Public management reform in Malaysia
Recent initiatives and experiences
Noore Alam Siddiquee
Flinders Institute of Public Policy and Management,
Flinders University of South Australia, Adelaide, Australia

Abstract
Purpose – The present paper seeks to examine the recent changes in public management in Malaysia in relation to new public management and assess their impacts on administrative performance and service delivery.
Design/methodology/approach – The scope of the paper is limited to the period of 1981 till the present date. The paper is mainly based on secondary sources of information, and it uses a combination of descriptive and analytical methods.
Findings – The paper shows that although reforms are steps in the right direction, their impacts so far have been modest. Despite reforms and a few improvements they have made in service provisions, the public bureaucracy in Malaysia continues to suffer from inefficiency, corruption and a host of other problems.
Originality/value – The paper shows the gap between rhetoric and reality of public management reforms in Malaysia. It is expected to be of great value to all those interested in public management – be they in academia or in policy circles.
Keywords Public sector reform, Public administration, Privatization, Contract law, Government
Paper type General review

Introduction
The public sector has long been subjected to criticisms for, among others, inefficiency, red tape, lack of flexibility, ineffective accountability and poor performance. Such criticisms have paved the way for administrative reforms and reorganizations seeking to address various administrative ailments and enhance the efficiency and performance of public bureaucracies. With changes in time and circumstances reform agenda has varied, but reforms have always been seen and applied as a means to bring about desired changes in administration and improve its capacity as well as performance. While reforms are nothing new in public services, the period since the early 1980s has seen a major shift in public management reforms in both developed and developing countries. The recent reforms are unprecedented in terms of their scale and intensity and they have brought about far more profound changes than those experienced in the past. In many cases, such reforms have not only transformed the structure of public bureaucracy or the way it operates, they have also radically altered the nature of the government and its role in the society.

Much of the contemporary administrative reforms are seen as either related to or an integral part of what is known as the new public management (NPM). Otherwise known as managerialism, the NPM has not only questioned the philosophical, institutional and operational aspects of the conventional public administration, but also proposed radical changes in different areas of the public sector. The NPM
advocates the application of market logic within the public sector for solving the problems of big and inefficient government. As it has offered better solutions to the perennial problems of the public sector, the NPM has attracted the attention of policy framers and practitioners all over the world. Osborne and Gaebler’ (1992) bestseller has provided further impetus to the process. “Reinventing government” has since then become the slogan in many societies and by the end of 1990s it has assumed a global character, although the scale of implementation has been uneven and the NPM has also been a matter of controversy and debate[1]. Despite skepticisms in some quarters and debates and controversies surrounding it, the NPM has lately become so widespread that it is seen as a new paradigm that is replacing the classical bureaucratic paradigm of public management (see Gow and Dufour, 2000). The influence of NPM is clearly evident in Malaysia, as in other Southeast Asian countries (Cheung and Scott, 2003). Over the past decades, a range of NPM-type reforms have been initiated and implemented in the Malaysian public sector with the aim of transforming it into an efficient, dynamic and market-driven administration. The present paper seeks to discuss the nature of public management reforms in Malaysia and comment on their implications. It begins with a brief note on the NPM seeking to identify its key features and/or elements. This is followed by an overview of Malaysia’s micro and macro economic context, which has spurred demands for reforms. While section three provides a description of the nature of reforms initiated and implemented since the early 1980s, the final section of the paper is devoted to the assessment of reforms and their implications.

NPM

Generally, the NPM is used to refer to a set of contemporary administrative changes aimed at improving public sector efficiency and performance in the delivery of services. As indicated earlier, at the core of these changes are the application of private sector values and management tools in the public sector and the delivery of public services through market mechanisms. Rooted in the neo-liberal economic theory, the NPM ideology is based on the assumption that the existing structures and policies of the government are the root causes of inefficiency and poor performance. It further asserts that the problems of the government are so pervasive and deep-seated that they cannot be resolved simply by altering the structures of public bureaucracies. Therefore, the proponents of the NPM offer alternatives in the form of market-based solutions and customer-driven management.

There is hardly any precise definition of or consensus on what constitutes NPM. In fact, reforms initiated in different parts of the world during the past two decades under the rubric of NPM are so varied that it is hard to capture them in a single definition. This explains why some analysts tend to view the NPM as a “menu” from which the countries may choose and apply depending on their specific situations (Pollitt, 1993; Manning, 2001). Nevertheless, based on available literature in the field, it is possible to identify some important elements of the NPM as a generic model. It emphasizes, among others, on the following:

- decentralization of authority with a wide variety of alternative service delivery mechanisms including contracting out and quasi-privatization;
- downsizing (reducing budget and staff of public agencies), deregulation, and employee empowerment in the public sector;
outcomes and results rather than inputs and processes, performance contracts
and performance management to hold staff accountable;
private sector-style management and flexibility;
cost recovery, entrepreneurship by allowing employees/teams to pursue program
delivery outside established mechanisms, competition between public and
private agencies for the contract to deliver services;
improving quality of regulation and the management of human resources;
a management culture that emphasizes on the centrality of citizens/customers
and accountability for results (Osborne and Gaebler, 1992; Hood, 1995; Pollitt and
Bouckaert, 2000).

Therefore, the NPM represents a major shift in public sector administration – a shift
that redefines and incorporates changes in its structures, processes and values. The
structural changes entail organizational decentralization, reduction in hierarchies,
streamlining organizational arrangements to eliminate unnecessary units/agencies.
This also implies the creation of single purpose agencies, quasi-privatisation and
contracting out functions. The changes in the processes include, among others, the
injection of management techniques and market values in the public sector. More
specifically, the NPM suggests changes in the process of budgeting, human resource
management, and quality initiatives that would enhance efficiency of public
bureaucracy and force it to be more responsive to the needs of its customers (for an
exhaustive list, see Common, 2001). Clearly, the values NPM seeks to promote through
such changes include efficiency, effectiveness, flexibility and dynamism. In short, the
NPM calls for putting the customers first, making service organizations compete, using
market mechanisms to solve problems, entrepreneurship and cost recovery initiatives,
employee empowerment, downsizing and decentralization of decision making,
streamlining the budget process and decentralization of personnel management.
With all this, the NPM seeks to change the traditional rule-bound, process-oriented
administrative culture into flexible, innovative, dynamic and result-oriented one.
Obviously, the more these elements are present in a particular country the thorough its
NPM reform is believed to be.

Malaysia: the general economic scenario and push for reform
At independence in 1957 Malaysia was an exporter of primary commodity to the
international market, but with strong state patronage and drives for industrialization
under the New Economic Policy (NEP) the nation began to export light manufacturing
goods in the 1970s. By early 1980s, a major policy shift occurred when the new
government opted for heavy industrialization and joint ventures with foreign partners.
Within a short period of time Malaysia managed to increase its export substantially to
emerge as a leading exporter of manufacturing and electronics goods in the world. The
increasing reliance on exports means that the Malaysian economy has become
integrated with the global economy. Thus, when the global economic recession of the
1980s led to a serious rethink of the prevailing economic principles and policies
elsewhere, Malaysia could neither remain unaffected nor could ignore the realities as
they had serious implications for the domestic economy. Globally, the state-led
approach to development came under increasing attack; the new economic philosophy
that gained currency not only questioned the size and capacity of the public sector but also presented market mechanisms as better alternatives for greater efficiency and faster economic growth. Thus, there has been a worldwide movement towards privatization and commercialization of public sector undertakings. Such developments on global fronts, the local political imperatives aside, called for a major review of Malaysia’s policies. Already saddled with large bureaucracies, high operational budgets and huge deficits (Awang, 1995) the government found itself in a difficult position as the country witnessed a sharp decline in its revenue caused by falling exports and demands. The combined effects of rising unemployment, falling prices for its primary export items and declining demands for electronic products were so devastating that in 1985 the economy registered negative growth.

Such a situation demanded concrete response on part of the Malaysian government in order to be able to tackle the challenges. Hence, in its mid-term review of the Fourth Malaysia Plan (1981-1985) the government decided to reduce its role and involvement in the economy and instead foster development through greater reliance on market forces. In 1983 privatization was chosen as a major strategy for reducing the state’s involvement in the economy and society; subsequently it was declared as a major component of the government’s economic policy. Privatization was expected to stimulate private entrepreneurship and investment, accelerate the rate of economic growth and thus help achieve the goals of national development. Programs and projects had been reviewed, subsidy programs were cut back and deliberate attempts were made to “downsize” the state (Sarji, 1996a) – all aimed at reducing the burden of massive public expenditure. By the end of the 1980s, the public sector saw its dominant position largely undermined and diminished as a result of vigorous and aggressive implementation of privatization.

As a direct response to economic challenges and global uncertainties the Second Outline Perspective Plan (1991-2000) was launched in 1991. The OPP2 or more commonly known as the National Development Policy (NDP) has specified the targets in socio-economic spheres and the strategies to be pursued to achieve developmental goals. The Vision 2020 – a 30-year strategic plan introduced by the then Prime Minister Dr Mahathir in the same year – already outlined Malaysia’s aspirations and policy implications to achieve the goal of a fully developed nation status. It is important to note that both documents are complementary in nature and they focus on industrialization as country’s development base and seek to rely heavily on the private sector. They also emphasize on public-private cooperation as a means to promote investment and fasten the process of economic growth. Despite the changes in its earlier position, the public service was expected to play a vital role in achieving national developmental goals. Obviously, some changes became inevitable in order to enable the public service to play its new and emerging roles.

Further pressures came from the political and economic changes taking place in the international and domestic scenario in the 1990s. Events like the collapse of communism in Eastern Europe and USSR, establishment of a single European market, formation of regional free-trade blocs and the opening up of the Chinese market for foreign investment have posed tremendous challenge for countries like Malaysia. This has been compounded further with the process of globalization and its consolidation. With world economy becoming increasing global and fierce competition among the states for market share and survival, globalization has posed huge challenge for the
Malaysian economy. As a nation heavily dependent on external trade, Malaysia required to chart the future directions and strategies not merely for its economic survival but also for keeping pace of socio-economic development and meeting the growing expectations of her population. Thus, a new set of responsibilities was thrown on the government and its public service in order to ensure the country’s competitive edge in the global market. The task has become even more challenging given that the nation is already faced with a plethora of complex problems: narrow base of its exports, limited local market, growing protectionism, deteriorating balance of payment situation and internal savings, stagnancy in the capital market and the weakening of local currency. All these developments have had serious implications for not only the nation’s economic policies and programs but also for its governance in general. Hence, the public service needed re-examination and rationalization of its responsibilities, to be equipped with appropriate values and skills in order to be able to face the challenges of the changing local as well as global context.

The advent of “governance” or more specifically “good governance” paradigm has also had some implications[5]. Since the early 1990s, “good governance” has increasingly come to be seen as a critical element for sustainable development. Major international and regional organizations like the World Bank, United Nations and Asian Development Bank have paid serious attention to this phenomenon and made it a condition for granting assistance to developing countries. Locally, governance issues have always been causes of serious concern, especially among the academics, political opposition and civil society organizations. Such concerns have been reinforced in the aftermath of the Asian financial crisis of late 1990s that hit the region hard. The crisis has exposed the imperfections of the public management and an apparent lack of transparency and openness in governmental operations. Thus, the crisis has reaffirmed the importance of improving governance in the region thus adding force to the demand to consolidate ongoing reforms and initiate newer measures in order to overcome the crisis and put the economy back on track.

Public management reforms in Malaysia (1981-2005)
The economic and political contexts of the past decades made it an imperative that public administration in Malaysia adapts itself to the changing situation in order to be able to play its new and emerging roles effectively. Thus, the government of Malaysia has followed the global trend of managerialism and consequently introduced major reforms in various spheres of public bureaucracy and its management. Though reforms are nothing new in the Malaysian context, sustained efforts have been made especially since the mid-1980s when market forces have come to be recognized as the engines for growth and development. The role and boundary of the public service has since been redefined and many pro-market values like efficiency, productivity and cost-effectiveness have been adopted in the business of the government. With the launching of the NDP and the Vision 2020 reforms gained fresh momentum; the two documents have not only provided the direction for the future of the nation to be a developed country but also set new challenges for the public service[6]. In appreciation of these imperatives and challenges, the government has initiated a variety of reforms.
The “Malaysia incorporated” policy

The economic and developmental imperatives prompted the Malaysian leadership to look for policy choices followed elsewhere. As early as in 1981 the “Look East Policy” was introduced seeking to learn and benefit from the experiences of Japan and South Korea. The underlying assumption was that Malaysia had much to learn from and emulate the experiences of these countries, which were able to tackle the global uncertainties. A direct outcome of the Look East Policy was the introduction of the Malaysia Inc. policy in 1983. Based on the Japanese notion of “coordinated interdependence” the Malaysia Inc. represents a new way of approaching the task of national development whereby a new relationship between the public and private sector has been conceived. The essence of this approach is that it is necessary for the public and the private sectors to work closely, support, facilitate and supplement each other for rapid socio-economic development. Under the policy the entire country is seen as a business corporation with the private sector fuelling its growth and expansion and the public sector providing the support vital for the success of the corporation (Sarji, 1993). Hence, the Malaysia Inc. not only calls for an end to the traditional antagonistic relationship between the public and private sectors but also underscores the need for establishing a symbiotic relationship between them for realizing national developmental goals. This is justified in terms of mutuality of benefits: the private sector is likely to benefit from higher profits and growth and the government will benefit in terms of higher revenue and increased employment.

While initially it took the form of a slogan and efforts were focused mainly on promoting the understanding of the concept and its philosophy, subsequently emphasis was laid on the actualization of the concept through concrete programs and schemes. Since its inception in 1983, a series of mechanisms have been developed to foster collaboration between the government and the private sector. The Malaysian Business Council (MBC), the Malaysia Inc. Officials Committee and consultative panels have held regular dialogue sessions at different levels/ministries thus facilitating the exchange of ideas and information (Bahari and Balan, 1999), which later paved the way for administrative improvements in different areas[7]. It is also claimed that Malaysia Inc. has had a major impact on the mind-set of public officials who have begun to see themselves as facilitators and partners with the private entrepreneurs in the process of national development (Awang, 1995).

Downsizing the civil service

The worldwide recession of the 1980s and its consequent effects on domestic economy left the Malaysian government with little choice but to reduce the size of its public sector. The civil service became the primary target of downsizing programs. Measures initiated by a high powered committee formed for the purpose under the leadership of the Chief Secretary to the government included the following: curbing the creation of new posts, abolition of vacant posts in non-critical areas, review of positions in statutory bodies, the merger of state administrative services into federal civil services, the restructuring of public sector agencies, and the privatization of government enterprises (Sarji, 1996a). However, the last two measures i.e. organizational restructuring and privatization have contributed significantly towards downsizing goals. Initiated in the mid-1980s, the organizational restructuring was aimed at ensuring that the size of the public service was consistent with its new roles and
functions in the society. Between 1992 and 1997 a total of 570 agencies have been reviewed and restructured with a considerable reduction in the number of posts (GOM, 1998). The New Remuneration Scheme (NRS) introduced in 1992 has also supported such objectives as it led to the elimination of several levels through the amalgamation of various salary and service groups/grades.

The drive that has had the most dramatic impact on the structure of the public sector is the program of privatization. Aimed at relieving the financial and administrative burden of the government in undertaking expanding network of services, and reducing the size and presence of the public sector with its monopolistic tendencies, the privatization program has been extensive in its scope and coverage. During 1983-1995 a total of 210 projects were privatized (Sarji, 1996a) in different sectors of the economy using a variety of modes[8]. Though comprehensive assessment on the overall impacts of privatization is lacking, evidence shows that it has been effective in trimming Malaysia’s bloated bureaucracy significantly. It has had major impact on the public payroll as a total of 105,000 public sector employees have been transferred to the private sector (Noruddin, 1999). It has also succeeded in alleviating the financial burden of the government through savings in huge operating costs and capital expenditure of RM 130 billion. This, along with the proceeds of the sale of assets and equity and the revenue from corporate tax and other taxes imposed on these entities, enabled the government to reduce its borrowings as well as reallocate resources to more critical sectors (GOM, 1998). Though privatization is not the panacea and its critics may find many flaws and adverse effects in other areas, in this case the policy appears to be effective so far downsizing of the public sector is concerned.

**Service process reengineering**

While the government of Malaysia has already committed itself to provide improved services to its clients, with the advent of globalization it became apparent that a fundamental rethink and redesign of the governmental processes was essential in order to achieve dramatic improvements in service delivery. Two important studies initiated by the government in the early 1990s led to the introduction of major revision in procedural matters of the business of the government. Public agencies in general have been asked to review the existing ways of doing things in order to reduce red-tape and expedite the delivery of services and to take appropriate actions to ease regulations and procedures for the benefit of their clients (Sarji, 1996a, b). The emphasis was on efforts to rid administration of bureaucratic practices and speed up approval process for applications related to issuance of permits, licenses, and land administration as well as economic, investment and other matters. This eventually has led to the introduction of new application forms, merger of several forms into a composite application form, reduction of time taken for processing of applications, extension of validity of licenses, and the establishment of licensing centers especially at the local level. Some of the prevailing systems have been abolished and the correspondence procedure has been streamlined.

In the past the image of the government suffered for not only the services rendered to the public were poor but also there were inadequate guidelines and lack of facilities for the public (Rahman, 1996). With the expansion educational opportunities and growing international exposures, as the people began to demand better services the government responded to such demands by upgrading counter services. A variety of
changes have been introduced over the years in the form of better physical facilities, office layout, improved equipment, good queuing system, fast, dependable and accurate services, knowledgeable and courteous staff. Mobile counters have been introduced, additional facilities have been created that include cheque deposit boxes and credit card payments and drive-in counters. Since the government was keen to see expanding business activities and private sector investment both from within and outside, a particular emphasis was placed on ensuring a swift and hassle-free service to those investors. Faced with growing competition from other emerging destinations of investment, government felt it important that investors’ concerns are taken care of and that the government administration is ready to put the interest of the business first. While public administrators have been reminded of such responsibilities, more concrete actions followed. One-stop clearance centers have been established seeking to reduce the burden of potential investors. Under the program, all necessary services pertaining to issuance of licenses and permits are to be provided from one-point thereby reducing the time taken in obtaining business approvals (Sarji, 1996b).

Personnel and financial management reforms
Public service has also witnessed significant changes in its personnel management along the lines of NPM. The most important among the changes brought about in this area are the NRS and the new system of performance appraisal. Introduced in 1992 the NRS seeks to remove the anomalies prevailing in the previous system and thus make the public sector pay and promotions more objective and reliable[9]. Under the new system, 574 existing schemes of services have been reorganized and reduced to only 274 schemes and 19 classifications based on similarities of roles and functions (Sarji, 1996c). In an attempt to establish linkages between performance and rewards, the NRS has introduced a matrix salary schedule (MSS), which replaced the linear salary scale followed earlier. The MSS allows a greater degree of flexibility in the area of salary progression; based on employees’ performance, the salary may move in four different directions: static, horizontal, vertical and diagonal. Dynamic performers will move diagonally and enjoy double annual increments compared to that of average performers. On the other hand, the poor performers will not be rewarded and will receive no salary increments for a particular year. With such features, the NRS was expected to satisfy the long-standing concerns of public servants.

The introduction of NRS has been quickly followed by a new performance evaluation, which has been designed to minimize the elements of subjectivity in the performance appraisal system. The new system is expected to provide for a more systematic, transparent and reliable measurement of employee performance. The whole task of performance appraisal has been decentralized: a panel is empowered to examine, consider the performance of an employee, decide on the salary progression and determine the number of officers who are eligible for various types of salary increase without disregarding the specified quota for the respective categories (Sarji, 1996c). However, as the changes proposed under the NRS and new the performance appraisal system created discontent among some civil servants, yet another pay plan entitled as the Malaysian Remuneration System (SSM) has been introduced in November 2002. The SSM is not to replace the NRS; the civil servants unhappy with the previous system may now opt for the SSM. Therefore, the SSM is expected to tackle
the problems associated with the NRS and satisfy the public officials in terms of better salary, promotion prospects and improved service conditions.

The financial management system has also been subjected to change. The most significant aspect of such change is the introduction of the modified budgeting system (MBS) in 1989. Aimed at ensuring greater public accountability in financial management, the MBS basically represents a set of modifications to the program and performance budgeting system (PPBS) that typified the governmental budgetary process in Malaysia. Under the MBS, all governmental agencies, federal departments and statutory bodies are required to enter into a program agreement with the treasury, specifying the input to be used and the expected outputs/impacts of a particular program/activity for the financial year. The expenditure for each government agency is broken down into its activities and discretion is given to managers in terms of virement. This is intended to enable them to effectively respond to changing circumstances and develop a more accountable system of management not only in terms of mere compliance with rules and regulations but also in terms of efficiency and effectiveness of program performance (Xavier, 1999). The MBS with its emphasis on employee performance measurement and program evaluation is likely to bring about significant changes in budgetary practices within the government. Unlike in the past, the performance of each agency is now to be measured in terms of quality and quantity of outputs, costs and timeliness etc. Such an evaluation ensures that the operations of agencies are constantly monitored and the funds are utilized effectively.

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Client’s charter and public accountability

Given that public accountability is seen as the foundation of a responsible government, it has also been a major focus of public management reforms. In Malaysia, while a plethora of mechanisms have been put in place, a new dimension to public accountability has been added with the introduction of the Client’s Charter in 1993. Modeled on the Citizens Charter in Britain, the Client’s Charter is a written commitment made by government agencies pertaining to the delivery of outputs or services to their respective customers. It is an assurance by the agencies that outputs/services will comply with the declared quality standards that are in consonance with the expectations and requirements of the customers (Sarji, 1993; Rahman, 1996). The government policy requires that Client’s Charters be formulated and implemented by government agencies at all levels, statutory bodies, district authorities and local bodies. It is to be displayed in prominent places within the agencies/offices so as to make it clearly visible. In case where an agency fails to comply with the quality standards stated in its charter, the public can lodge complaint for non-compliance. Thus, the agency is made accountable, at least in theory, to its customers in a way that is more explicit and specific than before.

Most government documents on civil service have highlighted the importance of the Charter and benefits the members of the public are expected to gain from it. It is claimed that the Charter will enable the public to know specifically the quality of service and to evaluate the services rendered. The Charter will also help reduce uncertainties over the delivery of services and facilitate comparisons between agencies that offer similar services. The service recovery mechanism introduced later in 1994, is expected to ensure that appropriate actions are taken to restore the customers’ confidence should the agency fail to deliver services promised in its Charter. For the
government departments or agencies it was anticipated that the Charter would provide performance indicators, enable them to make evaluations and thus foster accountability and responsiveness in the public service (Common, 2001). While the agencies began to formulate and implement Client’s Charter in the same year, meanwhile the government initiated several other measures to this end. Programs like “clean, efficient and trustworthy administration” campaign, formation of management integrity panels at federal, state and district levels, strengthening of anti-corruption legislation, and the consolidation of the public complaints management system – all seek to strengthen and institutionalize public accountability within administration[10].

Quality and productivity improvement drives
In the changed local and global scenario where public administration is expected to do more with less and more and more demands are being voiced by the people for better services, the government of Malaysia has followed the global trend and mounted quality and productivity improvement drives. Concerted efforts have been made to improve the delivery of public services and more so to institutionalize quality ethos in the public service. A landmark in this area is the adoption of the total quality management (TQM) in the public sector. Here, the goal is to create a culture where quality and productivity improvements are seen as a way of life. The introduction of quality control circles (QCC), quality assurance unit, strategic planning and the Clients’ Charter are among the other notable efforts made to this effect (Sarji, 1996ab). The quality movement became further intensified and strengthened when a comprehensive award system was introduced in an attempt to institutionalize the culture of excellence in the public service[11]. This policy has become the driving force behind the systematic and continuous efforts by public agencies to upgrade in terms of quality and innovative ways and means to better serve their customers.

While the implementation of such innovations has already marked the beginning of quality management in the public service, further inroads have been made with the adoption of internationally recognized ISO 9000 series in 1996. Clearly, in this case Malaysia has taken the queue from the OECD countries, and asked all government agencies to strive for and achieve ISO certification. Even though Malaysia has chosen to implement its own version of ISO 9000, it is the first country in the world to embark on ISO for the entire government machinery (Common, 2001). This is significant for it provides a comprehensive system of checks, control and inspection at every stage of the work process so as to ensure consistency in the quality of goods and services produced (Sarji, 1996b). Though ISO 9000 in the public sector is still in its infancy, some public sector organizations have already received the ISO certification based on their achievements. A further step forward in this area is the introduction of the benchmarking program in 1999. A circular issued by the government provides detailed guidelines to relevant agencies to implement a systematic and continuous process to identify, learn, adapt and implement best practices. Now the government agencies are required to examine relevant best practices by the benchmarking partner and seek ways and means to adopt and improve upon its application in their own organizations.

IT culture and e-government
The advancements in the field of information technology (IT) has offered enormous prospect for transforming service provision and widened citizens’ expectations for
more efficient and responsive delivery of public services. This has also put pressures on the government to reinvent itself and produce innovations in the service delivery systems. The Malaysian government appears to be well ahead of many other developing countries in terms of emphasizing its significance and undertaking programs for IT application in the administration. In fact, a major feature of the current administrative reforms in Malaysia is the stress on IT. The Multimedia Super Corridor established in 1996 is seen as a milestone in the development of IT application in all areas including the government. Subsequently, the government initiated an E-Government scheme seeking to dramatically enhance the performance and quality of public services by harnessing IT and multi-media (GOM, 2000; Karim and Khalid, 2003). An early initiative in this regard is the Public Service Networks (PSN) whereby the post offices have been enabled to act as one-stop bill payment centers and provide other services like renewal of various licenses, stamping, and payment of road-tax. The PSN experiment has produced favorable results as the members of the public are in a position to pay all the utility bills and obtain other services at one point.

While it marked the beginning of IT application in the government, the proposed e-government in Malaysia is far more comprehensive and ambitious. It seeks to reinvent the service delivery and redefine how the government relates to its citizens, to businesses as well as how the various components of the government relate with one another. A number of other pilot projects have already been completed in various areas and quite a few services are now offered online. Services like driver and vehicle registration, licensing and summons services and the payment of utility bills have all been integrated under the e-Services program that allows the members of the public to access such services electronically. E-Perolehan is the official secure online marketplace for suppliers and government agencies. It enables the suppliers not only to receive tender information released by public agencies nationwide and present their products and services, obtain tender documents and submit bids and quotations, but also to complete transactions and receive payments – all online. The Government Multi-purpose Card serves a variety of purposes. Apart from facilitating cashless financial transactions, it serves as national identification document and driving license; it also contains passport and health information. Additional facilities are now being added to make it a vehicle of convenience in all aspects of life. The government is confident that with the full implementation of e-government, more and more services could be provided online where agencies at federal, state and local authority will collaborate relating to services and present them as one public service portal. Therefore, the services will be accessible to the members of the public at any time and from any place without being constrained by agency working hours and distance (Ali, 2001; Karim, 2003). The proposed E-Public Services (E-PS) seeks to upgrade the efficiency and effectiveness of service delivery to the public and business community via interactive electronic channels. The citizens will be provided with a choice of multiple delivery channels with wider access available from anywhere at their convenience. Although the objectives of E-PS are similar to that of E-government, its scope is much wider as it encompasses all electronic services to the citizens irrespective of whether they are provided by the public, private or voluntary sectors. Therefore, it envisions a collaborative and proactive relationship between these sectors in providing quality services that meet the customer expectations in the information age (GOM, 2000).
Public management reform in Malaysia: performance and pitfalls

The preceding discussion clearly shows that although no official announcements have been made to this effect, the government of Malaysia has, indirectly acclaimed the NPM ideology and introduced a variety of reforms in its public management. The recent reforms represent Malaysia’s attempt to remain relevant and competitive in a rapidly changing local and global environment. It is clear that the changes are largely consistent with NPM principles and they are not only geared towards enhancing efficiency and institutional capacity of the governmental machinery, they also seek to transform it into a dynamic, market-driven and customer-oriented administration[12]. In line with NPM principles and philosophy, a considerable emphasis has been put on quality, productivity, accountability and customer focus. The Malaysian experience shows that while considerable strides have been made in areas like organizational restructuring, privatization and corporatisation of public entities, quality management, customer focus and the application of ICT, the progress in other areas like the introduction of standards of performance, performance related pay and cost-saving initiatives as proposed under the NPM has been limited, despite reforms in personnel and financial management. Also there are areas like quasi-market reforms, the creation of single purpose/executive agencies as in the UK, performance contract or contractual appointment and employee empowerment where hardly anything has been done. Thus, the Malaysian experience reveals only partial adoption of the NPM model. Nevertheless, the recent reforms have offered enormous promises in terms of service quality, efficiency and responsiveness. But how effective are these reforms? What are the impacts of such reforms? Given that many of the reforms are in the process of implementation, and no comprehensive study has so far been undertaken to assess their impacts, any conclusions drawn on their effects must remain tentative.

Generally speaking, the governmental efforts made during the past two decades, have produced positive impacts in terms of ensuring hassle-free and timely services to customers. A considerable progress has already been made in terms of rationalizing and reengineering of systems and work-procedures. As such, today the customers of most public departments are required neither to fill so many forms nor to furnish large number of supporting documents. The use of advanced technology and the simplification and standardization of forms have led to considerable savings in terms of time and cost. Likewise, the availability of online services has cut down paper work; customers no longer have to fill out many forms or visit the counters of relevant agencies in order to gain access to these services. The launching of the Client’s Charter has brightened the prospect of improved services even further: the Charter not only promises the quality services but also timely delivery of services. Malaysia has also introduced programs for monitoring of public complaints in the media, public agencies holding monthly sessions with their clients, maintaining suggestion boxes in each agency and encouraging feedback from the members of the public. All these developments are seen positively and their mere presence is said to provide a passive check on administration. Other reforms like the Malaysia Inc. and privatization represent major shifts in government’s policy in promoting development. They recognize the potential roles that the private sector can play in the process of national development. The Malaysia Inc. has been highly supportive of government economic goals; it is believed to have ensured the provision of a stable and friendly environment through well-structured consultative mechanisms. These mechanisms and dialogue
sessions provide two-way communication channels between the public and private sectors and serve as platforms to agree on policy implications to address the needs of the parties involved (Ali, 2001). Such exercises have, it is believed, led to considerable administrative improvements and procedural changes. Likewise, privatization policy in Malaysia, apart from promoting economic growth (Tan, 1991), has made a substantial reduction in the total number of workforce in the public sector possible, eased the administrative and financial burdens of the government to a large extent.

Despite such silver linings, not all is well with public management reforms. As a matter of fact, the recent reforms in Malaysia have raised a number of concerns in different areas, as summarized below. With the recent transformation of the public governance and the redefinition of the boundaries of the state, the public sector in Malaysia has assumed a more passive, indirect and facilitating role. Consequently, the capacity of the government to exercise necessary control over economic activities, income distribution and consumption patterns have reduced considerably. This has given rise to serious questions about the ability of the government to promote public interest/welfare. This is significant since the income gap among the major ethnic groups in Malaysia is huge and traditionally state played a lead role in bridging the gap. Already there is an apprehension that the inter-ethnic economic disparity is likely to aggravate under the new paradigm of governance. With cuts in public expenditure the costs of social services like health and education are being increasingly transferred to the consumers in the form of higher university fees, payment of school amenities, hospital charges and so on (Jomo, 1995). Therefore, it is likely that instead of being helped the poorer sections of the society will be further impoverished, under the new paradigm of governance.

Likewise, the application of market principles in the business of the government has caused serious concerns with regard to public accountability. This is simply because public officials are no longer responsible for the delivery of goods and services, they are to encourage and facilitate the private providers to deliver public services. Private owners/contractors are more motivated by bottom-line considerations of profit, growth and market-share than by broad moral concerns of public welfare. Neither the public nor the government has enough control over these entities. More importantly, privatization in Malaysia, despite its contributions to economic growth, has remained a contentious issue for several reasons. First, there are scores of allegations about it involving the manner in which it was carried out, types of units privatized and to whom they were privatized. There is a widespread view that the privatization policy in Malaysia has favored the vested interests, these involved extra-legal tactics and widened opportunities for kickbacks and graft. Since often no such formalities like tender system were involved, many beneficiaries were chosen based on political and personal connections. (see, Gomez and Jomo, 1999). Second, despite off-loading of shares under privatization, the government has continued to provide soft loans, tax incentives and other concessions to privatized units. Recently a huge amount of public money has been pumped into the rescue of privatized units (that faced massive burdens of debt) thereby converting “private debts” into “public debts”. Worse even, are the cases where the government used public funds to re-nationalize privatized assets at prices far exceeding market value. It is alleged that such policies have blessed the cronies of the regime twice: first they benefited from privatization and then they walked away unscathed from their debts and liabilities. Thus, Malaysia has
experienced, as critics assert, 20 years of privatizing profits and profitable assets and socializing losses and liabilities (see Jomo, 2003).

Reforms in the area of personnel and financial management have not brought about any fundamental change in these areas. Personnel management reform under the NRS has been limited in scope in that it did very little to promote merit and fairness in public employment and promotions. While in theory merit is the basis of public sector employment, in reality it is the quota principle that plays crucial roles. The fact that under the quota system – a legacy of the colonial times – 80 percent of the positions are reserved for ethnic Malays, candidates from other ethnic groups with better academic background and skills often fail to qualify for public service positions[13]. Thus, the quota system still in force legitimizes the discrimination against ethnic minorities in the public service. Such discrimination has been extended lately to the selection of students for admission into public universities. For example, in 2004 selection exercise for entrance into Malaysian universities, the applications of 128 Chinese top students to study medicine were rejected. This incident has led to widespread protest of discrimination requiring the intervention of the Prime Minister Abdullah Badawi. Needless to say, that such policies and practices are hardly conducive to the development of quality public service, promotion of harmony and unity in the society. Even though the NRS was presented as a major element of the public management reforms, it did nothing to correct such anomalies and hence to establish meritocracy in the civil service. Neither has it been able to satisfy the concerns of public servants. Instead, it has created discontent and frustration among some categories of officials. The implementation of the new system of performance appraisal has proved far more difficult than presumed, and it is still denounced as one that provides scopes for arbitrariness, irregularities and biasness in the process of evaluation (Siddiquee, 2002). Likewise, the MBS has yet to significantly improve the situation in terms of various weaknesses, anomalies and deficiencies in the area of financial management. Audit reports reveal high incidence of failures on part of the federal, state and local governments to comply with relevant rules and regulations, loss and embezzlement of public funds, improper monitoring and supervision.

Innovations like Client’s Charter have been subject to criticisms for a number of reasons. First, the Charters have been formulated and adopted by the agencies without consulting or soliciting inputs from the clients. Therefore, to what extent the agencies have rendered themselves to the desires and expectations of the people remains questionable. Second, the claim that Charters empower the citizens has been challenged given that many of the ordinary people, especially the poor, are unlikely to gain much from the Charter. Third, instead of enhancing accountability the Charter is likely to widen the gap between the government and the citizens (Zin, 1994). Such apprehension is based on the fact that the provision of user charges in most public services diminishes the power and opportunity of low-income households who cannot become the clients and therefore hold the public agency accountable. Therefore, public accountability under the Client’s Charter has become a fragmented and class-biased accountability (Haque, 2000). More significantly, the benefits of the charter cannot be taken for granted. Despite much fanfare at its launch, charters have yet to make any major difference in most public organizations. Evidence shows that whatever is promised in the charter is not always practiced; most customers are unaware of their rights/entitlements (Siddiquee, 2002). Since the public expectations of service quality
and timeliness from the government has been low, the Malaysian public have not been found to be assertive in cases where agencies fail to live up to their promises. Similarly, although the IT application and e-governance are high on the agenda of the government, progress in this field has been modest so far. It is true that Malaysia is ahead of other developing countries in terms of ICT infrastructure and its usage, however, there is a long way to go before Malaysia can catch up with other regional leaders like Singapore and South Korea. Presently, not only the number and types of services offered through such channels are limited but also the public access to such services is inadequate. On the one hand, the public awareness about such facilities is relatively low; on the other hand, pilot projects being carried out have exposed a variety of challenges involved (see Ali, 2001). Therefore, the reforms, although generally seen as steps in the right direction, have not brought about dramatic improvements in the public sector.

Public management reforms have so far failed to bring about desired changes in other areas. While most reform initiatives sought to enhance the institutional capacity and competence of the public bureaucracy to be able to serve the clients better, evidence shows that the public sector in Malaysia continues to suffer from low level of efficiency and organizational competence. Worse more is the current scenario that indicates a decline in public sector competence. An analysis of the public sector competence of 12 Asian countries from 1999 to 2001/2002 by the Global Competitiveness Report shows that Malaysia’s ranking has dropped from 46 in 1999 to 65 in 2001/2002. Malaysia has fared poorly compared with neighboring Singapore, which has ranked first for three consecutive years. Measured on a 0-7 scale (where 0 means least competent and 7 means the most competent), Malaysia’s scores are 2.24, 2.50 and 2.10 against Singapore’s 4.52, 4.4 and 4.7 during the same period. What is even more surprising is that Malaysia’s 2001/2002 ranking is below that of Thailand (44), Indonesia (48), and the Philippines (58) (see TGCR, 1999, 2000, 2002), whose public bureaucracies are usually perceived to be inferior to that of Malaysia. Clearly, the reforms have failed to make any mark on the situation, despite official claims and usually rosy picture painted in most government publications, to the contrary.

Thus, it is nothing unusual that the members of the public in Malaysia have expressed their concerns with the present level of service provision and bureaucratic performance. The fact that the civil service has recorded 58 percent increase in formal complaints from the public, and the Public Complaints Bureau receives an annual average of 4,000 complaints are indicative of public dissatisfaction with bureaucracy. A look at the nature of these complaints reveals that delays in service provision, unfair actions/decisions on part of administrators, abuse of power, misconduct of the officials, failure to enforce rules are among the common complaints made to and regularly received by the PCB (2003). More serious is the problem of corruption, which is believed to be rampant particularly at lower levels of administration. The most recently conducted survey confirms that corruption in the public agencies is fairly high with 31.6 percent of the respondents reporting the occurrence of corruption in their own agencies (ACA, 2003). This is also reflected in Malaysia’s standing in Transparency International (TI, available at: www.transparency.org) Corruption Perceptions Index (CPI). With CPI ranking of 37 and CPI score of 5.2 in 2003 Malaysia has not only remained far behind many developed and several developing countries; the country’s CPI score is still below the initial score of 5.28 and 5.32 during 1995 and 1996.
respectively. More disturbing is the most recent CPI ranking released by TI. With CPI ranking of 39 and score of 5.0 Malaysia has slipped further, despite the much publicized war against corruption declared by the new Prime Minister Abdullah Ahmad Badawi. Clearly, the picture that emerges is one of grave concern. The institutional mechanisms available to combat corruption and enforce accountability have remained weak; consequently they have failed to make any strides in arresting the moral erosion in the society. The public management reforms contributed neither to the strengthening of such mechanisms nor to the modification of bureaucratic ethics and work performance.

**Conclusion**

Like in many other countries of the region, public management in Malaysia has experienced, over the past two decades and half, far more profound and sustained reforms than those in the past. While economic imperatives and growing demands being voiced by the local populace have had some impacts on governmental policies and programs, reforms in Malaysia have largely been influenced and dictated by external factors. Since the Malaysian economy has become increasingly integrated with the world economy, greater demands have been placed on the government for policy changes and changes in administrative structures and processes to suit the new and emerging realities. Meanwhile, the promises NPM has offered as an alternative model of governance and service delivery, and the advocacies made in its favor in both academic and international donor circles, have been so persuasive that the Malaysian government has not been able to resist them. The market-oriented reforms gained further boost with supports from mid-level and senior officials of the public service. The fact that many of them have received training in the West and their association with bodies like the Commonwealth Association of Public Administration and Management (CAPAM) and Kennedy School of Government means that they got exposed to the latest developments in public service elsewhere. Consequently, they have taken the lead role in planning and implementing major reform initiatives.

It is also clear that although the Malaysian government has not officially announced its position in this regard, it has successfully adapted and adopted many of the elements of the NPM. However, so far the impacts of such reforms have been modest. While some improvements are visible in terms of scaling down the public bureaucracy as well application of IT in service provision, reforms are yet to bring about desired changes in other areas. They have neither radically altered the structure of the public bureaucracy nor the values, beliefs and practices associated with it, although there is a tendency among those within government circles to label these reforms as “paradigm shift” (Sarji, 1996a). The government in Malaysia remains centralized, much of the functions continue to be performed by vertically integrated bureaucracies more or less in the same old fashion, and the traditional public sector work culture has remained firmly in place. Also, the low ratings received by Malaysian public service in recent international and regional comparisons indicate that reforms have failed to bolster efficiency, competence and accountability within the public sector. Thus, the initial results appear to be far from satisfactory; bulk of them do not support the claims of the NPM.

The Malaysian experience shows that there is hardly any quick fix to the problems of the public sector and that there is a long way to go before the goals envisioned are
realized. It is possibly important at this stage to sustain and consolidate reform programs and routinely monitor their performance. Given that there is no alternative to competent and dynamic bureaucracy, the present anomalies and deficiencies must be alleviated by introducing merit as a basis for appointment, pay and promotion. Attempts must be made for ensuring the enforcement of regulations and for tackling the concerns and issues raised by the members of the public. Since corruption is seen as a major ailment of the Malaysian public service, concerted efforts are needed to tackle it. Accountability mechanisms need to be further strengthened and activated in order to reduce corruption and other anomalies in administration. It is also important to make the public aware of their rights under Clients Charters and also to ensure that various agencies do follow their Charters and quality standards. The present drives for e-government must be accelerated in order to provide efficient services to the public. Clearly, all this requires commitment and conviction on part of the political and administrative leadership of the country. Arguably, in Malaysia such commitment is present and there are indications that the government is ready to push the reform agenda even further.

Notes

1. While its proponents see it as a way of making government bureaucracy flexible and efficient and improving service provision (see Osborne and Gaebler, 1992; Halachmi and Holzer, 1993), its critics warn of every imaginable ill from destruction of democracy and government infrastructure to the loss of accountability (Kettl, 2003; Terry, 1999).

2. Soon after Dr Mahathir took over as the Prime Minister in 1981 a major financial scandal involving RM 2.5 billion has exposed the massive corruption and mismanagement and clear lack of transparency and accountability within the government. Although the government’s handling of the BMF case was far from satisfactory, public outrage on this and the demands for greater transparency and accountability in governmental operations have had significant bearing on subsequent policies and practices.

3. The government undertook an extensive campaign in its favor and offered incentives in order to attract foreign direct investment. It was presented as a means of shifting some of the developmental burdens on the private sector, reducing budgetary strains of the state and injecting efficiency into the economy.

4. It stresses, among other things, on economic growth, public private partnership, greater investment and competence of civil service.

5. Generally, governance is defined as the manner in which the power is exercised in the management of a country’s resources for development. On the other hand, good governance connotes a desirable state of affairs – usually described in terms of some key components like accountability, transparency, openness, participation, competent administration, rule of law and respect for human rights.

6. The foremost among these challenges is the development of an administrative system that is dynamic, mission-oriented and efficient in terms of delivery of services which can promote and sustain a climate of creativity and innovation and is able to respond effectively to the complex and rapidly changing environmental demands. For details on this, see Muhammad (1991).

7. Important among them include the abolition, modification and simplification of numerous rules, regulations and procedures, establishment of one-stop investment centers, development of guidelines for public officials in terms of their dealings with the private
sector and the initiation of measures to enhance transparency and responsiveness of the government.

8. Projects privatized ranged from energy supply, telecommunications, food processing, construction, shipping and port services, aircraft maintenance to tourist facilities and recreation. Though most units were privatized through the sale of equity method, the other methods like BOT, BO, corporatization and management contract were also employed.

9. Annual salary progression in the past was the prerogative of the head of the department; increments were automatic with little or no concern for those with special skills and talents. It was also characterized by rigidity, complexity and excessive centralization.

10. The members of the public can submit complaints to Public Complaints Bureau (BPA), which is authorized to investigate and recommend corrective actions to redress the public grievances and improve the quality of services rendered by the government.

11. The major awards include the Prime Minister’s Quality Award, Public Service Quality Awards, Public Service Innovation Awards, the Public and Private Sector Joint Research Innovations Awards, the quality Control Circles Award, the Clients’ Charter Award, the Public Service Excellent Service Award, the Public Service Special Awards, the District Quality Award and the Local Authorities Quality Award.

12. Such initiatives have been supported by extensive training programs, which have, of late, increasingly focused on imparting new management skills and ethos thereby making the public service more flexible, adaptive and market-oriented. The public servants are indoctrinated not only to act with private agencies but also to act for private businesses.

13. It may be noted here that instead of replacing it with a fair and objective criterion for public employment, governmental policies have contributed to reinforce the quota system. For example, the public sector saw, under the NEP, the creation of thousands of new jobs all of which were filled up using the same quota principles.

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**Further reading**


**Corresponding author**

Noore Alam Siddiquee can be contacted at siddiquee05@yahoo.com