



TRENDS IN SOUTHEAST ASIA

# FEDERAL-STATE RELATIONS UNDER THE PAKATAN HARAPAN GOVERNMENT

Tricia Yeoh

**ISEAS**  
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## FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

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# Federal-State Relations under the Pakatan Harapan Government

By Tricia Yeoh

## EXECUTIVE SUMMARY

- On 9 May 2018, Malaysia's Barisan Nasional (BN) government lost the country's 14th general election (GE14). Replacing it was the Pakatan Harapan (PH) coalition, made up of four parties, three of which had had experience cooperating with each other for a decade, namely Parti Keadilan Rakyat (PKR), the Democratic Action Party (DAP) and Parti Amanah Negara (Amanah). The fourth was the new Parti Pribumi Bersatu Malaysia (PPBM) led by Dr Mahathir Mohamad.
- The election also saw equally significant changes at the state government level. PH now controlled seven states in total, up from two, while BN went from controlling ten states to retaining but two. PAS regained Terengganu and with its control over Kelantan now held the two East Coast states. The Sabah state government, held by Parti Warisan Sabah (Warisan) aligned itself with PH, while the Sarawak state government chose to stick with BN.
- As many as ten of the sixty promises listed in the PH 2018 election manifesto related to federalism and Sabah and Sarawak, an indication of the growing importance of these two states (and of state issues more generally).
- The PH administration's two significant set-ups were the Special Select Committee on States and Federal Relations and the Special Cabinet Committee on the Malaysia Agreement 1963 (MA63). Serious attempts were made to address concerns by both committees, with achievements being more visible in the Special Cabinet Committee on MA63, possibly due to the greater attention given on Sabah and Sarawak. Issues brought up within



the Parliamentary Special Select Committee were not substantively addressed.

- PH's time in power saw how states aligned to it maintained a smooth working relationship with the federal government. What was more interesting to note was that even non-PH aligned states such as Kelantan, Terengganu and Perlis also received favourable attention from the federal government.
- Federal-state relations were much more aggressively tackled under the PH government than under any other preceding administration.

# Federal-State Relations under the Pakatan Harapan Government

By Tricia Yeoh<sup>1</sup>

## INTRODUCTION

The watershed 14th general election in Malaysia resulted in the incumbent dominant Barisan Nasional (BN) falling for the first time in the country's history and power being taken over by the opposition coalition Pakatan Harapan (PH). Interestingly, the effects of this turn of events on state governments were direct: PH now controlled seven states, up from two states, BN-controlled states fell from ten to two, and PAS retained power in Kelantan and also regained the neighbouring East Coast state of Terengganu.

Although the PH lasted less than two years in power before political events at the end of February 2020 saw the Perikatan Nasional (PN) taking over on 1 March 2020, the short twenty-one-month period is worth studying more closely. This piece focuses on the relationship between the federal and state governments during that period by first examining the historical background, then moving to the commitments made in the PH manifesto, studying the new structures that the PH set up, and finally analysing how development and financial negotiations played out, seen through the lens of federally aligned state governments as well as opposition-led ones.

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PH came to power on the back of a 203-page election manifesto. However, the coalition itself was made up of different parties with varying backgrounds and interests. PPBM in particular was an outlier: it was the newest party in the fold, and had no history of coalition governance with its partners. The other three parties, namely, Parti Keadilan Rakyat (PKR), Democratic Action Party (DAP) and Parti Amanah Negara (Amanah), had been doing exactly that for a decade in governing Selangor and Penang in the face of resistance from both UMNO and PAS.

The PH administration chose to retain existing institutions. This created duplication of functions and helped it to bypass opposition state governments. At the same time, it responded to the rising wave of devolutionary demands by setting up new institutions and mechanisms, which benefited both PH- and BN-run states. Ultimately, political expedience and power maintenance prevailed—in order to contain BN, and later Muafakat Nasional (MN), as well as to appease internal expectations of rewards through patronage and positions. These collectively left PH with a mixed record in federalism-related reforms, not least in providing equal constituency development funds (CDFs) to all members of parliament (MPs).

Table 1 and Figure 1 show the comparison of distribution of states before and after GE14, under the respective coalitions and/or parties: BN's count of states fell from ten to two, PH's states grew from two to seven, and PAS increased its state count from one to two.

Furthermore, as seen in Appendix A which lays out the distribution of political parties and their corresponding Chief Minister<sup>2</sup> in each state, the selection of Chief Ministers for each state under PH did not necessarily adhere to the number of state seats won. For instance, PPBM which won only one state seat in Perak was given the Chief Minister position. In Malacca, Amanah won only two seats but was given the Chief Minister position. In terms of Chief Minister positions, PPBM held three states (Kedah, Perak and Johor), PKR two (Selangor and Negeri Sembilan), and Amanah (Malacca) and DAP (Penang) one each.

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<sup>2</sup> The term Chief Minister is used to denote both Chief Minister and Menteri Besar in this paper.

**Table 1: Change of State Governments after GE14 in 2018**

<b>Prior to GE14</b>	<b>After GE14</b>
BN (10): Perlis, Kedah, Perak, Negeri Sembilan, Malacca, Johor, Pahang, Terengganu, Sabah, Sarawak	BN (2): Perlis, Pahang
PAS (1): Kelantan	BN-aligned (GPS: 1): Sarawak
PH (2): Selangor, Penang	PAS (2): Kelantan, Terengganu
	PH (7): Selangor, Penang, Kedah, Perak, Negeri Sembilan, Malacca, Johor
	PH-aligned (Warisan: 1): Sabah

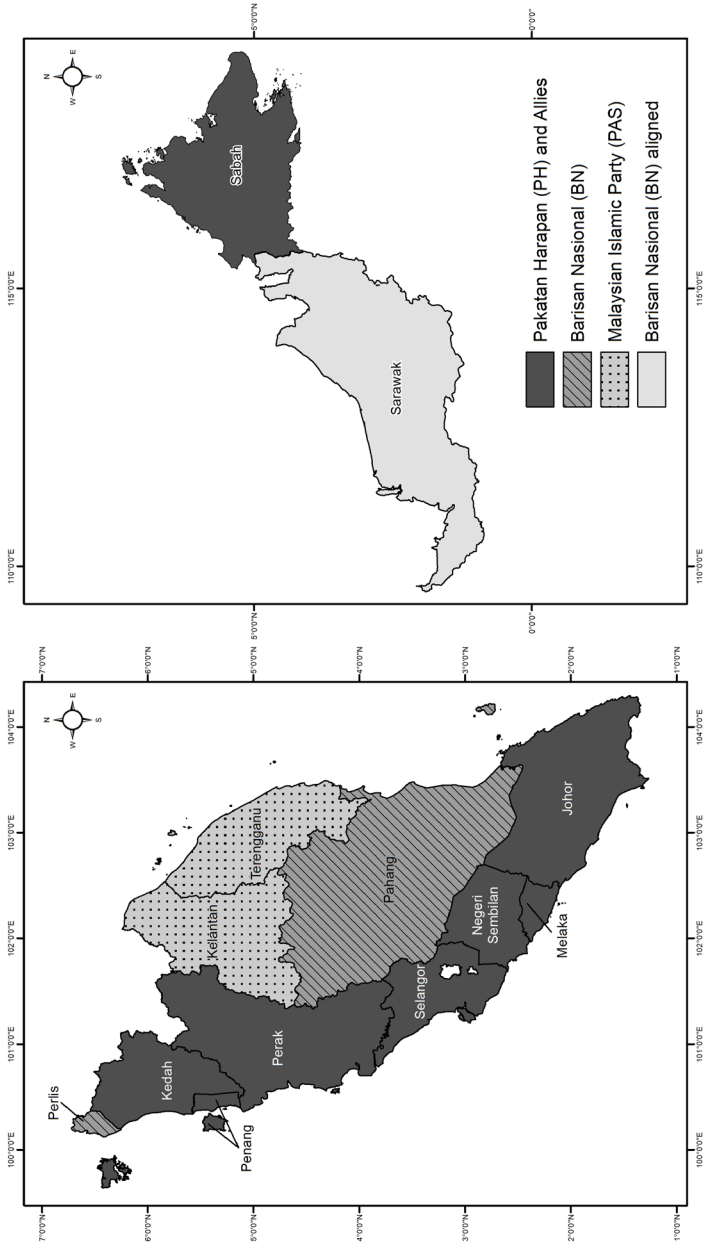
## **BACKGROUND**

### *Historical Background*

An analysis of federal-state relations in Malaysia requires a historical understanding of how the separate states came together as a federation. The debates surrounding centralization versus decentralization were already prevalent during the formative years of the nation. Pre-colonial Malaya was made up of essentially individual, independent states whose primary allegiance was to the respective state ruler (Sultan), although not all states had a monarchy. The earliest signs of centralization began with the formation of the Federated Malay States (FMS) under British leadership through the Treaty of Federation 1895. The FMS consisted of Selangor, Perak, Negeri Sembilan and Pahang, and was intended to “remedy divergences of government policy in the different states on a variety of matters of common interest” (Gullick 1998).

One of the primary supporting arguments used by the FMS federal council and the business community, mainly Chinese traders and miners, was that a federal government would be more able in managing Malaya’s early economy. Indeed, the technocrats were convinced that decentralization was not compatible with maximum efficiency (Yeo 1982). The decentralization debates that later ensued between 1925

**Figure 1: Malaysia's GE14: Control of State Governments**



Map provided by ISEAS – Yusof Ishak Institute © (2020) ISEAS – Yusof Ishak Institute

and 1927, partly to appease the Malay rulers, therefore primarily about “whether to build a modern unified state or to bolster the existing small Malay states” (Comber 2009). The latter prevailed and the Colonial Office approved a decentralization policy to enhance indirect rule in the FMS (Yeo 1982).

This spirit of federalism was therefore embedded in the country’s history and was infused into the Federation of Malaya Agreement 1948, which replaced the Malayan Union; and although the establishment of “a strong central government” was agreed, “the individuality of each of the Malay States and of the Settlements should be clearly expressed and maintained” (Pearn 2001). A mechanism for consultation between the central government and the States and Settlements on certain financial matters<sup>3</sup> was also to be put in place. This was a direct recognition of the individuality of the states.

One of the main factors that both the nationalist elite and the British had to contend with was the sultanates being representative of the states (Hutchinson 2014). Significantly therefore, the Federation of Malaya Agreement 1948 would include the requirement for the sultans’ consent where constitutional changes were involved (Suwannathat-Pian 2011). For instance, in the early 1950s, the Alliance coalition sought a strong central government, wanting to secure an independent judiciary instead of preserving viable state governments (Fernando 2002). It argued that the Conference of Rulers<sup>4</sup> should have a ceremonial and not a political role, while the rulers wanted the Conference to be consulted on issues such as land, special commissions and immigration. Furthermore, the

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<sup>3</sup> Extracted from the report of the General Purposes Committee of the Conference Constitutional Commission.

<sup>4</sup> The Conference of Rulers comprises the rulers of each of the former Malay states (both Federated and Unfederated), and decides over the rotation of national kingship amongst its members. Although the governors of the former Straits Settlements of Penang and Malacca (and after 1963, Sabah and Sarawak) are members, they do not vote on kingship.

Alliance sought a strong central government with broad powers to tax and redistribute revenue, whereas the rulers wanted state autonomy on taxation and specific guarantees on centre-state grants. Ultimately, the Alliance had to make some concessions (Fernando 2002, pp. 169–74).

Somewhat expectedly, in the lead-up to Malaya's independence in 1957, the states of Penang, Kelantan and Johor all had secessionist movements explicitly associated with their state-level identities (Hutchinson 2017). There was also opposition to the 1963 formation of Malaysia for similar reasons—Malaya, Sabah and Sarawak in Borneo, and Singapore being brought together as a common nation—where the Malay Rulers and states apparently were not consulted by the federal authorities. In fact, no records have been found to indicate that the Conference of Rulers gave its consent to establish Malaysia (Khairil 2013). The formative years thus already set the tone for the centralization of powers within the federal system.

First, the Federal Constitution of Malaysia 1957, more specifically within the Ninth Schedule, lays out the distribution of legislative powers and responsibilities between federal and state governments. The federal government's purview includes trade, commerce and industry, foreign affairs, defence, internal security, law and order, physical development (communication and transport), and human development (education, health and medicine). State governments are left only with lands and mines, Muslim affairs and customs, Native laws and customs, agriculture and forestry, local government and public services, burial grounds, markets and fairs, and licensing cinemas and theatres. The concurrent list covers social welfare, scholarships, town and country planning, drainage and irrigation, housing, culture and sports, public health and water services (Yeoh 2012). State control over land allows them to derive revenues from this important resource, especially in the highly developed and industrialized states. However, in most cases, many states continue to owe a significant amount of debt to the federal government. (See Appendix B for a table on the division of responsibilities between the federal, concurrent—both federal and state—and state governments, and Appendix C for tables describing the revenue sources that federal and state governments can access).

The Federal Constitution does recognize the semi-autonomous nature of states as having some “constitutionally entrenched division of powers in the legislative, executive, judicial and financial fields” (Shad Saleem 2019, p. 74). For instance, there is provision for judicial review if there is trespass by the federal government into the powers of the states, or by a state government into the jurisdiction of the federal government, or by any state into the jurisdiction of another state (ibid.). It might seem that states do have some constitutional rights vis-à-vis the federal government.

Ultimately, however, the Constitution provides for a powerful central government. For example, states have absolutely no power to prevent a constitutional amendment. That is the exclusive domain of the federal parliament.<sup>5</sup> Second, the federal government can utilize emergency provisions to suspend state rights under Article 150. Third, Article 71(3) allows the federal government to amend a state constitution if there is non-compliance by a state with the federal constitution. Article 75 provides that if any state law is inconsistent with a federal law, the federal law shall prevail, whilst Article 76 allows the federal government to make laws pertaining to state matters if it promotes the uniformity of laws, or if such is requested by the states. Over the years, the Constitution has been amended to facilitate centralization, for instance the moving of water services to the concurrent list from the state list (of the Ninth Schedule of the Constitution). Furthermore, the Senate, which was intended to be the “house of the states” has had its composition changed significantly, such that the ratio of central to state appointments has now increased to 44 to 26.

Second, while local government continues to be within the state list, there exists a national-level National Council for Local Government

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<sup>5</sup> In 1963 when Malaya was enlarged to Malaysia, Kelantan objected to the merger. In *Government of Kelantan v Government of the Federation of Malaya* (1963), the court held that the federal government was not required to obtain Kelantan’s consent to the admission of new states to the Federation, under the amendment procedure of Article 159 (Shad Saleem 2019).



(NCLG) that although attended by the Chief Ministers of each state, is ultimately chaired by the Prime Minister who determines its agenda and direction. Councils set up during BN's administration such as the National Finance Council (NFC), the NCLG and the Mesyuarat MB-MB (Chief Ministers Meeting), were all chaired by the Prime Minister and attended by the Chief Ministers of each state. This continued under the PH administration. Third, there is an explicit overlap between organizational and administrative functions between the centre and the state. With the exception of five states that have kept their own civil services (the former Unfederated Malay States of Johor, Perlis, Kedah, Kelantan, and Terengganu), the other states draw their most senior administrators from Putrajaya; although the states pay their salaries, the federal civil service body makes the ultimate decisions on their appointments, promotions and future of their careers.

Post-independence, there have also been a series of events contributing towards centralization. These are well analysed in Hutchinson's (2014) piece, and includes such matters as the continued dominance of BN-UMNO as the federal government, the implementation of the New Economic Policy from 1971 onwards coupled with a nationwide initiative to spur development, growing authoritarianism and the centre's overt political intervention in the electoral outcomes of state governments (for example, instating an Emergency in Kelantan in 1977), the suspension of local council elections in 1965 and that institution's eventual demise through the Local Government Act 1976, the withholding of federal funds under opposition-held states, the privatization drive in the 1980s and 1990s in which the responsibility to manage key public services such as water services, waste management and sewerage was removed from states and given to private concessionaires. Hutchinson (2014) identified organizational duplication as the latest tactic used by the federal government to further the centralization process, namely the formation of development corridors<sup>6</sup> across the country. This creates additional layers of bureaucracy and administrative decision-making, obliging state governments to ask the federal government about their

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<sup>6</sup> The Tenth Malaysia Plan identified four development corridors in Malaysia, intended to draw development away from the Kuala Lumpur and Selangor region.

development allocations. Finally, duplication has been enhanced through the setting up of certain institutions within opposition states such as the Federal Development Offices (FDO), Federal Village Development and Safety Committees (JKKKP) and state offices of the Ministry of Rural and Regional Development in the north (Yeoh 2020).

Such were the conditions of centralization that Malaysia was under when GE14 took place, and which the PH inherited upon coming to power.

### *Pakatan Harapan's Manifesto Commitments*

The Pakatan Harapan coalition, in its attempt to recognize and respect state autonomy, had already in its GE14 manifesto (*Buku Harapan*) included a specific commitment towards restoring the spirit of federalism. The manifesto committed to respecting the existing Ninth Schedule within the Federal Constitution 1957, which determines the division of powers between the federal and state governments, and minimizes any further centralization. State autonomy would also increase with the devolution of certain functions, including transport, welfare, social services, agriculture and environmental protection. At least 10 per cent of income tax would be returned to the state of origin. Within the first three years of its administration, PH would spend 50 per cent of its development budget on five of the poorest states, i.e., Sabah, Sarawak, Kelantan, Terengganu and Perlis. It promised to increase petroleum royalties to all oil-producing states including Sabah and Sarawak to 20 per cent, or its equivalent value; and ensure that the state-appointed members of the Senate would be more than the federally appointed members.

When compared to the GE13 election manifesto, the GE14 manifesto of *Buku Harapan* placed more emphasis on federalism generally, with a

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The Northern Economic Corridor Region includes Penang, Perlis, Kedah, and part of northern Perak. The East Coast Economic Corridor Region comprises of Kelantan, Terengganu, Pahang and part of northern Johor. The Iskandar Malaysia region involves the southern part of Johor. The Sabah Development Corridor encompasses the whole state, while the Sarawak Corridor Renewable Energy concentrates on the central part of the state (Hutchinson 2014).

section dedicated both to federalism and with a separate section on East Malaysia. In the GE13 election manifesto, there was only a section on “respecting the position of Sabah and Sarawak in the federation”, and not generally on federalism at that.

In a move that demonstrates the increasing national significance of Sabah and Sarawak, the manifesto dedicated one pillar to “Return Sabah and Sarawak to the Status Accorded by the Malaysia Agreement 1963”, under which nine different “promises” were committed to the East Malaysian states. Among the commitments was the aim to set up a Cabinet Select Committee to study and implement the 1963 Malaysia Agreement (MA63). Its tasks would include the submission of recommendations on the status of the agreement itself as upheld by existing laws, the educating of citizens on MA63, the establishing of Sabah and Sarawak’s rights over natural resources (including oil and gas) and the determining of their rightful allocations. Other commitments that were made to Sabah and Sarawak were to increase the supply of water and electricity to rural areas, and to build more roads, highways, schools and health centres. Finally, it was pledged that the Petroleum Development Act 1974 would be reviewed to enable Sabah and Sarawak to have greater rights over oil and gas, and a state-based natural resource fund similar to that already existent at the national level would possibly be established. (See Appendix D for a full comparison of commitments made to Sabah and Sarawak between the GE13 and GE14 election manifestos.)

## **NEWLY SET-UP STRUCTURES**

### *Special Select Committee on States and Federal Relations*

As part of its parliamentary reforms, the PH government set up ten different parliamentary select committees,<sup>7</sup> one of which was on states and federal relations. Headed by YB Hassan Karim, an MP from Johor, the other six members comprised a majority of MPs from Sabah and

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<sup>7</sup> Six select committees were formed in December 2018, namely on budget, state and federal relations, consideration of bills, defence and home affairs, major public appointments, and rights and gender equality; another four were formed in October 2019 on elections, international relations and trade, human rights and constitutional affairs, and science, innovation and environment.

Sarawak, sending out a public signal that the issues from East Malaysia were of utmost priority to the government. Set up for a term of two years from 16 August 2018, its main task was to evaluate bills and investigate any matter referred to it by the House or ministers in reports and documents relating to state-federal relations. Two opposition members were included as part of this select committee, namely Mahdzir Khalid from UMNO and Nancy Shukri from PBB, Sarawak. For each of the ten special select committees, five members were selected from the government-aligned parties, and two from the opposition parties. To their credit, the opposition members also participated in the special select committee meetings.

However, despite the fact that most members were from Sabah and Sarawak, its scope in handling the relationship with the two states was in reality limited, since all matters related to East Malaysia were handled by the Special Cabinet Committee on the Malaysia Agreement 1963 (MA63).<sup>8</sup> Nevertheless, it did receive presentations from various ministries that shed light on the wide range of problems affected by unresolved federal-state legal and policy overlaps. For example, the Ministry of Water, Land and Natural Resources proposed that the Select Committee recommend a uniform premium rate charged by state governments on land provided to the federal government for the construction of schools. This was raised as a problem because the Kelantan state government charged the federal government a premium of RM10.2 million for a plot of land on which a secondary school would be built, which in fact would benefit Kelantanese. Another proposal, at the same time, was indicative of centralization trends: that the Selangor state government ought to transfer the titles of land to the federal government, also for the purpose of building schools, instead of providing land reservations as it intended to do.<sup>9</sup> Other issues raised to the committee included those on forestry policy. This was due to the existence of overlapping regulations between the federal and state governments.

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<sup>8</sup> Interview with former Chair of the Special Select Committee on States and Federal Relations, 17 August 2020.

<sup>9</sup> *Ibid.*

After receiving presentations and gathering information for over a year, the Select Committee had intended to finalize a report of recommendations to be presented to the Cabinet, on problems faced by the various ministries dealing with federal-state issues. This report was to have been finalized in March 2020. However, the PH government collapsed in late February due primarily to an internal political leadership tussle, resulting in the installation of a new Prime Minister and of the Perikatan Nasional (PN) government on 1 March. The former Chair of the Select Committee felt demoralized for the missed opportunities to do better under the PH government. They had for instance wanted to survey conditions in each state but there was no budget nor logistical planning facilities available to the committee.<sup>10</sup>

### *Special Cabinet Committee on MA63*

The Special Cabinet Committee on MA63<sup>11</sup> was formed in October 2018, whose steering committee, represented by the federal government and Sabah and Sarawak state governments and both states' Chief Ministers, was given the mandate to produce a report to be presented to the Cabinet. Prime Minister Mahathir Mohamad agreed to form this special committee reportedly upon the urging of Warisan leader and then Minister of International Trade and Industry Darell Leiking, and the late Minister in the Prime Minister's Department Datuk Liew Vui Keong.<sup>12</sup> Chaired by the Prime Minister, other members included the Chief Ministers from Sabah and Sarawak, the attorney-generals from both states, federal Attorney-

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<sup>10</sup> Ibid.

<sup>11</sup> The Malaysia Agreement 1963 is a document that set out the terms and conditions of the coming together of Sabah, Sarawak, Singapore (which later left the federation in 1965) and the Federation of Malaya, to form the Federation of Malaysia. The Agreement contains clauses that provide for greater autonomy of Sabah and Sarawak, which leaders of both states allege that the federal government has not sufficiently fulfilled over the years.

<sup>12</sup> Darell Leiking, speaking at a webinar organized by the Institute for Democracy and Economic Affairs (IDEAS) and the Australian National University (ANU), titled "Federal-State Friction Amid Political and Pandemic Plight" on 27 August 2020.

General, and representatives from the PH component parties such as Lim Guan Eng, Azmin Ali, Gobind Singh Deo, Saifuddin Abdullah, and Baru Bian (*Free Malaysia Today*, 10 October 2018).

One of the major moves of the PH government, led by this committee, was to table a constitutional amendment in Parliament to amend Article 1(2) of the Federal Constitution 1957 to restore the status of Sabah and Sarawak as equal partners of Peninsular Malaysia.<sup>13</sup>

However, they had no two-third majority support to see the amendment through in Parliament, having only 138 out of 222 lawmakers supporting the move (*New Straits Times*, 10 April 2019). Interestingly, Gabungan Parti Sarawak (GPS) which rules the Sarawak state government opposed the bill because they reportedly wanted the proposed amendment of Article 1(2) to include the phrase “pursuant to the Malaysia Agreement 1963” (*New Straits Times*, 12 April 2019). The then Minister in the Prime Minister’s Department in charge of legal matters, Liew Vui Keong, had responded by saying that the Attorney General had advised against the phrase’s inclusion, since the signatories of the MA63 had included Singapore, which had since left the Federation in 1965. Furthermore, MA63 was already included in the explanatory notes for the amendments (*The Star*, 10 April 2019). Another reason given for rejecting the amendment was for the outcome and recommendations of the MA63 Special Cabinet Committee to be made known first.<sup>14</sup>

Nevertheless, seventeen out of twenty-one outstanding issues identified by the Special Cabinet Committee were reportedly resolved

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<sup>13</sup> In 1976, a constitutional amendment changed Article 1(2) from its original 1965 version. The 1965 version reads: “the States of the Federation as (a) the states of Malaya, namely, Johore, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Selangor and Terengganu; and (b) the Borneo states, namely, Sabah and Sarawak”. The 1976 amendment changed it to “The states of the Federation shall be Johore, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Sabah, Sarawak, Selangor and Terengganu.”

<sup>14</sup> Interview with former Chair of the Special Select Committee on States and Federal Relations, 17 August 2020.

during PH's administration (*New Straits Times*, 10 December 2019). These were as follows (*New Straits Times*, 19 August, 2019):<sup>15</sup>

1. Claims to export duties for logs and forest products in Sabah: authority on the matter was delegated to the Sabah Forestry Department in June 2017;
2. Regulation of gas and electricity distribution in Sarawak and Sabah: regulation of gas distribution in Sarawak was handed over to the state according to its Distribution of Gas Ordinance 2016, while in Sabah this would be handed over after due diligence on the matter is conducted;
3. Implementation of federal works in Sarawak and Sabah: a committee would be formed to boost collaboration on federal-funded public works in the two states;
4. Labour force in Sarawak and Sabah: the federal government had no objection to handing over authority to the two states through a subsidiary legislation of "labour conditions peculiar to the state" under their individual state labour ordinances;
5. States' authority over health issues in Sarawak and Sabah: a special management committee was formed to have periodic discussions on the issue.
6. Administration of Sipadan and Ligitan Islands in Sabah: the federal government agreed to hand over the two islands, especially in tourism matters, to the Sabah government;
7. Agricultural and forestry issues;
8. Federal financial obligations under the joint list;
9. Review of special gifts;
10. Fishing, inshore and offshore fisheries;
11. Ownership given to federal land in states;
12. Legal authority on environment and tourism;
13. Article 112 of the Federal Constitution (increase in employment);

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<sup>15</sup> More detailed information regarding the remaining eleven "resolved" issues were not obtainable.

14. Delegation of power to Sabah and Sarawak courts;
15. Jurisdiction of chief judge of Sabah and Sarawak, autonomous administration of Sabah and Sarawak courts, and experience of Borneo judges to hear appeal cases filed in a Borneo state;
16. Judicial Commissioner appointment;
17. Stamp duties imposed on transfer instruments, charges, leases of land under Sarawak and Sabah land ordinance.

The four issues that were not resolved by PH were oil royalty issues and petroleum cash payments; oil minerals and oil fields; Territorial Sea Act 2012; and state rights over the continental shelf. It is possible that these issues remained unresolved because they were the most politically contentious, and there was an ongoing court case surrounding the sales tax that the Sarawak state government had imposed on Petronas which the latter had refused to pay. Issues surrounding oil and petroleum rights are explored in a separate section below. The report of the Special Cabinet Committee on MA63 was submitted to the Cabinet in October 2019, but has not been made publicly available. When asked by a PH MP, the new PN federal government said that there was no need for it to be debated in Parliament or made public “as the discussions are technical in nature and involve sensitive matters” (Astro Awani, 10 August 2020). The Special Cabinet Committee itself was dissolved in November 2019, and the PN government has since set up a new MA63 Special Council.

### *Other Announced Mechanisms*

In his 2019 budget speech, the Minister of Finance announced that state governments would receive half of tourism tax revenue collected by the federal government, which “reflects the new federal government’s respect towards the states” (*The Edge*, 6 January 2019). This was an unprecedented move by the federal government.

Constitutionally, all taxes are collected by the federal government, with the exception of land-based and property-based tax (namely, quit rent and assessment fees), which are respectively collected by the state and local governments. Although there is a list of constitutionally required fiscal transfers from federal to state governments, this was the



first time a commitment was made extra-constitutionally, and that related specifically to tax distribution of a ring-fenced nature. Prior to this, when the BN introduced the tourism tax in 2017, it was met with disapproval from Sabah and Sarawak since both states had not been consulted, and Sarawak would have wanted part of the tax collected to be returned (*Malaysiakini*, 10 June 2017).

However, this also contributed to some finger-pointing as the Sarawak state government claimed that the tax returns had been sent to Sabah and not to Sarawak, and the Minister of Finance then proposed for the state to first settle its debt to the federal government of over RM2.5 billion, with some RM50 million in arrears not yet repaid (*The Edge*, 6 January 2019).

## **NEGOTIATING DEVELOPMENT PROJECTS AND FINANCIAL NEEDS**

### *State Budgets Saw Some Changes*

Selangor, Penang, Kedah and Terengganu were some of the states whose budgets fell after GE14, and Perlis, Malacca, and Negeri Sembilan were the states whose budgets increased (see Table 2). The political affiliation factor is not significant here, given that for example, Kedah that was PH-aligned saw its budget falling, while Perlis that was BN-aligned had an increase in its budget. However, it is interesting that both the previously PH-aligned states of Selangor and Penang saw their budgets fall quite significantly after the 2018 election, which could have been due to the fact that they no longer needed to dedicate a high amount of fiscal allocation to the popular welfare-based packages that were prioritized in the lead-up to GE14.

What is most interesting, however, is the visible increase in state budgets for both Sabah and Sarawak post GE14. Again, this does not necessarily reflect the political affiliation of the states, since Sabah was held by PH-aligned Warisan, and Sarawak by BN-aligned GPS. State budgets of both states increased simultaneously, Sarawak's more significantly than Sabah's. It is unclear if in Sarawak's case, this was due more to its own internal political dynamics or whether this was

**Table 2: State Budgets by Year, RM billion**

<b>States/Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Sabah	3.49	3.78	4.10	4.16	4.14
Sarawak	8.04	8.13	8.23	11.92	9.89
Selangor	3.12	3.45	3.12	2.56	2.33
Johor	1.45	1.67	1.50	1.55	1.74
Penang	1.11	1.45	1.34	1.21	1.06
Kedah	0.87	1.07	1.39	0.88	0.94
Perak	1.09	1.21	1.18	1.17	1.20
Pahang	0.73	0.93	0.81	0.78	0.86
Kelantan	0.92	0.96	0.96	1.09	1.10
Terengganu	3.24	2.61	2.82	2.02	2.53
Perlis	0.19	0.21	0.26	0.27	0.25
Malacca	0.38	0.41	0.43	0.45	0.46
Negeri Sembilan	0.48	0.52	0.53	0.55	0.56

*Source:* State Budget Speeches, Various Years.

contributed to by the federal government. Further analysis would therefore be warranted on this count.

### *Oil-Producing States Stood Their Ground over Oil and Gas Rights*

One political sore point in federal-state relations over the last decade has been the sharing of natural resource revenues between the central government and the four oil-producing states of Kelantan, Terengganu, Sabah and Sarawak. The Petroleum Development Act 1974 vests Petronas with the entire ownership and the exclusive rights, powers, liberties and privileges of exploring and exploiting all petroleum resources in Malaysia. Given such powers, it has been central to the debate surrounding oil-producing states and their demand for greater royalties, oil rights and hence, federal-state tensions.

While PH was in power, the federal government came to an agreement to settle long-standing disputes over unpaid oil royalties with the Kelantan and Terengganu state governments. These were intriguing developments, since at the time both Kelantan and Terengganu were under the federal opposition party PAS. A total of RM16.79 million was eventually paid by Petronas to Kelantan, half of which was made directly to the state government, and the remaining half to the Kelantan Islamic Religious Council and the Malay Customs Council (Bernama, 30 October 2019). Meanwhile, Terengganu received RM1.27 billion in oil royalties owed from January to September 2019 (*Malay Mail*, 16 October 2019).

The reason that Kelantan did not eventually get as much as it demanded (RM1 billion for twelve oil fields) had to do with a boundary dispute. Payments to Kelantan were to have begun in early 2020, but these were based only on two out of its twelve oil and gas fields, Bumi South and Suriya Selatan (*The Star*, 30 October 2019). The reasons payments were made only on two oilfields instead of twelve was reportedly because only these two were located within three nautical miles of Kelantan's shoreline and the remaining ten are outside the boundary, which is drawn based on the Territorial Sea Act 2012.<sup>16</sup> Minister of Economic Affairs Azmin Ali who administered the deal was quoted as saying, when asked in Parliament why payments on the ten oilfields were not made, that "Let the law decide the boundaries, and we will pay" (*Straits Times*, 19 November 2019).

That the PH federal government was willing to go the extra mile providing concessions to the two opposition states was meaningful on several counts. First, PH may have needed to publicly display support to Malay-Muslim communities, as it was battling the widespread perception that the coalition was dominated by the mostly ethnically Chinese DAP. The two East Coast states are primarily Malay-Muslim in demographic

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<sup>16</sup> The Territorial Sea Act 2012 (TSA) limits a state's claim to fisheries, marine and other resources to within three nautical miles from the coastline. However, it must be noted that the Sarawak legislative assembly unanimously passed a motion to reject the TSA.

make-up. Second, then Minister of Economic Affairs Azmin Ali acted as the chief negotiator with the PAS state governments. He had maintained friendly relations with the Islamic party—partly to maintain Pakatan’s hold over the Selangor government in 2015—since his days as Selangor Chief Minister. During the 2020 political crisis, Azmin Ali defected from PKR to Bersatu and played an instrumental role in forming the new PN government, a coalition member of which is PAS. Third and finally, it was important for PH to honour their manifesto promise to restore oil royalties to the oil-producing states.

The disputes over oil and gas related payments were more aggressively pursued by the Sarawak state government. The Sarawak state assembly had previously tabled a motion, which was unanimously passed, to request the federal government for an increase in its oil royalty from 5 to 20 per cent, as far back as May 2014 (*The Star*, 6 May 2014). Upon winning in GE14, Prime Minister Mahathir Mohamad announced that the 20 per cent oil royalty committed to in its manifesto to oil-producing states would be based on profits made by Petronas in the state’s area, and not revenue (*The Edge*, 20 July 2018). Apart from the profits vs revenue debate, there were other aspects to be decided, for instance whether they would be profits of Petronas Group or of the upstream sector alone. In reality, the demand for 20 per cent royalty would not have been commercially viable, since only 10 per cent royalty is taken under the country’s production sharing contracts (PSCs), which is then split into 5 per cent for the federal government and 5 per cent for the oil-producing state concerned. However, other ways of returning state claims over oil would be for oil-producing states to be given a stake in Petronas to earn dividends, or shares at the Petronas subsidiary levels (*The Edge*, 19 December 2019).

In January 2019, the Sarawak state government imposed a 5 per cent sales tax on Petronas’ petroleum products under the state’s Sales Tax Ordinance 1998. It later issued notices to the federal government on 28 August 2019, 7 October 2019 and 13 November 2019 seeking that Petronas pay RM1.3 billion to Sarawak. However, Petronas decided against paying the tax, claiming this to be unconstitutional. The state government took legal action against Petronas, and it was only in

March 2020 (after the PN government had already taken over) that the Kuching High Court ruled that Article 95B(3) of the Federal Constitution provides for both Sabah and Sarawak state legislatures to make laws for imposition of sales tax (*Malay Mail*, 3 August 2020). Under PN, Petronas agreed to pay RM2 billion in sales tax to Sarawak, and withdrew its appeal against the Kuching High Court ruling. Furthermore, Sarawak has also referred to its Sarawak Oil Mining Ordinance 1958 that regulates oil production within its territory (*The Edge*, 8 February 2018), which it has used to justify the formation of its own state oil and gas company, Petros (Petroleum Sarawak). The Sarawak state assembly passed the Oil Mining (Amendment) Bill (2018) to regulate oil and gas activities in the state.

Visibly absent in the dispute over oil and gas was the state of Sabah. Although Sabah has the same right to impose sales tax (as ruled by the Kuching High Court), it has not claimed it in the way the Sarawak state government has. Sabah was ruled by Parti Warisan Sabah (Warisan) from May 2018, which was not a part of the PH government, but was supportive of PH and therefore considered a PH-friendly state. It is possible that because Warisan had significant representation within the Cabinet with three ministers and two deputy ministers, they were able to channel their concerns internally rather than stake out aggressive claims externally. For instance, Minister of International Trade and Industry Darell Leiking through the Malaysian Investment Development Authority (MIDA) increased investment incentives to several companies who were persuaded to shift to Sabah, investing RM18 billion in Sabah, significantly higher than investments prior to 2018.<sup>17</sup> Warisan leader and then Sabah Chief Minister Shafie Apdal's goals of having "industrialization brought

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<sup>17</sup> Between 2013 and 2018, investments into Sarawak totalled RM40 billion (or an average of RM8 billion per year). Sabah's total was less than RM10 billion over the same period (the highest of RM3 billion per year) (Darell Leiking, during a webinar organized by IDEAS and the ANU, titled "Federal-State Friction Amid Political and Pandemic Plight" on 27 August 2020.)

back to Sabah”<sup>18</sup> was therefore partly achieved. That said, after GE14, as a result of some state-level restructuring, Sabah Development Bhd took over full ownership of newly named Sabah International Petroleum Sdn Bhd, which aims to be like Petros in Sarawak in bidding for oilfield exploration and to act as a platform for Sabah in upstream O&G activities (*Daily Express*, 25 July 2019).

### *Politicization and Centralization of Institutional Platforms*

There exist multiple platforms through which development planning and community welfare are conducted. While they are formally set up by way of federal government ministries or state governments, in reality most if not all of these have a strong political element to them and can be better classified as quasi-bureaucratic in nature. The individuals involved in these platforms are either representatives of the public administration or of political parties. Examples of these platforms are explored below, as well as how they continued predominantly as vehicles that deepened trends of politicization and centralization.

#### 1. The Federal Development Office

The State Development Office, later renamed the Federal Development Office (FDO), reports to the Implementation and Coordination Unit (ICU) at the Prime Minister’s Department under the federal government. However, note that in Sabah and Sarawak, these officers are known as “federal secretaries”, and have the express function of improving relations between the states and the federal government. The FDO performs similar functions in planning and implementing development projects within states, but does so independent of the state government in opposition states and includes the state machinery in government-aligned states. In the past, BN withheld development funds from opposition-held states, which it distributed through the FDO “with the co-operation of

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<sup>18</sup> Ibid.

the BN parties in the state” (Loh 2010). When the PN took over the federal government, this practice continued: opposition states were also bypassed by the FDO, where FDO would carry on its development planning without consulting Chief Ministers of opposition states.

## 2. State Action Councils

Following from the system set up under BN, under the PH, each state continued to have State Action Council (Majlis Tindakan Negeri) meetings attended by the directors of various state departments and agencies as well as by the state and federal heads of the respective state Implementation and Co-ordination Units (ICU). The Chairs of these meetings would be either the Chief Minister (in PH or PH-aligned states) or the appointed Minister in charge of the state<sup>19</sup> (in non PH-aligned states). The meetings would discuss projects within the state, where MPs or ADUNs (state assemblypersons) would bring up constituencies’ issues.

## 3. Federal Village Development and Safety Committees

The BN established Federal Village Development and Safety Committees (Jawatankuasa Kemajuan dan Keselamatan Kampung Persekutuan, JKKKP) within the states that it did not control, which was a duplicate of the existing Village Development and Safety Committees (JKKK) system in place. Both the JKKKPs and JKKKs are administered by the Rural and Regional Development Ministry. Because the village heads (*ketua kampung*) are nominated and appointed by the state government of the day, along with the corresponding committee members, it was considered important for the BN to have such a parallel committee to

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<sup>19</sup> Under the PH federal government, the following were the ministers in charge of each of the opposition-led states: Rina Harun (Perlis), Azmin Ali (Kelantan), Redzuan Yusof (Terengganu), Baru Bian (Sarawak, jointly chaired with the Deputy Chief Minister Douglas Unggas), and Saifuddin Abdullah (Pahang).

first, appoint loyalists into positions who would receive allowances,<sup>20</sup> and second, ensure a platform existed for the disbursement of community-oriented funds. One example of such funds is the Social Amenities Programme under the Ministry of Rural and Regional Development, worth RM500,000 and below.<sup>21</sup>

When the Pakatan Harapan government took over in May 2018, it removed existing JKKK members within the states it controlled. To its credit, it also abolished the JKKKPs and introduced the new Village Community Management Council (Majlis Pengurusan Komuniti Kampung, or MPKK), which it activated in all states, including those controlled by the opposition to avoid the problem of parallel committees as described above (Yeoh 2020).

However, reportedly due to the fact that the MPKK were “allegedly involved in political activities” (*The Star*, 3 November 2019) presumably that of then opposition UMNO, in specific reference to the Pahang state government, the federal government set up the Federal Village Community Management Council (Majlis Pengurusan Komuniti Kampung Persekutuan, or MPKKP) against the resistance of the opposition-led states. This is precisely the duplication that the Pakatan coalition had experienced when it was in the national opposition.

There was also conflict between the centre and the Sarawak state government. Although the Ministry of Rural Development agreed for Sarawak to maintain its original JKKK (as opposed to changing it to the MPKK), the PH government reduced the monthly allowance of MPKK chairpersons nationwide from RM900 to RM500, possibly as part of its massive cost-cutting measure, given the fact that it faced a growing fiscal

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<sup>20</sup> Small allowances were provided for each JKKK and JKKKP, funded by the Ministry of Rural and Regional Development: RM900 per month for the Chair, RM300 per month for the Secretary, RM100 per month for meeting expenses, RM50 for attending meetings and, exclusive to the JKKKPs, hospital stay and treatment coverage (Ministry of Rural and Regional Development 2017).

<sup>21</sup> Project applications can be received from parliamentarians, state legislators or chairpersons of JKKK at the state level, and district officers at the district level but implemented by the Federal Development Office (FDO).



deficit. The Sarawak state government topped up the remainder allowance of RM400 per JKKK chairperson<sup>22</sup> (*Borneo Post Online*, 2019). It is clear that the JKKK, or now-renamed MPKK system, has been a crucial instrument of the “politico-bureaucratic complex” especially useful for the federal government to maintain its interactions with the lowest parts of its constituents. The “term politico-bureaucratic complex” was first introduced by Shamsul (1986) to refer to the refined combination of such planning and implementation functions with party machinery, especially within BN-controlled states, consisting of politicians, party members and supporters. Washida (2019) has further expanded this by arguing that these methods came about during BN’s height of single-party dominance and that were therefore “integrated into the administrative and party hierarchy” (p. 53). The continuation of these practices under the PH administration meant that influence continued to be wielded from the centre.

#### 4. Rural and Regional Development State Offices

Another practice that began under BN, but which was continued under the PH government was the existence of Ministry of Rural and Regional Development offices within the northern belt of Perlis, Kedah and Penang. Officers from the ministry would be tasked to visit localities within each state to provide assistance to those in need. Members of Parliament (MPs) would also make direct requests to the Ministry representatives if they had constituents in need of aid.

#### 5. District Action Council meetings

Another institutional platform that was also politicized were the District Action Council meetings. Chaired by the District Officer, these meetings take place in all states, and are typically attended by representatives of various state agencies and federal agencies seconded to the states. However, the attendance of MPs and state assemblymen is highly

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<sup>22</sup> The JKKK chairpersons in Sarawak are the “Ketua Kaum” comprising Tuai Rumah, Ketua Kampung and Kapitan, all significant figures in local communities.

dependent on their political alignment. For instance, in the district of Johor Bahru, after the state government fell to PN in March 2020, all MPs and state assemblymen were no longer invited to attend the meetings, as they were all from PH.<sup>23</sup>

While the above institutional mechanisms are useful to ensure that planning of development projects and aid distribution are well coordinated, it does create some duplication between the roles of federal and state governments. It also demonstrates the continued strong presence of the federal government in determining outcomes within states, where for instance the Chief Ministers of opposition states (Kelantan, Terengganu, Perlis, Pahang and Sarawak) would not be included within the State Action Council meetings.

### *Constituency Development Funds*

One of the main top-down distributive methods comes in the form of Constituency Development Funds (CDFs). The Constituency Development Fund (CDF) was initiated in 1971, which allowed BN politicians the opportunity to apply for minor development projects within each constituency (Washida 2019). Still very much in existence today, these are an important source of funds for politicians within the state, given that constituency demands for elected representatives to provide for a range of items are prevalent, whether to fix flood-affected roofing or build futsal pitches for local communities.<sup>24</sup> This way, they

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<sup>23</sup> Interview with the MP of Pasir Gudang, 17 August 2020.

<sup>24</sup> While there is no official general term that refers to constituency development funds in Malaysia, they can be traced from budget documents under other specific references. Managed and disbursed by the Implementation and Coordination Unit (ICU) under the Prime Minister's Department, the funds are sourced from various budget line items under ICU's watch, including Projek Mesra Rakyat (People's Projects), Projek Khas (Special Projects), Peruntukan Khas untuk Kawasan Parlimen (Special Allocations for Parliamentary Constituency), Projek Infrastruktur Awam (Public Infrastructure Projects), and Projek Infrastruktur Asas (Basic Infrastructure Projects) (Sri Murniati 2019). It is possible to trace the collective amount that is spent by the MPs by analysing ICU's expenditure within the annual budget documents. However, this information is not disaggregated and it is therefore impossible to tell the amounts spent by each individual MP within their respective constituencies.

can be seen to be performing their duties as expected of them within the Malaysian political environment, an especially important element in semi-urban and rural areas (Yeoh 2020).

Throughout their years in opposition, the PH parties had always contended that their MPs were discriminated against for not receiving any CDFs. When PH (earlier Pakatan Rakyat) took over state governments, the state opposition legislative assemblypersons in turn were not given any state-based allocations either. Although this was a major sticking point, this translated only into an opaque promise in the PH manifesto, committing to “provide funding based on a transparent formula to all members of the Dewan Rakyat (MPs) so that they can carry out the responsibilities in their respective constituencies and to run their service centres” (Pakatan Harapan Election Manifesto 2018). Even so, PH did not fulfil this commitment.

During the PH administration, PH MPs received significantly more CDFs compared to their opposition counterparts. The announced total was RM500,000 for PH MPs, and RM100,000 to the opposition MPs. Although unequal in amount, this was more than what was the previous practice under the BN, when opposition MPs were not given any CDFs at all. However, there was also a view that this was a missed opportunity for PH to treat all constituencies equally, and one possible way was to channel equal amounts of resources but through the District Offices, and have the funds managed by the civil service instead of by politicians.<sup>25</sup>

However, an interview with a PH MP revealed that in total, PH MPs in fact received much more than RM500,000. In 2018 upon winning in the GE14, each MP was given RM1 million, which increased to RM3.5 million in 2019, and the same in 2020 (RM1.5 million from the Prime Minister’s Office and RM2 million from the Ministry of Economic Affairs).<sup>26</sup> In 2018, PH MPs were permitted to spend based

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<sup>25</sup> Darell Leiking, speaking at a webinar organized by IDEAS and the ANU, titled “Federal-State Friction Amid Political and Pandemic Plight” on 27 August 2020.

<sup>26</sup> An MP stated in an interview that an UMNO MP shared with him that prior to 2018, he used to receive between RM6 million and RM7 million a year in CDFs (Interview with MP of Kangar, 7 August 2020).

on the following ratio: 20 per cent on welfare (for instance, contributing to *kenduri* or providing cash donations), 40 per cent on Registrar of Societies-registered entities within their parliamentary districts, and the remaining 40 per cent on supplies and small development (fixing of drains, refurbishing of futsal courts, and repairing homes are some examples). However, after feedback from the MPs, this breakdown changed as follows: 20 per cent on welfare, and 80 per cent for anything that was not welfare-related.<sup>27</sup>

### *PH States Benefited from Aligned Relationship with Federal Government*

States that were already formerly run by PH like Selangor and Penang benefited from the new alignment in their relationship with the federal government. Where previously PH politicians in these two states were not permitted to enter schools (education falls under the purview of the federal government), under the PH federal government, they were now permitted to enter schools when invited to deliver speeches or conduct education-related activities.<sup>28</sup>

Selangor benefited by being aligned with the PH federal government. The Selangor Chief Minister Amirudin Shari replaced Azmin Ali when the latter was appointed to the PH Cabinet as Minister of Economic Affairs. He was known to be an ally of Azmin, having served as an executive council member in the previous term.<sup>29</sup> The Selangor government, which had been negotiating in vain to buy over the four water services

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<sup>27</sup> Interview with MP of Kangar, 7 August 2020.

<sup>28</sup> Interview with an aide to the Selangor Chief Minister, 28 July 2020.

<sup>29</sup> This relationship has proved to be beneficial even after the PH government fell, where despite being in different coalitions, Selangor is still seen to be favoured by federal minister Azmin Ali. Azmin Ali invited Selangor Chief Minister for a meeting in Putrajaya, and continued to praise Amirudin Shari for a good job in helming Selangor, saying that “the federal government would continue to work together with the Selangor state government to ensure the people and state continue to prosper” (*Malaysiakini*, 29 June 2020).

concession companies since Pakatan took over the state in 2008, only succeeded to conclude the deal after GE14.

Prior to that, Selangor had only been able to successfully conclude a takeover deal with three water companies, namely ABASS, Puncak Niaga Sdn Bhd (PNSB) and SYABAS. However, it failed to settle on a mutual takeover price for the fourth company, SPLASH. Immediately after PH took over the federal government, Air Selangor (Selangor's state-owned water company) made an offer of RM2.55 billion to buy SPLASH in August 2018. The Cabinet approved in January 2019 for the National Water Asset Management (PAAB) to take over SPLASH assets and to lease it to the Selangor state-owned water company, Air Selangor.<sup>30</sup> Cementing the RM2.55 billion deal with SPLASH ended the decade-long water saga between the Selangor government, then BN-led federal government and four water concessionaires. There were, however, criticisms from former Chief Minister Khalid Ibrahim who claimed that the water deal was overvalued.<sup>31</sup>

Penang specifically benefited by obtaining additional federal government funding. It is notable that the former Chief Minister of Penang, Lim Guan Eng, was appointed Minister of Finance under the PH administration. Prior to GE14, the Penang state government had consistently requested for infrastructure funds to help with flood mitigation from the federal government, which was not fully responded to. Some funds that were previously allocated in the 11th Malaysia Plan

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<sup>30</sup> Under the deal, the state water company would borrow funds from the federal body PAAB to pay for the SPLASH takeover, bonds and loans would be owed by the concession companies, and the state government water loans would be taken over by PAAB on a long-lease basis.

<sup>31</sup> Former Chief Minister Khalid Ibrahim had previously offered only a total of RM1.8 billion, based on a valuation method of 12 per cent increase annually without compounds and minus past dividend payments. However, SPLASH preferred to use the valuation method of Net Book Value (NBV) or Discounted Cash Flow (DCF), which he felt was not fair (*New Straits Times*, 8 August 2018). Countering this, the Selangor Chief Minister Amirudin Shari said that this was a 28 per cent discount to SPLASH's NBV of RM3.54 billion as at 30 June 2018 (*The Edge*, 3 August 2018).

for flood mitigation were not approved until after PH took over the federal government.<sup>32</sup>

The Penang state government's ambitious Penang Transport Master Plan (PTMP)—planned during Lim Guan Eng's tenure—would require it to make hefty borrowings. However, the federal constitution states that any state government loan must first be approved by the federal government. Although Penang's legislative assembly passed the Loan (Bank and Other Financial Source) Enactment 2017, which would charge the loan to the state's Consolidated Fund, its request to the federal government was turned down by the then-BN led federal government. However, by mid-2018 the loan was not yet approved when PH had taken over.

The Penang state government separately requested that the federal government guarantee RM10 billion of *sukuk* or Islamic bonds to pay for its elevated light rail transit (LRT) as part of its PTMP. In November 2019, the Chief Minister said the Prime Minister had written to confirm the federal government sovereign guarantee for bonds issued under the state's special purpose vehicle to raise money for the LRT project (*Malay Mail*, 7 November 2019), which was only made possible through alignment with the PH federal government. However, this guarantee is unlikely to be given under the present PN government.

Apart from these two states, in which changes were the most immediate and evident, having moved from being opposition-led for a full decade to aligning with the federal government, there was also a process of auditing state government-linked agencies within the newly acquired states, namely those of Perak, Kedah, Negeri Sembilan, Malacca and Johor. Specifically, the Perak PH manifesto had committed to do an audit on all state agencies, and several of these agencies had significant governance problems, such as within the Perak Menteri Besar Incorporated (MBI), Institut Darul Ridzuan (IDR), Pusat Kerjaya Aman

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<sup>32</sup> From GE14 to December 2019, the Penang state government received RM200 million in approvals for infrastructure to support flood mitigation (Interview with a member of the Penang state government executive council, 5 December 2019).

Jaya (PEKA) and the Perbadanan Kemajuan Negeri Pahang (PKNP). As a result of the audit, the CEO of PKNP was removed and charged in court for corruption, specifically taking a RM455,660 bribe from a contractor (*Malay Mail*, 10 January 2019), and the top management of Perak's MBI was changed entirely.<sup>33</sup>

As was the case under BN, states aligned with the federal government generally were in a more advantageous position. In Malacca, the request to repair police vehicles, provide new air-conditioning units to police stations, fund a flood mitigation exercise, contribute to a Jernih dam in Masjid Tanah, and solve boundary conflicts with neighbouring Negeri Sembilan for the Kuala Linggi International Port (KLIP) were all approved or resolved very quickly.<sup>34</sup> All of this was achieved through the good relationship with the federal government, especially since Malacca's Chief Minister Adly Zahari was favoured by the respective Ministers of Finance, Defence, Health and International Trade and Industry. Even though Malacca was in deficit, it was able to agree with the Ministry of Finance to reduce its debts to the federal government by about RM100 million by deducting the portion of tourism tax owed to Malacca.<sup>35</sup> In short, "it was a walk in the park ... we enjoyed that very cosy relationship" (Malacca State Assemblyperson, 29 August 2020).<sup>36</sup>

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<sup>33</sup> Interview with an officer at a Perak statutory body, 18 August 2020.

<sup>34</sup> Interview with a Malacca state assemblyperson, 29 August 2020.

<sup>35</sup> *Ibid.*

<sup>36</sup> However, the state assemblyperson interviewed admitted that the working relationship with the civil service within Malacca itself became more estranged as national developments surrounding ethnicity and Malay nationalism intensified starting from June 2019, peaking with the formation of Muafakat Nasional and in the months leading towards the Sheraton Move. He claimed that as criticisms against the DAP grew, it became increasingly more challenging to get things done efficiently as "the DAP became the punching bag for PH". The civil service even reportedly sabotaged some programmes on the ground and "the whole mountain started to collapse" (interview with a Malacca state assemblyperson, 29 August 2020.)

Although five-year Malaysia plans and annual budgets do provide allocations to states, requesting for larger federal projects ultimately requires a long process from the state government side. State Economic Planning Units (UPEN) typically need to meet the federal Economic Planning Unit (EPU) under the Prime Minister's Department for a discussion, and even so, every state would need to bid for projects in competition with other states. The EPU would tend to ask for projects that have high impact and achieve quick wins, but the unspoken rule of thumb is that states run by the opposition find it more difficult to get projects approved unless the number of state legislative seats won by the party aligned with the federal government is relatively large compared with those obtained by the opposition.<sup>37</sup> This confirms that aligning with the federal government stands to produce substantially more gains for the state governments in economic and developmental terms.

Finally, co-operation amongst the PH-led state governments was also made more possible following GE14. Officers from Perak, Johor and Negeri Sembilan met with women-based executive council members from Selangor at the latter's state think-tank Institut Darul Ehsan (IDE) to learn from their experiences in managing women's issues.<sup>38</sup> As a result of this exchange, the Chief Minister allocated RM500,000 in the Perak 2020 Budget to set up a Social Welfare Institute (Institut Sosial Kebajikan), which would include women's welfare issues.

### *Opposition States Also Selectively Benefited*

This section elaborates on the Peninsula-based opposition states (the sections above have already addressed East Malaysian states substantially).

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<sup>37</sup> "A close relationship with the Prime Minister will get the projects (as) he will decide overall which state will get which projects ... at the end of the day, your political connection is what will determine the outcomes, it is a big influence" (interview with an officer at a Perak statutory body, 18 August 2020).

<sup>38</sup> The intention was to use Selangor's two women-based agencies, the Institut Wanita Berdaya and Pusat Wanita Berdaya as models (interview with an officer at a Perak statutory body, 18 August 2020).



As pointed out above, historically, opposition-controlled states are not favoured by the federal government. They have in fact been punished in a number of ways, including having resources and development projects denied, and suffer more severe political intervention such as the instating of emergencies (in Sarawak in 1966, and Kelantan in 1977).

However, this was the first time for states such as Perlis and Pahang to be controlled by opposition parties, in these cases by UMNO. As expected, some of the established and deeply rooted ties would be difficult to extricate. For instance, although BN politicians were no longer permitted to enter schools (as pointed out above, education is a federally controlled domain), they were still able to attend Parent-Teacher Association (PIBG) meetings, teachers still requested UMNO state assemblypersons to officiate events, and schools still asked for donations. That said, the federal government's Select Committee on States-Federal Relations worked closely with the opposition state governments including Perlis.<sup>39</sup>

For states in the East Coast such as Kelantan and Terengganu, this was not the first time being controlled by opposition parties, where PAS has had a long history in both states (PAS held both states twice over varied periods, Kelantan 1959–78, and 1990–present; and Terengganu 1959–61 and 1999–2004). Although there were claims that both Kelantan and Terengganu would be neglected under the national 2020 Budget, serving the rich and not the poor, thereby leaving behind rural areas (*The Star*, 14 October 2019), this was countered by Prime Minister Mahathir who said that there were indeed provisions to develop Kelantan and improve the socio-economic conditions of the state and that in fact, it was the PH government that was willing to pay its owed oil royalty to Kelantan (*New Straits Times*, 15 October 2019).

In fact, the Shared Prosperity Vision 2030 (SPV) announced by the PH government very clearly targeted the more rural Malay base of Kelantan and Terengganu, as well as Perlis and Kedah. Efforts were clearly made by the Ministry of Economic Affairs to demonstrate the PH

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<sup>39</sup> Interview with MP of Kangar, 7 August 2020.

government's attention to these states, where during the SPV's launch he reported his 2019 achievements as having allocated RM13.05 billion to develop the six less developed states, which included opposition-run states of Kelantan, Terengganu and Perlis.<sup>40</sup> Furthermore, the renegotiated East Coast Rail Link (ECRL) project would now connect Kota Bharu (in Kelantan) and Dungun (in Terengganu), as well as Pahang, which would eventually link to Putrajaya and provide connectivity to boost economic growth in the less-developed states of the East Coast (*The Edge*, 18 May 2020).

Finally, in an interesting move, the Deputy Chief Minister of Kelantan Mohd Amar Abdullah said that PAS would ensure its eighteen members of parliament support Mahathir Mohamad as Prime Minister, "for the sake of Islam, the nation and the country" (*New Straits Times*, 19 February 2019). Much earlier, Mahathir had already entertained official visits by PAS President Hadi Awang and Terengganu Chief Minister Ahmad Samsuri Mokhtar, alongside PAS advisor Mustafa Ali (*Straits Times*, 4 June 2018).

These unprecedented peace offerings between PH and PAS were indicative of a larger national narrative, in which PH would politically still need to woo the rural Malay voter base, which it did not gain majority support from in GE14. According to the Merdeka Center for Opinion Research, only 25–30 per cent of Malays voted for PH, with 35–40 per cent supporting BN and 30–33 per cent supporting PAS (*Straits Times*, 14 June 2018).

## CONCLUSION

As laid out within the introduction, the PH came into government on high public demand and expectations. Its election manifesto was the longest and most detailed of any preceding election manifestos, and it

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<sup>40</sup> Broken down, the figures are as follows: RM299 million for Perlis, RM1.26 billion for Kedah, RM1.6 billion for Kelantan, RM1.13 billion for Terengganu, RM4.18 billion for Sarawak, and RM4.59 billion for Sabah (*Malay Mail*, 7 January 2020).

was arguably going to be extremely challenging for it to fulfil. Given its make-up of parties, and the perennial question of leadership succession that eventually was the source of its demise as federal government twenty-two months later, it was not a stable coalition even from the beginning. That said, it made several steps in the right direction in attempting to resolve some long-standing disputes between the federal and state governments.

Under the PH federal government, federalism was a subject that was actively pursued. The formation of the Parliamentary Select Committee on States and Federal Relations, the Cabinet Special Committee on MA63, and other efforts were steps towards restoring state autonomy and resolving existing problems and policy overlaps between the federal and state governments. However, most attention was given to the relationship with Sabah and Sarawak. This was likely the case because of its election manifesto, which dedicated significant sections to East Malaysia. This underscores the increasing significance played by the two states in the messaging and narrative-crafting of politics at the national level. Collectively, MPs from the two states comprise more than 25 per cent of the total number of MPs in the lower house (56 out of 222). Although great efforts were taken in managing the relationship, for instance by tabling the amendment to Article 2(1) of the Federal Constitution 1957, there were many other issues yet to be resolved, including that over oil and gas resources. Resolving federal-state issues with the East Coast states of Kelantan and Terengganu seemed to be another priority of the PH administration, and despite being occupied by opposition PAS, PH paid substantial attention to mending frayed ties with these two states by paying back oil royalties that had previously been withheld.

Institutions that had been set up by the BN previously were largely maintained under PH, and this included bypassing opposition governments in the set-up of several structures, such as the existence of the Federal Development Offices, maintaining duplicate entities like the Federal Village Development and Safety Committees, and providing significantly less constituency development funds to opposition MPs. This was unfortunate, given that when PH was in opposition, these were the precise practices that were criticized. PH had the opportunity to reverse discriminatory practices, but chose not to do so. However, returning half

of tourism tax collected by the centre to all states regardless of political affiliation was a positive move that should be maintained. More could have been done, but their term was cut short in March 2020.

States that were aligned with PH, as expected, benefited from the relationship. This was a change for previous PH state governments such as Selangor and Penang, which was captured well in the experiences of Selangor's water services buyback of SPLASH and the provision of federal guarantees for Penang's PTMP. For other newly acquired states, the federal-state alignment ensured that development projects and fiscal resources were easily approved. The interesting cases of opposition states Perlis, Kelantan and Terengganu was that although governed by UMNO and PAS, the federal government still paid great attention to them because of PH's own political limitations, and they continued to woo the largely Malay rural base in these states. In short, under the PH administration, apart from institutions that continued to exist, and unbalanced resource provision to politicians, none of the states were explicitly given discriminatory treatment.

To conclude, although twenty-two months was too short a period to provide a full performance assessment, federal-state relations under the PH government was a work in progress, and more time may have allowed them greater opportunities to resolve long-standing disputes and policy friction. Ultimately, however, the combination of internal political culture of patronage, intra-coalition disputes, and the growing strength of the potent combination of UMNO and PAS in the form of its new coalition Muafakat Nasional, proved too distracting for it to be able to focus on the reform agenda. Federal-state relations were just one of the many reform measures that the PH had ambitiously set out to improve, but it did not have sufficient time to fully address them. Yet for all its stops and starts, the PH government performed better in placing at the forefront the long-standing conflict between the centre and the periphery.

*Appendix A: Distribution of Parties by State, 2018–20*

State	Political Party										Chief Minister			
	PH											PAS		
	PKR	PPBM	DAP	Amanah	UMNO	MCA	MIC							
PH	Kedah	7	5	1	4	3	—	—	—	—	—	15	Mukhriz Mahathir (PPBM)	
	Perak	4	1	18	6	27	—	—	—	—	—	3	Ahmad Faizal Azumu (PPBM)	
	Penang	12	4	19	2	2	—	—	—	—	—	1	Chow Kon Yeow (DAP)	
	Selangor	21	6*	16	8	4*	—	—	—	—	—	1	Amirudin Shari (PKR)	
	Negeri Sembilan	6	—	11	3	15	—	—	—	—	1	—	Aminuddin Harun (PKR)	
	Malacca	3	2	8	2	12	—	—	—	—	—	—	Adly Zahari (Amanah)	
	Johor	5	8	14	9	17	—	—	—	—	1	—	Osman Sapian (PPBM), till 8 April 2019	
	PH-aligned	Sabah	21 (Warisan)	—	—	—	17 (UMNO)	—	—	—	—	—	2	Shafee Apdal (Warisan)
			2 (PKR)	—	—	—	5 (PBS)	—	—	—	—	—	—	(USA—STAR)
			6 (DAP)	—	—	—	5 (UPKO)	—	—	—	—	—	—	Sahrudin Jamal (PPBM), from 14 April 2019
PAS	Kelantan	—	—	—	—	8	—	—	—	—	—	37	Ahmad Yakob (PAS)	
		—	—	—	—	10	—	—	—	—	—	22	Ahmad Samsuri Mokhtar (PAS)	
	Terengganu	—	—	—	—	—	—	—	—	—	—	—	—	

BN	Perlis	3	0	0	0	9	1	0	2	Azlan Man (UMNO)
	Pahang	2	—	7	—	24	1	—	8	Wan Rosdy Wan Ismail (UMNO)
BN-aligned	Sarawak	6 (PSB) 5 (DAP) 1 (Independent)				68 (GPS)				Abang Abdul Rahman Johari Abang Openg (PPBS, part of GPS)

*Notes:*

- \*The Semenyih by-election on 2 March 2019 saw Zakaria Hanafi of UMNO defeating the PPBM candidate, thereby reducing PPBM's count to 5 and increasing UMNO's to 5.
- List of party abbreviations:  
 PKR: Parti Keadilan Rakyat (People's Justice Party)  
 PPBM: Parti Pribumi Bersatu Malaysia (Malaysian United Indigenous Party)  
 DAP: Democratic Action Party  
 Amanah: Parti Amanah Negara (National Trust Party)  
 UMNO: United Malays National Organization  
 MCA: Malaysian Chinese Association  
 MIC: Malaysian Indian Congress  
 PAS: Parti Islam Se-Malaysia (Malaysian Islamic Party)  
 Warisan: Parti Warisan Sabah (Sabah Heritage Party)  
 PBS: Parti Bersatu Sabah (United Sabah Party)  
 UPKO: United Progressive Kinabalu Organization  
 PBRSS: Parti Bersatu Rakyat Sabah (United Sabah People's Party)  
 USA: United Sabah Alliance  
 STAR: Parti Solidariti Tanah Airku Rakyat Sabah (Homeland Solidarity Party)  
 PSB: Parti Sarawak Bersatu (United Sarawak Party)  
 GPS: Gabungan Parti Sarawak (Sarawak Parties Coalition)

*Appendix B: Division of Responsibilities between the Federal and State Governments*

<b>Federal List</b>	<b>Concurrent List<sup>a</sup></b>	<b>State List<sup>b</sup></b>
<p>External affairs</p> <p>Defence</p> <p>Internal security</p> <p>Civil and criminal law and procedure and the administration of justice</p> <p>Federal citizenship and naturalization</p> <p>Machinery of government</p> <p>Finance</p> <p>Trade, commerce and industry</p> <p>Shipping, navigation and fisheries</p> <p>Communications and transport</p> <p>Federal works and power</p> <p>Surveys, inquiries and research</p> <p>Education</p> <p>Medicine and health</p> <p>Labour and social security</p> <p>Welfare of the aborigines</p> <p>Professional occupations</p> <p>Holidays other than state holidays</p> <p>Unincorporated societies</p>	<p>Social welfare</p> <p>Scholarships</p> <p>Protection of wild animals and wild birds and national parks</p> <p>Animal husbandry</p> <p>Town and country planning</p> <p>Vagrancy and itinerant hawkers</p> <p>Public health and sanitation</p> <p>Drainage and irrigation</p> <p>Rehabilitation of mining land and land with erosion</p> <p>Fire safety measures</p> <p>Culture and sports</p> <p>Housing</p> <p>Water supplies and services</p> <p>Preservation of heritage</p>	<p>Islamic law and Malay customs</p> <p>Land matters</p> <p>Agriculture and forestry</p> <p>Local government</p> <p>Other services<sup>c</sup></p> <p>State works and water<sup>d</sup></p> <p>Machinery of the state government</p> <p>State holidays</p> <p>Creation of offences on state matters</p> <p>Inquiries for state purposes</p> <p>Indemnity for state matters</p> <p>Turtles and riverine fishing</p> <p>Libraries, museums, ancient and historical monuments and records and archaeological sites and remains</p>

<p>Control of agricultural pests Newspapers, publications, publishers, printing and printing presses Censorship Theatres, cinemas, films (subject to state list) Co-operative societies Tourism</p>	
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*Notes:*

- a. Supplement to Concurrent List for States of Sabah and Sarawak: Personal law relating to marriage, divorce, guardianship, maintenance, adoption, legitimacy, family law, gifts or succession, testate or intestate, adulteration of foodstuffs and other goods, shipping under 15 registered tons, maritime and estuarine fishing and fisheries, the production, distribution and supply of water power and of electricity generated by water power, agricultural and forestry research, control of agricultural pests, and prevention of plant diseases, charities and charitable trusts and institutions in the State, theatres, cinemas, cinematograph films, places of public amusement, elections to the State Assembly held during the period of indirect elections.
- b. Supplement to State List for States of Sabah and Sarawak: Native law and custom, incorporation of authorities and other bodies set up by State law, Ports and harbours (other than those declared to be federal), regulation of traffic by water in ports and harbours or on rivers wholly within the state, except traffic in federal ports or harbours, foreshores, Cadastral land surveys, In Sabah, the Sabah Railway, and subject to the Federal list, water supplies and services.
- c. Boarding houses and lodging houses, burial and cremation grounds, pounds and cattle trespass, markets and fairs, and licensing of theatres, cinemas and places of public amusement.
- d. Includes rivers and canals, excludes water supplies and services; Control of silt and riparian rights.

*Source:* Federal Constitution, Ninth Schedule.



**Appendix C1: Revenue Sources to Federal and State Governments**

Federal Tax Revenue		State Tax Revenue
1.	Direct taxes	1.
i.	Income taxes:	Import and excise duties on petroleum products, export duties on timber and other forest products for Sabah and Sarawak, excise duty on toddy for all states
	• Individual	2.
	• Companies	Forests
	• Cooperatives	3.
	• Petroleum tax	Lands and mines
	• Film hire duty	4.
ii.	Taxes on property & capital gains:	Entertainment duties
	• Real property gains tax	<i>Other Receipts</i>
	• Estate duty	1.
	• Share transfer tax on land-based companies	Licences and permits
2.	<i>Indirect taxes</i>	2.
i.	Taxes on international trade:	Royalties
	• Export duties	3.
	• Import duties	Service fees
	• Surtax on imports	4.
ii.	Taxes on production and consumption:	Commercial undertakings: water, gas, ports and harbours
	• Excise duties	5.
	• Sales taxes	Receipts from land sales
	• Service taxes	6.
		Rents and sales from state property
		7.
		Proceeds, dividends and interests
		8.
		Federal grants and reimbursements

iii.	<p>Others</p> <ul style="list-style-type: none"> <li>• Stamp duties</li> <li>• Gaming tax</li> <li>• Betting and sweepstakes</li> <li>• Lotteries</li> <li>• Casino</li> <li>• Pool betting duty</li> </ul>	<p><i>Non-tax Revenue and Other Receipts</i></p> <ol style="list-style-type: none"> <li>1. Road tax</li> <li>2. Licences</li> <li>3. Service fees</li> <li>4. Fines and forfeitures</li> <li>5. Interests</li> <li>6. Contributions from foreign governments</li> <li>7. Revenues from federal territories</li> <li>8. Refund of expenditures</li> <li>9. Receipts from other government agencies</li> <li>10. Royalties/gas cash payments</li> </ol>
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Source: Federal Constitution, Tenth Schedule.

*Appendix C2: Federal Transfers to State Governments*

General Grants	Special Grants	Tax-sharing Grants
Capitation grants (based on a state's population size)	State road grant	Export duties on tin, iron and other minerals (ten per cent) <sup>a</sup>
State Reserve Fund grant: deficit grant	Service charge grant	Growth revenue grant <sup>b</sup>
Development grant (conditional)	Cost reimbursement grant	
Contingencies Fund grant for unforeseen needs	Grants to religious institutions	
State advanced grant for cashflow difficulties	For Sabah & Sarawak as per Malaysia Agreement (no review after 1973) <sup>c</sup>	
	For handing over territories in Kedah and Selangor <sup>d</sup>	

*Notes:*

- a. The Federal Constitution allows the Federal Government to increase this grant for the peninsular States to more than the minimum 10 per cent of export duties on minerals. This tax-sharing grant was created at the same time that State royalty rights to minerals were prohibited unless provided for by federal law (Jomo and Wee 2002).
  - b. If federal government revenue other than export duty on tin and revenues under the Road Ordinance (1958) grows by more than 10% in any particular year, the increase will be allocated to the state government in the form of a growth revenue grant. The growth revenue grant suggests tax-sharing expected of a federation, but it is subject to a maximum of RM150 million in any one year. The increase in revenue is only shared for the year concerned (Wee 2011).
  - c. The grants to Sabah and Sarawak were given on the basis of the conditions for incorporation into Malaysia that were supposedly subject to later review, which has never taken place. Currently, RM26.7 million goes to Sabah and RM16 million to Sarawak (Jomo and Wee 2002).
  - d. Kedah receives RM10,000 a year for territories handed over to the central British government in 1869, while Selangor receives annually RM18.3 million for handing over Kuala Lumpur and RM7.5m for handing over Putrajaya to the federal government.
- Source:* Federal Constitution, Tenth Schedule

*Appendix D: Comparison between Election Manifestos in 2013 (GE13) and 2018 (GE14)*

<p><b>Promises related to Sabah and Sarawak</b></p>	<p><b>GE13 Pakatan Rakyat Manifesto</b></p>	<p><b>GE14 Pakatan Harapan Manifesto</b></p>
<p><b>Malaysia Agreement</b></p>	<p><b>Fair Representation</b>          “Enhancing national integration between Sabah, Sarawak and Peninsular Malaysia by combining our strengths and ensuring equitable power-sharing in the spirit of the Malaysia Agreement.”</p>	<p><b>Promise 40: Implement the 1963 Malaysia Agreement</b>          “Set up a Cabinet Committee Review and Monitor the Fair Implementation of the 1963 Malaysia Agreement within the first 100 days of our administration.”</p> <p>Other key points:</p> <ul style="list-style-type: none"> <li>• Commission to consist of representation from Peninsular, Sabah and Sarawak</li> <li>• Provision of a detailed report within six months</li> <li>• Review of status of MA63 based on current legislation</li> <li>• Implementation of concept of federalism for the three territories within Malaysia</li> <li>• Rights of Sabah and Sarawak to revenue from natural resources</li> <li>• Administrative rights</li> <li>• Enhancement of people’s understanding through the education system of MA63</li> <li>• Sharing of funds that rightfully belongs to Sabah and Sarawak</li> </ul>

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<p><b>Promises related to Sabah and Sarawak</b></p>	<p><b>GE13 Pakatan Rakyat Manifesto</b></p> <p><b>Justice in the Oil Issue</b>          “Raising royalty payments for petroleum and hydrocarbon resources of Sabah and Sarawak from 5 per cent to 20 per cent”.</p> <p><b>Unified Development</b>          “Raising the level of infrastructure development in Sabah and Sarawak to be on par with the developments in Peninsular Malaysia.”</p>	<p><b>GE14 Pakatan Harapan Manifesto</b></p> <p><b>Promise 3: Sharing the nation’s wealth in a targeted and equitable way</b>          The PH government will increase the royalty payment to Sabah and Sarawak, and other oil producing states, to 20 per cent or its value equivalent, so that the respective states can take over and fund more of their own development activities.</p> <p><b>Promise 41: To ensure the prosperity of the people of Sabah and Sarawak by enhancing the states’ economic growth</b>          “Our government will increase petroleum royalty to Sabah and Sarawak to 20 per cent or equivalent, as a first step in distributing petroleum revenue equitably.”</p> <p>Other key points:</p> <ul style="list-style-type: none"> <li>• Supplying clean water and clean energy to urban and rural areas</li> <li>• Building of roads and highways to connect towns and cities throughout the state, and repair bridges and damaged roads</li> <li>• Reviewing construction services such as Trans-Borneo railway using a public-private partnership model, ensuring contracts are given to locals</li> <li>• Starting targeted aid schemes for Sabahans and Sarawakians</li> <li>• Building more schools and health centres</li> <li>• Enabling Sabah and Sarawak to set up their own oil and gas companies</li> <li>• Setting up State-based trust funds</li> </ul>
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<p><b>Security</b></p>	<p><b>Citizenship</b> Clean up the citizenship registry and electoral roll in Sabah and Sarawak ... recognize the rights of residents qualified to receive citizenship and curb granting of false identity cards/ citizenship based upon undue political motivations.</p>	<p><b>Promise 46: Protecting the sovereignty and security of Sabah</b> Set up a Truth and Reconciliation Commission to achieve a fair solution to the issue of identity cards, granted to illegal immigrants, thereby ensuring that voters' lists in Sabah can be cleared.</p> <p>Other key points:</p> <ul style="list-style-type: none"> <li>• Chairman of Commission to be a qualified Sabahan</li> <li>• Security forces guarding Sabah border to be boosted</li> </ul>
<p><b>Customary Land Rights</b></p>	<p><b>Recognition of Customary Land Rights</b> Set up a Land Commission to investigate, resolve disputes, rejuvenate, study and restore Native Customary Rights to the rightful owners of such customary lands.</p>	<p><b>Promise 48: To return and guarantee the right of customary land to the people of Sabah and Sarawak</b></p> <ul style="list-style-type: none"> <li>• Implement the recommendations in the National Inquiry Report on the Rights of Indigenous Peoples in SUHAKAM's report.</li> <li>• Establish redress mechanism to ensure affected party is adequately compensated when customary land has been appropriated</li> <li>• Enhance role of Land Department to properly conduct perimeter studies. Complete study to accurately identify customary land boundaries.</li> <li>• Establish a Special Land Tribunal to resolve disputes over land rights and boundaries of customary land, and overdue cases.</li> </ul>

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<p><b>Promises related to Sabah and Sarawak</b></p>	<p><b>GE13 Pakatan Rakyat Manifesto</b></p> <p><b>Federal co-operation</b>          Preserve the essence of the Malaysia Agreement and strengthening the position of Sabah and Sarawak to be on par with Peninsular Malaysia by restoring the autonomy of Sabah and Sarawak in accordance to the provisions of the Federal Constitution.</p> <p><b>Competence and capability of Sabah and Sarawak</b>          Affirm the appointment of Sabahans and Sarawakians to lead and hold office in the government departments of their respective states, to be enforced by State Secretaries of both states, give priority to people of Sabah and Sarawak at the federal government level to carry out duties in their respective states.</p>	<p><b>GE14 Pakatan Harapan Manifesto</b></p> <p><b>Promise 24: Revive the true spirit of federalism</b></p> <ul style="list-style-type: none"> <li>• Division of rights and responsibilities in the Ninth Schedule to be respected and changes to the Ninth Schedule that may increase federal powers to be minimized.</li> <li>• Decentralize suitable jurisdictions, such as the powers to administer public transportation, welfare, social services, agriculture and environmental protection.</li> <li>• At least 10 per cent of income tax generated to a state will be returned to that state.</li> <li>• In the first three years, 50 per cent on development expenditure will be ring-fenced for the five poorest states: Sabah, Sarawak, Kelantan, Terengganu and Perlis.</li> </ul> <p><b>Promise 47: Decentralization of power to Sabah and Sarawak</b></p> <ul style="list-style-type: none"> <li>• Decentralize the federation's fiscal administration system in stages, eventually 50 per cent of tax revenue collected in Sabah and Sarawak will be spent on development needs.</li> <li>• Restore state powers to develop their own commerce and trade related policies, including recruitment of foreign workers</li> <li>• Mandate given to Sabah and Sarawak to eliminate trade barriers and all tariffs that have stunted the growth of</li> </ul>
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		<p>their economy (including policies related to public transportation, cabotage policy, open sky policy and investment policy).</p> <ul style="list-style-type: none"> <li>• Sabah and Sarawak to regain control over strategic government-owned companies, such as water and electricity companies.</li> <li>• Establish an Expert Committee to review improvements needed for a smooth functioning of Sabah Native Court and the Sarawak Bumiputera Court, and streamline management of indigenous custom rights.</li> </ul>
<p><b>Employment and Income</b></p>	<p>No explicit commitments</p>	<p><b>Promise 34: Enhance the income of the majority</b>          Raise the minimum wage in Sabah and Sarawak to be equal to that of the Peninsular.</p> <p><b>Promise 42: Create more employment opportunities for Sabahan and Sarawakian youths</b></p> <ul style="list-style-type: none"> <li>• Ensure the Pan Borneo Highway is built.</li> <li>• Up to 30 per cent of the budget allocation each year will be devoted to Sabah and Sarawak.</li> <li>• Contracts and good salaried jobs are first offered to locals.</li> <li>• Prioritize Sabahans and Sarawakians to fill vacancies at every level, especially the upper level in all central and state agencies.</li> <li>• Borneonization process of the public sector to provide jobs to eligible locals.</li> <li>• Set up an Industrialization Fund and Entrepreneurs Fund to boost industrialization and entrepreneurship among locals.</li> </ul>

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<p><b>Promises related to Sabah and Sarawak Employment and Income</b></p>	<p><b>GE13 Pakatan Rakyat Manifesto</b></p> <p>No explicit commitments</p>	<p><b>GE14 Pakatan Harapan Manifesto</b></p> <ul style="list-style-type: none"> <li>• Tourism sector to be developed to contribute to job creation and development funds and promote cultural, history and natural beauty of local sites.</li> </ul>
<p><b>Model of harmony</b></p>	<p>No explicit commitments</p>	<p><b>Commitment 1: Ensure more job opportunities and commensurate salary</b> To create 200,000 jobs in Sabah and Sarawak.</p> <p><b>Promise 43: Making Sabah and Sarawak a model of harmonious society</b></p> <ul style="list-style-type: none"> <li>• Assure the integrity of race relations and religious freedom throughout the country</li> <li>• Promote Sabah and Sarawak as a model of racial harmony, to emulate <i>wasatiyah</i></li> <li>• Public universities and secondary schools given incentives to conduct student exchange activities and study tour of Sabah, Sarawak and the Peninsula.</li> <li>• More sports activities to promote <i>silaturrahim</i> among Malaysians.</li> </ul>

<p><b>Social services</b></p>	<p>No explicit commitments</p>	<p><b>Promise 44: Improving the quality of education and healthcare services</b></p> <ul style="list-style-type: none"> <li>• Prioritize training local teachers and health workers from Sabah and Sarawak</li> <li>• Stop the practice of using Sabah and Sarawak as training ground for teachers and young health officials or as a place of exile for those who have problems.</li> <li>• Sabah and Sarawak given decision-making rights in education and health matters</li> <li>• Parents to decide whether school will use native language or English</li> <li>• Native languages and cultural-related courses offered at public universities</li> <li>• More competitive drug and medical equipment procurement system</li> <li>• GLCs asked to contribute to upgrade healthcare infrastructure</li> <li>• <i>Skim Peduli Sihat</i> (Healthcare Insurance Scheme) introduced in Sabah and Sarawak</li> </ul>
<p><b>Rural populations</b></p>	<p>No explicit commitments</p>	<p><b>Promise 45: Advancing the interest of the rural and remote populations</b></p> <ul style="list-style-type: none"> <li>• Simplify and reduce the bureaucratic red tape involved in registering children, including those with no legal citizenship rights due to lack of documentation.</li> <li>• Resolve problems concerning mistakes in names, addresses and other personal details.</li> <li>• Pioneer electricity generation initiatives using solar, micro-hydro and biogas in remote areas and villages.</li> </ul>

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