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Malaysia's Changing Federal-State Relations

Post-GE14: Decentralising Federal-Selangor Governance

By Prashant Waikar

SYNOPSIS

Since GE14, the Selangor state government's relations with the Pakatan Harapan federal government have improved but there are calls for governance to be further decentralised.

COMMENTARY

PAKATAN HARAPAN's (PH) election victory on 9 May 2018 marks a potential turning point for federal-state relations in Malaysia. Whereas state governments controlled by the predecessor Pakatan Rakyat coalition often complained of having a testy relationship with the then Barisan Nasional (BN) federal government, PH states should expect greater ideological and policy compatibility with the centre now that it controls federal power too.

To assess the extent to which federal-state relations can be expected to evolve, it would be useful to compare and contrast the relationship between the state governments previously under PR (and now PH) and the BN federal government with the relationship they currently have with the PH federal government now in power. Against this backdrop, it would be instructive to assess the possibilities of greater decentralisation. As PR held Selangor for 10 years prior to GE14, it serves as an appropriate case study.

Relations with BN: Combative but Pragmatic

After losing Selangor to PR in 2008, BN was bent on regaining control of the state, which is Malaysia's wealthiest. In 2018, it contributed 23% of the country's Gross

Domestic Product (GDP). BN's approach towards reclaiming Selangor was politically combative.

After both the 2008 and 2013 elections, BN refused to name a leader of the opposition. Nor was it willing to substantively participate in state-level select committees or to debate policy issues constructively.

Additionally, the BN federal government used the Implementation Coordination Unit (ICU), which operates out of the Prime Minister's Office (PMO), to run a parallel administrative system with the aim of outperforming and thus discrediting the PR state government.

At the same time, BN approached its economic relations with Selangor pragmatically. The then-Minister of International Trade and Industry, Mustapa Mohamed, however, established a good working relationship with his counterparts in Selangor. He frequently brought representatives from Selangor on overseas missions to attract investments.

The then-Tourism Minister Nazri Aziz also promoted Selangor as a tourist destination actively. BN's economically pragmatic approach was perhaps not surprising given the important economic role played by Selangor. It can be averred that BN's strategy was to make PR (and PH subsequently) appear inept at administration without disrupting economic activity.

Relations with PH Centre: Friendly

Since the GE14, many members of the Legislative Assembly (MLAs) from PH in Selangor have acknowledged an improved working relationship with the new federal government, given that both are on the same side.

The ideological and policy objectives of the state and federal governments are also aligned. Issues that were stalemated between Selangor and the then-BN federal government have since been resolved.

That said, it is worth noting that the Selangor state government has a number of items on its wish list that it would like to see addressed. Most significant is a wish for greater control of finances. Currently, state governments are not allowed to raise supplementary funding through instruments such as government bonds.

Many MLAs wish to see an increase in the share of tax revenues. Whereas Selangor contributes over 20% of nationwide tax revenues to the federal government, it receives less than 0.5% of these revenues once the federal government re-allocates them. The counter-argument, though, is that if disproportionately more revenues are given to Selangor, this would eat into development funds available for other states.

Selangor the Pace Setter

The worry for the federal government, regardless of which coalition is in control, is that other states would be unable to 'catch up' with Selangor, which is by far the country's

most developed state. Still, the Selangor state government's concerns should be explored more deeply.

Selangor's state budget for 2019 is RM2.56 billion. The Kuala Lumpur City Hall (DBKL) budget for 2019 is RM2.89 bn. Selangor's budget is smaller even though it is 33 times bigger and has a population that is 3.6 times larger than KL. The disproportion lends credence to Selangor MLAs' wish to see greater autonomy over financial control.

In their view, should this happen, the state government would be able to study the possibilities of pursuing other areas which they believe they should be administering such as health care, transport and primary education.

Differentiated Decentralisation, with Caveats

The goal of devolving powers is to make governance more efficient. Compared to the federal government, state governments would generally possess a better understanding of state-level administrative issues. Redistributing non-sensitive responsibilities such as transportation and primary healthcare would likely strengthen the model of federalism in Malaysia.

First, since Selangor is better developed than other states, its aspirations and requirements cannot be used as a yardstick for decentralising governance across Malaysia. Poorer and smaller states such as Perlis, for instance, would struggle without sufficient federal assistance.

Second, if in the future, the federal government changes hands again, what would that mean for decentralisation? Would the new federal government turn back the clock?

That is a question for the future but for now, the federal government should consider studying the prospects of implementing a differentiated system of decentralisation that accounts for the varied capabilities of each state.

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