

## Special Article

# Malaysia: Looking at the Anwar Ibrahim Administration through a Situational Audit Framework

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## Introduction

Malaysia has been politically unstable for the last 5 years. Political instability first took grip when the opposition Pakatan Harapan (PH) defeated the incumbent Barisan Nasional government, led by the scandal ridden, and now imprisoned prime minister Najib Razak in 2018. The Malay dominated Barisan Nasional coalition had been in power for 60 years. The change of government generated much hope and excitement from supporters, who saw the possibility of a new era in Malaysia (Hunter 2021). However, many Malay politicians of the former government found it difficult to accept being out of power.

In February 2020, then prime minister Mahathir Mohamed suddenly resigned from office, bringing an end to the PH government, and allowing Muhyiddin Yassin to cobble up a Malay-centric government once again, incorporating many members from

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the defeated Barisan Nasional government. This was partly achieved through the defection of a group of Pakatan Harapan MPs, led by Azmin Ali. In November 2021, Ismail Sabri Yaakob of the United Malay National Organization (UMNO) took over as prime minister and called a general election in November 2022.

The general election resulted with no single political block winning enough seats to form a government in their own right. Anwar Ibrahim's Pakatan Harapan (PH) coalition won 82 seats out of the 222 seats in parliament, Muhyiddin Yassin's Perikatan Nasional (PN) coalition won 78 seats, the Barisan Nasional (BN) won 30 seats, and Gabungan Parti Sarawak (GPS) won 23 seats.

Initially, Muhyiddin Yassin, the leader of the PN visited the palace to inform the Yang Di-Pertuan Agong (king) Al-Sultan Abdullah Sultan Ahmad Shah that his coalition together BN and GPS could form a government with 131 members supporting him for prime minister. However BN leader and president of UMNO, Ahmad Zahid Hamidi pulled out his 30 newly elected MPs, and crossed over to support Anwar's PH coalition. This gave Anwar a razor thin majority of one.

The Yang Di-Pertuan Agong, called on all leaders to form a unity government (Business Today 2022). Sarawak's GPS coalition joined the PH-BN grouping, providing Anwar with a strong working majority in parliament, while PN rejected the Yang Di-Pertuan Agong's advice and went into opposition (Arfa Yunus 2022).

Anwar's administration is now into its fifth month of governing the nation. The primary question now, is after 5 prime ministers within five years, how stable will Anwar's administration

be? Secondly, what type of government will Anwar's administration become?

### **Viewing Methodology**

Morgan (2006) believes that meaning and understanding are influenced by the metaphor we look at any organization with. To answer the above questions, we must look at functionality. Thus looking at Anwar's administration through organizational tools will highlight the dynamics, strengths and weaknesses, internal and external threats, and opportunities, provides a window into the potential functionality of Anwar's administration. The executive is the apex organization of any government. Thus organizational and strategic management frameworks will well suit the purpose of examining functionality.

The author will use the situational audit frame to review the Anwar administration after five months in office. The situational audit or analysis has long been utilized in large corporations. Corporation management exhibits many of the same traits as government administrations.

There is no set formal structure to a situational audit, so the author will use the framework of Steiner (1979), as a model. The situational audit is constructed by both analysis and intuition (Kotler, et. Al., 2007). It is the model utilized by country risk analyst firms today.

Due to the rhetoric and narratives around any political organization, this paper will draw upon espoused theory and theory in use framework (Argyris & Schön 1978). The real nature of any organization, or government administration is what the cabinet

actually does, rather than what is said by ministers and representatives. This enables the exploration and identification of the trajectories the Anwar administration is pursuing.

## Situational Analysis

The situational analysis is broken up into cabinet, various policy areas, strengths and weaknesses, internal and external threats, and the conclusion suggests possible trajectories.

### The Cabinet

An analysis undertaken of newly appointed ministers in December 2022 suggested the cabinet was selected on compromise to accommodate various stakeholders, including the monarchy. This was intended as a means to ensure the government could run its full term in office to 2027 (Hunter 2022).

Anwar unprecedentedly appointed two deputy prime ministers. One was UMNO president Ahmad Zahid Hamidi, who has historically been a close ally of Anwar, and played a major role in the formation of the government, and the other to Fadillah Said, from GPS Sarawak, as a reward and recognition of GPS support. Zahid was also appointed to head the ministry of rural and regional development as a platform to rebuild UMNO's credibility in the Malay heartlands<sup>2</sup>.

Saifuddin Nasution Ismail, who is a key loyalist to Anwar, and also close to the deputy prime minister Zahid, was appointed to the

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<sup>2</sup> The Malay heartlands can be defined as a band of approximately 80 rural and semi-rural seats that the Malay-centric political parties, National Trust Party (Amanah), Parti Pribumi Bersatu Malaysia (Bersatu), Party Islam Se-Malaysia (PAS), and UMNO.

key position of home minister. Saifuddin lost his Kulim-Bandar Baru seat during the election, but was appointed a senator so he could take up the post. The home ministry controls the police force, and responsible for national security issues.

There are a few structural issues within the cabinet, where some ministry responsibilities overlap. The ministry of economy and ministry of domestic trade and living costs, overlap with the finance ministry, under the prime minister Anwar. Consequently, their respective ministers Mohd. Rafizi Ramli and Salahuddin Ayub have found difficulty to be effective, under the shadow of the finance ministry and its resources.

With almost five months into the life of the Anwar administration, the prime minister has acted as a symbolic leader, rather than being involved in the details of everyday government business. Ministers appear relatively free to run their own portfolios. Anwar acts like a chairman of the board, travelling extensively, both domestically and internationally.

Consequently, Anwar's public appearances have been managed. On his first press conference as prime minister, he took a call at the podium with Turkish president Recap Tayyip Endogen. On arrival in Saudi Arabia, Anwar was dressed to perform the Muslim Umrah pilgrimage, rather than a prime minister on a state visit. In China, Anwar witnessed a signing ceremony of 19 memorandums of understanding (MOU) to symbolize the investment coming into Malaysia under his administration.

Key to the performance of the cabinet, are the individual ministers' relationships with the civil service. This was an issue back in 2018, where pockets of the civil service resisted the Pakatan

Harapan government. This time around, the civil service has worked under four administrations in as many years. Anwar's administration has not shown itself to be reformist, and thus is building a good working relationship with the civil service (Ostwald, 2023).

### **Malaysia Madani Philosophy**

Anwar maintained the tradition of past prime ministers unveiling a slogan that would represent the espoused core values of their respective administrations. Former prime minister, Mahathir Mohamed launched 'Vision 2020' back in the 1990s. His successor Abdullah Ahmad Badawi introduced 'Islam Hadhari', or modern Islam. Najib Razak introduced 1 Malaysia on the same day he became prime minister in 2009, and Mahathir on returning to the prime minister position in 2018, adopted 'Malaysia Baharu', or the New Malaysia. "Malaysia Prihatin", or Carefully ahead Malaysia, was coined by Muhyiddin Yassin in 2020, and 'Keluarga Malaysia', or the Malaysian Family was espoused by Ismail Sabri Yaakob, when he became prime minister in 2021.

Malaysia Madani is an acronym for the core values of sustainability, prosperity, innovation, respect, trust, and compassion<sup>3</sup>. Anwar has espoused these as the core values that will govern his administration's policies. The Madani values were mentioned in the 2023 budget, but were inserted as an afterthought, rather than being deeply ingrained within the framework of the budget.

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<sup>3</sup> See Malaysia Madani website <https://malaysiamadani.gov.my/>

The administration has put the Malaysia Madani slogan on all government stationary, websites, buildings and offices, and media.

### Economic Policy

The former finance minister Tengku Zafrul Aziz, under Muhyiddin, and Ismail Sabri administrations, failed to win a seat in the lower house, in the last general election in November. However, At the last minute Tengku Zafrul was appointed minister of international trade and industry, and appointed as a member of the senate, so he could take up the position of minister. The prime minister Anwar, took up the position of finance minister himself.

Soon after taking power, Anwar introduced a mini-budget to keep the government running. Last March he introduced a much more comprehensive 2023 budget, although much of it was based up the 2023 budget brought down by Tengku Zafrul, serving as finance minister for Ismail Sabri, back in October last year.

At the conclusion of the Article IV consultations between a mission from the International Monetary Fund (IMF) and the Malaysian government, the IMF issued the customary public information document (PID) (International Monetary Fund 2023). A reading of the PID conveys the following messages:

- The Malaysian economy is expected to grow 4.5%, more modestly than 2022. This will be driven by external factors.
- The risks to growth will also come from external factors such as a worldwide slowdown in economic activity. This could be spurred by a tightening of monetary policy by major central banks.

- However, growth is uneven, with agriculture, construction and mining lagging behind pre-pandemic levels.

- Inflation expectations will remain around 3.3% during 2023. Continued subsidies should keep inflationary pressures in check.

- Malaysia needs to focus on debt reduction through major fiscal consolidation, and the development of a sustainable medium- to long-term revenue reform.

- Income redistribution to lower-income families through transfers to alleviate poverty and bolster domestic consumer confidence is necessary.

- Monetary policy requires tightening to support the ringgit and keep inflation grounded. Interest rate adjustments must take into account the well-being of households and corporations, in order to maintain growth, and prevent any stalling of the economy.

- The 12<sup>th</sup> Malaysia Plan (12MP) and Budget 2023 should be rolled out to enhance broad-based productivity drivers — promoting inclusive growth, addressing climate change, promoting the digital economy, enhancing good governance and implementing anti-corruption measures.

On the surface, the IMF has given the “thumbs-up” to 12MP and Budget 2023. So, the major question is whether 12MP and Budget 2023 provide the actions and reforms really needed. However, the 2023 budget didn’t introduce any fiscal and tax reforms, and was expansionary, being the highest spending budget in Malaysia’s history.

The reality is that due to the international economic situation, forecasts might be optimistic, and other factors like the

bloated civil service may prevent economic reforms as were espoused in the 12<sup>th</sup> Malaysia Plan (Chander, Hunter, and Lim 2023).

## Social Policy

New reforms have been left primarily for individual ministers to announce. Home minister Saifuddin Nasution, in December 2022 announced there would be no review of the Security Offences (Special Measures) Act 2012, which under Section 45 allows for 28 days detention without a court order. This led to a backlash from human rights organizations. Saifuddin is also under further criticism for not reviewing the Printing Presses and Publications Act, which restricts freedom of the press.

Penang Democratic Action Party (DAP) deputy, and state deputy chief minister P. Ramasamy's call for a more racially diverse civil service, was met with a statement by Anwar that he would not consider any reforms to the civil service (Daily Express 2023).

In the beginning of this year, in a Merdeka Center opinion poll, Prime Minister Anwar Ibrahim scored a 68% approval rating. Of that 68%, only 15% of respondents were very satisfied, while 53% were somewhat satisfied. Some 19% were either somewhat or very dissatisfied with Anwar, according to the poll (Merdeka Centre 2023). However, late in February, the cabinet has agreed to a proposal to amend the Federal Constitution to enable children born abroad to Malaysian mothers to gain automatic Malaysian citizenship. Further, in April both houses of parliament passed a bill to allow judges discretion on use of the death penalty.

Pakatan Harapan broke a coalition pledge not to appoint politicians to government agencies and government linked

companies (GLCs). There continues to be a string of political appointments to these bodies.

Anwar's appointment of his daughter, Nurul Izzah Anwar, who lost her seat in the last general election, as a senior economic advisor, led to a massive backlash from the public and bloggers. Announcing she was doing the job on a *pro bono* basis didn't curtail the criticism. This forced her reappointment to co-chair a body of economic advisors to the finance ministry.

A Fitch Solutions country risk report expects a continuation of race-based considerations in the Anwar administration's policies, despite the pledge to move towards needs-based policies. Fitch Solutions also predicts gridlocks in policy making within the 'unity government', due to the different ideologies of the component parties. Fitch Solutions added, there will be difficulties in implementing real anti-corruption reforms, as its efforts to date have been focused on prosecuting opposition members (Fitch Solutions 2023).

## Strengths

The biggest strength of the Anwar administration is pragmatism, influenced by popularist thinking. Anwar has a track record of taking populist stands on issues. The PH government abolished GST, when it came to power in 2018. This was a populist election plank, as the GST was blamed for rising prices by the public at the time (Nathan 2022). The Anwar administration is still making heavy use of subsidies, though some economists advise against this (Hakime, 2022).

Pragmatism is a great advantage in a government composed of political parties with different ideologies. There will be little chance of a split coalition on ideological issues.

The second major strength of the Anwar administration is the tacit support it has from the Malay rulers. The Yang Di-Pertuan Agong appointed Anwar as prime minister with a broad party coalition for political stability. This goodwill is important to Anwar's administration running a full term.

## Weaknesses

Flexibility and pragmatism have a 'flip-side'. This can also be a weakness. The implication here is that the Anwar administration may be unwilling to make the difficult decisions necessary for the economy, out of fear of public backlash. Numerous economists and the IMF have called for the widening of Malaysia's tax base, i.e. the reintroduction of the GST. However, Anwar is staunchly opposed to this due to public sentiment against the GST (Anand, 2023).

This is why the Anwar administration may not be committed to reform. If it is perceived voters within the Malay heartlands may not favor particular reforms, the government will simply not pursue them. This same 'stakeholder' will hold back the reintroduction of secularism within government, as it may be feared that it could be seen as being 'anti-Malay'.

Anwar's inexperienced cabinet is another weakness. Many ministers are nascent and prone to making mistakes. Political acumen at this time is low, and thus led to criticisms. However, it should be expected to be a temporary weakness, as the cabinet progresses positively along the learning curve.

Due to the cabinet under a chairmanlike style of leadership, conflicting statements by ministers and prime minister, could become an occupational hazard. Anwar, as prime minister took a pragmatic negotiation stance with China, over Chinese naval vessels encroaching up Malaysia's Exclusive Economic Zone (EEZ), where Malaysia's national oil company is drilling for oil. In contrast, Malaysia's defense minister Muhammad Hassan has taken a harder line, calling for the immediate withdrawal of Chinese naval vessels from the area (The Coverage, 2023).

Conflicting statements could potentially cause unnecessary embarrassments across 26 ministries.

### **Internal Threats**

The major internal threat to Anwar's 'unity government' is the instability within one of the coalition partners, UMNO. UMNO president Zahid, who played a pivotal role in forming the 'unity government' is potentially a threat to its unravelling.

Zahid is facing 47 charges of criminal breach of trust, corruption, and money laundering over his charity foundation, Yayasan Akalbudi. The case was adjourned until August, based on the premise of new evidence coming from the attorney general, the deputy public prosecutor Abdul Malik Ayob said in court, he had been instructed by the attorney general's chambers not to object to the defense application to adjourn the case, leading to suspicions of political interference.

Any acquittal of Zahid will lead to criticisms of the Anwar administration, once again on the appointment of Zahid as deputy prime minister. This is an embarrassment to a prime minister, who

is espousing zero tolerance for corruption, when his own deputy prime minister is undergoing a criminal trial, and the case is perceived to be politically influenced.

The home minister, Saifuddin Nasution in March personally overrode the Registrar of Societies (ROS), which oversees the governance of political parties. Saifuddin exempted the need for any party election for UMNO president and deputy president. This allowed Zahid to avoid any challenge to his position as president of the party, and gave him another two-year term of office.

Zahid has also expelled or suspended the party membership of many prominent opponents within UMNO over the last few months. Zahid's withdrawal of candidacy for Shahidan Kassim in Perlis, led to PN winning government from UMNO in that state. Zahid also removed the chief minister in the state of Melaka, replacing him with a loyal ally.

According to political commentator Dennis Ignatius (Ignatius 2023), Zahid has used his position in office for his own agenda, and is a dangerous source of instability for the Anwar administration. These are claims in social media that Zahid has designs upon being prime minister. However, Zahid and Anwar have been very close friends for 40 years going back to their days together in the UMNO Youth movement. Thus its more likely Zahid is a close confident of Anwar, where Zahid is actually 'protecting' Anwar's position.

The second threat to instability comes from Rafizi Ramli, who is the minister of economy. Rafizi and Anwar have a checkered history, full of competition and friction. Rafizi is also the deputy president of the Peoples' Justice Party (PKR). Anwar and Rafizi didn't work closely together during the election campaign, although Rafizi

was given a senior ministry portfolio. However, Rafizi appears to have been pushed aside, and is not part of Anwar's inner circle on political strategy and economic planning.

Rafizi, inexperienced as a minister, has made a few gaffs and is keeping a low profile. It looks unlikely Rafizi would challenge the legitimacy of Anwar at this time. However, the episode of Anwar's former party deputy president Azmin Ali, who was one of the primary instigators of the fall of the PH government in February 2020, should not be forgotten.

### External Threats

The largest external threat to the Anwar administration are the coming six state elections in Kelantan, Terengganu, Kedah, Penang, Selangor, and Negri Sembilan.

According to political analyst Bridget Welsh (Welsh 2023), there was a swing away of Malay support from PH towards PN, in the magnitude of 12-15 percent, depending upon the state. PH only had 15 percent Malay support within the Malay heartlands in the last general election.

If the Unity government can hold Penang, Selangor, and Negri Sembilan, that would be a fair result for Anwar's legitimacy. However, if Negri Sembilan is lost to PN, and the result is a cliffhanger in Selangor, Anwar's perceived legitimacy would be tarnished, although federally, its not necessary to hold a general election until 2027.

## Conclusion

Anwar was accepted by the Malay Polity and establishment to be prime minister and acquires some amount of protection from this. It is clear, the Council of Rulers wanted Anwar in office, in preference to Party Islam Se-Malaysia. Under the Malaysian Constitution, the Yang Di-Petuan Agong has discretion to appoint a prime minister, 'who, in his opinion is most likely to command the confidence of a majority of MPs'<sup>4</sup>. This may save Anwar, if there is a break up of the existing coalition, and a new one has to be built.

Anwar's performance as prime minister, relies upon a pleasing a number of stakeholders that inhibit his ability to act totally within his own discretion. Consequently, the Anwar administration can at best only implement reforms on an *ad hoc* basis. The 'unity coalition' is more a recombination of political parties, rather than a new political movement, that has won power. So far, policy is more or less congruent with the last administration, except for some style and minor adjustments, rather than any radical change in direction.

In all likelihood, Anwar should be able to fulfill a full term as prime minister. The major question here is whether he can obtain a second term in 2027, or when another general election is called. At 75 years old, Anwar would be 79 in 2026. However, it would be likely he would like to continue to hold onto the position. Currently, there is no heir apparent, and unlikely to be one.

To win a second term, Anwar must obtain a swing towards PH in the Malay heartlands. This will be a major challenge. In

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<sup>4</sup> See Article 40 of the Malaysian Constitution.

addition, he must balance policy between a needs and race based blend. His cabinet must perform and avoid any abuse of power, incompetences, and corruption. History indicates this is not an easy challenge in Malaysia.

UMNO's stability will be a key. UMNO's own survival could be questionable. The coming six state election, due before October 25, 2023 will be a good barometer.

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