

Re-introducing Local Elections — Conceding an Inch to Keep a Yard

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Putrajaya should seriously consider re-introducing elections for local councils. As the experience of Solo and other municipalities in Indonesia suggests, the advantages of enabling ratepayers to vote directly for local government representatives are considerable. To maximize the benefits, facilitating local council elections must be accompanied by the granting of greater autonomy for local councils. While the twin proposals could entail significant drawbacks, the political and economic benefits are likely to outweigh the financial and other costs.

Currently, voters throughout this country vote for Members of Parliament at the federal level and for state assembly persons at state level. Mayors and municipal councillors are appointed by the political party that won control of the state assembly. Prior to 1965, local councillors were elected in this country. In that year, local council elections were suspended due to Indonesia's Confrontation. However, the enactment of the Local Government Act 1976 made the deferment permanent.

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Indonesia's positive experience suggests Putrajaya should reassess its position on this issue. In the aftermath of the Asian Financial Crisis, Indonesia's President Suharto was forced to step down, in 1999, following weeks of mammoth protests against a regime widely perceived as authoritarian and corrupt. Although the Suharto era offered political stability that provided the platform for the country's economic growth, the fallout from decades of authoritarian

centralization was a strong wave of decentralization.

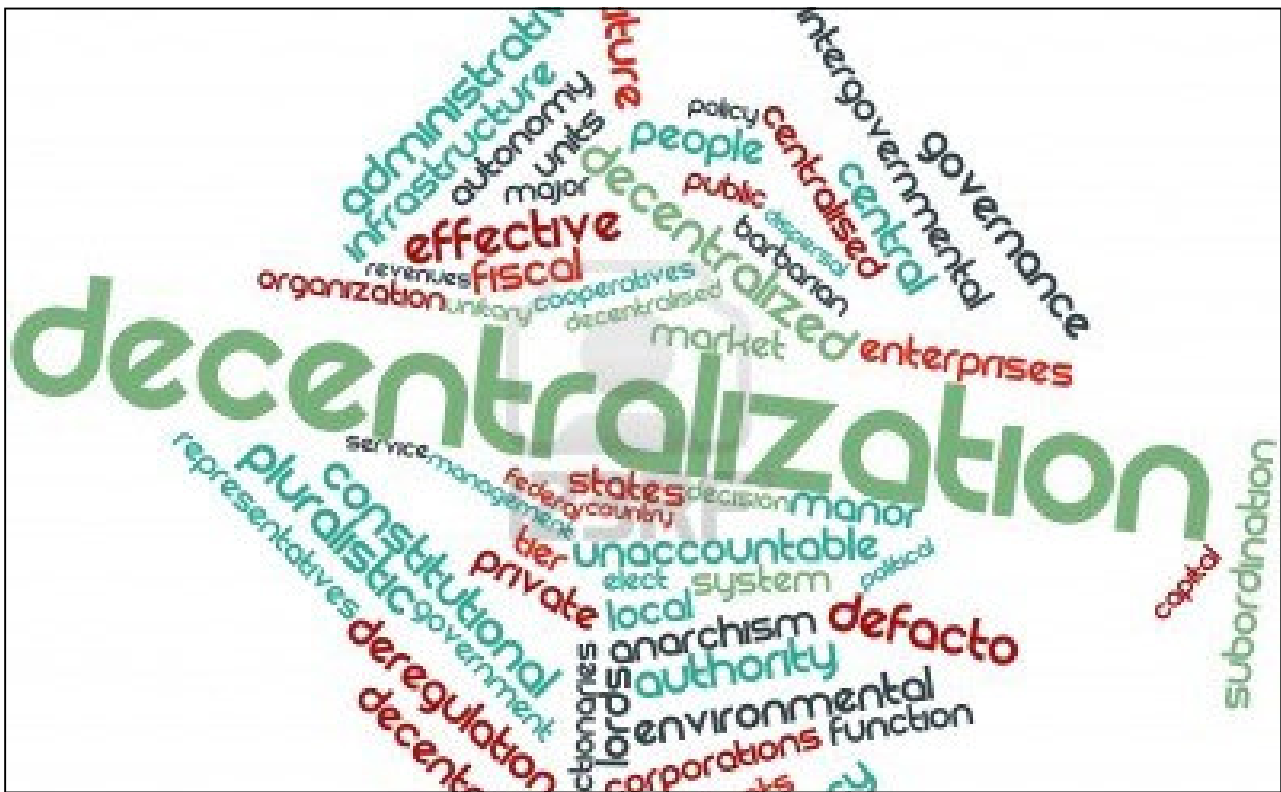
Another catalyst was simmering regional conflict in the archipelago — particularly in Aceh in Sumatra and Irian Jaya or Papua. Indonesia's decentralization was transformational in its impact, extensive in its reach and swift in its implementation. Labelled the 'Big Bang,' decentralization comprised two major elements.

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First, mayors, regents or 'bupatis' and governors were (and still are) directly elected by voters. Second, the central government's authority was scaled back and limited to security and defence, foreign affairs, fiscal and monetary policies, justice and religious affairs.

Fearing greater autonomy could prompt independent-minded governors to consider breaking away from the republic, Jakarta gave governors in all provinces far more limited jurisdiction than their nominally lower-level counterparts in regencies and municipalities. To implement this decentralization, civil servants were re-assigned from Jakarta to the regions in two tranches and at two different times — 150,000 in 2000 and another 2.1 million in 2001.

According to the World Bank report published in June 2003 titled 'Decentralizing Indonesia,' the second tranche of reassigned civil servants accounted for two-thirds of the country's civil service. Critics argue Indonesia's decentralization has resulted in more red tape and increased corruption. One oft-cited egregious example is that of conflicting land titles issued by governors and bupatis.



Decentralization, however, was not always the culprit. There have been instances where two or more Ministries issued land titles to two different investors over the same area. Overlapping land titles are a consequence of the failure to delineate clearly the jurisdictions between different Ministries as well as between the central and regional authorities. Other drawbacks of decentralization include local government authorities' lack of skilled personnel to undertake policy making and financial management.

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These problems, however, can be resolved, given additional time and resources for training and hiring more skilled managers.

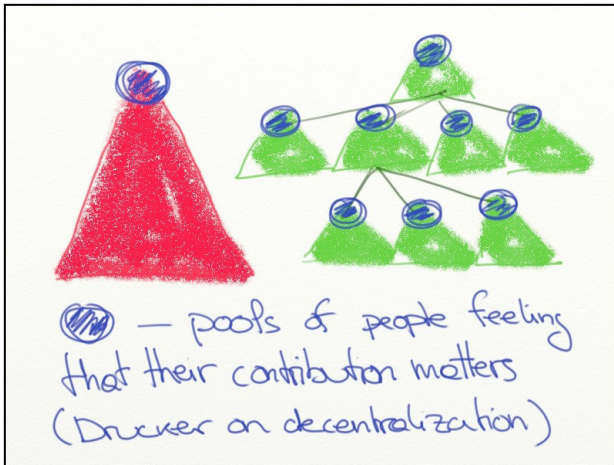
One irrefutable indicator of decentralization's success is the continuing inflow of foreign investment to the archipelago. In 2012, foreign direct investment (FDI) hit a record high of US\$23 billion, an increase of 26 per cent from the

level a year ago. Additionally, in the same year, Indonesia regained its investment grade status from two rating agencies — Fitch and Moody's — for the first time since the 1997-1998 Asian Financial Crisis. All this suggests decentralization has not perceptibly exacerbated the problem of red tape and corruption, although both remain major investor concerns.

Some may argue the rapid jump in foreign investment after 1999 was due to the end of the Asian Financial Crisis. While this was arguably a contributory factor, if red tape and corruption had worsened, this would have caused foreign investors to stay away from the archipelago.

If Malaysia adopts the twin planks of Indonesia's decentralization — local government elections and more autonomy for local governments — the benefits are likely to be both political and economic.

First, re-introducing local government elections could blunt the rising dissatisfaction against the Barisan Nasional. Running municipalities will force the opposition Pakatan Rakyat to grapple with the reality of governing a small geographical area where every single decision is likely to adversely impact voters.



For example, those protesting against the proposed Mass Rapid Transit line in Jalan Sultan or the proposed development in Bukit Gasing in Petaling Jaya may be few in number but they are likely to be extremely vocal and skilful in utilising the press.

Municipalities are also where the not-in-my backyard (NIMBY) syndrome is likely to be strongest. While all agree more landfills, incinerators, jails, low-cost housing as well as bus and rail networks are necessary, rate payers don't want them in their backyards.

Second, local elections and greater autonomy for municipalities could be an excellent incubator for political talent. In Indonesia, one politician widely admired for his people-handling skills, effectiveness in resolving seemingly intractable municipal problems, as well as a reputation for honesty, is Joko Widodo, better known as Jokowi. Spring-boarded to national prominence by two stints at the local level — first as mayor of Solo, and currently as governor of Jakarta — Jokowi is widely acknowledged by political analysts as the front runner for the Presidential elections, scheduled to be held in July this year.

In Solo, Jokowi revived the town's economy — badly damaged by the 1998 riots — by fostering growth in the traditional batik

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industry without resorting to subsidies. In Jakarta, Jokowi's accomplishments are far more impressive. He managed to persuade seemingly immovable squatters and vendors to relocate to other, less congested areas, thus freeing up the previously occupied areas for infrastructure.

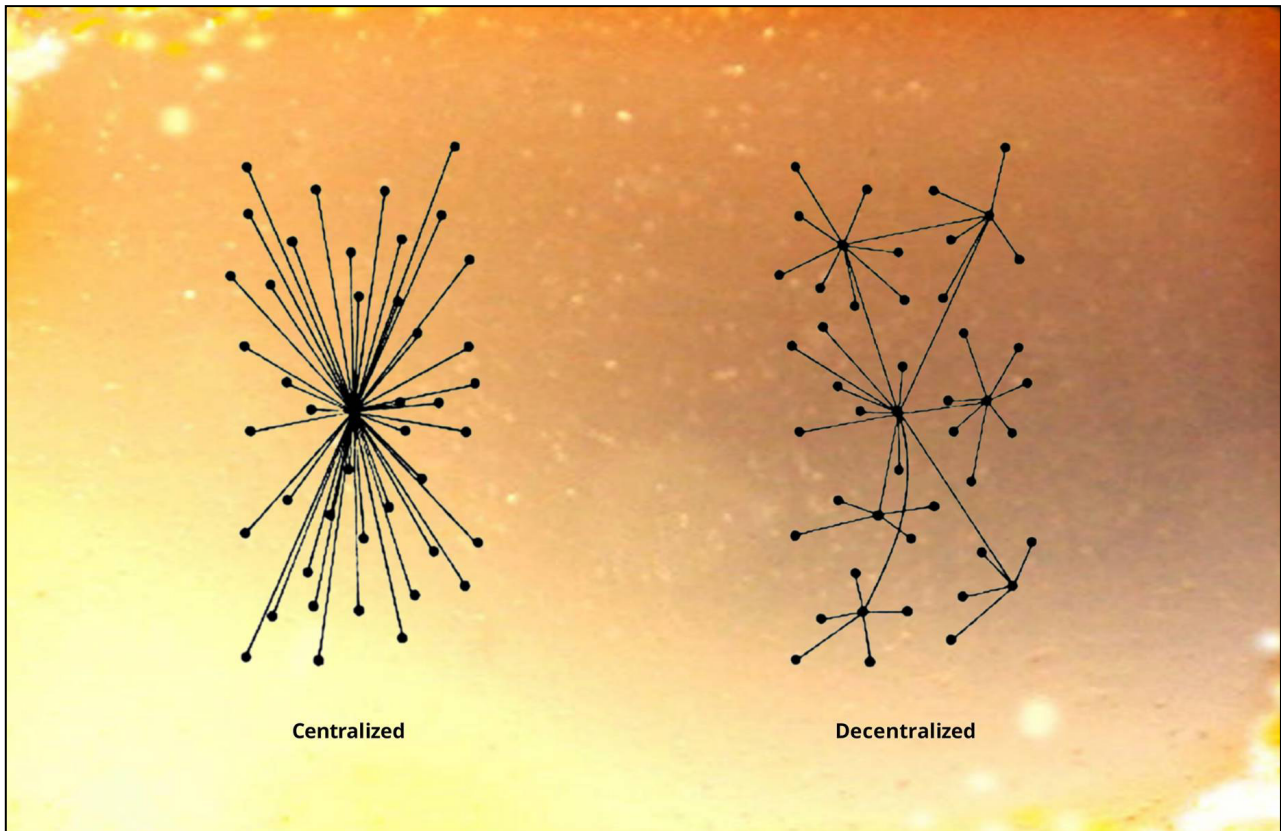
Additionally, he raised the minimum monthly wage by 46.6 per cent to 2.2 million rupiah (RM620), initiated a mass rapid transit system and announced the introduction of an e-catalogue to undertake direct procurement.

Third, local elections and more regional autonomy could dampen regionalist tendencies. Again, Indonesia's experience is illuminating. 'Separatist movements have also largely died down, with the best organized, that is Aceh, now in power in the province and running municipal services, rather than an armed conflict,' the Oxford Business Group (OBG) wrote in its 2012 report titled 'Decentralization has Presented both Challenges and Opportunities.'

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In a paper titled 'The Policy of Decentralization in Indonesia,' M Ryaas Rasyid noted that special fiscal policy arrangements enabled Aceh and Papua to be given 70 per cent of total income extracted from these two provinces. If a similar fiscal-sharing arrangement is replicated in Malaysia, it could undermine the appeal of political parties suggesting that Sabah, Sarawak, Kelantan and Terengganu should be given a higher proportion of locally-generated oil revenues.

Fourth, because governors, bupati and mayors have to be directly elected by rate payers in their jurisdictions, they are forced to be far more pro-active in seeking private investment, implementing infrastructure projects and doing whatever it takes to accelerate economic growth in their fiefdoms.



Indeed, one of the biggest successes of Indonesia's decentralization programme is the rapid growth beyond Java. A McKinsey report titled 'The Archipelago Economy: Unleashing Indonesia's Potential,' predicts that about 90 per cent of urban areas expected to expand by more than seven per cent by 2030 — an expansion outpacing Jakarta — will be from outside Java.

Indonesia's decentralization programme suggests that it will be better for the Barisan

Nasional-led federal government to concede an inch now, than be forced to surrender a mile several years later.

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