Outline

- The World Bank Group in Malaysia
- Regulatory quality as a key enabler of sustained growth and productivity
- Malaysia’s regulatory reform journey
- WBG’s work on Good Regulatory Practices
- WBG-Government of Malaysia collaboration on regulatory reform
- Opportunities for regulatory reform in Malaysia in the coming years
WBG in Malaysia: Why and Who We Are

Three Agreements

• Establishment Agreement (Jan 27, 2015) sets out the broad relationship between Malaysia and the World Bank Group (IBRD, IFC, MIGA) through the Malaysia Office.
• Facilities Agreement (Jan 27 2015) specifies parameters of WBG Office facilities, use, etc.
• Office Support Agreement, OSA (Oct 1, 2015) objectives of the Country Office, financing parameters, reporting and interaction with the Government. Annexes outline access to information, WBG flexibility in use of resources, etc.

OSA

• Five year agreement, with annual consultations and a mid-term review.
• Covers all Hub operations (including DEC). Signed by WBG, MOF and Bank Negara Malaysia.
• 100% Funded on Semi-Annual Reimbursable Basis.
• Two Strategic Govt-WBG Reviews in May 2016 and June 2017- Full Endorsement of Program.
Regulatory Quality: A Key Enabler of Sustainable Growth and Productivity
Lots of research with almost similar stories: Regulation impacts growth, informality, governance...

Loayza, Oviedo & Servén, 2005: The Impact of Regulation on Growth and Informality: Cross-Country Evidence
The “macro” impacts are reflected in impacts attributed to specific regulatory management tools...

Improvements in regulatory governance quality leads to significant economic benefits.

(Ministry of Justice of the Socialist Republic of Viet Nam, 2008)

Systematic use of Regulatory Impact Assessment result in large monetary savings, boosts investments, job creation and growth

(Ministry of Justice of the Socialist Republic of Viet Nam, 2008)

Mandatory online public consultation on regulatory drafts provides net benefits equaling 0.25% of Vietnamese GDP.

(Jacobzone S., F. Steiner, E. Ponton and E. Job, 2010)

Regulatory Quality and Governance has significant impact on Foreign Direct Investment

(Anis et al 2013, Daude & Stein, 2007)
Malaysia’s Regulatory Reform Journey
Malaysia’s regulatory reform journey

**SELECTED HIGHLIGHTS**

- **1970s-2000s**
  - Privatization, sector regulation, deregulation, administrative reforms and streamlining of procedures

- **2007-**
  - **PEMUDAH**
    - Public-private partnership to enhance public service delivery and improve the business environment; Doing Business reforms; delivery reforms and streamlining of processes.

- **2010-**
  - **MPC’s Regulatory Review Department**
    - Reducing Unnecessary Regulatory Burden (RURB); Doing Business reforms; Business licensing reforms; Service sector deregulation; quality standards for regulation

- **2013-**
  - **National Policy on the Development and Implementation of Regulations (NPDIR)**
    - Promoting a regulatory process that is effective, efficient and accountable, and that achieves greater coherence among the policy objectives of government.

- **2016-**
  - **Annual Report on Modernisation of Regulations**
    - Continued rollout of NPDIR across government; GRP to also include states and local governments

- **2007-2010**
  - MPC’s Regulatory Review Department

- **2013-2016**
  - National Policy on the Development and Implementation of Regulations (NPDIR)

- **2016-**
  - Privatization, sector regulation, deregulation, administrative reforms and streamlining of procedures

- **1970s-2000s**

- **2000s**

- **2010-2016**

- **2016-**

**SELECTED HIGHLIGHTS**

- Malaysia’s regulatory reform journey from privatization, deregulation, and ad hoc initiatives to streamline regulation, to a systematic whole-of-government application of regulatory governance practices makes up a foundation for great improvements and indicates strong commitment.

- Similar routes have been taken by most developed countries, and is in line with global best practices as recommended by international organizations.
Good regulatory polices are reflected in Malaysia’s global ranking

With a score of 5.4 out of a maximum of 6.0 in Global Indicators of Regulatory Governance, Malaysia is among the top-15% globally.
however significant implementation issues remain

- RIAs are not consistently carried out, and sometimes lack the analytical depth required to fully leverage their potential;
- RIAs are sometimes carried out after decision to regulate, or after regulation has been developed;
- Monitoring and evaluation of GRP compliance has only recently started, and could be strengthened with quality indicators (such as number of RIAs complying with standards);
- Perception by some stakeholders of consultation practices as being pro-forma and too late to have any impact on final rules;
- Lack of published medium-term strategy with milestones and results indicators for further rollout of NPDIR;
- Scattered awareness across government of the full requirements of NPDIR, and of procedural requirements for good regulatory practices.
WBG’s work on Good Regulatory Practices
The drivers Good Regulatory Practices

- Increased attention to systemic issues is in response to new drivers of regulatory reform and reform support experience
  - Many countries experience a large discrepancy between regulations “on the books” and actual regulatory practice.
  - Broader calls for accountability and transparency from international and domestic players.
  - Various GRP requirements becoming mandatory in international agreements, including Bilateral Investment Treaties (BITs), Preferential Trade Agreements (PTAs) and several WTO protocols.
The World Bank’s “Good Regulatory Practice” Program: Seven components delivering on three objectives

**Program**
Launched in October 2015; initially as a 4-year program

**WBG Partners**
- Trade and Competitiveness GP
- DEC (Global Indicators Group)
- Governance GP

**Goal**
Help governments enhance the quality of regulatory regimes and their outcomes and put in place effective, transparent, accountable and consultative reform processes that assist in reform prioritization, design, and implementation

**Program Components**
- Create reform momentum and help identify priority reform areas
- Cross-country Indicators on Rule-making
- Regulatory Policy and Delivery Review
- Improve quality of regulatory design
- Evidence-based Policy-making
- Notice and Comment Systems
- Ensure good implementation of regulatory reforms
- Feedback Loops on implementation gap
- Systemic Investor Response Mechanism
- Closing the Implementation Gap and Uncertainty of G2B Services
An integrated approach to Good Regulatory Practices

Design and implementation of business regulation reforms

Institutions, incentives, and processes for business regulation and private sector development

Design and implementation of government-wide regulatory governance systems

Business Registration
Doing Business Reforms
Licensing and Inspection
Construction Permitting
Process Simplification
One-Stop-Shops and Transactional Portals
Indicators for Regulatory Governance
Regulatory Impact Assessment
Regulatory Transparency / Open Government
Grievance & Appeals Mechanisms
Public Consultation / Notice & Comment
Governance of Sector Regulators
ICT for Regulatory Service Delivery
Regulatory Oversight Institutions
Regulatory Policy
Strategic Planning
Civil Service Incentives & Reform
WBG-GoM Collaboration on Regulatory Reform
Two tracks of dynamic and reform-oriented collaboration

- **“Inbound” technical assistance**: On-request reform support.
  - Current collaboration: web-based system for public consultation for regulation (Notice & Comment)
  - (Details of collaboration in subsequent slides)

- **“Outbound” knowledge program**: Documenting Malaysia’s Regulatory Reform journey.
  - A strong and coherent narrative will allow other countries and regional fora to learn from Malaysia’s regulatory reform experience
  - Part of a broader “outbound” knowledge agenda documenting and sharing Malaysia’s innovations Public Sector Performance
  - (Collaboration planned to commence in second half of 2017)

- **Working modality**: Highly collaborative and dynamic involvement of MPC, Hub-based staff, and the WB’s global Regulatory Policy and Management Team
What is Notice and Comment?

“Online, web-based tools that are intended to support general public participation in rulemaking.”

- N&C generally happens in the rulemaking proposal stage.
- Although it can be used:
  - for the design of regulations,
  - when drafting regulations,
  - as part of a RIA, and
  - to review existing regulations.
N&C and Regulatory Governance Reform

- N&C is considered a good regulatory practice, which is more effective when conceived in broader regulatory governance reforms.

- N&C is also an essential part of a set of regulatory governance tools to improve new regulations:
  - Regulatory impact assessments (RIA)
  - Consideration of regulatory alternatives
  - Forward regulatory planning
  - Other consultation mechanisms

- Through public consultation, N&C improves transparency, efficiency, effectiveness and quality of regulations.
Notice-and-Comment: An excellent example of Malaysia’s strong GRP policy and implementation challenges…

<table>
<thead>
<tr>
<th>Malaysia’s Good Practices</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>National regulatory policy (NPDIR) requires consultation with stakeholders.</td>
<td>Ad-hoc compliance with GRP requirements, including public consultation.</td>
</tr>
<tr>
<td>“Guideline on Public Consultation Procedures” to support regulators with consultation practices.</td>
<td>In most consultations, the legal text of the regulation and comments received are not publicly available.</td>
</tr>
<tr>
<td>Government circular requiring that public consultations are conducted online.</td>
<td>Public perception that consultation are “briefings” or “ticking-the-box” exercises.</td>
</tr>
<tr>
<td>Some agencies taking important initial steps to comply with GRP requirements.</td>
<td>No unified website to provide access to regulatory proposals and opportunity to comment on them.</td>
</tr>
</tbody>
</table>
WBG – Government of Malaysia collaboration on N&C

- Formalized in March 2017 through a letter of request from the Director General of Malaysia Productivity Corporation (MPC).

- Focus on designing and piloting a **unified website for online public consultation** in rulemaking initiatives: Notice and Comment (N&C).

- To improve online consultation practices, the WBG and MPC agreed on an action plan, including:
  1. Review of current consultation practices in Malaysia.
  2. Review of international experiences with online N&C portals.
  3. Co-design specifications/requirements of the proposed unified N&C web-site.
  5. Design and execution of N&C “experiments”, to learn which approaches toward online public consultation conduct to better outcomes and results.
Malaysia: The road ahead on GRP
Opportunities to consolidate and improve GRP – some ideas

- **Policy:** NPDIR 2.0 with updated and revised elements that create a more realistic and consolidated implementation plan.

- **Monitoring:** Regular reporting on GRP progress must focus on agency-specific compliance with specific regulatory management requirements, and strengthen indicators of regulatory quality.

- **Enforcement and support:** Ensure a better calibration between powers of the regulatory oversight function and the desired regulatory quality outcomes.

- **Incentives:** Encourage inclusion of GRP targets in performance agreements of regulators’ staff.

- **Partnerships:** Continue collaborations with external partners (such as the WB) to constantly inform and challenge reform processes.
Thank you