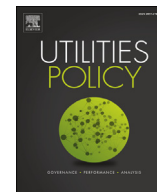




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Uneven development and the commercialisation of public utilities: A political ecology analysis of water reforms in Malaysia

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ABSTRACT

Water policy reforms introduced in Peninsular Malaysia have yielded relatively positive improvements in the operational and financial performance of water utilities. This article analyses contemporary water governance in the context of the historical origins of uneven water development in Malaysia and national heterogeneity in the political economy of water provision. The investigation builds on political ecology scholarship in urban water policy and reaffirms postcolonial critiques of neoliberal inspired water reforms in developing countries. Our study analyses the impact of the 'asset light policy' – a policy introduced in 2008 with the aim of commercialising public water utilities and centralising water sector investment and ownership. It is found that notwithstanding evidence of improved financial health and technical efficiency in certain states, the asset light policy has accentuated uneven water development across the country. Thus despite the policy's relatively narrow focus on technical and financial matters, it is shown to have a fundamentally political outcome. This in turn explains the current 'policy impasse' in five of the eleven states in Peninsular Malaysia. Furthermore, the omission of environmental considerations within the policy framework is argued to undermine the overall ambition of the policy. It is recommended that water policy makers give greater consideration to the embedded social, political and economic inequalities that characterize many former European colonies.

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1. Introduction

This paper presents the findings of empirical research undertaken between 2012 and 2014 on the effects of neoliberal-inspired¹ water policy reforms in Peninsular Malaysia. It argues that despite evidence in certain states of enhanced professionalism on the part of water utilities and improved financial and technical efficiencies following the implementation of the reforms, overall the policy has widened the gap between the high and low performing utilities.

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¹ Neoliberalism is defined as an economic and political ideology favouring free trade, privatisation and minimal government intervention (Collins English Dictionary, 2003: 1092). Practical manifestation of neoliberal water policies include the involvement of the private sector, the introduction of user charges, and strategies to manage demand for water, such as water meters and disconnection policies. Since the 1980s, neoliberal water policies have been advocated by leading international financial institutions, such as the World Bank, as well as policy makers – including those in the developing world – as a solution to the finance and management of water supply infrastructure (Goldman, 2005).

This finding is linked to three factors: first, the historically uneven development of water in Malaysia; second, the heterogeneity of the political economy of water provision across the country; and third, the prospect of fundamental changes to the political landscape of water governance brought about by the policy. In addition, it is also argued that the omission of broader environmental considerations within the policy is found to be a major limitation which undermines the overall ambition of the reforms.

This investigation of recent changes to water policy in Peninsular Malaysia adds to political ecology scholarship and contributes to postcolonial critiques of neoliberal inspired water reforms in developing countries. Once described as having 'a water supply system and a standard of technical service second to none in the colonial Empire' (Malaya Public Works Department [PWD], 1939, cited in; JBA, 2012), Malaysia is a fitting site of investigation for three principle reasons. Firstly, under British colonial rule water supply systems were constructed across various parts of the Malaya Peninsular (Peninsular Malaysia) and Borneo territories (East Malaysia) to support Britain's strategic and resource extraction ambitions (MWA, 2005; Tajuddin, 2012; Wiryomartono, 2013).

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Considering the significant role played by British colonialists in determining the sites and extent of urban infrastructure, including water supply systems (Prasad, 2007; Tajuddin, 2012), it is pertinent to investigate the legacies of this period in shaping modern day water sector development.

Secondly, Malaysia's recent water development is characterised by a direct engagement with neoliberal philosophies of water supply provision. Following a failed water privatisation reform in the 1980s and 1990s (Tan, 2012), in 2006 Malaysia embarked on a policy solution – referred to as the 'asset light policy' – that aimed to transform the sector into one more compatible with neoliberal water provision. The asset light policy involves the commercialisation of state water utilities and the centralisation of water asset ownership and investment (Chin, 2008).

Thirdly, the make-up of Malaysia's political system has created uneasy relations between federal and state authorities over the management of natural resources. Malaysia is a federal representative democratic constitutional monarchy and power is split between the federal parliament and the thirteen state assemblies. Water affairs remain largely under the purview of state governments meaning that revenue generated from water supply services and decisions pertaining to water management are controlled by state water utilities. Since independence from Britain in 1957 one ruling coalition party, *Barisan Nasional*² has remained in power at the federal level whilst power has moved between parties at a state level. As such state governments in opposition to the national ruling coalition have tended to resist federal policies, including water policies that divert revenue away from the states and where state power is ceded to the federal government. By 2015 only six out of eleven states in Peninsular Malaysia (East Malaysia has so far been excluded from the policy) had implemented the asset light policy. In the five states that have not implemented the policy, limited progress has been achieved on implementing the reforms – referred to as a 'policy impasse' – despite numerous discussions between state and federal government officials.

This paper helps to explain this continuing impasse. In Part I, we briefly review political ecology and post-colonial theory as conceptual frameworks to be employed in the analysis. In Part II, we examine the colonial history of water supply development in Malaysia as means to determine the extent to which colonial policies set the material and discursive foundation for the modern-day water sector. This part also describes the development of the sector in the decades following independence and provides a detailed description of the asset light policy. In Part III, we analyse the effects of the asset light policy from three perspectives: i) operational & financial; ii) political; and iii) environmental; followed by a discussion of the results and conclusions.

The rationale for this analysis is as follows. We seek to understand how the asset light policy has affected the routine provision of potable water, focussing on indicators of performance and 'financial health', including the necessary treatment and distribution of water, repair of damaged infrastructure and attention to the specific needs of different communities, including low-income

groups.³ Judged by these criteria, the relatively positive, though qualified, outcomes in the states that have implemented the asset light policy prompt analysis of why some states remain so resistant to the policy.

This analysis is informed by a mixed-methods approach to data collection, drawing in particular on fifteen semi-structured interviews with national level policy makers, policy consultants and water utility managers, and analysis of water industry reporting statistics for eleven water utilities and national level water policy documents.

2. Part I

2.1. Framing the analyses

Defined as an 'approach but far from a coherent theory of the complex metabolism between nature and society' (Johnston et al., 2000: 590), political ecology offers an analysis of natural resource management in socio-political terms, considering the historical, political and economic contexts at different spatial and temporal scales (Budds, 2004). Political ecology approaches aim to 'unravel the political forces at work in environmental access, management and transformation' (Robbins, 2012: 3) placing emphasis on plurality of explanation rather than cause and effect and a shift from a positivist to an interactionist approach in environmental research (Budds, 2004). As Castree (2001) surmises – the aim is to move towards a more complex analysis instead of a 'face value' assessment.

Typically political ecology scholars draw insights from a range of critical theories including green materialism, peasant studies, feminism, science studies and postcolonial theory (Robbins, 2012). With a primary focus on the specific sites of (de)colonization, postcolonial theory is understood as a 'deep engagement with the role of power in the formation of identity and subjectivity and the relationship between knowledge and political practices' (Abrahamsen, 2003, 197). Employed as a means to 'look back to see forward' (Wily, 2012: 751) postcolonial analyses focus on identifying patterns of continuity and change in colonial power relations over time. Despite origins within literary studies, postcolonial scholarship is concerned with contemporary issues and themes, such as public health strategies (Brown and Bell, 2008), international aid (Richey and Ponte, 2011), and land grabbing in post-colonial Africa (Manzo and Padfield, 2016).

Water policy reform in postcolonial states is a particularly fertile ground for studies in political ecology that attempt to unpack the manner in which policy has been (re)formulated, the political and material agendas that these policies serve, and the implications for various groups and communities. For example, in examining the historical origins of water and sanitation development in former colonies, postcolonial scholars have revealed a social construction of water inequality which challenges apolitical explanations for contemporary uneven water access, such as managerial or institutional inefficiency (Kazimbaya-Senkwe, 2005; Padfield, 2011; Smith, 2004). In a landmark political ecology study of urbanisation in Guayaquil, Ecuador, Swyngedouw (1997) stresses the need to investigate political and ecological histories as a means to explain water inequalities in urban settings. He argues in cities where there are challenging water supply conditions 'mechanisms of exclusion from and access to water lay bare how both the transformation of nature and the urbanization process are organized in and through mechanisms of social power' (Swyngedouw, 1997: 312).

In recent years a growing number of scholars have focused on the privatisation and commercialisation of public utilities, particularly water supply infrastructure (Bakker, 2008; Bayliss, 2002;

² In 1957 the *Alliance Party* was formed which comprised of three parties: *United Malays National Organisation (UMNO)*, *Malaysian Chinese Association (MCA)* and *Malaysian Indian Congress (MIC)*. In 1973 the name of the coalition was renamed to *Barisan Nasional*.

³ Access to potable water in the states of Peninsular Malaysia is approximately 96 per cent (Chin, 2008); thus, assessing the impact of the asset light policy on water access is not of primary concern. Rather the success of the policy is judged in terms of the impact on the operational and financial health of the water utilities themselves.

⁴ Conversion of MYR to USD derived from historical exchange rates. Source: <http://www.tradingeconomics.com/malaysia/currency>.

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