

## **29/11/2016 - Launching Of Annual Report On Modernisation Of Regulations 2016**

Good afternoon and Salam 1Malaysia.

YBhg. Tan Sri Saw Choo Boon,

Co-Chair of PEMUDAH;

YBhg. Tan Sri Mohamad Zabidi Zainal,

Director-General of Public Service;

Mr Scott Jacob, who is in Malaysia now to provide capacity development of Regulatory Impact Assessment (RIA) to trainers, assessors and Regulatory Coordinators (RCs).

He is the Managing Director of Jacobs, Cordova & Associates, an international corporation specialising in regulatory reform and leading global expert in RIA.

Indonesian delegates from Coordinating Ministry on Economic Affairs Indonesia led by Mr. Edi Yusuf. The team is currently in Malaysia to study Malaysia's experience in Ease of Doing Business and the role of PEMUDAH

Members of PEMUDAH;

Distinguished Guests, Ladies and Gentlemen.

1. First and foremost, I would like to thank Malaysia Productivity Corporation (MPC) for the invitation for me to be here today at the launching ceremony of **Annual Report on Modernisation of Regulations 2016**. My appreciation also goes out to PEMUDAH members and everyone here for making time to be with us today on this auspicious event.

2. The Government's regulatory reform initiative took a significant step forward in 2013 with the introduction of policies and guidelines for implementing good regulatory practice. The

circular on the **National Policy on the Development and Implementation of Regulations (NPDIR)** issued on 15 July 2013 requires all Federal Ministries and Agencies to undertake good regulatory practice (GRP) and regulatory impact analysis (RIA) in developing new and amended regulations.

3. With the implementation of NPDIR, the Government seeks to **reinforce the key elements of accountability, transparency, and evidence-based informed decision making** in the rule-making process. This is to ensure regulatory quality which addresses the concerns of stakeholders in an effective and equitable manner. The Government seeks to **promote and preserve a regulatory environment that is business-friendly** and supports its overall developmental goals.

Distinguished guests, Ladies and Gentlemen,

4. The efficiency of Government has a significant bearing on a country's competitiveness and economic growth. Excessive bureaucracy and regulation, lack of transparency, and inadequate legal frameworks all **impose additional costs on business and impede expansion**. The World Economic Forum's annual Global Competitiveness Report evaluates the efficiency of 138 of the world's Governments on measures including the wastefulness of Government spending, burden of regulation and transparency of policymaking, to produce an overall global ranking. Despite being ranked 25<sup>th</sup> overall out of 138 economies, **Malaysia ranked 6<sup>th</sup>** for the criteria on '**Burden of Government regulation**', which measures ease of compliance with Government regulation.

5. In the recent World Bank Doing Business 2017 Report, Malaysia was placed **23<sup>rd</sup> out of 190 economies**, as compared to 22<sup>nd</sup> out of 189 economies in 2016. This puts Malaysia ahead of Thailand (46<sup>th</sup>), Indonesia (91<sup>th</sup>), Japan (34<sup>th</sup>), and China (78<sup>th</sup>). Within ASEAN, Malaysia ranks second after Singapore. Malaysia is also acknowledged in Doing Business 2017 as **providing easier ways to pay taxes by enhancing electronic system** for filing and paying goods and services tax (GST).

6. Despite these measures, there are **a lot more improvements that need to be done** in terms of reducing the administrative burden of paying taxes and contributions for companies especially small and medium size companies.

Distinguished guests, Ladies and Gentlemen,

7. To enhance Malaysia's position as a world-class business and investment destination, PEMUDAH continues to undertake **timely initiatives to strengthen the ease of doing business** in the country. Proactive measures will **continue to be implemented to improve the business environment**, especially to leverage on subject matter experts on improving regulatory quality and efficiency that impacts time, cost, quality and service delivery.

8. Following best practice on regulation of OECD economies, MPC has published the Annual Report on Modernisation of Regulations to capture **useful information on Malaysia's regulatory reform journey** and all regulatory initiatives undertaken by Ministries and Agencies.

9. The report is also to assess **progress of NPDIR implementation, review performance and increase transparency**. It is an effort to inform stakeholders on the improvements that are taking place in the regulatory environment, key requirements of the regulatory management process, and more importantly initiatives made to address quality of existing regulations. These are measures which are undertaken under the **Modernising Business Licensing (MBL) and Reducing Unnecessary Regulatory Burden (RURB)** programmes.

Distinguished guests, Ladies and Gentlemen,

10. Effective regulatory governance is essential to **instil confidence and trust of citizens, consumers and businesses** on the Government machinery and institutions. Effective and efficient regulations together with good regulatory practices contribute to **quality regulations, inspection systems and enforcement** that help foster productivity and competitiveness among businesses.

11. To address these challenges, a regulatory framework that is more systematic has been introduced to **reduce the regulatory burden on the economy and businesses**. Through Modernising Business Licensing (MBL) initiatives conducted since 2011 until 2014, 767 business licenses at the Federal level were re-engineered or simplified and converted into 454 composite licenses while 29 licenses were abolished. It is expected that the MBL initiative at the Federal level will achieve a **potential compliance cost reduction estimated at RM 729 million**.

12. Similar reviews were carried out at the State Government level involving 13 states. A total of 2,659 licenses were reviewed, reengineered and reduced to 1,915 composite licenses, involving estimated **potential compliance cost savings of RM 1.7 billion**.

13. As documented by Jacob, Cordova & Associates, several countries have successfully implemented similar strategies such as Hungary, South Korea, Mexico, Ukraine, Kenya, Bosnia, and Vietnam. For example, South Korea **reviewed 11,000 business regulations and abolished almost 50 percent** through the “Guillotine” approach during the period of the financial crisis in 1998.

14. The impact of this initiative led to the creation of over 1 million job opportunities and resulted in almost **US\$36 billion (RM114.7 billion) additional foreign direct investments** over a five year period.

15. In Malaysia, the Government identified 12 National Key Economic Areas (NKEAs) to help propel Malaysia towards a high-income economy. MPC has been tasked with conducting the regulatory review of the NKEAs with the view **to reduce unnecessary regulatory burdens and improve the regulatory environment**. The regulatory reviews of the NKEAs are being undertaken through the RURB programmes.

16. The review is undertaken with a view to remove unnecessary rules and reduce compliance costs, and to improve the ease and speed of public service delivery in the 12 NKEAs. **Twenty three RURB projects were completed during the 2014-2015 period**. It is estimated that recommendations from the 2014 and 2015 projects could result in

potential **savings of RM1.5 billion and RM1.0 billion respectively when implemented**. These potential savings cover compliance costs and other opportunity costs.

Distinguished guests, Ladies and Gentlemen,

17. This report also incorporated the publication of the Annual Regulatory Plan which will assist in the **dissemination of information on the Government's proposed regulatory actions**. Stakeholders can become familiar with the Government's regulatory plan and can be better prepared to **participate more effectively and provide valuable input** into the regulatory process. Often, one of the difficulties confronting stakeholders is the lack of awareness or the short notice given to prepare for participation in consultations on proposed regulatory action.

18. With the Annual Regulatory Plan, stakeholders will be able to seek further information from respective regulators' website. This Annual Regulatory Plan in the Report should also **encourage stakeholders to assume their proper role in the rule-making process**.

Distinguished guests, Ladies and Gentlemen,

19. It is hoped that the publication of this Annual Report on Modernisation of Regulations 2016 will **encourage greater adoption of GRP and ensure quality regulatory environment** that is supportive of a more responsive and dynamic economic growth in Malaysia.

20. On that note, with the recital of '*Bismillah hir rahmanirrahim*' it is my pleasure to launch the Annual Report on Modernisation of Regulations 2016.

Thank You.

©2016 Copyright Reserved SMPKE, Prime Minister's Office

Source: <http://ksn.ipm.gov.my/home.php?frontpage/speech/detail/2102>