

**SPEECH BY THE PRIME MINISTER AT THE  
OFFICIAL OPENING OF THE ECAFE/IULA  
REGIONAL SEMINAR ON LOCAL GOVERN-  
MENT FINANCE AT DEWAN TUNKU ABDUL  
RAHMAN, JALAN AMPANG, KUALA LUMPUR  
ON 5TH AUGUST, 1974**

Y.B. Dato' Ong Kee Hui, Minister of Local Government and Housing, Hon'ble Ministers, Distinguished Delegates, Ladies and Gentlemen.

I would like, first of all, to thank the Hon'ble Minister and the Conference Organisers for giving me the honour to declare open this Regional Seminar on Local Government Finance.

On behalf of the Government of Malaysia, I wish to welcome you all to our capital city, Kuala Lumpur. This is the first time such a Seminar is held in this country and we feel justly proud and fortunate to be hosts to such a distinguished gathering of experts from so many countries in this Region.

It is by sheer coincidence that this Seminar comes at a time when we are undertaking structural reform of local government in this country, specifically Peninsular Malaysia, to make it a more effective vehicle of government at the grassroot level. This is a challenging task especially since it must help to achieve the objectives of the New Economic Policy, that is to eradicate poverty and to restructure our multiracial society so as to enable the indigenous group to achieve greater and wider participation in the commercial and industrial sectors of existing urban areas.

It might be interesting to note that Local Government is not altogether a new concept to Malaysian life because even before the British era, our villages were governed by village 'councils' headed by an elected Headmen or Penghulu, a word which is familiar to our friends from Indonesia and the Philippines. Even till this day, the Penghulu is indispensable in local administration for he is the person upon whom the District Officer relies on for advice and guidance. However, formalised local government as we understand it today first took root in Penang in the last century and later introduced in the other Straits Settlements i.e. Singapore and Melaka.

The system of local government as introduced by the British Colonial Administration attained various stages of development by 1957 when we achieved independence. In the Borneo States of Sabah and Sarawak and in the Straits Settlements of Malacca and Penang, the system reached a much more sophisticated level of development which covered all parts of these States. Whereas the Sultanate States were indirectly administered by the Colonial Government and as such local government administration took different forms and even the laws were not uniform.

The principal difference is that in these other States only urban areas were administered by local government, while the rural areas were governed by the State Governments through District Officers. Local Authorities ranging from Municipal Councils in the major towns, through Town Councils, Town Boards, District Councils and Rural Boards to the smaller units of Local Councils were established during the Emergency of 1948-1960. These Local Government Authorities functioned and operated under different sets of laws according to the circumstances namely Municipal Ordinance, Town Boards Enactment and Local Councils Ordinance.

Ladies and Gentlemen.

I must make special mention of the New Villages Local Councils (numbering 289 in all) because their creation contributed in no small measure to the successful ending of the Emergency. At the beginning of the Emergency in 1948, there were hundreds of thousands of squatters living along the jungle fringes who became easy prey to the terrorists for their food and supplies. The Government undertook a massive programme of resettling them in New Villages behind the safety of perimeter fencing where basic amenities such as roads, water supply and electricity were provided. These New Villages were declared as Local Council areas and granted some degree of autonomy. As the Emergency situation improved, these villages were somewhat neglected resulting in deterioration of the services. It is for this reason that a Ministry has been established for the welfare of New Villages and it is hoped that with the current reforms conditions will further improve and they will be absorbed in the larger units of Local Government.

In the process of preparation for self-government and eventual independence, the more advanced local authorities were chosen as models for elected representation. Many of our political leaders began their political careers in local authorities and the lessons they have learnt have stood them in good stead. Datuk Ong Kee Hui, our Minister for Local Government and Housing, himself began as a Local Councillor and finally rose to become the Mayor of Kuching for several years. It can therefore be said that Local Government in Malaysia has certainly played its part in paving the way for responsible fully-elected self-government and many of our political leaders began their political career to the humble beginnings as a Municipal or City Councillor.

Ladies and Gentlemen.

This process of preparing the people for self-government did not help the development of local authorities as the majority of them were small units both area-wise and population-wise; besides they were also financially weak. As such, they did not have the capacity to function effectively and efficiently. Another factor which did not contribute to the growth of local government is that most of them were confined to the urban and sub-urban centres. Even as late as in 1966, out of total population of 8.4 million in Peninsular Malaysia, 4.7 million (approximately 55.8%) lived within local authority areas but the actual area covered by local government was only 3% of the total area of the country. As time went on, administrative weaknesses and financial inadequacies in local government became too evident and the Government considered it desirable that a Royal Commission of Enquiry should be appointed to investigate into the Workings of Local Authorities in Peninsular Malaysia. Accordingly, a Royal Commission was appointed in 1964 on the recommendation of the National Council for Local Government, a body established under the Constitution to give effect to uniformity in policies and legislation in respect of Local Government.

The Royal Commission's Report was considered by Government and it was decided to implement some of its recommendations especially those relating to restructuring of the local government system so that local authorities will be able to function more efficiently and provide better and improved services to the public. They would be governed by Boards of Management whose

members are appointed by the State Governments and they would operate under one set of laws. For the time being, elections to local authorities are suspended. The role of local government in the civic, social and economic life of the people needs to be reviewed from time to time in the light of changes especially in a rapidly developing country like Malaysia. In the United Kingdom too, local authorities are being restructured to provide for more effective and efficient services.

It is hoped that after the restructuring is completed, the 370 odd local authorities will have been reduced to about 100 or so. There will be only two types of local authorities namely Municipalities and District Councils, the criteria for either being the degree of urbanisation, financial status and population. The first District Councils have been established only recently in Penang. The Federal and State Governments will continue to assist local authorities by allocating grants-in-aid as here to before to provide infrastructure facilities within their areas as well as undertake other works of a service nature. This is perhaps one area of local government finance which may be the subject of much discussion in your deliberations and perhaps the experience of other countries in this respect will be a useful outcome of this Seminar.

Ladies and Gentlemen,

Perhaps, the most challenging aspect of local government in this country will be the implementation of the New Economic Policy. Our objective is to raise the living standard of people, narrowing the gap between the have and the have-nots, so that there is more equitable distribution of wealth irrespective of race or creed. With increased powers, administrative competence and financial viability, our local authorities can play a vital role in achieving the objectives of the New Economic Policy. Now and in future local authorities will be concerned not only with the provision of obligatory and discretionary services but also with the socio-economic activities placing emphasis on a host of matters—planning, housing, urban renewal, transportation, preservation of historical buildings and places, provision of parks and open spaces, preventive health, health services and traffic management. There is the mistaken concept that local government mainly provides for care and maintenance services such as garbage collecting, provision for street lighting and licensing the various

trades. This concept no longer is true and as a planning authority and building authority, local government can actively promote development in an orderly fashion.

In fact, local government can act as catalyst for industrial, commercial and housing development through the planning process. In so doing, of course, it has to work hand in hand with the State Governments which are responsible for land administration and land alienation. Local government reforms have indeed become necessary because of the rapid urbanisation taking place in the development countries. The competing demand for land in urban areas for commercial, industrial and housing and public institutional development, an indeed great and the allocation of land for these uses places great stress on the planning authorities. This is not only true of Malaysia but also of the other developing countries where the urban population is growing much more rapidly than before.

Ladies and Gentlemen.

I am indeed glad that the subject local government finance has been chosen for this Seminar especially since adequate finance is the mainstay of any government. I am sure that the exchange of experiences, ideas and views will bring forth solutions to the financial problems faced by local authorities in the region. As local government forms an important tier of government and is closer to the people because of the mundane nature of its services and functions, it should receive the close attention it deserves.

In this respect, the International Union of Local Authorities which often holds its biennial congress either in Europe or in the United States may consider establishing a Secretariat in this region which I am sure would attract more members from the region. The benefit of such a Secretariat is beyond doubt as it would stimulate the growth and development of local government to meet the challenges of unprecedented urban growth in this region. I sincerely hope this suggestion will be given serious consideration.

In conclusion, I hope all the participants from overseas will find their stay in Malaysia both enjoyable and memorable. The Seminar organisers have arranged for a tour of the country and end up with the Seminar in Penang. You will have a fairly good idea

of what Peninsular Malaysia is like and I hope this will inspire you to visit us again.

Once again, I thank the organisers for having honoured me and I have much pleasure in declaring open this Regional Seminar on Local Government Finance and hope all of you will have interesting and fruitful discussions.