

Malaysia's Governance Reforms under PM Najib Razak

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ABSTRAK

Sebagai respon terhadap kondisi sosial-politik baru di Malaysia pasca pilihanraya umum (pemilu), Perdana Menteri Najib Tun Razak melancarkan reformasi yang membawa perubahan-perubahan mendasar di bidang ekonomi dan governan di Malaysia. Hingga akhir 2011, ada empat program reformasi – TNR menyebutnya sebagai transformasi – mencakup tiga program pada dua tahun pertama pemerintahannya, yakni pengenalan Konsep Satu Malaysia (1Malaysia), Program Transformasi Pemerintahan (Government Transformation Program/GTP), dan Model Ekonomi Baru (New Economic Model/NEM). Memasuki tahun ketiga (2011) Najib menggenapinya dengan reformasi politik, termasuk penghapusan UU Keamanan Dalam Negeri (ISA). Reformasi menjadi pilihan yang tak terelakkan dan pilihan yang tidak mudah dalam rangka menjaga dukungan rakyat terhadap koalisi Barisan Nasional (BN), terutama United Malay National Organization (UMNO), yang sedang memerintah.

Kata Kunci: *Konsep Satu Malaysia, Transformasi Pemerintahan, Model Ekonomi Baru, Transformasi Politik, demokrasi, dan governan.*

ABSTRACT

In response to new socio-political conditions in Malaysia following the general election, Prime Minister Najib Tun Razak launched a reform that brought fundamental changes in the economy and governance in Malaysia. By the end of 2011, there were four reform programs - TNR called it a transformation - covering three programs in the first two years of its administration, namely the introduction of the One Malaysia Concept (1Malaysia), the Government Transformation Program (GTP), and the New Economic Model Model / NEM). Entering the third year (2011) Najib fulfilled it with political reform, including the abolition of the Domestic Security Act (ISA). Reforms are an inescapable choice and an option that is not easy in order to maintain popular support for the Barisan Nasional (BN) coalition, especially the United Malay National Organization (UMNO), which is ruling.

Keywords: *One Malaysia Concept, Government Transformation Reform, New Economic Model, Political Transformation, Democracy, and Governance.*

Introduction

NAJIB TUN RAZAK (NTR) was elected to PM for his first term in April 2009 under the new social and political situation as well as the economic challenge different from the ones faced by his predecessors. He was expected to deliver policies and actions to heal the mounting racial tensions, to reinvigorate the economy, and to ease the heated political struggle. He was also challenged not only to deliver economic growth and prosperity out of the global financial crisis but was also expected to bring change to the way of governing to make the United Malay National Organization (UMNO) and the Barisan Nasional (BN) to staying relevant to keep support and even garner more support in elections. As a result of the rise of the oppositions in the 2008 elections, politics in Malaysia became more open, democratic, and competitive. Reform policies in socio-politics and economy are, to some extent, NTR responds to that political challenge as well as the public expectations.

Three headings

Basic outputs of public policies are delivered as well as measured under several actions of the government in term of distribution and regulation of available national resources, regulation, and symbolic policies to nurture desirable political culture and political situation. NTR is trying to capture all of these outputs of public policies, under the circumstances, into three headings of reform programs: the One Malaysia concept, the Government Transformation Program (GTP), and the New Economic Model (NEM) which he introduced in the early period of his government.

The One Malaysia Concept

Coming from a shocking 2008 election's result and financial crisis, NTR held a challenging task to overcome these two main issues. NTR introduced "1Malaysia, People First, Performance Now" that later popularly known as the 1Malaysia Concept to serve the purpose. Under 1Malaysia flag, he selects two principles of the achievement, "to ensure the life of the people better than today" and "to propel the national economy in a stable growth" (NTR's speech, 2010).

Branded under social vision, the term '1Malaysia' is not a new concept or formula but 'different approach and methodology to suit the era and generation of the primary vision of previous leaders over the last five decades. In this regard, NTR further lays three principles for people of Malaysia to observe and internally introduced to oneself: acceptance among all races and people, nationhood build upon the Federal Constitutional and Rukun Negara, and social justice. The phrase '1Malaysia' is now enjoying wider acceptance among the people. What lies ahead and need to be done critically is the following phrases 'People First, Performance Now'.

What becomes an endless debate is how NTR pursues its direction and his ability to orchestrate government administration to achieve that. 'People First' means consulting with the people around Malaysia in determining priorities and policies, a bottom-up approach in decision making process. Then, 'Performance Now' phrase is a promise he makes to improve the governance of the country by

strategic national plans and targets'. To achieve this, NTR places more emphasis on merit and talented people to re-energize passion for public service (*NST*, April 4, 2009). NTR introduced a leaner cabinet consists of 25 ministers compared to 30 ministers of the previous administration. He dropped seven ministerial posts but introduced two new posts, i.e. Unity and Performance Ministry and special government body the Performance Management and Delivery Unit (Pemandu) (*NST*, April 10, 2009).

Government Transformation Program

A country is well served by public sector that are run honestly and efficiently, where public managers abide by strong mission in serving the public. The importance of sound government machinery has become more apparent during the economic crisis, given the increasingly direct role played by the government of a country and limited financial resources. Earlier in 2010 NTR unveiled an administrative reform known as Government Transformation Program (GTP). The GTP is the blueprint for governance reform for Malaysia in support to the achievement of the 1Malaysia concept as well as the vision 2020.

The GTP covers two important agenda of public sector, namely key performance indicators and national key result areas. The work of public bodies and the performance of the ministers and government officials must be measured annually and these must be synchronized with the national targets. Key Performance Index (KPIs) or key indicator of works and achievement is put in place by NTR to measure and improve the efficiency and quality of government services. In NTR's words, KPIs are implemented "to ensure the people's satisfaction, whether they are satisfied with our service, whether we have solved their problems". Each ministry has been required to establish specific KPIs that focus on policy outcomes over the traditional emphasis on inputs typically found in government performance assessments and planning (www.pmo.gov.my). This first phase of GTP-KPI implementation provides a mechanism for the evaluation of ministries and other government agencies including performance reviews carried out every six months. This was emphasized by Najib when he announced his cabinet:

We will use the key performance indicators to stress impact and not input, results and not output, and value for money. I want ministers and senior government officers to be responsible for their own performance based on the indicators. ... and I have ordered the ministers to prepare a clear KPI, detailing their scope of responsibilities and duties as well as that of their deputy ministers within 30 days (NST, April 10, 2009).

And, stated in government official website:

In order to achieve this level of performance, we acknowledge that the Government needs a new way of working – from the top leadership down through the entire civil service. The Prime Minister has led the way by requiring all ministers to set clear KPIs, which they must then report results against regularly. This practice is in the process of being cascaded throughout the Government. We are also enhancing the transparency of our objectives, targets and plans – beginning with the GTP Roadmap. We expect to be held accountable for delivering targets we announce, and we will publish a progress report on an annual basis, starting in the first

quarter of 2011, so that our achievements can be evaluated over time (www.pmo.gov.my)

As citizen, the KPIs bring ministers and officials closer to public scrutiny. Citizens will be able to monitor and assess the performance of the ministers and leaders of government agencies as well as their ministries and their agencies in delivering their job and serving the people. For the ministers and officials, KPIs provide motivation for them to achieve a maximum performance, and the people of Malaysia will benefit from this process

New Economic Model (NEM)

To ensure Malaysia can compete with other advanced economies, NTR makes another deep change through the introduction of his most controversial reform policy, the New Economic Model (NEM) in March 2010. "A plan to raise the capacity of the nation and its people" and "a plan to achieve vision 2020". Under the umbrella of NEM, NTR produces the Economic Transformation Program (ETP), an initiative accompanying the NEM to Malaysia into a high income economy the year of 2020. Specifically set to revitalize Malaysia's investment climate, the 60% of the blueprint's investment would derived from private sector, 32% from government linked companies and the remaining 8% from the government. NTR promised that ETP shall create 3.3 million jobs, calling for 131 entry point projects and 60 business opportunities worth RM 1.3 trillion and, in the long term, to create the national economic situation prepared for embarking toward a high income economy in the next 10 years.

The National Economic Council claims that Malaysia is trapped in the middle income countries and in order to achieve the status of the developed state by 2020, Malaysia has to move up out of this middle-income trap to gain new income per capita between US\$ 20,000 – US\$ 27,000. One of the contributing factors for this prolonged middle-income trap is, the NEM argues, on the ineffective continued government intervention in the domestic market economy. Government intervention hinders the economy to perform in a full scale as the private sectors remain to wait for government leadership and initiative in order to save profits and avoid loses. It is a time for government to resort to play only a supporting role and to encourage the private sectors to take rein in economic and business activities by investing more to boost economic growth, in line with what NTR has previously said that the time when the government know best and do all has gone.

In a statement that reflect to some extent the central argument of the administration, Chairman of Centre for Public Policy Studies Tan Sri Ramon Navaratnam said that the NEM maybe Malaysian's last chance to break out of the old mould of protectionism and a subsidized mentality towards a more meritocratic, competitive and self respecting society, and this will replace NEP which served its purpose up to a point but causes Malaysia to fall into the middle income trap. "With the growing international competition and globalization it is important that NEM has to be introduced to ensure Malaysia breaks out of the middle income trap and move into higher income distribution" he said (NST, May 31, 2010).

The NEM is a non-standard policy which may be controversial. Despite positive supports from the private business sectors and applaud by non-Malay ethnics, this policy receives dissent voices from the opposition parties and Malay interest groups for different reasons. While opposition questions the ability of the government to deliver growths and progresses it's promised, Malay's interest groups – lead by Perkasa – voices concerns of the economic position and economic competitiveness of the bumiputera Malay under this new economic strategy. This concern is derived from the fact that NEM's economic and business activities will no longer be based on ethnic quotas but on market-based for competition. For government actions against poverty will no longer target bumiputera in rural areas, but to all of Malaysian people irrespective of races in all respective areas (supporting 1Malaysia Concept).

Yet, the most controversial and most debated measures of NEM are government policies on 100 percent foreign direct investment in several economic sectors and the removal of subsidiary over some primary products daily consumed by the people of Malaysia such as petroleum, sugar, flour, electricity and several others.

Improving Effectiveness of Government

Therefore, central to NTR reform program is a planned effort to deliver government and improving the effectiveness of the government. The establishment of PEMANDU, a unit under the Prime Minister's Department, to be given the task to manage and facilitate GTP and ETP, Malaysia needs to review what others outside the government to evaluate effectiveness of government machinery. Stability and improved economy is still universally taken as the important for the overall competitiveness of a country (GCR, 2010).

One of the unique universal and global measurements of the government effectiveness and performances, laid down by the World Economic Forum (WEF), is called the Global Competitiveness Index (GCI). According to GCI, it's yearly assessment place country's position and ranking according to country's ability to provide high levels of prosperity to their citizens. Specifically, it assesses how productive a country is in using available resources by setting a set of twelve measures of indicators which include institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity. How does GCI fit to evaluate NTR's policies? The final goal of NTR's reform policies (he himself prefers to call it transformation) is an effective government which delivers better services to the people. By delivering better services and best performances, both in socio-economic and political sectors, the support of the people to *Barisan Nasional* (BN) coalition in power, and especially United Malay National Organization (UMNO), could be maintained. To guarantee these performances, NTR laid two related concepts, KPIs for cabinet members and NKRA on priority of government deliverance.

Briefly, there are six major policies areas in which KPIs play important role in improving the effectiveness of the government as well as in the economic sector. These six major policies areas, known as National Key Result Areas

(NKRA), serve as determinants driving productivity and competitiveness which are aligned with indicators embedded in all four pillars in basic requirements of GCI and pillar 5 in efficiency enhancer. First NKRA on crime prevention and reducing government, related to 1st pillar of competitiveness on Institutions. Second NKRA upgrade on the rural infrastructure and improvement in public transportation related to the 2nd pillar of competitiveness on infrastructure. Third NKRA on improvement in the standard of living for low income groups, related to 3rd pillar of competitiveness on macroeconomic environment. Fourth NKRA on increased access to quality education, related to 4th pillar competitiveness on health and primary education and 5th pillar of competitiveness on higher education and training.

There are direct connections can be assumed between NKRA with the government effort to boost competitiveness. For example, the government of Malaysia is working to reduce the crime rate as well as to improve the perception of safety focus on street crime and other high crime areas. A safe environment to live and to do business will improve country's score in global competitiveness report. In regard to this point, the 2010 GCR for Malaysia indicates an interesting finding. Whilst government pursuit of reducing crime rate is given the top priority, another section of the GCR shows that crime and theft score sit at the bottom of the problematic factors to do business in Malaysia! Problematic issues in building competitive government of Malaysia can be put in five categories as this table below may help in giving sufficient description.

Table of Ranking of 15 Problematic Factors for Doing Business in Malaysia

	Malaysia	% of response
Top 5	Inefficient government bureaucracy	13.0
	Access to financing	10.5
	Policy instability	9.9
	Inadequate educated workforce	9.5
	Restrictive labor regulations	9.4
Medium 5	Corruption	8.0
	Poor work ethics among workforce	7.9
	Inadequate supply of infrastructure	6.3
	Tax regulations	6.2
	Tax rates	5.6
Bottom 5	Inflation	4.7
	Crime and theft	4.4
	Foreign currency regulations	1.8
	Government instability/coups	1.4
	Poor public health	1.4

Note: taken and adapted from The Global Competitiveness Report 2010-2011

Accompanying the GCI report is an important document for government official to look at which is a section on what are most problematic areas affecting business doing in a country covered by this WEF assessment. Table 1 provides the ranking and score of the problematic features of Malaysia and Indonesia (Samihah & Endi, 2011). The top score of what businesses reported as problematic is inefficient bureaucratic government. The government's effort to increase bureaucratic effectiveness seems to be orchestrated with the implementation of GTP which should improve overall score in pillar 1 of GCI. On the other hand, corruption, scored 5th in the category of problems must be treated equally significant to the inefficient bureaucratic government.

Further Development

NTR seemed has prepared the reform approach long before he embarked to premiership during the years while he served as Deputy PM and Minister of Finance under PM Abdullah Badawi. So, it did not take a long time for NTR to announce the reform agenda soon after he become the PM. Subsequently, in a quick, bold, and decisive manner, he proceeded with series of reform policies with clear economic and political outcomes. People are made shocked and forced to be attentive to the programs, for some of the programs are practically affected their daily life. It is mostly because of their clearness and decisiveness that people generally accepted the reform program and the government's approach that came along with them.

Even the oppositions at first seemed to be shocked in disbelieved and did not able to prepare the respond in counter to the reform program. In a statement on this, PAS leadership criticized opposition leader Anwar Ibrahim for remaining silent for that long time not to respond to NTR reform policies. It took almost two years then for the opposition to came up with critical respond to the idea of the social and economic reform of TNR through the publication of Buku Jingga (pink book), opposition's 100-day reform plan if elected to power, on December 2010.

In 2011, NTR proposed another reform, Political Transformation Program (PTP), a series of government initiatives to foster democratization in Malaysia. The most important initiative came in September 2011 when the NTR government announced the repealed of the Internal Security Act (ISA) and other restrictive acts.

Conclusion

One Malaysia concept is one of NTR most important policies to ensure social and political stability as a basic requirement for the economic development. It serves as a basic concept and political justification for NTR and the government to actively persuade the people to embark on the higher level of social tolerance and acceptance in order to repair the mounting racial tensions.

Bringing Malaysia toward a high income economy in ten years under NEM transformation plans, as envisaged by the Vision 2020, is not an easy task to do.

In overall, the results of NTR GTP and ETP reforms policies are quite soon to be assessed in connection with these national goals defined in the Vision 2020. But, the GCI and its accompanying document on problematic areas of a country, if taken seriously as mirror of change, then Malaysia should have the confidence to hit the targets. NTR government determination to further boosting government effectiveness through the overall reforms and transformation plans seemed to gain people acceptance with the higher popularity of the government and the leading of UMNO in more recent by elections.

NTR indeed inherited a hard time in Malaysian politics when those expectations are so overwhelming, both from people to his government and from UMNO's member to his presidency over the party, to make change. NTR seemed to hear these aspirations and committed to put reform as a central agenda of his government. The fact that he heads a government without two-thirds majority in parliament does not restrain him to change, but even pushes him to seriously embark on both political and economic reform as the only possible way to boost Malaysia's competitiveness and achieving developed Malaysia in planned schedule. NTR should make his government competitive to address all issues and challenges on the smart action bases to make himself and UMNO to remain relevant to public expectations, and to ensure that these reforms can save people support to BN and UMNO.

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