly increases in Government revenue and expenditure. The Government also embarked on extensive socio-economic development programmes and policies. This warrants a need for a systematic, efficient and up-to-date accounting and auditing system to ensure a high standard of public accountability.

The concept of accountability in financial management is closely related to the responsibility of public officers to manage public assets and resources in an efficient, trustworthy and prudent manner. Specifically, accountability in financial management can be divided into three distinct areas :

- (a) Fiscal Accountability - the responsibility to ensure that accounts are reliable and that all transactions are genuine, above suspicion and in accordance with prevailing financial laws and regulations;
- (b) Managerial Accountability - the responsibility to ensure efficient utilisation of public resources, emphasising prudence to avoid wastage; and
- (c) Program Accountability - the responsibility to ensure that each program which has been planned and implemented achieves the objectives set in terms of costs and inputs.⁵

There are several forms of legislation, rules and regulations that relate to accountability. The supreme one is undoubtedly the Constitution which contains directly or indirectly several articles on accountability of such persons as the Cabinet Ministers and the Auditor General or on such subjects as budget and taxation. In the management of public funds, there are added administrative circulars and directives which officers and agencies have to abide by.

There is an hierarchy of officers with various levels of authority, the highest of whom is the Controlling Officer but whose decision is based on the recommendation of this subordinates. To further strengthen the system, internal audit was established in every agency in the eighties which came directly under the chief executive.

To oversee the executive is the Audit Department which has extensive powers including to call for any document and to make on-the-spot checks. Besides being at all levels of government structure, it even has its own unit in major agencies. As for the settlement for purchase of goods and services by agencies, the procedure requires a copy of the voucher for payment be sent to the audit for scrutiny. If a query is raised by audit, it must be satisfactorily answered. The unsatisfactory or unanswered ones become the basis of the audit report. The report will be tabled in Parliament which is the ultimate tier of accountability for the Executive. The head of agency whose item appears in the Report will have to appear before the Parliamentary Public Accounts Committee (PAC) to explain the matter. He is liable for disciplinary action if the PAC is not satisfied with the explanations.

The Executive, on its part, established a body similar in functions to the PAC in 1985 in the form of a Cabinet Committee to combat malpractice. This was in addition to the existing enforcement agencies like the Police and the Anti-Corruption Agency. It was chaired by a senior Minister, later the Deputy Prime Minister. The major irregularities in management became its agenda or controversies affecting the Government highlighted by the media. The meetings of the Committee were not open to the public but attracted wide coverage by the media who were briefed by the chairman at the end of the session. Of late, the Committee has not been very active.

On the legislation side, amendments were made from time to time to strengthen the powers of the enforcement agencies or the Auditor General. The several amendments to the Audit Act of 1957 in early 1978, for example, widened the scope of audit besides strengthening the powers of the auditors. One amendment enables the Auditor General to

incorporate accountability as an additional audit requirement when evaluating the performance of public bodies. This is 'to ascertain in his audit whether in his opinion, monies have been applied to the purposes for which they were appropriated or authorised and the activities related to such purposes were carried out or managed in an efficient manner with due regard for economy or the avoidance of waste and extravagance'.⁶

Besides auditing the accounts of the Federal and State Governments (i.e. of the ministries and departments), the Audit Department is also the auditor for federal statutory bodies and the appointed auditor for some state statutory bodies as well as all local authorities in the Federation. The Auditor General has also the legal power to engage private auditing firms to audit the account of the statutory bodies on behalf of the Department.

Government Budgeting System

A Government budget contains the planned expenditure and revenue for the fiscal year. As explained in Chapter 6, the preparations and process take about a year beginning with the Call Circular by the Treasury to the agencies, the submission by the latter, the budget examination, the approval by the Cabinet, the presentation of the budget in the form of Supply bill to and debate by Parliament, and the royal assent after the Bill is passed by both houses. Once it becomes law, the agencies are authorised to spend their respective allocations in the most prudent manner according to prescribed rules and procedures.

Since Independence there have been three major budget reforms with the emphasis on performance and accountability. The simple line-item budgeting which was inherited from the British made way for a more complex and development-oriented system, the Program and Performance Budgeting System (PPBS), in 1970. A third reform, called Modified Budgeting System (MBS), was implemented from 1990. Under the PPBS accountability was primarily focused on probity and stewardship of public funds. While retaining this principle, MBS strives to measure performance against pre-determined targets. Budgetary authority is also more vested with line managers so that they would be more accountable to programme performance.

The budget contains the allocations for Operating and Development Expenditures of all federal agencies. It is the management of these allocations that the performance of the head of an agency is partly

evaluated on and is accountable for. Among those who oversee the performance of a head of agency are his superiors, the central agencies, the audit and, of course, the Public Accounts Committee if the public funds are overspent or mismanaged. But prudent and pragmatic management, particularly of development expenditures, means the meeting of objectives with, say, the successful completion of programmes or projects that benefit all. It also addresses one of the concerns of public budgeting, namely, 'the translation of financial resources into performance and accomplishments to serve human purposes'.⁷

The Auditor General and His Report

Article 105 of the Constitution provides for the appointment of an Auditor General by the Yang di-Pertuan Agong on the advice of the Prime Minister after consultation with the Conference of Rulers. The Article also provides that while he may resign, he can only be removed from office 'on the like grounds and the like manner' of removing a judge'. To ensure further his independence, his remuneration is also legislated which may not be altered to his disadvantage. The Constitution also stipulates his principal duties which are to audit and report on the accounts of the Federal Government, of the states and other public authorities and bodies administering public funds to ensure that the funds are spent only for the purposes authorised by Parliament or by the State Legislature. In other words, he is to oversee the accountability of the government. He is required to submit the reports of the federal and the state accounts respectively to Parliament and the State Legislatures.

In order for the Auditor General to discharge his functions properly he must have easy access to information from all agencies of Government. Under the Audit Act, 1957 the Auditor General 'shall have access to all records, books, vouchers, documents, cash, stamps, securities, stores or other property subject to his audit'. In practice, contrary to some accusations, he has access to all. In fact, a former Auditor General stated that he was not hampered at all by such legislation as the Internal Security Act, the Sedition Act and the Official Secrets Act.⁸ Neither has any immediate past or present Auditor General complained of being hindered or obstructed in the performance of his duties including the preparation and contents of his Annual Report.

It has been observed that because in the past the submission of the Report was perpetually late this might weaken the cause of public

accountability. The trend began to improve from the late eighties. This was due to a number of factors including strengthening the powers of the Auditor General and the expansion of his staff. Of significance, however, was the monitoring and constant reminder by the Government during the early years of the Mahathir administration to comply with audit queries and observation and to submit on time the annual report, including the financial statement, of bodies under each Ministry, as prescribed by law. Audit Report has been current from 1996. The 1999 Auditor General's Report of the Federal Government's Accounts, for example, was tabled in Parliament on schedule in 2000 during its budget session in October.

The Annual Report of the Auditor General always receives wide attention in Parliament and the media. However, it is 'tame' in contrast to the attention received by the scandalous billions of ringgits lost or unaccounted for by a few government companies such as Bank Bumiputera and Bank Bumiputera Finance (BMF). In the case of government departments, funds were lost due to weaknesses in financial management resulting in backlog in revenue collection, loss of opportunity cost or wastage. The Auditor General's reports for the years 1989 to 1992 highlighted the commonly found weaknesses in financial management in Government departments as follows:

- (a) Preparation of budget estimates that exceeded actual requirement;
- (b) Additional allocations requested by agencies were not expended;
- (c) The Vote Book not being properly updated;
- (d) Payment vouchers not verified and properly supported by the necessary documents;
- (e) Stores/accounting of assets not properly managed;
- (f) Inadequate internal control with respect to revenue collection; and
- (g) Poor management of development projects.⁹

There were simply many cases of extravagance and discrepancies which found their way into the Auditor General's Report over the years. In the seventies the cases ranged from procurement of much overpriced *mee segera* (instant noodles) by the army to discrepancies in Ministry of Education grants totaling RM 100 million.¹⁰ In the nineties, discrepancies remained though financial management has generally improved. The 1997 Report cited the discrepancy in the Ministry of Education totaling almost RM 800 million and unpaid bills by the Police amounting to RM 70 million from 1992–1997 due to insufficient allocation.¹¹ In the 1999 Report the Audit found that due to improper

planning only about half of the 10,000 units of speed control equipment purchased costing RM 10 million actually needed to be installed on heavy government vehicles.¹² Two other significant matters were related to the policies on privatisation and computerisation. In the case of privatisation, the concessionaires for the support services in government hospitals were found not complying to the terms and conditions for the concession.¹³ In another case, BERNAS, the company that bought *Lembaga Padi dan Beras Negara* (LPN) had not settled RM 24 million it owed the Government.¹⁴ As for computerisation in government agencies, two softwares, one involving the Ministry of Health costing RM 8.77 million and another, the Traffic Division of the Police, costing RM 48.47 million, were not fully functioning or fully utilised.¹⁵

Some of the cases and issues raised in the Report were repeated year after year, despite the Government's assurance that steps were being taken to overcome existing weaknesses. According to MAMPU, the various on-going programs in financial management include strengthening the control system, developing financial management infrastructure, improving effectiveness and providing recognition to agencies that have shown excellence in financial management. However, the issues raised were basic in financial management, more so of public funds, which should be given high priority in administrative modernisation and training.

The Auditor General does not discriminate against anyone in the Annual Report and in the performance of duties in the sense that the portfolios under the Prime Minister, the Finance Minister or other senior Ministers have not been spared nor treated differently. The same goes with State Governments either ruled by *Barisan Nasional* or the Opposition. It was in recognition of his work for 'making a reality of public accountability' as the Auditor General that Tan Sri Ahmad Noordin was bestowed with the Raymond Magsaysay Award for government service in 1987.¹⁶ We dare state that his successors were no different in holding the Government to accountability.

MECHANISMS TO PROMOTE ACCOUNTABILITY

The Head of State

By convention, the elected head of Government, the Prime Minister, has an audience with the Head of State, the Yang di-Pertuan Agong, before

Cabinet meeting every week where he briefs the latter on the affairs of Government. This is also practised in some states. Not much has been disclosed on what has transpired during this audience but it could be the most exalted forum for accountability on the part of the Executive. By virtue of their position and reinforced by the traditional respect on kingship the Yang di-Pertuan Agong and the Rulers, and even the Governors, should act beyond their formal duties in influencing the Government on state matters related to accountability, notwithstanding the formal limitation of their powers to act only on the advice of the Executive. The audience should be of mutual benefit to both. Several years have passed since the Constitutional Amendment of 1993 which limits their immunity but the Malay Rulers continue to enjoy the respect of the public and to receive appeals for intervention on matters big and small. There have been two General Elections since then at which the *rakyat* made again their popular choice as to who was to govern them at the Federal and State levels. The audience, and other formal and informal meetings between the two holders of highest office in the land, should be used to the maximum advantage to promote better government.

Parliament

As a final frontier of accountability for an elected Government, Malaysia is proud to proclaim that it has been holding elections regularly since Independence. The Government has always sought a fresh mandate at the end of its term despite *Konfrontasi* or other grave situations facing the country which could be taken as reasons for not holding elections as has happened in India and the Philippines, the two most enduring democracies of the Third World. The elections have always been free and fair, contested by all parties. Candidates are free to speak on any issues except sensitive ones. Controversial policies and legislation of the incumbent government on such matters as New Economic Policy, National Development Policy, Internal Security Act, University and University College Act, Education Act, and the various taxes became election issues or manifestoes which the ruling party regarded as accepted by the electorate when it was returned to power. The 1999 election was at the tenth in the country's history. While the *Barisan Nasional* retained control of Parliament in every election, a few states changed hands. Election is, therefore, the ultimate test of accountability for the ruling party. Parliamentary democracy has certainly taken root in Malaysia.

Parliament and the State Assemblies are in turn the highest mechanism, the apex, for holding the Executive accountable. Members of both legislatures are free to raise and discuss any issues within the domain of each House except sensitive matters that can cause ill-will among the various races. Being a federal legislative body, Parliament has a wide spectrum of subjects within its purview notably education, citizenship, defence, internal security, foreign affairs, socio-economic development, and taxes.

Hansard, the written record of parliamentary debates, contains the daily verbatim speeches, the questions, the replies and the interjections of members who spoke during the sitting. The debates are on legislation, policies, events and issues of the time that become part of the country's history. In the course of the nine terms of Parliament since Independence the list of laws affecting the lives of the people and the nation's history includes the Federal Constitution Ordinance (1956), the Internal Security Act (1960), the Education Act (1961), the Malaysia Act (1963), the Federal Constitution (Separation of Singapore) Act (1965), the Sedition (Amendment) Act (1971), the University and University College Act (1974), the Petroleum Development Act (1975), the Industrial Coordination Act (1975), the Communication and Multimedia Act (1998) and many more. The motions by the Prime Minister on the Second Malaysia Plan (1971-1975) which contained the first programs of the New Economic Policy and subsequent Plans led to the development and progress of the country. The budget speeches of the Minister of Finance introducing the annual Supply Bill affected not only the government machinery but the taxpayers and the consumers as well. In short, Hansard reveals the achievement of the Government of the day, the criticisms by the Opposition, and the defence by the Executive which are all elements of accountability.

Accountability can be obtained in a number of ways in parliamentary sessions. The first is through oral questions during Question Time at the beginning of each sitting. Only one hour is allotted to Question Time. The advantage of an oral question, which is given by way of fourteen days' notice, is that supplementary questions on the same subject can be asked which the Minister has to answer extemporaneously. The notice will enable his Ministry to find the answer and all relevant information to the question but the supplementary ones depend on the Minister's memory and debating skills. Many controversial issues like the BMF scandal, the dismissal of the Lord President and Five Supreme Court

judges, and the Anwar Ibrahim saga were asked during Question Time. It is always interesting during Question Time when the Opposition and the Executive try to score debating points with the latter having the heavier task to explain, to defend and to be accountable for policies or activities of the Ministry or for a Minister to become embarrassed both personally and as an Executive if he answers the supplementary questions wrongly.

There are also the written questions. These normally require long or detailed answers. While a written question has its own advantages, it lacks the dramatic effect of an oral question with no opportunity for supplementary questions.

Another means of getting accountability is during the debate on a Bill or a motion which is normally after Question Time for which more time is allotted. A motion of 'Thank You' to His Majesty for his speech in opening the annual session of Parliament always attracts many members to speak as the subjects are wide-ranging. So does the motion on Malaysia Development Plan or its Mid-Term Review for similar reasons. As for legislation, the debate on the Supply Bill is the longest which last up to six weeks. The Supplementary Supply Bill, which seeks additional allocations, also attracts debates but is limited to a day or two only. The debate on specific Bills depends on members' interest or knowledge of the subject or the proposed area of legislation. Complex technical Bills are often passed without or with little debate. Some members prepare their speeches well, others will only speak on common topics such as rural development and social services.

The Ministers will deliver their replies to the points raised at the end of the debate on the motion or Bill. Members can still speak on a Bill during Committee Stage when the Bill is discussed and voted section by section and the Minister has to answer extemporaneously. Because questions during Committee Stage of a Bill are specific, those raised during the general debate are less so which enables members, particularly Opposition, to bring up issues least related to the Bill for Government accountability.

Another avenue for accountability is during the Adjournment Speech at the end of the day's sitting except during the budget session. The Minister will be able to reply as prior notice is required together with the main text. There were occasions prior to the tenth Parliament when an Adjournment Speech could not be delivered, especially on a politically sensitive topic, as the House lacked a quorum after Government backbenchers applied a reverse form of filibuster by rushing out of the hall in droves.

Yet another instrument of parliamentary control is the urgent motion, which can be moved by any member except the Executive at any time. The Speaker must be satisfied that the motion is on a matter that is "definite, urgent and of public importance". In practice, however, the Speaker has rarely found that all the three conditions are met. Many of the urgent motions, it must be said, have political undertones apart from legitimate issues.

Mention should be made of the duty and role of the civil service in assisting the Minister to perform his responsibilities and accountability in Parliament. The draft answers and relevant information to Oral and Written Questions, the draft speech in moving bills, the main points raised by MPs in debates of bills, motions and adjournment speeches, and the draft replies are all prepared and provided by the civil servants in his Ministry *sans* the political inputs. All are done under the constraints of time with the relevant information not always available on-line. Many Ministers spend hours through the drafts with their officers. Officers are also on duty in Parliament, sitting at the Officers' Gallery situated just behind the Ministers, listening to debates, taking down notes and assisting the Minister with whatever information he needs. In short, the contribution by the civil servants is considerable. All are done in the name of duty as staff of the Executive.

Parliament is the best avenue for accountability of the Executive. Some may argue that a large majority of the ruling party may put the system at a disadvantage as it can easily pass legislation. However, the small Opposition in the *Dewan Rakyat* since Independence has not prevented it from introducing Censure Motions, No Confidence Motions, Motions to cut a nominal sum from a Minister's salary, Private Member's bill or to participate fully in debates and to raise questions just to keep the Government in check.

Ministerial Responsibility

Ministerial responsibility means the Minister is individually responsible for the portfolio and is answerable for the activities of the Ministry and departments. In addition, the Minister has what is called collective responsibility for the overall effectiveness of government policies. In the first case where the Minister is responsible for Ministry activities, he may be censured in Parliament by the Opposition for any serious maladministration that occurs in the ministry and might even be called to

resign. In the case of collective responsibility, the whole Cabinet may be called to answer the Opposition's accusations of irregularity occurring in government. Theoretically speaking, if the vote of 'No Confidence' is adopted in Parliament, all Cabinet members have to resign. Hence, the concept of ministerial responsibility and the doctrine of collective responsibility can be a powerful mechanism in furthering the cause of public accountability.

In the history of post-Independent Malaysia, there have been no cases of a Minister resigning on account of mismanagement of agencies under his portfolio. In 1962, the Minister of Education did not resign when the Auditor General's report stated that RM 60 million were spent without proper documentation by his Ministry. The Minister instead resigned two years later when he lost a libel suit against a member of the Opposition who accused him of misusing his position (but not in connection with his Ministry). There were numerous occasions when the Opposition unsuccessfully introduced motions to deduct nominal salary of certain Ministers or called for their resignation for alleged gross mismanagement in their agencies. There have, however, been resignations by Ministers but for unknown reasons or more personal in nature. The Menteri Besar of Terengganu and Perak resigned in the late sixties on the instructions of their party leadership for what was believed to be corrupt practice. A Federal Minister resigned in 1983 when he was charged with murder for which he was convicted. The Chief Minister of Malacca and the Menteri Besar of Selangor resigned in 1997 and 2000 respectively for allegations of sexual misconduct. There has been no history of a Cabinet resigning en bloc though there have been calls to such effect. There was only one occasion when a State Government, that of Terengganu, fell after losing a 'No Confidence' motion in 1961. Ironically, the Chief Minister of Sarawak lost a similar motion in the Legislative Assembly which was introduced by his own party in 1966. The most notable act of accountability, however, was the gracious retirement of Tunku Abdul Rahman as Prime Minister in 1971, two years after his party suffered serious setbacks in the 1969 general elections by winning only a simple majority in Parliament and losing two states.

Public Accounts Committee (PAC)

The PAC is a parliamentary committee selected by the *Dewan Rakyat* to analyse federal accounts, appropriation granted by Parliament to

finance public expenditure, and accounts of public authorities and other bodies administering public funds. It also examines the Auditor General's Reports which are tabled in Parliament. It is empowered by the legislature to send for persons, papers and records relevant to its analysis from the Treasury, the Auditor General's Department, the Police Department and other governmental bodies in its efforts to ensure accountability within the government circle. The PAC is reputed to be the most powerful instrument of control by Parliament over the bureaucracy. There is one PAC at the national level and one in every State legislature. The members include from the Opposition though the majority are from the ruling party. The chairman has always been from the ruling party, normally a senior backbencher with accounting experience. The ruling party of Federal and State Governments, be it *Barisan*, PAS or PBS, has not been ready to appoint an Opposition member to be the PAC chairman as is the traditional practice of the British House of Commons, the mother of Parliament.

The Auditor General's Report becomes the main agenda for the PAC. The Report normally contains serious instances of 'inadequacy of accounting records, waste and extravagance and departures from legal requirements governing public monies and stores'.¹⁷ Later Reports also include the performance evaluation of activities and programs of selected agencies.¹⁸ The PAC has its own criteria of the items to be examined. The heads of department concerned will be summoned to appear before the Committee to explain. The PAC, in turn, produces its own Report which contains the verbatim minutes of the meeting and its findings as well as recommendations. The PAC Report will be tabled before the House. Though the PAC concentrates on matters relating to ministries and department in the Report, it has on occasions summoned representatives from public enterprises and government companies whose accounts are examined by the Auditor General. One such company, called in 1997, was Perwaja Steel which caused considerable public interest and concern as it was running at a huge loss by the billions of ringgit.

Under the parliamentary system it is 'unfortunate' that the civil servants have to appear before the PAC instead of their political masters. After all the decisions and directives that came under audit scrutiny were made by Ministers. Perhaps the Ministers have done their parts during Question Time and other debates in Parliament and it is now the

turn of the implementors to explain why things go wrong. Heads of departments find no pleasure in appearing before the PAC as such sessions have always been hard-hitting, truth-finding and prosecutorial like. Secretary Generals of "big-spending" Ministries like Defence, Education and Home Affairs appear regularly before the PAC (in person as the Committee accepts no lesser-ranking personnel) together with departmental heads of the armed services, police or educational institutions. Heads of smaller agencies have not been spared either, including the Department of Civil Aviation or Department of Museum and Antiquities. There is always the fear of disciplinary action or surcharge hanging above their heads even though the items reported were not their direct responsibility as some were decided by the Minister or inter-agency committee or occurred before their tenure. PAC has no disciplinary authority but gives directives to the Government for such action, directives which must be carried out and feedback given accordingly.

The Ombudsman System

The concept of the Ombudsman has a long tradition in the Scandinavian countries. The Swedish Ombudsman for Justice started his work as far back as 1809 whereas the first Norwegian Ombudsman scheme was established by the country's Parliament in 1952.¹⁹

The Ombudsman is a legislative commissioner for the investigation of citizens' complaints of bureaucratic abuse. He is an independent and impartial arbiter between the government and the individual. Main lines of duties are in three major areas :

- (a) Redressing Individual Grievances – which means that citizens could bring their grievances to the Ombudsman, who would later convey them to the agency concerned and would generally help in advisory capacity to rectify or clear the complains made.
- (b) The Ombudsman encourages the administration to give reasons regarding its action to the public and generally improves the quality of administration.
- (c) The Ombudsman also provides assistance to the legislature to supervise the bureaucracy. This is because the complexity of bureaucracy today makes it difficult for the legislature to act effectively in its supervisory capacity.

The office of Ombudsman as the watchdog over public administration has proven its merits in all the Scandinavian countries as the solution for complaints of citizens against government. Consequently, a number of Western European and Commonwealth nations have established the system. However, no developing countries in the Commonwealth have adopted it altogether. Malaysia considered it in the 1970s and opted for the establishment of the Public Complaints Bureau (PCB) with the limited Ombudsman function of redressing individual grievances against Government.

The PCB has been popular with the public though, with more publicity, the number of cases might go beyond the 3000 it used to receive annually. There has been no barrier imposed in its investigation of complaints against government departments or their decisions. Most of the completed cases over the years were legitimate involving ordinary *rakyat* such as undue delay or non-action by several government agencies and disagreement over quantum of pension or provident fund benefits. There were 3,568 received in 1999 of which 1,264 needed investigation while no follow-up action was taken on the rest as they were in the category of either 'baseless, seeking consultancy assistance, suggestions to improve government machinery, feedback, or anonymous letters'. The main complaints in 1999 were again undue delay or non-action by agencies, particularly Police, to reports made and matters connected to pension and government housing loans.²⁰ This delay and non-action by public agencies has been recurring in many annual reports of the PCB. The reasons may be many among which are overworked staff, lack of personnel or training, and other bureaucratic ills including plain laziness. This reflects badly on the government service as a whole. PCB should recommend a strong action to its Steering Committee to tackle this problem.

The Steering Committee is a powerful one. It consists of the heads of Treasury, PSD, Attorney General Chambers, Police and MAMPU, and is chaired by the Chief Secretary to the Government himself. Swift and definitive decisions have been taken on memoranda tabled before it. The decisions included disciplinary action and corrective measures on the errant officers and agencies. In 1999, for instance, two agencies were ordered to take disciplinary action on their staff for negligence and the administrative systems of two more were improved.²¹

ENFORCEMENT AGENCIES AND OTHER AVENUES TO SEEK REDRESS

The two common agencies from which members of the public can seek redress or forward information to for wrongdoing on the part of Government personnel are the Police Department and the Anti-Corruption Agency. The former requires a formal written report, followed by police investigation and the due process of law. This method of seeking redress or accountability by government personnel has not been popular with the ordinary citizens as it takes time and involves the whole weight of police investigation and the court process with uncertain outcome. Reporting to the ACA, on the other hand, is the more popular of the two as it is a matter of passing information, sometimes anonymously, and the rest is all up to the agency.

The Anti-Corruption Agency has wide powers to investigate and obtain any information in connection with corruption. This includes investigating, detaining and prosecuting anyone, regardless of whether they are Members of Parliament, the Executive, public service of any rank or the public. The ACA has played a vital role in combating corruption in the government sector, as explained in Chapter 5. Although there was more prosecution of personnel in the junior level of the government service in the early years of its establishment, the net has widened from the eighties to the upper segment and includes those in the corridors of power. Corruption may take time to be completely eliminated in Malaysia but there is always the ACA to which the public can turn for help.

The other way to seek redress or to make complaints against the action of a government department or its personnel is to write to the head of the department concerned or the higher authorities. The drawback of this method is the tendency for the department to defend its action or its officer or officers and not willing to accept the responsibility for it. The more popular avenue after *Merdeka* is to take the personal or community grievances to the *wakil rakyat* (elected representatives) or through political channels, both normally of the ruling party. It is popular because the grievances tend to be settled quietly or to the satisfaction of the aggrieved. A similar outcome occurs if taken up by Opposition representatives direct to the department

concerned but the Government tends to stand by its action if the grievances are raised in the legislative assembly or the media.

Another way to seek redress or accountability from the Government is through holding demonstrations, legal or otherwise. This extra-parliamentary method, popular in developed countries, has its risks in a developing multi-racial country like Malaysia. If uncontrolled, it could lead to confrontation with the police authorities, public disorder and loss of property and limb. The demonstrations might succeed in highlighting the issues or raising public consciousness but the outcome is uncertain. In the history of the country the results have been mixed. On the positive side, the anti-Malayan Union demonstrations in 1946, very spontaneous, orderly and peaceful, led not only to the dissolution of the Union but to the birth of the nationalist movement and the eventual achievement of Independence. The students' demonstrations of the mid-seventies against rural poverty led to price subsidy support of paddy and rubber as well as more anti-poverty programs. The demonstration in Ipoh in the eighties against the choice of its suburb as the site for the burying of industrial waste not only led to its cancellation but to a more stringent policy on industrial waste management. The anti-toll demonstrations in the early nineties succeeded in lowering the tariff as well as a review of the privatisation policy. However, the anti-Internal Security Act demonstrations of the mid-sixties only hardened the Government's stand on ISA. The 1998 demonstrations against the dismissal of the Deputy Prime Minister did not lead to his reinstatement but instead created confusion, disunity and political dissension.

Mass Media

The mass media is an effective and tested tool of communication and can play an important role in promoting public accountability. Every agency of the Government has a media unit headed by a public relations officer. The unit disseminates information about the agency and its policies as well as programs through publications and the electronic medium. It is also responsible for responding to news items and reader's letters in the printed media affecting the department.

While critics and purists may argue that press licensing and such legislation as the Official Secrets and the Publication and Printing Acts may inhibit freedom of information, newspapers have been printing news, articles and letters critical of the bureaucracy for a long time,

certainly after *Merdeka*. There have been many instances in which disclosures and criticisms have led to better management and overall efficiency. The long lines at the counters of Road Transport, Immigration, National Registration Departments and the Outpatient Departments of General Hospitals were partly highlighted by newspapers which led to the orderly improvement of the system that we see today. So were issues, local or national, such as environment, community health, education, urban services and public transportation which kept the agencies concerned on their toes and helped to shape policies and improved services.

While mainstream printed media have not increased in number, the number of smaller publications in the form of tabloids, books or magazines have multiplied, particularly after the mid-nineties. Some are politically motivated and critical of the Government and its so-called mega projects, but seldom do they contribute towards better management and delivery systems.

In the post-Independence period, there were only two occasions when certain mainstream publications were banned or suspended. The first was during the May 13, 1969 racial riots involving foreign publications. The second was in 1987 during *Operation Lalang* to preempt racial conflagration when three newspapers were suspended for a few days. Notably, no publications, foreign or local, were suspended or prohibited for carrying highly critical items on the dismissal of the Lord President in 1987 or that of the Deputy Prime Minister in 1998. This speaks volumes for the freedom of the press.

The electronic media is another avenue to assess the accountability of the Government. The private stations, especially television, have been airing special reports on such items as illegal logging, illegal occupation of land, urban services and issues of the environment which prompted the departments concerned to act to minimise problems. The foreign electronic media, on the other hand, is easily accessible but seldom carries rebuttals by Malaysia leaders on negative reportings of the country.

Another medium fast getting popularity is the Internet. Malaysia guarantees the freedom of information through cyberspace by such legislation as Communications and Multimedia Act (1998), Computer Crime Act (1997) and Digital Signature Act (1997). This freedom has produced a spate of anti-Government literature but there are also pro-Government websites. Since this is a new medium, more Government agencies should have websites and be creative in defending and promoting themselves.

Non-Governmental Organisations (NGOs)

The Non-Governmental Organisations (NGOs), sometimes referred to as 'the civil societies', are collectively regarded as the Third Sector which comprises citizen-based, community-based and issues-based organisations. Together with the public and private sectors, the three are essential for good governance.²² The state creates a conducive political and legal environment; the private sector generates employment and income; and the third sector facilitates political and social integration by mobilizing citizen groups to participate in nation-building and socio-economic development.²³

Several NGOs have been increasingly vocal in demanding accountability by the Government on issues they specialise in or espouse. At the same time, the Federation of Malaysia Consumer Association (FOMCA), the Malaysian Nature Society, the Malaysian Society for the Environment, the Malaysian AIDS Society, and *Pemadam* (the Anti-Dadah Society) are among the many NGOs which work hard with the Government in their respective fields, rather than making demands, to promote some worthy cause or minimise society's ills. Whatever their persuasion, NGOs are seen to play a major role in good governance.

Summary

There are various institutions and mechanisms established in the country's system to provide checks and balance in public accountability. Parliamentary democracy is one in which the *rakyat* freely choose their own leaders to govern them and vote them out at the next election if they do not perform. Some Opposition members have continued to be elected to keep the Government in check. Parliament is the institution to seek accountability of the Executive through Question Time, debates on Bills and Motions, and adjournment speeches. With public funds provided by Parliament, the Government will run and develop the country in keeping with its manifesto during the elections. There are rules and regulations governing the management of public funds by the civil service. On the top of management is the independent Auditor General whose responsibility is to ensure that public funds are well spent and to publish a report as well. Heads of department whose items

appear in the Report will be summoned before the Public Accounts Committee of Parliament to explain and face disciplinary action, if found accountable.

Concerned members of the public have a part in ensuring accountability by the Government through Non-Governmental Organisations. So do the mass media. The institutions, the media, concerned citizens and the systems provide the inputs as well as the checks and balance in ensuring public accountability on the part of the Government.

ENDNOTES TO CHAPTER 7

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CHAPTER

8

The Role of Public Service in Development

This Chapter discusses the role of the public sector in the socio-economic development of the country. Its role has to go beyond the normal administrative and regulatory services. The chapter examines the role by the public service in the formulation and implementation of major policies and programs. There are also other responsibilities, no less significant which are seldom discussed, including the development of the private sector and leadership in voluntary organizations. The achievement of the Malaysian personalities who received major national and regional public sector awards is also discussed.

THE ROLE OF PUBLIC SERVICE IN DEVELOPMENT

The development of a country means its progress in every sphere from economic to sociological, from infrastructure to human resource, as well as other aspects of human activity. In fact, development is all-encompassing and total. In this chapter, however, we confine development mainly to the socio-economic aspects of the country and its people. Role, on the other hand, is specific task or function. The traditional and expected role of the public service is normally to provide efficient and effective administration to support the overall achievement of national development goals. However, the public service in Malaysia, and in other developing countries, goes beyond providing administrative service. We will discuss in this chapter this multi-functional role of the public service in the development of Malaysia.

Administrative services

The main and foremost role of the public sector in the country's development is providing efficient and effective services. This is its role as a service provider and facilitator. The administrative machinery must be efficient, pro-active and capable of meeting the demands of the time as well as adjusting itself for changes and reforms for the future. They must be client-oriented. They must be firm and fair. The list goes on.

The public service of Malaysia generally has these qualities and has shown itself equal to the task of nation building. There have obviously been shortcomings in certain agencies but measures were and will continue to be taken to overcome them. The sudden shortage of energy supply, for example, in the early nineties, essential for the country's industrialisation program, was overcome in a matter of months by licensing independent power producers (IPP) to generate electricity and selling it to Tenaga Nasional Bhd. (TNB), a government corporation given the monopoly previously. The supply is now more than sufficient and there have been no major national blackouts for the past few years. It is heartening to note that TNB, which was affected by the 1997 Asian financial crisis and the purchasing agreement with the IPP, was back in the black in 1999.

In addition to power supply, other essential services and infrastructure have also been upgraded for the country's development. Telecommunication services, outdated as late as the early eighties, are now at par with those of other countries in the region and elsewhere after the department was corporatised and, later, privatised into Telecoms Malaysia Bhd. The road services were improved by the construction of highways through privatisation. Similarly railway services also improved with privatisation and major widening of tracks. A new modern international airport, KLIA, came into operation in 1998 to replace the old. Port Klang, the main seaport, has been enlarged with the addition of Westport in 1998 and, in capacity and efficiency, at par with the best in the region.

The mundane services, equally essential for business and development, have also been improved. The issue of visa has been business- and tourist-friendly. For citizens of many countries, there is no visa requirement for the first three weeks of stay in Malaysia. Immigration and custom clearance at the points of entry are done with maximum speed. The issue and renewal of work permits for foreign workers are now

more orderly and systematic compared with the economic boom of the mid-nineties when literally hundreds of foreigners queued at Immigration counters daily. Application for land or to set up an industry is done through a one-stop agency to avoid the hassle of going through various departments. Above all, the incentive for investments such as tax and other benefits has been attractive and continuously improved from time to time.

While development in the industrial sector made great strides in progress, it was slower in the agricultural smallholding sector. There are a number of agencies in the rural areas such as the Departments of Agriculture, Veterinary Services, Fisheries, Farmers' Organisation, Rubber Industry Smallholders Development Authority (RISDA), Tobacco Development Board, and Community Development (KEMAS). There has been a new variety of 'bumper' crop found from time to time, be it paddy, rubber, palm oil, *durian*, mango and other crop. So is livestock, chicken or fish. There is a host of subsidy programmes such as fertiliser, seedlings and price support. Drainage and irrigation have been improved. Yet large areas of arable land remain fallow, rubber smallholdings untapped, and youth or group farm projects abandoned after a season or two. The reasons are many, chief of which are the ageing and lack of rural manpower, multiple ownership of land and, perhaps, rising affluence of the rural folks. It has definitely not been for the lack of effort by the staff of the agencies. They just have to work harder.

The public sector has responded well to urgent and untoward problem in matters relating to business and investment. The acute shortage of labour experienced by the industrial, construction, plantation and service sectors from the eighties was overcome by relaxing the import of foreign workers and improving the system of issuing work permits. As for the long term, more technical schools, industrial training institutes and youth vocational centres have been planned or built by the Government. The government has also been firm at enforcing the law on those who flout the law by hiring illegal immigrants who have been coming by the thousands from neighbouring countries since the early eighties.

PUBLIC SERVICE BEFORE INDEPENDENCE

The role of public service before *Merdeka* appeared to be the maintenance of law and order and the collection of revenue. As described in the

earlier chapters, the priority of the British when they set foot in Penang in 1786 and after the intervention in the Malay states in 1876 was to consolidate their powers by enforcing law and order as well as their collection of revenue. By making the Sultans figureheads with pensions, the British ruled on their behalf in a system called 'Indirect Rule'. The British replaced the indigenous administrative machinery with their own as well as taking over the revenue collection powers of the local chieftains. The major revenue earner in the beginning of the British intervention was from the tin mines. Through Indirect Rule, the British allowed and encouraged the immigration of Chinese labourers to work in the mines as well as in the growth centres. With the success of rubber in the late nineteenth century the British allowed large tracts of land to be set aside for companies at 'a cent per acre in perpetuity' for the planting of rubber. The British built roads linking the towns to the estates. They allowed mass immigration of Indian labourers to work in the estates. English-speaking Ceylonese were also brought in to work as clerks and in other junior posts in Government establishments. The building of railways across the Malay Peninsula from north to south, borne by the federated and state governments, was considered as the impetus for the economic development of the country in the late nineteenth century.

The above description shows the role of the public service in colonial Malaya. Under the guise of Indirect Rule, the British dared to introduce radical policies in the name of development such as the mass immigration of Chinese and Indians which altered the demographic composition of the country. To encourage the opening of land for economic development, large tracts were set aside with a rent of one cent per acre forever which deprived post-Independent State Governments of revenue. That might have been done out of economic necessity then but would be unthinkable for a post-*Merdeka* public service which has to face the audit, the Public Accounts Committee and the electorate. However, the construction of the railway, together with the causeway linking Johore and Singapore, was a bold move in view of the cost but brought tremendous economic benefits to the country. It could be compared to the North-South and other highways, KLIA and Multi-media Super Corridor (MSC) in the nineties. While the former was borne by the Federated and Non-Federated Malay States (including a reluctant Sultan of Johore whose state turned out to benefit most from it), the latter's huge cost was solved through another administrative ingenuity of the times – privatisation.

In the one hundred and fifty years of British rule, there were several outstanding civil servants who went beyond their administrative duties. Among them were Swettenham, Clifford, Anderson, Winstedt, and Maxwell. They might have been élitist but they set the foundation of administration or strengthened it, had the conscience for the local populace, or devoted interest in the local culture and became authorities on it. Swettenham could be described as a development administrator in view of the infrastructure projects undertaken during his tenure. Both Clifford and Anderson were not only good administrators but showed concern for the plight of the indigenous peoples whom they tried to improve through education and other policies. Winstedt was a man of Malay letters whose work was pioneering. Even the assassinated Birch was credited for abolishing debt slavery among Malays in Perak while his nephew of the same name who served later was also a noted administrator. There were others, especially those in the professional and technical services such as in education, health and public works who went beyond their normal duties to develop the country in their respective professions.

Local officers in the colonial administration were only available after the establishment of the Malay College at Kuala Kangsar in 1905. They were recruited into the Malay Administrative Service (MAS), not the Malayan Civil Service (MCS). A few were promoted to the MCS toward the end of British rule. Officers like Raja Tun Uda and Tun Abdul Malek Yusoff rose to the highest rank of Menteri Besar (of Selangor and Negri Sembilan respectively) and, after *Merdeka* they became Governor of Penang and Malacca respectively. However, the number of local officers were few and their leadership and influence, in keeping with colonial tradition, seldom went beyond the office. The leadership role at the *kampung* level was taken up by Malay vernacular school teachers and the *Penghulu*, once a traditional élite who became a salaried village head under the British. While the teachers were in the forefront in fighting illiteracy and furthering the cause of formal education in the village as well as spreading the independence movement, there was little else they could do to develop the village and to fight poverty. For this reason, the role played by local officers in the higher echelon of the civil service in development before Independence, was modest.

As stated in other chapters, the number of graduates from the local university and those returning from abroad after the Second World War

were too small, more so with the Malays, to cater for the demand. When they joined the public service, they were too young to lead the service into any changes in the colonial society. There were, however, a few outstanding exceptions during the early part of the Independence struggle after the War. These were the senior civil servants notably Dato Onn (Menteri Besar of Johore), Tunku Abdul Rahman (Deputy Public Prosecutor), Tun Abdul Razak (MCS—State Secretary of Pahang), Bahaman Shamsudin (MCS—District Officer of Telok Anson) and Zainal Abidin bin Ahmad a.k.a. ZAABA (Education Officer) who went against General Orders by getting involved in politics in order to bring changes and promote independence in the country. Through them national consciousness was aroused leading to Independence struggle and eventual *Merdeka* in 1957. The Independence movement was therefore led by civil servants who fought it in a constitutional and peaceful way. That was their contribution in the sphere of political development. It was a rare role for members of the public service of colonised countries but, to their credit, these few in Malaysia among the few with tertiary education then, rose to the occasion in a very selfless manner to lead their country to freedom.

THE EARLY YEARS AFTER INDEPENDENCE

The early years of post-Independence was undoubtedly focused on rural development. As stated elsewhere in this book, rural development was successful due to a number of factors, chiefly proper planning, top-down but, more significantly, bottom-up with inputs from grassroots village level, efficient implementation, and political leadership and supervision. At this time political machinery at the district and village level was not as firm as two decades later and neither was the leadership. The District Officer was more influential and had his ways in deciding what was good and of benefit for his district. He, however, listened to the village opinions and those of the elected representatives. The result was the ingenuity of some of the local proposals that reached the headquarters, the Ministry of Rural Development. The common proposals were for community halls, telephone booths, rural clinics, roads, piped water and electricity supply. The unusual ones were for agricultural weekly market, *sepak takraw* court, and culture halls. One District Officer proposed a programme which was ahead of its time,

namely, family planning, in one of the Minister's visits. This was not positively received at first but family planning was turned into a national programme a few years later.

While rural development focused more on the provision of basic amenities in the traditional villages, the Government also tackled the problem of poverty among the rural population. There were big plantation companies then which had been successful in this field since the early colonial days such as Dunlop, Sime Darby and Guthrie, which could undertake this project if asked by the Government. The Government, however, perhaps felt that poverty alleviation was too serious a task to be given to the private sector and had confidence that the public sector could do it. It created a special agency, the Federal Land Development Authority (FELDA), to open up and manage land schemes from virgin jungle for the poor.

These 'land for the landless' schemes were spread all over the country. Under the system, FELDA cleared the jungle, planted rubber or palm oil trees and allotted four hectares to each settler. The settler's responsibility was to manage his holding with finance and materials borrowed from FELDA to be repaid once the plant was harvested. The land would be his once the loan was repaid which would take about fifteen years from the time of first harvest. The scheme was the first of its kind in the democratic world though Israel had something similar, called *kibbutz*, but related more towards security rather than poverty eradication. The Communist bloc had their agricultural communes which by many accounts failed to achieve their objectives possibly because the land and the return belonged to the state. FELDA achieved its objective, winning international recognition for its efforts in the form of the Magsaysay Award in 1980. Forty years on, FELDA is now a giant corporation with separate companies for palm oil production, palm industries, plantations, rubber industries and trading.

Another agency established in the early years of *Merdeka* which has become a 'giant' is *Lembaga Tabung Haji* (Pilgrims Fund Board). It would not have been established had not an economics professor, Ungku Aziz, noted the saving habits of rural Malays in order to perform the pilgrimage. Though poor, they would put aside savings from their meagre income but hid them in odd places in the house such as under the pillow or in between the attap roof which could easily be lost due to fire or theft. The good professor submitted a proposal to the Government to establish a fund board in which Muslims could deposit their savings

which would be invested by the board but could be withdrawn when the depositor decided to perform the pilgrimage. The Government accepted the proposal, refined it, and decided that the entity to manage it had to be a government agency. The Pilgrims Fund and Services Board was established in 1963, and the rest is history. A commercial bank could easily perform the function but at that time there was none in the rural areas and Islamic banking was not available. As the name suggests, the Board is not only a savings bank but provides pilgrimage services. The board, as a public sector agency, has successfully performed both functions and has developed Tabung Haji into one of the three largest *bumiputra* financial institutions. Its net income in 1999 was RM 3 billion. Tabung Haji won the national best quality award for the public sector category in 1992.

Role in national development planning

The task of planning the economic development of a newly independent country has always been entrusted to its public service. This is a strategic role of the public service and is, in fact, its premier role besides providing administrative services. The Government may hire consultants with some specific expertise, such as from the United Nations Development Program or from the local private sector, but the planning proper is done by the public service. Like many other developing countries, the Malaysian Government's first priority, on achieving *Merdeka*, was to have a national development plan for the benefit of the country and its *rakyat*. While the general directions and preferences are outlined by the political leaders, the detailed proposals, funding and other related matters are done by agencies in the public sector. The main national plans are the medium-term (five years) and the Outline Perspective Plan (ten to twenty years). The former, known as Malaysia Plan, is a detailed plan complete with projects and funding while the latter is a general, projected macro-economic scenario of the country in the future.

There was one medium-term development plan immediately after Independence but before the formation of Malaysia. It was modest by today's standard but the country was still under the Emergency which consumed considerable funding. It was soon after the establishment of Malaysia that a more comprehensive development plan was prepared. It was a medium-term Development Plan, officially known as the First

Malaysia Plan. The preparation of all Malaysia Plans, the latest being the eighth (2001–2005), has always been meticulously done. It is a major exercise involving every agency of the Government. Proposals of projects and programmes for the next five years are made and are scrutinised and pruned through many layers before the final ones reached the top. The top is the National Development Planning Committee (NDPC), chaired by the Chief Secretary to the Government, and has on it heads of the central agencies as well as the Director General of the Public Works Department. Once recommended, a project is seldom rejected by the Cabinet. It is not a misplaced statement to say that the public sector has played the leading role in the development of the country then and now.

The planning, therefore, involves every project and programme that are considered major and essential that will take the whole length of the five-year period to complete. It is macro and micro, sectoral and regional. In fact, its development and completion will affect positively the area and the people living in it. Many inputs and data are gathered, analysed before becoming a project/program proposal proper. The proposals of the agency are then examined by the ministry and the central agencies before being accepted. The projects that reach the Cabinet level are those that have been analysed and examined many times at the official level from cost-benefit ratio and other considerations until they are satisfied that these projects are indeed necessary that will have an impact in the development of the country. This is undoubtedly the major role of the public service.

Implementation

Implementation of the projects under the Malaysia Plan is obviously undertaken by the various agencies of the public sector. No agencies, however, implement the projects themselves. Projects that involve construction, which practically means every project, are handed over to the Public Works Department (PWD), with the funding. PWD will contract out the construction and hand them back to the agency once satisfactorily completed. The centralisation of projects to the PWD by all agencies will overload the Department and is normally one of the reasons for project delays. One of the solutions has been to classify a project as a 'turnkey'. The aim is fast track in which a project would be handed over to the private sector from the drawing board to its

completion, with somewhat lesser supervision by the PWD. Nevertheless, there have not been many such projects as the arrangement turned out to be not an entirely satisfactory one. A project involves public funding which is necessarily governed by a set of rules and regulations which must be observed by the operating agency and the PWD. It is also subjected to query and inspection by the Audit Department, the Anti-Corruption Agency, and the Public Accounts Committee of Parliament. Each has a role to play.

The system of implementation itself may contribute to project delays. There has always been shortfall in every Plan, sometimes as much as 50%. The reasons have been many. Chief among them has been the long delay in the acquisition of land. Land is under the jurisdiction of the State Government though there is a federal law (Land Acquisition Act) requiring the State to act quickly in cases of land needed for federal development purposes. In many cases there were disgruntled owners who were not satisfied with the valuation, squatters and the non-suitability of the site found at the last minute. Besides land, the other common cause for delay has been the unsatisfactory work of the contractor due to cashflow problems, insufficient building materials, and manpower constraints. It must be said, however, that the shortfall has not been due to the lack of efforts by the civil servants but beyond government control. This is because the monitoring system of the projects under the Malaysia Plan at the Implementation and Coordination Unit (ICU) of the Prime Minister's Department has always been a 'state of the art' system, the latest of which is known as PMS II (Project Monitoring System II), which would know at the touch of a button/mouse the progress, the problems and other details of each project. MAMPU too has been in the picture. Despite many attempts to speed up delayed projects, a shortfall is still a common occurrence at the end of every Malaysia Plan.

The First Malaysia Plan (1966–1970) was the first after Malaysia was established. It was all-encompassing as every Ministry was allocated its respective projects. However, the amount allocated under the next Plan, the second, was massive. It was the first Plan under the New Economic Policy (NEP) formulated to answer the main cause of the 1969 ethnic riots, the economic imbalance of the major ethnic groups in the country. Since then there have been six more Development Plans. The seventh expired in 2000. It is through these Development Plans that the systematic development of the country is done. The private sector has been expected to play some vital role in every Malaysia Plan

which it did significantly in the last three. However, the major role has always been played by the public sector. It has always been the engine of growth in development.

Mega projects

Projects which are beyond the capacity of the private sector or which take time to break even, especially socio-economic ones, have to be borne or initiated by the Government. The Muda and Kemubu Irrigation schemes cost millions of ringgit but both made double cropping of padi possible in the rice bowl states of Malaysia. Dams, water supply projects, flood mitigation schemes, power plants and highways require Government initiative. While these come under infrastructure and socio-economic projects which normally are undertaken by governments all over, there are projects in Malaysia which have been implemented by the public sector due to their high cost, for strategic reasons or for purely social reasons. State and district mosques and other places of worship are built by the Government because of social considerations. The ammunition plant, AIROD (Aircraft Inspection Repair Overhaul Depot) and radar-related projects are undertaken wholly by the Government because of security and strategic considerations. The cost of airports such as Kuala Lumpur International Airport (KLIA) is borne by the Government as they are infrastructural. The national car project was totally borne by the Government because of its huge outlay as well as for a more noble cause — to quantum leap Malaysia in the automotive and heavy industries. Steel mills, light rail transport (LRT) and monorail are jointly financed by private and public sectors because of the high cost involved. Though these projects are eventually privatised, the initial capital expenditures borne by the Government were considerable as they could not be financed by the private sector.

ROLE IN FORMULATING POLICIES

All public policies, minor or major, are formulated, examined and analysed legally, financially and in other aspects before they are finally approved. The process is similar to the formulation of programs and projects. A policy to abolish the annual TV licence, for example, has to be analysed in terms of loss of revenue, the position of the enforcement and other officers, the benefits to the public at large, and the alternative

revenue, if any. The public service is expected to know the immediate and long term implications of the policy as well. In the jargon of the public service, the policy paper has to be comprehensive in its analysis. In the course of formulating it, it is the role of public service to anticipate its outcome, test it wherever possible, and apply all the theories and know-how of public administration. Though in the end the ultimate accountability rests with the Cabinet or the Minister concerned, the civil service is responsible for the success or otherwise of the policy.

Role in the New Economic Policy (NEP)

The New Economic Policy (NEP) was implemented from 1970 with a life span of twenty years. As stated elsewhere, it was an ambitious policy with the twin objectives of eradicating poverty and restructuring society. The twenty years meant that the period had to be covered by four Malaysia Plans to help achieve the objective. The allocation by the Government to all its agencies was very generous. One of the most significant was in human resource development in which a large number of academically-bright students, fresh from high schools, were sent overseas for undergraduate studies in a variety of discipline. Serving officers were also sent for post-graduate studies in large numbers. This golden period in resource development went on for more than a decade and the returnees helped redress the ethnic imbalance in the technical and professional categories of staff in the public service.

The implementation of the NEP was in the hands of the public sector as the private sector was not in a position to do so. The Government went further by announcing that it would go into the private sector in order to help achieve the NEP objectives. Thus, an increasing number of statutory bodies and public enterprises were created for this purpose. They were headed and assisted by persons seconded from the civil service. Among the prominent bodies were *Perbadanan Nasional* (PERNAS), Malaysia International Shipping Corporation (MISC), Heavy Industries Corporation (HICOM), Urban Development Authority (UDA) and the State Development Corporations (SEDC). The civil servants who became successful corporate figures include Jamil Jan, Raja Alias, Basir Ismail, Raden Soenarno and Ali Hashim. It is interesting to note that these figures and their flagships did not seriously suffer during the severe recession of the mid-eighties and late nineties, indicating their capability of managing non-public enterprises.

In the area of human resource development, we need to mention the establishment of RIDA Training Centre during the later part of the colonial period to produce more Malay youths in vocational skills and mid-level profession. This was part of the programme to alleviate Malay poverty. However, all that the Centre could produce were book-keepers and stenographers. It was revamped in 1967 with more professional courses and larger intake and renamed MARA College. It was still not enough. Under the NEP, with the objective of restructuring society, a new and larger campus was built, equipped with multi-storey lecture theatres, residential halls, libraries and other facilities. The intake was enlarged from 500 to about 3,000 in 1971 with more than thirty professional courses which included accountancy, engineering, art and design, insurance, architecture and mass communication. The name was changed to MARA Institute of Technology (ITM) with a dynamic first Director seconded from the civil service. In 1999 it was turned into a university called UiTM. By then, it has about 30,000 students with branch campuses in every state in Malaysia. It was the early graduates of ITM who filled the void of *bumiputra* middle-level professionals and who later rose to prominent positions in their respective fields. ITM, as a public institution, has certainly made a significant contribution to the NEP objective of restructuring society.

Public Enterprises

Public enterprise is an organisation which is public in purpose but being run as a profit-making entity like a private sector enterprise. In other words, it is a public organisation operating in a private sphere. One of the major decisions to achieve the objective of the NEP was to extend the role of the public sector into the private sector through public enterprises. About 200 public enterprises were established during NEP period manned by officers seconded from the civil service. It was a new experience for many. There were public enterprises which were a drain on public funds but many achieved the objective of the NEP.

The more successful of the public enterprise were Federal Land Development Authority (FELDA), *Lembaga Tabung Haji* (TH), National Electricity Board (later privatised and renamed *Tenaga Nasional*), Urban Development Authority (UDA), and Forest Research Institute (FRIM). The lesser successful ones were those in the developmental category like Farmers' Organisation Authority (FOA), Fisheries Development

Authority (LKIM), and Federal Agricultural Marketing Authority (FAMA). The business/commercial category was also less successful which included many companies operated by the States Economic Development Corporations (SEDC) and *Majlis Amanah Rakyat* (MARA).

Role in Malaysia Inc.

As explained in Chapter 9, the concept of Malaysia Incorporated, brainchild of the Prime Minister, was that the country should be run as a single business corporation in which the public and the private sectors were partners to develop Malaysia. Malaysia Inc. was launched in the late eighties when the economy was in the upswing and the industrialisation programme was beginning to bear fruit. The private sector has also been growing particularly among the *bumiputra* business community as a result of the NEP. The timing was, therefore ripe for the launching of the Malaysia Inc. policy. The secretariat for the Malaysia Inc. has been the public sector, in almost every agency and level of government. Guidelines were produced by the national secretariat as to how best to implement the policy. Consultative panels were formed at various agencies with membership from both sides which met regularly at first to discuss issues and ways to make them work closer together. In many departments the initiative and the drive was more from the public sector. The private sector, on its part, was seen to be more keen for the department to be less sensitive in its future tender exercise and other plans as well as less rigid in its financial and contractual system. The panels, however, managed to see and understand each other's position. On the part of the public sector, the meetings helped to improve the quality of service, strengthened the consultative mechanism and improved the dissemination of information.

When Malaysia Inc. became dormant in the early nineties, the Chief Secretary to the Government issued another circular with ways and means to strengthen the implementation of the policy. Most of the ideas were gathered from the national consultative panel. They included the strengthening of government machinery and upgrading its quality and productivity of service. At the ground level, the departments, the consultation with their counterparts helped both sides. On the part of the department, it improved its counter-service as well as its functions and services.

In a related development of Malaysia Inc., mention must be made of a similar composition established recently but with a more critical purpose, namely, the economic survival of Malaysia. This is the National Economic Action Council (NEAC) which was specifically established to deal with the 1997 Asian economic crisis. The Council is headed by the Prime Minister but the members came from the public and private sectors. Unknown to many, its Executive Committee met almost every day at the height of the crisis. Members of both sectors devoted time and energy to deliberate on major issues. This was Malaysia Inc. at its best. From their efforts under the leadership of the Prime Minister, Malaysia survived the crisis on its own without having to borrow from the International Monetary Fund and with no mass unemployment or political upheaval.

The rise of the private sector

The rise of the private sector, as well as a larger middle class was noticeable in the mid-eighties. Prominent figures such as Azman Hashim, Shamsudin Kadir, Tengku Imran, Lee Kim Yew, Francis Yeoh, Ananda Krishnan, Lim Kok Wing and Halim Saad are quite different from the earlier generation of Malaysian entrepreneurs like the Lim Boon Siew and the Lim Goh Tongs, in that the former seem to be self-assured, extrovert, articulate and the product of corporate boardroom. They are just as industrious but they seized the opportunities provided by the government policies and benefited from them. They not only opened industries and gave employment in the country but began to venture overseas as well. The Malaysian private sector has begun participating in the era of globalisation, as encouraged and made possible by the Government.

The good performance and the rise of the private sector have been the results of many good policies of the Government amongst which were the New Economic Policy, industrialisation programme, privatisation, and pro-business. The political stability from the seventies and the leadership by Dr Mahathir Mohamad from the eighties were other factors. The administrative machinery by the many government agencies from the Economic Planning Unit to the Immigration counters at Malaysia's entry points played no less a significant role. It was these public sector agencies again that were called upon to assist those in the private sector who were severely affected by the 1997 economic crisis to rise again.

The National Development Policy (NDP)

The National Development Policy replaced the NEP from 1991. The formulation of the Policy was a joint effort involving all representatives of Malaysian society, from political parties to academicians and corporate figures, with the public sector (EPU) as the secretariat. It was a big policy group, divided into committees such as the economic, social and human resource committees. Achievements or otherwise of the NEP were analysed and recommendations for the foreseeable future discussed and adopted. The NDP was launched when Malaysia was enjoying prosperity. The high economic growth continued for most of the decade till it ended abruptly in 1997. Industrialisation was in high gear. With aggressive policies by MIDA and other agencies the foreign investment into Malaysia continued to increase. Malaysia made itself felt in many developing countries particularly Africa, China, the former Indo-China states and the Pacific islands by its investment and joint participation.

The NDP expired at the end of 2000. The new policy for the first decade in the new millennium was formulated by similar groups that helped drafted the NDP. It was called National Vision Policy (NVP). The main secretariat was again the EPU.

LEADERSHIP IN VOLUNTARY ORGANISATIONS

Under the NRS a small weightage is given for an officer who is involved in voluntary organisations and societal activities. This recognition should have been taken into account earlier. Under Tunku Abdul Rahman these extra-curricular activities, particularly sports, were encouraged as he himself was sports-loving and was President of Malaysian Football Association besides being an avid golfer. He in fact brought football and golf to greater heights in Malaysia and the region. During his tenure as Prime Minister quite a number of civil servants became involved in sports and other voluntary organisations and excelled in them. Among them was Dato Harun Idris who involved himself in football management when he was a young Deputy Public Prosecutor. He rose to become the Menteri Besar of Selangor and along the way helped to make Selangor and Malaysia football champions in the sixties and early seventies. Another was P. Alagendra, a senior police officer, who took Malaysia to world heights in hockey.

There are also those who chose not to be in the limelight but developed sports in their ex-officio capacity in the district or state. Many State Secretaries and District Officers are patrons or chairmen of sports associations at their level. They are chosen or elected by virtue of their position where they can provide assistance. If they were sports loving or had a commitment to develop their district or state in any sporting activity, then that sport would develop tremendously. The same goes with other voluntary organisations. The sports or the society develop by virtue of their official position and the extra leadership qualities in them.

In the nineties national sports benefited through such civil service figures as Tan Sri Elyas Omar, the Mayor of Kuala Lumpur, who made Malaysia world champion in badminton, and his city the national champion in football. The same credit goes to Dato Basri Akil, the State Secretary of Kedah and Dato Taha Ariffin, the Deputy State Secretary of Sarawak who developed their respective states from 'scratch' and took them to greater heights in football.

Besides sports and voluntary bodies, some prominent civil servants involve themselves in Non-Governmental Organisations (NGOs). Among them are Dato Dr Salleh Mohd Nor in Malaysian Nature Society and Professor Hamdan Adnan in Federation of Malaysian Consumers Association (FOMCA). Most joined NGOs which were related to their professions. The number, however, has not been many as some were reluctant to be associated with NGOs which questioned official policies. This is regrettable as they can play a balancing and objective role in those organisations.

Commitment for Excellence

The (Philippines) Magsaysay Award is regarded as the Asian equivalent of the Nobel Prize. Like the Nobel, Magsaysay has several categories of awards. One of them is for public service. The rare winners for Malaysia who were civil servants at the time of the award were Tan Sri Dr. B.C. Sekhar of Rubber Research Institute (1973), Dato Shahrum Yub of *Muzium Negara* (1978), Tan Sri Raja Muhammad Alias of FELDA (1980), Tan Sri Ahmad Noordin of Audit Negara (1985), Dato Hanafiah Ahmad of *Lembaga Urusan dan Tabung Haji* (1987) and Dato Zakiah Hanum of National Archives (1989). A brief analysis of their involvement in the respective organisations shows that, except for Ahmad Noordin,

they had been with their agencies for a long time which took a dynamic change when they became the chief executive. All went beyond the conventional ways to achieve the objectives of their agencies and were very innovative in their approach. All were highly committed in their work. Raja Alias was cited by the Magsaysay Foundation for 'his steadfast and his principled administration in translating Malaysia's 'land for the landless' schemes into reality' and Ahmad Noordin for his 'effective, fearless exposure of inefficiency and corruption in government, making a reality of public accountability'. Shahrul Yub was cited for his innovations which have made visiting the museum '... an enlightening experience for all ages, fostering a national cultural awakening'. Zakiah Hanum was responsible for making National Archives 'the most professional and technically advanced in all of Southeast Asia'. That their role and contribution was internationally recognised speaks volumes for their achievement and service.

Significantly, Tan Sri Dr Sekhar, Tan Sri Raja Muhammad Alias and Tan Sri Ahmad Noordin also won the Tun Razak Foundation award for their contribution in the field of socio-economic development, a field for which the second Prime Minister strove throughout his career. To have received prestigious awards both nationally and internationally must surely be a crowning achievement to one's work.

EDUCATIONAL DEVELOPMENT AND SKILLS TRAINING

Educational development in Malaysia has always been under the prerogative of the Government from Independence till the nineties. During the pre-Independence period the Government allowed the setting up of private schools notably Christian mission, Chinese, Malay/Islamic *sekolah rakyat*, estate and other private schools because of lack of public funds. The only Government schools were English and Malay schools. On achieving Independence, one of the Government's first task was to have a national education policy that could mould the children into a united Malaysian nation. From then on there was more control with financial assistance to those private schools which conformed to the new policy and became fully-pledged government schools. The assistance was also in the form of trained teachers, classrooms and laboratories. Once they became government or government-assisted schools, they had to follow the national curriculum and the students sat

for the national examinations under the education system. There was stringent control of the establishment and expansion of private schools. The only exceptions were kindergartens, and educational facilities catering for failures from public examinations, the overaged, and for external professional courses.

The increase in the number of schools and additional classrooms built, teachers trained and other assistance from *Merdeka* till today has been most impressive from primary to tertiary level. Education easily topped the record in terms of finance and facilities compared with other sectors. No one parent can claim that a school is not within reach of his home or his child is denied of getting a formal education. The Government guaranteed six years of free primary education, three years after *Merdeka*, which was extended to nine in the late sixties. Lower secondary education was thus assured with upper secondary available to the 80 percent of students who normally passed the lower secondary examination. As for tertiary education, the number of public universities was increased to four in the early seventies and fifteen in the late nineties.

The cost, however, for the public sector to assume the almost sole role in providing education from primary to higher education has been very high, to say the least. In the late eighties the Government began to allow private tertiary institutions to have joint or twinning programmes with foreign universities or even permitting foreign ones to have branches locally. The objective was to make Malaysia the centre of educational excellence as well as to reduce the flow of foreign exchange out of the country. As a result, in the late nineties the number of private tertiary institutions and foreign university courses available were manifold and increasing by the month.

As for skills training, the agencies involved are the Industrial Training Institutes (ITI) of the Ministry of Human Resources, the Youth Training Institutes of the Ministry of Youth and Sports, and the MARA Vocational Centres under the Ministry of Entrepreneur Development. ITI is partly funded through a training levy from the industries with most of the graduates joining the private sector. The other two are wholly funded by the Government while the graduates are for the open market either in public or private sector. The private sector, especially in the manufacturing and industrial sectors, seldom provides formal skill training. The task is undertaken by the Government. There is, however, one pioneer joint training program began in 1989, and is referred to as 'smart partnership', at the Penang Development Skills Centre. The

Federal Government provided the building, the State Government the land and the equipment, and the private sector manages the institute including teaching.

Health Care Development

In contrast to education, the Government did not discourage the private sector from building and managing hospitals. The cost, however, was prohibitive as well as the lack of trained doctors and paramedical staff before the nineties. In the Klang Valley with a population of five million in the sixties there were only two private hospitals, Assunta and Chinese Maternity, and even those had with some form of government financial assistance. There were, of course, many private clinics in town but few with in-patient facilities.

The role and the responsibility to provide health care and the training of medical personnel have, therefore, had to be borne by the Government. Again, as in education, the record has been impressive since Independence. There is now at least one hospital in every state capital and district, rural health centres in big *mukims*, and clinics in *kampungs*. Every branch of medical care is available in state hospitals such as maternity, Ear, Nose and Throat (ENT), ophthalmology, dentistry, neurology, orthopedics and internal medicine. From the late eighties coronary surgery can be done locally.

The need for more doctors prompted the Government to establish a medical faculty in three of the country's top universities together with a teaching hospital. There is a plan for two more. A private medical college was only established in the mid-nineties and a few more were shelved due to the economic crisis of 1997. The training of nurses and other para-medics has always been by the public sector.

The establishment of more private hospitals accelerated only from the late eighties borne mostly by leading State Economic Development Corporations and through public shares. There are now at least nine private hospitals in the Klang Valley and at least one in the major towns. To the consternation of the Ministry of Health, these hospitals lured specialists and surgeons from the public sector with attractive financial packages to join them. Salary increases, better promotion prospects and other perks from the Government from time to time have been no match to what leading private hospitals can offer, at least before the 1997 economic downturn.

The Government has long considered ways and means of easing its financial health care burden. A few facilities in the hospital such as engineering and cleaning services have already been privatised. Medical insurance has been considered for some years but the Government decided against it just before the 1999 General Elections. The Government seems to have decided that health and medical care of its citizens is its responsibility and it will, therefore, continue to develop and fund it.

There has been another area in health care into which the Government has ventured since the early sixties. At that time it was called family planning, a popular economic solution to population explosion then, which was then run by voluntary organisation. The Government felt that it had to take over as it had all the resources within its control such as medical manpower and facilities as well as the fact that it was part of the country's socio-economic development. Family planning *per se*, however, has always been voluntary. The name of the agency has been changed to Population and Family Development Board to reflect its emphasis on healthy family and lifestyle.

Research and Development (R&D)

Research and Development (R&D) in science and technology has always been done by public sector institutions or through grants by the Federal Government. There are no multi-national corporations which do their own research in Malaysia. It is all done by or sponsored by the Government. The oldest research institution of the country is the Rubber Research Institute (RRI) which was established in 1922. It was the work of RRI that made our natural rubber competitive internationally and which helped Malaysia to be its largest producer in the world for a long time. Its Director General, Tan Sri Dr. B.C. Sekhar received the Magsaysay and Tun Razak awards in 1973 and 1982 respectively for his outstanding contribution in rubber research. RRI is partly funded through a cess collected from rubber estates; in return, they can apply the results of the research. Other successful agro-based research institutions are Palm Oil Research Institute of Malaysia (PORIM) and the Forest Research Institute of Malaysia (FRIM). Like RRI, PORIM contributed to make our palm oil continue to be competitive and Malaysia is the largest producer in the world. The same goes for FRIM though we are not the largest exporter of timber. These three institutes had made a name for themselves internationally.

Another old research institution, second only to RRI, is the Institute of Medical Research (IMR). In addition to public funding IMR also does joint research with foreign and international bodies mainly in the field of tropical diseases, of which it is a premier institution. The great stride in the campaigns against malaria and dengue has been attributed to IMR.

The more recent research institutions are the Malaysian Agricultural Research and Development Institute (MARDI), the Veterinary Research Institute and the universities. Of late, these institutions have been able to market their research findings.

To encourage R&D, the Government has increased the annual allocation in 1999 to RM2.5 billion under the Integrated Research Priority Area (IRPA) Programmes, RM40 million under Industrial Grant Scheme (IGS), and RM20 million under Development Action Plan for Industrial Technology (*Pelan Tindakan Pembangunan Teknologi Perindustrian*, PTPTP). The response in 1997 appeared to be encouraging as the actual amount spent were RM1.059 billion for IRPA, RM6 million for IGS, and RM12 million for PTPTP. (Ministry of Finance, PPBS, 1999). The successful applicants were individuals and bodies from public and private sectors.

Housing Development

This is another sector where the public service has been directly involved in its development. It all began when the Government introduced housing loans at subsidised rate to its employees in the late sixties. It also formed a company for the construction of the houses. The availability of the loans started housing revolution in the country. It paved the way for establishment of private housing companies or housing developers, the opening of more housing estates, the vibrancy of the construction industry and spin-off effects in the insurance and legal fields.

The Government does not seem to be further involved in the housing industry as there are enough private developers in the country. However, the Government is committed to having low-cost housing for the middle and low income groups. The Federal Government allocated RM 1.84 billion as loans to the State Governments under the Seventh Malaysia Plan for the various programmes under the low cost housing schemes. The Ministry also directed the housing developers to reserve at least 30 per cent of each housing scheme for low-cost housing. By 1998

the Ministry of Local Government and Housing was scheduled to have completed 39 low cost projects consisting of 9,340 units while 48 were under various stages of construction consisting of 23,124 units under the Seventh Malaysia Plan.

Culture and the Arts

In many developed countries culture and the arts have been left to be managed by private and voluntary organisations. In socialist and developing countries both are within the purview of the government as developing them is part of the overall development process. The reason for socialist countries may be more ideological but for many developing countries it was more for the shaping of national culture, identity and unity. The latter included Malaysia. A department of culture was therefore established in the early 1960s with the purpose of researching, preserving and reviving the traditional performing arts of the various communities and developing a national culture based on the indigenous one. The department was very active in performing these tasks for some years by holding talks, researches, training and competitions at various levels and receiving tremendous response.

The mood of the public began to change in the late 1970s when Islamic revivalism spread among the Malay/Muslim community. Traditional performance in public involving both sexes like dancing declined. The traditional Malay *joget* and *ronggeng*, so popular at office and official functions during the administrations of Tunku Abdul Rahman and Tun Razak, went out of favour. Even in the *kampungs*, there were no more *ronggeng* or *joget lambak*, normally held in the evening after a hard day's work of hosting a wedding. However, the decline did not mean the death of traditional culture and performing arts. Every state has its own court dancers performing traditional dances of the ethnic groups in the state at official functions. The Federal Government has its *Kumpulan Budaya Negara* (national cultural troupe) which performs at state and public functions as well as overseas. Also, the development of and training in three main areas of performing arts, namely, music, dance and theatre as well as creative writing continue to be the undertaken by the newly-formed National Arts Academy. National culture and performing arts are now alive and well.

The amalgamation of culture and tourism under one Ministry (the Ministry of Culture, Arts and Tourism) in the early 1980s boosted the

former. Performing arts since then became a substantial part of the promotion to make Malaysia a major tourist destination. One major drawback then was the lack and the inadequacy of halls to show these performances. This was partly answered when the national oil giant, Petronas, built the world-highest Petronas Towers which included a state-of-the-art Philharmonic Hall (with performance by world-class resident Malaysian Philharmonic Symphony). To cap it all, the Federal Government completed the *Istana Budaya* (Cultural Palace), an ultra-modern high-tech national theatre, which was opened in 1999. The new theatre not only can perform traditional shows but contemporary ones from all over. This is in conformity with the policy to make Kuala Lumpur a regional cultural centre with a variety of performing arts from the east and the west.

The Role as Communicator

The phrase 'to win over the hearts and minds of the people' was first used by General Sir Gerald Templer, the Malayan High Commissioner and Director of Operations during the height of the Emergency in the fifties. The British General, credited for breaking the backbone of the Communist insurgency and bringing victory to the Government forces, stated that 'winning over' was part of the responsibility of the civil service in the course of their normal duties. Such duties should not be left entirely to the government's mass media. The phrase and the responsibility have been carried over to the post-Independent administration.

The government mass media before Independence were the Information Department, the Department of Broadcasting (Radio Malaya) and the Malayan Film Unit (MFU). After *Merdeka*, television was added to the Department of Broadcasting whilst MFU was expanded to become *Film Negara Malaysia* (FNM). All come under the portfolio of the Ministry of Information. Their role is to disseminate information on government policies through the print, electronic and other media so that the public will be better informed. Many critics say that while the government information machinery was effective in 'winning over the hearts and minds' of the public in the fifties during the Emergency and *Konfrontasi* in the early sixties, they wonder if it is relevant in the nineties with the availability of international cable electronic media and the Internet in the country.

The Government seems to think that its mass media are still relevant, all the more so in view of the wide accessibility of foreign electronic and print media in the nineties. However, some changes in policy have been made from the eighties. Private radio and television stations were allowed to be established, albeit licensed, thereby breaking the monopoly of the government's electronic media. FNM was corporatised. The corporatisation of Radio and Television Malaysia (RTM) was put on hold due to the 1997 financial crisis. Corporatisation seems to be as far as the Government would go unlike with its other money-making agencies such as telecommunications and electricity which were swiftly privatised after corporatisation.

There is one other agency in the Information Ministry which the Government still considers relevant. This is the Information Department which was effective during the non-television and limited radio era of the fifties. While the security forces were victorious in the jungle battlefronts during the Emergency, the staff of the Information Department, who travelled to remote villages showing *wayang gambar* (film shows) of MFU, were credited for winning the hearts and mind of the population against communism. Like the British planters and tin miners on the ground, the staff were targets for assassination during the early period of the Emergency. The Department continues to exist until today. Unlike RTM, it brings no revenues to the Government and so it is not in the list to be corporatised. However, the strength of the Department lies in the fact that it is the only agency in the government information machinery that comes 'face to face' (*bersemuka*) with the *rakyat* on the ground. The Government considers the feedback on policies, the opinion polls on certain issues or election forecast by the Department (which are scientifically done) are authoritative. The Department is still considered among the most reliable 'eyes and ears' of the Government on the ground.

Besides the government mass media, every agency is expected to disseminate its own specific policies to the public. Each has a public relations officer whose task is to explain policies via electronic or print media, and to act as the liaison between the press and the agency. However, the major role of explaining and defending the policies has been monopolised by the Minister responsible for the agency. Because of misconceived restriction under the General Orders, many heads of departments prefer to let the Minister speak on their behalf unless directed to do it. However, the role of communicator cannot be left to

the Minister as technical and other details are best explained by the agencies themselves, preferably the head. Amendments to tax laws, outbreak and control of diseases, and the enforcement of certain laws are just some of the matters concerning the public at large which need explaining and 'selling'. For more development-oriented products like new plant variety or more efficient farm technology which have gone through years of research, it is equally important that the extension services of agencies such as Agriculture, Veterinary, and RISDA succeed in convincing the smallholders to accept them.

Summary

The public service has to play a number of roles in the development of the country. It has to play the main traditional role of providing the administrative services. For a developing society, the public service has to go beyond the normal administrative and regulatory services. It must not only be efficient, it must be a leader and be in a position to change the country. Under the New Economic Policy, for example, the public service had to undertake a pivotal role in the private sector through public enterprises established to help achieve NEP. The roles have therefore been manifold, from the normal day-to-day administration to the planning and execution of policies and programs, big and small. At the same time it is expected to develop and assist the private sector. It also has to assist the community at large by taking a prime lead in voluntary organisations. In order for the country to develop, its public service has to initiate functions not done or weakly performed by others, besides carrying out its own conventional roles. In order to achieve that, the public service must be able to sustain, change and reform itself to meet the demand of the times.



CHAPTER

9

Administrative Reforms Since *Merdeka*

This Chapter highlights the administrative reforms since Merdeka. There have been reforms in every decade. The early 1960s saw the introduction of the Red Book system for rural development which was closely followed by the implementation of the Esmen-Montgomery Report on administrative reforms and training for the public service. As for the 1970s, the chapter examines state administration under the National Operations Council as well as the major reforms undertaken to implement the New Economic Policy (NEP). The chapter then analyses the reforms and innovations with the change of political leadership in the early 1980s from the clock-in system and counter service to the major industrialisation and privatisation policies.

Administrative reform, according to the Oxford English Dictionary, means 'all improvement in administration/management', 'general overhauls in difficult circumstances', and 'any suggestion for better government'. There are variations in the definition by management scholars. Dror, for instance, defines administrative reform as 'directed change of the main features of an administrative system'.¹ Leemans describes it as 'any reform of (the) administrative machinery of national and lower level governments, being thereby conceived as directed change'.² Hahn, on the other hand, stresses process when he states that 'reform is viewed as a generic process permeating all phases of administration; it is conceived as crucial capacity that is required for the introduction of creativity into industrial goals'.³ Quah defines administrative reform in terms of contents as a 'deliberate attempt to change both (i) the structure and procedures of bureaucracy, and (ii)

the behaviour of public bureaucrats involved in order to promote organisational effectiveness and attain national development goals'.⁴ Bearing in mind those definitions, reform, therefore, means changes in major aspects of management in an organisation which cover structural, procedural and behavioural dimensions.

Malaysia (then Malaya) achieved its *Merdeka* (Independence) in 1957 by constitutional means. The transfer of power was, therefore, smooth. The administrative machinery was not disrupted even though many expatriate officers opted for early retirement by taking advantage of the generous Malayanisation scheme. Several key positions, however, such as permanent secretaries and heads of departments remained in expatriate hands as local officers were not available or suitable. There was hardly any reform or innovation in the public service to mark the birth of this new nation except the full introduction of the Cabinet Ministerial system, introduced earlier during the self-government stage. By extension, the neutrality of the civil service began with the Cabinet system. One other important change was the establishment of a separate and independent Public Service Commission which was responsible for the recruitment, promotion and discipline of the civil service.

To give an example of one agency which needed major administrative improvement immediately after August 31, 1957, *Merdeka* day, one can cite the Registration Department. This Department faced a heavy workload because of the liberalisation of the citizenship laws. It was so liberal that, according to a Federal judge, 'even a child born in Malaya to a tourist or any other temporary visitor (except a foreign diplomat) or to an illegal immigrant became a citizen by operation of law'.⁵

To be fair, citizenship was very stringent before Independence and it became one of the major demands of the immigrant races as a precondition for seeking *Merdeka* together. The issue was resolved by the founding fathers through the famous 'bargain' in which the Malay leaders agreed to liberalise citizenship laws to non-Malays in return for the latter's agreement for the economic upliftment of the Malays. While economic measures would take years to materialise even with total efforts, the effects of the liberalised citizenship qualifications were immediate. To cope with the large number of eligible applicants, the measures taken by the Department were hardly extraordinary. A few additional posts were created and temporary staff recruited. At the outset, the Government decided to exempt those eligible on *Merdeka* day from the required National Language proficiency test which helped

the agency tremendously. The political parties, on the other hand, burdened the department all over the country by sending busloads of eligible applicants. The Department, it is believed, took the line of least resistance in handling the deluge of applicants during the citizenship exercise which involved personal interview and examination of valid documents. Almost overnight 1.5 million became citizens.⁶

THE SIXTIES

The decade began promisingly. In 1960 the Emergency, the official term for the battle against the Communist insurgency declared in 1948, was finally over and abolished. With more funds now available, the Government began a systematic program of socio-economic development. It first turned its attention to rural development with the aim of upgrading the standard of living and economic status of the rural folk to be at par with that of the urban population. The programs were mainly the provision of basic infrastructure such as roads, bridges, schools, health clinics, water supplies, electrification, irrigation canal and agriculture marketing facilities as well as other small projects within the imagination of grassroots planners.

It was a massive program which required a new approach in management. The Government introduced the Red Book System meant to enhance the capability of the administrative system to respond to the increasing demands for quick results from the rural development process. It was adapted from the British military system, known as Red Book after the colour of its cover, which was successfully applied by the Malayan Government to fight the Emergency. The System attempted, through its Operation Room technique,⁷ to mobilise effectively the human and other organisational resources (district, *mukim* and village) for the purpose of producing and translating ideas into project proposals for upward transmission to the higher levels for approval and subsequent implementation. It was a bottom-up approach meant to be a partnership between the Government and the rural people. In turn, the National Operations Room kept a dossier of all approved projects in every district and the status of implementation. To top it all, the Minister of Rural Development, who was also the Deputy Prime Minister, would fly down unannounced by helicopter to any district to inspect and see the progress or otherwise of the projects. This was a radical departure

from the normal routine public administration that the civil servants had been used to. The System was much in practice in the earlier part of the decade but the public inspection of projects by Ministers, with prior briefings by officials and followed sometimes by meet-the-people sessions, remains to this day.

In 1963 the country was enlarged with the inclusion of the Borneo states and Singapore and renamed Malaysia. It was formed in the midst of strong and hostile opposition from its neighbours and the leftist world, particularly Indonesia which launched armed *Konfrontasi* against it. Internally, the opposition was made worse by Singapore which chose to make impossible demands to the Central Government that led to its separation two years later. The consistent theme and the promise to the people for the formation of Malaysia was development and stability. The landslide Alliance victory in the 1964 General Elections was also the result of a similar manifesto. The Government was, therefore, anxious and duty-bound to carry out its promise and its task as part and parcel of nation building. The First Malaysia Plan (1966–1970) was launched which put new emphasis on various aspects of development for a larger Malaysia.

The Government saw the need to improve the administrative machinery in order to carry out the expanded program as well the increased responsibilities since Independence which were no longer confined to law and order role. Tun Razak, the Deputy Prime Minister, a former civil servant and an innovator, must have observed and experienced the capability and the weakness of the administrative system during the course of his duties, in the office, on the ground, in the new states of Sabah and Sarawak, and on the negotiating table to form Malaysia and to end *Konfrontasi*. Thus, in 1965 the Government with the assistance of the Ford Foundation obtained the services of a two-man team of consultants to undertake a review of public administration and to suggest reforms and innovation. Such an appointment was the first of its kind in the history of the public service.

The Montgomery-Esman Report,⁸ named after the two American professors, was accepted by the Government and led to the establishment of the Development Administration Unit (DAU) in the Prime Minister's Department with specific terms of reference. The terms were to bring out induced reforms by the introduction of modernisation programs in four priority areas: planning, budgeting and financial management system of the Federal Government; personnel management and the civil

service system at the federal level; organisation structures and management methods pertaining to government ministries and operating agencies; and fourthly, the land and local government administration at the state level. In the next few years DAU undertook several studies and introduced a number of reforms under the concept of development administration within its terms of reference. However, in later years the lack of support from central agencies and of qualified staff prevented the Unit from making more inroads in the area of administrative reform.⁹

The next major proposal of the Report was the improvement of the government's education and training programs for all levels of the civil service. One such program was a graduate study program in development administration in the University of Malaya for the purpose of post-entry of MCS officers. Secondly, it was also intended that mid-career university-level education should be provided to those officers in the professional cadres. Thirdly, it was envisaged that there should be expanded in-service training facilities for the technical and clerical staff and periodic staff seminars for top level officials.

To implement this proposal, the Government set up the Training and Career Development Division in the Public Service Department and expanded the training budget. The Government accepted the importance of large scale formal training in public administration and management for the majority of civil servants as opposed to relying more on-the-job training as in the colonial tradition. This was a fundamental shift which would definitely strengthen the public service.

Another major shift taken by the Government at this time but not related to the Report was the curtailment of the powers of the Public Service Commission (PSC) on promotion. Citing in the interest of efficiency and the public service, the Constitution was amended to the effect that the authority for promotion from then on came under the purview of the Government.¹⁰ The PSC, however, became the appellate body in the case of Division One officers. It appeared that impartiality would be affected by the amendment but to offset or minimise it, the Public Service Department established promotion boards in which interested parties were not represented or had only minority vote. The Promotion Board for timescale engineers to superscale, for example, comprised a senior official from the Ministry of Works as Chairman, the Public Service Department and the Public Works Department as members. There was also an elaborate set of rules and procedures on

matters like confidential reports and interviews to ensure merit and fairness. As for efficiency, promotion exercises were held on a regular basis and results known within a reasonable time.

One of the ways for reforms to be instituted in the public service was indirectly through the appointment of a commission or committee on salary revision. The Suffian Report which was accepted by the Government in 1967 was no exception. Besides upward salary revision, more uniform and fewer salary scales and less anomaly, the Report introduced a new incentive, namely, the availability of housing loans to government servants at a low interest rate. The response from the large number of government servants was tremendous as well as from the many sectors involved in housing construction. This triggered the housing revolution in the country which led to reforms, among others, in land management and local authority administration.

A landmark in the government administration occurred in 1967 when Malay became the official language of the country, replacing English. This was part of the 'bargain' by the founding fathers on the eve of *Merdeka* in 1957 but was to be implemented ten years from then to allow the Malay language to be developed. Since 1957, however, Malay has gradually been used in official correspondence and functions. Nevertheless, the controversy about the suitability and adequacy of Malay continued right up to the tenth year until the National Language Act was passed by Parliament. The controversy went along ethnic lines and was one of the issues that led to the ethnic riots in 1969. The legislation itself was peculiar in that there were no punitive clauses for the offenders in it. Be that as it may, the Act was implemented as scheduled in 1967 but with vigour only after the riots. More official terms in Malay were coined then by the initiatives of various agencies themselves, notably technical departments, rather than waiting for Dewan Bahasa dan Pustaka, the official agency responsible for such tasks. Another development was a policy implemented from 1970 wherein a candidate, applying to enter government service, must have credit in Malay for administrative positions, and a pass for technical ones. This was to strengthen the implementation of the official language policy. The policy has been successfully implemented ever since.

The decade ended with the spectacular landing of man on the moon seen by the whole world. For Malaysia, it ended on a sour and tragic note with the outbreak of ethnic hostilities on May 13, 1969 which was also flashed around the world. It became a watershed in the country's

history. Parliament was suspended, emergency was declared and the country was ruled by a National Operations Council (NOC). Instead of being ruled by the military as in most developing countries facing similar situation, Malaysia devised the formation of a Council whose small membership consisted of the four segments of administration in the country, namely, the (elected) political masters, the army, the police and the civil service, with Tun Abdul Razak, the newly re-elected Deputy Prime Minister, as Director of Operations. It was thus a unique 'quadpartite' arrangement comprising the top brass and armed with emergency powers to bring back peace to the troubled land. The NOC instituted many fundamental and far reaching reforms and policies amongst which was the New Economic Policy, which is discussed elsewhere. It also included mundane ones affecting the civil service. There were not many, though, as the priority of the NOC was to re-establish law and order. One was tightening up the legislation on corrupt practices. Another was on the abuse by government servants of getting unlimited sick leave from private doctors which from then on was limited to two days per visit and not more than fifteen days per year. Disciplinary procedures were also tightened. Most of these measures, made unilaterally by the Government on what were essentially management prerogatives, would have invited prolonged and heated debate with the unions in non-emergency times with little or no solution at the end.

THE SEVENTIES

The NOC-rule went on for another year in the seventies. In 1971, with normalcy returned and the State of Emergency lifted, Tun Abdul Razak succeeded Tunku Abdul Rahman as Prime Minister. Parliament was reconvened. The very first item of its first sitting was to amend the Constitution preventing public discussions, even in Parliament, of sensitive issues which were solemnly agreed by the founding fathers during the *Merdeka* 'bargain', namely, Special Position of the Malays, citizenship, Malay as official language, and the monarchy. These issues were blatantly raised to fever-pitch level during the long 1969 election campaigns and were identified as immediate causes of the riots. It was a lesson well learnt in living in and administering a plural society.

The other action was more long term. The Government decided, after a great deal of study and inter-ethnic consultations during NOC

rule, that to prevent the recurrence of May 13, the economic disparity between the Malays and the non-Malays should be bridged. It, therefore, formulated and launched the New Economic Policy (NEP) with the twin objectives of eradicating poverty regardless of race and eliminating the identification of race with economic functions. The Government set itself twenty years to bridge the disparity. The decade, therefore, began with resolve and hope.

The NEP was public sector-driven. New instruments of government were created: Urban Development Authority (UDA), *Lembaga Padi dan Beras Negara* (LPN), *Lembaga Kemajuan Ikan Malaysia* (LKIM), State Economic Development Corporation (SEDC), State Agriculture Development Corporation (SADC), Pahang Tenggara Development Authority (DARA) and other regional authorities, and many more. Existing ones were redesigned and revamped such as *Majlis Amanah Rakyat* (MARA), Institut Teknologi MARA (ITM), Malaysian Industrial Development Authority (MIDA), and Malaysian Industrial Development Fund (MIDF). All were allocated generous resources to carry out their tasks. With the establishment of these authorities and public enterprises, the Government thus entered the private sector domain. They were mostly headed and staffed by civil servants, many not used to the less rigid ways and profit-driven motives of the private sector. It was a new role for the Government and its employees that managed the enterprises in furtherance of achieving the NEP objectives.

Aside from the public enterprises the Seventies were also devoted to the implementation of massive education and training programs involving civil servants, university teaching and research staff and school leavers on a scale unprecedented in the history of the Malaysian civil service. This programme had twin objectives: to increase the capability of the civil service and to increase the number of qualified or trained *Bumiputras* in the government service. The Public Service Department, Ministry of Education, State Governments and their educational foundations, MARA, Petronas and the universities all participated in this human resource development in a big way.

These education and training programs, conducted overseas mainly in developed Commonwealth countries, in Western Europe as well as in the United States were at both the post-graduate and undergraduate levels. The post-graduate programs were confined to serving administrative and professional officers of federal and state governments while the undergraduate were largely to school-leavers contracted to

serve the government on the successful completion of their academic courses. Meanwhile, the early seventies also saw the opening of a few more universities, namely, *Universiti Kebangsaan Malaysia* – UKM (1970), *Universiti Pertanian Malaysia* – UPM (1972) and *Universiti Teknologi Malaysia* – UTM (1973) to add to the sole higher institution the country had had for a long time, the University of Malaya. These local institutions produced more and more graduates in various disciplines with the majority joining the public services.

The Government also expanded the National Institute of Public Administration (INTAN) in the early seventies. It was not only enlarged in size and courses offered, having now a large main campus and four regional ones, but, according to its Director then, all its activities related to training were reviewed and updated including course contents, program designs, and period of training.¹¹ Its role was meant to be not only as a training institution but as a change agent as well within the context of development administration. INTAN began producing a large number of trainees from its varied programmes from Diploma of Public Administration to in-service courses.

In early 1976 amid the implementation of the NEP, early into its sixth year, its architect, Tun Abdul Razak died. The Tun has been considered the prime mover of the many reforms and innovation in the public service. The Red Book, the civil service training programs, application of development administration and, above all, the administrative instruments and machinery for the implementation of the NEP were all credited to him. Some may blame him for the huge bureaucracy to implement NEP which drained much-needed resources in the eighties. It must be remembered, however, that during his era, the public sector occupied a major role in the country's economic development.

Tun Razak's demise found a replacement as far as public administration was concerned in the person of the new Deputy Prime Minister (DPM), Dr. Mahathir Mohamad. Unlike the late Tun, Dr. Mahathir served only briefly in the Government after graduation – as a medical officer, not MCS – and, therefore, has had the advantage of looking into the administrative system from the outside. He saw many deficiencies and started strengthening the public service from the outset.

In the beginning his exhortations to improve the government machinery were almost daily. He, however, went beyond rhetoric and reprimand. One of his first initiatives was the establishment of a new administrative arm to spearhead government modernisation. It was

called the Malaysian Administrative Modernisation and Manpower Planning Unit (MAMPU)* and placed in the Prime Minister's Department. It was more of a transformed Development Administration Unit (DAU). MAMPU seemed to learn its lesson well from DAU's decline. It gained strong political support especially from the DPM.¹² It also gained backing from successive Chief Secretaries to the Government who always placed administrative reform and productivity as their priority. Above all, MAMPU, headed and supported by qualified and experienced staff, went about doing its job professionally.

The early reforms were in the administrative improvement category in agencies whose clientele were the public at large such as government hospitals, Road Transport, Immigration and Registration Departments. Complaints of inordinate delay and poor service at these departments were common. There were long queues at the counters which had a system that was outdated and ineffective. MAMPU devised an orderly and efficient system at these counters with the participation of the agencies involved and support of the ministries concerned and the central agencies. The waiting room was made client-friendly with ample seating capacity, counters manned, and numbers given to each client to wait for his turn which would be announced or notified electronically. Through time and motion studies waiting time and actual time taken for service were very much shortened by the new system. At the Out-Patient Department of hospitals, for instance, the time taken for patients from the time of registration to getting their prescriptions at the pharmacy after seeing the doctor was drastically cut.

Other measures also helped. At the Road Transport Department the expiry date of driving license and road tax was spread throughout the month instead of the middle or at the end in order to lessen the daily crowd at the counters, and renewable up to five years in the case of the license. Forms were dispensed with or, with Immigration and Registration Departments, only minimum information was required. The most popular measure among the public was the introduction of a one-stop agency where utility and other bills could be settled at one place, normally the Post Office. From the late seventies, therefore, the whole environment at the counters of all government agencies has changed to one that is systematic, fast, business-like, courteous and orderly.

Besides the counter system, MAMPU also initiated and streamlined

* This was changed in the mid-1980s to Malaysian Administrative and Modernisation Planning Unit (MAMPU).

measures to enhance quality of work of individual staff and the organisation. These included desk file, manual of work procedure, work action file, quality circle and management of meetings. From the routine organisational issues it went into the more complex ones. A proposed reform, once approved, would be circulated for implementation through *Pekeliling Pembangunan Pentadbiran* (Development Administration Circular) by the Prime Minister's Department in the name of the Chief Secretary to the Government. Where necessary, briefings were done by MAMPU.

It was at this time that the Government, on the recommendation of MAMPU, introduced the individual Excellent Performance Award which provided motivation and incentive to the staff, stirred competition among them to excel, and thereby increased productivity of the individual in the workplace as well as the agency. Hitherto, the emphasis had been more on discipline but from then on it included recognition for good work done. The reward itself was simple then, consisting normally of a certificate or plaque and a week of extra leave but the fact that it would be entered into the person's Record of Service would be an added advantage during a promotion exercise. A ceremony was also held in front of the whole staff to present the award. The excellent performance award was without doubt the single most motivating factor in enhancing productivity. It was a forerunner to other recognition to individuals and agencies in the coming decades for introducing reforms and innovations in the public service.

The salary scheme of the public service was again revised near the end of the decade. It was initially studied by the Ibrahim Ali Commission whose recommendations were reviewed by a Cabinet Committee chaired by the Deputy Prime Minister, Dr. Mahathir which, in turn, made significant revisions. The report is officially and popularly known as *Laporan Jawatankuasa Kabinet*, JKK for short. The most significant revision, besides the normal upward salary revision, was the extension of the pension scheme to the beneficiaries of the retiree after his death; to his widow for life, and to his children until the age of eighteen years, or twenty-one, in case of college-going children. Such 'beyond the grave' pension scheme to an employee is not only unavailable in the Malaysian private sector but in public sector of other countries as well. It has enormous financial implications but the country could afford it. Malaysia had just become an off-shore oil-producing country with vast field unexplored. Industrialisation was beginning to bear fruit. For good measure, a pension was also made available to elected legislators, both

federal and state, who must have served for a minimum period of one term. The security of tenure for an elected politician changed the age of political masters with more and more younger ones holding office.

The new pension scheme required an improvement to the administrative machinery of the Pensions Division in the Public Service Department. The Division had long been criticised by pensioners for delay in getting their first pension and even the subsequent ones. A review of the process was done. Under the revised procedure, as long as pension papers were in order and submitted according to the time schedule the pensioner was assured of getting the first pension within two months of retirement. Normally pensioners receive their gratuities on the day they retire; this can sustain them far longer than the two months. Other aspects of the delivery system have been improved from time to time such as payments through banks instead of warrants and special procedures for the sick and the feeble. There have been hardly any complaints or criticisms on delay even though the number of pensioners and dependants have markedly increased since the expansion of the scheme.

The Government had been considering for some time requests for the appointment of an independent Ombudsman, as in Sweden and New Zealand, to investigate complaints against administrative malpractice, abuses or capricious acts of public officials or agency, as discussed in Chapter 7. Towards the end of the seventies the Government decided to establish instead a Public Complaints Bureau (PCB) but whose functions are similar to those of an Ombudsman. The PCB is placed under the highest office in the land, the Prime Minister's Department, with its Steering Committee chaired by the Chief Secretary himself and the heads of the Public Service Department, Attorney General Chambers, the Police, the Treasury and the Anti-Corruption Agency as members. The purpose of having a powerful committee is obvious in that any disciplinary action on the officer or administrative reform of his agency and its need for additional resources arising from the investigation of the complaint can be dealt with quickly.

The PCB has been doing its work impartially and effectively, judging from the continued response from the public since its formation. More publicity, however, would have helped. The complaints ranged from abuse by officials in the enforcement agencies (mostly police) to undue delay in the processing of applications and reports in certain government departments, and sites chosen for government projects as well as selection of applicants for government low-cost housing.

THE EIGHTIES

The decade of the eighties witnessed a change of leadership at the highest level of government when Dr. Mahathir took over as Prime Minister. His tenure since 1981 signalled the dynamic change in government administration that distinguished it from his predecessors. Under his administration, a series of policies and actions started a new dimension in Malaysia's political and socio-economic developments. It also highlighted the essential need for a civil service that must work closely and in tune with the political leadership in every aspect of government operations.

Mahathir's administration began simply enough with the wearing of name identification tags by government servants of all ranks and the introduction of the punch card system. The Prime Minister himself set the example by doing both and, in the case of the latter, coming early and leaving late. The wearing of name tags may look minor in terms of reform, but it signifies to the wearers that they are members of the government and should act and behave with dignity as civil servants. The punch clock signifies a business-like approach by the public sector and the value of time and punctuality. This was quickly followed by a string of other administrative measures such as management of meetings and leadership by example.

The decade of the eighties has been noted as the beginning of the industrialisation stage of the country. From this period onwards the country depended less on agriculture and primary products for its wealth and relied more on the fast-growing industrial and service sectors. For its part, the Government invested considerably in heavy industries, notably the national car project and steel. It also spent heavily in providing infrastructure such as highways, ports, telecommunications and industrial estates.

To attract investors and promote the country, trade and investment missions were sent abroad offering generous incentives. State visits by the Prime Minister emphasised investment opportunities in Malaysia and his entourage normally included corporate figures. Our diplomatic missions abroad gave more focus to economics. The public sector, particularly the Ministry of Trade and Industry and the State Governments, have to be equal to the task of processing investment applications. With the assistance of MAMPU, the administrative processes were streamlined and shortened to the bare minimum. At the

State level, the formation of one-stop agencies or technical committees consisting of relevant departments (such as Drainage and Irrigation, Town Planning, Fire Service, Forest, Environment and the Land Office) seemed to be the answer to the common complaint that an investor had to run around to seek clearance from too many authorities. The public sector adjusted itself to the country's industrialisation status as well as to the increasing role of the private sector as the engine of growth.

The public sector also became too big because of the many public enterprises formed for the implementation of the New Economic Policy in the previous decade. The cost for providing infrastructure for the industrialisation programs had been high and continued to be rising. There was also the urgent need to overcome domestic economic problems as a result of global economic slowdown in the early eighties. The Government, therefore, launched the privatisation policy in 1983. It was 'a form of development implementation strategy whereby activities traditionally rested with the public sector are transferred to the private sector'.¹³

In the 1980s about 20 major projects were privatised under various methods. Among them were:

- (i) Sale of Equity as in the case of Malaysia Airlines and the Malaysian International Shipping Corporation;
- (ii) Sale of Assets as in the case of quarries in Selangor and Perak, the Maritime Academy and the Public Works Institute (IKRAM);
- (iii) Lease of Assets as in the examples of Port Klang, Malaysia Airports Bhd and Malayan Railway (KTM) Bhd;
- (iv) Management Contract as in the case of the privatisation of the management of Kedah and Selangor Water Treatment Plants;
- (v) Build-Operate-Transfer (B.O.T) and Build-Own-Operate (BOO). Examples are North-South Highway and other road projects (B.O.T) and the independent power generating plants (BOO); and
- (vi) Management-Buy-Out (MBO) as in the case of the privatisation of FIMA Group Berhad, Peremba Berhad and the National Corporation (PERNAS).¹⁴

Privatisation helped to achieve the objective of reducing the financial and administrative burden of the Government as well as improving efficiency and productivity. Eventually Malaysia became a model to other countries. Privatisation is, therefore, a radical and a successful

administrative reform though it has had its fair share of critics in later years. However, the guidelines and circulars prescribe that every project be meticulously studied by the Economic Planning Unit and other bodies before it is approved or otherwise by the Government.¹⁵ Since it was a new policy, a few elements were perhaps not fully considered. The social element in the costing of toll and utility tariff, for example, which were subsidised by the Government before privatisation, gave rise to public controversy and protest after the project was privatised. In the end, the Government had to subsidise part of the cost. There were also criticisms on the lack of transparency in the awarding of some of the privatised projects.¹⁶ However, these do not diminish the benefits of privatisation.

Besides privatisation, there were two other policies in the eighties which brought fresh perspectives in Malaysian management. The first, launched in the early 1980s, was the 'Look East' policy in which Malaysians, while taking the best from the West, were encouraged to look East to the work ethics and culture, among others, of the highly successful Japanese and (South) Koreans. In the field of education and training, the Government has been sending a number of Malaysians, including senior civil servants, to the two countries.

The second policy was Malaysia Incorporated which was announced towards the end of the decade. As stated in Chapter 8, Malaysia Inc. is based on the premise that successful national development requires public-private sector collaboration and cooperation and adherence to the perception of the nation as a corporate or business entity jointly owned by both sectors. The policy has been implemented in various ways through consultative panels between the two sectors to exchange information and promote understanding as well as through training programs in INTAN, department training institutions and the State Governments. The Government also facilitated the private sector in international trade. This smart partnership between the public and private sectors worked very well in the privatisation exercise. It was also very much tested during economic downturn when the public sector had to come to the assistance of those in the private sector badly affected by it.

Privatisation also means that the entities have to be regulated by the Government. New bodies had to be established if there were none in existence. The number of staff, however, has been small. Since the implementation of the policy the regulatory agencies are, among others,

the Malaysian Highway Authority, Multimedia and Communications Commission, Energy Commission, and Department of Civil Aviation. Their regulatory functions are more specialised as compared to the Police and Road Transport Departments. Each has the challenging task of policing and regulating giant entities. So far no breaches have been made public or gone to court; it appears all is done administratively or settled through mutual consultation and moderated by the respective Ministries.

The decade ended positively for the public sector in the form of a new (upward) salary revision. No commission was appointed this time. The revision was undertaken by Public Service Department itself but it was comprehensive and imaginative. It was officially called *Sistem Saraan Baru (SSB)* (New Remuneration Scheme, NRS). The basic principle of the SSB seems to be that those who are outstanding will be rewarded with accelerated salary increments. As discussed earlier, a matrix scheme is introduced on the annual performance of officers, namely, *statik* (static), *mendatar* (horizontal or good), *menegak* (vertical or very good), and *melintang* (diagonal or excellent). Those achieving *Melintang* rating will be given double increments, a month's annual bonus and can expect a good career. They are the 'high flyers'. However, the quota for *Menegak* and *Melintang* is limited to 5 per cent of the whole staff in the agency. Hence, there is stiff competition and controversy.

The NRS is applicable to essentially two groups, the professional and managerial, and the support. For the former, the superscale positions have been revised and called *Jawatan Utama Sektor Awam* (JUSA) and those holding them are the cream of the civil service with special allowances, car and other perks. The salary schemes have been made more uniform and drastically reduced in number, from 300 to about 100. There are additional benefits in line with the caring concept of the NRS including longer vacation leave, maternity leave and a three-day 'paternity' leave for the husband.

As stated in Chapter 5, controversy started even before the NRS was implemented but on only one issue, the assessment on performance. The assessment form has been devised to contain elements of quantification on output and productivity but much of it, critics claim, is still subjective. Circulars containing guidelines have been issued to and briefings held for heads of departments to ensure they are objective in their assessment. Some heads took the less controversial route by

rotating the award annually thus defeating its original purpose. However, civil service unions still insisted on a review which gained momentum with each passing year. The Government finally decided in 2002, ten years after the implementation of the NRS, to replace it with the Malaysian Remuneration System (MRS). Under MRS, performance evaluation is to be decided by a panel which includes the head of department and a staff representative.

The decade ended on a bright note as the foundation for rapid economic growth has been well laid. The annual growth has been around 8 per cent for the past few years.

THE NINETIES

The decade of the nineties began with the ending of the New Economic Policy and its replacement by the National Development Policy. Some elements of the NEP were retained in the NDP as not all the objectives had been met though the disparity and poverty had been much reduced. However, what caught the imagination of the people was the announcement by the Prime Minister of Vision 2020, to turn Malaysia into a developed country by the year 2020. Both the public and the private sectors organised seminars and dialogues to achieve this goal and put the findings in their planning process. With sustained growth and hard work both sectors were optimistic that Vision 2020 could be achieved.

The decade also began with the Government declaring October 31 as Civil Service day or *Hari Q* (Quality Day). The objective is to reinforce values of quality culture in an organisation. Q Day is celebrated at all levels with more and more offices participating every year by holding 'Open Day' talks on quality and other activities relating to productivity and quality of work in the organisation. The celebration aside, the Government has issued not less than 18 Development Administration Circulars on various aspects of quality and productivity including quality management strategies, quality, and total quality management.

In conjunction with *Hari Q*, the Government launched national quality awards to give recognition to agencies for quality achievement. The awards are as follows:

- (a) Prime Minister's Quality Award (Public Sector)
- (b) Chief Secretary to the Government (KSN) Quality Award
- (c) Director General of Public Service (KPPA) Quality Award
- (d) Director General of MAMPU Quality Award
- (e) District Office Quality Award
- (f) Local Authority Quality Award, and
- (g) Human Resource Management Award

The various Government quality awards invariably lead to competition among public sector agencies and has improved public service delivery. A panel of examiners visit and inspect the competing agencies on a set of criteria. Some of the past winners are Standard and Industrial Research Institute of Malaysia (SIRIM) (Prime Minister's Award), Federal Land Development Authority (FELDA) (KSN's Award), and *Lembaga Tabung Haji* (KPPA's Award).¹⁷ The increasing number of agencies at various administrative levels competing for the 'lesser' award, Human Resource Development, since its inception for reforms such as in staff training and personnel information system give an indication that quality improvement is taken seriously and is an on-going process.

The Government also introduced the Civil Service Innovation Award from 1991 followed by the Public and Private Sector Joint Research Innovation Award from 1993. In the context of the Civil Service, innovation is defined as the 'introduction and application of new ideas to a particular situation or system which improves the quality of services and products of an organisation'.¹⁸ It should be successfully implemented and produce positive results that include reduction of operational costs, time savings, increase in work output and increase in customer satisfaction. Based on reports submitted by Government agencies in 1993, a total of 241 innovations were implemented. The largest number of innovations implemented for that year were in the area of systems and procedures which totaled 124 (51.5 percent). This was followed by innovation in the area of management style (35 or 14.5 percent) and in technological innovations (33 or 13.7 percent).¹⁹ Some of the examples of the innovations implemented by government agencies were as follows:

- (a) Self Auditing Programme by FELCRA
- (b) Procedures in Early Population Estimates by Statistics Department
- (c) Reduced Water Wastage by National Institute of Youth Skills, Sepang

- (d) Development of Computerised Salary Movement System by Implementation and Coordination Unit (ICU), Prime Minister's Department
- (e) SIRIMLINK by SIRIM
- (f) Transfer of Technology in Oyster Breeding by Fisheries Department
- (g) Monitoring of Air Quality by Department of Environment
- (h) Express Issuance of Qualified Title by District and Land Office, Kuala Pilah

As with quality awards, the number of agencies competing for the innovation awards has been increasing. There were 119 in 1992, for example, which increased to 509 in 1993. The interest shown, therefore, has been very encouraging.

There were, however, negative aspects of public administration in the field of development planning and implementation which surfaced regularly in the decade. Delay in project implementation and shortfall in the spending of development funds continue to be highlighted in successive Malaysia Plans. Then there were the serious, a few fatal, occurrences in the mid-nineties which led to criticisms of the professional role and competency of the public sector in the development process. The major ones were the serious water shortage in several states, the Sungai Buloh fireworks factory explosion killing several people, the Highland Towers collapse in Hulu Klang claiming forty lives, and serious environmental pollution from factories near residential areas. Published reports of the inquiry into the two fatal incidents, Sungai Buloh and Highland Towers, revealed that at the processing stage the necessary requirements were adhered to, and professional opinions were given by the technical departments within the constraints of time.²⁰ Approval for the construction of buildings including factories and their sites, is under the jurisdiction of the State government which, in its wisdom, sometimes overruled departmental objections. These incidents mainly occurred in Selangor and Malacca which are attractive states to investors and have been successful in industrialisation and overall development.

One other negative development was the reappearance of long queues at the counters of at least one particular agency, Immigration Department. This has been due to the influx of foreign workers into the country since early eighties as a result of Malaysia's booming economy. The number had risen to an estimated 1.5 million, both legal and illegal,

in the mid-nineties. They came from neighbouring countries, mainly Indonesia, the Philippines and Bangladesh, to work in the construction, plantation and service industries in semi-skilled and unskilled positions. The Immigration Department, Manpower Department and the police were overstretched to cope with the large number, with some illegals coming almost nightly. To compound matters, government policies kept changing, sometimes announced abruptly by the Ministers after a meeting before the policy or decision could filter through to the agencies. For instance, a decision not to bring in any more foreign workers was announced, but a few days later an exception was given to the plantation sector after appeal; or rigid enforcement on the illegals was neutralised by a sudden announcement on amnesty to those who would register voluntarily, and so on.²¹ After more than a decade there seems to be order now in the recruitment of foreign workers, with clear policies and a host of regulations and levies which make the queue at Immigration and other regulatory agencies long but systematic and orderly.

The Government continued introducing more administrative measures and reforms as the decade moved on. One was the Client's Charter, a written commitment made by an agency to its customers, which was implemented in 1993. The purpose was to be customer/client-friendly. The Charter is publicly displayed in every premise of an agency. Another was more ambitious with the objective of achieving an international standard in government delivery services. This is the ISO 9000. A few departments have already been awarded the status including the Public Service Department. Others are striving to achieve it within the target date set.

The decade was also marked by the rapid rise in information technology. The creation of the complementary Multimedia Super Corridor and Cybercity was a giant step being taken by the Government to lead Malaysia into the future electronic lifestyle of the industrialised countries. The public sector, for its part, is in the process of implementing electronic government. It has already introduced public service network, electronic data interchange and civil service link. The use of IT: computer, internet, e-mail and others is widespread. It is significant that the Government did not curtail or shelve the MSC and Cybercity mega projects during the economic downturn in the late nineties. Nor was major technological hardware needed by the government agencies.

The above economic downturn was no ordinary one. A brief discussion is, therefore, in order on how the Government handled this economic crisis which struck the Asian region including the country with such devastating force in 1997–1998. It was a crisis quite different from the major ones experienced by the Government, namely, May 13, the *Konfrontasi* or the Emergency, all directly related to law and order. This one was 'high finance' relating to currency and international trade. It all began with the devaluation of the Thai baht which had a contagion effect on the region. For Malaysia, its currency began to devalue rapidly and its stock market down to extremely low levels. Corporations dealing with foreign trade or had heavy foreign borrowings were the first to suffer. So were ordinary Malaysians who were on tour or had children studying abroad. The country and the government, in the words of the Prime Minister, were 'completely unprepared' to deal with the seriously deteriorating economy.²²

The Government quickly established a high-powered crisis management body called the National Economic Action Council (NEAC) headed by the Prime Minister. It, however, comprised only public officials i.e. relevant Ministers, *Mentri Besars*/Chief Ministers, and heads of the Treasury, *Bank Negara* and the Economic Planning Unit which also acted as the secretariat. Later, Tun Daim, the former Finance Minister credited for overcoming the 1987 recession, was recalled and appointed Minister with Special Functions and Executive Secretary of the NEAC. To steer the NEAC was a smaller body, the Executive Committee, also headed by the Prime Minister, which met almost daily at the height of the crisis.

The first few measures were along the standard prescriptions of the International Monetary Fund (IMF) such as credit squeeze, increasing interest rate, shortening the default period of non-performing loans, restricting consumer spending and reducing government expenditure. These measures did not work. The Government then brought in members of the corporate sector, the one seriously affected by the turmoil, as well as experts and other professionals who could contribute to overcome the crisis. A few worked directly to the Prime Ministers or Executive Secretary. There were also a few transfers and resignations among top officers in the relevant public sector agencies as well as dismissal of the Finance Minister on charges unrelated at first to the crisis. (Tun Daim took his place).

From the deliberations of the newly-constituted NEAC, the Government identified the root causes of the crisis, then introduced its

own formula, unconventional and controversial, to tackle it. The salient ones were selective exchange controls, namely, eliminating offshore ringgit, fixing the exchange rate at RM 3.80 to the US dollar, and prohibiting the repatriation of portfolio funds for 12 months. The Government also appointed two separate bodies, Danaharta and Danamodal, to address the main problems suffered by corporations from the crisis, namely, non-performing loans and bank capitalisation. There were other programs and measures to make the economy moving again under the National Recovery Plan. After two years the crisis was alleviated and Malaysia was on the road to economic recovery. All was done without outside help, be it finance, institutions or expertise.

It was clear that this was made possible when the best managers from the public and the private sectors, the planners and regulators on the one hand and the practitioners on the other, as well as the professionals put their minds together to save the country, led by a bold and pragmatic Prime Minister. Such combination has to be led by strong political élites who have to be knowledgeable of the subject and bold enough to make political decisions, if need be, on certain sacrosanct policies or imposing unpopular ones as long as they contribute to overcome the crisis.

The decade had come to a close on this positive note. There have been three decades of administrative reforms in the public sector. Analysing Malaysia's administrative reform efforts and programs during the last two, a writer concludes (based on empirical evidence gathered through a questionnaire to 500 civil servants) that the programs 'had succeeded (though more could have been done) in making substantial contribution to enhance efficiency, effectiveness and productivity of the Malaysian bureaucracy towards realising the pace of national development goals'.²³

In summary, administrative improvements and reforms have been going on in the public service since the early sixties, a few years after *Merdeka*. From the most mundane reforms such as name tags and systems to quality and e-mail, there has been no let-up. One must credit the indigenous post-Independent government for its seriousness in implementing administrative changes led by such towering figures as Tun Abdul Razak and Dr. Mahathir. The political leaders were not alone. They were joined and supported by the top leadership of the bureaucracy. There seemed to be a meeting of minds between the political leadership and the top civil servants to bring about changes in

the administrative machinery to deliver goods and services efficiently to the people. The politicians have a mission to improve the lot of the poor and the underprivileged as well as that of the citizenry as a whole. On the other hand, the civil service, many of whom came from a humble background, emphasised with the mission to develop the country. This may not be true in some other developing countries but in Malaysia the background and training of the civil servants sensitised them to the common problems of the Third World such as poverty, illiteracy and disease. In tandem with the political leaders, they set about to bring the fruits of development to the populace.

ENDNOTES TO CHAPTER 9

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- ¹⁴ *Ibid*, pp. 744-751
- ¹⁵ *Ibid*, pp. 751-754
- ¹⁶ For pro and contra papers on privatisation in Malaysia, refer to *National Conference on Privatisation (1978)*, Kuala Lumpur; and *National Seminar on Privatisation in Malaysia (1997)*, Kuala Lumpur. In particular, Zainuddin Hj. Abd. Rahman, 'Malaysia's Privatisation Policy: The Rationale, Policy and Process of Privatisation in Malaysia', and Jomo K. Sundram, 'Privatisation: The objectives versus the Realities' in the 1997 Seminar.

¹⁷ Ahmad Sarji bin Abdul Hamid, *op. cit.*, pp. 78–124.

¹⁸ *Ibid.*, p. 130

¹⁹ *Ibid.*, pp. 133–281

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²¹ The Deputy Minister of Home Affairs then, Dato Sri Megat Junid, made many announcements of this nature.

²² Mahathir Mohamad (2000). *The Malaysian Currency Crisis : How and Why it Happened*. Kuala Lumpur : Pelanduk Publications, p. 7.

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CHAPTER

10

Challenges in the New Millennium

This final chapter visualizes the challenges faced by the public service in the new millennium. The vantage point is no longer in the cramped non-air conditioned office with manual typewriters of the 1960s but a new 'high-tech' administrative capital, Putrajaya. The issues include the professionalism and readiness of the public service in facing the communication and information technology (ICT), an enlightened citizenry, the globalisation and trade liberalisation era, and managing a fully-developed Malaysia under Vision 2020.

Four decades of *Merdeka* means an equal number of years that Malaysia has been administered by its own public service. The period has been eventful, to say the least. The first few years after 1957 were relatively uneventful but from the sixties onwards the young nation and its civil service were tested to the limits. Rural development was quickly followed by the turbulent period of *Konfrontasi* which affected the very survival of the nation. The peace that ensued was no less eventful, with successive decades of political and economic events that provided challenges to the public service. The decade of the seventies was noted for the implementation of the New Economic Policy which witnessed large-scale programmes 'to restructure society ... (and) to eradicate poverty'.¹ The NEP also saw the establishment of many public enterprises to enable the public service to go into the private sector in order to achieve the objectives of the NEP. The large bureaucracy and the recession led to a rethinking on the part of the government which introduced privatisation in the mid-eighties. It also spurred the government to diversify its sources of revenue and to industrialise. The

industrialisation and other development-oriented policies enhanced growth and prosperity in the country unprecedented in its history for more than a decade until a regional economic crisis of calamitous proportion reversed the trend in the late nineties. The country managed to contain the crisis within two years. With the country on the road to recovery, the public service appeared to enter the new millennium with confidence ready to face challenges that the future might pose.

THE LEGACY AND THE PROFESSIONALISM

The Malaysian public service had its roots in the traditional sultanate era long before the arrival of the first colonial masters, the Portuguese, in 1511, as mentioned in Chapter 1. By the time the last colonial emperors, the British, left 450 years later, the public service had already a strong foundation, combining indigenous and western elements, and the beginning of professionalism. The public service was rejuvenated in 1966, nine years after *Merdeka*, with the implementation of the Esman-Montgomery Report, the first major review of the service for a long time. With the introduction of major post-graduate training programmes from the mid-sixties as recommended by the Report, and the establishment of an agency responsible for administrative reform and modernisation in the mid-seventies, and an enlarged and reformed training institute, the public service kept itself abreast with changes. It opened itself to the management ideas and practices of North America, Western Europe and the Far East, and implemented or adapted them to local conditions and value systems. It believes in quality culture and strongly promotes it.

The Malaysian public service has also maintained the tradition of being politically neutral but this appeared to be strongly tested in the political confusion arising out of the dismissal of Dato Sri Anwar Ibrahim, the Deputy Prime Minister in 1998, followed by the 1999 general elections. In the many illegal demonstrations following the dismissal, a few junior civil servants were arrested for participating in them. In the general elections there were accusations by the ruling party that a few in the Election Commission made partisan decisions against its candidates during vote counting. There were also allegations that a few in other agencies, including government banks, were suspected of leaking official documents, while some, including a few seniors were

suspected of working against the ruling party in the course of their work. There were complaints that a few teachers were not strictly professional in their work as they were sowing hatred against the ruling party to the pupils. These accusations were made in the aftermath of an election when the popular votes received by the ruling party were considerably reduced despite it being voted back to power at the federal level but losing two states. It is believed that a substantial number of votes from the 650,000 strong traditionally pro-establishment public servants went to the Opposition this time around in spite of the 10 percent pay rise and other perks for government employees announced just before the elections.

While these accusations and voting pattern could not be verified, we believe that many traditional supporters of the ruling party, including public servants, were confused or influenced by the divisive atmosphere of the Anwar issue and the general election, and thought they were only exercising their legitimate constitutional rights. As the previous and the 1999 general elections have shown, government servants voted for the candidate of their choice just like any other voters but would give their loyalty to whatever party subsequently formed the government. We believe neutrality is still intact.

The neutrality principle has been sustained despite apparent discrimination or even victimisation against civil servants during changeover of government at the state level on grounds of perceived disloyalty. In the case of Sabah which experienced changes of government the most times in Malaysia, senior civil servants were transferred at every change. Arbitrary interference in Kelantan was not so discernible despite frequent changes next only to Sabah, principally because of the strong separation of powers between the State Government and its Public Service Commission, which controls the civil service. In the case of Terengganu which changed hands in the 1999 general elections, the early decisions of the new government on civil servants did not augur well for the system of neutrality. The decisions even looked brutal. This was evident by what appeared to be the early retirement of the State Secretary, the highest civil service position in the state, followed by the mass transfer of senior officers by the new government. Staff of a state agency, created by the old government for human resource development on the ground, were summarily terminated wholesale and new ones appointed. In all these states those holding grassroot positions who had direct contact with the

rakyat such as *penghulu*, *penggawa*, *ketua kampung*, *imam* (mosque official) and Sabah native officers were among the first to be transferred, terminated or 'put in the cold'. It appears that witch hunt or a phobia against the old government has stunted the careers of some civil servants.

Of late, the professionalism of the public service has been perceived by some to be on the decline. It appears to be less pro-active than it was and many issues appear to be initiated or decided by the political masters. The major ones include the initial, almost disastrous, reaction to the 1997 economic crisis, the slow reaction to the outbreak of 'mysterious' and contagious diseases which caused fatalities and panic such as *Coxsackie* virus affecting children in Sarawak, the *nipah* virus effects on the pig population and its handlers, the reappearance of long, almost unruly, queues at the Immigration counters, and the prolonged controversy about the performance evaluation system under the NRS. This might arise from the system itself in which policies and decisions are made by the political élites and civil service only implemented them. Publicity, especially good publicity, has always been accorded to the Ministers whereas accountability for poor implementation has gone to the civil servants. To make matters less discomforting for the civil service, perhaps, has been the fact that most Ministers were professionally qualified and many have served *longer* than the Secretary General of the Ministries concerned. As the Barisan Nasional has been ruling the country since Independence, there are Ministers who have been in the same Ministry for more than fifteen years. A Secretary General serves an average of three years in a Ministry. It appears that the political masters are more permanent than the civil service, and not the other way around. There is a perception that senior civil servants are too preoccupied with meetings, ceremonies and routine administrative works which adversely affect their main duty to offer good professional advice.

On a more positive side, the Government has decided that the public service of Malaysia should have a quality standard that is at par internationally. Many of the agencies have already been awarded the ISO 9000. The objective of achieving the international quality standard for the whole public service by the early years of the new millennium looks attainable. However, the new millennium brings with it the usual uncertainties and new challenges, possibly far different from those previously experienced by the Malaysian public service. To face them, the public service has to be in tune or one step ahead of the 'state-of-the-art' in management as well as to be aware of the regional and global

issues that affect governance. For example, it should be aware of and involved in one of the latest phenomena, namely, the increasing power of knowledge in the modern economy (k-economy). There will be cyber economy and virtual banking on the Internet. It goes without saying that organisations, including those in the public sector, can use knowledge in Information and Communication Technology (ICT) to generate innovation, increase productivity and upgrade the competency of the civil servants who have been assigned various tasks and responsibilities.

Pattern of New Clientele

While there will be uncertainty in the future, there is nevertheless this certainty that with more educational opportunities, urbanisation and the general development of the country, the pattern of the clientele will continue to change. They are less likely to be the compliant citizenry that the country used to know, believing almost every word from the authorities and appreciating all the community projects and subsidies. They are more likely to be an informed citizenry who need to be persuaded with arguments and counter-arguments and who will support only sound policies and programs that bring maximum return to them without having to pay for them or as little as possible in the form of taxes. As events have shown, the consumers have not been very tolerant of tariff increases by privatised agencies despite better services and have expected the government to protect them. There has also been the increasing role of the third sector, the non-governmental organisations (NGOs), many of which appear to be non-partisan and protect many of the public interests. Members of the public service also have to be more academically qualified and sufficiently trained. Given this situation, the public service must be more open and articulate in managing public policies.

THE NEED TO MAKE THE CIVIL SERVICE ATTRACTIVE

As stated in Chapter 9 the smart partnership between the public and the private sectors through Malaysia Incorporated has borne fruitful results. More recently, it was their collaboration in the National Economic Action Council that helped to overcome the 1997/1998 economic crisis.

This partnership and consultation must continue. However, the first years of the millennium will probably see a discernible dichotomy between the public service and the private sector. The public sector is dominated by the Malays at every level in almost all the services, which is just the opposite in the case of the private sector except possibly in the few government companies. Judging from the current trend in tertiary education in which more Malays are in public universities where Malay is the medium of instruction as opposed to English in private ones where there are more non-Malays, the public service will most likely continue to be dominated by the Malay-educated as official communication is in Malay. On the other hand, the private sector will be dominated by the English-educated as English will still be widely used in business communication, especially globally. This discernible dichotomy and dualism will have to be bridged through new or revamped major policies. In the education field, for example, English could be the medium of instruction in professional subjects such as accountancy and business administration at the university level. In addition, it should be made mandatory for large establishments in the private sector to employ a reasonable number of bumiputra in senior positions of business entities to reflect the social composition of the country.

The Government has also to look deeper into the cause of the unhealthy trend in which more non-Malays, especially Chinese, are in the private sector and, conversely, more Malays in the public sector. The number of applications from Chinese candidates seeking managerial and professional positions in the public service has considerably declined in the nineties. We do not think that it is the quota system that was the major factor for the decline as out of the seventy odd services, only two are subject to the quota, namely PTD and the JLS. Neither do we think that the language requirement for entry into the public service, namely, a minimum pass in Malay at the SPM level, has been a major factor. Getting that pass has not been a problem from the mid-seventies for non-Malay candidates. In fact, every year most Chinese candidates obtain credit or distinction for this subject easily. The problem, therefore, lies elsewhere.

The pattern of Malay applications, on the other hand, appears to be cyclical. During the boom period just before the economic slowdown in 1998 there was a noticeable decline of Malays applying for the public service. A decade earlier, more Malays applied to join the private sector after the country overcame the mid-1980s recession. The trend is likely

to repeat itself when the country fully recovers from the 1998 recession. Even the Malays appear to prefer the private sector if they can enter it. The public sector should be manned by the best and the brightest and be representative of the major communities due to its many roles in the country's development.

We believe that the most likely factor in the lesser preference lies in the terms and conditions of the public service as compared to the private sector. This should be addressed to make the difference as close as possible. While salary may not be easily bridged, there are other perks which private sector seldom provides such as post-graduate training or short courses, housing loans, and medical and dental benefits. These benefits could be enhanced. Continuing education should be encouraged as part of the k-economy policy and subsidised. The provision of quarters for non-uniformed staff, which was discontinued with the implementation of the housing loan, should be reintroduced due to the escalating cost of building or renting a house. The Government should consider child day-care support as more than half of the public workforce are women and working mothers. Housing and child care are, in effect, the basic worries of the workforce. At the same time other benefits such as a small quota for the admission of children of civil servants into public universities should be introduced. The availability of these benefits would make government service attractive again.

THE CIVIL SERVICE AND GLOBALISATION

Globalisation is the process of removing foreign trade, financial and exchange controls. It has contributed to the establishment of a more liberalised and market-oriented economy in many countries, lowered the barriers to global trade, opened national economies to more foreign goods, allowed the free flow of information across economies, and attracted substantial amounts of foreign capital. However, the expansion of capital flow, in East Asia at least, has been much greater than that of trade flows. It is said that, on the whole, the benefits of globalisation outweigh the costs.

Although the potential benefits of liberalisation appear to be enormous, liberalisation also exposes developing nations to the volatility of global markets and greater currency exchange rates, especially when large portions of capital inflows are in the form of external borrowings

and short-term fund placements. It was the outflow of capital which caused many countries in East Asia, including Malaysia, to suffer during the regional 1997 economic crisis. Only when Malaysia imposed selective capital controls did the country begin to recover from the crisis. As for the future, the public service has to be vigilant so that Malaysia benefits from globalisation but at the same time continues to have a competitive edge.

In order to be vigilant, senior civil servants should be well versed in the benefits and the disadvantages of globalisation to the developing countries. Senior officers who lack specialisation in the field should not be shifted about or forced into early retirement as was seen to be the practice during the economic crisis of 1997 and earlier crises. They should instead attend during normal times seminars and specific training sessions on global economic issues that affect national public policy and be in a position to advise. One such policy is the transformation of labour intensive into high technology industry. There is also the challenge from the newly emerging economies such as China and the former Indochina states which have abundance of cheap labour and could offer other competitive investment terms. There is also the increasing competition of Malaysia's position as the largest producer of palm oil from countries which planted this crop with our assistance and, indeed, our technology. There is also the risk that our other main revenue earner, petroleum and natural gas, will be depleted within the first few decades of the new millennium unless new oilfields are found. These are Malaysia's lifelines. The public service has to be in a position to find alternative policies so that Malaysia continues to grow and prosper. It has to shoulder the main responsibility for achieving Malaysia's Vision 2020, which is to become a developed nation.

E-Government

The millennium's early years will see the greater usage of information and communication technology continue. The public service will have to do more in the field of services in which the clientele need not queue very long but can even be served in the comfort of the home. By the early years of the twenty-first century, the current practice of processing application of, say, renewal of driving license and road tax, identity cards, passports through kiosk will become a reality. There are a host of application forms for licenses and permits which the public have to fill in

manually. It is reckoned that many of the forms will have been done away with, and such processes could be carried out on-line through personal computer or public terminals in the kiosks. This could be achieved very early on in the new millennium. In fact, a few pilot projects have already been planned or started including electronic delivery of driver and vehicle registration, licensing and summons services, and utility payments as well as electronic procurement of goods and services by government agencies. Further on, there will certainly be more reforms and innovations arising from the dynamics of information and communication technology which led a senior civil servant to term it, not without exaggeration, 're-inventing the Government'.²

E-Government, therefore, is well on its way to becoming a permanent feature of the public service. Along with the Multimedia Super Corridor, Cyberjaya and the involvement of the private sector, e-government will continue to develop and thrive. It will transform the way the government operates as well as how it delivers services to the people of Malaysia. However, the section of society which has little or no access to e-government should not be left out and be marginalised. It is the duty of the public service to ensure that this will not happen. 'Infostructure' has to be evenly spread. This will enable people from, say, a rural town of Terengganu and Sarawak to have access to Internet and e-government like their counterparts in Penang or Kuala Lumpur. Training in e-technology has to be made available to the senior citizens from both rural and urban centres so that they can make use of the proposed e-kiosks and other new e-services. The underutilised public telephones in the rural areas in the sixties coupled with seemingly 'complex' operating instructions was an example of 'new' technology wasted. The decision of Tabung Haji in 2000 to issue only the conventional savings book to its depositors without the ATM card arose out of fear that the latter facility might not be understood by the many old depositors in the rural areas.

Malaysia ranked 34th in terms of computers per 1000 people according to the World Competitiveness Yearbook 1999. It is behind Singapore, Hong Kong, Japan, Taiwan and Korea and, in terms of Internet connection, its ranking is 35th. The recent policy measures by the Government allowing EPF contributors to withdraw a portion of their savings to purchase computers as well as interest-free loans for government servants for the same purpose are positive steps to make Malaysia a computer-literate society. The tax incentives, the relatively low rate of Internet telephone charges, the cyber laws ensuring freedom

of information, among others, which have been in force since the late nineties will hopefully encourage more Malaysians to participate in this new medium.

While few can dispute the worthiness of e-government, the public service should not neglect the human touch, the administration with the human face. It has to be client-friendly. Leaders have still to go down to grassroots' offices to see how policies and programs fare on the ground and to make the necessary changes accordingly. History, both classical and modern, contains many lessons on how civilisation and governments fell when the common people on the ground were lost touch with.

Modernisation and Reforms

The last forty years saw the willingness and capacity of the public service to accept and implement administrative changes and reforms. This was especially so from the eighties when there was political backing to administrative reforms as well as what appeared to be a permanent agenda itself on such reforms by the top administrative leadership. MAMPU became a central agency, placed under the Prime Minister's Department and directly under the Chief Secretary to the Government. From then on administrative modernisation agenda became a permanent feature of the public service.

This permanence will no doubt be continued. However, MAMPU should ensure that any changes and reforms implemented should go right to the lowest unit in the administrative hierarchy. It has been observed that the State Governments, notably the former Unfederated Malay States, and the local authorities, with a few exceptions, were slow or lacked the initiative and capability to implement administrative reforms. This must be addressed quickly. The Federal Government should assist the States in implementing administrative reforms just as it did in the early eighties when financial assistance was given to every State to replace their old wooden Land Offices with District Office Complexes housing all district agencies under one roof as well as improving and modernizing the administrative system itself. There have been other examples of federal assistance, direct or indirect, including the on-going reform in the State Islamic Religious Department and the administration of the *syariah* courts.

The biggest hurdle to administrative reforms appears to be the political masters, especially with respect to 'sacred cow' programs. Land

administration, for example, has not improved much in efficiency despite the many studies undertaken and laws amended since *Merdeka* to improve it. While the technology has improved in surveying land and processing the land applications, the decision-making power has been centralised with the Executive Council or State Cabinet, which meets normally twice a month and deliberates over 90 per cent of its agenda on land matters, including those relating to logging, industrial and housing sites. The bottleneck is, therefore, at the top, the political end of the hierarchy, which clings steadfastly to its authority. The same goes with applications for low-cost housing. At the federal level, the allocation of new shares, permits for commercial vehicles, for deep-sea fishing and others could be more efficient, and perhaps fairer, if only administrative reforms were adopted in the processing.

An Ageing Population

While providing employment opportunities for the young will always be the hardest task of the policy planners, the other challenge facing the public service in the early decades of the millennium is administering an ageing population in view of longer life expectancy, better medical care and quality of life as well as the falling birth rate. Certain policies have to be reviewed and more services and facilities provided. These changes are against the backdrop of declining income of the ageing. Together with the feeble and the handicapped, they expect more forms of subsidy from the government in services like medical care, public transport and other welfare benefits. Fortunately, gerontology is not new in developed countries, both as a subject in the academic field or a public policy. It has, like many others, only to be tailored to Malaysia's condition.

With life expectancy longer, the Government should increase the retiring age from 56 to 60 or even 65 years old. Malaysia is about the only country left in the region which still adheres to the pre-war compulsory retirement age of 55.* There are many former civil service personalities like Tan Sri Abdullah Salleh, Tan Sri Abdullah Ayub, Tan Sri Hashim Aman (former KSNs) who are still agile and active despite their age. Their wisdom should be tapped.

* The retirement age was raised to 56 from 2002 with a promise by the Government to increase it further to 60 when conditions permit.

At the same time, planners have to have a paradigm shift in administering a more affluent society. For more than forty years the public service had been attuned to socio-economic development mainly in the ubiquitous realm of the alleviation of poverty and rural-bias. Poverty needs to be overcome by 2020 and in its place should be a more urban and affluent citizenry. The task facing the public service might not be as challenging as the eradication of poverty but it is just as daunting to plan and implement services for citizens living in the metropolis. Planning and providing such services as garbage disposal, public transport, utilities, park and recreation for a population who will begrudge paying higher or more municipal taxes is a challenge to an urban administrator.

As urbanisation spreads in Malaysia with more town councils becoming municipalities and more of the latter applying for city status, the public service should not be caught unprepared. Institutions such as INTAN should provide the necessary training. So should the State Governments as local authorities come under their jurisdiction. The universities should also offer courses in urban planning and development or redevelopment.

MANAGING A FULLY-DEVELOPED MALAYSIA

The complexity of administration in the coming decades of the new millennium in a fully-developed nation with a sophisticated citizenry will mean that administration cannot be shouldered by the public sector alone. This will require a more permanent involvement of the smart partnership of the public and private sector as well as an active Malaysia Inc. The partnership can be in the planning of new townships, protection of the environment and the provision of local government services. It can also be in the area of economic management such as in the collaboration of MIDA and the Malaysian Manufacturers Association to promote investment in the country and overseas.

Nothing is more challenging to the public service than administering a not yet fully-integrated multi-ethnic and multi-religious society. However, the past forty odd years have shown that the country has been administered remarkably well despite emergencies and communal tensions which occurred infrequently before the seventies. The Government in those years did not hesitate to take drastic action when

situations demanded it in order to preserve peace and stability by declaring a state of emergency, imposing curfews, curtailing fundamental liberties, and enforcing the law strictly. The Government has also been bold in tackling the root-cause of inter-ethnic problems through the New Economic Policy and other affirmative action programs. These are balanced with policies affecting the legitimate interests of the other communities.

Members of the public service, however, should always bear in mind the sensitivities of the Malaysian population. Sensitivity has always been the hallmark of the Malaysian public service. The challenge may be greater in the coming decades judging by the current trend in the national education policy, one of the nation's major policies of integration. Since the late nineties, more Chinese have enrolled in Chinese primary schools than in the national (Malay) medium schools. More Chinese have enrolled in Chinese private secondary schools which have their own syllabus and examinations. Greater tertiary education liberalisation has resulted in most non-Malays being in private institutions and Malays in public ones. This unintended segregation in educational institutions is compounded by another. This other 'segregation' is the result of the free flow of information via the electronic media in which there is a lesser audience, mostly non-Malay, switching to the government information organs. This trend might affect nationhood. We are not advocating censorship but the government mass media should improve its programs to bring back its local audience. Hopefully, this millennium might be a different era from the ethnic tensions and turbulence of the sixties. There might be more maturity and tolerance, especially when the economic gap between the major ethnic groups has been bridged. It is imperative that the public service is vigilant and sensitive to inter-ethnic relations and promotes unity.

Leader or Facilitator?

With more privatisation and e-government, it could be that Malaysia might go the way that Australia, Canada and a few other developed countries have gone in that there will be a smaller public service, but a better one. The public sector would gradually assume more of the role as facilitator and regulator as more privatisation takes place. However, the leadership role would continue to be assumed by the public sector despite more involvement of the private sector in the economic development of

the country. This is because of the strategic role of the public sector. It would continue to be the catalyst well into the new century.

There have been many episodes in the last forty years of Malaysia that called for the public service to be vigilant in its regulatory role. The BMF scandal of the late eighties in which a huge sum of RM 2.5 billion was lost from a government bank due to unsecured loans given to prominent figures in the corporate sector in Hong Kong was a case in point. The private sector was again the main participant in the 1997 economic crisis which was partly attributed to heavy borrowing by the corporate sector in the international market. The public sector has to continue to provide the leadership role in the socio-economic development of the country as the private sector is too diverse. Its orientation is also far different from that of the public service.

Putrajaya and Beyond

The federal administrative capital and seat of government is now in Putrajaya. It has been some forty years from the Residency on the Hill facing Kuala Lumpur with its red tape and manual yet simple administration to a complex one at this new smart city that is in the process of introducing e-government or e-public service. It is a long way from the sweaty non-airconditioned office of less than three decades ago, with manual typewriters, oily duplicating machines, old telephone sets and long queues of the public attended to by uninterested staff, half of whom were having too long a break in the canteen. As Malaysia develops, the government must continue to keep pace with changes that are and will be occurring. The government must ensure that the public sector continues to be the pulse of the nation in the new millennium.

ENDNOTES TO CHAPTER 10

- ¹ Malaysia (1970). *Second Malaysian Plan (1970–1975)*. Kuala Lumpur: Government Printer, p. 1.
- ² Muhammad Rais Abdul Karim (ed) (1998). *Reengineering the Public Service: Leadership and Change in the Electronic Age*. Petaling Jaya: Pelanduk Publications.



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