THE RISE OF REGULATORY SANDBOX
A balance between innovation and regulatory compliance

Regulation not keeping pace with unprecedented transformation
Keeping regulation effective gets more difficult as developing technology often runs ahead of the law, and new applications are constrained by regulations. Regulation is not keeping pace with digital and technology disruption resulting in profound impact on existing industry structures and value chains. The World Economic Forum describes this transformation as the "Fourth Industrial Revolution," because the speed and extent of disruption is unprecedented.

What is Regulatory Sandbox?
Sandbox is one of the most common words in the FinTech world in the financial industry, where there is a growing need to develop regulatory frameworks for emerging business models. The term refers to a mechanism for developing regulation that keeps up with the fast pace of innovation.

The UK Financial Conduct Authority (FCA) has led progress in this area, with its Project Innovate Unit announcing that sandboxes are a "safe space in which businesses can test innovative products, services, business models, and delivery mechanisms without immediately incurring all the normal regulatory consequences of engaging in the activity of question (https://www.fca.org.uk). Participants have used the sandbox to test a range of business models involving different technologies. The UK's regulatory sandbox which started in May 2016 has been benchmarked and adapted by regulators. Successful applicants have come from a variety of sectors, reflecting the increasingly global nature of FinTech. This sets off the current global trend to take a more progressive and proactive approach to establish FinTech (financial technology) sandboxes in UK, Singapore, Hong Kong, Malaysia, Indonesia, Australia and Thailand. Participants have used the sandbox to test a range of business models involving different technologies.

The "sandbox" approach facilitates technology innovators to collaborate and communicate in a "safe space" to test and eventually enter the market with some degree of regulatory oversight and support. It allows regulators to test and understand these new technologies and finally- and perhaps most importantly- it does not burden new businesses with overbearing regulations before the actual launch. Sandboxes are great concept, particularly in developing economies that still don't have the necessary ecosystems required to support and promote innovation.


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The National Regulatory Sandbox Initiative

MOF Implements National Regulatory Sandbox Initiative: The Ministry of Finance (MOF) has started to implement the National Regulatory Sandbox Initiative which involves the creation of a brain-storming group from regulators and selected industry players to enable innovators to test their solutions or products in a conducive environment.

Its Secretary-General, Tan Sri Dr Mohd Irwan Serigar Abdullah, said the government wanted the regulators to have an open mind on the rapidly-changing technology and amend appropriate laws for the implementation of the new initiative.

"For investors and young entrepreneurs as well as startup companies to start business, regulations or business rules must be appropriate and conducive for them to operate."

"Sometimes the regulators are too slow to introduce the Act or change the regulations that resulted in the industry not being able to operate, like for the Uber’s service, which took a year to introduce," he told the media after launching the National Regulatory Sandbox Initiative here today.

He said the sectors identified for the Sandbox Initiative were agriculture; biotechnology; building; education; energy; financial; food; green technology; healthcare; hospitality; smart city; sports; telecommunication; transportation; tourism; water management; and, waste management.

Irwan Serigar, who is also Chairman of the National Regulatory Sandbox Taskforce, said that for the purpose, the National Strategy Unit at the Ministry of Finance, together with Futurise Centre @ Cyberjaya and the Malaysian Global Innovation and Creativity Centre (MaGIC), has set up the National Regulatory Sandbox Secretariat to ensure its successful implementation.

He said the initiative would enable Malaysia to compete with other developed countries and attract foreign and domestic investors to invest in Malaysia.

Meanwhile, he said, to make Cyberjaya a Living Lab for the initiative, also involved efforts to upgrade the city’s infrastructure, payment using the e-payment platform and boosting the Internet speed to fifth generation (5G), he said.

"Next week we will announce the multinational companies interested in developing Cyberjaya as Smart City and one of its components is the 5G Internet service," he said, Bernama.

A Reflection of Grab & Uber Case

GrabCar and Uber are some of the cases who have successfully bridged entrepreneurship innovation and overcome some kind of regulatory hurdles. GrabCar and Uber were set to be officially legal in Malaysia after the Dewan Rakyat (Parliament) on July 27 2017, passed amendments to the Land Public Transport Act 2010 and the Commercial Vehicles Licensing Board Act 1987, giving the green light for e-hailing services. The Land Public Transport Commission (SPAD) said the amendments would ensure that service operators and drivers would implement the highest safety and service standards including the mandatory background inspection. The legalisation of e-hailing services, as part of the Taxi Industry Transformation Plan (TITP) aims to create a level playing field for taxi drivers and e-hailing drivers as both will be subject to the same regulations. Under the amended acts, operators will be required to acquire an individual permit issued by either the Land Public Transport Commission (SPAD) for Peninsular Malaysia or Commercial Vehicles Licensing Board for Sabah and Sarawak.
Assessing Airbnb as a disruptive innovation relative to hotels: Substitution and comparative performance expectations

(Source: International Journal of Hospitality Management, Volume 64, July 2017, Pages 1-10)

Millions of tourists have used Airbnb accommodations, and Airbnb is frequently discussed in terms of its current or future impacts on hotels. The purpose of this research was to investigate such impacts by determining the extent to which Airbnb is used as a hotel substitute and to examine how Airbnb guests expect their accommodations to perform relative to hotels. Together, these analyses were intended to provide empirical insight into Airbnb's status as a disruptive innovation. The study involved an online survey of over 800 tourists who had used Airbnb within the previous year. Nearly two-thirds had used Airbnb as a hotel substitute. When considering traditional hotel attributes (e.g., cleanliness and comfort), Airbnb was generally expected to outperform budget hotels/motels, underperform upscale hotels, and have mixed outcomes versus mid-range hotels, signalling some—but not complete-consistency with the concept of disruptive innovation. Numerous practical and theoretical implications are discussed.

Abstract "Regulating Business Innovation as Policy Disruption: From the Model T to Airbnb"

"Many have invoked the term “disruptive innovation” when addressing the platform (sharing) economy, with sweeping claims about the dramatic changes this development promises for law, regulation, and the economy. The challenges raised by the platform economy surely are important, but we argue that recent scholarship focusing on the immediacy and novelty of the platform economy has been ahistorical, and has therefore missed the bigger picture about how to regulate it. History is full of technological and management advances that fundamentally disrupted business models for a brief period of time. When business innovation upends a pre-existing business model in a regulated industry, the result can be a disjunction between the structure of the regulatory system governing incumbent firms and the firms disrupting the industry: a policy disruption. Policy disruption can result from conscious choices by entrepreneurs to exploit legal loopholes or to challenge regulatory protections for incumbents. But it can just as easily result from gaps in a regulatory regime or fundamentally new business models that solve problems legal regimes have been designed to address."


Dr. James E. Ruhl, Vanderbilt Law Review, 2017

Airbnb has been cited as disruptive innovation relative to hotels in the hospitality industry as it taps on the modern internet technologies with its popular service that enables travelers to lodge in homes rather than a traditional hotel room.

Regulatory sandbox is not a one-size-fits-all solution, it is just one tool among others.

"In reality, a range of practices exists, some of which may not fit neatly under the sandbox definition. While there are benefits such as lowering cost of innovation and enhanced communication between regulator and innovators, challenges faced include limited capacity of regulator to run the sandbox and fragmentation of regulatory regimes locally, nationally and internationally. There are many other avenues for innovation including pilot project experimentation, test-and-learn approach and a wait-and-see approach. For example, the test-and-learn approach enables a regulator to craft an ad hoc framework within which an innovator tests a new idea in a live environment, with safeguards and key performance indicators in place. The wait-and-see approach allows a regulator to observe how an innovation evolves before any interventions.

Regulatory sandboxes are too new to be fully understood and evaluated. In the absence of hard, long-term data on successful testing, their risks and benefits are speculative, but they deserve further attention. CGAP has conducted a comprehensive mapping of regulatory sandboxes to gain insights into their actual and potential role in emerging markets and developing economies (EMDEs) to advance FinTech innovations. Their findings offer a compass for policy makers to navigate through this complex new landscape. Policy makers need to carefully choose the approach that best fits their priorities, capacities, and capabilities, as certain innovations simply may neither fit a regulatory box nor a regulatory sandbox.

Hence the importance of regulatory adaptation is increasing. Regulators’ adaptability to adapt is proportionate to regulator’s flexibility, which is constrained by degree of discretion allowed by laws’ resources (staff, time, money), liability (incentivizing risk aversion) and political support (incentivizing risk aversion).

In Pursuit of Best Compliance Outcomes through the Eleven Principles

The eleven principles addressing the design of the policies, institutions and tools for promoting effective compliance and the process of reforming inspection services to achieve results are:

1. **Evidence-based enforcement.** Regulatory enforcement and inspections should be evidence-based and measurement-based: deciding what to inspect and how should be grounded on data and evidence, and results should be evaluated regularly.

2. **Selectivity.** Promoting compliance and enforcing rules should be left to market forces, private sector and civil society actions wherever possible: inspections and enforcement cannot be everywhere and address everything, and there are many other ways to achieve regulatory objectives.

3. **Risk focus and proportionality.** Enforcement needs to be risk-based and proportionate: the frequency of inspections and the resources employed should be proportional to the level of risk and enforcement actions should be aiming at reducing the actual risk posed by infractions.

4. **Responsive regulation.** Enforcement should be based on "responsive regulation" principles: inspection enforcement actions should be modulated depending on the profile and behaviour of specific businesses.

5. **Long term vision.** Governments should adopt policies and institutional mechanisms on regulatory enforcement and inspections with clear objectives and a long-term road-map.

6. **Co-ordination and consolidation.** Inspection functions should be co-ordinated and, where needed, consolidated: less duplication and overlaps will ensure better use of public resources, minimise burden on regulated subjects, and maximise effectiveness.

7. **Transparent governance.** Governance structures and human resources policies for regulatory enforcement should support transparency, professionalism, and results oriented management. Execution of regulatory enforcement should be independent from political influence, and compliance promotion efforts should be rewarded.

8. **Information integration.** Information and communication technologies should be used to maximise risk-focus, co-ordination and information-sharing – as well as optimal use of resources.

9. **Clear and fair process.** Governments should ensure clarity of rules and process for enforcement and inspections: coherent legislation to organise inspections and enforcement needs to be adopted and published, and clearly articulate rights and obligations of officials and of businesses.

10. **Compliance promotion.** Transparency and compliance should be promoted through the use of appropriate instruments such as guidance, toolkits and checklists.

11. **Professionalism.** Inspectors should be trained and managed to ensure professionalism, integrity, consistency and transparency: this requires substantial training focusing not only on technical but also on generic inspection skills, and official guidelines for inspectors to help ensure consistency and fairness.

**Box 1: Types of Unnecessary Regulatory Burdens**

- Excessive coverage by a regulation — that is, the regulation affects more activities than was intended or required to achieve its objective (includes ‘regulatory creep’)
- Subject-specific regulation that covers much the same issues as other generic regulation
- Prescriptive regulation that unduly limits flexibility and opportunities for businesses. From using the best technology of making product changes to better meet consumer demand and meeting the underlying objectives of regulation in different ways.
- Overly complex regulation
- Unwieldy licence application and approval processes, excessive time delays in obtaining responses and decisions from regulators
- Rules or enforcement approaches that inadvertently result in businesses operating in less efficient ways
- Unnecessarily invasive regulator behaviour, such as overly frequent inspections or irrelevant or duplicative information requests
- Overlap or conflict in the activities of different regulators
- Inconsistent application or interpretation of regulation by regulators

**Source:** A Guide To Reducing Unnecessary Regulatory Burdens: Core Concepts by MPC, 2014

"In spite of the increasing focus on improving regulations for businesses (and citizens), enforcement and delivery of these regulations, and in particular inspections, have been the object of considerable attention. Studies and reform programmes often assume delivery, effectiveness, compliance and tend to pay too much attention to how third parties, but also the state administration, are actually supposed to work with rules in practice. There is, however, a growing body of experience and evidence that shows that these regulatory objectives.

"The OECD has played a leading role in the international community to promote regulatory reform and the implementation of sound regulatory processes on a whole-of-government approach. The body of information and experience it has gathered is summarised in the Recommendation of the Council on Regulatory and Policy Governance (OECD, 2012). The report Regulatory Enforcement and Inspections: OECD Best Practice Principles for Regulatory Policy complements the 2012 Recommendation and is intended to assist countries in reforming inspections and developing cross-cutting policies on regulatory enforcement. The principles seek to construct an overarching framework to support initiatives on improving regulatory enforcement through inspections, making them more effective, efficient, less burdensome for those who are inspected and at the same time less resource-demanding for governments.

**Source:** The OECD Best Practice Principles for Regulatory Policy: Regulatory Enforcement and Inspections, OECD, 2014

**Box 2: Draft International Best Practice Principles: Improving Enforcement and Inspections**

1. Evidence-based enforcement. Regulatory enforcement and inspections should be evidence-based and measurement-based: deciding what to inspect and how should be grounded on data and evidence, and results should be evaluated regularly.

2. Selectivity. Promoting compliance and enforcing rules should be left to market forces, private sector and civil society actions wherever possible: inspections and enforcement cannot be everywhere and address everything, and there are many other ways to achieve regulatory objectives.

3. Risk focus and proportionality. Enforcement needs to be risk-based and proportionate: the frequency of inspections and the resources employed should be proportional to the level of risk and enforcement actions should be aiming at reducing the actual risk posed by infractions.

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Reformers have recommended various strategies to streamline business inspections including a number of good practices and key principles which have now found wide acceptance. Many of these precepts have previously been documented in key reports from various governments, perhaps most notably in the 2005 “Hampton Review” prepared under the direction of Sir Philip Hampton for the United Kingdom. Sir Philip Hampton’s 2005 review, ‘Reducing administrative burdens: effective inspection and enforcement’ considered how to reduce unnecessary administration for businesses, without compromising the UK’s excellent regulatory regime. The review found that the current regulatory system imposed too many forms, duplicate information requests and multiple inspections on businesses. Hampton recommended that introducing risk assessment could:

- reduce inspections by up to a third – meaning around one million fewer inspections
- cut the number of forms sent by regulators by almost 25 percent

The report also stated that risk assessment would help regulators target non-compliant businesses more effectively, and reduce the burden on those businesses that do comply. Recommendations in the Hampton final report proposed:

- reducing inspections where risks are low, but increasing them where necessary
- making much more use of advice, applying the principle of risk assessment
- substantially reducing the need for form-filling and other regulatory information requirements
- applying tougher and more consistent penalties where necessary
- reducing the number of regulators that businesses deal with from thirty-one to seven
- entrenching reform by requiring all new policies and regulations to consider enforcement, using existing structures wherever possible
- creating a business-led body at the centre of government to drive implementation of the recommendations and challenge departments on their regulatory performance

Along with these specific recommendations, the Hampton Review sets out some key principles that should be consistently applied throughout the regulatory system:

- regulators, and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources on the areas that need them most
- regulators should be accountable for the efficiency and effectiveness of their activities, while remaining independent in the decisions they take
- no inspection should take place without a reason
- businesses should not have to give unnecessary information, nor give the same piece of information twice
- the few businesses that persistently break regulations should be identified quickly and face proportionate and meaningful sanctions
- regulators should provide authoritative, accessible advice easily and cheaply
- regulators should be of the right size and scope, and no new regulator should be created where an existing one can do the work
- regulators should recognise that a key element of their activity will be to allow, or even encourage, economic progress and only to intervene when there is a clear case for protection

(Source: Reducing administrative burdens: effective inspection and enforcement, Philip Hampton, March 2005).

"Risk-based Analysis on Enforcement and Inspection Handbook for Government Ministries & Agencies" presents a comprehensive guide to facilitate regulators to develop coherent risk management framework for the application of risk management in regulatory inspection and enforcement. Effective regulations achieved through a more robust process of risk-based analysis and consultation with stakeholders enhances efficiency and accountability and at the same time promotes greater participation, inclusiveness, better buy-in and transparency. This publication also draws heavily on case studies presenting the different risk-based inspection systems of Australia, Netherlands, England and Wales, UK and Ireland, indicating the nature of risks varies from one sector to another, and for this reason, many methods and tools have been developed to help them address risks systematically. We hope that this publication will serve as useful reference for regulators to strive for continual improvement and enhancement of the inspection and enforcement process.”

Foreword from Y Bhg. Dato’ Mohd Razali Hussain,
Director General, MPC
NEWS ON GRP

Series of engagements with ministries & agencies, verification of NTMs, identifying possible issues on NTM procedural requirements and public consultation with industry & stakeholders.

6 February 2018 at HQ Perhilitan, Cheras: Review of NTMs with the Department of Wildlife and National Parks (PERHILITAN)

*If you don’t have a conducive environment you will face cumbersome procedures. It is pertinent to have a conducive regulatory environment to reduce the regulatory burden and ease of doing business. Among them is removing unnecessary NTMs - under Thrust 4 of the Malaysia Productivity Blueprint. We need to look at the efficiency of the delivery system. Are regulations frustrating or facilitating? Today’s consultation session aims to seek views and feedback from industry and the way forward. Public consultation is part of Good Regulatory Practice."

Welcome Remarks by Y Bhg Dato Abdul Latif Hj Abu Seman, Deputy Director General of MPC

While there is a need for stringent control and effective enforcement, the main aim is not to burden industry but to ensure level playing field for the industry to compete. We look forward to getting feedback on views and comments on the Fourth Schedule of CIDB Act and Certificate of Compliance (PPS). Response from industry players is crucial. Today’s engagement is to review NTMs on construction materials, to reduce unnecessary NTMs and remove irrelevant NTMs. Need to answer 3 critical questions- Is it legal? Is it needed? And is it efficient? As follow-up, subsequent engagement can be arranged to delve into more details of the issues which could then be escalated to the NTM Working Group for their review."

Speech by Y Bhg Dato Sarani Dollah, Deputy Secretary General of Public Works who officiated the workshop.

Seeking the views from participants:
What would we like to hear from you:
1. On the Fourth Schedule, do you agree with the scheduled construction materials? Why?
2. Is it necessary to comply with only Malaysia Standard (MS)? Why?
3. Do you agree that the Certificate of Standards Compliance (PPS) is necessary for construction materials? Why?
4. Do you agree that all imported materials need Certificate of Approval (COA)? Why?
5. Which procedure do you find most burdensome? Why?
6. Do you have any suggestions to reduce regulatory burden on construction materials?

3-4 March 2018, Pulse Grande Hotel, Putrajaya: Workshop on Verification of NTMs Food Safety and Quality Division, Ministry of Health Malaysia (BKKM-MOH)

27 February 2018, Hilton Petaling Jaya: Workshop cum Public Consultation on Review of NTMs under Jurisdiction of KKR

The session was attended by more than 50 participants comprising representatives from the Ministry of Works (KKR), MITI, CIDB, EPU, REDHA, SFLA, FMM, IEM, MSMDA, MSIF, MBAM, SWAM, CCA, MPC Associates and companies.

Mr Goh Swee Seang, MPC Associate presented on the NTMs Profiling Report for Construction Materials and facilitates the public consultation session with industry on initiatives to review NTMs.

Participants were encouraged to share their issues, views and suggestions for improvements on the Non-Tariff Measures (NTMs) that impacted on their businesses, whether as manufacturers, end-users or importers, which dealt with construction materials. Mr. Goh informed that the Working Group would later meet up with the various associations and industry stakeholders for a detailed session on the issues as well as looking into process flows and procedural obstacles.

3-4 March 2018, Pulse Grande Hotel, Putrajaya: Workshop on Verification of NTMs Food Safety and Quality Division, Ministry of Health Malaysia (BKKM-MOH)

5 March 2018, Venue Dorset Subang: Review of NTMs with Ministry of Primary Industries and Commodities (MPIC) and its agencies

5-7 Mac 2018, Dorsett Grand Hotel, Subang: Workshop to Review and Collect NTM Data for the Malaysia Pineapple Industry Board (MPIB)

16-17 March 2018, Hotel Pulse Grande, Putrajaya Workshop for Final Review of NTMs for the Ministry of Natural Resources & Environment (NRE)

DRIVING PRODUCTIVITY OF THE NATION
The public consultation session was officiated by Y’Bhg. Dato’ Dr. Ahmad Kamarulnajuib Bin Che Ibrahim, Director General of Department of Environment (DOE). The session drew representatives from various government agencies and private sector - industry, NGOs, Statutory Bodies and Project Developers, aimed to brief and gather views from the various stakeholders on the formulation of the new Act to replace the Environmental Quality Act. This new law is being prepared to deal with new and complex environmental issues.

The panelists comprise:

1) Y’Bhg. Dato’ Dr. Ahmad Kamarulnajuib Bin Che Ibrahim
2) Y’Brs. Th. Hj. Ruslan Bin Mohamad (Director, Enforcement Division)
3) En. Mohd Sani Bin Mat Daud (Senior Principal Assistant Director, Enforcement Division)
4) En. Mohamad Muzaffar bin Abdul Hamid, MPC
5) Pn. Shahrizia Binti Bahari, MPC

About 300 participants from the construction industry attended the seminar held in Penang, officiated by Y’Bhg. Dato’ Ir. Asri bin Abdul Hamid, CEO of CIDB Malaysia.

As part of the partnership, CIDB will be working with MPC on three key focus areas to improve the productivity levels and modernisation of the construction industry:
- Produce IBS Champions in the construction industry.
- Encourage Small and Medium Enterprise (SME) construction players to utilise Building Information Modelling (BIM) software and training through MPC’s Skim Penyengat Produksi & Human Capital Entrepreneurialism (SPPE) initiative; and
- Measure productivity levels in the construction industry through MPC’s e-Productivity Gain Measurement (PGM) Tool.

The adoption of IBS and BIM construction technologies in the construction industry is vital to enhance and elevate the level of productivity, quality and safety at construction sites.

The use of IBS and BIM will also enable construction industry players to achieve higher cost-effectiveness.

On IBS, the National Council for Local Government or Majlis Negara Kerajaan Tempatan (MNKT) has mandated the use of IBS for all private sector projects with a minimum value of RM50 million and to attain a minimum IBS score of 50 by 2020.

Whereas for the public sector, the Ministry of Finance has directed that all public projects worth more than RM10 million must achieve a minimum IBS score of 70 by 2018.

On the use of BIM, CIDB has established the myBIM Centre to increase the adoption of BIM and the number of BIM practitioners in the industry.

Through the use of BIM, industry players will be able to virtually analyse and correct key physical and functional characteristics prior to the construction process.

The Centre, which was launched in November 2017, acts as a one-stop-centre for BIM personnel to use resources such as BIM hardware and software on a pay-use basis. To date, the Centre has produced 1,328 BIM personnel.

The partnership between CIDB and MPC is part of the Construction Industry Transformation Programme 2016-2020 (CITP)’s overall strategy to move more than double productivity levels and modernise construction practices by 2020. For more information, visit www.cidb.gov.my.
SNIPPETS: FOCUS GROUP DEALING WITH CONSTRUCTION PERMITS (FGDCP) ACTIVITIES


The objective of this workshop is to improve the process of approval of existing construction permits for development involving access via highways. To achieve this objective, several agencies such as Kementerian Kerja Raya (KKR), Lembaga Lebuhraya Malaysia (LLM), Jabatan Kerjaan Tempatan (JKT), PLUS BERHAD, ANIH BERHAD, LITRAK, KESAS, LATAR, PETRONAS and PETRON were involved in the discussion to develop solutions. The workshop focused on development on LLM’s road reserve.

In the macro view of the workshop, a few issues were captured regarding the development of access highways:
1. Delay in getting approval from LLM
2. Information regarding construction on LLM’s street are not conveyed to submitting persons.
3. Too much interactions and unclear decision making by LLM and local authorities increase compliance cost.

After the mapping of process flow, eleven procedures were identified. The purpose of the procedures are to protect public safety and meeting highway standards/quality. From the discussion, key constraints on dealing with construction permits for petrol station were identified as follows:
1) Too many controls by many parties, LLM, local authorities
2) Overlapping regulations
3) Interpretation of regulatory requirement by the land vendor resulting in miscommunication between PETCOs and Submitting Persons
4) Unclear list of certified vendors/PSP/PETCOs
5) Unrealistic budgeting by PETCOs
6) Misalignment between LLM and PBT
7) Agencies/Authorities working in silo
8) Understanding of the legal framework among stakeholders
9) Outdated regulations

LLM will further discuss with top management on the proposed processing flow agreed in the workshop in 2 months’ time. A follow-up workshop will be held to finalise the improved process and will be conveyed to relevant parties such as PETCOs, land vendors and submitting persons.

The attendees comprise of private and public sectors, during the workshop session held on 6-8 March 2018.

27 February 2018, EPU: Presentation of DBKK’s Construction Permits Initiatives at PEMUDAH meeting

From Left:
YBhg. Dato’ Mohd Razali Hussain, Director General of MPC. YBhg. Datuk Yeo Boon Hai, Mayor of Kota Kinabalu City. YBhg. Dato’ Abdul Latif Hj Abu Sieran, Deputy Director General of MPC. YBhg. Datuk Hj. Mohd Najib bin Hj. Mohd, Executive Director (Planning) DBKK, Ms. Sally Edward Ghami, City Hall Planning of DBKK, Mr. Stanley Chang, City Hall Planning of DBKK and Mr. Zainid Emalai, MPC.

YBhg. Datuk Yeo Boon Hai, Mayor of Kota Kinabalu, was invited to PEMUDAH Meeting 2/2018, to present their initiatives on 1 State 1 DCP Champion Kota Kinabalu on 27 February 2018. Dewan Bandaraya Kota Kinabalu (DBKK) is one of the leading local authorities in the program co-organised by CIDB and Jabatan Kerjaan Tempatan under Construction Industry Transformation Programme (CITP). DBKK will launch a guideline to obtain development approval in the next two months. The guideline was discussed and consulted with public and private stakeholders through Focus Group on Dealing with Construction Permits (FGDCP) Kota Kinabalu. During the PEMUDAH Meeting 2/2018, YBhg. Datuk Yeo Boon Hai was awarded with certificate of achievement by its co-chairs, YBhg. Tan Sri Zainal Rahim Seman, Director General of Public Service Department (JPA) and YBhg. Tan Sri Saw Choo Boon, for their continuous support and commitment given to improve dealing with construction permits.

23 March 2018, Business Licensing Review and Best Practice Visit by Perbadanan Putrajaya to Majlis Perbandaran Seberang Perai

28 March 2018: Awareness Seminar on Behavioural Insights for Better Regulation, Hilton Petaling Jaya

Participants at the seminar gained valuable lessons and new perspectives on the application of behavioural insights to improve citizen well-being, worker’s productivity and user-centric focusing on people with disabilities, the elderly and children. Highlights of the presentations:

Understanding Contextual Behaviour In Improving Environmental Regulations by Prof. Dr. Rahimah Ibrahim, Universiti Putra Malaysia

The UPM team of researchers has successfully devised an innovative solution to sustainable waste management solution to treat human waste on water villages. The “1-STP”, a standalone sewerage system designed to capture sewage more effectively for decentralised water homes has transformed the living standard of many rural villages and fishing communities.

Way forward: Calls for an integrated trans-disciplinary regulation, a mixed-methodology in regulatory solutions:
- Qualitative (human) approach followed by quantitative (technology) solution
- Quantitative (technology) approach followed by qualitative (human) acceptance

Users’ Behavioural Insights In Determining Physical Accessibility In Public Spaces by Prof. Dato’ Sri Ar Dr Asiah Abdul Rahim. International Islamic University Malaysia

While the medical model sees the disabled person as the problem that needs to be fixed or changed, the social model of disability looks from the perspectives of issues of disabling environment, negative attitudes, barriers and discrimination.

Proposed that Universal Design Strategies and approaches be utilised in designing, constructing and managing the accessible built environment to ensure that it satisfies all the needs of the intended users by application of universal accepted design.

Way forward:
- Accessibility in the built environment is increasingly relevant to Malaysia, not only to prepare for the ageing population, PwDs but also the whole population at large. By year 2050, the ageing population in over 65 years in Malaysia would be 15%.
- Users Centric focusing on the people with disabilities (PwDs), elderly and children.

NEWS ON GRP

Driving Productivity of the Nation

08
All Regulations are Experiments

Many policy decisions in earlier days are based on intuition, ideology or conventional wisdom without rigorous evidence. Thus, all policies or regulations effectively are experiments.

Rethinking regulation

More and more ministries and agencies are now collaborating to break down bureaucratic silos and develop creative and innovative initiatives to deliver more effective and efficient public service delivery. The challenge is to get the relevant relationships up and running through running test cases/pilot projects. The regulator strives to analyse the innovative initiatives based on fact and data, aimed primarily to reduce the burden from overbearing regulations and procedural requirements before the “actual launch”. The pilot initiative is akin to the concept of sandbox whereby regulators are adapting it as a platform to reduce the cost of doing business and as a fast track tool to accommodate the innovative option and review the feasibility at an early stage.

Benchmarking Singapore’s Customs

The Singapore-China MRA is an example of the benefit of a pilot project test before full launch and extended to cover industry/sector-wide.

Singapore Reaffirms Trade Ties with China

In conjunction with Chinese President Xi Jinping’s state visit to Singapore, an upgrade to the Singapore-China mutual recognition arrangement (MRA) was signed.

The Singapore-China MRA

In June 2012, the General Administration of the People’s Republic of China (GACC) and Singapore Customs signed the “Mutual Recognition Arrangement (MRA) of the Measures of PRC Customs on the Classified Management of Enterprises” and the “Secure Trade Partnership Program of Singapore, whereby both countries recognise the compatibility of their AEO programmes. Companies certified as AEOs for their robust security practices under these two programmes are recognised by both customs administrations to be of lower risk. In response, the Guangzhou Customs was chosen as the first custom administration in the country to pilot the MRA Program, with the trial program lasting for three months from September 1, 2012 to November 30, 2012. Now, after its successful conclusion, the GACC has decided to extend the MRA Program to cover all customs districts of China effective from March 15, 2013.

(Source: inSYNC, Issue 39)

Communication with The Business Community on New Procedures

Throughout the world, regulatory agencies are launching initiatives - with various names such as “sandboxes,” “pilots,” and “labs.” The pilot projects aim to test and monitor the feasibility to revise and shape the regulatory and supervisory framework with agility. Through structured experimentalism and subsequent development of specific new regulatory frameworks, salient issues of concern have led to more in-depth studies by respective departments/agencies for solutioning, while some are taken up as pilot projects to test and fine-tune the procedures before full implementation. The advantage of pilot projects is the ability to test the contentious risk areas and the recommended solution and to gauge some potential cost benefit outcomes in terms of potential time and compliance cost savings.

Indeed pilot projects implemented by Customs and MPC for Schlumberger and Baker Hughes have demonstrated that through pilot testing, procedures can be reviewed and improved. The successes from these could then be replicated. Finally upon further improvement, the solution is rolled out to include all stakeholders.

23 Feb 2018 Putrajaya - Sandbox-like Pilot projects for JKDM in the works

Following the consultations and engagement sessions on facilitating movement of goods with Royal Customs of Malaysia (RMCD), Johor Port, KTM-MMC, and DHL for better environment of doing business in Malaysia, the meeting witnessed the endorsement by YBhg. Dato’ Paddy Abd. Halim, Deputy Director General (GST) of RMCD on the execution of the following pilot projects:

i. Facilitation of cargo movement from port to port via rail on K8 declaration & clearance process and customs seal requirement
ii. Simplification of Customs Official Receipt (COR) record keeping requirement for GST purpose
iii. Simplified procedure for expeditious disposal of LMW scrap
A total of 58 participants from private hospital operators, architects, medical planners and engineers were given theoretical and hands-on how to comply with MOH regulatory requirement for private hospital development. The workshop was officiated by Dato’ Dr. Jacob Thomas, the President of Association of Private Hospitals Malaysia and also the Chairman for Healthcare Nexus under Malaysia Productivity Blueprint (MPB). The workshop was co-organised by MOH and MPC, with Dr. Afidah Ali, Deputy Director of Cawangan Kawalan Amalan Perubatan Swasta (OKAPS) as the lead facilitator. The workshop was a continuation from last year’s workshop, conducted to increase compliance of submission for private hospital development. Participants were not only given theory but also had the chance to consult their schematic plans for future development with Dr. Afidah’s team, the approval party.

The Workshop for Southern Region was held on 21 – 22 April attended by 53 participants. The Workshops for Northern Region and Sabah/ Sarawak are as follows:

<table>
<thead>
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<th>No.</th>
<th>Region/States</th>
<th>Date</th>
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<tr>
<td>i</td>
<td>Northern Region</td>
<td>28-29 July '18</td>
<td>Olive Tree, Bayan Lepas (TBC)</td>
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<tr>
<td>ii</td>
<td>Sabah/Sarawak</td>
<td>22-23 September '18</td>
<td>Hilton Kuching (TBC)</td>
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For further information, kindly contact the following officers:
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Ms. Hana: 014-7169285

**28 February- 1 March 2018, Mega Hotel Miri : 2ND Workshop for Sarawak State Regulatory Mapping**

The workshop aims to verify with the State Ministries the list of regulations provided by Sarawak Attorney General Chambers (SAGC) as well as to review the State Ordinances, the Local Authorities Laws, the rules and guidelines related to business activities in Sarawak. This project is part of the initiative under State Policy on the Development and Implementation of Regulations (SPDIR) which necessitates the state to implement Regulatory Impact Analysis (RIA) for any new regulations and amendments to existing regulations. This Regulatory Mapping document later will be used by Sarawak State Ministries and its agencies to review the existing regulations which have yet to be amended. In preparing this document, MPC works together with State Service Modernisation Unit (UPPN), Sarawak Attorney General Chambers (SAGC) as well as representatives from the State Ministries. The final document including policy paper and Regulatory Handbook are to be presented to the Sarawak State Secretary by May 2018 and expected to be launched soon.

**WHAT’S NEXT :** Public Consultation
- Key to improve transparency

**Good Regulatory Practice (GRP) Dialogue with ASEAN Parliamentarians**

MPC presented two papers in the dialogue held in Jakarta from 19-20 April 2018. The event was co-organised by Economic Research Institute for ASEAN and East Asia (ERIA) and ASEAN Inter-Parliamentary Assembly (AIPA) with the theme “Parliamentarians Supporting the ‘Quiet Revolution’ for Better Regulatory Governance”.

Y Bhg. Dato’ Mohd Razali Hussain, Director General of MPC briefed on Good Regulatory Practices (GRP) and Reducing Unnecessary Regulatory Burdens on Business (RURB).

He stressed on the importance of consultation or voice of citizens at all stages of regulatory cycle (Ex-Ante, Design, Delivery and Review). He also highlighted that key success factors in implementing GRP and RURB are:
- Strategic Approach;
- Good Institutions; and
- GRP Tools

He reiterated that GRP and RURB can directly help in improving factors that impact productivity and positive impact on the economy could reach ~RM 4 billion per year on compliance cost savings.

President of ERIA, Prof Hidetoshi Nishimura in his welcoming speech highlighted importance of parliamentarians that could help to create a better business environment, domestically and regionally by using Non-Tariff Measure and GRP.

In the opening comments, H.E. Dato’ Lim Jack Hoi, Secretary-General of ASEAN emphasised on the active role of parliamentarians as ASEAN moves towards next phase of integration which is the regulatory coherence and ease businesses to use the free market access. As the regulation and standard need to be harmonised to achieve more integrated ASEAN, the parliament can take an active role in strengthening the regulatory governance namely by:
- Ensuring trade facilitation legislation ratified in a timely manner; and
- Facilitating a consultative mechanism for regulatory cooperation.

Hon. Mr Isra Sunthornvut, Secretary General of AIPA explained how he thinks that ASEAN cannot become a true community if the average of ASEAN people still cannot relate as part of ASEAN community stakeholder. Hon. Mr Isra also stated that it is our job to bridge our people in ASEAN to be connected with each other, not only the job for either ASEAN Secretariat or parliament.

Dialogue materials are accessible at www.mpc.gov.my