

1.0 INTRODUCTION TO LOCAL GOVERNMENT IN MALAYSIA

Local government is the grass-root in the government hierarchy of Malaysia. There are three branches of government in Malaysia, namely Federal, State and Local. The position of local government in Malaysia is stated in Federal Constitution. By virtue of items 4 and 5 of Ninth Schedule of Federal Constitution, local government outside the Federal Territories of Kuala Lumpur, Labuan and Putrajaya (latest) is a subject under the State List. All local authorities outside the Federal Territories directly under the exclusive jurisdiction of States Government. This mean local State Government have wide powers to control the local authorities and to ensure their effectiveness and efficient.

1.1 Definitions

Local government can be defined as follows:

Local Government is subsystem operating within or among a number of other subsystems. Higher government gave its one body handled on local issues that represent the power whether from federal government or state government, which has limited autonomy in terms of financial and administration, have power to sue and sued by others and have legal property¹

Ministry of Housing and Local Government

Local Government is infra. Sovereign, Geographic Sub-Division of a Sovereign nation or Quasi Sovereign Nation, exercising the power of jurisdiction in a particular area.²

Dilly M Hill

¹ Government of Malaysia, 1970. Report of the Royal Commission of Inquiry to Investigate into the Working of Local Authorities in West Malaysia Kuala Lumpur: Government Printer.

² Refer to Ministry of Housing and Local Government (MHLG) 1980, *Modernization of Local Government System in Malaysia*.

Local Government as a system of district, territorial unit, which has their own boundary, legal entity, instructional structure, power and task, which is subject to certain act, has a financial authority and other autonomy³.

Malcolm W. Norris

Local Government denotes the Government of urban area, rural area or a combination of urban and rural area, subordinate to the state government, but having an independent legal existence / from the government⁴.

In Malaysian context, report by Royal Commission of Inquiry⁵ stated that local government could see as below:

- a) Representing the third tier in federal structure
- b) Administered by state nominated councilors
- c) Geographically encompassing a portion of the country
- d) It is infra- sovereign
- e) Subordinate and subject to the control of the state (limited of financial and administration issues
- f) It is a separate legal unit / entity from higher government or other local authorities.
- g) Has power to sue and be sued
- h) Provide obligatory and discretionary to provide goods and services

³ Hill, Dilys, M. 1974. *Democratic Theory and Local Government*. London Allendand Unwin Ltd.

⁴ Phang Siew Nooi, 1989. *Sistem Kerajaan Tempatan*. Selangor: Dewan Bahasa dan Pustaka.

⁵ Government of Malaysia, 1970. Report of the Royal Commission of Inquiry to Investigate into the Working of Local Authorities in West Malaysia (Kuala Lumpur: Government Printer).

1.2 Concept of local government

- I. Local Government is responsible on the local affairs just like what the state and federal government had set.
- II. The status of the Local Government is much lower than the state and federal government.
- III. The Local Government autonomy in administering aspect is set by the state and federal government.
- IV. The Local Government has the power to sue or be sued, to sign or agree on contracts and to gain properties.
- V. It is responsible to give service to the public that lives in the area that is set by the federal and state government.

1.3 Features / characteristics of local government

According to Phang Siew Nooi⁶, there are a few factors that has been determined the characteristics of local government in Malaysia which can be seen as follows:

1. Local Government has its own territory whereby the border is officially recognized by the law. Law divides it equally.
2. Local Government its own population. L. G is responsible to develop the area for the benefits of the locals in that area.
e.g. In term of facilities / infra – structure
3. Local Government is an institution, which is established under special law. Superior government controls it.
4. Local Government carried out their function by following the law provided they can be sued, can sue, have properties, and can signed - agreement or contract.
5. It is infra – sovereign. It means that Local Government is eligible to the local law.
e.g. - limited power and duty
- No supreme

⁶ Phang Siew Nooi , 1989, *Sistem Kerajaan Tempatan di Malaysia*. Kuala Lumpur: Dewan Bahasa dan Pustaka. P. 34-35.

6. It is a separate legal entity. It means that although it is part of government but still an independent body.
7. Representatives are either appointed by the higher authority or elected by the local people.
8. Yang Di Pertua (YDP) works together with council member and was elected by the State Government.
9. Carried out main functions such as cleanliness services, health services and security.
10. Local Government powers are to impose tax, penalty to those who disobey their order, appoint their staff, and autonomy in terms of financial administration of its body.

1.4 Objectives of local government

Objective form into local government is important aspect that must be focus in one country. Without the strong surface from grass-root, the third tier in government unable to run smoothly⁷.

1. National unity

National unity became the principle pre-condition in all countries that has gained its independent. It is not a political unity but existing refers to traditional areas or self-rule and unity as main focus. The main objective is to maintain the national unity. In this matter, Local Government plays an important role to ensure objective come true and everyone is treated fairly.

Without National unity, the local government can't be form into proper manner and there will be difficult for Local Government to raised financial allocation or funds from State and Federal Government. Local Government programs and activities can be use to promote the people to take part in local affairs and activities.

Grass roots government usually close to the people especially the District Officer (D0) as a mediator between local people and higher

⁷ Ibid, p. 47.

government. This relationship directly can promote or increase unity among the people such as giving an equal right for all races to the facilities, hospitals, clinics and schools, lamppost, roads, drainage, culverts and so on.

2. Democracy⁸

Through the representatives system in local government, democracy gives opportunities for the citizen to participate in local issues especially in term of development project and socioeconomic.

When we talk about government, we talk about bureaucracy and when we talk about bureaucracy we can't avoid problems like red-tap's, delayed in revenue collection, insufficient tax and so on. When the Local Government establishes in their space itself considered as a good training practical ground and less of bureaucracy mass.

Democracy refers to promote of liberty through disperse of power from central government and delivery of system by State Government to Local Government. Practicing democracy can train one country to come truly as Democracy countries. There will create a harmonious country which people are given the right to elect the councils of Local Government.

Democracy is the ultimate objective to be achieved by the government. Democracy is based on majority of opinion, no suppress over minority rise and safeguard. Local government can promote democracy concept of the state in local level through the decentralization of power by central government.

3. Freedom and autonomy⁹

Jurisdiction to administer is restricted to administration, finance, and personnel of discretion of State Government. Since autonomy and

⁸ Ibid, p. 48-49.

⁹ Ibid, p. 49-50.

freedom has a direct relationship in democracy, Local Government must be given power to perform its duties and responsibilities. Even the Federal Government was given financial autonomy to local government through obligatory functions; the final decision and approval come from and State Government.

The scope of autonomy of freedom of Local Government in Malaysia

Limited autonomy: -

- a. Financial-Local Government can impose tax, collect, maintain and spend the revenue
- b. Administration-Local Government can appoint and terminate their staff.

4. Effectiveness and efficiency of the administration

Efficiency is really important in the Local Government functions. The strong integration between efficiency and democracy is important in achieving Local Government objectives.

It also refers to delivery of system whether its can fulfill the demand and needs among people in good and services gave by Local Government such as cleanliness, safety and health, facilities, schools, lamppost, roads and so on.

5. Social and economic development

The development of social and economic at lower level is a responsibility of the local authorities that was clear given by Local Government Act 1976. Local Government can actively involve in the development, but need the approval first or permission from the State Government. They cannot act freely, so less participations means less income. If Local Government has less income, they need to refer back on the State and Federal government discretionary to give the funds and more allocation.

1.5 Functions of local government

Local government in Malaysia generally responsibility with multiple functions that can categorize as follows¹⁰:

- i) Environment
- ii) Social
- iii) Public
- iv) Security

1. Environment

Focus on road service, traffic control, lamppost, Recreation Park, proper draining and culvert system, flesh flood control, etc.

2. Social

Usually, local authorities have traditional functions, which means provide the cleanliness activities such as housing garbage collection, industrial, sewerage, sanitation and others. Beside that, local authorities also provide in terms of social on education facilities, health consciousness such as control all types of “obnoxious trade”, pets, and pests in their areas. Protect the handicap by building the shelter, welfare house for old folks, build housing area and create cultural activities also the responsibility by local authorities.

3. Public service

Focus on bus stand, car park, town hall, gymnasium and badminton courts, turn into playing fields, or alternatively, to provide community halls or sports centers in exchange for planning permission and council service. These buildings become the assets of the council, whereupon fees and charges can be collected for the use of the facilities in the buildings.

4. Security

¹⁰ Local Government Act (171 Act) Section. 74-84

Concentrate on police station, fire station and also action taken on public nuisance and etc.

1.6 Criteria to determining the size and boundary of local authority

There are a few criteria to determining the size and boundary of local authority that can be seen as follows¹¹:

1. From district council to municipal council

- i) The annual income should be more than 10 million.
- ii) Population should be more than 100,000 people.
- iii) Infrastructure should be completed.
- iv) They must have control of administration.
- v) Can manage own financial

2. From municipal council to city council

- i) The annual income must be more than 80 million.
- ii) Population should be more than 300,000 people.
- iii) Infrastructure should be systematic, organized and completed.
- iv) Must have the center of administration.
- v) Have an infrastructure, population, political interference and certain income.

3. Normal area to district area.

- i) Based on state government opinion and view
- ii) This is to determine the place to upgrade that area to be district or not.
- iii) Area is outside the town centre.
- iv) Population must less than 100000 people.
- v) The annual income should be less than 5 million.

Table 1 Types and size of local authorities

¹¹ Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam. Institut Perkembangan Pendidikan (InED).

Types	Number	Largest	Smallest
City Councils	10	1400000	152310
Municipal Councils	34	4480000	230000
District Council	101	162180	80000
Total	145		

Source: Ministry of Housing and Local Government (MHLG), 2006.

Conclusion

As a concluding remark, local government administration is the third tier in government. In Malaysia, its responsibility in the local issues namely the obligatory and discretionary functions that have been given by Federal Government through the State Government.

Thus, the determining of objectives and criteria of local authorities in Malaysia has significant before; during and after independence as a root in manage local issues.

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2. DECENTRALIZATION, DEVOLUTION AND DECONCENTRATION

2.1. Definitions

There are no perfect system in government's activities caused involve multiple units, department under their own country approach. Decentralization had been set up to delegation of power or authority from higher to lower level organization often accomplished by the creation of small or self- managed organizations units. Before Local Government exists, there are no special powers delegated to manage and administer local issues.

This concept is to ensure the effectiveness in administrating not only in central part, but also to grass-root like urban area, village, and town country. This level gave the power to individuals who involved in district level to administer their own area. The set up of decentralization in government can produce the

policies and the practice of local government in transparent and advancement in its functions.

2.2 Objectives

In any country larger than a city-state, it would be uncomfortable and ineffectiveness for the central body at head quarters to take all the decisions all the time. Its difficulties to consider what should done, action taken and consequences. That why decentralization exists and a few objectives is highlighted as follows:

- i) **Encouraging political education and involvement.**
- ii) **Effectively.**
- iii) **Greater flexibility.**
- iv) **Promote the involvement**

2.3. Characteristics

1. The federal government must have a very proper policy and guideline to ensure the proper implementation.
2. Must have a very close relationship with higher and lower government.
3. Other units of government have authority (partial) in decision-making.
4. The concept of sharing power.

2.4 Advantages & Disadvantages

Advantages

1. Unburdening the top managers-central and state government that relieves the congestion, and reducing the decision lead by sharing it

with more people. It's allowed the quicker and easier for one man to make up his mind than for a committee to reach decision¹².

2. Provide the service more effective such as health and education, which means its highly desirable for people on the spot to be able to take decisions them, and to get on the jobs without too much reference to the centre. The effectiveness of rural development programmes by making them more relevant and responsiveness to local needs and demands.
3. Encouraging the participation of people in decision making and developing democracy concept. Easy to control, implemented and get approval of local people so, the problem is less.
4. Improve the decision making as decision are made closer to the scene of action (wise action).
5. Better training, morals and initiative at lower level.
6. More flexibility and faster decision making rapidly changing environment in their implementation and providing a means of coordinating the various agencies involved at the regional or local level. Decentralization allowed to local offices provides compatible accessible service for the public allowed offices to communicate directly with the individual members of the public¹³.

Disadvantages

1. Corruption happens when local authorities tend to be more conspicuous than 'faceless' central ministries and public agencies and less protected by power national politics.

¹² Hubert J. B. Allen. 1990. *Cultivating The Grass Roots: Why Local Government Matters*. All India Institute of Local Self-Government. p.3-10.

¹³ Note the reasons for having local government, put forward by New Zealand's Minister in July 1988; Bush 91989). P. 96.

2. Relying concept / to higher government decisions.
3. Cost, which local authorities compete with other public agencies for big resources of finance and manpower.
4. Inefficiency when other local authorities cannot command and sufficient resources to provide adequate services caused their too small than the others.
5. Inequalities exists when decentralization can increase social and regional disparities because the more areas in a better position to utilize their develop power.

5.5 Devolution & Deconcentration

Decentralization can be divided into two types namely devolution and deconcentration. Devolution and deconcentration exist is to representative local bodies, operating under public scrutiny and helps to change attitudes and behavior among local authorities in delivery of service.

i) Devolution

a) Definition

- i) Devolution is the formal assign of power from Federal Government to the Local Government unit.
- ii) It is a transfer of power through specific law from Federal Government to local government.
- iii) It is part of Federal Government.
- iv) The power and authority is similar in terms of tasks or functions that are not specialized to higher government only.
- v) The power and function is not obligation to do by the Federal Government but through the discretionary.

b) Characteristics of Devolution

1. In pursuing tasks and power, the Local Government has limited area of administration
2. It is separate from Federal Government but Federal Government still can interfere towards Local Government.
3. It has a financial autonomy, which means power to get financial sources to run their tasks.
4. The delegation of power is very formal because have a specific law to follow.
5. It encourage the participation of people in the government administration and able to settle the adopt problem. Allow people to learn and understand the full process of political decision-making.
6. It also will ensure the responsibility and the job of Local Government in collecting tax, fine and take law actions against whomever against them.

c) Advantages

1. To give favor the Federal Government and State Government in administration the similar part of the state.
2. As a grassroots government, Local Government manages to make a reliable decision towards the economic and social needs and try to fulfill the demands of local people.
3. Its also contribute towards achieving a better coordination in terms of provide goods and services¹⁴.

ii) Deconcentration

a) Definition

i) It is a process which the central and state government delegates their power and functions in decision making, without specific law but nearly for administration only.

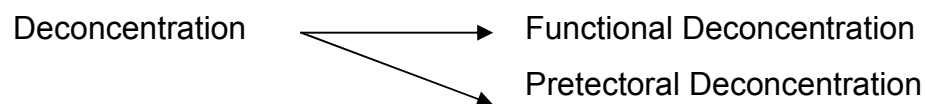
¹⁴ Hubert J. B. Allen. 1990. *Cultivating The Grass Roots: Why Local Government Matters*. All India Institute of Local Self-Government.

ii) Through this authority, the staff in Local Government will implement the function just like what one of the central or states government department do.

b) Characteristics

1. The officer at the branch has the responsibility to implement the plans, activities / outlines by the Federal government, according to the function.
2. To reduce the burden of federal government.
3. Concentrate in specialization tasks.

There are two types of deconcentration that can be seen as follows¹⁵.



Functional deconcentration

Definition

Deconcentration means that process which involves the redistribution of administration responsibility only among Federal Government. In detail, its process where Federal Government or State Government represent their authority or power to staff in local government unit. In addition, we can see clearly as follows¹⁶;

i) It is the decentralization of power / authority from Federal Government to the branches through the country.

e.g. The Ministry of Housing and Local Government (MHLG) must have other departments in every state.

Characteristics

¹⁵ Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam: Institut Perkembangan Pendidikan (InED). p. 8-9.

¹⁶ Ahmad Atory Hussain. 1991. *Kerajaan Tempatan. Teori dan Peranannya di Malaysia*. Kuala Lumpur: Dewan Bahasa dan Pustaka.p. 40.

1. The officers have the responsibility to implement the plans and action outline by the Federal Government accordingly.
2. To reduce the burden of Federal Government.
3. Concentrate in specialization of tasks / functions.

Perfectoral deconcentration

Definition

It is deconcentration of power from state government to district officers

State Government → district officers

Characteristics

1. The territories are divided into departments or governments.
2. In each area, there is a representative who is elected / appointed and responsible to Federal Government.

Functions

1. The representative of social and political of Federal Government
2. To implement rules and law.
3. To inspect the Federal Government staff in the area.
4. To inspect a small unit of government in the area.

The staff duty in the general officers has free functions from military or law bodies. The staff will not be given any workers guarantee like other staff and can be sacked a transferable based on federal government.

The staff maybe elected from those who are political experience or public service staff. The staff will be inspecting by the Ministry of Housing and Local Government (MHLG).

2.6 Differences between devolution and deconcentration

Number	Devolution	Deconcentration
1	Administration through act of law	Administration through administration order.
2	Act carried out are legal and legitimate	Question of legality legitimacy arise
3	Can be rigid, as provisions stated in the law have to be adhered to thus, less flexibility in the administration.	Less rigid thus more flexibility the administration (orders serve as guidelines)
4	Create creativity and original	Encourage creativity and original
5	Less abuse of power, money and position.	More prone to abuse of power, corruption money and position.
6	Administration is efficient since it's closely directly to state.	Administration are less efficient since it depend on the discretion of officers

Conclusion

Much mismanagement regarding to local government's adequacy tend to be self-fulfilling prophecies while many disadvantages are more apparent than realistic. Local Government administration supposed to overcome by careful and considered planning and implemented of truly appropriate decentralization policies. The most appropriate systems of decentralization can exist the good government in local government.

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3. SOVEREIGN & INFRA-SOVEREIGN

3.1. Definitions & Objectives

Local government in Malaysia and other countries were assuming as infra sovereign, which unrelated with sovereignty. In Malaysia, our administration form into two types of government that related with sovereignty such as Federal Government and States Government.

Federal Constitution is one outcome from agreement that achieving by States, which agreed to give, apart of their sovereignty to Federal and remains other part from that sovereignty. In this case, Local Government is not connected¹⁷.

Infra-sovereign is a creation of government without sovereignty yet has certain powers. Our Local Government is infra-sovereign but Federal and State Government still has the power in its administration and financial issues.

3.2 Characteristics

As an infra sovereign, local government has a few characteristics that can be seen as follows¹⁸:

- i) The government can be dissolved without being impeached by other parties.
- ii) Limited power / authority
- iii) Can sue or be sued
- iv) It is legal entity
- v) Can has the right to involve in agreement / contract.

3.3 Types of Sovereignty

There are a few types of sovereignty that can seen as follows:

¹⁷ Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam: Institut Perkembangan Pendidikan (InED). p. 6-7.

¹⁸ Phang Siew Nooi , 1996, *Sistem Kerajaan Tempatan di Malaysia*. Kuala Lumpur: Dewan Bahasa dan Pustaka. p. 3.

- a) Supra -sovereign government
- b) Sovereign- national government
- c) Quasi-sovereign state government
- d) Infra-sovereign local government

a) Supra – sovereign government

European Economic Community united their government and sovereignty for the interest and benefits of the people.

b) Sovereign national government

Majority country that practiced of this sovereign is come from the freedom and independent country whether it is unitary or federal.

c) Quasi – sovereign state government¹⁹

Majority country that practiced this sovereign usually forms into State government, which practiced federal system such as Malaysia, India, America and Australia.

d) Infra – sovereign local government

It refers to the part of government, which has not sovereignty, such as in Malaysia. The Federal and State government practice it.

At this point, Local Government didn't involve at all. It was established just to make it easier for the administration to work well.

3.4 Practices in Malaysia

1. In Malaysia, Local Government has no sovereignty.
2. It doesn't have any benefits (characteristics of sovereignty or inherent competence). Therefore, Local Government is infra- sovereign

¹⁹ Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam: Institut Perkembangan Pendidikan (InED). p. 6-7.

3. It exists at the discretion of Federal Government and State government.
4. The Local Government within the Malaysian constitutional context is totally an administration rational.
5. It exists as a mercy of Federal Government and State Government and its subject the latter's control and jurisdiction. Schedule 9, Federal Constitution states that legal act as a state jurisdiction.

Conclusion

In Malaysia Federal Constitution, local government set up to ease and effectiveness in local administration. In other word, exists or not exists of Local Government can't connecting to sovereignty element. In Malaysia, Local Government is creation by superior government. As a creation by superior government, local government can be dissolved without argues by other parties.

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4. ULTRA-VIRES & GENERAL COMPETENCE

4.1. Definitions of Ultra Vires & General Competence

A shorthand of denoting when power of local government are explicitly listed, thus any local government action beyond of this list would be deemed, by higher government or the courts namely ultra-vires.

Sometimes, ultra-vires can interpret as power beyond the scope of allowed functions. General Competence is the principles that allows action taken by local government to provide the good and services, protect people and property as long as not against with Federal Constitution²⁰.

4.2. Types, Advantages & Disadvantages of General Competence

Number	Inherent Competence	Provision by Law
1	The power or authority through constitution	Power gained through law / certain acts
2	Power gained through constitution	Scope of power / Authority is limited and cannot act beyond the power. If Local Government act beyond their authority, the power use can called as ultra- vires
3	Scope of power is wider	Usually practice by England and other country, which practice Anglo-

²⁰ Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam: Institut Perkembangan Pendidikan (InED). p. 6-7.

		Saxon Law.
4	Power to do everything as long as not against with Federal Constitution	
5	Have right to exercise anything without any interfere from other body	

Conclusion

Malaysia is a one country that used 'The Anglo Saxon Doctrine of Competence'. This doctrine is explain about the units of local government is "subordinates bodies" that having power of 'competence'. Mean here, Malaysian local government is under the provision by Law where their power is really limited. In fact, Malaysian Local government also used inherent competence but there is infra sovereign. The competence of local government can be seen clearly in decentralization approach. As conclusion, Malaysian Local Government practice the combination characteristics in administration with provision by law and inherent competence.

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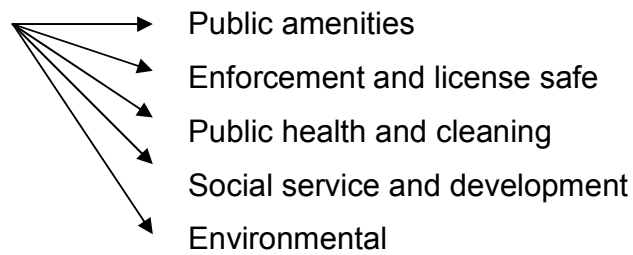
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5. OBLIGATORY FUNCTIONS & DISCRETIONARY FUNCTIONS

5.1. Definitions of Obligatory and Discretionary Functions

Over the past years, the concept of obligatory and discretionary functions is popular especially from Anglo- Saxon Edge. In many countries, local government has their own capability to setting the obligatory and discretionary functions to local people. In Malaysia, Local government generates the power given by Local Government Act 1976 to provide goods and services to local people.

This discretionary is more to development functions in local issues. Basically, the functions of obligatory can be formed into 3 main sections.²¹



Local Government Act 1976 details are included to the functions the number of committees between each council board on the financial and personal capacity of the Local Government authority area.²² Generally, most of the members of the councils have appointed based on this political party. Terms of services usually are not more than 3 years.

²¹ Local Government Act (171 Act) Section. p. 60-110.

²² Ibid, p. 19-23.

A Summary of service provision in different spheres of government

Service	Delivering authority		
	Federal	State Authority	Local Government
GENERAL ADMINISTRATION			
Police	✓		
Fire protection	✓		
Civil protection	✓		
Criminal justice	✓		
Civil justice	✓		
Civil status register	✓		
Statistical office	✓		
Electoral register	✓		
EDUCATION			
Pre-school	✓		
Primary	✓		
Secondary	✓		
Vocational and technical	✓		
Higher education	✓		
Adult education	✓		
Other	✓		
SOCIAL WELFARE			
Kindergarten and nursery	✓		
Family welfare services	✓		
Welfare homes	✓		
Social security	✓		
PUBLIC HEALTH			
Primary care PLANNING	✓		
Hospitals	✓		
Health protection	✓		
HOUSING AND TOWN PLANNING			
Housing	✓	✓	✓ (Concurrent)
Town planning	✓	✓	✓ (Concurrent)
Regional planning	✓	✓	✓ (Concurrent)
TRANSPORT			
Roads	✓	✓	✓
Transport	✓	✓	✓
Urban roads		✓	✓
Urban rail			

Ports	✓		
Airports	✓		
ENVIRONMENT AND PUBLIC SANITATION			
Water and sanitation	✓	✓	
Refuse collection and disposal		✓	✓
Cemeteries and crematoria			✓
Slaughter-houses			✓
Environmental protection	✓		✓
Consumer protection			
CULTURE, LEISURE AND SPORTS			
Theatre and concerts		✓	✓
Museums and libraries	✓	✓	
Parks and open spaces		✓	✓
Sports and leisure	✓	✓	✓
Religious facilities	✓	✓	✓
UTILITIES			
Gas services	✓		✓
District heating			
Electricity	✓		
Water supply		✓	
ECONOMIC			
Agriculture, forests and fisheries	✓	✓	
Economic promotion	✓	✓	
Trade and industry	✓	✓	
Tourism	✓	✓	

Source: Local Government Act 1976 (171), 2005.

5.2 Differences between Obligatory & Discretionary Functions

Terms	Obligatory Functions	Discretionary Functions
1.Functions	Financial and administration function (Public amenities, Enforcement and license safe, Public health and cleaning, Social service and development, Environmental.	Development function (beautification are, recreation park, garden, lampposts beatification)
2. Financial Allocation	Depend on allocation that have setting by State Government and Federal Government	Depend on that local authority if they have extra or surplus financial to expend
3. Supervision	Direct supervision by State Government and Federal Government cause financial is allocate by Superior government.	Indirect supervision by State Government and Federal Government cause used surplus or extra financial.

Conclusion

Local Government in Malaysia applied on the principle of ultra-vires. In performing its functions, Local Government obliged to fulfill its obligatory functioned while the discretionary functions may only be perform depend on the ability and capability of local authorities.

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6. HISTORICAL OF LOCAL GOVERNMENT IN MALAYSIA, INCLUDING SABAH AND SARAWAK

Like most institutions of government in many countries that were former colonies, the present system of local government in Malaysia could be traced back to Britain, which colonized Malaysia for nearly two centuries. In Malaysia, there are three phases the progress on local government, which are pre- independence, during independence and post- independence period. The progress starting 1801 until the existing of the Royal Commission by Dato' Athi Nahapan contributes many changes for local government functions and evolutions²³.

6.1. Local Government Before British Colonization

Our Local Government administration has no proper system before British colonization. The Local Government that existed was more to traditional and feudal system in their governance²⁴.

a) The main unit of political is 'state'

- Act as a central government

-The king / sultan rules regulated in the state

-He is the unitary image among the local people

-He is responsible as leader in administering the wars issues

-He is head of all activities such as paying and collection of taxes, peace and harmony.

-The ministers such as bendahari, laksamana, temenggung, bangasawan and siblings helped his.

b) The second unit of political is 'district'

-Act as a State Government

²³ Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam: Institut Perkembangan Pendidikan (InED). p. 39-40.

²⁴ Institut Perkembangan Pendidikan (InED), *Public Administration*. Univerisiti Teknologi Mara (UiTM), Shah Alam: p. 22-23.

- Administration of each district in a state was led by minister was appointed among the royal family or bangsawan.

-He is responsible in the local administration issues, collection and paying of taxes in their own area.

c. The smallest unit of politics is 'village'

-Act as local government

-It is a unit of residence that lived peace and harmony and had very close socioeconomic relationship.

- The penghulu was appointed among the local people but had a high status than others.

-The penghulu is the leader and as the middle person between the people of the village and the district minister which deals with local problems.

The existence of 3 level of political unit in Tanah Melayu before British colonization was traced back, except for Negeri Sembilan, which had different structure of administration. The administration in Negeri Sembilan is influence by Minangkabau from Sumatera.

6.2 Local government during British colonization

The Local Government of Malaysia, in terms of the administration was influence by the British system, which had a few chronologies into local government as early existence that can seen as follows²⁵..

1801

Local Government system in Tanah Melayu started

Committee of assessors was established in Penang to lay out the town in a most suitable way.

²⁵ Refer to Ahmad Atory Hussain. 1991. *Kerajaan Tempatan. Teori dan Peranannya di Malaysia*. Kuala Lumpur: Dewan Bahasa dan Pustaka.

- 1850 After the established of Straits Settlement, the British introduce many Local Government e.g.: Penang municipalities council
Georgetown municipalities' council
- 1857 Rural board rural and district council was established
- 1884 Municipal rates act was established
Committee of assessors was upgrade to municipal committee
- 1886 Municipal committee was replaced to municipal Council
It was administration by district officer and assisted by the government officers and local representatives.
- 1907 British formed sanitary boards
- 1930 Sanitary boards were replaced by town boards
- 1950 After 1874, Local Government in Tanah Melayu is under Ordinance municipal council of the Straits Settlements until a new ordinance is approval²⁶.
It is the local authorities' elections ordinance town boards converted into town council.

²⁶ Ibid.

The ordinance gives more freedom and autonomy to the Local Government.

Based on the ordinance, the members of municipal councils were elected through an election. First election was held in Kuala Lumpur.

1951

The municipal council has autonomy in elected the council member.

The local council also existed in the rural and villages.

The effects of communism give big chance to the Local Government. The existence of villagers adds more roles of Local Government. The administration was under the ordinance of local councils.

The councils concern about the health and necessity of the people. It is a free body but still gets help from state government in terms of 'grant aid'.

1952

Ordinance of municipal councils was accepted Upgrading the financial administration of the council by giving full autonomy to handle their financial administration.

6.3 Local government after independent

Until 1 Oct 1958, the number of local authority, which established in the federation, was upon as below²⁷:

²⁷ Norris M. W., 1980. *Local Government in Peninsular Malaysia*, Kettering: David Green Printers. p. 4-8.

1 City Council	(Majlis Bandaraya)
2 Municipal Council	(Majlis Perbandaran)
32 Town Councils	(Majlis Bandaran)
7 Rural District Council	(Majlis Daerah Bandar)
300 Local Councils	(Majlis Tempatan)

The policy that requested the locals to recite under one Local Government administration automatically upgrades the level of important of local administration. As a result, town boards had changed to municipal council

The changes had also effect the government responsibility of Local Government when before 1948; Local Government was under the responsibility of the Straits Settlement and Malay Federated State. With the formation of Malay Federated States in 1948, the Local Government was under the responsibility of Federal Government. The Non-Malay Federated States were under the provision of their own State Government in each state²⁸.

Until 1957, 'Suruhanjaya Perlembagaan Persekutuan' comes up with an idea, insisted the government (Local Government to be put under the responsibility of State Government) due to close relation between both of them.

In 1960, National council for local government existed (NCLG refer article 95 A). NCLG is charged with the formulation of a national policy for the promotion, development and control of local governments throughout Peninsular Malaysia. This council is made up of a federal minister, one

²⁸ Ibid, p. 4.

representative from each of the eleven states of peninsula, and up to ten Federal Government representatives²⁹.

The roles of NCLG can see as follows³⁰:

1. To legislate the national policy for the development and the control of Local Government from time through discussion with Federal government and State government.
2. To advice federal government and state government in making laws that relate to Local Government.
3. To create uniformity of policy and law.

The existed of NCLG shows an effective platform for the administration of policy and law. Besides, NCLG consists of representatives from State government and Federal government members sit down together and discuss policy issues time by time.

Decision made at NCLG meeting bind both federal and state government, except for Sabah and Sarawak according to article as (e), Sabah and Sarawak can only act as observe status. Through NCLG, Federal government is able to:

1. Practiced their influence to ensure state government and local government to follow national policies.
2. Maintain functional borders with rural authorities.

Federal constitution passed one provision in 1957, stated that whereas Federal Government will play the role as an advisor even Local Government is under the State Authority and Parliament can legislate the law regarding to the Local Government form into policy.

²⁹ Azmi Setapa. 2000. *Study on The Development of Government Bond Markets in Selected Developing Member Countries: The Case of Malaysia*. Malaysian Institute of Economic Research.p. 3.

³⁰ Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam: Institut Perkembangan Pendidikan (InED). p. 32-33.

The parliament has passed the Local Government elections act in 1960. According to the act, supervision of Local Government election will be shifted from state government to the election commission under State Government authority. It's happened to upgrade the status of government to exist the transparency and accountability of Local Government³¹.

1st of July 1965, a Royal Commission of Inquiry was set up to investigation into the working of local authorities in peninsular Malaysia under the chairmanship of the senator Dato' Atthi Nahappan. The commission has managed to complete the report about the performance and structure of Local Government in 1968.

Report was submitted to Federal Government in 1969 and was released in December 1971. NCLG meet and discuss policy matters relating to Local Government at least once a year. The policy, decision made by NCLG binds both federal and state government except for Sabah and Sarawak.

6.4 Local government in Sabah and Sarawak

a) Local government at Sabah

- | | |
|------|---|
| 1901 | Sabah developed its Local Government system through the formation of sanitary boards |
| 1902 | Sanitary boards ordinance was passed in carrying out their duties
The boards were actually functioning as the government department. |
| 1953 | The municipal authority ordinance has replaced the sanitary boards' ordinance. |

³¹ Ibid, p. 33.

This change the status of the local authorities to the town boards

- 1961 Local government ordinance replaced town and municipal authority ordinance
With this ordinance, the district council existed

Besides this ordinance, the local government of Sabah also uses several other ordinances to help them functioning effectively.

- 1962 Local government election ordinance (2/62) has passed by the parliament which enables the process of local government election in Sabah.

Through this election, the members were elected rather than appointed.

- 1971 As the suspension of local government election being announces this local government election was postponed.

Sabah then amended its Local Government ordinance 1961, which allowed the formation of municipal council until today; it is govern by Local Government ordinance 1961.

- 1981 Local government in Sabah was also involved in restructuring process which ended in 1981.

b) Local government in Sarawak

- 1922 The history of Local Government started with the formation of Kuching sanitary board
- 1931 Local authority status change to Kuching municipal board
Consist of appointed members and representative
The board was established at several areas such as Miri, Sarikei, etc.
Through the local authority ordinance 1948, district council was established.
- 1953 Kuching municipal ordinance was passed as a result Kuching municipal board was known as Kuching municipal council.
Up to 1957, most of Sarawak territories are subject to Local Government authority.
- 1974 A 'Temporary committee' under the ministry of Local Government in Sarawak was established.
To study about the Local Government structure in Sarawak from the study, few solution or suggestions to improve the structure of Local Government in Sarawak.
- 1977 Two bills was produced, the local authority bills 1977 and Kuching municipal bills 1977.
They were passed by the House of Common pertaining to the restructuring of Local Government in Sarawak.
- 1981 Restructuring process started and completed within the same year.

Conclusion

The administration of local authorities had been a cause for public concern several issues have arisen regarding allegation of practice and administration. The commissions report and its findings provided an important subject on the future role and functions of Local Government in Malaysia. When certain of its recommendations were adopted and the Federal Government passed the Local Government act of 1976 to facilitate and initiate the process.

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7. LOCAL GOVERNMENT LAWS

Following the passage of the uniform Local Government Act 124 (Temporary Provisions) in 1973 - used as temporary act in the restructuring process - the government reviewed all basic laws that regulated the powers, duties, responsibilities and functions of local authorities. Three parent laws were enacted for that purpose: The Street, Drainage and Building Act 133 (1974), the Local Government Act 171(1976) and the Town and Country Act 172 (1974).

Local Government gave the financial autonomy to local authorities that had been restructuring. Through the wider area resulted by merging small area can produced the 'viable' and independence unit among the local authorities³².

7.1 Provisions under Local Government Act 1976 (Act 171) AND Town and Country Planning Act 1976 (Act 1972)

The Local Government Act of 1976 provides local authorities in Malaysia with a very comprehensive set of functions and responsibilities. Two other main laws, the Town and Country Planning Act (1976) and the Street, Drainage and Building Act (1974), help local governments to perform their functions under the 1976 Act³³.

These acts allow the local authorities to assume more developmental functions in the field of urban management and play a more dynamic role in national development.

³²Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam: Institut Perkembangan Pendidikan (InED). p. 43.

³³ Laws of Malaysia. 2005. Local Government Act 1976 (171 Act). International Law Book of Services. p.

As Mohamed Afandi³⁴ (1989:125) notes:

"Under the provision of the related local government laws (...) local authorities may carry out a whole range of functions, limited only by their own ambitions and resources." The major functions of Malay local authorities can be summarized as environmental, public, social and developmental.

7.2 Practiced in Malaysia

The importance of legal framework in local government in Malaysia is Local Government Act 1976 (171 Act). This framework was practiced under provision by law, which set up as functions as follows³⁵:

- i) Bigger area of local authority with combined all small local authority, new village or others area.
- ii) To unite all small authority or village in one district.
- iii) Merging two or more local authority with entered the previous area, which not include in any local authority administration.

Prior to the restructuring exercise and adoption of Local Government Act 1976 (171), the types of local authorities as follow:

- a) City Hall
- b) City Councils
- c) Municipal Council

³⁴ Mohamed Afandi, *Local Government Restructuring in Peninsular Malaysia: A Review of the Local Authority Function and Capacity, in Planning and Administration*, Volume 16 No. 2, Autumn, IULA, The Hague, 1989

³⁵ Shireen Haron & Fazimah Hayati Hassan Basri. 2002. *Pentadbiran Kerajaan Tempatan*. Shah Alam: Institut Perkembangan Pendidikan (InED). p. 45.

Table 2 Distribution of Local Authorities

State/Territories	Cities	Municipalities	Districts	State/ Territories Population
Johor	1	4	9	2721900
Kedah	1	3	7	1652000
Kelantan		1	11	1314900
Labuan				7871
Melaka	1	1	1	634100
Negeri Sembilan		3	5	858900
Pahang		2	9	1290000
Perak	1	4	10	1209700
Perlis		1		204500
Penang		2		1307600
Putrajaya				26713
Selangor	2	6	5	4175000
Terengganu		2	5	899000
Sarawak	2	3	20	2071800
Sabah	1	2	19	2656400
Kuala Lumpur	1			1379300
Total	10	34	101	23300684

Ministry of Housing and Local Government (MHLG), 2006.

Within this formal framework, the Town and Country Planning Act further enhance the relationship of a local authority with other local institutions (Malaysia 1976). This Act also classifies local authority into two groups: municipality for large towns and district council for small urban centre.

Under Section 5 of the Act, a local authority is the local planning authority and thus the authority that approves and controls all planning and development

applications in its area. Besides the District Action Committee, the local authority, which incorporates the heads of the technical departments who are either councilors or ex-officio members, especially in full council meetings, also provides a consultation forum at the local level³⁶. The Street, Drainage and Building Act 1974 is a Federal law that prescribes the procedure for controlling building development and ensuring the building complies to several requirement that can see as follows:

- a) Proper access to the building
- b) Possess roads and lanes where necessary
- c) Traffic circulation and car parks
- d) Proper system for sewerage and wastewater disposal
- e) Proper drainage system

Conclusion

Local authorities in Malaysia are deeply refers on Local Government Act 1976 with a very comprehensive set of functions through the Town and Country Planning Act (1974) and the Street, Drainage and Building Act (1974), favor into local governments to perform their functions under the 1976 Act.

These acts allow the local authorities to more provide better good and services in the field of urban management and play a more dynamic role in national policy.

³⁶ Refers to Laws of Malaysia. 2002. *Town and Country Planning Act 172*. International Law Book of Services. p.3-15.

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8. RESTRUCTURING OF LOCAL GOVERNMENT

The administration of Local Government had been a cause for public concern since early 1960's. Several allegations have been publicly debated pertaining to the less efficient weak management. Municipal councils, which were highlighted, are Penang, Johor and Seremban³⁷ with main accusations such as the corruption and law breached among the councilors.

Municipal councils of Batu Pahat, Malacca and Alor Star were facing the financial problems due to unable to precede their duties to upgrade the conditions in local authorities. The malpractice and maladministration in the running of local authorities that current time caused of lack of revenue, limited function, shortage of manpower and inefficient administration areas.

Due to this unstructured system of local government, the functioning of these councils had taken over by State Governments and the Head Ministers and Chief Ministers directly administered the local issues.

Malaysia has no further reviewed but felt they need to restructure the local authority. Instead of unstructured of Local authority system in Malaysia, Federal and State Government feels that they need to restructure to improve the situation.

In 1963, NCLG had agreed to establish a commission to investigate the condition of local authorities in peninsular Malaysia. Appointed of royal commission in investigation held on which headed by late Senator Datuk Athi Nahappan.

Officially, the process of restructuring of Local Government System was begun two years prior to the implementation of Act 171. In 1976, the new Local Government Act 1976 was introduced which emphasized of restructuring of Local

³⁷ Government of Malaysia, 1970. *Report of the Royal Commission of Inquiry to Investigate into the Working of Local Authorities in West Malaysia* (Kuala Lumpur: Government Printer, p. 45.

Government. The establishment of this Act is to restructuring the Local Government system completely a year, which caused the process, was slow. This happened cause of the ineffective between Federal Government, State Government and Local Government especially in channeling grants process³⁸.

8.1. Problems & Weaknesses of Local Government

Local Government had to face many changes in terms of status, authority and role after independence 1957. Some of the problems that affect them as follows:

1) The migration of rural area people to cities.

The development in urban and rural area faced by the environment of social change which resident formerly change into industrialization field. This development had caused the burdening to the roles of local authority in meet the demand by local people.

The migration of people from rural area to cities had expanded the gap between both areas instead. The biggest development in one area, the biggest goods and service need to given to the public.

2) Ineffective local administration

After the independence in 1957, our Local Government system was unstructured each area. Some local authority larger and some other local authority were smaller.

Hence, there was no effort in determining the structure and the role played by the Local Government. There was no effort to develop the country even after the establishment of New Economy Policy (NEP) in 1971 which incapability to implementing the development activities.³⁹

³⁸ Government of Malaysia, *Local Government Act 1976*, Laws of Malaysia (Act 171), Government Printer.

³⁹ Phang Siew Nooi, 1996. *Sistem Kerajaan Tempatan di Malaysia*. Selangor: Percetakan Dewan Bahasa dan Pustaka, p.27-28.

3) The weakness in term of financial and administration

The development of the local authorities needed large areas in term of structure and local authority administration. Before the establishment of Royal Commission of Inquiry that was headed by Senator Athi Nahappan in 1965, the power in financial system among the local authority so weak and inefficient. The weaknesses in terms of financial and administration had slow down the project that was planned (especially due to lack of professional's staff)⁴⁰.

4) The changes of role played by local government

The development of the country had changed the role played by not only giving full attention to 'service oriented' but into 'development oriented ' which not only the obligatory functions given such as maintenance and cleanliness but need to fulfill the higher demand by public.

In past, the Local Government had only provided service such as public health, security, and sanitation and sewage management. After the NEP existing, as government needed the structure local government system which can become the medium in implemented the policy, the Federal Government was given the more decentralization power in order to ensure the development tools are effective.

5) The large size of local authorities

Before the restructuring of local government, Malaysia had a hundred of local authority from the various types such as Town Council, Board Municipal, Local Council, Rural District Council and so on⁴¹. The numbers and the size of local authorities, which are too big than the population and the small

⁴⁰ Ibid, p. 30.

⁴¹ Ahmad Atory Hussain. 2002. *Kerajaan Tempatan: Teori dan Peranan di Malaysia*. Selangor: Dewan Bahasa dan Pustaka. p. 118-119.

financial source also lead to the maladministration and as a result, fail to accomplish its functions.

Most of Municipal Council and Town Board are too small from the number of population and the financial source. This matter burdens the Federal and State Government that indirectly affected the expenses of that Local Government.

6) Municipal Committee Problem

Role of the committee members are said to be inefficient as they were to implement their role because they were originally come from ordinary people and had no high education.

The system in electing the members through election before the restructuring system makes them unable to do effectively. Gap between urban and rural administration seems to been clearly shown.

Due to many problems and weaknesses faced by Local Government caused the idea to restructuring as a whole system in local authorities.

Commission of Royal Inquiry

The establishment of Commission of Royal Inquiry, which headed by Senator Athi Nahappan was mainly objective to make research the Local Government weaknesses and tried to repair.

This report was completely finish in 1968 and a few recommendation was produced as follows:

- 1) The election process to choose representatives for Local Government will be maintained. Every Local Authority should have representatives that called the Council. The locals in that local authority must choose the members in that council for every three years. Previously, election system was apply since 1952 and then suspension in the middle 1960.

- 2) Abolished all bodies, boards and councils to be replacing by one Management Board⁴².
- 3) Introduce the Committee system which including two types such as Administrative system and advisory system.
- 4) Higher authority and the executive officers in local authority to act as a secretary. Local secretary will become as a Chief Executive and Chief Administrator. This role to replace District Officer. It has role as a “Town Clerk” and “Town country”.

8.2. Reasons & Objectives of Restructuring

Report by Senator Athi Nahappan⁴³ was produced which to understand the Malaysian politic and economic in order to meet the standard and efficient among the local authorities for each states.

Reasons of Restructuring

The reasons of restructuring of Local Government can see as follows:

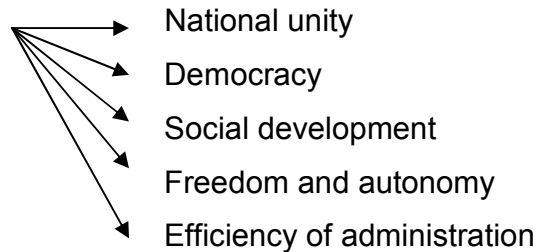
- 1) Enabling the local authority to play effectively in implementing the development project, especially provide the goods and services for people.
- 2) Given a wider power become the body, which has power in town and country planning.
- 3) To ensure the local authority implemented the development and socio-economic policy will useful in the town planning systematically.
- 4) To decide the local authority to become the independent units and capable to give the service to the public in their own area.
- 5) Enabling the local authority to administer the urban and rural area with more effective with its surrounding.

⁴² Zahari A. R. 1974-75. *The Reform of Local Government in Peninsular Malaysia and The Temporary Local Government Act 1975*, Kajian Tadbiran Pembangunan, Jilid2, Hlmn, 73-79.

⁴³ Government of Malaysia, 1970. *Report of the Royal Commission of Inquiry to Investigate into the Working of Local Authorities in West Malaysia* (Kuala Lumpur: Government Printer.p.47.

Objectives of Restructuring

- 1) To establish the new rules and policy whereby can be exercised and practiced by all local authorities in Malaysia.
- 2) Financial aid from Federal and State government will be standardized.
- 3) Local Government organization must be restructured to ensure the effectiveness of its administration and smooth operation.
- 4) Federal government will act as a coordinator in determining the restructuring process of Local Government.
- 5) Can adaptation the objective of Local Government as follows:



8.3. Effects of Restructuring

In the earlier stage of restructuring, one Local Government Act (Temporary Act) was established in 1973. Consequently, the Local Government act 1973 was replaced by Local Government Act 1976 as a whole which involved little uniformity in interpretation and development. Due to the restructuring process, several effects can be seen.

1) Structure and organization

Local Government Act 1976

Local authorities was restructuring in Peninsular using the Local Government Act 1976. Due to this restructuring, it mean that previous laws that related with Local Government are eradicated and was replaced by this Local Government Act

1976. This Act had 16 sections, which amend to repeal laws that related to local issues⁴⁴.

One important allocation in this Act is State Government has power to restructuring local authorities with objective to establish only the two types of Local Government namely Municipal Council and District Council. As the result, a numbers of local authority are reduced from 374 until 93. Until 1984, 90 local authorities were restructuring which including the one City Hall, 15 Municipal Councils and 74 District Council. Only 3 local authorities yet to restructuring which situated at Pekan, Rompin and Maran⁴⁵.

Subsequently, through the years with further with Local Government and rapid changes in the economy of the country. The number of local authority starts of 145 which 97 in peninsular Malaysia, 23 in Sabah and 25 in Sarawak. Regarding this unites, Local Government system can be more viable and efficient on their areas⁴⁶. The main reason of this restructuring also to establish the Municipal Council and District Council, which the characteristics of its council can see as follows:

Municipality Council⁴⁷

1. Town centre such as State capital
2. Population more than 100000 people and live in congested area.
3. Annual income not less than RM10 million
4. Have an organized administration and central of central government.
5. Services demand more towards better town services than infrastructure development.

⁴⁴ Wan Ismail Wan Hamat. 1984. *Sistem Pentadbiran Kerajaan Tempatan, Bahagian Kerajaan Tempatan*, Kementerian Perumahan dan Kerajaan Tempatan, Kuala Lumpur.

⁴⁵ Ibid. p. 8.

⁴⁶ Ibid,p 8.

⁴⁷ Ahmad Atory Hussain. 2002. *Kerajaan Tempatan: Teori dan Peranan di Malaysia.Selangor*: Dewan Bahasa dan Pustaka. p. 122.

District Council⁴⁸

1. Situated an outside the main town centers.
2. Population less than 100000 people and live in unstructured and develop area.
2. Annual income less than RM5 million
 3. Less capability in functioning caused less of goods and services.
 4. Needed a better goods and services from local authority.

Due to this restructuring also changed the administration system, which can be seen as below;

- 1) Establishment of Mayor Position (Federal Territories) and Yang Dipertua (YDP).
- 2) At least 8 members and not more than 24 council members for Municipality Council whereas 8 until 12 members and can be added until 24 with approval by Minister. In Malaysian context, majority of council members actively from political party (National Front)⁴⁹.

2) Finance

On the issues of finance, although the restructuring process was aiming at upgrading of the status of finance, yet the Local Government in Malaysia always suffered from a shortage of funds. Due to the Local Government Act 1973 (Temporary Act) allocates for local authority a financial power more autonomy to help them more viable. This allocation still not changed the worst financial that facing by local authority. If the local authority suffering from a less financial, the development of the area very slowed pertaining to the shortage of finance.

Furthermore, the council members don't do their job unless government provides the enough budgets. Before restructuring, local authority earns their money its own efforts and indirectly, one local authority is totally depended on council

⁴⁸ Ibid,p. 123.

⁴⁹ Ibid,p. 123.

members whether their good effort or not. This scenario become a problems to districts council which majority of them getting bankrupt⁵⁰.

That why after restructuring, Federal Government and State Government given a financial allocation for the local authorities in 4 types as follows:

- 1) Launching Grant
- 2) Annual Grant
- 3) Loan
- 4) Little projects aid

Conclusion

Restructuring process in Local Government can help the local authorities more viable on it's functioning. After restructuring, its functions not only focus on "service oriented " but more on "development oriented". It meant that local authorities nowadays as a mediator and planner in determining the achievement of national development as a whole.

⁵⁰ Ibid,p.129.

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9. RELATIONSHIP BETWEEN LOCAL GOVERNMENT, STATE GOVERNMENT AND FEDERAL GOVERNMENT

9.1 Introduction

As a one government at the grass-root, certainly there are close relationship between people and government. Councilor in Local Government usually acts as mediator or communicator in public policy making.

In this context, Federal Government gave the decentralization in segregating the power in decision-making or functions to Local Government under a political system or country administration. This means that the higher authority has a very close relationship and trusts the lower body without prejudice.

According to Federal Constitution in Schedule 9, Section 11, it is precisely stated that Local Government is subject to State Government jurisdiction (except Kuala Lumpur City Hall)⁵¹.

Thus, the Local Government definitely has a close relationship with the State Government. However, for uniformity of laws and policy, Federal Constitution given an authority to the Parliament to make laws related to Local Government.

Besides that, on 31 May 1960 one new amendment of Federal Constitution as (item 95 A) has added a provision that a council called National Council of Local Government (NCLG) being established.

This council was chairman by minister, which responsible to Local Government with its main function into form Local Government. NCLG acts as the consultant

⁵¹ Wan Ismail Wan Hamat. 1984. *Sistem Pentadbiran Kerajaan Tempatan, Bahagian Kerajaan Tempatan*, Kementerian Perumahan dan Kerajaan Tempatan, Kuala Lumpur.p. 12.

between Federal Government and State Government with national policy as a guideline for courage develops and supervises the Local Government.

9.2. Relationship between Local Government & Federal Government

Due to the system of Local Government in Malaysia, obviously it's shown the close relationship between Local Government and Federal Government. The higher authority have the power decide the policies and law relating to Local Government to ensure not opposed the Federal Government objective in order to supervise and controlling the system as a whole.

It is very important that Local Government has a good relationship with the federal government. Without this good relationship from Federal Government, Local Government will not be able to implement the policies.

Since 1978, Federal Government established two ministries to responsible in Local Government issues for Malaysia Peninsular territories. Federal Government and State Government can influence local Government indirectly through the formation of Federal Territories Ministry (Kuala Lumpur, Labuan and Putrajaya territory) and Ministry of Housing and Local Government (MHLG), which responsible for whole area except the Kuala Lumpur, Labuan and Putrajaya territory. Both of ministries are responsible as follows⁵²:

- 1) As a committee for NCLG.
- 2) Responsible to develop the Local Government system for achieving in better goods and services.
- 3) As a supervisor and coordinator in channeling the financial allocation from Federal Government to local authorities in terms of grant, loan and aid.
- 4) To advice and courage local authorities in good expenditure and well financial.
- 5) Provides the conference, course and workshop for local authorities staff.

⁵² Ahmad Atory Hussain. 2002. *Kerajaan Tempatan: Teori dan Peranan di Malaysia*. Selangor: Dewan Bahasa dan Pustaka. p. 142.

9.3 National Council of Local Government (NCLG)

National council of local government (NCLG) was established in 1960 with its function to advise the Federal Government and State Government on regulations and other matters effecting Local Government in country.

The **characteristics** of NCLG can see as follows⁵³:

- 1) It is a constitution body
- 2) It is the council with national status (in term of the functions of NCLG as stated clearly in the Federal Constitution.
- 2) The chairman is the Minister of Housing and Local Government
- 3) The secretary is the ministry housing of local government (MHLG)
- 4) The members of this council are fixed by the constitution such as:
 - a) Head of State or *Exco* Chairman on Local Government of every Peninsular State who is appointed by the ruler of the state.
 - b) Ministerial level Representative from every ministry that connected with Local Government.
 - c) The representative of federal government should not exceed 10 persons.
 - d) Sabah and Sarawak as observer caused they are not allowed to vote in the councils meeting. It means that the representative of Sabah and Sarawak was not abiding with the decision made during the meeting. They can also voice out their opinion and ideas about local government matters.

Functions of NCLG

- 1) Mediator for discussion and meeting between the Federal Government and State Government.
- 2) Act as a advisor and coordinator towards growth and development of Local Government.

⁵³ Wan Ismail Wan Hamat. 1984. *Sistem Pentadbiran Kerajaan Tempatan, Bahagian Kerajaan Tempatan*, Kementerian Perumahan dan Kerajaan Tempatan, Kuala Lumpur.p. 13.

- 3) To legislate the Local Government policies and the law policies of local government.
- 4) As per item 95 A (5) of Federal Constitution, it is an obligation for NCLG to consult with Federal Government and State Government from time to time pertaining. The national policy to enhance develops and controls all local government in peninsular Malaysia and to administrate the laws relating Local Government issues. NCLG must call for a meeting at least once a year and the decision made is based on consensus.
- 5) NCLG is a formal body separated from Federal Government and State Government. Due to issues pertaining to Local government, the council has a higher status if compared to Federal and State Government.
Thus, any legislation of Local Government policies should be transparent in order to make sure guarantee the development and existence of local government.

Actions taken by NCLG in ensuring the successful of its functions.

a) Law and field of authority

Increase the responsibility and involvement of local authorities from traditional function of “service oriented” such as cleanliness, garbage collection, and sanitation to “development oriented” which local authority can actively involve in socio-economic development in their territory.

b) Financial stability

Local authority has been increased in performance after the restructuring process has been complete. Thus, it is hope that local authority can exercise better goods and services actively in ensuring the peacefulness and local’s welfare being taken carefully.

d) Adequate manpower

The capability of the local authorities should increase the performance in manpower system. Before the restructuring process, local authorities staff so worst performance. After establishment of NCLG, they should advice the Local Government on how to overcome the shortage of manpower and advice pertaining to placement a number of their staff.

NCLG come with guideline regarding the quality of Local authorities, which needed of good academic qualified such as personality, trained well, capable on theory and practical and so on.

e) Involvement of society

Increase number of population in area of administration through restructuring and increase awareness of the local people (demand). NCLG has come up with guideline in terms of to encourage the Local Government to have a specialized program in communication.

9.4 Ministry of Housing & Local Government (MHLG)

The Ministry of Federal Territories is responsible to secure the local government in the Federal Territories such as Kuala Lumpur, Putrajaya and Labuan.⁵⁴ The Ministry of Housing and Local Government (MHLG) is responsible to secure all local government except for Federal Territories.

Functions of MHLG

- 1) As a secretariat NCLG
- 2) To monitor the efficiency of the local authority.
- 3) Encourage the efficient system of Local Government administration.
- 4) To advice and assist the local authority in planning budget and to upgrade the financial condition to ensure that they well managed.

⁵⁴ Ahmad Atory Hussain. 2002. *Kerajaan Tempatan: Teori dan Peranan di Malaysia*. Selangor: Dewan Bahasa dan Pustaka. p. 139.

- 5) Provides the seminar, talks and courses for the local authority in order to increase their knowledge and experiences.
- 6) Responsible to addressing the financial aids in forms of annual grant, small projects and loan from Federal Government to local authorities.
 - MHL function is to carry out duty pertaining to the Local Government.
 - Through NCLG and MHLG, the Federal Government has a wide scope of authority in identified and legislated the laws and policies of Local Government.
 - This is to avoid conflicts that opposed with the Federal Government objectives.

9.5. Relationship Between Local Government & State Government

“ Local Government is a part of State Government jurisdiction under one sovereign government (Federal Government) or a portion of sovereign government (State Government) that given the services in limited area”⁵⁵

A statement given by Abdul Karim Ineh as above mention that under the Malaysian Federal Government, Local Government is one uniformity under State Government. All policies and laws pertaining to local issues is related to State Government laws even the Federal Government has a power to make a law in achieving the policies and laws consensus.

However, federal constitution had given the power to federal government to come up with law to ensure the uniformity. That means, everything that has been set by the federal and state government need to be accepted and implemented by the local authorities.

Before establishment of Local Government (Temporary Act) 1973 (124 Act) and Local Government Act 1976 (171 Act), State Government has a wider power in

⁵⁵ Abdul Karim Ineh, 1975, *Penyusunan Semula Penguasa-penguasa Tempatan di Semenanjung Malaysia*, Seminar Kebangsaan Kerajaan Malaysia, Kuala Lumpur.p.9.

regulating and controlling over the Local Government administration⁵⁶. Local Government has a less power caused also channeling power to District Office. District Office has a large power and concerned by State Government compared to Local Government. This statement can clearly show as follows:

“The DO is representative of the State Government in the district and is therefore the ‘voice’ of the power in a sense in which no other officer can be”⁵⁷

Furthermore, if we look back to Local Government System, there are no sense of autonomy caused directly given by State Government especially on the municipal council. Although municipal council has financial autonomy, however the council budget has first to be consent by state government.

From here, we can say that the laws of local government either municipal council or district council is standard with the needs of the State Government Any taken action must approval by State Government before next procedure. Besides that, Local Government just acts as an advisor for Local Government.

However, with the existence of 171 acts 1976, the Local Government starts to experience changes especially in terms of power and its status in the government. The act had given an important role for the Local Government by adding power especially in implemented administration and social economic activities.

Although the Local Government has power that makes it a separate government, however from time to time, the government can give instruction regarding the policy to the local authority. The authority of State Government to Local government can seen as follows⁵⁸:

⁵⁶ Roslan Ahmad, 1980. *Kerajaan Tempatan di Semenanjung Malaysia pada Masa Kini*, Jabatan Sians Politik, UKM.

⁵⁷ Beaglehole, J. H., 1973. *The District Some Aspect of Administration and Politics in West Malaysia*, *Journal of Administration Overseas*, Vol. 12, No. 4.

⁵⁸ Ahmad Atory Hussain. 2002. *Kerajaan Tempatan: Teori dan Peranan di Malaysia*. Selangor: Dewan Bahasa dan Pustaka. p. 145.

- 1) The State Government allows the local authority to legislate amends and terminate by-laws that have been legislate or formed, and can't enforce until received consent from the State Government.
- 2) Local authority whether has financial autonomy or not need to submit the annual budget proposal including staffing, listing of new staffing with salary and allowance to State Government for approval.
- 3) In carrying out their responsibility, the local authority can't depend solely on their revenues. They need to request for the grants from the State Government.
- 4) Local authority can request for loan but the State Government however the amounts and conditions need to follows by local authority.
- 5) At state level, the Local Government Committee is responsible and coordinates to local authority activities.

Conclusion

From the Malaysian Local Government system, obviously seen that there are close relationship between Local Government and Federal Government and State Government. Federal Government has a wider power over its branches. Nowadays, Federal Government working together with State Government to develop the Local Government through the policies making in order to gave the more autonomy in handling local issues. Without the good relationships, Local Government difficult to achieve their objectives.

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10. REPRESENTATIVE IN LOCAL GOVERNMENT

10.1. Definitions & Roles of Councilors

In certain countries, the representative is considered as a major function whereby their council members of Local Government were selected through the general elections. Representative can be defined as a person who is responsible to lead or represent others in certain matters that need to be settled.

In Local Government context, the council members were assumed as a local people's representative. Thus, they can voice out their rights on behalf of the local people. In Malaysia, although the council members of local government were appointed but that do not mean that the members cannot play their roles effectively. Before the restructuring of Local Government, representative is selected through the Local Government election. However, this election was abolish in 1961 and the establishment of Local Government Act 171 (1976). Federal Government gave a power to the State Government to appoint the council members⁵⁹.

The management is currently facing difficulties in fulfillment their goals such as quality of service delivery, effectiveness and efficiency of services and involvement towards society. Before restructuring, many malpractices had been facing by Local Government such as wrongdoing, corruption, and bias; misbehave which affected to its administration and financial system⁶⁰. Thus, the most of the Local Government management system face change in their system as continuation, instead of choosing the members through the election to select without election.

⁵⁹ Ahmad Atory Hussain. 2002. *Kerajaan Tempatan: Teori dan Peranan di Malaysia*. Selangor: Dewan Bahasa dan Pustaka. p. 178.

⁶⁰ Norris, M. W., 1980. *Local Government in Peninsular Malaysia*, Kettering: David Green Printers. p. 24.

10.2 Types of Representative

Aspect	Appointed System	Elected System
Relationship	Close with higher authority	Close with locals
Decision making	Fast decision making cause they gain help from the authority	Able to make wise decision
Cost	Save cost	Use a lot of money to promote.
Favorable	Favorite of local authority	Favorite of locals that they well known person.
Time constraint	Save time cause no need for election process	Time consuming as need election process
Professionalism	More experts in his / her field. More experience in local government sector	The local may not his professionalism people
Interest	Determine the needs of local authority and development as whole.	Determine the need of local people
Familiarization	Not really familiar with the area.	Familiar with it as member are also a local people.

10.3 History of Local Government Election

- 1951 -The first local government election was held under the local government election ordinance
- The State Government holds the responsibility for the Local Government election.
- 1961 - The responsibility to the local government election was shifted from the State government to the Election Commission
- Subsequently, the municipal council and town council whereby the election was held automatically received a new constitution which effective on the 1st of April 1961.
 - According to this new Constitution, each town council must consist of 2 types of members, appointed and elected. However, the number of elected members should be more than the appointed one.
 - e.g. Georgetown municipal council was the first local government, whereby their council members were fully elected in December 1956.
 - This followed by Ipoh town council, May 1960.

Suspension of local government election

- 1962 - Local Government election was held

September

- 1963 -Local government election cannot be held due to emergency declaration.
Cause of Confrontation – Indonesia versus Malaysia
- 1964 -Local government election was officially suspended the council members can still implement / carry out their duties.
- The suspension was only for temporary basis but although the confrontation ended 1966, the suspension process remains.

1974 -The election for Local Government is totally dissolved after the restructuring process influenced under Local Government Act 171 (1976).

10.4 Practice of Representative in Malaysia

Malaysia practices a committee system whereby the council members are appointed.

Characteristics of the committee

- 1) Generally, the committee is a body whereby the tasks can be referenced to from the other party and the committee must be capable in implementing their tasks.
The other party is the government, state executive, local people, and other department.
- 2) The committee held responsibility towards the body, which has established them and has given them authority or power.
- 3) The status of the committee is depending on the body, which has formed them.
- 4) The committee can be formed in various types.
- 5) The committee can also act as an advisor.
- 6) The committee can be formed due to certain reasons temporary form until the case settled it means that the committee can be dissolved / abolished once the case being settled.
- 7) The committees are formed to implement several tasks, which are related to the organization.
- 8) The total numbers of committee are differing between the council. The larger size of council, larger number of committee will be established.

Particularly, the committee will follow a schedule, which has been fixed for them to carry out their duties. The committee will have to submit the minutes of the meeting to the administration department after the meeting.

However, due to the great influences of the political parties, towards the committees, the final result usually will favor he needs more hope than the political parties.

Normally, the council does not have many influences towards the decision made by the committee during the meeting. The council will accept and approved the matters without much debate.

The criteria of Council Members hired can see as follows⁶¹;

- i) Members of council must origin that local authority
- ii) Have a many experience in Local Government.
- iii) Have acknowledgement in any profession, business or industrial
- iv) Capable to race representative interest.

Council Members basically have a few functions as follows;

- 3) Planning and policy making
- 4) Decide the goal and objective
- 5) Revenues assessment
- 6) Mediator between local people and council
- 7) Informer machinery to council

Conclusion

Before the restructuring, Council members or councilor are selected by local people through the election that was handle by Election Commission. Nowadays, local authority has no sense of election in appoint council members. Due to abolish of local Government election, perhaps the Local Government today will

⁶¹ Ahmad Atory Hussain. 2002. Kerajaan Tempatan: Teori dan Peranan di Malaysia. Selangor: Dewan Bahasa dan Pustaka. p. 124.

efficient administered by professional officer and indirectly can reduce of political interference.

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11. DISTRICT OFFICER

11.1. Definitions of District's powers

British had introduced the district officer style of administration after the year 1874. It is because, at that time / period, the British started to get involved with the political and administration of the Malay states.

The government of Malay states works with the resident, which is sending by British as advisor to them. The main function of a resident is as important advisor to the Malay Sultan, pertaining to the matters of law, political and state administration.

The resident for the purpose of representing them in administration the district created the post of a district officer. Today, District Officer (DO) is an officer who is appointed by the state authority (Chief Minister or Head of State) to administer the district.

11.1.1 Functions of District's powers

The DO is responsible to the resident and also the state government in implementing the laws and policies for that time. However, he doesn't have any power to legislate any policies for the district and the decision can only be done after the resident has agreed.

Generally the major tasks of a DO are pertaining to the land matters and in terms of the peacefulness of its area. The details functions by DO can see as follows:

a) Land matters

DO are responsible to collect taxes, whether the land is used for agriculture or business. In terms of ensuring the peacefulness of the area, DO can act as a magistrate (2nd class) and sometimes being appointed as a committee in police

force. The appointed of District Council members usually depend on fix its council and valid by State Government⁶².

b) District officer as a model of supervisor

The system that was introduced by the British does not have its own statutory power, which means DO, doesn't have an authority related to other department. Anyway, in implementing his tasks and job, he has a strong as supervisor, influence as the others representative to its functions.

c) General function -prefect or coordinator

A DO also has to coordinate various developments planning of the district such as provide the goods and services (obligatory and discretionary functions) to own resident.

d) To monitor and build close relationship with people in the district

District officer must always aware and try to understand the problem facing by the people in general and the need for development of the period.

District officer should hear all complains suggestion and try to channel to state authority.

⁶² Mohd. Fo'ad Sakdan. 1985. Sistem Kerajaan Tempatan di Malaysia (Unpublish). Jabatan Sains Politik, UKM, Bangi. p.37.

e) Aspect of social security and welfare of the society

Number	Social security	Welfare of the society
1	Try to curb problem by cooperating with the police	Try to help poor families in education, food subsidy.
2	Cooperate with the public and private institution at the district in term of security and welfare such 'Rukun Tetangga '.	In term of money e.g. burned houses, accidents, and natural disaster

f) To implement the government policy

Implement all various government policies towards the achievement of the objective and aspiration of the government in the aspect of the development of people and nation such as National Development Policy and the vision 2020.

g) Aware the needs and demand for development

They must also aware the needs and demand for development in the area.

e.g. when district officer receive suggestion by local people, the next step, issued a meeting.

Influence respect to the district officer

The administration of the district officer, local government and land office are different from each other. Anyhow, the society recognized that district officer is none other than the chairman of local government and land administration.

11.1.2 Factors why district officer is the most famous.

- 1) After independent, the system of a district officer is still continuing they inherited the respectfulness, recognition from the past since the British had established the system.
- 2) The past was formally granted to the British people whereby the Malays at that time appreciated the British with high dignity.
- 3) A district officer is very famous and gains respect from local people because he has an authority related to the land administration.
For example, a district officer has an authority either to support the application of land ownership or not.
- 4) The society also has a very high respect to the district officer since he can also act as a magistrate at the civil court.

11.2. The differences between district officer and local government

Number	District Officer	Local Government
1	Administration: rural / less development	Administration: urban area / more develop area
2	Chief / head: district officer	President: Yang Dipertua (YDP)
3	Assist by assistant: district officer	Assistant council members (ACM)
4	Appointment: not based on any specific law / enact	Appointment: based on law
5	Centre of administration district → officer district office	Centre of administration → city / municipal / district council
6	Right of establishing law → no right	Right of established law → has a right to legislate by law
7	Decentralization → technique prefectural deconcentration	Decentralization technique → devolution
8	Main function Prefect → ensure pacification	Main function Obligation → housing keeping and cleanliness Discretionary → development
9	Close relationship with local people	Not so close relationship with local people

10	Does not have the authority to generate income For example, they impose tax to locals anyway; he has an authority to collect land tax	Has the authority to generate income For example, impose tax and etc
11	A concept / system of unintegrated prefecture <ul style="list-style-type: none"> • Has no formal authority towards other government agencies • No specific set of laws to refer 	A concept of integrated prefecture <p>Has formal authority towards other government agencies (cleanliness)</p> <p>Can legislate by laws can refer to certain act for guidelines (local government act 1970)</p>
12	Political neutrality	Accept political interferences
13	Historically - no election at all - all are appointed	Historically - there was general election -but now all the representative a being appointed
14	In terms of jurisdiction - less acceptable and all must refer to the chief minister for the decision making	In terms of jurisdiction, more acceptable by the local people (decision making)
15	It is not a corporate body	It is a corporate body

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Similarity between district officers vs. local governments

- 1) Government administration at local level
- 2) Has its own boundary or legal territory
- 3) System is inherited from the British colonization

Both implement government's policies and development

Conclusion

As conclusion, the establishment of District Officer (DO) post for the purpose of representing them in administration the district. In Malaysian Local Government system, the status of DO is highly respect and closed with local residents compared to other Local Government.

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12. MALAYSIA LOCAL GOVERNMENT PERSONNEL SYSTEM

12.1 Definitions

The Malaysian experience has demonstrated that the effort to bring the decision-making process to meet efficiency objectives. This in turn depends on the manpower, personnel and expertise available, which is another area in the management of local authorities that more focus of Federal as well as state governments⁶³.

Nowadays, the personnel issues in local government have become debate discussion. The major issue is pertaining to the different role to assign to the Local Government officers and Federal Government officers such as the jobs of local authorities of federal government officers are limited by geographical factor or the boundary, which has been fixed for Local Government.

Every local authority is given the power to recruit personnel to carry out its functions⁶⁴. However, the State Government has to approve the budget and the reasons for recruitment process of new staff. Local authorities have discretionary to appoint their own staff, exercise control and execute disciplinary action and undertake other personnel functions such as training, promotion and pension matters as long as the State Government approves these of. A system which is established by an organization in administrating the process of selecting, recruiting, training motivating, directing, and coordinating workers for the purpose of achieving the goals.

⁶³ Mohd. Zin, M., 1987. *Personnel Management and Training in Local Government System in Malaysia*, EROPA Seminar on Personnel Management in Local Public Service, Eastern Regional Organization for Public Administration and Ministry of Home Affairs, Government of Japan, Tokyo.

⁶⁴ Laws of Malaysia. 2005. *Local Government Act 1976 (171 Act)*. International Law Book of Services.

As a result of the implementation of Local Government reform, local councils are now bodies appointed by the State authorities. Usually, the chief executives, i.e. mayor for a city council; *Yang dipertua (YDP)* for municipal and District Council (DO) for district councils, are also appointed by the State. The exception is the City of Kuala Lumpur, which is headed by the Commissioner for the City of Kuala Lumpur. The appointment of councilor or council members must not less than eight and not more than twenty-four councilors and a mayor or a president to sit on the full council of a local authority⁶⁵.

In any organization, the recruitment process is most important in the public service as it determines the type of individual taken into the service. If the recruitment processes are weak, it will lead to a mismatch between recruited personnel and the job requirements of local authorities. In this respect, one must note that local authority posts in Malaysia, can be divided into permanent and pension, permanent and non-pension, temporary and contract posts⁶⁶.

The function to appoint, confirm, place on the permanent or pension establishment, transfer and exercise disciplinary control over members in the service will be responsible by each local authority. A Promotion Board will be conducts all exercises whether a vacancy occurs in a higher grade in the scheme in case of promotion. Whatever the method of assessing of interview, the prime consideration is that all promotions are based on merit

⁶⁵ Ibid.

⁶⁶ www.unescap.org/huset/lgstudy/country/malayssia/malaysia/html.

In organization, either to recruit officers or operating employees, they need a good administration of personnel system. A good administration of personnel system will give a great effect to the organization as a whole.

12.2 Types of Personnel System

When we talk about the personnel system in Local Government, we can't void to talk about the types of personnel system. Although there is few types that has been established by most countries but only three are usually applied as follows:

- a) Separate / close personnel system
- b) United personnel system
- c) Integrated personnel system

1) Separate personnel system

- a) Separate from the control of Federal Government.
- b) The Local Authority has the right and authority in recruiting and terminating the services of the workers.
- c) Local Authority usually does not have any special body in charge for the personnel matters.
- d) No public service department to handled about the personnel matters
- e) The personnel loyalty always concentrated to the local authority, as they are only one who has employed them.
- f) They cannot be transferred to the other local authority Fields of authority pertaining to their status and career has been informed.
- g) The personnel don't have an authority to develop their career and experiences if the size of Local Authority is small.
- h) The possibility of practicing the recruitment and promotion of personnel on the biasness and not merit.

Instead of Malaysia, the countries such as Britain and US are also practiced this system.

ii) United personnel system

- a) The personnel who serve under local authority are group together in one service body.
- b) The function of the special body is as a coordinator for personnel services of all local authorities.
- c) They can ask for transfer from one council to another council but in the some local Government to the Federal Government or State Government.
- d) It has indirect interference from Federal Government.
- e) Members of the body can be officers from the ministry or government's department or local authority representative.
- f) All local Authority units will obey the rules set up by the body and at the same time this body also becomes a central power in transferring the personnel from one local authority to another.
- g) This will give a positive effect, especially in terms of promotion.
- h) In terms of loyalty, it is some with separate system.

iii) Integrated personnel

- a) There is a special body in charge on personnel matters.
- b) The body in charge for the whole government bodies in the country, Federal, State, Local government and personnel.
- c) Federal Government can control the staff of Local Government (direct interference)
- d) Uniformity is very good, highly standardize.
- e) The personnel can ask for transfer. It just not only can ask for transfer in the Local Government but also to the other government office in State Government and Federal Government.

12.3 Characteristics of Good Personnel System

Characteristics of a good personnel system can be seen as follows:

- 1) Personnel must have a good quality year of experiences sincerer and credibility.

- 2) The Local Government must be alert to the environment changes and if need changes, they have to act accordingly.
- 3) Local authorities should have their own authority in recruiting their personnel.
- 4) The council members should have an authority to terminate the workers services. Must get approval (before dismiss / terminate workers) from higher authority.
- 5) The council member should have an authority to legislate the matters pertaining to the conditions of services, salary, qualification, etc.
- 6) Local government must have a good financial status as this will assist them in recruiting a specialist, skill workers, such as engineers, doctors, urban planning officer without sharing with the state and federal government.
- 7) The Local Government is free to determine their structure of organization and use their own procedure in allocating their personnel.
- 8) The reward should be compatible between the officers and personnel who work in the Local Government with those who serve in public sector.
- 9) The selecting and recruiting process must be based on the merit. Thus, influence from other party such as political members must be limited.
- 10) Create the changes of self – development in career services such as promotion, increment, salary, promotion and fringe benefit.
- 11) The facility to transfer from one field to another must be formed, (must include the pension money). Personnel cannot ask for transfer, if they want to do so, they must quit first and reapply again later. In other case, (YDP) and secretary can be transferred from one field to another.
- 12) The system must have training facilities.
- 13) There must be a good relationship among the local authority and other personnel (through formal and informal activities).

12.4 Advantages & Disadvantages of Personnel System

1) Separated System

Advantages

- 1) Very loyalty – always concentrate to Local authority as they are the one who employed them
- 2) Can administer, their own personnel on their own way-has right to recruit and terminate workers
- 3) No interference from State Government and Federal Government and free to determine structure or organization and use their own procedure in allocating their personnel.

Disadvantages

- 1) No career development (no chance to work in bigger council because no opportunity to transfer)
- 2) Small scope of knowledge
- 3) Recruitment not base on merits
- 4) Exist biasness
- 5) No specific body in charge for personnel
- 6) Lead to financial problem – as not enough money have to pay high salary to personnel (expert)
- 7) Local authority with small organization exposure to personnel.

2) United System

Advantages

- 1) Scope of knowledge / experience is big
- 2) Can built their own career
- 3) The specific body in charge on other government's personnel are more realistic
- 4) Proper guideline for recruitment
- 5) Very loyal to Local Government

Disadvantages

- 1) Shortage of labor / expertise

- 2) High costs in training development

3. Integrated System

Advantages

- 1) Can gain knowledge, and experience
- 2) Can build own career development
- 3) Standardize salary, services, pension, appointing
- 4) No financial problem cause Federal Government manage salary matters

Disadvantages

- 1) Not loyalty to Local authority
- 2) Centralization problem such as delay, red-tape, no alert or local needs
- 3) Higher competition among workers

Early 1981, upon requested by Federal Government and the State Government has agreed that the above function be controlled by the Federal Government agencies Public Service Department (PSD). Hence, the control towards the scheme of service that is for grade (A, B, C and D) for Local Government personnel is done by PSD only. As for the control towards the post, it is for the purpose of uniformity, standardization in terms of salary and allowance with other public service. Anyway the rights and functions of Local Government offering scheme of service, the post and the grade remain. The scheme of services, which is legislated by the public services dept must be used or accepted and later by Local Government, can claim it as their own scheme.

The Public Services Department, through its Training Division and the National Institute of Public Administration (INTAN), is responsible for planning and conducting training programmes for public sector personnel including those from the local government sector. At the Ministry of Housing and Local Government (MHLG), the Department of Local Government that has a small training unit is handling the training component. Nevertheless, all local authorities are

encouraged to set up their own training units and develop their own training programmes as part of the human resource development effort⁶⁷.

The City Hall of Kuala Lumpur for instance, has its own training institute. This effort includes the provision of training opportunities for all levels of local government personnel such as the lower level comprising clerical, technical and other support groups, the executive and sub professional groups which form the middle management and the top management level covering the administrative, professional and non-professional groups. As part of the continuing efforts to produce local government personnel of high caliber, many local authorities throughout Malaysia have adopted a number internal as well as external of training strategies.

Conclusion

In concluding remark, personnel system in Local Government has approach. Each local authority even in different size and population still used the same method in personnel process. Individual local authorities recruit their own staff and have the power to discipline and dismiss them as necessary. In some cases there is deployment of civil service staff to local government; occasionally senior civil service staff are appointed as mayors or presidents. Each council is required to have an executive mayor or president who is the head of the paid service as chief executive officer. Without the efficient and effectiveness of personnel system, that system can't stand it self Local Government as a whole.

⁶⁷ Mahathir, M., 1995. *Message for National Seminar on Public Service: New Strategic Dimensions for the 21st Century*, Malaysian Administrative Modernization and Management Planning Unit, Prime Minister's Department, National Institute of Public Administration and Commonwealth Association for Public Administration and Management (CAPAM), Malaysia.

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www.unescap.org/huset/lqstudy/country/malayssia/malaysia/html. (Online) Available. 26/5/2006

13. FINANCIAL ADMINISTRATION

13.1. Introduction

Financial administration in Local Government had a rapid growth in population and increasing rate of urbanization, which assumed increasing importance in local government management. Financial management determines the efficiency and effectiveness of local authority operations and without adequate funding, it is difficult for local authorities to fulfill their duties as provider of services and act as a facilitator of socioeconomic growth at the local level.

Before Local Government system in Malaysia had the restructuring process, the financial administration system is poor managed from its revenues and expenditure. They also claim that they were lack of workers and not able to collect tax and limited capital to open a business.

Before the restructuring also, the Local Government gained their own financial sources, using their own efforts. After the Local Government Act 9171) 1976 was established, it has helped the Local Government that has financial weaknesses will get a favor from the State Government and Federal Government.

13.2. Principles of Local Government Finance

1) Financial sources and financing should be allocated to the functions of the authorities either central, stated, local.

e.g. Local Government should be allocated or provided some sort of security to point the old building to the workers.

2) Financial resource should as for possible be considered as local control.

3) Revenue sources should be readily.

e.g. In the eyes of the Local Government or public, the public should understand well the reasons or the important of paying parking fees. This is to upgrade the status of the Local Government district council municipal Council.

- 4) Revenue sources should be easy to access and cheap to collect.
e.g. Within the public willingness for public, they can pay the assessment.
- 5) Revenue should be elastic and there is a need for him to be revalued every 5 years (elastic).
- 6) Local revenue as far as possible be derived locally
Better for them to gain finance within locality rather than apply for loan.

13.3. Financial Sources of Local Government in Malaysia

Malaysian Local government expenditure can be divided into two categories: development expenditure and operating expenditure. Development expenditure involves a large sum of money and includes expenditure on the construction of buildings, houses, offices, etc. Operating expenditure is spent on short-lived items such as stationery, equipment, salaries, manpower services, bonus, allowance etc. In general, it is mainly used for the purpose of maintaining services⁶⁸.

Local Government revenue can be obtained from 2 main sources as follows:

- a) Within locality - tax, fine, charge, parking, rental.
- b) Outside locality - Federal Government grant any financial institution, loan, public. Local Government can apply for loan provided and being approved by State Government.

The sources of revenue are collected based on section 30 Local Government Act (171) 1976 as follows⁶⁹:

- 1) All taxes, rentals, licenses payment and chargers that are paid to the Local Authority based on Local Government Act (171) 1976

⁶⁸ www.unescap.org/huset/lgstudy/country/malayssia/malaysia/html.

⁶⁹ Laws of Malaysia. 2005. *Local Government Act 1976 (171 Act)*. International Law Book of Services.

E.g. the payment receives from the water supply including the water rate, water disposal fee, garbage collection fee, hawker fee, the rental on state properties, fine, compound, summons and etc.

2) All charges or profit that is gained from any trading services or development that is done by the LA under their authorities.

E.g. the payment receives from the sales of lands and the sales of state properties.

3) All interest on every investment that are made by the local authority and all revenue that is gained from the property or vice-versa of the Local authority

E.g. interest on the balance of State revenue

4) All revenue that are occurred to the local authority from the Federal Government or other State Government or from any bodies or from other sources such as contributions, endorsements and so on.

Sources of income

The Ministry of Housing and Local Government⁷⁰, classifies the sources of income for the local authorities into six groups, namely:

- Assessment rates (inclusive of contribution in-lieu-of rates);
- Licenses;
- Rentals;
- Government grants (inclusive of road grants);
- Car parking charges, planning fees, compounds, fines and interests; and
- Loans (from government and/ or financial institutions).

1) Assessment rate

Assessment rate have been the main source of Local Government in Malaysia, which stipulated of 47 per cent for Peninsular. However, over-dependence caused negative impact to the local authority functions. The bigger reliance and

⁷⁰ Ministry of Housing and Local Government (MHLG). 2006. *Distribution of Local Authorities*.

dependence to assessment rates source not allowed local authorities to fulfill the obligatory functions as development agent cause they need other source to support them⁷¹.

Section 130 of the Local Government Act (1976)⁷² stipulates that assessment rates are to be imposed upon the improved value of the holding, which was defined as follows:

"The price that an owner willing and not obliged, to sell might reasonably expect to obtain from a willing purchaser with whom he has been bargaining for the sale and purchase of the holding".

The Act allows a state authority the discretion to opt for annual rental or market value as a basis for rate assessment.

2) Characteristics of Assessment Rates

- A type of tax collected from the owner of the premise
- Rates payable is calculated based on the annual rental value of the property
- The rate / tax collected in a form of assessment
- The revenue collected from these sources in used by the local authority to pay for the services and maintenance.
- Contribution of assessment rates to the authorities is more than 60% of the total revenue are derived from this main source
- The rate of tax is based on the current value.
- The rate should only be imposed to the buildings, not to the machinery.
- Local Government Act (171) 1976 has fixed that the maximum rate that can be imposed by Local authority should not be more than 35% if using the annual value⁷³.

⁷¹ Phang Siew Nooi, 1996. *Sistem Kerajaan Tempatan di Malaysia*. Selangor: Percetakan Dewan Bahasa dan Pustaka.

⁷² Laws of Malaysia, 2005. *Local Government Act 1976 (171 Act)*. International Law Book of Services.

⁷³ Ahmad Atory Hussain, 2002. *Kerajaan Tempatan: Teori dan Peranan di Malaysia*. Selangor: Dewan Bahasa dan Pustaka. p.194-197.

Rating percentage

- The assessment rate is differing among the local authority (in terms of charge).
- The assessment rates levied differ within the local authority area.
- The rate is also varying according to the type of building whether it is residence, commercial or industrial.
- Certain specific building such as school, religious, buildings, hospitals, clinics are usually – exempted from assessment charges or they may only pay a small amount of charge.
- Pertaining to the Federal Government building, the government is not liable to pay to the local authority the assessment rate but to give a contribution, (contribution in ‘aid’ and ‘rates’)
- The government just allocate small amount of contribution to the Local Government.
- Rates are different from one state to another.
- Charge differ – based on what type of building in built.

In short, Local Government revenue in Malaysia can be divided into 2 categories which namely Land Based Source of revenue (LBS) and Non-Land Based Source of revenue (NLBS)⁷⁴.

I. Land Based Source of revenue (LBS)

It is commonly referred to as the property tax / rates, which are from local tax raced for ratepayers: (owners of property / local people) (Within locality). In peninsular Malaysia, it is called rates / assessment and in Sabah, it is called CESS.

⁷⁴ Phang Siew Nooi, 1997. *Financing Local Government in Malaysia*. Kuala Lumpur: Universiti Malaya Press. p.19-22.

Advantages

- a) The collection for the source is depending on the level of development. Within their area of authorities in there are many housing areas, business, complex, taxable capacity may be higher and in terms of the collection, it may be wider.
- b) If the local people pay the tax accordingly.
- c) The most lucrative source of income / revenue.

Disadvantages

- a) Indicates potential danger of relying, substantially on a one source of income.
- b) Having reliance and dependence upon assessment rate does not allow the local authority to fulfill their obligatory and discretionary functions.
- c) In terms of CESS, it is exclusive to the state of Sabah. There is a provision in Sabah local government ordinance 1961, which allows its L. A to levy and collect tax.
- d) Types of less collection – coco tax.

2) Non – Land Based source of revenue (NLBS)

Under NLBS, sources are generated within / from locality, and outside locality. NLBS are locally derived except for the government grants. Another source of income, which is generated outside the locality, is in terms of the loans. The sources are exclusively assigning to the Local Government and not shared by any bodies or level of govt. NLBS contribute less than $\frac{1}{2}$ of the annual income of the local authority.

NLBS sources of revenue⁷⁵

- a) Licenses and permits
- b) Compound, notices and fines
- c) Rentals
- d) Government grants
- e) Loans
- f) Interest and investment earning

a) Licenses and permits⁷⁶

The Local Government Act (171) has given authority to the local authority to register licensing and controlling the business trade or industrialization within its jurisdiction area. The fees collected contribute to the revenue of the local authority.

In terms of types and licenses issued, for business trades, manufacturing, hotels, hawkers stalls, food stalls, restaurants. The charge levied for the licenses differ between local authorities. The charge levied for the licenses differ due to the different categories of activities.

The level of urbanization of the area also plays an important role in generating the sources of income.

e.g. activities, more night market area, business complex, supermarkets, fitness center. Local authority cannot simply increase the license rate caused the standard already clear on Local Government Act (171) 1976..

b) Compound notices and fines⁷⁷

Local authority can also generate income in terms of compounds and fines. Charge by local authority offences such as illegal, wrongful parking, littering, trading, hawking without a valid license, dumping of household refuse, etc

⁷⁵ Ibid, 20-21.

⁷⁶ Ibid, p.36.

⁷⁷ Ibid, p. 38.

within local authority area. The amount of compound and fines depend on local authority discretion.

c) Rentals⁷⁸

It is charges impose upon users for rental of local authority properties. The properties can include the markets spaces and stalls, community halls, business complexes, night market trading sides, musical bands, and gym.

However, not all of the local authority is able to generate this source of income. It is depend on the size, growth, total population, socio-economic development and poverty rate of the Local Government.

Normally, the larger municipalities that posses many assets will collect more rental.

E.g. Shah Alam City Council
Ipoh City Council
Petaling Jaya City Council
Kuala Lumpur City Hall

d) Government grants⁷⁹

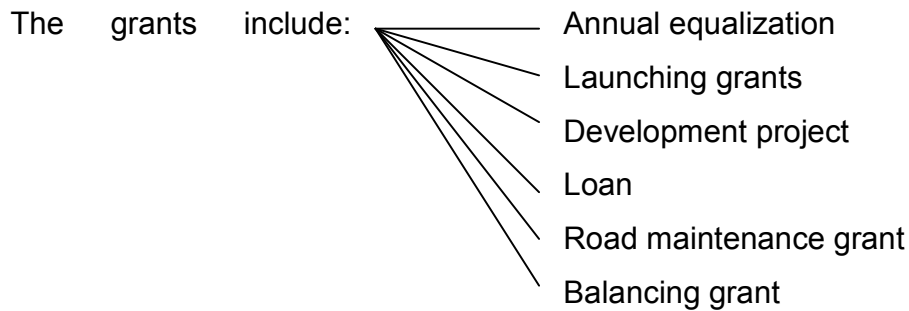
Although the Local Government has the financial authority status but this doesn't mean that they must be independent in terms of financial. They can request for the grants from the Federal Government.

I. The Federal and State grants

II. Financial grants for the Federal and State Government are not generated locally but the local authority (external source of income from higher government).

⁷⁸ Ibid, p.37.

⁷⁹ Ibid, p.34-37.



Grant by State Government is responsible to their Local Government; thus, they must allocate the grant to their Local Government according to the requirement. Furthermore, there is no compulsory allocation for annual grant to the Local Government from Federal Government. It depends to the Federal and State Government to give or not depends on circumstances.

Advantages

State Government can control the development process.

Disadvantages

In the eyes of the Local Government, it is not positive part for them. They expected high amount but it's not happen.

1) Annual equalization grant

The grant is given by the Federal Government to local authority in peninsular Malaysia through the State Government ones a year. This is accordance to the state grants (maintenance of L.A) act 1981. The L.A in Sabah and Sarawak do not receive this grants since they did not follow the Local Government Act 1976.

There are two important formulas. Both formulas are important to determine the grant rate.

1) Formula, which base on population in that a

e.g. 1st 5000 people – rate 7.00per

Next 5000 people – rate 3.50 per

Next 4000 people – 0.05 per

2) Formula, which base on the yearly income of the Local Government

e.g. \$10,000 income - \$1.00 for RM1.00

\$40,000 income - \$0.50 for RM1.00

\$50,000 income - \$0.10 for RM1.00

2) Development project grant

The Federal Government based on the discretionary gives it and the main reason why this grant is being given to local authority is to help local authority to implement their socio-economic projects.

The types of projects that will be approved by the MHLG are such as:

- a) Infrastructure development
- b) Social facilities
- c) Cleanliness and beautification
- d) Recreation parks
- e) Sanitary projects
- f) To purchase equipments / machinery
- g) Food stalls, electricity, recreational park and drainage-system

In term of the grant, payment it is seldom paid in full but it is more stages payment (staggered payment). The Federal Government channeling the grant to State Government and State Government won't give grant to Local Government full and that is through development warrant.

3) Loans⁸⁰

Local government Act (171) 1976 allowed to Local Government to obtain loan from the Federal Government and State Government, and also other financial institution. Local authority relies on loan funds to finance capital projects and

⁸⁰ Ibid, p.36.

some operating expenditure, such as infrastructure projects and public facilities. However, they are subject to a number of conditions to make a loan by local authority.

- a) Financial ability to repay the loans
- b) The loan must be approved by the State Government.
- c) Total loans should not be more than 5 times the value of the current valuation.
- d) The loan will be given interest of 6-7 percent.
- e) In terms of the period of repayment – it should not exceed 60 years.

4) Launching grants⁸¹

Federal Government as an effort to ensure that the restructuring progress was running according to the given schedule has allocated launching grants. Each local authority can request for the grants only fund depends on the size of territory and population. Instead of launching grant, the road grant was also to the local authority based on the road and total number of the roads in the area.

Area extra allocation also had been provided such as to build the train, market, school, etc. The bigger local authority, which involve with big projects will get loan from Federal Government instead of allocation. Although the law allows local authority to carry out this function but in practice many local authorities find difficult when carrying out these services.

In terms of by laws although the ministry of housing of Local Government has given examples and guidelines in drafting these laws, yet it is not fully followed by the local authorities. The launching grants is managed by the MHLG the grant, which is given to the Local Government, should have these characteristics as follows:

- 1) The district council that on the rural area this characteristic is determined because the said area is not developed and needs some charges in the development. The grant is given so that the infrastructure and facilities such as

⁸¹ Ibid, p.34.

road, drainage system, and Recreation Park can be provided. As a whole, the launching grants are use to.

2) Buy the materials that are use by the local authority to give service to the public to the public such as tractors, lorries and others.

3) To provide the facilities and infrastructure such as roads, bus station, lampposts and so on.

5) Road Maintenance Grants

Road maintenance grants are eligible for all local authorities. Local authorities manage the State roads which not under the Federal roads. Local authorities can directly claim the upkeep of such roads from the respective State Governments. Federal Government already setting the minimum quality standard as specified which are calculated based on the average cost of maintaining one mile of road. Each local authority has to apply to the state government for the road maintenance grant before start the road maintenance work.

The application must be submit to Public Works Departments by State Government to evaluate whether the claims meet the standards required for maintenance and to verify all procedures.

The list of the approved roads is passed over to the Federal Treasury for payment of the annual maintenance grant. The Ministry of Housing and Local Government has drain maintenance as ad hoc to all local authorities to upkeep and upgrade their drains⁸².

⁸² www.unescap.org/huset/lgstudy/country/malayssia/malaysia/html.

6) Balancing Grants

State Governments also offer a balancing grant as a part of financial assistance to respective local authorities. In this offer, there are no specific criteria in determining the purpose and amount of this grant. Basically, the reason why the balancing grants are given is to cover deficits that arise primarily from increases in pay levels negotiated by the Federal Government for the public sector.

Particularly for smaller councils, the financial assistance from balancing grants helps the smaller councils finance their minor projects such as markets and community halls or building their offices. In general, the state fiscal transfer has been small, representing roughly 2.5 per cent of the total expenditure⁸³.

It must be emphasized that the State Government plays a significant role in local authority finance in terms of granting approval for any development project. Local authorities are encouraged to seek loans and other forms of fiscal aids rather than depend on grants from central and state governments if the bigger infrastructure projects are involved.⁸⁴

13.4. Financial problems Faced By Local Government

There are a number of financial issues facing local governments. Three major ones merit discussion: the federal (state) -local financial relationship, accountability and weak financial position of local authorities. Federal fiscal transfers include the provision and launching of annual grants, minor projects grants and the contribution in-lieu-of-rate that are made through this relationship.

Beyond that, the Federal Government cannot interfere directly in the affairs of local authorities. It is apparent that the financial position of most local authorities in Malaysia is weak. Except for a small minority comprising the larger local

⁸³ Ibid.

⁸⁴ Ibid.

authorities, many do not have additional income to meet the demands and expectations of their communities.

The problems facing by local authorities in financial administration can be seen as follows:

1) Lack of financial/ resources

The lack of monetary causes so many projects that are implemented by the Local Government are unfinished and delayed the problem happens because the monetary sources such as grants from State Government and Federal Government and the loans are not enough. This is because, the expenses of machinery and so on is increasing.

The weakness in collecting the revenue for example there are individual that avoid him or herself from paying tax to the Local Government. Furthermore, there is also a problem of the over spend of money or the inefficient budget. No proper accounting system whereby they use manual instead of computerized system. Besides that, the Local Government tax collection is not enough to bear the project expenses.

2) Less of development in the area

Local Government cannot develop the territory cause unable to provide enough facilities to the local people. When they have less source to provide goods and services, the less development they provide to residents.

3) Poor Management

Local Government that facing the financial problems fails to provide good working facilities to their own staff. Local authority unable to run the smooth administration accordingly when poor management is shown.

4) Status of the Local Government

When one local authority upgrade to higher council, they are claim for a bigger allocation and grants. State Government and Federal Government just give the limited financial help but it still not enough. This will affect local authority to fulfill the demand to public in terms of provides the well goods and service.

5) Lack of skills and Manpower

Money had to be given, to pay the allowance and salaries of all members and staff. It will slow down the enforcement to collect tax or to monitor the summons. Very limited status so cannot relocate on emoluments. Unable to buy new computerized system, technology usage, no excellent facilities and less expertise / professionals to manage the Local Government financial system. Malpractice or misconduct would be problems towards the negative actions or behavior.

Even at this simple level, only a few local authorities are able to produce the annual financial accounts, let alone the annual reports that report on the whole range of the activities of the local authority. Audit work is also hampered and delayed by the inability of the local authority to produce supporting documents for the expenditures made, accurate accounting of the expenditure and up-to-date annual accounts.

6) Hard to apply for loan.

- 1) It has to go through a very rigid procedure on how to apply loan. Need several consent from higher authorities.

A good technique will help to achieve an economic and effective administration of revenues.

1) Good budgeting technique in administering the sources of revenue.

e.g.

I. Determine the rate of local tax and its purpose

II. Measurement for long short-term plan.

III. Determine the L. A financial being used according to the plan.

13.5 Ways to overcome the problems

Over the year, the traditional sources (tax, compound, license) assigned to local authority have remained the same although the cost of providing services and carrying out tasks have increase. This is because of population growth, cost of machinery increase, changes in economic, the lifestyle, and purchasing power, need to use expertise, increasing jurisdictional area, status of living. While operating expenditures have increase substantially, this has not been met by a corresponding increase in income.

Obviously, there are best practices in many Local Government in other parts of the world, which can be pursued by Local Government in Malaysia. Certainly, with increasing demands for local government functions and services, new avenues for revenue generation must be sought to supplement the income of local authorities. This may include sale of municipal bonds, rezoning of land from residential to commercial purposes or taking equity share in privatization projects.

Some other alternatives are:

1) Increase the assessment rate

-To what extent can the rate be explain

-Local view

-Discuss with other local authorities

2) Efficient in collection

On time

3) Exercising the revaluation properties periodically

Set up every 3 – 5 years

4) Cost for providing local authority services cannot remain constant

The government increases the salary, and can come up with a new rate of charge

5) Population growth

Give better public utilities

Can increase the charge, rates

6) Fees

One of the elasticity values is related to construction and building industry. Potential exist especially when the building and construction sector is expanding. Local Government should be alert when there is over expand in construction activities increase charge.

7) License and permits

Receive the charge to optimize its potential income. Approved more licenses and permits with less rigid procedure. Limitation in entertainment outlets must be rigid rules and regulation.

8) Car parking payment

They should allocate more places for car park. More Malaysians will own cars and willing to pay for a place to park. Local Government should make sure that the parking places are secured.

9) Compound, fines and notices

-Increase a fees or charge / amount

-Impose higher fines

-Come up with strict regulation

10) Interest and investment earnings

-Depend upon the capability of the Local Government itself.

-If the Local Government in terms of size, annual income receives, they may have some surplus to invest.

11) Rentals

-Local Government should take an opportunity by expanding the economy and property crisis.

-Local Government should aware of market demands.

12) Privatization

The act of reducing the roll of government or increasing the role of the private sector in an activity as for the L.G can privatize into two.

a) Local Government service (sanitation system) - Indah Water Consortium)

b) Local Government projects (Recreation Park)

13) Re – zoning

To change the status of the land usage

e.g. From residential – commercial status (lead to more income) whereby a higher assessment rate can be imposed

This can be applied to certain residential areas whereby a large no of houses have been permitted to operate their businesses from / within their premises, but is till being assessed by the Local authority under residential status.

e.g. From the agricultural lands which provide municipal revenue returns from their asses, this can be converted into other categories of land usage which may see a higher assessment rate change on it.

14) Land polling

It is situation whereby owner of small plots of land will be encouraged to combine their land together for profitable development under the Local authority concern.

e.g. The land owners surrender their land to the L.A for the provision of infra and development, after which the area are re-allocated to the owners. The local

authority retain a small portion of the readjusted land as its contribution and can utilize this land for its own purpose (practice in Australia, Japan, Korea, and Taiwan)

Conclusion

Financial administration is always a major constraint that local authorities face. Given that finance is critical to local authority management, it is imperative that local authorities develop a good financial administration system. Such financial management will ensure that funds are collected, allocated and disbursed in an efficient manner. Local government finance in Malaysia includes, amongst other things, matters pertaining to expenditure and income as well as inter-government fiscal transfers.

14. URBANIZATION

14.1 INTRODUCTION

Urbanization is a process of town development whereby it involves a change from a rural to a more urban character. Urbanization can also be defined as the social process whereby cities grow and societies become more urban. It is the process by which there is an increase in the proportion of people living in urban areas.

Where the urbanization process is too fast or where the trend on the influx of rural-urban population is too rapid, the people are usually not ready to adapt to the urban way of life and new values. Very often there are also shortages of urban amenities and facilities, and even culture shocks that could lead to social ills in the newly created urban centers.

The process of urbanization has affected life of the people in at least two aspects:

the socio-economic aspects and the physical needs.

The socio-economic aspects

People migrated from rural to urban areas are in search for better jobs and better economic livelihood.

Migration has changes the lifestyles from a modest village style to a more active city lifestyle or from rural and agricultural-based to an industrial career-based.

The physical needs

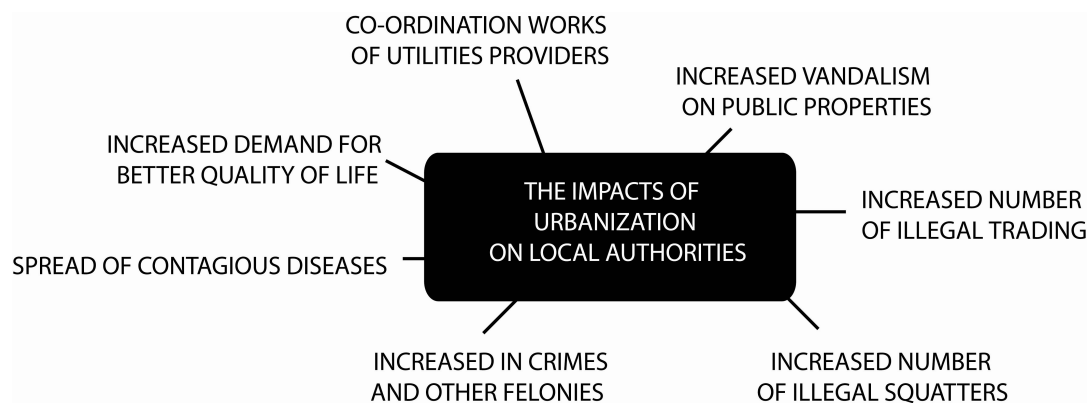
Migration involves individual and families and definitely there is a high need for shelter or housing. The town centers may not be able to cope up with the

demand. The people who migrated may not effort to rent or buy new homes. This could lead to illegal squatters and other social problems.

There is a high need for more schools, recreational facilities, and other infrastructures.

14.2 THE IMPACTS OF URBANIZATION ON LOCAL AUTHORITIES

The urbanization process has created great challenges for the local government. These challenges include high demand for public facilities and the increase in the number of felonies and other illegal activities.



Co-ordination on works of utilities providers

As urban population increases, there is a high need for facilities like recreational and sports , housing, children playgrounds, indoor stadiums, and of course for basic utilities like water, electricity and telecommunications. The ongoing improvements and upgrading to these facilities created problems to local authorities especially when it affects roads and other infrastructures.

Increased vandalism on public properties

The increased in population couple with poor enforcements of the laws has led to much vandalism on public properties such as public telephone boots, playground and recreational facilities, street lightings, and even sport facilities. This has resulted in high maintenance and replacement costs by local authorities.

Increased number of illegal trading

The influx of immigrants and the big population has led to an increased number of trading activities. As the number of application for trading and hawking licenses increases, the numbers of illegal traders or those trading without license or valid license are also on the rise.

Increased number of illegal squatters

The housing needs are also highly demanded. Many times demand for residential houses exceeds supply. As such, the number and size of illegal squatters are also on the rise. Illegal squatters create a number of social, environmental, and health problems for local authorities.

Increased in crimes and other felonies

The number of crimes and other felonies were always on the rise in the town or cities where the population is high. Many times felonies like pick pocket, snatching handbags, and street brawls happen in overcrowded areas. Shop-lifting, house-breaking and thefts are common daily threats.

Spread of contagious diseases

Overcrowded residential houses and squatters may lead to the spread of contagious diseases like malaria, dengue fever, dengue hemorrhagic fever, Japanese encephalitis etcetera.

Increased demand for better quality of life

The local authorities need a big budget to implement all these requirements. The local authorities have to improve its financial resources and effective revenue collections. Besides, local authorities need to employ more staff and professionals, and may necessarily send more staff for training in critical areas either locally or overseas in order to meet the ever-challenging process of urbanizations.

14.3 OVERCOMING THE CHALLENGES OF URBANIZATION BY LOCAL AUTHORITIES

The issue of urbanization is a not problem that could be solved in one or two days. It is a life-long problem, which must be addressed with strategic planning tools, and the government must also consider appropriate urban-level governance.



The following **strategies** may be suitable for local authorities to overcome the challenges of rapid urbanizations process:

Work “with the people” approach

The quality of services and facilities in town must be improved from time to time and these could be implemented when both the people and the government works together. The people will have a sense of contribution to the process of the making of the city. They will contribute positively to create for themselves a better environment to live in.

Safe-City Initiative

The Ministry of Housing and Local Government have developed a "safe city" initiative with the objective to help fight crimes and felonies in the cities. This initiative requires a multi-disciplinary approach by bringing together all people, associations, NGOs, government departments, the police, and voluntary organizations as partners to the local government and the police department to work together to fight crime.

Under this safe-city program, all parties are working towards friendly crime prevention techniques. The public is encouraged to give full support to the police and the relevant authorities by giving information, and if possible curbing crime on the spot.

Healthy-City Concept

Healthy-City concept is another initiative of the government through the Health Ministry with local authorities playing a pivotal role. With the objectives of improving the quality of life in any settings –rural, town, city

or even the street – the program in the long term will help the local authorities to minimize the hazards of pollutions, crimes, unhygienic and dirty markets, town and public places.

Urban Poverty eradication program

Under the Ninth Malaysia Plan, the Government through the Ministry of Housing and Local Government has launched an Urban Poverty Eradication Program. One of the activities that has been implemented is the house rental assistance to the urban poor. Again the objective of this program is to improve the quality of life in the city and to reduce the burden of the urban poor in facing the challenges of rapid urbanization.

CONCLUSION

The Government is certainly mindful on the needs to address the problems of urbanization and many of the pressing issues facing our cities, especially when we have set to be a fully developed nation by Year 2020.