

# From Policy to Implementation: Malaysia's Regulatory Reform Journey

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National Convention on Good Regulatory Practice 2017:  
*Accelerating National Transformation through GRP*



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# 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

Pre-Launch  
2015 – March 2016

- Establishment and Facilities Agreement, 27 Jan 2015
- OSA, 1 Oct 2015

Hub Launch  
28 Mar 2016



Hub Work Programs  
2016 - 2020

- Provides analytical and advisory services to Malaysian institutions in support of the country's economic development goals

## Three Agreements

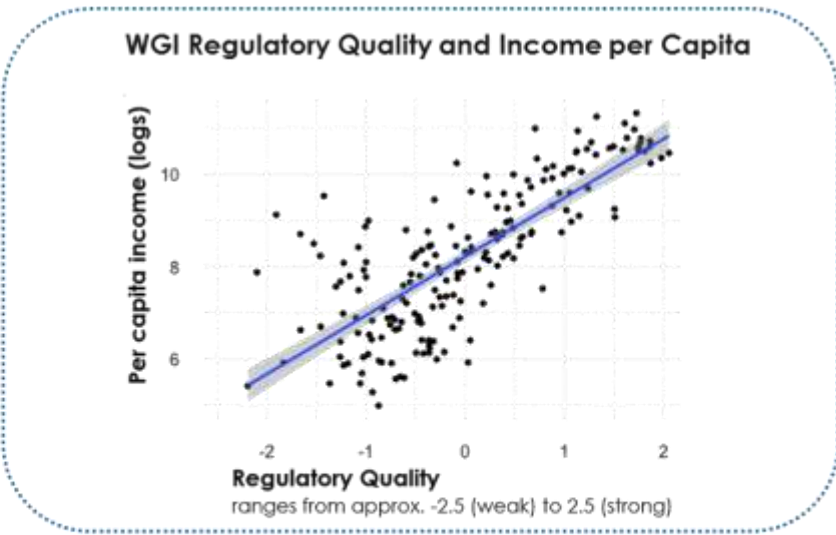
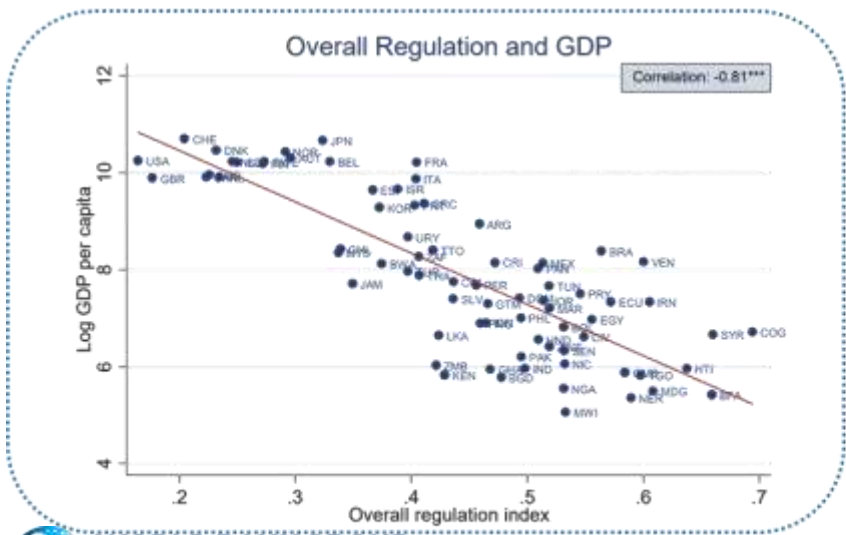
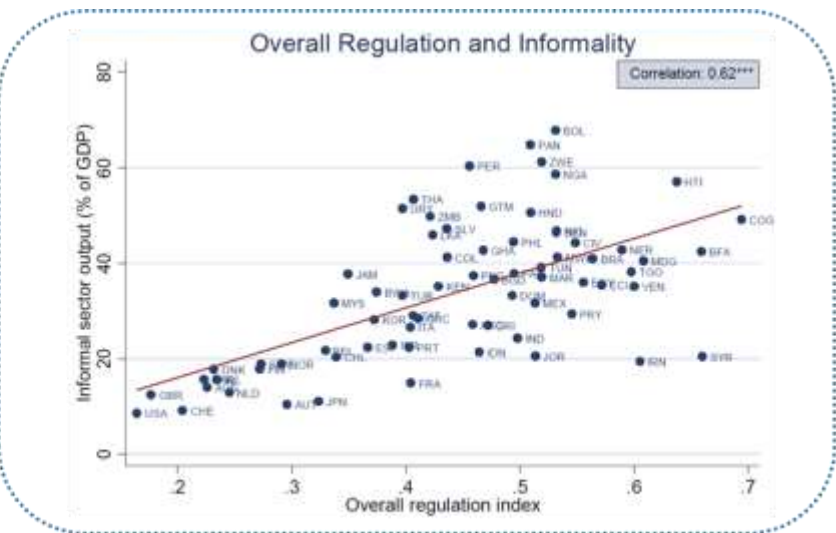
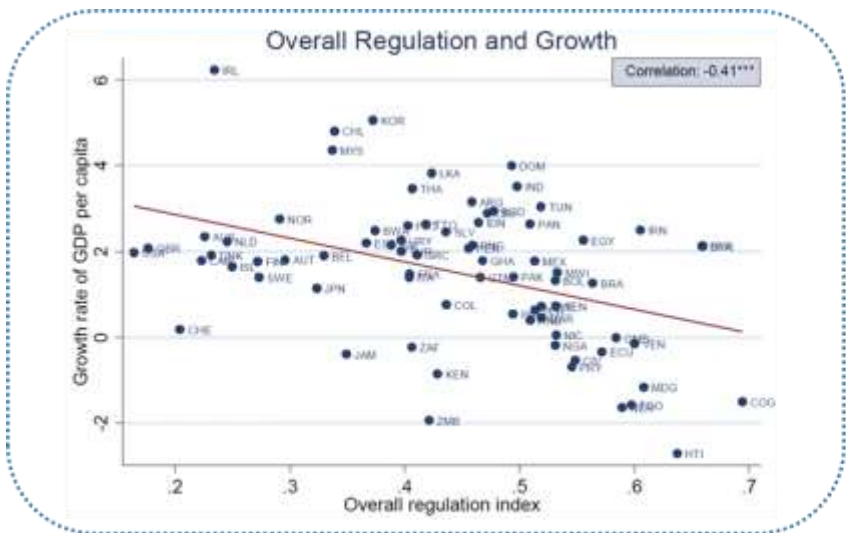
- **Establishment Agreement (Jan 27, 2015)** sets out the broad relationship between Malaysia and the World Bank Group (IBRD, IFC, MIGA) through the Malaysia Office.
- **Facilities Agreement (Jan 27 2015)** specifies parameters of WBG Office facilities, use, etc.
- **Office Support Agreement, OSA (Oct 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...



The “macro” impacts are reflected in impacts attributed to specific regulatory management tools...

Improvements in regulatory governance quality leads to significant economic benefits.

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

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

*(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

*(Abusah and Pingario, 2011, Ministry of Justice of the Socialist Republic of Viet Nam, 2008)*

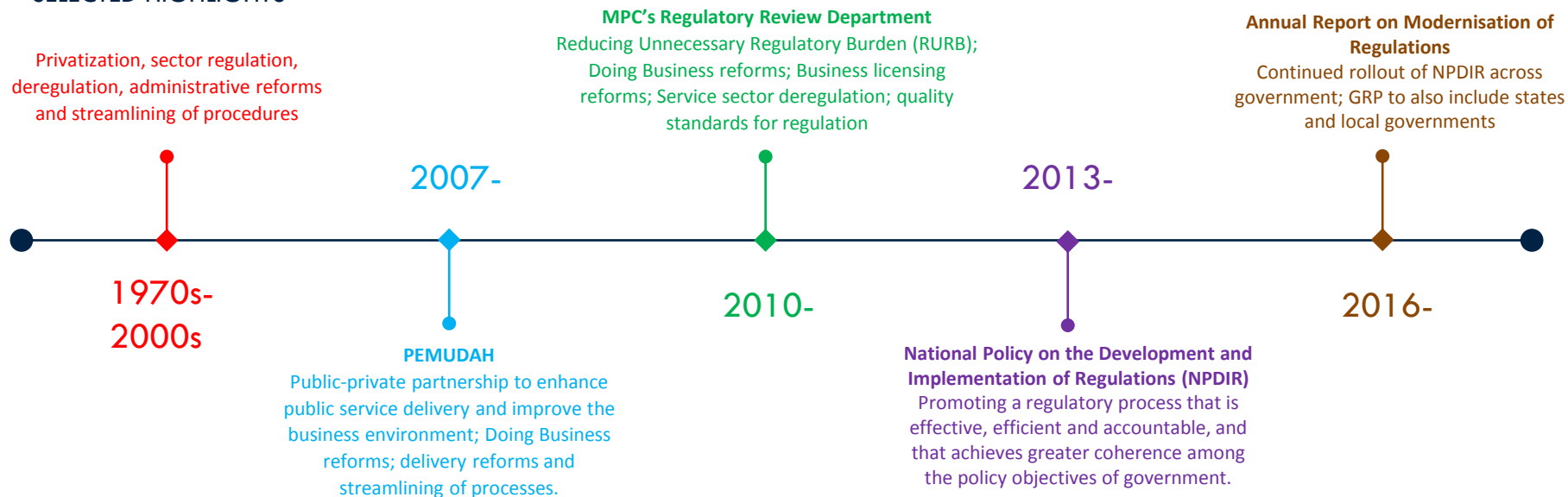
Regulatory Quality and Governance has significant impact on Foreign Direct Investment

*(Anis et al 2013, Daude & Stein, 2007)*

# Malaysia's Regulatory Reform Journey

# Malaysia's regulatory reform journey

## SELECTED HIGHLIGHTS

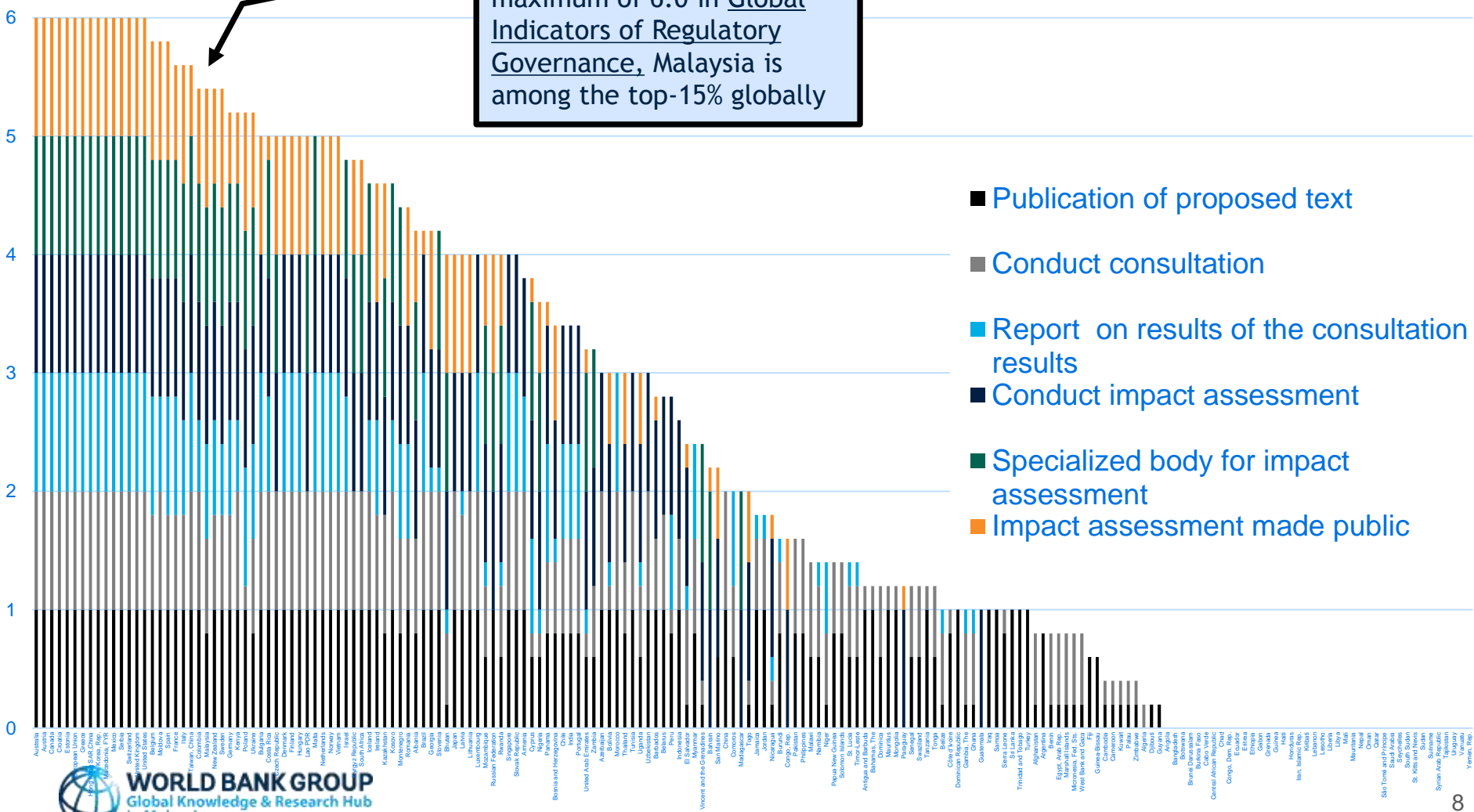


- Malaysia's regulatory reform journey from privatization, deregulation, and ad hoc initiatives to streamline regulation, to a systematic whole-of-government application of regulatory governance practices makes up a foundation for great improvements and indicates strong commitment.
- Similar routes have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

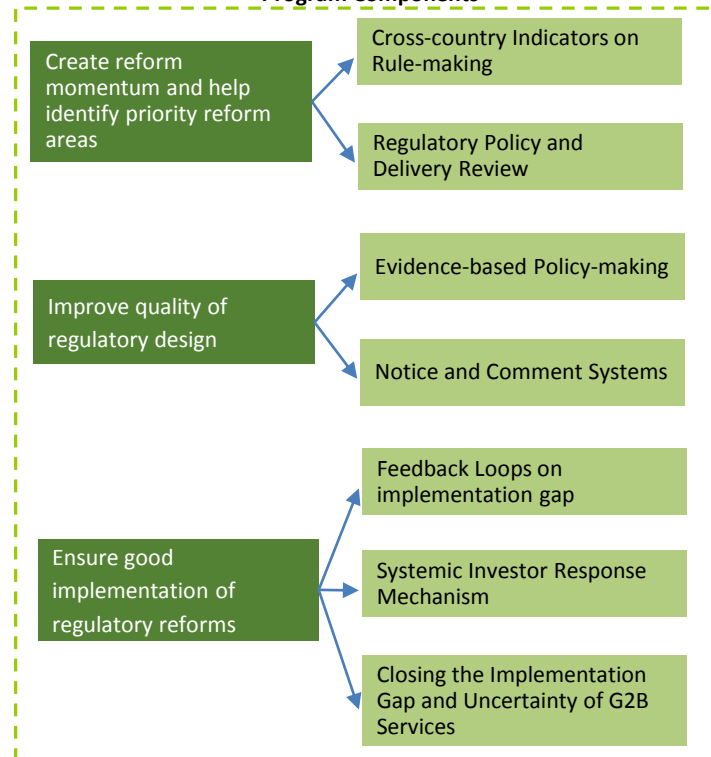
### Partners

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

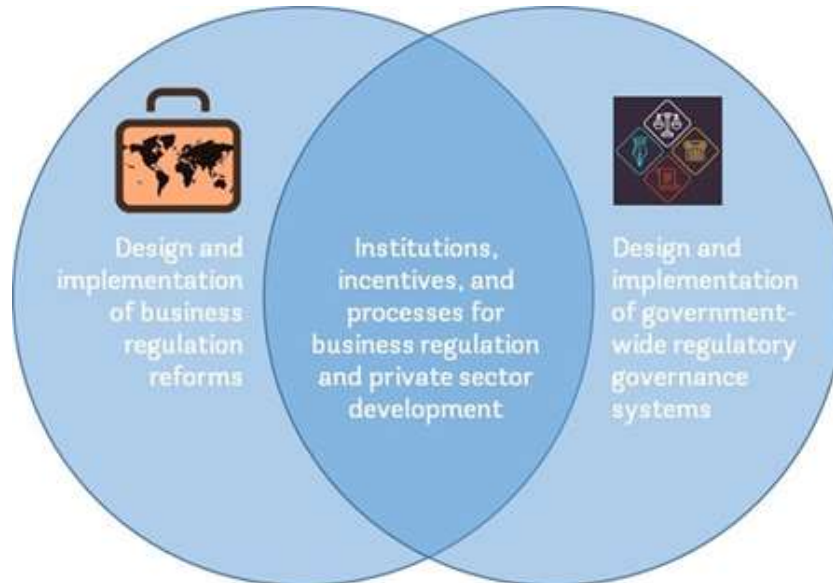
## Goal

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



# An integrated approach to Good Regulatory Practices



- 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...

## Malaysia's Good Practices

- ❑ National regulatory policy (NPDIR) requires consultation with stakeholders.
- ❑ “Guideline on Public Consultation Procedures” to support regulators with consultation practices.
- ❑ Government circular requiring that public consultations are conducted online.
- ❑ Some agencies taking important initial steps to comply with GRP requirements.

## Challenges

- ❑ Ad-hoc compliance with GRP requirements, including public consultation.
- ❑ In most consultations, the legal text of the regulation and comments received are not publicly available.
- ❑ Public perception that consultations are “briefings” or “ticking-the-box” exercises.
- ❑ No unified website to provide access to regulatory proposals and opportunity to comment on them.

# 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.
  4. Development of N&C website.
  5. Design and execution of N&C “experiments”, to learn which approaches toward online public consultation conduct to better outcomes and results.
  6. Strategy and guidelines for online N&C processes.



# 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

wbg.org/Malaysia

<http://www.worldbank.org/en/topic/governance/brief/regulatory-policy-and-management-incubator-global-solutions-groups>

<http://www.worldbank.org/en/topic/governance>