

SOCDEM Asia Conference on Lessons and Best Practices on Local Democracy and Governance in the 21st Century

Keynote address by Lim Guan Eng, Chief Minister of Penang

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The George Town Conurbation (GTC) consists of the highly urbanised Penang Island, Seberang Perai, Sungai Petani, Kulim and the surrounding areas (see map). With a population of 1.6 million according to the National Census in 2000, it was the second-largest metropolitan area in Malaysia after the Kuala Lumpur conurbation (Klang Valley), which had a population of 4.9 million. Johor Bahru had 1.5 million. The population of the GTC is now estimated more than 2 million.

A conurbation is defined as “an urban area that encompasses several cities or towns physically agglomerated and forming a built up area through population growth”.

Today, 54 per cent of the world’s population lives in urban areas, a proportion that is expected to increase to 66 per cent by 2050. The urban population of the world has grown rapidly from 746 million in 1950 to 3.9 billion in 2014 and may approach seven billion by 2050. According to the United Nations Department of Economic and Social Affairs close to 90 percent of the increase concentrated in Asia and Africa. In Malaysia, 72% of the population lives in cities and towns.

No wonder Edward Glaeser the Harvard economist announced the triumph of the cities. The city is where the best of human economic, intellectual, social and political achievements take place. It is therefore apt that the SOCDEM Asia conference this year is focused on local governance and democracy.

Everywhere around the world, cities and towns generate 80% of gross national product. As a result, managing urban areas poses the greatest development challenges of this century especially meeting the needs of growing urban populations relating to housing, infrastructure, transportation, energy and employment, as well as for basic services such as education and health care.

We are also honoured that you chose Penang and Malaysia this year as the venue of your conference. Indeed Penang strives to be a model international city where it becomes a

location of choice for investors, a destination of choice for tourists and a habitat of choice for residents who desire a truly sustainable living.

How then do we achieve this?

Institution Building By Implementing CAT Governance In The Public Delivery System

Fundamentally, we hope to create a better Penang through the C.A.T principle which stands for Competency, Accountability and Transparency. This has been the state government's philosophy of governance since 2008 and will continue to be so.

What we are aiming at is firstly, the efficient delivery of public services. Without a good public delivery system, the state collapses. Something as simple as solid waste management for example, if we cannot keep our streets clean, we can forget about being a location of choice or a habitat of choice for anyone. One of our first focuses therefore when we were first elected into office in 2008 was to make Penang Cleaner and Greener.

Our former Prime Minister Dr. Mahathir Mohammed even had labeled Penang as a "garbage state" but in a short time, we managed to make Penang one of the most liveable cities not just in Malaysia but also in the Southeast Asia region. This was confirmed when ECA International Location Rating named Penang the Most Liveable City in Malaysia and 8th Most Liveable City in Asia, ahead of even the Malaysian capital Kuala Lumpur.

What caused the transformation of Penang from being the "garbage state" to the Most Liveable City in Malaysia? I strongly believed it was a new working ethics which we instilled in the civil service. We did not change a new set of civil service when we took over. What we did was to change the work ethics.

Corruption and abuse of power are not tolerated, we established the state Integrity reward with monetary prize of RM10,000 to civil servants who exposed wrongdoings within the state department. The state government also appoint professional, well-established but most importantly clean technocrats to key leadership positions in the state civil service. All public contracts by the state government are awarded through an open competitive tender system. Family members political office bearers are barred from having any business dealings with the government. Even state ministers or executive councilors, state legislators and municipal councilor are not allowed to purchase any state land. In other words, we have

the same faces in the civil service but infused with a new spirit and a new sense of pride to better serve the people.

Due to a clean and more efficient state government, Penang has been recording surpluses every year since 2008 that was confirmed by the yearly Auditor-General Reports that commended us as the best financially managed government in Malaysia. Some in the Opposition has accused us of not spending money just to show a surplus, but the truth is we spent more than 90% of our budgeted expenditure each year as well as spending almost double the development expenditure of the previous government.

The savings come from open tender as well as efficient management and financial prudence. We have also increased our state reserves by more than 50% and reduced our state debts by more than 90% in the 6 years we are in power. This is Competency, Accountability and Transparency at work for the people.

Focus on human capital development

Our economic policy based on pro-growth, pro-job creation and pro-poor to eradicate poverty has enabled our GDP has increased from RM46.8 billion in 2008 to RM62.6 billion in 2013. Having said that, the most valuable asset to Penang is undeniably our human capital.

Penang has been a top economic driver of Malaysia since the 70s as well as its first industrialised state. Today Penang still punches above its weight. Despite being the second smallest state we still contribute 25 % to Malaysia's total imports and exports.

Thus human development is two-fold in Penang.

Firstly, the state government realised that after over four decades of electronic manufacturing-based growth, it is time for Penang to climb up the value chain, to create more and better job opportunities for the people as well as to further drive the state economy. In the past few years, the state government has provided incentives to encourage home-grown industry through the nurturing and support of small and medium enterprises. Through various initiatives such as the SME village offering industrial land, SME Centres that offers subsidized rentals at prime sites to start-ups and a free market advisory services to match technology and markets, we hope to build up our own technology innovators, start-ups, incubators, accelerators and entrepreneurs who are able to participate in the global economy.

In addition, we are also steering a new category of investments on high-value industries such as pharmaceutical, biotechnology, medical equipments manufacturing and creative animation technology.

With the creation of an RM3.3 billion IT-BPO hub announced on 1 March this year in collaboration with the federal government, Penang is expected to further boost the state economy and create over 30,000 high income jobs in the state.

Secondly we know that growth alone is not enough. Wealth and prosperity must be shared by all. This is the principle of solidarity which we all here as social democrats gathered share. Penang is the first state in Malaysia to institutionalised an annual cash transfer programmes for senior citizens, single mothers, people with disability, children, students as well as full time homemakers in the state. Since 2008, the state government have channeled more than RM287 million and have allocated another RM117 million next year (more than 12% of our annual budget) towards these social welfare programmes. We believe in building up human capital as well as providing a social protection for the vulnerable groups.

Like in many cities in Malaysia, due to rapid development, property prices in Penang have become unattainable by the low and middle income families. The old model of public housing which was partly driven by private developers is no longer sufficient. Not only it created unnecessary burdens for businesses but it also failed to fulfill the demand on public housing due to the often conflicting commercial and social objectives. Hence, Penang became the first state in Malaysia to establish an RM500 million Affordable Housing Fund to build over 22,545 units of affordable housing throughout the state. While this will be done in collaboration with the private sector, the overall public housing strategy and planning will be driven by the state to ensure social objectives are not passed over for commercial ones. Currently, a few of these projects are already in work and are expected to be completed within the next three years. This includes the 1,320 units of social housing built on a prime land in the city-centre. We want to ensure that the poor will not be further alienated by having to live far away from centres of social and economic activities.

On the problems of poverty, Penang is also the first state in Malaysia to introduce income guarantee of RM790 a month. This means, every household in Penang will be guaranteed a monthly income exceeding that of the federal Poverty Income Line of RM760. As such, we become the first state in Malaysia to wipe out absolute poverty.

Through all these social programmes, we are able to reduce the state's Gini Coefficient significantly from 0.419 in 2009 to 0.37 in 2012, the biggest drop in income inequality in Malaysia.

Yet, we know that these are just the first steps.

Investing in education to empower future generations

The state government understands that education is an important factor to improve the people's lives. According to Jacob Mincer, the father of modern labour economy, income distribution is correlated to formal and informal education. Each year of formal education increases a worker's annual salary by 5-10%, and the same also with informal education albeit at a lower rate of increase.

Although education is under the purview of the federal government, the state government also puts in an education agenda to further fulfill the needs in the local context. Local intervention in education is crucial to ensure better delivery to the people. In fact, a 2012 World Bank report stated that local decision-making authority and greater accountability are contributing factors towards better outcomes in the education system.

Since 2008, the state government has been providing annual allocations to vernacular schools, missionary schools as well as religious schools all which have previously being sidelined by the federal government especially in terms of funding. We hope to encourage a plural education system which can better equip our children to face today's life and career challenges.

Given the context of Penang as a highly industrialised state, we must be the center of excellence for science and technology. To this purpose, the state government has also set up the Penang Science Cluster, RM25 million Penang Tech Dome to showcase our local scientific investments and science education, the Penang Science Cafes to teach kids robotics, the Penang Learning Centre to improve the capacity in ESTEEM - Engagement, Science, Technology, Engineering, English and Mathematics. This is important as the national education system due to narrow and unnecessary political intervention has resulted in the decline in these areas, notably evident from internationally-recognised assessments such as PISA where recent reports showed Malaysia lagging behind in maths, science and reading compared to our neighbours such as Singapore and Vietnam.

The state government is also looking at setting up institutions which will offer the world-famous German vocational education system. It is hope that through these interventions in the education system, we can enable and empower our next generation to a better life.

Creating, promoting and expanding democratic space

Economy is not the only dimension of the human society. As the saying goes, man shall not live by bread alone. Thus, the Penang state government is also at the forefront of promoting democracy in this country. The federal government continues to regress through undemocratic practices such as the usage of the colonial era Sedition Act. This law has been used by the federal ruling regime to stifle alternative views and political dissents. Although the Prime Minister has promised to abolish the Sedition Act before the last general election, he has recently back-tracked on his promise succumbing to pressures by extreme-right groups to preserve the law.

In Penang, we cherish a tradition of freedom and democracy. Historically, Penang was where the first suffrage election in this country was held in 1950 when its residents elected the George Town Municipal Councillor.

Next year marked the fiftieth year of the abolishment of the local government election. The state government representing the people of Penang is pushing for the restoration of the third vote. In 2012, we have passed the Local Government Elections (Penang Island and Province Wellesley) Enactment to allow the Election Commission to conduct local government elections in Penang. The federal controlled Election Commission however refused our request to conduct such local government elections. Hence, the state government brought the matter up to the Federal Court for a judicial review. The Federal Court however rejected the state's application.

But we have not given up. The state government will continue to pursue this matter until we are finally able to return the third vote to the people.

Democratic space is very important to us. And we want to ensure democracy is not only in words but also in deeds. Other than our campaign for local government election, here in Penang, we have not just one, but two Speakers' Corners. I always say that while the federal government gags the freedom of speech, here, the people not only have freedom of speech, but freedom after speech.

In the same spirit, Penang together with Selangor, another Pakatan Rakyat state government, also passed the Freedom of Information Enactment to allow full access of government information to the public. This is revolutionary in the context of a federal government which continues to hide its weaknesses under the mantle of the federal Official Secrets Act.

At the local level, Penang has also adopted the first ever city complaint mobile app, the Citizens Action Technology which not only provide residents ease of making complaints on municipal issues, but it also allow for a more transparent dealing with the local governments. By allowing the people to access information and evaluate the performance of the local governments, we are ensuring that there is full accountability especially towards ratepayers.

Here in Penang, differences are celebrated not frowned upon. As I have mentioned, vernacular schools of different languages are given annual allocations. While Islam is accorded respect as the religion of the federation, other religious groups are given the freedom of worship. Penang has always been the melting pot of Malaysia, a gathering place for people from all over the country and the world. We celebrate cultural diversity here - road signs in various local languages, festivals, celebrations. Come again to Penang next year when we hold our now world-famous George Town Festival and you will experience Malaysia and the world in one city.

Gender equality is also an agenda of the state government. As early as 2011, the local governments of Penang adopted the resolution to implement gender responsive budgeting. The state also implemented various women and family friendly policy to enable women play greater role in public life including in the market place.

Successful despite limitations

The Penang state government seeks to create a state where Talent, Technology and Tolerance thrive. These are the ingredient towards a sustainable and successful city. It is undeniable that we are faced with a great challenge especially given the over-centralisation in Malaysia. The state government has little or no power on issues such as education, policing, public transport, and even taxations. Our budget is more than 250 times smaller than the federal budget even though Penang contributes about 25% of the country's export. Yet within this limitation, in the spirit of Penang Leads, Penang has shown in the past few years that not only we are resilient to challenges but we are able to emerge as one of the best-run state and city in Malaysia and in the region. In the next few days, I hope you will continue this discussion because we are now at the threshold of an era. From Kuala Lumpur to Jakarta to Cairo to Istanbul to London, cities are now being shaped into what the future

will look like for the world. The choice for policymakers is clear, either a bloody revolution marked by chaos because the people are angry with elite politics which alienates them, or the quiet evolution of cities such as that in Penang marked by the informed and humane policy-making which seeks to promote justice, democracy and solidarity.

Two words summarise the key needs for developing growth opportunities across a number of sectors: technology and democratic institutions. Technology upgrading is a prerequisite for developing a globally-competitive industry especially creative clusters.

Penang has what it takes to develop a creative cluster Talent, Technology and tolerance of new ideas. In other words freedom to freely realize your potential and express yourself.

Democratic institutional change is one way to encourage better use of technology as well as to ensure that stakeholders not only have a say but also exercise ownership in these changes.

Thank you very much and may you have a fruitful conference.