
THE **MALAYSIAN**
GOVERNANCE
INDICATORS

A PIONEERING NATIONAL EFFORT TO **MEASURE GOVERNANCE**

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THE NATIONAL CENTRE FOR GOVERNANCE, INTEGRITY AND ANTI-CORRUPTION (GIACC)

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Foreword

On 29 January 2019, the Prime Minister of Malaysia launched the National Anti-Corruption Plan 2019 – 2023.

In the process of developing this plan, a number of important and fundamental issues were identified. We observed that there were several critical national institutions and agencies operating at unacceptable levels of integrity that made them vulnerable to being subverted by corruption.

Perhaps less expected was the realisation that the national system of governance in Malaysia lacked several important institutions and institutional arrangements that exist in most nations with high levels of government integrity and low levels of corruption. The NACP provides a clear road map for creating these institutions and institutional arrangements. The NACP, therefore, seeks to improve existing institutions while forcing the pace on creating new ones – in many respects building the ship while it is sailing.

The NACP focuses on six dimensions of importance: political governance, public sector administration, public procurement, legal and judicial proceedings, law enforcement and corporate governance. This focus reflects how the lack of integrity in these dimensions of governance has affected the entire country.

The NACP proposes reforms in each of these dimensions via four fundamental principles of good governance: transparency, accountability, efficiency and effectiveness. These will strengthen integrity in the public domain by constraining the potential for systemic corruption.

Without a clearly identifiable action plan, implementing agencies, measurable indicators and meaningful expected outcomes, little progress can be expected. Thus, the NACP contains a detailed matrix of 115 specific reforms that cover everything from the establishment of new national-level institutions by statute and a major overhaul of existing institutions, to the reform of administrative rules, procedures and practices, and the application of new technologies.

For each of these reforms, the NACP identifies measurable indicators that will be used to gauge their progress. Key sources of data to be used for these indicators are also identified.

Different kinds of indicators will be applied depending on the nature of the proposed reform. In general, three broad categories will be applied. The first are impressionistic, such as indices of perception. These are important to identify whether stakeholders and the wider public perceive any improvement in the governance

and performance of the institutions. The second kind of indicators are used where a reform relates to the establishment of an agency or a regulation, and will make a technical statement on whether the scheduled changes have been made. The third kind of indicators consist of the views of experts on whether specific reforms that are underway are likely to substantively meet their objectives instead of being mere pro forma “box ticking” that creates an appearance of myriad changes short of actual reform.

The NACP also includes a schedule for the key agency or institution responsible for implementing each reform. Finally, the Office of the Prime Minister, through GIACC will track the progress of each reform, so that those that are lagging may receive the necessary attention and support.

The breadth, depth and scope of reforms of the NACP are ambitious but the people of Malaysia deserve nothing less. Their successful implementation is critical to Malaysia being a developed nation. The reforms proposed in the NACP are therefore not a list of “nice to do”. They are a list of “need to do”.

The experience of many other countries suggests that the window to implement an ambitious slate of reforms does not stay open for long. The time to implement these important reforms is now. It is not an overstatement to say the success of the NACP will determine the future of Malaysia and its people over the next generation.

This particular publication entitled “The Malaysian Governance Indicators” is a pioneering national effort to complement the NACP by measuring good governance and its impact.

I must congratulate Datuk Dr. Anis Yusal Yusoff and his team for putting together a publication that will help us to understand the strides we have made in enhancing governance, integrity and in enforcing anti-corruption reforms in Malaysia.

Thank you.

Tan Sri Abu Kassim Mohamed

Director General of GIACC
Prime Minister’s Department

23rd February 2020

Acknowledgements

The Malaysian Governance Indicators is the first publication of its kind that can be used to guide an assessment of the country's quality of governance based on a comprehensive set of indicators. The MGI has been made possible by the contributions of many committed experts.

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It is hoped that the MGI will serve as a useful document in developing and delivering targeted policies and programmes that incorporate the principles of good governance for a prosperous and corruption-free nation.

Thank you.

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What is **governance**?

The World Bank defines governance as a **method** through which **power is exercised** in the management of a country's political, economic and social resources for development.

The Asian Development Bank defines governance as **the manner** in which power is exercised in the management of a country's social and economic resources for development.

The UNDP defines governance as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises **the mechanisms, processes and institutions** through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.

The Canada Institute of Governance defines governance as **the process** whereby societies or organisations make important decisions, determine whom they involve and how they render account.

Governance is a broad concept that is most relevant in the political, public and corporate sectors. **Good governance** provides a framework of **control mechanisms** that support national institutions in their goals, while preventing the unwanted risks of corruption and abuse of power which lead to losses of public funds and hinder social development.



What do **governance indicators** tell us?

Studies have shown a strong correlation between good governance and human development. Good governance is achievable when political actors and the public and private sectors each play their roles in governance reform to the benefit and well-being of the *rakyat*. Governance indicators are important for the evaluation of national progress in this regard.

The Malaysian Governance Indicators (MGI) have identified the dimensions of transparency, accountability, efficiency and effectiveness as critical for a well-functioning government.

They are imperative for Malaysia to achieve its goal of becoming a high-income nation, in line with the Sustainable Development Goals.

In this regard, governance indicators measure the quality of governance as a result of how institutions work, and how their outcomes benefit the public. To elaborate on the dimensions of the MGI:

- 1) **Transparency** relates to the conditions where public information can be made readily available and accessible for public scrutiny and evaluation. The establishment of clear guidelines and criteria are important to ensure transparency in the decision-making process to reduce the use of discretion and the risk of corruption.
- 2) **Restore Accountability** relates to the conditions that enable the public to hold institutions and organisations responsible for their actions or inaction.
- 3) **Efficiency** is a measure of whether policies have been implemented, and resources utilised, in an optimal manner.
- 4) **Effectiveness** measures whether the objectives of policies have been implemented in line with their intended purpose.

Why **good governance** matters

The governance reform programmes introduced in the NACP are designed to minimise the risks of corruption inherent in various challenges such as:



Malaysia continues to adopt a holistic approach to good governance by incorporating good governance principles in the policy, planning and delivery processes, in line with the Government's commitment to make "Malaysia known for her integrity, not corruption". With good governance, policy implementation becomes more meaningful because it is in the public interest.

Why **governance indicators** matters

Governance indicators help us to better understand how public sector agencies are organised, the range of policies and laws that are in place, and how they are implemented. Governance indicators have the multiple objectives of:



Monitoring and evaluating

political institutions, public sector administration, public procurement, legal and judicial proceedings, as well as the corporate sector.



Diagnosing problems for the purpose of policy intervention.



Analysing trends and **identifying potential gaps** in policy implementation in order to improve the quality of policy planning and decision-making.



Providing data for risk assessment and continuous improvement of governance.



Ensuring evidence-based policy development and implementation.



Benchmarking to identify best practices and to compare the state of governance among countries and other institutions at the country level.

What do **governance indicators** measure?

Governance indicators measure the level of governance of institutions and stakeholders in terms of transparency, accountability, efficiency and effectiveness. The data obtained can assist policymakers in planning, developing and evaluating intervention programmes to promote good governance in their respective institutions. Below are the six dimensions of governance as identified in the NACP and how the MGI applies to each:

POLITICAL GOVERNANCE



Transparency

It evaluates the processes by which political activity is transparently reported and disclosed, including asset declaration and conflict of interest. It ensures clear guidelines for transparent decision-making.

Accountability

measures the existence of laws and regulations on ethical conduct in public office, compliance with which indicates

a political commitment to integrity and good governance. It also measures the existence and workings of a check and balance mechanism that ensures the Members of Administrative and Members of Parliament are made answerable for their action and decisions made.

Efficiency

measures the electoral system's readiness to improve the integrity of the electoral processes.

Effectiveness

measures the extent to which policies and laws strengthen parliamentary roles, enhance the electoral process and manage the risk of corruption in the political sector, in a democratic political system.

PUBLIC SECTOR ADMINISTRATION



Transparency

measures the accessibility of pertinent information about government policies, processes and procedures.

Accountability

evaluates the check and balance mechanism for public institutions to be held answerable to stakeholders for their actions and inaction, in line with the relevant laws and regulations.

Efficiency

measures the timeliness of the processes of public service delivery systems and the competencies of public officials.

Effectiveness

measures the ability of public institutions to manage corruption risks to enhance the quality and productivity of the Civil Service.

PUBLIC PROCUREMENT



Transparency

ensures that important information about procurement processes are clearly defined and publicly available.

Accountability

evaluates the management of complaints in ensuring fairness in the procurement process.

Efficiency

measures the timeliness of the procurement process as stipulated in the regulations.

Effectiveness

measures the level of competitiveness in the procurement process.

LEGAL AND JUDICIAL PROCEEDINGS



Transparency

ensures that relevant information pertaining to court cases and their procedures are publicly available to improve access to the legal system.

Accountability

measures the compliance of laws in ensuring no undue influence over legal and judicial proceedings.

Efficiency

measures the timeliness of the proceedings and the number of cases resolved.

Effectiveness

measures the extent to which justice systems are independent and free of undue influence, including corruption.

LAW ENFORCEMENT



Transparency

measures the existence of laws and the accessibility of pertinent information about the government policy, processes and procedures on enforcement.

Accountability

measures the existence of a check and balance mechanism to ensure enforcement officers are made answerable for their actions or inaction.

Efficiency

measures the timeliness of the enforcement process as stipulated in the laws and regulations.

Effectiveness

measures the extent enforcement officers are free from undue influence, including corruption.

Efficiency

measures the timeliness of service delivery and the competencies of company officials.

Effectiveness

measures the outcomes of board governance practices in promoting a corporate culture of integrity and ethical conduct.



CORPORATE GOVERNANCE

Transparency

measures how easily stakeholders have access to information about corporate policies and procedures. It ensures clear guidelines for transparent decision-making and the availability of transparent information, such as board remuneration and the appointment criteria and process..

Accountability

measures the existence of a check and balance mechanism to ensure companies are made answerable for their decisions.

**PRIORITY
AREA 1**



POLITICAL GOVERNANCE

Strengthening Political Integrity and Accountability

4 STRATEGIC OBJECTIVES FOR POLITICAL GOVERNANCE



ELECTORAL PROCESS

Strategic Objective 1.1

Reform Election Legislation and Electoral Systems



GOVERNMENT ADMINISTRATION

Strategic Objective 1.2

Ensure Better Transparency and Accountability in Government Administration



POLITICAL INTERFERENCE

Strategic Objective 1.3

Manage Political Interference in Public Service and Local Authorities



PARLIAMENT

Strategic Objective 1.4

Enhance Parliamentary Authority and Administration

14 GOVERNANCE INDICATORS FOR POLITICAL GOVERNANCE

POLITICAL GOVERNANCE	GOVERNANCE PRINCIPLES	GOVERNANCE INDICATORS	
	TRANSPARENCY		1
2			Percentage (%) of political parties report on fund received annually.
3			Percentage (%) of Members of Parliament (MPs) declare assets upon appointment.
4			Percentage (%) of MPs declare accepted gifts and entertainment annually.
ACCOUNTABILITY		5	Percentage (%) of MPs comply with Code of Ethics.
		6	Guideline to prohibit political interference in public service is established.
		7	Percentage (%) of Parliamentary Select Committee (PSC) fully functional.
		8	Election Commission Nomination Committee functional.
EFFICIENCY		9	Electronic Electoral System rolled out for GE15.
EFFECTIVENESS		10	Election Offences Act 1954 amended to address corruption.
		11	Number of convictions in cases involving politicians.
		12	Percentage (%) of corruption cases among politicians is reduced.
		13	Parliamentary Service Act re-enacted.
		14	Parliamentary training arm established.

**PRIORITY
AREA 2**



PUBLIC SECTOR ADMINISTRATION

Strengthening the Effectiveness of Public Service Delivery

4 STRATEGIC OBJECTIVES FOR PUBLIC SECTOR ADMINISTRATION



PUBLIC SERVICE

Strategic Objective 2.1

Redesign Public Services for Good Governance



MERIT AND INTEGRITY BASED

Strategic Objective 2.2

Promote Merit and Integrity in the Processes of Recruitment, Selection and Appointment



POLITICAL INTERFERENCE

Strategic Objective 2.3

Strengthen the Accountability of Local Authorities



HUMAN GOVERNANCE

Strategic Objective 2.4

Enhance Education & Continuing Professional Development of Public Officers with Human Governance-based Programmes

16 GOVERNANCE INDICATORS FOR PUBLIC SECTOR ADMINISTRATION

PUBLIC SECTOR ADMINISTRATION	GOVERNANCE PRINCIPLES	GOVERNANCE INDICATORS	
	TRANSPARENCY	1	New law on freedom of information is established.
2		Policy on government regulations and guidelines open to public established.	
3		Guidelines on appointment of special officers, political secretary for all Ministers and deputy ministers established.	
ACCOUNTABILITY	4	National Audit Department made accountable only to Parliament.	
	5	New law on ombudsman is established.	
	6	Policy on line of reporting for attaché established.	
	7	Effective mechanism in the issuance of permits and licensing.	
	8	MACC Act amended to address misconduct of public officials.	
EFFICIENCY	9	Average rate (time and cost) of public services delivery improved.	
	10	Reduction in number of unnecessary processes.	
	11	Percentage (%) of complaints on maladministration resolved and followed through.	
	12	Percentage (%) of issues resolved out of total number of complaints.	
	13	Number of jobs rotated (based on a 3-5 year frequency).	
EFFECTIVENESS	14	Students are able to identify immoral or illegal behaviour including corruption.	
	15	Students are taught to identify elements of corruption.	
	16	Percentage (%) decrease in corruption cases among youth.	

**PRIORITY
AREA 3**



PUBLIC PROCUREMENT

Increasing the Efficiency and Transparency of Public Procurement

2 STRATEGIC OBJECTIVES FOR PUBLIC PROCUREMENT



PUBLIC PROCUREMENT FRAMEWORK

Strategic Objective 3.1

Strengthen Public Procurement Framework



PROCUREMENT TRANSPARENCY

Strategic Objective 3.2

Greater Procurement Transparency for Better Identification and Mitigation of Corruption Risks, Market Distortion and Anti-Competitive Behaviour

13 GOVERNANCE INDICATORS FOR PUBLIC PROCUREMENT

 PUBLIC PROCUREMENT	GOVERNANCE PRINCIPLES	GOVERNANCE INDICATORS	
	TRANSPARENCY	1	Percentage (%) of contracts publicly disclosed.
		2	MACC verifies comprehensive policy on conflict of interest is in place.
		3	Introduction of arbitration clause in the Integrity Pact.
		4	Integrity Pact to be in line with international standards.
		5	Number of cases charged for non-compliances of Integrity Pact.
	ACCOUNTABILITY	6	Percentage (%) of complaints resolved out of total number of complaints on procurement.
		7	Reduction in audit issues.
	EFFICIENCY	8	Reduction in average duration between the deadline for submission of offers and the announcement of the award decision (<i>providing the e-procurement system is stable enough</i>)
		9	Number and value (in RM and %) of procurement activities conducted through e-procurement system relative to the total number of procurement activities.
	EFFECTIVENESS	10	Percentage (%) or number of contracts awarded through open competitive bidding
		11	Percentage (%) of decrease in corruption cases involving procurement.
		12	Percentage (%) of decrease in complaints lodged about procurement processes.
13		Time completion of awarded project within given timeframe.	

**PRIORITY
AREA 4**



LEGAL AND JUDICIAL PROCEEDINGS

Enhancing the Credibility of the Legal and Judicial System

1 STRATEGIC OBJECTIVE FOR LEGAL AND JUDICIAL PROCEEDINGS



EFFICIENCY OF LEGAL AND JUDICIAL INSTITUTIONS

Strategic Objective 4.1

Improving Institutional Efficacy of the Legal and Judicial System

7 GOVERNANCE INDICATORS FOR LEGAL AND JUDICIAL PROCEEDINGS

 LEGAL AND JUDICIAL	GOVERNANCE PRINCIPLES	GOVERNANCE INDICATORS	
	TRANSPARENCY	1	Percentage (%) of information updates (case status, etc.) published on corruption cases.
	2	Enhanced transparency in the corruption case handling process.	
ACCOUNTABILITY	3	Compliance rate with Code of Ethics.	
EFFICIENCY	4	Average time taken for the disposal of a case.	
	5	Average number of cases handled within a given period.	
EFFECTIVENESS	6	Number of training programmes for legal and judicial officers.	
	7	Percentage (%) of decrease in the number of corruption cases disposed out of total number of corruption cases within a year.	

**PRIORITY
AREA 5**



LAW ENFORCEMENT

Institutionalising the Credibility of Law Enforcement Agencies

4 STRATEGIC OBJECTIVES FOR LAW ENFORCEMENT



PROFESIONALISM IN ENFORCEMENT AGENCIES

Strategic Objective 5.1

Enhance Efficiency and Professionalism of Law Enforcement Agencies



TECHNOLOGY-DRIVEN ENFORCEMENT

Strategic Objective 5.2

High-Priority Technology Needs for Law Enforcement



TOWARDS EFFECTIVE ENFORCEMENT

Strategic Objective 5.3

Strengthen Law Enforcement Agencies



ENHANCEMENT OF LEGISLATION

Strategic Objective 5.4

Improving Law Enforcement Agency Legislation

8 GOVERNANCE INDICATORS FOR LAW ENFORCEMENT



**LAW
ENFORCEMENT**

GOVERNANCE PRINCIPLES	GOVERNANCE INDICATORS	
TRANSPARENCY	1	New law to strengthen oversight mechanism is established.
	2	Number of laws and regulations published for public access.
ACCOUNTABILITY	3	Percentage (%) of cases on misconduct among police force resolved in a year.
	4	Number of actual cases lodged.
	5	Percentage (%) of cases resolved.
EFFICIENCY	6	Percentage (%) of cases prosecuted out of total number of cases.
	7	Establishment of an integrated system for the management of foreign workers.
EFFECTIVENESS	8	Percentage (%) of reduction in corruption cases/ complaints about enforcement agencies.

PRIORITY AREA 6



CORPORATE GOVERNANCE

Inculcating Good Governance in Corporate Entity

2 STRATEGIC OBJECTIVES FOR CORPORATE GOVERNANCE



CORPORATE ENTITY TRANSPARENCY

Strategic Objective 6.1

Greater Transparency in Ownership and Control of Corporate Entities



TECHNOLOGY-DRIVEN ENFORCEMENT

Strategic Objective 6.2

Greater Corporate Resilience Against Corruption

19 GOVERNANCE INDICATORS FOR CORPORATE GOVERNANCE

	GOVERNANCE PRINCIPLES	GOVERNANCE INDICATORS	
	 CORPORATE GOVERNANCE	TRANSPARENCY	1
2			Number of appointed directors.
3			Number of Integrity and Governance Units (IGU) established.
ACCOUNTABILITY		4	Percentage (%) of cases of misconduct among corporate entities reported and resolved in a year.
		5	Establishment of a committee to review current laws and regulations.
		6	Numbers of directors and top management prosecuted for misconduct/corruption.
		7	Percentage (%) of investigations initiated out of total number of complaints lodged.
		8	Government agencies held accountable for companies under their purview.
		9	Policy on integrity vetting is made.
		10	Number of integrity vetting conducted.
		11	Number of rejected candidates after integrity vetting with reasons.
		EFFICIENCY	
13	Percentage (%) of companies certified with Anti-Bribery Management System (ABMS).		
14	Number of companies that develop and implement OACP.		
EFFECTIVENESS		15	Percentage (%) of reduction in number of corruption cases among corporate sector.
		16	Number of ABMS certified companies.
		17	Number of unqualified audit reports.
		18	Response rate to complaints of corporate misconduct.
		19	Percentage (%) of reduction in number cases of corruption in the corporate sector.



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