Changes in State Capacity and its Leadership and their impact on National Development: The Case of Malaysia

Norma Mansor
Department of Administrative Studies and Politics, Faculty of Economics and Business Administration, University of Malaya
norma@um.edu.my

Md. Nasrudin Md, Akhir
Department of East Asian Studies, Faculty of Arts and Social Sciences, University of Malaya
mnasrudi@um.edu.my

Kim Keum Hyun
Department of Socio-Cultural Studies, Academy of Malay Studies, University of Malaya
korea@um.edu.my

Abstract:
Since the early 1960s, Malaysia has succeeded in bringing about commendable changes in its national development. After achieving independence, the country has transformed from a primarily agrarian economy to a middle-income country. For these remarkable achievements, the Malaysian state capacity and its leadership have been singled out by many scholars as being very significant factors that had contributed to the success, especially in relation to public administration and the role of the state. The priorities and the role of the government have transformed over time in line with the ever changing political and economic landscapes. Thus one may find that the nature, scope and direction of reforms currently underway are very different from those introduced in the past. The present paper provides an analysis of the political, social, cultural and economic environments that have influenced the structure of the state capacity and public administration in Malaysia. It describes major reforms and innovations introduced under different leaderships, identifies the forces that have underpinned these programmes and comments on their promises and actual performance. As the public management system is the major vehicle in executing government policy to achieve its desired outcome, its structure, efficiency and performance will have a direct impact on the country’s development. Hence, this paper also describes the impact of changes in public administration due to the nation’s economic development.
Introduction

Western administration started in Malaysia in the eighteenth century when the British took control of some states in the Peninsular from the Dutch, which eventually led to the colonization of the whole of the Malay Peninsular and Northern Kalimantan. The period of colonization lasted for two centuries before Malaysia gained its independence in 1957. A centre of trade and commerce since the tenth century due to its strategic geographical location at the cross-roads of the East-West trade routes and rich with natural resources, the Malay Peninsula has attracted merchants from as far as Middle-East and Europe.

The coming of British had altered the history of Malaysia. Under the British colonialism, the Malay Peninsula underwent dramatic transformation not only to its socio-cultural composition, but also to its economic and political structure. The twin advantages of the Peninsula, the strategic location and endowed with vast riches of natural resources had tempted the British to establish the colonial rule and controlled the vital Malay states. To cater for the demand for raw materials from Europe and United States as well as to exploit the vast riches of the peninsula in minerals and agricultural commodities, the British introduced new industries and brought in foreign labours into Malaysia. Due to lower wage bill, immigrant labours were recruited from India and China to work in the mines and estates (Hirschman, 1986). This was later proved to be the watershed movement in the history of Malaysia, as some of the Chinese and Indian immigrants find themselves settling into the country and made it their permanent residence, which eventually resulted in Malaysia becoming a multi-cultural, multi-religious society.

The backdrop described above that has shaped the government and administrative culture of the country. This paper is divided into three parts: the first part deals with the history of the Malaysia’s political system; the second part looks at the development policies and the third part examines the institutional and management system.
**Definition**

Capacity is defined as the ability of people, institutions and societies to set and achieve objectives, perform functions and solve problems. It involves skills, incentives, organizational structures, resources, and an enabling environment. The ultimate goal of capacity development is to support the development of better skilled and oriented individuals, more responsive and effective institutions, and a better policy environment for pursuing development objectives. (Lauder K. and Mansor, N.; 2005)

State capacity and political leadership in this context refers to the influence of political leaders in shaping public institutions (North, 1984; 1992) to serve the developmental goals espoused by the government of the day.

In this regard, majority of the Asian countries such as Korea and Malaysia, in particular, demonstrates the influence of the political leadership on state institutions. Hence, this paper seeks to illustrate how the leaders have shaped the kinds of reforms that the state institutions had undertaken.

**I. The history of Malaysia’s political economy**

**The beginnings**

In the early days of Malaysia’s history, the 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. 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 the authorities or the ruling class in kind by letting the latter picked whatever they wished for from the harvest.

Each individual state in Malaya had its own political hierarchy. The state was headed by a ruler either by Yang diPertuan (He who is Lord) or Raja (Hindu Ruler) or Sultan (Arabic Ruler)
depending on an inherited title. 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 a 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). With regards to daily government affairs, the Sultan consulted with his advisers who were either aristocrats or pseudo-aristocrats. From these consultations, the Sultan made his decision. His decisions were written down by the assistants, who were of the lower status known as secretaries for eventual implementation.

While the Sultan confined himself to the palace, reigning over but not ruling the state, the real power of administration lay in the hands of district chiefs that were from the ruling class. 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 an entourage made up of family members and other ‘aristocratic’ supports that acted as deputies and lieutenants in the name of government and performed multiple duties when required.

The British entered the scene as early as the eighteenth century in search of trade and especially in sourcing a settlement to enhance the trade with China. Starting with three states the British later signed an Anglo-Siamese treaty back in 1826. The treaty essentially transferred the right to govern the northern boundaries of Kedah, Perlis, Kelantan and Terengganu from the Siamese to the British. As such, the British viewed the rest of Malaya as part of their control sphere.

The British representatives known as Resident was expected rule through the Malay sultans, the Rulers were required to “receive and provide a suitable residence for 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” (Parkinson, 1960). For minor administrative work and police work, 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.

A special school was established in 1905 in Kuala Kangsar known as the Malay College for the Malays to be trained and absorbed into the government service. Upon graduation, the Malays joined the civil service but at a lower level as entry into the Malayan Civil Service still remained in the hands of British officers. The Malay language was made as the official language of administration, and as such, there were no hindrances in recruiting Malay officers as they were literate in the language used by the state government of the northern states.

**Independence (1957 – 1970)**

The Federation of Malaya Agreement that came into force in 1948 that has led to Malaya’s independence in 1957 from the British. 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. The role of the sultan is akin to the constitutional monarchy, the British Westminster model but styled with its own characteristics and cultures. It consist of the Yang di-Pertuan Agong as the head of state, the Senate (*Dewan Negara*) and the House of Representatives (*Dewan Rakyat*). Yang diPertuan Agong, and is elected every five years among the nine Malay Rulers and have nominal power. In those states in which there is no hereditary ruler, a Governor, appointed by Yang diPertuan Agong, heads the state.

The Prime Minister command the confidence of the Parliament and he and his Cabinet must request the Yang diPertuan Agong to dissolve Parliament. All policies of the government are formulated by the Cabinet and the implementation of policies is the individual responsibility of each Minister, who is then assisted by the civil service. The Members of the Cabinet is the Executive branch of the government, and share collective responsibility to Parliament for all decisions. The primary function of the public administration is to execute government policies at different levels (federal, state and local). The Public Service as defined in the Article 132 of the Federal Constitution includes the entire government administration and they are essentially the Federal and State General Public Service, the Joint Public Services, the Education Service, the Health, the Police Force, the Judiciary and the Legal Service and the Armed Forces.
Political System

The main 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, the consensus mode of politics started when the different ethnic groups bargained for positions 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 certain extent, the Indian migrants, brought in large numbers during the colonial period, dominated the more lucrative economic sectors. 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. The majority of the Indians worked in the rubber plantations but some were also traders and white-collar workers. By the early 1920s, the Malays became a minority in the urban centres. Several years before independence, the Malays were apprehensive about losing their dominance, given their economic plight and having to decide over limited affairs in the government such as religious and cultural matters. Meanwhile the immigrants were already demanding citizenship.

To address the concerns and fears has led to the bargain and compromise between the main ethnic groups prior to the Independence. 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 (Independence) Federal Constitution. The arrangement was well suited for that particular period. However, after ten years of independence the bargain was perceived unsuitable. The Malays started to realize 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 enough; they wanted some political power. The racial riots that broke 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.
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 systems 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 developmental 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.

II. National Priority of Government Policies

Nation Building (Before 1971)

The racial riot on 13th May 1969 was the single most serious case of inter-racial violence Malaysia had undergone since independence. Even after achieving independence for more than ten years, the development plan was uneven and the rural-urban disparities were staggering. The general wellbeing and economic condition of the Malays hardly improved. The immigrant ethnic groups, once temporary residents were now permanent citizens of the country. They were well off economically and socially and therefore had become a source of resentment and jealousy to the indigenous Malays. At the same time, the Malays were increasingly fearful of the rapid growth of the immigrant population. By contrast, the Chinese were concerned about their disadvantaged position and was politically undermined and underrepresented (Milne, 1976).

The feeling of jealousy and discontent among the society eventually exacerbate into a sense of resentment and injustice, and later turned into a full-blown clash between ethnics in after the 1969 general election. Official reports entitled Towards National Harmony cited the “economic factor” as the root cause that brought about the rioting. 196 fatalities and 439 injuries were reported due to the clash, and the country’s image suffered badly in the international eyes. The message however, was loud and clear; the inevitable and imperative need for affirmative action to create a more equitable society that would not hinder the country’s development.
To instill a sense of unity and nationhood among the multiethnic society a national philosophy called *Rukunegara* was introduced as a form of proclamation by the *Yang diPertuan Agong* (The Paramount Ruler) on the occasion of Independence Day celebrations on 31 August 1970. It represented five principles by which Malaysian are to be guided i.e. belief in god; loyalty to king and country; upholding the constitution; rule of law and good behavior and morality.

The *Rukunegara* can be perceived as an effort to formulate a “national ideology” in a larger framework of nation building. It evolved from close consultation and deliberation in the National Consultative Council and represented a national consensus and commitment to the task of creating a united, socially just, economically equitable and progressive Malaysian nation.


At the helm, a developmentalist in orientation, Razak Hussein, the second prime minister succeeded Tengku Abdul Rahman. The NEP was then launched with the ultimate objective of enforcing national unity among the people. During the presentation of the Second Malaysia plan (1971-1975) in Parliament in July 1971, the Prime Minister asserted that “it was the last chance for the survival of the people and the country”. It encompassed a two-pronged development program; the first one to reduce and eradicate poverty by raising income levels and increase employment opportunities for all Malaysian, irrespective of race, and the second one aimed at accelerating the process of restructuring the Malaysian society to correct economic discrepancies, so as to reduce and eventually eliminate the identification of race with economic activity.

The Second Malaysia Plan categorically stated that “The New Economic Policy is based upon a rapidly expanding economy which offers increasing opportunities for all Malaysian and the government will ensure that no particular group will experience any loss or feel any sense of deprivation”. However, the second objective of the NEP to “correct the imbalance” and to “eliminate the identification of race with economic functions” is clearly in favor of the Malays. This effectively was the essence of the affirmative action in place under the NEP.
With the implementation of NEP, the income disparity between races, particularly between the Malay and the Chinese communities was effectively bridged to a certain degree. The household income disparity ratio between the Malay and Chinese had narrowed from 2.29 in 1970 to 1.74 in 1999. Participation of the Malays in manufacturing and service sector had also increased, instead of concentration on one particular sector, namely the agriculture sector. The initial target of wealth distribution under the program was to increase the ratio of economic ownership to a 30:40:30 ratios of Malays, the non-Malays and foreign ownership.

The imbalance in educational attainment was addressed especially at tertiary level when in 1970; the university enrolment of Malays was 54.1 percent of the total enrolment. Of the total number of graduates from the period of 1959-1970, 26 percent of them were Malays and 60 percent were the Chinese. To address the imbalance in tertiary enrolment, an ethnic based admission policy made it compulsory for all local public universities to reserve 55 percent of their places for Malay students. Other forms of affirmative action taken under the programs was in the shape of participation of the Malays in civil service, land settlement, the armed forces, nurses training, police, license permits for taxis and lorries as well as the composition of the National Youth council.

The outcome of such policies in education and employment has led to the growth of Malay middle-class and corporate business community. It has greatly enhanced the Malay participation in the economy and higher education. The economic gap between the Malays and the non-Malays communities have narrowed significantly. The policy has reasonably achieved what it was designated to do, which was to narrow the disparities between the ethnics. Most importantly, the NEP has significantly reduced poverty, particularly amongst the Malays, and ultimately achieved its intended target. The policies were set to run over 20 years until its expiration.

Other government policies were also introduced in an effort to create a positive attitude towards cultural assimilation and the creation of national culture. Among them was the National Culture Policy (NCP) which was introduced in August 1971 to develop a national culture from three elements: the indigenous culture; suitable elements from the non-Malay cultures; and Islam as an important component.
The NEP proved to be another watershed moment in Malaysian history, with it being a major departure from past policies where the government played a more active role in the economy especially in the distributive function. The strategy of development through industrialisation, urbanization and agricultural development together with the spread of education and the general political reformation of the population have all led to the expansion of government functions. The new objectives of the government have thus expanded, and are more diverse and complex in nature. In the words of Gayle Ness, “The goals of the Malaysian Government changed from custody to development” (Ness, 1967).

The new goal of the government has changed from a laissez faire economy to a mixed one with central planning, with the local entrepreneurs, the financial sector and foreign firms having to play a major role in the economy. As described by Ness (1967), there was a change from an unstated emphasis on urban development, or development for the modern sector to a stated and actual emphasis on rural development. Significantly, the role of public administration has fundamentally changed from an administrator to a changed agent.

The leadership change following the untimely demise of the second Prime Minister Razak Hussein was succeeded by Hussein Onn. Hussein’s administration was short but the leadership was assumed by Dr. Mahathir Mohamed in 1981 who clearly demonstrates a different personality and approach compared to his predecessors. A medical general practitioner Mahathir took the NEP to a different level. He appreciated speed and clarity in his administration. The policies of the NEP were implemented with rigour together with his policies on industrialization. New organisations or public enterprises were established to plan for and stimulate development. This has resulted in the proliferation of public enterprises in the main sectors of the economy. Among the prominent bodies were Perbadanan Nasional (PERNAS), Malaysia International Shipping Corporation (MISC), Heavy Industry Corporation (HICOM), Urban Development Authority (UDA), and the State Development Corporations (SEDC).

The oil crisis of mid 80s hit the Malaysian economy during a time when the country was also experiencing the twin fiscal and current account deficits. The government adopted an export oriented approach in its industrial policy and turn to Japan and South Korea as strategic partners under the Look East Policy. The NEP was kept in abeyance and the National Development Policy (NDP) was launched in 1991. The formulation of the policy was a joint effort involving all representatives of Malaysian society, from the political parties to academicians and corporate figures, with the public sector (EPU) as the secretariat.

Though the NDP seeks to maintain a balance between growth and equity, it also includes some of the basic elements of Malaysia’s development strategy to achieve a fully developed country status as envisaged in Vision 2020. The Vision 2020 introduced by Prime Minister Dr. Mahathir earlier in the same year, is a 30-year strategic plan that outlines Malaysia’s aspirations and policy implications to be a nation that is fully developed along all these dimensions; economically, politically, socially, spiritually and culturally. Vision 2020 focuses on industrialisation as the country's development base and relies heavily on the private sector. It also identifies strategic challenges that need to be overcome in order to achieve the developed country status.

The NDP was launched when Malaysia was enjoying prosperity. The prices of commodities during the time were also robust. Industrialisation was in high gear and aggressive policies by the Malaysian Investment Development Authority (MIDA) and other agencies saw continued increase in foreign investment into Malaysia. Malaysia made itself felt in many developing counties particularly in Africa, China, the former Indo-China states and the Pacific Islands through its investment and joint participation.

The favorable economic condition went on for most of the decade till it ended abruptly in 1997 with inception of the Asian Financial crisis. Malaysia registered a slower growth of 5.7% post 1997 crisis compared to 9.4 % pre crisis. The slow private investment was the main factor. Private investment was reduced to a third of the pre-crisis level. This was due to the lack of foreign direct investment and low domestic capital participation.
The New Economic Model (2010 - 2020)

The New Economic Model (NEM) was the output of the National Economic Advisory Council (NEAC II), established to formulate an economic transformation model for the country. It proposed an entirely new approach to revitalize, reshape and reinvent government structures and administrative procedures in order to achieve the aspiration of transforming Malaysia from a middle income economy to a high income economy by Year 2020. The reforms require the government bureaucracy to embrace a new paradigm on the role of government. The relevance of central agencies and other government entities were recommended to be critically assessed with a focus on streamlining. The growing of government institutions resulting in overlapping functions, duplication of activities and policy execution silos were deemed unproductive and hence must be rationalized. The relationship between functions of federal, state, and local government was recommended to be reviewed and redesigned to be more responsive and to focus on outcomes.

There are three main goals of the NEM, they are; high income, inclusiveness and sustainability. The eight areas of strategic importance recommended are; re-energising the private sector, creating a competitive domestic economy, building the knowledge base infrastructure, ensuring sustainability of growth, enhancing the sources of growth, developing quality workforce, transparent and market friendly affirmative action, strengthening of the public sector and fiscal sustainability. The NEM is the foundation for tenth and the eleventh Malaysia plans covering the period from 2010 to 2010.

III. Institutional Conditions and the Foundation of the Public Management System

The history of administrative reforms in Malaysia has evolved around a single initiative that was launched in the late 1960s to modernize the Malaysian administrative service. That effort laid the institutional basis for the state, policy-related and managerial capacities of the present administrative system. Quite plausibly, the institutionalization of these administrative capacities along the lines of the reform strategy did contribute to political stability and economic development of the country during the NEP period, thereby making ‘effective governance’ feasible in a plural communal society such as Malaysia’s.
**Post-Independence (1957 - 1970)**

Following Independence in 1957, Abdul Razak mounted a tireless campaign to modernize the Malaysian civil service. By early 1960s, the Malayanization of the civil service was complete; with expatriate British civil servants having been replaced by Malaysians in the top positions. At the same time, the government was assuming new responsibilities for economic development. However, as local civil servants were less trained and experienced in managing large-scale activities, their performance was unsatisfactory. As a politician, Razak was fully aware that the survival of the government depended on the capacity of the civil service to deliver development to the people; prompting him, to seek ways to improve the administrative capacity of the civil service in managing economic development.

With these concerns in mind, and in the course of preparing the First Malaysia Plan in 1965, Tun Razak requested the Ford Foundation to explore possibilities of instituting administrative reforms in Malaysia. The Ford Foundation commissioned a study, the Montgomery-Esman Report, which laid the blueprint strategy for modernizing the Malaysian administrative system. The strategy was endorsed by Razak and approved by the government in 1966, and over the 1970s, the government implemented various institutions to support the government. The growing reliance of the political leaders on the civil service for governance was very apparent. In fact, the need for support from the administrative elite, whose capabilities were highly regarded for ‘effective governance’ can be argued as the basis for the survival of the polity itself.

A mix of instruments and methods were used to induce fundamental changes in the behaviour of the administrative elite. These include, cognitive knowledge (about new management systems and acquisition of specialized skills), creation of new roles (via changes in cultural values and belief patterns), and new systems of incentives and sanctions (changes in the system of rewards, redistribution of status and power within the civil service). The underlying expectation is that enhancing the technological knowledge and functional skills of civil servants through staff training and career development would foster value changes and new roles besides improving and rewarding performance more than seniority under the new incentive system, and thereby, inducing greater personal commitment from civil servants.
A Development Administration Unit (DAU) was established in the Prime Minister’s (Tun Razak’s) Department to implement the reform strategy. DAU was to be a change agent, working through an ‘institution-building’ model, to plan and induce administrative modernization of the Malaysian civil service. Its main function was to create and sustain a favourable climate for administrative reform and maintain inter-organisational linkages for spreading its reform initiatives across the civil service. It had no formal authority or command over resources to impose reforms, and was to rely on persuasion and demonstration to induce acceptance of its reforms. After a few euphoric years, DAU lost its programmes for modernising government-wide policy capacities to new staff agencies in the Prime Minister’s Department. Eventually DAU was disbanded in the 1970s, and with that the institution-building strategy of inducing the administrative elite to assume new responsibilities for effective governance in Malaysia ended.

However, the initiatives launched by DAU were subsequently institutionalised within the Malaysian administrative system. The roots of the present policy-related capacities for coordinating policy and implementation instituted around the Economic Planning Unit (EPU) and the Implementation Coordination Unit (ICU), the modified performance budgeting system (MPBS) of the Treasury, the capacities for manpower planning in the Manpower (MAMPU) can be traced to the early initiatives of DAU. Perhaps, the single most important initiative and which constitutes the core of the reform strategy - to institutionalise staff training and career development, which transforms the administrative elite from being generalist administrators to functional specialists. Although the monetary cost of continuous staff training is high, its ‘institutional value’ as an instrument, both for enhancing the managerial capabilities as well as for motivating the administrative elite to high performance, has now been fully accepted by the government.


In 1970s, efforts in administrative reforms were formulated towards institutional capacity for performing routines tasks and strengthening the state capacity to promote socio-economic development (Siddiquee, 2007). Initiatives in the form of launching the Malayanisation process, reorganisation of administrative machinery, restructuring of work in central agencies and
ministries, and the establishment of the Public Service Commission were taken to reform the civil service.

The NEP was then launched in 1971 as a blueprint for socio-economic development. It was formulated with the two-fold aims of eradicating poverty irrespective of ethnic origin and to restructure the Malaysian society in order to erase ethnic identification with their economic function (EPU, 1971). It also led to the establishment of a dozen of public corporations and statutory bodies. A huge number of new personnel were recruited into those agencies as the size of civil service grew larger.

The institutionalisation of the managerial skills during the NEP years could possibly have contributed to economic development of that period. A better trained and more committed civil service, with enhanced policy and administrative capacities for undertaking government wide action, as compared with the generalist administrators of the 1960s, may have made a difference in terms of effective governance, and thereby contributed, directly or incidentally, to the economic growth and development. The smooth implementation of the NEP, at high rates of economic growth and without intensive communal strive for two decades, may suggest that the ruling elite has acquired some minimal capability of finding new ways and approaches for instituting communal cooperation, and thereby contributing to political stability of the country during the NEP period.

Hussein Onn replaced Razak Hussein at the helm to become the third Prime Minister of Malaysia. Under Hussein’s watch, much of the effort was concentrated on institution building such as the formation of the National Institute of Public Administration (INTAN) in 1972 and the Malaysian Administrative and Manpower Planning Unit (MAMPU) in 1977. The code of ethics for civil servants was also introduced. He introduced the campaign on clean efficient and trustworthy civil service. Taken together, the reform measures were very much welcome when the focus was on the efficiency and the effectiveness of civil service. However, the civil service was expanded during Hussein Onn’s administration, but this operation was subsequently aborted when Mahathir helmed the government in his effort to reduce the size of the public sector.
Post NEP (1980 - 2000)

With Mahathir leading the charge as the fourth Malaysian Prime Minister, a major phase of public reforms were implemented in the early 1980s. Contrary to past efforts, it was more comprehensive and affected the structure of the public sector and its relationship with the society. Under MAMPU, the transformations introduced during this period have been so drastic that they have affected almost every area of public service management. The policy and legal frameworks already in place at the time greatly facilitated the introduction and the implementation of these reform measures. During the period also, Malaysia development plan experienced a major departure from institution-building to de-institutionalisation. Since 1981, the establishment of public corporations, statutory bodies and institutions has been largely reduced. To acclimatize with the rapid economic development, a number of new ministries and government agencies have been set up under Mahathir aimed at expediting development plans (Hussain, 1997).

The beginning of the 1980s saw the introduction of a new directive in administrative reform. Dr. Mahathir highlight the importance of innovative and dynamic public service and his Vision 2020 – the national strategic plan for Malaysia to become a developed countries in the following 16 years, have called for fundamental shifts and improvements in public governance. He embraced the NPM practices to enhance the quality of public service towards a more reliable, efficient and effective administration system. Specifically, he introduced the Manual of Work Procedures and Desk Files to improve work systems and procedures; he started the punch card system for the public sector personnel to record clock-in and clock-out to enhance efficiency; he launched the Civil Service Code of Ethics and the “Clean, Efficient and Trustworthy” campaign to prevent abuse and mismanagement, and; he introduced “Leadership by Example” as a practicing slogan for senior managers to act as role models in their respective organisation, and the introduction of the Look East Policy to highlight positive work cultures and emphasise team benefits versus individualism as observed in the success of East Asian countries such as Japan and South Korea (Mansor, 2013).

One of the most important program-oriented reforms that were introduced during the 80s was the launching of Malaysian Incorporated in 1983. It was inspired by the Look East Policy based on the Japanese concept of “coordinated inter-dependence” to enhance teamwork, collective pride and high achievement. In principle, under Malaysia Incorporated, the country would be run
under a single business corporation, supported by both the public and private sectors, which was vital for the success of the corporation. Another reform worth mentioning was the Privatization Policy which was introduced in 1983. This policy was in line with the departure of the role of the public sector from “rowing” to “steering” which become a new paradigm for governmental administration in the early 1980s.

Tun Abdullah bin Haji Ahmad Badawi, Mahathir’s successor, continued with public sector reforms by addressing the police force and corruption in the country. He turned the Anti-Corruption Agency into a full fledge Commission in 2004. The Malaysian Anti-corruption Commission (MACC) was launched together with the National Integrity Plan, a master plan to cultivate Malaysians into an ethical society. To combat graft and in a bid to reduce bureaucracy in business-government dealings, he established PEMUDAH (Special Task Force to Facilitate Business) in 2007.

The New Economic Model

Presently, Malaysia is under the leadership of Najib Razak, who assumed the Premiership office since 2009. He established a “project management office” called Performance and Management delivery Unit (PEMANDU) to manage the Government Transformation Programme (GTP). GTP is monitored in terms of seven National Keys Areas (NKRAs). The National Economic Advisory Council (NEAC II) was formed by Najib in May 2009 to formulate an economic transformation model for the country. The new entity was to provide a fresh and independent perspective in transforming Malaysia from a middle income economy to a high income economy by Year 2020. In the midst of the global crisis 2008, the NEAC II was entrusted with recommending reforms on Malaysia’s strategic position in the international markets and in recommending a transformational strategy for the country.

After the ruling party, the National Front suffered an unprecedented loss of the two thirds of majority; Najib was forced to re-evaluate the role of the state in the economy. He established a matrix structure in his administration by forming a project management office reporting directly to him known as PEMANDU, an acronym for Performance Management Delivery Unit. To spearhead his ideas on reforms he started the Government Transformation Programme (GTP) which was part of public bureaucracy reform by measuring outcomes or indicators through key
performance indicators. At the launch of the NEM in 2010, he remarked “gone were the days when the government knows best” defines the government’s intent to be inclusive in policy making. The NEM which covers a ten year period, proposed eight structural, cross-cutting reforms. At the core is about reengineering public institutions to enable Malaysia to grow to the next level of development. Malaysia had created good institutions including rules and regulations to implement development policies of the 1970s and 1980s but some of these institutions are dated and had become obstacles to new innovation and ideas. The relevance of the central agencies and the overlapping institutions were recommended to be rationalised. Also proposed was to re-examine the relationship between functions of federal, state and local government. Outdated and cumbersome rules, procedures and regulations are to be simplified.

Najib also introduces the Search Committee to strengthen the recruitment process in the public sector in an effort to bring back the representativeness character of the Malaysian public bureaucracy and to attract more young talents. The committee is led by the Public Service Commission and the set-up of a Joint Committee is led by the Public Service Department. The Service Committee is responsible in assisting the government in the recruitment of human resource specialists into the Public Service Commissions to address the quality of hired civil servants. The specialist Service Commissioners is expected to institutionalise better selection criteria to attract the best into the service from all ethnic groups, gender and region. The program had only started in 2012 and therefore too new to gauge its success.

The political effect of these developments in government-business relations has been to transform the composition of the governing elite of the country, from a duality comprising political and administrative elites, to a tripartite composite of political, business and administrative segments. The earlier structure was characterized by elite cohesion and shared consensus over the need for effective governance, with the administrative elite being able to exercise its autonomy (civil service neutrality) in line with its enhanced professional capabilities to serve the political elite in the national interest. Under the new structure, the administrative elite has lost much of that relative autonomy for professional action, as the political elite now seeks to protect and further the interests of its business constituencies over professional administrative considerations of public policy.
Conclusion

Capacity building in Malaysia dated back to the British administration but received a new vigor under the national leaders. The goal of achieving economic development and nation building by the political leadership has led to efforts to develop the capacity of state institutions. The reforms however, had several trajectories, very much a practical response to the political and socio-economic challenges.

References


