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THE FUTURE CHALLENGES OF LOCAL AUTHORITIES IN MALAYSIA

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ABSTRACT

THE FUTURE CHALLENGES OF LOCAL AUTHORITIES IN MALAYSIA

The ability to overcome current issues and the readiness to face future challenges are estimated differently between one local authority to another. Local authorities whom are equipped with strong finance, visionary leadership, systematic strategic and action planning, and public support will definitely be more prepared to face those challenges. This article will examine several main findings on the future issues and challenges of local authorities in Malaysia, by referring to Seberang Perai Municipality Council as case study. ¹

KEYWORDS: local authority, issues and challenges, strategic planning, urban planning

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^{1.} The Seberang Perai Municipality Council is popularly referred to as MPSP (for Majlis Perbandaran Seberang Perai). It is one of the two local authorities in the State of Penang, and the largest local authority in Malaysia covering an area of 738 sq. km.

INTRODUCTION

Local government is the third level of government institution that is given authority to administrate, plan, and enforce assigned responsibilities in a local area. The function is to provide all societal facilities that are being charted according to Section 101 and 102 Local Government Act 1976, Act 171, and Section 5(1) and 6(1) Town and Country Planning Act 1976, Act 172.

Traditionally, local authorities' role is to provide municipal and maintenance services, planning and control of land use, enforcement and supervision on development projects, besides manage and control financial budget and tax revenue in their administration areas. Issues and challenges faced by local authorities are mostly related the areas and effectiveness of such functions.

Nevertheless, in recent times, the local authorities faced with various issues and new environment that collectively forced them to be more efficiently and objectively. The issues on effectiveness and credibility of municipal services including 'e-government', good governance, clearer taxpayers' expectation, the need to put 'benchmarking' as organization's highest objective (including the use of KPI-Key Performance Indicator, restructuring of organization and administration area and other issues relevant to every local authorities. The objective of every local authorities is to provide excellent customer services and improve core business process which is a reflection to how far can the issues be handled in this decade.

The study on MPSP is an attempt to table the problems and issues that will be faced, review back effective measurements taken and the preparation to face new challenges that sometimes could be hard to predict. The review on policy and role of government through the Ministry of Housing and Local Government will help to understand the issues and challenges more deeply, especially from the perspective of support and commitment of federal government.

RESEARCH SIGNIFICANCE

The process of urbanization had resulted in huge effects towards land use pattern and urban population. At the same time the huge economic growth and population growth had given to enormous impact towards urban environment. This phenomenon causes various new problems and issues. Traditional urban management is considered outdated and non-relevant. The new era of urban management needs new approaches and practical strategies, and solutions that are more effective towards future issues.

The question is do the local authorities have the ability to handle such issues and challenges, and how far can they play their role as the urban manager in the new era? What are the preparations needed in new capacity-building that are much more innovative and proactive? Is the unpredictability of issues can be detected earlier and always prepared to face any possibility? Perhaps the words of Malaysia's former Prime Minister could well summarize the research's significance;

"Given those rapid changes in the world economy, they must be prepared to confront new sets of challenges in the 21st Century... Continuous therefore be made to review the public service so as to be in line with the current needs. We need to look into ways and means to improve and enhance the capability of our services."

(Mahathir, 1995:12)

RESEARCH METHODOLOGY

The gathering of information involves the distribution of a set of questionnaire designed to achieve the research objectives. The Mayor or Council's President with the assistance of senior officers are required to answer every question based on the facts, collective views, current action plans, observe management's strengths and weaknesses, recognize threats and other critical factors that influence organization's success, and identify issues on current and future strategy and challenges. The level of information clarification involves extended discussion with council's senior officers.

On the level of Ministry of Housing and Local Government, the same approach is used, except that the clarification on information is made through electronic interview. Collective answer derived involves senior officers, by observation and providing relevant answers.

FUTURE CHALLENGES

This part will identify several challenges that faced by MPSP in the future. The economic issues are dominant, in addition to the quality of life, environment, and safety. The basic challenge is the re-demarcation of municipality's administrative areas that contribute huge implications on other issues. Five challenges are predicted to be faced by MPSP; i) The re-demarcation of administrative areas, ii) Destabilization and global economy crisis, iii) Local economy development (LED) and competitive economic, iv) The increase in the quality of life, v) Environment and safety.

Re-demarcation of administrative areas

On of the most talked about issue is the size of the administrative areas and huge population size (represents 55% from the overall population of Penang), and the efficiency of urban service that MPSP can provide to the people of Seberang Perai, currently and in future.

The intention of state's government of restructuring the local authority in Seberang Perai is seen as the main challenge that needs real justification and rationality for decision, and its implications on organization administration, geo-politics, infrastructure facilities, socio-economy and physical, cost benefit, and the impact on the income and expenditure of the council. The re-demarcation can be categorized into three possibilities; a) to create one Municipality Council and three District Councils, b) to create two Municipality Councils and one District Council, c) to maintain the existing structure.

Destabilization and Global Economy Crisis

The destabilization and global economic crisis creates a strong impact on the growth of regional economy. Focused are given to economic resources that can reduce and save production cost, especially the cost of labor. The result is multi-national companies that are operated in the industrial areas in Seberang Perai will move to other countries such as Thailand and China. The cost of moving industrial location involves around 40% of the existing industrial areas in Seberang Perai. This will impact hugely on the overall income of the council, and cause socio-economic problems among the people due to retrenchment of operation production workers.

The main challenge of MPSP is how to react to this situation, and what kind of preparation that needs to be taken as a precautious step from making the situation even worse due to the moving of investment location. The question is will the vision of MPSP "to make Seberang Perai as a clean, beautiful and comfortable place to live, work and competitive investment" still sounds relevant, especially in convincing the investors?

Local Economic (LED) and competitive economy

The reliance on uncertain globalization economic caused a shifting focused to the development of local economy, including identifying new sources that can be exploited, support Small and Medium Enterprise (SME) and other fields including trade and agriculture. Seberang Perai has variety of sources and land uses, including investment, industrial and agriculture areas, with a huge potential to exploit as new form of resources for the growth of local economy. The infrastructure facilities, the support of federal and state government, and attractive investment policies could make Seberang Perai more competitive compare to other areas in this country.

The Increase of Quality of Life

The effort to increase the quality of life of the people is on-going agenda. The quality of life covers all aspects; the physical infrastructure development and public facilities, the facilities for housing, trade, industrial and service, safety and neighbors, and the access to greater socio-economy opportunities. The objective is in line with the Ninth Malaysia Plan (2006-2010) which emphasis that "the quality of life is also intrinsically linked to fulfilling basic needs as well as to maintaining peace, security and harmony".

Environment and Safety Issues

The increase in the quality of the among the urban and rural communities can be seen through the perspective of secured urban environment in terms of cleanliness, the management of continuous natural resources, consistent and effective and sensitive toward any forms of threats and disturbances. In this context, MPSP sees that the challenge to preserve and increase the quality of environment (living, work and other areas) as one of the main priority in policy making, implementation and monitoring of the council.

The Seberang Perai area rich in natural resources, especially in the coastal, hills and land areas, can be seen as an asset for tourist attraction, sources of investment opportunity, and the source to balance the physical development area. The ability of MPSP in handling the challenge in the future will ensure the achievement of MPSP's mission. In conjunction to that, MPSP persists that the issue of safety is also important in the future. The increase in crime rate especially in the city centre is seen as the most critical threat in the effort to create a safe city.

APPROACH TO OVERCOME FUTURE CHALLENGENS

The approach with specific objective can help MPSP to handle these challenges effectively. First, the preparations to face the possibility of re-demarcation the administrative areas, and MPSP's organization needs accurate facts to back. The state government needs to identify the implication of the changes in varying degrees, and search for the best alternative. The pressure needs to be put on the issue and implication of population pattern, administration organization, geo-politics of the area, public infrastructure, socio-economy and physical, cost benefit, besides taking into account on the implication of the council's income and expenditure.

The REMI⁹ can be introduced and use for the purpose of analysis. What's important is to protect the stakeholders and the rationality in making decision based on real facts.

Second, the challenge of destabilization and global economic crisis that will be faced by MPSP needs two approaches; i) Increase knowledge among officers and staff through training programs and exposure on domestic and overseas administrative. The main aspect that needs to focus is technology and the sharing of information on legal and international cooperation, resources management and risk, and other fields that can help to endure the shock, ii) Increase the reserve of council, through responsible expenditure approach. Programs that is less beneficial to taxpayers needs to be reevaluated. The pre-budget programs that provide opportunity to all to give their views on the expenditure of the council can help the council before the real yearly budget be released. At the same time the strategy to increase tax-rated collection and reduce tax evasion will help the council to face with the challenges.

Thirdly, the reduction in valuation assessment on housing, shop lots, industries and agriculture lands are estimated to help the council of face the challenge of building the local economy and economic competitiveness. For the traders and industrialists, the reduction in assessment tax is seen as an encouragement initiative scheme to support and develop the scale and operation of their business, besides provide and support complete infrastructure and other facilities by MPSP.

The development of lands owned by MPSP, either through cooperation, privatization or direct sells off will enable the council to gain profits and generate the local economy activities, in addition to helping to implement social responsibility, for example providing low cost housing, reduce poverty and achieve the foal of zero illegal housing, in line with the national development aspiration. Through partnership, the council can cooperate with other parties to develop the local economy activities, including research and training programs, funding, and implement and develop activities that can generate new business and investment opportunities to local and international businessmen and traders.

Forth, increase the quality of life of the Seberang Perai people through the strategy of upgrading the system of traffic management, public facilities and the cooperation of agencies. The rapid process of urbanization can give clear effects on the flow of traffic and the polar of people/cars movements, either involving the movement internally or out from the areas. The construction of the Butterworth Outer-Ring Road (BORR) and North South Highway had caused these changes and the council needs enforcement on the suitability of the existing roads and new roads to avoid traffic congestion. From time to time the status of the traffic needs to be revised and approaches such as provide controlled traffic lights, the construction of road bridge and one way road need to be introduced.

The construction of public facilities needs to be upgraded to sustain the needs of the people. Community activities need to be done through cooperation with Associations of Local Residents and Establishment of Community

⁹ REMI (Regional Economic Mode,Inc.) was founded in 1980 as a single provider of PI+ (the nest generation of Policy Insight), the leading economic-forecasting and policy-analysis model. The REMI model incorporates aspects of four major modeling approaches; Input-Output, General Equilibrium, Econometrics, and Economic Geography. Each of these methodologies has distinct advantages as well as limitations when used alone. The REMI integrated modeling approach builds on the strengths of each of these approaches.

Policing, including introduces the approach of Local Agenda 21. The approach in the form of partnership between the council, government/private agencies and the residents in order to make the community programs a success.

Fifth, adoption of the Environmental Management System (EMS 14001) as a guideline for environmental management procedure. The status of guideline is still at the pilot test stage in MPSP and under audit observation of SIRIM. Through EMS 14001 which involves all levels and working processes, it is estimated that the objective to preserve the quality of the environment will be achieve as planned.

FUTURE CHALLENGES FROM PERSPECTIVE OF MINISTRY

There are nine challenges, according to the ministry's perspective, faced by local authorities in the future; i) urban poverty, ii) relevance of function, iii) pollution of environment, iv) explosion of information system development, v) human resource development, vi) expectation of tax payers, vii) changes in working culture, viii) generating financial sources, ix) corporate leadership

Urban poverty is seen as the main cause to other urban problems, especially crimes and social illness. In addition as an urban services provider, local authority needs to create programs/ activities to free the urban dwellers from poverty.

In order to ensure the relevance of function in the country's developmental, local authority needs to have high level of competitiveness and is able to function as the force for local development and not merely as a department. The Ninth Malaysia Plan emphasis that local authorities must undertook various obligatory and discretionary activities in providing services to the urban population. These included the provision of solid waste management services as well as the construction and upgrading of public amenities such as community halls, markets, business premises and recreational facilities.

In order to handle the challenge of environmental pollution, local authority needs to create a provision for effective solid waste management system in the long term so to not create problems due to environmental pollution. At the same time, they hope that the people will cooperate to pay service charge. To ensure the integrated and sustainable solid waste management, the National Strategic Plan for Solid Waste Management (NSPSWM) was adopted in 2005 (9th Malaysia Plan, 2006-2010). The NSPSWM outlined various strategies including the adoption of sustainable solid waste management through reduction, reuse and recycling as well as the use of appropriate technologies, facilities, and equipment and service standards.

Information system or IT will be the main approach to increase the effectiveness of service delivery system. Any local authority that is incapable financially and technically will subsequently be left out. For the duration of the Ninth Malaysia Plan, the use of information and communication technology in administration and management of local authorities was further enhanced to increase their capacity and efficiency. In the implementation of the Smart Local Government Governance Agenda (SLGGA), efforts were undertaken to equip local authorities with computer equipment and relevant software. Websites for 52 local authorities were developed to enable the implementation of the e-Local authority application involving various systems such as the revenue, licensing, reporting, accounting, complaint and the e-submission system.

Local authority needs to focus on developing Knowledge Workers, so that it can manage current issues that are getting more and more complex. To enhance the capacity and management capabilities of local authorities, measures will be undertaken through capacity building efforts and reviewing of systems and procedures. In this regard, efforts will be continue to enhance human capital development and increase awareness among employees on their role and responsibilities in serving the general public. To ensure that decisions made at the National Council of Local Government (Majlis Negara Kerajaan Tempatan) are implemented by state governments and local

authorities, a monitoring mechanism will be developed by the Ministry of Housing and Local Government (9th Malaysia Plan, 2006-2010).

The level of education and knowledge of the people as tax payers is increasing. Their expectation on better services is more demanding, without taken into consideration of local authority's capability. They need to change the working style to be more responsive to and friendly to customers, in line with its role as the urban managers. The capability to provide quality services relies on their financial capability. Therefore they need to find its own financial sources, without relying on the assistance of the state and federal governments.

Local authority is still holding on to its old leadership style. There should be a corporate style especially in the management level in any local authority. The Mayor or the President needs to function as CEO in a company so that the role of local authority can be implemented efficiently.

Among the steps taken by the ministry in an effort to handle the challenges is to increase the competitiveness of local authority, especially in the Ninth Malaysia Plan, by continuing the existing development and creating new programs. The continuation of existing programs involves; i) Provide programs towards modern, efficient and capable services to develop a healthy, progressive and united society, ii) Assist local authorities in implementing development projects in each areas, iii) Identify privatization projects to produce multiple effects and increase the quality of services., iv) Continue programs for increasing the quality of life.

The new programs that will be introduced namely; i) Introduce local authority towards a 21st Century, ii) Sustainable solid waste management, iii) Healthy environment programs, iv) Strategic planning and action plan programs to reduce urban poverty, v) Policy for Indigenous (Bumiputera) Participation, vi) National health policy, vii) Safety policy in local authority's areas.

IMPLICATION OF FINDINGS

The case study of MPSP had successfully showcased the real issues and challenges that provided real implication on the existing system, organization and process, as well as faced with various possibilities, especially from the aspect of human's quality of life.

The effort to redraw the borders of MPSP's administration areas through the process of decentralization will contribute to huge effects toward the ability of administration, finance, and provide and maintain public facilities. The maintaining of status quo like the current condition will contribute positive impacts toward the handling of financial resources through cross subsidies, and provide the benefit of economic of scale to the development of Seberang Perai area. Whatever alternatives that are being suggested, the implication on for example the emolument payment, financial subsidiary, imbalanced among areas, and basic issues such as personnel, positioning and jurisdiction need to be given undue attention.

Norris (1980) explained that the main problems of local government in this country is the provision of adequate finance, whether in the form of grants, assigned revenues or capital credit, at least sufficient to give meaning to the Local Government Act. Restructuring demands a rigorous relation of resources to new responsibilities.

The process of transformation in the global economy has made the function of cities become complex. This was illustrated by Sassan and Patel (1996) ... "yet the dominant images of such a notion - the information revolution, the neutralization of distance through telemetric, the instantaneous transmission of money around the only part of the transformation process. As such, they are profoundly inadequate as images of what globalization and the growth of information economies really mean for cities ... it is the simultaneous combination of the global dispersal of economic activities and of global integration that has given major cities a strategic role and transformed them into global cities."

In the perspective of space or urban system, the reliance between urban-edge areas does influence the distribution of all activities and pattern of the economy. The effect of local economic development happened in hierarchy of city and spread through the edge and all of the sequences of the process will influence the organization's socio-economy and welfare distribution Friedmann & Wulff, 1986). In the context of Sebarang Perai, the role of metropolitan such as Butterworth-Bukit Mertajam in influencing the housing distribution and trade through the impact of over flow is extremely obvious.

The focus of MPSP Strategic Plan on financial management is aimed at managing finance efficiently in order to set up strategies that are able to withstand challenges of economic development and global economic shock. In addition, wise expenditure plan and effort to increase yearly revenue, focus on innovative approach and optimal rewards, and optimize the usage of asset for generating income, and absorption accountability values to ensure the organization's durability. All efforts are in line with the United Nation ESCAP¹⁰ (2000) which sees LED as;

- Effective and equitable land use management
- Improved urban environment management
- Innovative financial strategies for urban development and shelter
- Improving response to the nexus between urban governance and economic development
- Private sector involvement in urban infrastructure and development
- Urban management and capacity building
- Policies and programs for generating new employment opportunities

Efforts to upgrade the system of traffic management, provide public facilities and cooperation between agencies can cause implications toward commitment and effectiveness of municipal service system by the councils. The innovative and open attitude can contribute to new perspective to people in realizing the vision and mission of the councils. In the context of Norris (1980) one explained ... "Barriers of status and interagency rivalries, which have cripple local authorities in the past, and continue to belittle the work of their employees, need to be removed. Councilors should be seen to be men of quality, the nicety of political balance being at least irrelevant. The Act demands quality, and it is only quality that will command respect... public interest need to be involved. Albeit without the aid of overt political exchange. Public communication needs strong emphasis in the political exchange. Public communication needs strong emphasis in the procedures adopted by the authority."

The enactment and implementation of MPSP Strategic Plan (2001-2010) redefines the focus and direction of the council based on the close cooperation between the council and the people. The plan includes some aspects of administrative and services that have 10 focuses with goals and specific strategies; i) Human Resource performance and practice, ii) ICT plan, iii) Customer service, iv) Organization's efficiency, v) Ethics and management, vi) Communication, vii) Community participation, viii) Financial management, ix) Quality of life, x) Indigenous (Bumiputera) participation.

The focus of customer service for example aimed at providing effective feedback toward customer service by setting up strategies such as create the method on smart partnership for critical services, increase public awareness and societal leadership service, community development service, and provide the best and consistent municipal services. The focus on effectiveness and accuracy of organization outlined several strategies; one of them is equipped with the latest equipment, uphold best practice, division of best fitted man powers, focus on the process of producing good work, and restructuring all council's organization.

¹⁰ UN ESCAP (The United Nation Economic and Social Commission for Asia and the Pacific) is the regional development arm of the United Nations for Asia-Pacific region. ESCAP is the most comprehensive of the United Nations five regional commissions. It seeks to overcome some of the region's greatest challenges. It carries out work in three main thematic areas; poverty reduction, managing globalization, and tackling emerging social issues.

The practice of the principal of good governance is seen in the Focus for Ethics and Management, with the setting up of strategies, refining policies, regulations, program schedule and ethics in line with good virtues, accountability and justice, lead to the role of council members as advisory of check & balance, implementing audit process and absorbing the ethics guideline in practice, based on corporate values, personal values and social obligation.

The challenge to increase the quality of life needs to be implemented in the Focus for Quality of Live in the MPSP's Strategic Planning, by the aim of increase the prosperity of Seberang Perai lives. Several strategies were summarized, among them are the increase the role of the council in an effort to develop development, management approach based on revenue, emphasis on public importance in operational structure, and creates an environment that contributes to the economic capability of a state.

This statement is supported by the Community Participation's Focus that instill aims such as collaborative and consortia with the community. In addition to setting up Smart Partnership Service between the council and private sectors, academic institutions and NGOs, the strategy to promote investment and productive tourism were also recognized to be able to help to achieve community participation which will influence the environment quality. The new approach is based on the smart partnership concept, through the Local Agenda 21 (LA21) method, which integrated the roles and commitments of all parties in community development projects, increase living quality and the importance of environmental conservation and safety issues.

CONCLUSION

The ability to identify or estimate the possibilities of challenges that will be faced by the Local Authorities in this country needs high level of sensitivity and awareness among top management. In this context, MPSP had proved that this ability depends on the preparations that had been implemented earlier especially the adoption of Strategic Plan and Corporate Action Council Plan

The MPSP Strategic Plan enacted through scientific and systematic process, using various technical approaches such as SWOT Analysis, Balance Score Card, and Scenario Method. Through these methods future issues can be sensed and predicted earlier, and early warnings to overcome the issues can be presented in the Brainstorming Sessions that includes all staff, entrepreneurs, politicians, state administrative, NGOs, professional associations, community associations and the public.

The findings of this research showed that MPSP is optimistic and prepare to face with these challenges. The preparations made and action plans implemented are predicted to act positively with the future of the council.

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