

GOOD GOVERNANCE FOR DEVELOPMENT

25

I. INTRODUCTION

25.01 During the Eighth Plan period, various programmes and measures were implemented to enhance integrity in the public and private sectors. In particular, the launching of the National Integrity Plan (PIN) galvanised efforts towards the creation of a Malaysian society with a high level of integrity. These efforts to enhance integrity involved participation at the grassroots right up to the highest level of society.

25.02 During the Ninth Plan period, in line with the second¹, sixth² and eighth³ principles of *Islam Hadhari*, the implementation of PIN will be intensified with emphasis on priority areas. Ethical business practices and corporate social responsibility programmes will be promoted to improve corporate governance. Efforts will also be directed at eliminating opportunities for corruption, malpractice and abuse of power. These measures will help address corruption, reduce wastage as well as increase transparency and efficiency of public service delivery and the corporate sector by reducing the cost of doing business. The gains in good governance will not only facilitate the achievement of the nation's development goals, but also make Malaysia more competitive and attractive to investors.

II. PROGRESS, 2001-2005

25.03 During the Eighth Plan period, PIN was launched to mould a moral and ethical society with strong religious and spiritual values and high ethical standards, thereby addressing the fourth challenge of Vision 2020. Review of laws, rules and regulations as well as stringent enforcement measures were also undertaken by various regulatory bodies to enhance corporate governance. Measures were also introduced to promote good business ethics in the corporate sector.

¹ "A just and trustworthy government."

² "A good quality of life for the people."

³ "Cultural and moral integrity."

National Integrity Plan

25.04 The implementation of PIN commenced in April 2004 with the launch of TEKAD 2008, the first phase towards enhancement of ethics and integrity to ensure that they become part of society's culture. It is aimed at:

- effectively reducing corruption, malpractices and abuse of power;
- increasing efficiency of the public service delivery system and overcoming bureaucratic inefficiency;
- enhancing corporate governance and business ethics;
- strengthening the family institution; and
- improving the quality of life and societal well-being.

25.05 The Malaysian Institute of Integrity (IIM) was established in 2004 to coordinate and monitor the implementation of PIN. In the initial phase, six lead agencies were identified to spearhead the implementation of PIN, namely the Public Service Department (JPA); the Ministry of Domestic Trade and Consumer Affairs; the Ministry of Women, Family and Community Development; the Ministry of Housing and Local Government; the Ministry of Higher Education and the Ministry of Education. In addition, about 100,000 civil servants underwent training to inculcate noble values and ethics in their daily work routines.

25.06 A National Integrity Index (IIN) comprising six sub-indices, namely the Malaysian Corruption Index; the Malaysian Public Service Delivery Index; the Malaysian Corporate Governance and Business Ethics Index; the Malaysian Family and Community Cohesiveness Index; the Malaysian Courtesy Index; and the Malaysian Quality of Life and Societal Well-Being Index, is being developed to measure the level of integrity in the country. The IIN was pilot tested in Perak to check and correct for its reliability and validity.

Good Corporate Governance

25.07 During the Plan period, various laws and regulations were reviewed to increase efficiency and good governance in the corporate sector. Regulations such as the Listing Requirements, Practice Notes and Guidance Notes, were reviewed to enhance standards of corporate governance and promote greater transparency to enable investors to make informed investment decisions. The revisions included the requirement for company directors to attend the Mandatory Accreditation Programme (MAP) and the Continuing Education Programme (CEP). In order to create a conducive environment for an efficient and robust capital market, the Securities Commission (SC) and Bursa Malaysia Securities Berhad (BMSB) formulated a corporate governance framework for companies

listed on the stock exchange. The framework included the formation of independent audit committees by companies to ensure prudent and transparent financial management.

25.08 Corporate governance in the financial sector was also enhanced with the review of the corporate governance framework for financial institutions by *Bank Negara Malaysia* (BNM), which covered the role of independent directors, their minimum qualifications and compensation issues. The Minimum Internal Audit Standards was also formulated to guide and measure the performance of internal audits and improve operational effectiveness of financial institutions.

25.09 Measures were also undertaken to enhance good governance among companies not listed on the stock exchange. The Companies Commission of Malaysia (SSM) stepped up surveillance activities and public awareness campaigns to ensure compliance with the provisions of the Companies Act 1965 and the Registration of Business Act 1956. Submission of Annual Returns, information on shareholders, capital and audited accounts for the year, increased from 44.0 per cent in December 2003 to 64.0 per cent in December 2004. The SSM also trained corporate directors to ensure that they understand their fiduciary duties in the management of a company. As of May 2005, about 2,350 courses were conducted involving 106,590 company directors.

25.10 During the Plan period, the Minority Shareholders Watchdog Group (MSWG) established a Product Development Advisory Committee (PDAC) and set up a Task Force on Guidance on Pro Forma Financial Information to protect the interest of minority shareholders. The MSWG also conducted the Corporate Governance Rating Survey and developed the Corporate Governance Screencard as well as the Corporate Governance Monitoring Control Sheet to facilitate the attainment of highest standards of good corporate governance.

25.11 Non-governmental organisations (NGOs) such as the Malaysian Institute of Corporate Governance (MICG) and the Business Ethics Institute of Malaysia (BEIM) also undertook initiatives to improve corporate governance. The MICG conducted 30 corporate governance training programmes for 7,000 participants. Similarly, BEIM conducted training programmes to promote *Rukuniaga Malaysia* and create awareness on the importance of ethical business practices. The Federation of Malaysian Manufacturers established the Ethical Business Practice Committee in 2002 as a platform to promote good corporate governance and ethical business values and practices. The Institute of Internal Auditors Malaysia collaborated with relevant agencies to promote a culture of ethics, good corporate governance and integrity amongst its members and key stakeholders. These included the issuance of the “Guidelines on Internal Audit Functions” and the “New Handbook on Corporate Governance” in 2002 as well as a survey on the “Internal Audit Functions of Public Listed Companies” in 2004. The Malaysian International Chamber of Commerce and Industry (MICCI) established a Standing Committee for Improving Business Ethics in 2003 to provide continuing education

and support for members seeking to enhance their governance practices. In 2004, a Charter of Core Business Values was developed based on best practices as identified by multinational corporations in the country.

Addressing Corruption

25.12 The Anti-Corruption Agency (ACA) intensified its three-pronged approach in addressing corruption, namely prevention, community education and punitive action through rigorous enforcement. During the Plan period, the ACA investigated 5,901 corruption cases and made 2,359 arrests, of which, 1,033 cases were charged in court, as shown in *Table 25-1*. The ACA also conducted integrity screening on key personnel in both the public and private sectors for the purpose of promotions, conferment of Federal and state awards and appointments to vital positions.

TABLE 25-1
CASES ON CORRUPTION, 2000-2005

<i>Year</i>	<i>Investigations</i>	<i>Arrests</i>	<i>Charged</i>
2000	699	430	160
2001	663	318	115
2002	1,063	290	200
2003	1,058	339	175
2004	977	497	178
2005	1,441	485	205
Total	5,901	2,359	1,033

Source: Anti Corruption Agency

III. PROSPECTS, 2006-2010

25.13 During the Ninth Plan period, the Government will intensify its efforts to enhance the integrity and transparency of the public and private sectors and further improve the level of good governance in order to facilitate development. The strategic thrusts to enhance good governance will focus on:

- ❑ *intensifying the implementation of PIN;*
- ❑ *reviewing and refining laws and regulations to improve corporate governance; and*
- ❑ *intensifying enforcement and strengthening measures to address corruption.*

National Integrity Plan

25.14 The implementation of the eight PIN strategies will be intensified, namely the integrity agenda for the family; community; civil society; as well as for sociocultural; religious; economic; political; and administrative institutions. Emphasis will be placed on the five priority areas for the implementation of the first phase of PIN, which are to reduce corruption, malpractice and abuse of power; improve efficiency of the public delivery system; improve corporate and business ethics; strengthen the family and community institutions and improve societal well-being.

25.15 IIM will undertake strategic alliances and network with private sector organisations and NGOs as well as international organisations to strengthen integrity-related programmes as well as build capacity among existing organisations. IIM will also assist government agencies incorporate PIN into their respective programmes. The implementation of PIN at all levels will be intensified by establishing agencies similar to IIM at the state level under the auspices of the respective state governments. In addition, the Government will continue to strengthen the role of the various committees tasked to enhance accountability and integrity within the public sector.

Responsible Citizenship

25.16 In line with the fourth challenge of Vision 2020 to establish a fully moral and ethical society whose citizens are strong in religious and spiritual values and imbued with the highest ethical standards, efforts will be directed at strengthening and enhancing local institutions and organisations such as Village Development and Security Committees (JKKK), *Rukun Tetangga* and Residents' Committees as well as utilising the mass media to contribute towards making integrity a way of life. Awareness campaigns and educational programmes will be expanded to remind individuals of the need to continuously inculcate noble values and norms so that they may be internalised and practised and eventually become a part of an individual's way of life and society's culture.

Good Corporate Governance

25.17 The efforts undertaken by the public sector in improving governance will be complemented by similar initiatives in the private sector to serve the interests of their stakeholders. Business establishments will continue to collaborate with the regulatory bodies and NGOs to enhance the level of corporate governance and business ethics. Particular emphasis will be given to improving transparency and accountability. The SSM will continue to ensure that companies comply with the requirements of rules and regulations. In addition, relevant laws and regulations will be reviewed to improve and strengthen corporate governance in Malaysia.

25.18 The SC and BMSB will closely monitor compliance and will strive to improve Malaysia's competitive edge in attracting foreign investors. In this regard, BMSB will continue to strengthen and refine the corporate governance framework for listed companies to improve the confidence of investors in the credibility of the market. The MSWG will intensify its efforts in protecting the interests of minority shareholders especially in companies controlled by founding families.

25.19 Focus will be directed on building strong internal auditing foundations and expanding into enterprise risk management, assurance services, ethics and governance, audit committee support and social responsibility. Private sector organisations will be encouraged to subscribe to and adopt the Malaysian Code on Corporate Governance and *Rukuniaga Malaysia* as well as develop their respective Codes of Ethics and Integrity. An Award for Good Ethics Practitioners and Organisations will also be introduced.

Intensifying Enforcement

25.20 Laws and regulations will be rigorously and credibly enforced to ensure that there is proper compliance. Enforcement will be predicated on preventive action, remedying any wrongs, punishing wrongdoers to deter others, effective action and co-operation among and between regulating agencies. In this regard, a review and update of relevant laws and regulations will be conducted. In addition, the capacity to enforce will be strengthened through the provision of adequate resources and manpower to critical enforcement agencies.

Addressing Corruption

25.21 The Government will intensify its efforts towards the elimination of opportunities for corruption, malpractices and abuse of power in the public and private sectors. In the public sector, the focus will be on enhancing the level of transparency and accountability in areas prone to corruption and corrupt practices. The ACA will continue to collaborate with all parties, and especially the high-risk agencies, in addressing corrupt practices.

25.22 The ACA will also diversify its community education initiatives and increase its campaigns in the media on the perils of corruption. It will adopt a long-term approach and target its educational programmes towards students in primary and secondary schools as well as institutions of higher learning. In addition, the ACA will equip itself with the latest methods and techniques to enhance its capacity and capability in prevention, surveillance and forensic science.

IV. INSTITUTIONAL SUPPORT

25.23 The IIM will be the prime mover in the implementation of PIN. In addition, the Public Service Department, the Ministry of Domestic Trade and Consumer Affairs, the Ministry of Women, Family and Community Development, the Ministry of Housing and Local Government, the Ministry of Higher Education and the Ministry of Education, will spearhead the initial phase of PIN. The Ministry of Culture, Arts and Heritage will promote the inculcation of noble values while the ACA will intensify its efforts in addressing corruption. For the private sector, the SC and SSM will continue efforts to ensure compliance with laws and regulations. In addition, NGOs such as BEIM, MICG and MSWG will undertake measures to promote transparency and accountability.

V. CONCLUSION

25.24 The Eighth Plan period witnessed a renewed commitment by the Government to promote good governance with the launching of the PIN. This commitment will be continued during the Ninth Plan period with the Government taking steps to enhance the integrity, transparency and accountability of the public and private sectors and further improve the level of good governance. These measures will help address corruption, reduce wastage and the cost of doing business as well as increase the efficiency of public service delivery and the corporate sector. These gains from good governance will make Malaysia more competitive and attractive to investors and facilitate the achievement of the nation's development goals.