The Role of Institutions and Governance for a New and Changing World

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The Context: Undercurrents and Societal Change

How do we deal with drastic social change and upheaval? In 1944, Karl Polanyi sought to address this question through his work The Great Transformation: The Political and Economic Origins of Our Time. Today we are observing fundamental changes to the foundations of societies everywhere in the world. It is cliché, but our thoughts need to be restated. Our present problems at the global and national levels are massive, from inequality to climate change, political instability to technological disruption, and geopolitical conflicts and civil strife to distrust towards public institutions and incumbent political elites.

In Malaysia, however, the challenges are not cliché. They are manifold and acute, and of the nature we have never discerned as a nation and society. We are confronting unprecedented conditions of: 1) erosion of a dominant political entity, whereby politics has taken a form beyond fixed two-party or two coalition configurations; 2) inequality that is multi-dimensional and multi-generational in nature; 3) imbalanced development between regions; 4) public monetary constraints; 5) the migration and movement of populations both formal and informal; and 6) increased cultural consciousness heightened by ethnic and religious fault lines.

These 6 conditions that characterized our times emerged at the back of the COVID-19 global pandemic that has badly affected Malaysia's progress as a democratic and developed nation. Malaysia now connotes different things to different people and communities. The idea of Malaysia and what it means is uncertain and contested. As Polanyi insightfully observed during his time and which conditions reflect similarly to ours in the present, in the periods when economic and political foundations are collapsing it is 'peace' and 'freedom' that must be the 'chosen aims of the societies toward which we are moving' and 'institutions' are key as 'institutions' are 'embodiments of human meaning and purpose.'

Issues and Challenges: The Problem of *Development*

As the Malaysian sociologist and public intellectual Rustam Sani reflected on throughout his life, the idea of Malaysia is a project of nation-building. As a society and through its leaders, we cannot just muddle through this process. Economic growth and development remain a key agenda. The structural basis of the Malaysian economy is shifting. The political and economic foundations of Malaysian society are being questioned. Both by external changes in the global arena and internal contradictions within our borders. Charles Dickens summed up such a world aptly: 'It was the best of times; it was the worst of times.' In troubled times, how do we ensure equitable growth and fairness in wealth redistribution across all regions and sectors of society?

The ten poorest districts in Malaysia were highlighted in the Twelfth Malaysian Plan (RMK-12). Of these 10 districts, 8 are located in Sabah – Kota Marudu, Kota Belud, Kudat, Pitas, Beluran, Telupid, Tongod, and Nabawan; 1 one in Sarawak – Pusa; and another in the state of Kelantan – Lojing. In Sabah, of the 8 districts, Tongod recorded the highest incidence of hardcore poverty at 5.9 percent, and Lahad Datu with 2.4 percent. There are approximately 6937 households that are in the hardcore poor category in Sabah as of July 2024.

Over the years, new developments in the understanding of poverty have taken place. Poverty is commonly measured through income levels. The latest Poverty Line Income (PLI) in Malaysia, for instance, is now RM2589 as updated in 2022. However, the latest studies and grounded research have emphasized the need for a multi-dimensional understanding of poverty. Conditions of poverty are closely linked to and shaped by factors such as quality education, access to health services, and decent living standards. These observations are revealed by case studies and grounded research undertaken by the All-Party Parliamentary Group Malaysia on Sustainable Development Goals or APPGM-SDG.

APPGM-SDG is a bipartisan parliamentary supported by a secretariat anchored by the Society of the Promotion of SDGs, that focuses on the localizing of SDGs at the parliamentary constituency level. The project studies undertaken by the research team in APPGM-SDG affirm and complement previous research by organizations such as the United Nations Development Programme (UNDP), the Ungku Aziz Centre for Development Studies, University Malaya, and the faculty at the School of Social Sciences at the University Sains Malaysia (USM), and a study undertaken in Permatang Pauh that spanned from 2019 to 2021.

The magnitude of the problem of poverty and its link with other accompanying social, environmental, and governance factors are reinforced by current events such as the ongoing engagement process to gather inputs for the Thirteenth Malaysia Plan (RMK-13, 2026-2030) between the Federal Government through the Ministry of Economy with regional and state governments. In meetings with the Sarawak regional government and Kelantan state government, for instance, the former has expressed how it would need around RM 5.2 billion for education infrastructure, around RM 7.89 billion for health facilities, RM 1.3 billion for the upgrade of electricity supply, and RM 20 billion for the improvements to water supply and coverage.

All in all, the Sarawak government estimated that around RM 100 billion is needed in 5 years to undertake the identified development initiatives. Elsewhere on the east coast of Peninsular Malaysia, the Kelantan government assessed that around RM 500 million is needed to upgrade the sewerage system in the state. To further facilitate the local economy, approximately RM 445 million is required as part of the work to construct a border wall along the border of Kelantan and Thailand. The measures serve to prevent flooding and maintain security.

These engagements and those issues require attention. Poverty cannot be confined only to income levels and job creation. Although both elements are key enablers and indicators to evaluate economic progress. Poverty manifests in different conditions and encompasses various faces.

For many decades development implementation monitoring and impact assessment have focused on the bigger state capitals and urban centers. There are gaps in the delivery of development facilities and services at the rural and semi-urban towns and border territories. The reports on local issues, solution projects, community initiatives, and capacity-building programs carried out by the APPGM-SDG, for example, reveal these problems at the ground level. Many of these issues are also systemic and institutional related.

The Prospects: Returning to the Basics

As the economist and Nobel Prize winner, Joseph Stiglitz, would argue 'You don't create jobs and growth by firing workers and cutting spending.' He would argue further that in order to create more jobs there is a need 'to make long-term investments that America so badly needs in infrastructure, technology and education.' To narrow the gaps between city and town or village, and the urban with the rural, both social policies and effective implementation and monitoring of the programs that arise out of these policies need to focus on the expansion of public services and infrastructure.

Basic goods such as quality and affordable education, accessible and good healthcare, decent living spaces, and environmental management are crucial for the well-being of vulnerable communities. A report by the UNDP in 2024 highlighted how government expenditure in what is perceived as public domain services and goods should not be seen as a cost to the government but as an investment by the government for the future. Many policies and measures have been recommended by academics, policy analysts, public sector officials, and the public policy community.

For our purposes, this paper focuses only on one theme or domain: that of governance reform and public policy innovation. The problems that we confront today can only be addressed if we re-conceptualize and re-constitute our structure of public institutions and methods of governance. Many have highlighted the importance of institutional reforms and modernizing of the civil service. However, there is still a need to critically analyze global trends and model or best approaches to governance. In this process evaluate how such comparisons can contribute to improving and modernizing our approaches to institutional building in the Malaysian context. Without these improvements, any policy, blueprints, or action plans would be futile if they were not executed by government machinery with suitable mechanisms and human capacity. The task is, therefore, to think and put into action up-to-date and innovative ways of public management and administration.

The economist Mariana Mazzucato reminded us in 2021 through her influential work *Mission Economy*, that the 'wicked' problems of our times 'require not just technological, but also social, organizational and political innovations.' The nature of the issues that we encounter in Malaysia today are multi-dimensional and cross-sectoral.

An example of such an issue consists of those pertaining to the environment. Specific concerns such as environmental conservation and flooding cover also economic and social domains in addition to the environmental domain.

The implication of these dynamics, to state briefly, is that issues identification, policy formulation and implementation, and program execution must involve institutionalized intra and inter-ministerial coordination. Such governance structures and processes should not take place only on an ad-hoc basis. In Malaysia, ministries and their focus areas, and the ministerial departments under their purview may perhaps be readjusted to align with the newest problems and trends. One example would be to think of culture in a different way and instead of linking it with tourism, it could perhaps be linked to education and human capital development. In Indonesia, culture is placed under a ministry known as the Ministry of Education, Culture, Research, and Technology. There is a need to bring the conversation between the State and government back to the center of research and policy advocacy. The call of Mazzucato serves as a poignant reminder:

> *"In it, I have argued that tackling grand challenges will only happen if we reimagine government as a prerequisite for restructuring capitalism in a way that is inclusive, sustainable and driven by innovation. First and foremost, this means reinventing government for the twenty-first century - equipping it with the tools, organization and culture it needs to drive a mission-oriented approach. It also means bringing purpose to the core of corporate governance and taking a very broad stakeholder position across the economy. It means changing the relationship between public and private sectors, and between them and civil society, so they all work symbiotically for a common goal. The reason for the emphasis on rethinking government is simple: only government has the capacity to bring about transformation on the scale needed. The relationship between economic actors and civil society shows our problems at their most profound, and this is what we must unravel."*

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