

PUBLIC POLICIES, ECONOMIC REGULATION AND GOVERNANCE

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OBJECTIVES OF THIS TALK



- To Assess the changes in Economic Growth and Development and their impact upon Public Administration, Management and Governance and
- To Attempt to examine the implications of these Changes upon the Civil Service

BACKGROUND



- Malaysian economy has evolved from its dependence upon the primary sector to the secondary sector and then to Tertiary sector anchored on services. Soon digital economy will become more prominent,
- These changes have assisted the national economic management style from one that focused upon trading and system maintenance (law and order) to one that was supportive of economic growth and development (industrialization), and
- Now to one that is facilitating the role of the private sector as the engine of economic growth (privatisation or PPP for example)

FUNCTIONS OF PUBLIC POLICY



- Originally public administration and public policy aim to provide `public good' (non-exclusivity)—such as law and order, defence, primary health care and public education
- In most countries, Public Policy is traditionally concerned with facilitating economic growth and employment creation and Reducing Social Imbalances
- Leading to development and Management of Assets (ports and airports, universities, highways) and institutions (eg FELDA, MIDA, Taxation system etc)

FUNCTIONS OF PUBLIC POLICY CONT....

- Now there is Increasing role of private sector in the economy and withdrawal of public sector (privatisation)
- Increasingly, public services can be provided by private sector now,(eg. Education and Health)
- This change demands new styles in national management with rising role of economic regulation and good governance



MANAGEMENT FOCUS BEFORE PRIVATISATION



- Public Administration concern was Largely focused on Efficiency, Productivity, Effectiveness
- Instruments such as Cost-Benefit Analysis, Cost Effectiveness, ROI analyses, became important in Resource Allocation and Programme Budgeting
- Public Sector and governmental role (based on administrative power) for Balanced development and sustainable growth is essential
- Central Agencies and Administrative committees are important in making decisions and procedures leading to development of strategic plans (Macro, sectoral, and regional, Five Year Plans)

REGULATIONS AFTER PRIVATISATION

- Public services and utilities (TM, Mas, TENAGA, airports and ports) have been privatised
- These public monopolies become private monopolies
- Who protect and deal with public interests then?
- The issues of public interest such as consumer welfare, technical standards (safety?) market standards such as competition and monopoly, and fair trade matters, prevail,
- Commissions were set up to examine these latter issues. Malaysian Commission of Multimedia and Communication (MCMC), Energy Commission, Water Commission, SPAD, are examples of these regulatory bodies

FURTHER PRIVATISATION INCLUDING LISTING IN STOCK MARKET

- Additional capital needs force corporatised entities to list in stock markets (Telekom, Tenaga Nasional, MAS, MISC, BERNAS etc)
- Market liberalization (Foreign Capital is welcomed)
- Market Discipline is enhanced so as to advance corporate governance and protect investors' interests (of international standards)
- Institutions such as Companies Commission, Securities Commission and the Stock Exchange take over as regulators
- The role of Ministry of Finance Inc., and some Ministries, became active in protecting governmental interests,

REGULATORY STRUCTURE



- Move from Government departments (eg Jabatan Telekom) to independent or semi-independent commissions (eg. MCMC)
- Members of Commissions consisting of Government representatives, industry specialists, consumer representatives, who set up policies and rules governing the industry
- Contents - Regulations previously biased towards technical standards now include market (competition) and Consumer standards, too

ELEMENTS OF GOOD GOVERNANCE

- Accountability to Stakeholders
- Transparency
- Conflict of Interest?
- Market Discipline
- Zero Corruption
- Strong Business Ethics (care for consumerism,



GOVERNANCE IN CORPORATE SECTOR

- Corporate governance is well developed in the private sector in Malaysia
- The institutions such as Security Commission, SSM, and the BSKL governed the stock market and protect the interests of shareholders,
- The Role of the market is also supplemented by private institutions such as Malaysian Institute of Corporate Governance (MICG) and the Minority Shareholders Watchdog Group (MSWG)
- The Company Law provides the AGM as an instrument for shareholders to check the effectiveness and impact of Directors and top Management

(CONT)

- In the Financial and Banking system the Role of the Central Banks and Securities Commission has been adequately defined and provided by the national laws to strengthen and supervise the banking system and the capital market, especially after the 1997/98 financial crisis



GOVERNANCE AND ECONOMIC STABILITY

- **The East Asian financial crisis of 1997/1998 was partly caused by inadequate corporate governance in the financial system**
- **The Economic crisis of 2008/2009 was caused by the lack of governance of the investment banking system (shadow banks) in USA**
- **Our Forex Loss in early 1990s was also caused by lack of stringent governance dealing with forex then,**
- **Now several strict Governance measures are in place to protect our banking and financial system**

GOVERNANCE IN PUBLIC SECTOR SERVICES



- The pure Government sector ? Public Administration with clear roles of the Central agencies Treasury, JPA, EPU, MAMPU as stipulated by laws and accepted practices
- The Statutory Bodies? Board of Directors with reps of Central agencies and Overall Legislations
- Government Companies, GLCs, GICs whose BODs contain reps of Ministry of Finance Incorporated (MOF Inc) and central agencies



PRESENT STRUCTURE OF PUBLIC GOVERNANCE

- **Parliament**
- **Public Accounts Committee**
- **The Cabinet**
- **Auditor General Report**
- **Governance and Integrity Committee at Ministerial level**
- **Central Agencies' Role**

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ISSUES OF RELEVANCE

- Governance and Decentralization of authority
- Governance and the role of the Market
- Governance and Conflict of Interest
- Governance and Board of Directors (Independent Directors) and the Audit Committee
- Governance in the matter of Raising Revenue to overcome budget cut



CIVIL SERVICE CAPACITY IN ENHANCING GOVERNANCE

- Are they equipped to advice on Regulatory Economics and Regulations
- Are they competent to advise and ensure good governance as we move forward with greater private sector role in the economy?
- Has the civil service (eg. INTAN) built capacity in understanding and formulating good governance?
- Have we examined our laws whether they are in line with good governance in both public and private sectors?

MOVING FORWARD



- How is Governance in our health and education sectors now that we have greater private sector role in these social services. Is it just concerning technical standards? How about market standards?
- Now that Governmental deficit is a critical policy matter, how do we address financial governance so as to ensure delivery and efficiency in expenditures and revenues system
- Is the Civil Service competent and knowledgeable in advising on matters of good governance or are they still in the zone of managing efficiency and effectiveness concerns