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# Towards First-World Holistic Governance in Little Penang

By **Zulfigar Yasin** (*Heritage and Urban Studies, Penang Institute*)

**Abstract:** How does Penang move forward in its governance to provide a better future for its people? Already leading the federation in its growth, this small urban state can capitalise on the achievements of countries such as Singapore and Finland. Singapore promoted six key pillars for better governance, and by advancing these, elevated the nation into one of the top performing countries in the world. In turn, Finland built its foundation on her citizens’ trust in key institutions. Taking on some fundamental issues that plagued the nation enabled her to improve her standard of governance. Some of the challenges Singapore have had may be homologous to those facing Penang; their innovative solutions may yet inspire Penang. This paper discusses some of the ongoing and emerging issues that affect Penang. One instrument is to provide a platform for open discourse between the leadership, subject matter experts and key stakeholders.

## Profiling Penang

Penang is the second smallest state in Malaysia at 293 sq. km. after Perlis, with a total population of 1.76million people. It is part of the Federation of Malaysia, and its political leadership comprises of 40 state assemblymen and 13 members of parliament. This paper discusses challenges to effective governance in Penang.

Profiling Penang’s socio-economic status, it is clear that Penang leads the country in economic achievements. In 2015, Penang’s contribution to the national GDP was 6.6%, but by 2022, it had grown to 7.4%, making the state a top performer in Malaysia. Much of her income at RM112billion came from electrical, electronic and optical

products (36%), followed by wholesale and retail trade, food and beverage, and accommodation (15%). Penang has long found its niche, firstly in the electric and electronic industry, and secondly, it looms large in the psyche of Malaysians—and the world—as a holiday destination.

Yet her median household income ranks 6th in the country at RM6,508, just above the national median average of RM6,338, coming after Kuala Lumpur, Putrajaya, Selangor, Labuan and Johor. Median household income in Kuala Lumpur is RM10,234, i.e. 61.5 % higher than in Penang. Furthermore, if compared to neighbouring Singapore, where the median household income is S\$10,099 or RM34,584 (exchange

rate of RM3.42 to one Singapore dollar in October 2023), Penang's average would place its people in the lowest 5% of Singapore's population. Although this comparison is arguably unfair, given the higher cost of living in Singapore, it serves to highlight the sharp difference in economic status in the global context between the two localities.

Inequality in income within a state can be measured by the GINI coefficient (0 being complete equality and 1 being complete inequality). Studies by the Penang Institute in 2019 indicate the gap to be widening in Penang, from 0.356 in 2016 and 0.359 in 2019. The national average is 0.407, with the best performance being achieved by Pahang (0.330) and Perlis (0.333) (Jeffrey Sachs Centre, 2023). The GINI index in rural areas tends to be higher than in urban areas, where the economy is more diversified.

## Considering Singapore and Finland

Against this regional economic canvas, the issue of improving governance to raise the quality of life is a central one. To start the discussion in a way significant to Penang, we should ask the question: What would a successful similar-sized nation-state identify with good governance? This paper discusses the approaches to good governance adopted by some best performers with a small population size. We have chosen Singapore and Finland. As a immediate caveat, we note that both of these are, of course, independent nations unlike Penang, which is but a state within the Federation of Malaysia.

### *How does Singapore define good governance?*

This small city-state bases good governance on the following pillars (Koh, 2016):

- *Racial and religious harmony*  
The maintenance of the Religious Harmony Act that prohibits any form of attack on religion in a multi-ethnic society.
- *A clean government*  
Zero tolerance for corruption within the government and its civil service
- *Rule of Law*  
A sound and independent justice system is practised in the nation. This is deemed important for business and investment.
- *Inclusiveness*  
Adopting a unique blend of socialism and capitalism, subsidies are provided in education, housing, healthcare and public transportation in its social strategy.
- *Care for the environment*  
Maintenance of a vibrant, green and sustainable environment acts as a central foundation for the development and liveability of the country.

Reforms towards good governance were introduced as far back as in 1991. The government had assessed Singapore's position against World Bank criteria for good governance, and taken sweeping measures to achieve this. Among these are the reforms in the areas mentioned above, increasing the salaries of ministers and top civil servants to attract good candidates to these positions and changing the Presidential position into an elected one.

The Chandler Good Government Index for 2023 ranks Singapore second in the world for effective governance. It has a key performance rise in leadership, foresight and innovation, strong institutions, and financial stewardship, which have enabled its citizens to improve and create an attractive marketplace. The report points out that Singapore's response to the Covid-19 pandemic brought its economy to a better position than it was in before the pandemic. In fact, in facing the poly-crisis, Singapore managed to end up in an improved position.<sup>1</sup> Singapore's success is not without present challenges,

<sup>1</sup> A poly-crisis is defined as a cluster of global crises that interact to produce harms greater than each crisis would produce individually.

though. It needs to find solutions to a rising set of issues, such as:

- The advancement of civil liberties and freedom of expression.
- Addressing the issues of rising cost of living and possible increase in wages.
- Highlighting the identity and culture of Singaporeans. Making the society more civil.
- Reversing political apathy among youths.
- Addressing an ageing society and increasing the national birth rate.
- Improving the digital infrastructure and investing in artificial intelligence.
- Keeping Singapore attractive to foreign investors and providing more jobs for its people.
- Improving education to produce a better-skilled workforce.
- Planning and improving climate resilience.
- Maintaining food security and promoting innovation in food production systems.
- Improving the political elites' responsiveness to citizens' needs.
- Ensuring affordable housing in the future.
- Preventing racial and gender discrimination.
- Reducing poverty by promoting support to the lower-income strata, and re-examining social security and the retirement age.
- Addressing mental health issues, suicide and stress.
- Increasing public infrastructure and spaces such as parks and reducing traffic.
- Improving corporate governance and corporate and social responsibility.
- Maintaining neutrality in security, especially with respect to the US-China tension and the Russian-Ukraine war.

Some of these are concerns for Penang as well, and therefore, solutions can be drawn from the Singapore example, along with the narratives surrounding them.

### *The Finland example*

Finland has a small population (5.6 million people) and a large land area (338,000 sq. km). In 2022, it was ranked on the Good Country Index to be among the top three for governance among 180 countries. This index measures the level of national commitment to global issues, and Finland, relative to its economy, “contributes more to humanity and the planet than any other country”. Malaysia ranks 48 on that list.

The Finns are big on trust in their government, and it is a guiding principle in their Public Administration Strategy. Citizens are generally satisfied with public service and socio-economic outcomes and experience the highest subjective well-being in the world. They attribute this to institutional quality and social cohesion. Its police force is the most trusted institution in the country; this is even more of an achievement, if we consider the fact that they have 139.4 police officers for every 100,000 individuals—the lowest figure in Europe (which has an average of 359.6 police officers per 100,000 individuals). This is attributed to the high level of training in their police force and a strong emphasis on abidance to law, and almost non-existent corruption. Following this is their high trust in the civil service and the government.

A study from 2019 found that the Finnish people considered social security (48%) and environment and climate change (35%) to be the top issues of concern, well above unemployment (15%) or crime (2.8%).

To further improve its governance, the Finnish government is introducing a new innovation. This recognises the emergence of seismic trends such as migration, infectious epidemic and climate change, which all demand rapid response in a situation with fast-reducing options. Their “Anticipatory Innovation Governance Model” enables the government to address new issues before they reach crisis point.

After a period of rigorous preparation from 2020 to 2022, Finland invited OPSI (Observatory of Public Sector Innovation) to access and enhance its public innovation capacity from the local to the national level. OPSI selected several taskforces in four areas—continuous learning policy, carbon neutrality, child well-being, and collaboration between politicians and public servants—as case studies for Finland to improve herself. OPSI also connected Finland to the emerging anticipatory practices in other European nations. Among its findings is the revelation of “impact gaps”—the identification of non-effective applications in the process even with good planning and prior strategic foresight by the government. These drawbacks reduce the ability to find alternative approaches in addressing emerging challenges. Based on this study, the failings are now being addressed.

Such an exercise can be a template for other countries and governments looking to improve governance and seeking to benefit from the Finnish experience.

## **Governing Penang in the face of emerging issues**

Malaysia has a three-tiered governance system—federal, state and local—each with specific responsibilities. How effective this separation of responsibilities is, is ultimately reflected in the well-being of its people as a whole. From the common citizen’s point of view, the myriads of policies arising from the intermittent leadership changes are not often well defined, and are in fact confusing and demoralising. Added to this, understanding of government policies is made difficult due to the culture of sensationalising immediate issues in various mass media.

Several concerns have been obvious in governance in Malaysia. Its governments tend to prioritise their ruling term, and much of their activities are focused on

maintaining majority support and presenting popular reactions to emerging issues. On the economic front, servicing the national debt looms large as a priority.

The present PH government’s exercise in pushing for a more holistic approach to socio-economic problems, specifically encapsulated in the slogan of “Madani” or civilised Malaysia, is an improvement on the spate of fire-fighting solutions that had been offered to the nation in recent times. “Madani” is built upon six pillars, namely sustainability, well-being, creativity, values of respect, confidence, courtesy and compassion. These are commendable goals, but its success relies significantly on the support and translation of these values at the state level.

### **I. Traditional and emergent issues**

This leaves the state governments to handle a multitude of issues. Penang, for example, has to take into consideration its abovementioned profile as an urban high achiever with relatively high income.

Important issues were revealed in part during the Covid pandemic, and in the run-up to the 15th general election in November 2022. Many of these require a multi-sectoral approach to handle. Ultimately, effective governance lies in its capability to solve key problems, such as the following:

#### **i. Traditional concerns**

There are old but persistent concerns about the rising cost of living, the economic gap and the perpetual traffic congestion. Progress has been made in handling some of these issues in recent times, but many of the solutions are only achievable in the longer term across many election terms. In the meantime, the success stories are not made public often enough. Good projects that are well-publicised

earn support from the public. Penang has to its credit few road tolls compared to Kuala Lumpur, and this should be lauded. A counterpoint is that the disproportionate toll collection is on the mainland.

## **ii. Rising incidences of flash flood**

The increasing incidences of flash floods in Penang, apart from the destruction they wrought on property, endanger the public and pose a significant disruption to businesses. As things are now today, there are large gaps in the engagement to alleviate this problem. Several issues were raised in a recent exercise in Penang carried out by the Department of Internal Drainage (DID), engaging stakeholders to review flash flood incidences and considers ways to overcome them. The DID broke flash floods down into three phases:

- Pre-flooding (factors causing or worsening flooding, pre-emptive measures in areas that are susceptible, and the need for effective early warning systems).
- During flooding (safety concerns at affected areas, rescue systems, coordination on site and provision of alternative routes to traffic).
- Post-flooding (immediate mitigation of recurrent flooding, damage reduction and review of reactions to improve the process for the future).

The assessment showed evident deficiencies in all three phases. First of all, no clear assignment of responsibility for the overall coordination and leadership had been made. There were therefore no centralised facilities for monitoring, coordinating, warning and initiating responses. The public was often unaware of the leading agency from which they could seek help and instead often sought aid from the fire department. The flooding is bound to reoccur, and the inadequate data to avoid repetition of response inefficiencies needs to be remedied.

Such visible and sudden public afflictions erode trust in the authorities and should be immediately addressed.

## **iii. Engaging the urban poor**

There are significant portions of the population which do not fit Penang's' general high achiever profile. Among these are the urban poor, many of whom face difficulties making ends meet, especially in the post-Covid years. Living in low-cost flats and being out of work for an extended period, the growing numbers of urban poor need help in order to move forward. National NGOs which are capable of discussing effective policy with the relevant federal departments have found it hard to do so, with the governments changing, along with their policies. The Penang state government, being relatively stable, can offer significant support by taking on some of these responsibilities.

Food security is another ongoing concern. In the agriculture sector, formulating an agricultural blueprint encompassing the virtues of digitalisation and Agriculture 4.0 have been most helpful to Vietnam and Indonesia forward in this regard. Their crop yields have increased, new market opportunities have opened up and their incomes have improved. In the aquaculture and fisheries sector—Penang's' growing niche—the improvement of ecosystem health presents the most economical approach to sustainable farming and fisheries, and promises to alleviate worries over inconsistent income for the state's 4,930 coastal fishermen.

## **iv. Addressing racial anxieties and improving education**

The fear of social injustice and the race issue loom

large in the Malaysian public psyche. Fear-mongering around these issues has been prevalent in some political parties and often aids their political standing. Rarely is the blame-giving founded on facts. In fact, the confrontational essence of Malaysian race narratives should be more shifted over to discussions about basic human rights. Aligning our awareness and education to value racial harmony is an important goal to achieve, and the visibility and effectiveness of such an approach would bring the needed social security for the state. At the state level, ways must be explored and identified to improve awareness about the damage done by racial tensions. Upcoming generations should not have to continue living under such conditions.

#### **v. Penang as a green home**

Building on its image as a favoured destination, the state can revitalise the desire its people have to live in green homes. Penang ranks highly in environmental awareness. This is manifested in the best data collection performance by the MBPP and MBSP, the awareness of plastic pollution and growing voluntary collection, the promotion of the Green Agenda, and the Penang2030 agenda. There is much positive—albeit cautious—support for the establishment of parks and marine sanctuaries in the state. In relation to the federal government, the successes in Penang arose from the reorganisation, readjustment and improvement of general programmes for the Penang scenario. Such innovative approaches should be further encouraged.

In coming years, the impact of a changing climate looms large. The United Nations warns that the world is not on track to meet the long-term goals set out in the Paris Agreement for limiting global temperature rise, and a major UN report has now

warned and called for commitment to decisive action. Many ASEAN countries, including Malaysia, broke the heat record in April 2023. Public awareness of climate change is low. In addition, where there is some awareness of the impact of climate change, knowledge about what to do at the local level to minimise risks is extremely low. Here, the state government can take the lead.

The Notre Dame Global Adaptation Index (ND-Gain) works to enhance the world's understanding of adaptation through knowledge, products and services that inform public and private actions and investments in vulnerable communities. The ND-Gain places Malaysia at number 49 in the world for climate change readiness (Singapore is at number 5 and Finland at number 2). Again, Penang, facing similar challenges, can look for innovative responses to the climate crisis at the state level.

Clearly, we are far from ready to engage the threats of climate change. Addressing the risks posed by the presently inadequate infrastructure in what is clearly a coastal state, is challenging. Climate risk concerns, such as the rising sea level and rising heat, must be addressed by state policies and highlighting in the proposed infrastructure projects.

## **II. Overcoming federal median values and creating opportunities**

As Penang continues to lead socially and economically, much depends on its leaders' innovation and responsiveness in executing change. The examples provided by Finland and Singapore suggest better alternatives for governance and effective administration. To be sure, their adoption should take into consideration the buy-in and understanding of the local populace.

Country-wide median solutions, as provided by the central government, need to be tuned when applied to Penang. The innovations may provide inspiration for Penang.

### **III. Building on federal support and collaboration**

The efficacy of much of the new policies and framework established by the current federal government remains to be proven. Such proof can be provided by programmes inspired by these, and executed at the state level. This invites support from the national agencies. Pilot projects, case studies and innovative solutions can be carried out in Penang, to position the state as showcases, based on their success.

### **IV. Building trust in the Penang State Government**

Ultimately, as in the case of Finland and Singapore, effectiveness in governance is what increases trust from the people. In an increasingly polarised political and racial landscape, as manifested by the recent GE15, one solution may be to improve the issues that transcend these boundaries. These could be the framing and handling of common issues that are the concerns of all Malaysians, such as improving living standards, healthcare and education, stamping out the possible avenues enabling corruption, and marketing the

long-term goals and plans for Penang.

### **V. Creating discourse on governance, policy and the focus on finding workable solutions**

Given the need for more integrated and innovative approaches, this is an opportune time for Penang to offer itself as a crucible for a creative discourse based on emerging issues. Such a discourse involving important stakeholders, subject experts and the Penang state government on a considered basis will provide the opportunity to innovate solutions. The FLAG initiative at Penang Institute aims to establish such a programme by inviting the government, industrial players, subject experts and stakeholders to interact and create innovative solutions there.

As Penang moves forward, the ecosystem of innovation and discourse, perhaps leading to a better future, should already be in place.

Singapore and Finland are by no means our ultimate models. They, too, have huge challenges. On the journey towards better governance, they nevertheless provide insights or even innovative solutions to inspire us. Penang is leading the country on many fronts and can continue to do so, not only with its own foresight but with inspiration from abroad. That offers a path for a positive evolution in its governance.



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