

My three concerns on DEIG

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ADUN SPEAKS I urge the state government to restrict its involvement in businesses, redefine the role and jurisdiction of Darul Ehsan Investment Group (DEIG) and focus first to establish proper accountability mechanism for Menteri Besar Incorporated (MBI).

While I welcome MBI's plan to consolidate and restructure the 74 government-linked companies (GLCs) under MBI to ensure the GLCs are run efficiently, I am very concerned with MBI's proposed method - through the formation of a new state investment company Darul Ehsan Investment Group (DEIG).

One hundred percent owned by MBI, DEIG will be the holding company for the 74 GLCs under MBI with a combined land bank of more than 5,000 acres of state lands and a combined asset value of RM6.3 billion. It is to also to be the 'investment holding-arm for the state of Selangor'.

Below are my three concerns on this newly-formed state investment company.

Firstly, I think the state government must recognise that our main role is not to do business or investment. I believe that the prime role of the government is not to generate profits from businesses or investments but to create a macro-environment that is business friendly. Better infrastructure, greater talent pool, reduced red-tape and rent-seeking should be our priority, not profit-making.

According to MBI's Request for Proposal (RFP) announcement, MBI is to do a joint-venture with private developers to develop the 5,000-acre land bank. I cannot see the reason why the state government need to be developer in matured townships where there are already many private takers. Such a direction for DEIG worries me that it will be involved in more businesses in the future and such worry is further exacerbated with the lack of tight governance of DEIG.

For example, what are the mechanisms to ensure that the joint-venture agreement is not lopsided?

Secondly, despite DEIG control of RM6.3 billion of state assets, which account to about three years of the state budget, unlike MBI, which is governed by MBI Enactment 1994, it is not restricted under any state enactment to take up loans or other forms of borrowing.

In the question-and-answer session yesterday, the menteri besar promised that DEIG will not do any borrowing, but a promise is not sufficient. There must be a law that restrict it and a proper institution must be established to govern it.

In addition, although DEIG's role is to do strategic investment for the state, so far no

independent directors, especially those with experiences in financial market, have been appointed to the board of directors of DEIG yet.

Worrying combination

The DEIG's ability to control 74 Selangor GLCs, the absence of a law preventing DEIG from making borrowings as well as the lack of independent experienced directors in DEIG board is a worrying combination. Such centralisation of power without proper checks and balances will leave leeway that will lead to DEIG making investments, and worse still, taking loans to make investments that do not benefit the state.

Good leaders come and go but good institution remains. The question that I am asking now is not the integrity of our current leaders but more on when all of us are gone and new leaders come in the future, is our institution strong enough to prevent any persons in power from using the loose governance in DEIG for personal gain?

Thirdly, I believe that our current priority should be to focus first on establishing a good accountability mechanism under MBI. The MBI Enactment 1994 itself should be amended in order to mandate the annual audit of account of by the state auditor as well as the tabling of an annual report to the state assembly so it can be debated. We must first fix the current already loose governance of GLCs under MBI before adding more 'layers' into the structure.

With that I urge the state government to restrict its involvement in businesses, to redefine the role and jurisdiction of DEIG before it starts operation and to establish proper accountability mechanism for MBI to ensure good governance for the 74 GLCs under it.

The Selangor state government is not a Barisan Nasional government, the spirit of accountability and transparency must be upheld to the highest standard and strong institutions must be built to ensure responsible handling of public funds.

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