

BRIDGING GOVERNMENTAL RELATIONS IN URBAN MANAGEMENT: CASES OF SOLID WASTE MANAGEMENT AND CLIMATE CHANGE IN TWO MALAYSIAN STATES

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Abstract

This paper discusses the influence of inter- and intra-governmental relations in institution-building and policy implementation to address (1) service delivery in the solid waste sector and (2) climate change, drawing lessons from the Malaysian states of Penang and Johor. This analysis examines how institutions across sectors develop and vary when governments on two levels (state and federal) have different political alignments. It is an attempt to understand how best to build institutions to bridge the various levels of government in different political environments and policy sectors.

Introduction

Today's world population of approximately 7 billion people is expected to reach 8.5 billion by 2030. Five billion of those will live in cities, compared with 3.6 billion today, increasing pressure on the world's already overexploited resources (OECD, 2012). Achieving the Sustainable Development Goals (SDGs) of the UN's 2030 Agenda for Sustainable Development (UN, 2015) will depend in large part on good urban governance and management. There has been an unprecedented demand for increasing the capabilities of cities to deliver public services to maintain and/or improve the quality of life of urban dwellers—particularly in light of limited resources, such as food, energy and clean water, and under increasing pressure from global environmental change.¹

The context of urban management has also become more complex. Cities across the globe have different levels of administrative and political autonomy and capacity. Added to this, multiple levels of urban governance (i.e., federal, state and local regulations) affect the way cities impact and are impacted by the local and global environment. For example, decisions about the energy supply in Malaysian cities—which are key to addressing

climate change—are primarily made by the national government, not local or state authorities. Thus, building cooperative inter- and intra-governmental relations among the different organizations in a state are fundamental to coordinate public policies and other state matters. This is particularly important for multi-sectoral policies that require the participation of various levels and departments in the state, such as policies to tackle climate change. This paper examines the role of inter- and intra-governmental relations in institution-building and policy implementation in Malaysia to address service delivery in the solid waste sector and planning for climate change. The three main research questions are:

How do inter- and intra-governmental relations in Malaysia's federal, state and local governments affect solid waste management and climate change policy? What types of institutions have emerged to bridge intra- and inter-governmental relations in solid waste management and climate change policies in Malaysia? How do political relations between various levels of government affect those institutions?

This research aims to better understand service delivery and climate policy—including context, design, implementation and outcomes—and in particular, the effects of inter- and intra-governmental relations in two states in Malaysia: Penang and Johor (see map Figure 1). I look mainly at the emergence of local institutions in the solid waste management sector that assist in effective service provision. I identify patterns of local governance in urban management and climate policies to analyze the institution-building and policy-implementation processes, where several governmental departments across various levels of government have to work together, including their links with international regimes. Intergovernmental relations can hinder or facilitate urban management and the incorporation of local and global environmental issues in city development in developing countries more broadly. The analyses of Penang and Johor hold some important and complementary lessons, as the two states have quite different political relations with the national government, even though the federal government and each state have been able to work together in several sectors.



Figure 1. Location of the Malaysian states of Johor and Penang

Literature review

Cities learn and develop capabilities for improving urban management in various sectors under different political regimes at the intergovernmental level. I am interested in how institutions evolve in various contexts of urban management, and comparing two sectors of urban management and two different kinds of political alignment between two levels of government.

Sectoral capability

In most countries, city governments are responsible for several key urban management tasks, such as land use, transport, housing, education, waste and health. Cities have also been pivotal in advancing efforts to tackle global environmental change, such as loss of biodiversity and climate change (Bulkeley & Betsill, 2005; Puppim de Oliveira, 2009; Puppim de Oliveira et al., 2011).

The effectiveness of cities and sub-national governments differs among tasks in urban environmental management and policy due to the different capabilities and contexts in which the particular policy or management task occurs. For example, Mie Prefecture in Japan, like many other sub-national governments around the world, was effective in tackling air pollution in the 1960s and 1970s, but struggled to reduce greenhouse gas (GHG) emissions in the 1990s and 2000s (Puppim de Oliveira, 2011).

Scholars and practitioners have shown an increasing interest in how governments innovate in urban and public management in sectors like transportation and waste (Berry, 1997; Van den Bergh et al., 2007; Marsden et al., 2011). Developing countries—whose resources are generally more scarce, and whose capabilities and governance tend to be weaker—employ several learning mechanisms, including learning by doing, training, and cooperation with other cities (Kurniawan et al., 2013).

Political alignment

Intergovernmental relations also impact the way cities innovate and deliver services, and political alignment affects how relationships between governmental sectors are built. This alignment—or lack thereof—can respectively help or hinder urban management capacity. Many public policies require the collaboration of various stakeholders (e.g., civil society, citizens, and the private sector) and coordination among various departments and levels of government (Marsden et al., 2011). Those relations are influenced by various formal and informal institutions, including political relations (Nice, 1987). In most states, formal institutions, such in the Malaysian constitution, exist to define responsibilities and mediate the intra and intergovernmental relations and coordinate public policies (Malaysia, 1957). However, actors across the higher and lower levels of government (and between departments within these levels) generally hold a degree of discretion regarding how much to cooperate with each other, particularly in terms of sharing resources and expertise. Consequently, politics can play an important role in this discretion, and can mold the intra and intergovernmental coordination in a public policy process or urban management task.

In principle, policy coordination seems to be easier when the same political group holds power at all levels, or both departments when more than one political group is in government (Nice, 1986; Wright, 1990; Souza, 1997). When one party presides at the federal and state/local levels, individual and group interests and values are generally similar and differences can be internally mediated by the party or coalition. However, having the same group in power in two or more levels of government (e.g., federal, state, city) can generate dependency and expectations that the other—in general, the higher level—will bring the resources and capabilities to implement the policies (often in exchange for political loyalty or favors). Thus, institutional inertia can set in when the same political group leads across various governmental levels, by inhibiting innovation and effective resource use.

On the other hand, political differences across two levels of government can decrease willingness to coordinate efforts, or can even create a “zero-sum” game. It is not uncommon for players on different government levels dominated by different political groups to blame each other for a problem or ineffectiveness in public policies, or for invading each other’s jurisdiction (Stratton, 1989). At the same time, political rivalry can drive institution-building to improve services and policies through “healthy” political competition (Fiszbein, 1997). In this scenario, two political groups on two levels of government or in different governmental divisions agree to innovate and “do better” in order to achieve political gains and legitimacy for their respective constituencies.

When it comes to multilevel governance, therefore, our focus should be on the institutions that bridge intra- and inter-governmental relations. The primary question is: How can these institutions be shaped to discourage the “zero-sum” game between players and groups with political rivalry, and avoid the kind of inertia and complacency that tends to set in when one political group holds power across multiple levels of government?

A focus on Malaysia

Malaysia is a federal constitutional monarchy, with a prime minister as government head (selected from among the member of the majority political group in the national parliament) and a king (or *Yang di-Pertuan Agong*) as a head of state (which rotates among the nine ‘hereditary’ rulers). The federation consists of three federal territories and 13 states, nine of which have hereditary rulers (e.g., a sultan in Johor will eventually occupy the post of *Yang di-Pertuan Agong* in the rotational system).

The federal constitution divides the responsibilities among the different entities in the federation. It identifies both the exclusive responsibilities of the states and the federal government and their shared responsibilities (Malaysia, 1957). The federal government controls a large part of the responsibilities and resources, but states control some important resources, such as land, forests and water within their territories. The country also has a third tier of government: the municipalities or local authorities (LAs). However, Malaysia abolished municipal elections in 1969 for political reasons (i.e., following waves of national ethnic and political unrest). Thus the states control municipal governments, appointing the heads of the local authorities (LAs) and councilors. Therefore, LAs function more as administrative bodies and the mayors are usually career public servants.

Malaysia has several political parties divided along ethnic, religious, and ideological lines. The same political group (currently called Barisan Nasional or BN, a coalition of mainly ethnic groups) has dominated national politics since the creation of Malaysia as a country. BN and its predecessors have controlled the federal government since its independence (via democratic elections and periods of authoritarian rule) and used to control all or most of the state governments. However, opposition groups have recently challenged BN and its allies in national and state elections. The opposition has gained control of some important states (e.g., Penang, Selangor) and received more votes than the BN in the 2014 national election (though it lost in terms of the number of parliament seats).

Malaysia has a multi-ethnic population of 31 million, of primarily Malays, Chinese, and Indians. The Chinese tend to dominate the economy and urban centers, whereas Malays control politics (Harding &

Chin, 2014). The Malaysian economy grew rapidly after its independence, although its growth slowed after the economic recessions of 1997 and 2008. From a post-colonial poverty-stricken country in the 1960s, with a large part of the population illiterate and without basic services, it has become a middle-high income country aiming to be a “fully developed” country by the 2020s, according to the 11th Malaysia Plan 2016-2020 (Government of Malaysia, 2015).

Malaysia is an interesting case study for inter- and intra-governmental relations, as the political and institutional situation has evolved dynamically. The two states chosen for research—Johor and Penang—have different political relations with the federal government. Johor has the same political coalition (BN) in the state as the federal government, while an opposition party—the Democratic Action Party (DAP)—controls the state government in Penang. This contrast presents an opportunity to understand intergovernmental relations in two different political contexts.

Research methodology

This paper applies the case study method for the two states, using both governmental and non-governmental documents and data. The case study approach is particularly recommended for research in which quantitative data alone cannot explain a phenomenon (Ragin, 1992). This case study explores patterns of local governance as they affect urban policies in Malaysia to better understand institution-building in the waste sector and in response to climate change. The research focuses on similarities and variations among sectors and their functions in urban management and in the political relations between two levels of government.

The field research conducted includes more than 40 semi-structured interviews with policy-makers in government, academia, civil society groups, private service providers and citizens in Johor, Putrajaya/Kuala Lumpur (two visits) and Penang (three visits) between September 2015 and January 2016. I carried out extensive data collection on the trends of the different sectors and environmental issues in Penang, Johor, and the broader Malaysian context, but focused on waste management and climate change. I focused on one local authority in each state for more in-depth analysis (MBPP² in Penang and MPJBT/Johor Bahru in Johor), but the analyses were broader for the states, since (as noted) the local authorities are under the state’s political control.³

Through the interviews, I collected information on the various factors that shape the relations between organizations in different levels of government and governance, and how those relations helped to build or hinder institutions in addressing urban environmental issues (e.g., waste management) and in combating climate change. The interviews provided

data that I analyzed to examine how different initiatives in the waste sector and climate policy emerged and developed, how institutional capacity was built and how the stakeholders were able to overcome various political, resource and institutional obstacles to improve waste management and fulfill Malaysia's climate change agenda.⁴

A diagnosis of Malaysian federalism

The analyses initially focus on how federalism in Malaysia has evolved over time. Based on secondary information and the 40 interviews cited above, I present below several trends that emerged from the analysis of the cases.

A centralized state trending toward further centralization

Malaya became independent in 1957 as a federation of 11 states in Peninsular Malaysia (the original nine Malay states and two the British Straits Settlements of Malacca and Penang). Sarawak, Sabah (then North Borneo), and Singapore were incorporated into the federation in 1963, constituting present-day Malaysia.⁵

Malaysian federalism—including the responsibilities of the entities of the state and the relations among them—has changed since independence mainly due to political factors related to ethnicity and local politics. The federation in its formative years was looser than it is today. As it turned out, the federal government was not strong enough to accommodate the different contexts and interests represented by the diverse regions and ethnic, cultural, and religious groups, and consequently was too weak to hold the country together effectively. The racial riots in May of 1969, following the national elections, were a landmark in the increasing political centralization of the state to respond to the instability in ethnic relations and political demands, including more economic opportunities (e.g., Bumiputera policies) for the Malay population (the majority of the population) with the New Economic Policy (NEP) (Harding & Chin, 2014). This was the juncture when local elections were abolished, with local authorities being by the states since then.

Unlike other countries in the region, such as Indonesia—which is a unitary state but has pursued decentralization in recent decades (Smoke, 2015)—Malaysia has become more centralized (Hutchinson, 2014). The NEP required tight control of the state bureaucracy and economy. In this trend toward centralization, one of the last functions to be centralized was waste management. Originally in the hands of the local authorities, it was centralized by the Solid Waste and Public Cleansing Management Corporation Act of 2007. The publicly stated rationale for this centralization was that many local authorities could not afford and lacked the technical capabilities to manage the waste, and needed to focus on

other issues.⁶ Thus, states were left with only a few responsibilities, such as management of land, forests, water, and religious affairs.

A lack of solid formal institutions to mediate intergovernmental relations

The political tension that led to the centralization of the Malaysian state after the NEP left a growing gap in intergovernmental relations. The abolition of local elections after the 1969 riots left the ruling coalition (led by Malay nationalists) in power both on the federal level and in most state governments across Malaysia. In other words, the state structure was created on the implicit assumption that the same party (or coalition) would be in power in the various state entities. Institutional relations among the various state organizations (in the same and different levels of government) were built informally, as existing channels for institutional relations—such as party/coalition networking and personal relations—were in place.

Today, Malaysia has a system of checks and balances, but that system is dominated by politics, and the players within it lack true independence. For example, the Attorney General was sacked in 2015 by the Prime Minister after the former launched corruption investigations against the latter (Al Jazeera, 2015). This lack of robust formal institutions to coordinate the relations between the local, state and federal governments leads to difficulties for implementing policies that need strong intra- and intergovernmental coordination. For example, effective transportation policies require strong integration with land use, but transportation matters are a federal responsibility and land matters are a state responsibility.⁷ Several other areas of concern that affect urban planning directly are housing, town and rural planning, and public health, all of which have shared responsibilities between federal and state governments, according to the Ninth Schedule of the federal constitution (Malaysia, 1957).

A general scarcity of state and local funds

The centralization of state responsibilities in the hands of the federal government evolved in tandem with a heavy centralization of public finances. Federal revenues as a subset of total government revenues in Malaysia grew from 79 percent in the 1986–1990 period to 91 percent in 2006–2010 (Wee, 2011, cited by Hutchinson, 2015). State governments were left with no more than a few options for revenue generation, such as land-related fees, including a local assessment fee (similar to property taxes) and fees for land development. In light of this reduced funding at the state and local levels, state and local authorities were relieved when waste management was centralized in the last decade, given that a large and growing part of tight local budgets was

allocated to waste management, and many local authorities simply couldn't cope with it anymore.⁸ On the other hand, the growing centralization and the shrinking of funding at the state and local levels led to either inertia, or "creativity" in raising funds, or both. The poorer, cash-strapped states and local governments came to depend heavily on the federal government for almost everything from waste management and education to transportation and healthcare services. The richer states, particularly those controlled by the opposition—such as Penang and Selangor—resisted centralization, and attempted to raise funds however they could. One example was a land reclamation project in Penang intended to fund the transportation master plan, in order to fill a gap in development projects that the federal government cannot, or does not want, to carry out.⁹

The emergence of institutions to bridge governmental relations

The gaps in the formal institutions also led to the emergence of different institutions and organizations to help build bridges between various state entities. Some of the gaps outlined above were filled by existing formal and informal institutions and organizations, such as political parties and personal and family relations. Other gaps went unaddressed, or were partially filled by non-governmental organizations and quasi-governmental organizations. In the next section, I analyze how these institutions emerged in the waste management and climate change arenas.

Emerging institutional arrangements to bridge the gaps:

The cases of waste and climate change in Penang and Johor states

The research analyzed two policy areas, waste management and climate change, each of which requires different levels of coordination and local autonomy in the Malaysian states of Johor and Penang. The political contrast between the two states—Johor's government is allied with the federal government, and Penang's government is run by the opposition—provides an opportunity to identify the institutional gaps and institutional innovations that emerged in both sectors in different political contexts (see Table 1 for a summary of the findings).

Civil society and waste

Up until 2007, solid waste management in Malaysia was within the purview of municipalities. Some municipalities managed solid waste through state/municipal companies or departments, while others opted to hire or give concessions to private companies.

This decentralized system led to a wide variety of results. Some local authorities, generally the wealthier ones, were able to create reasonably effective and comprehensive waste collection systems, whereas less affluent communities could not afford frequent collections, and struggled to manage different types of waste. Overall, however, there was a general lack of investment in disposal systems, and properly controlled landfills for domestic waste managed by local authorities were almost unknown in Malaysia until the mid-2000s.¹⁰

Solid waste management was centralized in Malaysia under the Solid Waste and Public Cleansing Management Corporation Act of 2007 (SWPCMC Act 2007) under the coordination of SWCorp.¹¹ Three companies were awarded the concessions for waste management in peninsular Malaysia (SWM Environment, Alam Flora and E-Idaman, in the southern, central, and northern regions of the peninsula, respectively).¹²

Except for the opposition government of Penang since the beginning (and later Selangor), most municipalities and state governments showed little resistance to the centralization, as the federal government agreed to cover the rising costs of waste management, enforce the regulations to improve waste management, and manage the private waste management operators. There were also political factors that facilitated the transition to the more centralized waste management system, as most of the states were controlled by the same coalition that held power at the federal level. In the case of Johor, for example, waste management was gradually passed to the hands of the federal government, which today contracts the function out to private concessionaries (SWM Environment). Penang, on the other hand, which is controlled by an opposition party (DAP), fought to keep waste management under local control. The state also agreed to bear the rising costs of waste management, which consumes around 40 percent of the Municipal Council of Penang Island (MBPP) budget.¹³

As a result, different institutional arrangements emerged in these states. Johor state government has mostly withdrawn from waste management, leaving it to the federal government through the coordination of SWCorp, the regulatory agency, which also contracts and monitors the private operator, SWM Environment. There is little engagement of the local authorities in waste management issues on the ground.¹⁴ On the other hand, as Penang state has to rely on its own funds to managing waste, its local authorities have tight control of waste activities. In order to reduce the rising costs, MBPP has been working with civil society organizations, and has built formal and informal relations with organizations controlled by the federal government, such as schools.

Penang has several initiatives in recycling and composting involving civil society organizations. For example, Tzu Chi, a Buddhist lay organization originally based in Taiwan, has three recycling centers in

Penang state, and collects and sells tons of recyclables per year. The revenues from the sales support the Tzu Chi Dialysis Center. A thriving private sector has joined the recycling business, with many businesses buying and selling recyclables. The state government supports the recycling markets through 3R (reduce, reuse, recycle) and other awareness-raising campaigns, and by providing information to citizens about where they can deposit their recyclables through an app developed by the Penang Green Council (PGC). As a result, Penang has a recycling rate estimated in 30 percent, possibly the highest in Malaysia.¹⁵

The state of Johor presents a different profile. Even though Johor has several recycling centers and buyers, including Tzu Chi, there is little coordination between them and the local authorities and the state. As the residential garbage collection was privatized, the federal government has little knowledge about and cannot give much support to the recycling activities. These differences may explain the lower recycling rate in Johor state, estimated in 15 percent¹⁶.

Penang state has developed programs in partnership with federally controlled organizations, such as the public schools. For example, the Methodist Boys' School, a traditional public school, has developed a composting program within the last half-decade. The compost is used in a school garden with several edible and medicinal plants. Even though the school is under federal government control, the composting machine was bought with support from the local authority (MBPP). Other initiatives, such as a school recycling competition promoted by F&N Beverages Marketing and MBPP, have been launched, and many are supported by the Penang Education Department (a department of the federal government).

Thus, the political rivalry between the Penang state and the federal government helped in keeping waste management local, and supported the emergence of a series of institutions to bridge the federal-subnational institutional gap in providing waste management in Penang. This led to several urban innovations that made the SWM system more efficient. Despite the political rivalry, institutional arrangements were created to make state and federal organizations work together in Penang, as in the case of recycling and composting programs in the schools. Penang State and MBPP also had to develop more trust with civil society organizations (CSOs), as the state/local governments had to count on CSOs to reduce waste streams. They supported the scaling up of CSO initiatives.

In Johor, by contrast, the SWM responsibilities were all transferred to the federal government. The institutions for federal-state relations in SWM did not emerge as in the case of Penang because the local government in Johor was disengaged from SWM issues due to centralization, despite the valuable initiatives from CSOs, such as the Tzu Chi recycling center in Johor. Improvements in the SWM system have

been driven by bureaucratic procedures with no external institutional incentives or broader stakeholder engagement, even though there seem to be improvements in the SWM system because of increasing investment and expertise from the federal government.

Arrangements for involving new state and federal organizations in climate change

In contrast to waste management, which began as a local (municipal) responsibility and was later centralized, the federal government has maintained responsibility for climate-related policies since its first policies emerged in 1990s. Malaysia has ratified all major international climate change agreements, such as the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. However, Malaysia's current emissions have grown by more than 50 percent compared to its 1990 baseline. The federal government has not set any specific mandatory targets for emission reductions since the Nationally Determined Contribution (INDC) to the UNFCCC for the Paris Agreement in 2015, where Malaysia pledged to reduce its current GHG emissions by 45 percent by 2030 (Bernama, 2015).

Energy is the main source of GHGs in Malaysia, accounting for 76 percent of the total emissions, followed by waste with 13.6 percent (2000 as the base year) (Bernama, 2015). Malaysia's federal government has relied mostly on technological approaches to improve energy efficiency and renewable energy, though it has put forth limited efforts to link SWM and climate change policies at the federal level. In contrast, Penang, because it retains the SWM responsibility, highlights SWM as one of its contributions to reducing GHGs.

The states have little direct involvement in climate change policies, because the main drivers of emissions, such as energy (and now waste), are under control of the federal government. However, states have been working on climate policies through several innovative initiatives that emerged over the last few years. In Penang, the state government has created the Penang Green Council (PGC), a semi-autonomous government organization, to advance the agenda of sustainable development in several areas, including climate change. As the state has no specific mandate for reducing GHGs and only a limited budget, the PGC focuses on public awareness-raising and small initiatives, such as the app for locating waste facilities or the climate change march during the Paris UNFCCC COP 21.

Clearly, the state's lack of coordination with the federal government makes the task more difficult. The state does not have basic data, such as on energy or electricity consumption, as this information is held by federally controlled organizations. On the other hand, the federal government has created an organization called "Think City" through

Khazanah, a federal sovereignty fund, to award federal grants to create more sustainable and livable cities. For instance, Think City granted funds to organizations in George Town in MBPP to enhance its heritage area after UNESCO declared it a World Heritage Site in 2008. Think City has been involved in several urban initiatives in Penang, including some related to climate change. Originally its focus was on physical planning in the heritage site in George Town, but later its scope broadened both in geographical and sectoral areas, including waste and transportation.

The state of Johor has a more formal federal-state institutional arrangement for implementing climate change policy through the Iskandar Regional Development Agency (IRDA). Established in 2007, IRDA—jointly managed by the Johor state and the federal government—is tasked with planning and advising on the strategic directions for the development of Iskandar, the tip of the peninsular Malaysia (and part of Johor state). Among other things, IRDA has been involved in initiatives for “low-carbon” development in the Iskandar region. Even though IRDA has little actual authority and only scant funding, it helps to coordinate the actions among the different stakeholders in the Iskandar region, particularly bringing together the local, state, and federal governments, although not always with sustainable outcomes (Ho & Fog, 2007; Ho et al., 2013).

The institutions that emerged in response to climate change planning are different than those that emerged in response to solid waste management because climate policy requires more inter-sectorial coordination. In Johor, although a jointly managed technocratic organization (IRDA) was created with good technical capacity, it has limited political power and resources to drive drastic changes. In Penang, where there is unwillingness between the federal and sub-national governments to cooperate politically, both state and federal organizations created their own “special” organizations (e.g., PGC and Think City) to address the sectorial responsibilities that were not exactly their legal responsibilities, in order to either bypass or coordinate better with the other government level and civil society. However, the state has few resources, and the federal government has little political impetus, to invest in an opposition state in an issue low on its political agenda, such as climate change.

The CSOs are not as interested in climate change as they are in waste management, as the former would require immense efforts to achieve coordination between state and federal governments—a far different challenge from those inherent in waste management. Results in SWM are easier to achieve by CSOs alone, in part because coordination is needed with only one level of government (state/local in Penang and the federal government in Johor). Moreover, because most of the sectors directly related to climate change planning are in the hands of the federal government, most of the emission reduction strategies need to be led by

the federal government since it controls transportation planning, fuel subsidies and other key policies. However, as climate change is not a national political priority, not much is invested in climate change in Penang, Johor and nationally.

SECTOR/ POLITICAL RELATIONS	POLITICALLY ALIGNED (Johor)	NOT-ALIGNED (Penang)
WASTE	<ul style="list-style-type: none"> • Intergovernmental relations kept to a minimum as all responsibilities are federal and driven by bureaucratic rules (tripartite contract) • State-supported centralization (saves money) • Transfer of responsibilities to the same political group, no political resistance to keep political control of SWM tasks/responsibilities • Rely on command-and-control (e.g., law on separation at source) • Civil society initiatives, but no state coordination • Little involvement of local authorities (too centralized) 	<ul style="list-style-type: none"> • Institutional gap filled by institutional arrangements with civil society organizations/NGOs. • State/local government pushed to keep SWM responsibilities decentralized (to keep some political control) • More engagement of civil society (in part due to lack of funds) • Build joint initiatives with federal government (e.g., recycling competition among schools) • More involvement of LAs
CLIMATE CHANGE	<ul style="list-style-type: none"> • Intergovernmental and sectoral coordination filled by a joint organization (IRDA) with strong technical capacity but little administrative/regulatory power and resources • Rely on top-down initiatives (green innovation) • More open to new initiatives (e.g., Feed-In-Tariff, FIT, for electricity) 	<ul style="list-style-type: none"> • Institutional gap for sectorial coordination filled by semi-autonomous organizations (e.g., PGC) • Efforts on awareness raising (no funds) • More engagement with civil society

Table 1. Summary of the case findings

Why do institutions for intergovernmental relations matter?

When opposing political groups are in power in different levels of government, inter-governmental relations are fundamental to determining the effectiveness of public policies, particularly when they involve multi-sectorial approaches, efficient use of resources, and complex coordination.

In Penang, advancements in SWM were possible because “apolitical” CSOs were used to link state and federal organizations through CSO involvement in composting and recycling. This paper has argued that, in the absence of such an arrangement, the state and federal governments would not have worked together due to strained (opposing party) political relations. However, policies to tackle climate change have been more difficult to advance, as the state/local government had limited control over important policy intervention areas such as energy and transportation. The CSOs/NGOs in Penang have not been as involved in climate change, whereas those based in Kuala Lumpur (seat of the federal government) have been more engaged in climate change issues, because their focus tends to be on the federal government that controls much of the formal climate policy.

In the case of Johor, however, where the same ruling political group has controlled both the state and federal government, IRDA facilitated coordination on climate change. However, lack of political power and resources to advance climate policies and institute good low-carbon practices prevented IRDA from playing a more influential role in the climate change policy development and implementation process in Johor. In the case of waste, the Johor state/local authorities withdrew almost completely from policymaking and implementation, leaving the federal government in charge. This lack of local political interest and institutional responsibility has limited the capacity of engaging with CSOs and promoting their work in the waste sector, and vice-versa (CSOs did not engage as much with state/local governments, as the latter did not have much authority over SWM).

Thus, the lack of robust formal institutions has prevented more effective public policies. When there is political control and will—and sometimes when there are fiscal pressures, such as existed in SWM in Penang—policies can advance more effectively without these robust institutions. But when political control (such as climate change policies in Penang, and SWM in Johor) or will (such as climate change in Johor) are absent, public policy development and implementation can stall.

Conclusions: lessons from Malaysia

Formal institutions can mediate intergovernmental relations and coordinate public policies, but players exercise a certain degree of discretion, so politics play an important role in defining the relations. In an evolving state, when formal institutions for governmental coordination and intergovernmental relations may not be effectively in place—as is the case in Malaysia—politics play an even larger role, through the discretionary power of federal and state authorities. An open political process can help engage different political groups and civil society to bring legitimacy, resources, and efficiency to public policies, if it is done in a transparent

democratic way with robust institutions; otherwise, they can also become a tool for cronyism and patronage, which can undermine democracy and the political system and result in inefficiencies and ineffectiveness in the public sector.

This study of waste management and climate change in two Malaysian states, Penang and Johor—with aligned and misaligned political relations with the federal government, respectively—provided multiple lessons on why and how to build intergovernmental relations to assist in the coordination and delivery of effective public policies. These include:

Authorities should build robust institutions for inter-governmental relations. The key lesson for improving urban management is the need to build strong institutions for intergovernmental relations, and not rely only on the state structure or political relations between political groups in power to determine the outcomes of governmental relations. Even though coordination tends to be easier when the same political group is in power on both the state and federal levels, institutional mechanisms can help to avoid the inertia of that tends to be associated with politically aligned federal and state governments, such as the creation of performance incentives and strong accountability mechanisms through civil society or governmental auditing systems. On the other hand, robust institutions can set up procedures for intergovernmental relations; these can bridge political differences through policy dialogue to improve policy development and public services—through “healthy” and fair political competition—and to avoid the zero-sum game that often evolves in political relations with rivals in power on different levels.

State organizations should facilitate intra- and intergovernmental relations. State organizations with technical capacity and resources are crucial to bridging intra and intergovernmental gaps and improving collaboration and coordination among governmental agencies. These organizations can infuse political interests into technical discussions, and advise government on the best use of the resources based on technical criteria. As these are not political organizations, but have administrative power, their role is not heavily affected by changes in government. They can also be formed as a partnership between governments or departments in the same level. IRDA in Johor is a good example of such an organization. However, because IRDA is primarily a technical organization, it did not have the administrative/regulatory power and resources to shape public policies and development in Johor.

Authorities should bring in civil society for policy making and implementation. Facilitating the participation of civil society organizations in policy making and implementation can bridge gaps in intergovernmental relations and improve public policies through accountability mechanisms,

and through the provision of information or resources. In Penang, civil society organizations (including business representatives) played an important role in advancing recycling and composting initiatives across the state. They have worked across the political and administrative borders facilitating coordinating activities and bringing resources from several sources, which traditionally have not cooperated.

States should be empowered to support civil society-led initiatives.

In this study, institutions and civil society organizations emerged to support public policies, such as in the case of waste management in Penang and Johor, but state support is needed to coordinate and scale up those initiatives (e.g., the Penang Green Council awareness and App) as CSOs tend to be small and loosely coordinated. Without state support, these civil society initiatives may fade away when they run out of resources (e.g., funding or key persons). In this process, certain overlaps occur among the roles of different CSOs, and between CSOs and state organizations (e.g., responsibility for recycling waste), but these overlaps can be managed through better coordination and a clearly defined division of responsibilities. Several mechanisms can be used to support CSO-led initiatives, such as the provision of seed money for start-up initiatives and government-civil society committees for coordinating activities.

Local governments should be key players in interacting with civil society. The involvement of civil society and the partnerships between local authorities and federal organizations in waste management in Penang resulted from local authorities' direct control over waste management.¹⁷ On the one hand, there was increasing budgetary pressure for SWM in the MBPP budget. Because the city pays itself for SWM, it has direct interest in promoting the reduction of waste through civil society initiatives and partnerships with schools and other organizations. On the other hand, the existence of active civil society organizations in Penang in other areas, even before the centralization of SWM, facilitated these initiatives.¹⁸ The role of the state in promoting those initiatives helps them to thrive even further.

The federal system in Malaysia continues to have many institutional gaps in intergovernmental institutions that may compromise effective urban management in the country. Certain issues (e.g., waste) may be easier to coordinate locally, as it is done in many countries around the world, but other pressing issues—such as climate change, which requires more inter- and intra-governmental and inter-sectoral coordination—have failed to advance much, due to centralization within the federal government. Given that a constitutional reform may be difficult in the medium future, there is a need to build better institutions and organizations to bridge the intra- and intergovernmental relations. Those institutions could be in the civil society or quasi-governmental organizations whose role would be to link the different levels of

government, but in the long run, more robust formal institutions may be needed.

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Notes

¹ In this paper, a “city” is a unit of sub-national government.

² Municipal Council of Penang Island (MBPP: Majlis Bandaraya Pulau Pinang, in Malay)

³ Johor Bahru Tengah Municipal Council (MPJBT: Majlis Perbandaran Johor Bahru Tengah, in Malay).

⁴ I interviewed individuals from several organizations, including: SWCorp national headquarters in Putrajaya, and SWCorp’s state branch, Municipal Council of Penang Island (MBPP)—Solid Waste Management, Federal Ministry of Housing and Local Government, Local Government Department, Town and Country

Planning Department, Think City, the Penang Institute, Iskandar Regional Development Authority (IRDA), Universiti Sains Malaysia, UTM School of Build Environment, and various members from civil society groups in Malaysia, particularly those working on urban issues.

⁵ Singapore exited the federation in 1965.

⁶ This was the reason given by many officials in the federal government and academics in December 2015 and January 2016.

⁷ This is based on interviews in Penang with officials and think-tank representatives in September 2015 and January 2016.

⁸ This is based on interviews with national and local authorities working with waste management on 11 January and on 21 January 2016. In the agreement with the national government, municipalities agreed to transfer the value they had been spending in waste management before the centralization (from the assessment fee), and the federal government agreed to match the increasing costs to expand and upgrade the system. However, some municipalities could not afford (and failed to transfer) a portion of the assessment fees

⁹ According to interviews local organizations in Penang on 13 January and on 14 January 2016.

¹⁰ Interview with national authority in the waste sector on 11 January 2016.

¹¹ Solid Waste and Public Cleansing Management Corporation (SWCorp), or *Perbadanan Pengurusan Sisa Pepejal Dan Pembersihan Awam (PPSPPA)* in Malay, is under the Ministry of Urban Wellbeing, Housing and Local Government (KPKT), or *Kementerian Kesejahteraan Bandar, Perumahan, dan Kerajaan Tempatan* in Malay.

¹² The federal government has two kinds of contracts. One between the federal government and state and municipal governments (“tripartite agreement”) for the transfer of responsibilities and funds and the other kind of contract between the federal government and the firms who receive the concession for waste management in a particular area.

¹³ According to an interview with a city councilor on 27 November 2015.

¹⁴ Municipalities are not involved in daily direct waste management activities, though they hold regular meetings (~monthly) between the local branch of SWCorp in Johor and the 15 municipalities so as to coordinate pending tasks, address issues, suggestions or complaints.

¹⁵ There are no official numbers for recycling rates in Malaysia. Penang’s estimates are based on reports of the recycling business to the local authority. However, the numbers may not be precise, as some sellers come from other states (e.g., Kedah) to sell their recyclables in Penang, as verified during this author’s field work in December 2015.

¹⁶ Estimates from experts and federal and local authorities.

¹⁷ All solid waste management initiatives analyzed during the author's fieldwork in Penang began after 2007, when SWM was centralized in most of Malaysia.

¹⁸ From interview with civil society groups in Penang in September 2015.