

## Chapter 13

# Public Transformation in Malaysia: Improving Local Governance and Accountability

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### ABSTRACT

*Public sector governance relates to accountability, transparency, inclusiveness, and also effectiveness and efficiency of governmental organizations. Such objectives have been the intended outcome of some of the public transformation and reformation programs in Malaysia. However, even after the various improvement initiatives, there are still complaints made against public organizations, especially against local authorities regarding their lack of good governance and accountability. Thus, the question that needs to be answered is why local governance is still a problematic issue even after all the initiatives that have been implemented over the years. As such, the various challenges facing local authorities that constrains them from achieving the intended outcomes of transformation programs is discussed in this chapter. In so doing, a contextual description of the local governmental system and the contemporary reformation programs of public organizations, specifically the local authorities, are explained. In addition, the recommendations to overcome those challenges and to achieve good governance are explained in this chapter as well.*

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## INTRODUCTION

Good governance can be defined as the “exercise of economic, political, and administrative authority to manage a country’s affairs at all levels” (UNDP, 1997, p. 2). According to the United Nations Economic and Social Commission, good governance has eight major characteristics, which are participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and following the rule of law. Thus, accountability is one of the main characteristics of good governance. Accountability refers to responsibility, answerability, blameworthiness, and liability of a person, group, or organization for the execution of authority and/or the fulfillment of responsibility (Gray & Jenkins, 1993; Frost, 1998).

The various public sector reformation programs in Malaysia have been initiated with the focus of ensuring good governance and better accountability of public agencies. The overall objectives of the improvement programs are to ensure better service delivery and subsequently ensuring more transparent, accountable, and inclusive and participative decision-making processes of public agencies. The intensive administrative reform programs started from late 1980s, which to a certain extent follows the philosophy of new public management with the introduction of the privatization policy and the quality work culture movement which had an emphasis on total quality management, benchmarking of services and performance based budgeting (Siti-Nabiha, 2008). However, the outcomes so far have been moderate, in the sense that the public sector in Malaysia continues to suffer from inefficiency, corruption and a host of other problems (Siddiquee, 2006). Public organisations in Malaysia, whether at the federal, state and local government levels, continued to be criticized for their lack of good governance. For example, one of the main issues that have been raised repeatedly in the Auditor-General’s reports is the problem related to public

procurement. As lamented by the Auditor-General in his speech in 2010:

*... year in and year out, the National Audit Department has highlighted weaknesses and irregularities in public procurement at all levels, be it at the Federal, State and Local government level as well as in Statutory Bodies. Some of these weaknesses and irregularities involve serious violations of established procurement guidelines and procedures.*

The same issue was raised again in April 2012 by the Auditor General in his speech, in which he notes the weaknesses in the procurement process:

*If we glean the numerous audit reports, there is indeed a rather long list of what we call weaknesses in government procurement, which from the standpoint of good governance clearly indicates violation of the numerous procurement circulars and guidelines issued by the Treasury. ... One is tempted to ask why all these things happen. Where is the internal control? Where is the check and balance that is supposed to exist? What kind of monitoring was done, if there was one in the first place?*

Thus, even with the various improvement programs such as the evaluation of public agencies with regards to the compliance of agencies to financial rules and procedures and use of the e-procurement system; issues pertaining to financial management and consequently good governance of public institutions have not been solved. Such weaknesses in governance have led to Malaysian unfavorable ranking in Global Competitiveness and the ‘Transparency International Corruption Perception Index.’ In 2011, Malaysia was ranked 60th in Transparency International Corruption Index, an index that measures the degree to which corruption is perceived to exist among public officials and politicians. Malaysia position has worsened significantly since Malay-

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