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Reforming Malaysia's GLC Framework

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Introduction: Equitable development and government-business compacts

Malaysia rapidly modernized by implementing a socioeconomic development model comprising government-business compacts that focused on expediting industrialization, cultivating domestic entrepreneurs, and reducing poverty. This emphasis on cultivating government-business ties to foster equitable growth was one core dimension of similar progressive development strategies, such as Germany's post-war Social Market Economy and Japan's Developmental State model (Van Hook 2004; Woo-Cumings 1999). However, a major difference from these models is that policy pathways to development in Malaysia entailed the practice of selective patronage, a central feature of the diverse range of government-business relations that were created (Gomez and de Micheaux 2017). In these nexuses, the primary tool deployed to carry out development – and social – policies have been government-linked companies (GLCs). In Malaysia, the term “GLCs” is collectively and liberally used when referring to a complex ensemble of institutions incorporated by the government. This assortment of institutions includes about half a dozen government-linked investment companies (GLICs), that is huge investment and savings-based institutions, as well as a sovereign wealth fund, along with development financial institutions (DFIs), statutory bodies, foundations, trust agencies, holding companies, and a multitude of enterprises with a presence in every sector of the economy.

These GLCs operate within an institutional architecture created to execute policies dealing with the government's longstanding goals of nurturing corporate captains leading globally-recognized conglomerates, achieving highly-industrialized nation status, and redistributing wealth between ethnic groups (Gomez and Jomo 1999). One key policy that has figured as part of the government's equity redistribution agenda is affirmative action, in place since 1970 when the New Economic Policy (NEP) was introduced. Implementation of the NEP led

to the emergence of a highly interventionist government, while its primary concern was to ensure that Bumiputeras owned 30% of Malaysia's corporate wealth within two decades. Since the end of the NEP in 1990, numerous affirmative action-type policies have been introduced in its place, ostensibly because Bumiputeras still do not own 30% of the country's corporate wealth (Gomez 2012).

These GLCs have been consistently and relentlessly employed to redistribute wealth as well as nurture Bumiputera-owned enterprises. However, since power distribution in Malaysia has been extremely asymmetrical, the preferences of powerful political elites have shaped the conduct of selective patronage, a practice that has gradually been institutionalized within the political system (Weiss 2016). Since power is concentrated in the office of the Executive arm of government, this has shaped how policies, based on racial preferences, are promulgated and implemented. This concentration of power has also brought into question the volume of autonomy accorded to oversight institutions to act without favour, or fear.

Among the repercussions of long-term implementation of ethnically-defined policies that have institutionalized the practice of selective patronage by GLCs is that competitive neutrality has been deeply undermined. Through this non-transparent system of selective patronage, large amounts of money flow through opaque channels into the political system, primarily through the appointment of politicians as directors of GLCs who use their control over these enterprises to distribute government-generated contracts to grassroots party members (Gomez et al. 2017). GLCs have, inevitably, become sites of political struggles between elites attempting to consolidate power, at the federal and state levels in the Malaysian federation. Government-business compacts have come to be characterized by an intimate familiarity between elites, contributing to the phenomenon of "political business" of which GLCs are now a central feature (Gomez 2002). The issue of political business has led to serious allegations of rent-seeking, cronyism, and corruption, a problem even the government has admitted must be tackled (Malaysia 2010a).

Covid-19, government ecosystem, GLCs

The dominant role of GLCs in the economy became manifestly clear with the onset of the Covid-19 pandemic in 2020. When this health crisis led to a lockdown that impaired private companies from functioning, Finance Minister Tengku Zafrul Aziz stressed in his first stimulus package his plan to use the "government ecosystem" to save an economy under siege (*The Edge*, 28 March 2020). By drawing reference to this ecosystem, the government was acknowledging that it had at hand a multitude of GLCs to deploy in all sectors of the economy. The prolonged pandemic led to a further series of short-term stimulus packages, introduction of the mid-term *Twelfth Malaysia Plan, 2021-2025*, execution of the long-term *Shared Prosperity Vision 2030*, and the launch of a *Perkukuh* plan to reform GLCs. These government-driven endeavours serve to revive the economy, as well as drive growth in a well-coordinated manner through effective employment of its GLCs.

Moreover, even before the onset of this health pandemic, there had been debates about Malaysia being caught in a "high middle-income trap" and the need to "digitalize" the economy (Malaysia 2016). There were discussions about the "Future of Work," following rapid technological changes, the growing importance of artificial intelligence (AI), the emergence of the Gig Economy, and the promotion of e-marketing (Malaysia 2010a; 2019). The pandemic brought these issues to the fore.

However, in spite of these pressing problems and the serious implications of the pandemic, the government continued to voice its intent to implement racially-defined policies in market-based activities, aided by financially well-endowed GLCs, targeting one ethnic group. Public initiatives to deal with the pandemic have continued to privilege GLCs and curb

private enterprises, domestic and foreign, from competing fairly in the market. This was the case even though there was a clear need to create effective industry-financial linkages, involving highly entrepreneurial companies. With increasingly scarce resources at hand for the government, industry-financial ties entailed more effective employment of the DFIs, such as SME Bank, Agro Bank, and EXIM Bank, by linking them with small- and medium-scale enterprises (SMEs) in different sectors. This was imperative for two reasons. First, of Malaysia's nearly 1.2 million companies, 98.5 percent of them have been classified as SMEs; a huge number of these enterprises had been badly undermined by the crisis. Second, effective industry-financial links could help the government deal with problems like food security, maintaining domestic and international supply chains, etc. This need to maintain and nurture domestic and international supply chains had emerged as a crucial matter during the crisis.

What became evident during the pandemic was that different types of government aid had to be provided, depending on the sector an SME was involved in. For example, the type of aid required by companies in the high technology, industrial, agriculture, and tourism sectors differed appreciably. The type of GLIC or GLC-related institution that had to be employed to help an SME also differed, depending on the sector under review. For instance, statutory bodies such as Kesedar, Ketengah, and Keda had to be better employed to help SMEs in rural industries, specifically those in the agriculture and fisheries industries.

As the prolonged health pandemic led to escalating unemployment, the imminent collapse of nearly half of Malaysia's SMEs, and growing concerns of a huge volume of non-performing loans, concerns grew that these issues would lead to a serious financial crisis. The government was also forced to push quickly ahead with the digitalizing the economy. This led to the introduction of the *Digital Economy Blueprint*. However, this Blueprint needs more thought as the discussion there is still in the realm of ideas. The next stage is implementation. In the Blueprint, there is much reference of the need to use the GLICs, GLCs, and DFIs to implement the ideas listed.

As the pandemic extended beyond a year and as more lockdowns had to be implemented, which further debilitated private enterprises, the government recognized the urgent need to employ the "ecosystem" it had in place to aid the economy. The government launched Perkukuh Pelaburan Rakyat (Perkukuh), though its focus was only on the GLICs, though these enterprises, in turn, had ownership and control of a huge number of public institutions and companies. Perkukuh is an initiative to enhance the mandate of the GLICs, employing the institutions under their control in a well-coordinated manner. The specific aims of Perkukuh are to:

- Sharpen clarity on the mandate of each GLIC;
- Increase focus on developmental and catalytical investments to spur new growth and enhance socio-economic impact;
- Crowd-in the private sector, while streamlining the role of the government and its agencies in business;
- Future-proof GLICs with best-in-class governance, capabilities, and strategies; and
- Strengthen social safeguards and fiscal resilience.

Perkukuh serves as an important initiative to employ the GLCs or "government ecosystem" more effectively. There is, however, no discussion of reconstructing this ecosystem to ensure better management of the GLICs. What is required is far more substantial reforms than what has been proposed through the Perkukuh plan. Discussions organized by KAS with academics, former bureaucrats, and non-governmental organizations (NGOs) have drawn attention to this matter, as well as other pertinent issues that require urgent reform if

this GLC institutional architecture is to be productively employed to deal with Malaysia's dual economic and health crises.

What remains imperative is that the degree of state intervention in the economy will still have to be substantial, at least in the near future. This is simply because private firms have been deeply undermined by the prolonged economic lockdown. Indeed, the government had announced in May 2021 that at least 40 percent of Malaysia's SMEs will have to be closed if the health crisis persists (*The Edge*, 19 May 2021). And, the crisis has persisted since then. Of the 1.12 million SMEs in the country, a massive 893,000 are micro firms, meaning that they employ five or less employees, an indication of a serious structural problem in the economy. Moreover, this figure does not include non-registered enterprises in the informal sector, another segment of the economy employing a large number of people.

In this regard then, what is absent is a coherently-structured plan to support, even cultivate entrepreneurial private firms, though not through selective patronage, particularly in new sectors that feed well into the development of a thriving digital economy. There is similarly no roadmap to ensure that these GLCs and the institutions they control target specific core industries requiring heavy capital investments and extensive research and development (D&D) funding to rapidly industrialize the economy. Even before the pandemic, these issues were identified as hampering the economy from getting out of the high middle-income trap (Wong and Fung 2019). Crucially too, even if the reforms in the Perkukuh plan are realized, politicians will continue to control these GLCs as directors, a factor that will determine the recipients of concessions distributed to nurture domestic enterprises.

Reforming GLCs

Reforms have to be of the form that guarantee that the government ecosystem comprising a multitude of different GLCs function collectively to contribute to the rebuilding of the economy. To achieve sound outcomes from these reforms, what is first required is a proper mapping the government ecosystem, currently a "shadow world," one with hugely influential publicly-listed GLCs as well as unlisted enterprises owned or controlled by different arms of government (Gomez et al. 2018). This revamped GLC institutional infrastructure will serve to better administer Malaysia's substantial public assets, assure fair and effective implementation of public policies, and promote competitive neutrality. There will be minimal overlap in roles played by different GLCs, with improved use of scarce public resources. Power will be devolved to regulatory institutions to monitor GLCs that undermine private firms from competing fairly in the market.

The second vital step is to create an overarching state-driven well-planned development agenda (Mazzucato 2013). One core dimension of this development plan will be the creation of a vibrant government-business compact to facilitate dialogue between the public and private sectors. The third dimension is institutional reforms of GLCs, which entails closing or privatizing GLCs that serve as nothing more than conduits for the channelling of government-generated rents to the well-connected or party members. What is imperative is that institutions within this reformed ecosystem contribute to coherently linking equitable development and fair competition. These institutions have to be monitored by an independent centralized public agency, to guarantee well-coordinated, transparent, and accountable market-based activities by all types of federal- and state-level government-linked enterprises.

Reforms of this sort allow for effective industrial-financial linkages that serve to nurture firms in new sectors of the economy. Sound inter-GLC coordination is also important to eradicate divergences between policies, as well as to promote mutually supporting actions across sectors and other government institutions, such as those in the different ministries.

Interestingly, this is one dimension of the Perkukuh plan, though how this is to be achieved has not been laid out by the government. One core problem has long been Malaysia's poor public delivery system, a point also stressed in the *Twelfth Malaysia Plan*. Improving the processes in place to deliver policies is vital if the reforms are to be effective.

The following points draw attention to the themes of governance, strategy, and mode of development that have to be reviewed when instituting reforms within the GLC system:

- A clear definition is required of GLCs, given the variety of such institutions. Each type of GLC, whether a GLIC, statutory body, sovereign wealth fund, or company needs to be well demarcated. The type of reform depends on the type of institution being dealt with during the reconstruction of the ecosystem. If there is a special legal form of incorporation that applies only to a particular GLC, then this law should define the parameters of this legal form. If a GLC is incorporated according to commercial law, then the legal framework should refer to these laws and clarify whether they apply in their entirety or include some special provisions for such public corporations. This is particularly vital to encourage competitive neutrality in market activities.
- A clear definition is required of the financial oversight function, specifically whether this role is to be carried out by the Ministry of Finance, a sector ministry in consultation with the Ministry of Finance, or possibly an independent agency (as in the Swedish model).
- A statement of the powers of the government to receive, comment on, and approve financial plans, financial targets, and annual financial statements of GLCs; set financial performance targets; and respond to requests by GLCs for capital injections, borrowing, or government guarantees.
- A statement of the public reporting requirements for all GLCs, including a full annual financial statement (containing a statement of operations, a cash flow statement, and a balance sheet) prepared in accordance with national or international accounting standards.
- A requirement for the government to publish an annual report on whether the different types of GLCs are achieving their policy and financial objectives, and complying with their obligations to prepare regular and timely financial reports.
- A requirement for the annual accounts of the GLC to be audited by a reputable, independent auditing body that is recognized internationally, and to publish the audit report.

Recommendations by International Institutions

International institutions such as the OECD (2012; 2017) and World Bank (2006) have offered recommendations that merit consideration in the Malaysian context. These recommendations focus on two core matters, that is the timeline for implementation of the reforms and the central role of an independent monitoring unit. As for the timeline for implementation of the requisite reforms, the key recommendations are the following:

- In the short term (up to one year), the government must ensure a full inventory of different GLCs, with commercial or quasi-commercial functions. These entities are to be classified according to the latest international standards, that is with a basic reporting framework for GLCs that are high risk or have a large fiscal or budgetary impact clearly stated. The roles and responsibilities of the Prime Minister's Office, Ministry of Finance, and line ministries participating in the oversight of GLCs are to be determined.
- In the medium term (up to three years), the legal framework relating to GLCs are to be established (or revised), providing the Ministry of Finance (or another approved

institution) with the required powers to review their financial plans and monitor their performance. A GLC ownership policy must be developed. The Ministry of Finance must strengthen its capacity to supervise GLCs. And, a financial oversight unit should start publishing a consolidated annual report on public corporations.

- In the long term (more than three years), the government has to further improve the framework for monitoring the financial performance of GLCs by developing a more elaborate set of performance indicators and targets. The cost of delivering public service obligations and other quasi-fiscal activities should be fully funded in the budget and disclosed in financial reports prepared by the government and the GLCs. Importantly too, the government should carry out a review of the economic – and social, if any – activities and financial status of business enterprises and whether they should continue to be classified as a GLC.

One key recommendation by international institutions following the implementation of these reforms is the creation of one public corporation that is responsible for monitoring all GLCs. This monitoring unit will publish reports summarizing the overall financial performance of GLCs operating in different economic sectors, as well as provide information on individual enterprises. Well-designed reports usually encompass six main sections:

- An overview of the sector and highlights of the activities of GLCs during the year, including information on policy decisions or transactions that had a material impact on the financial position of the sector.
- A full list of the companies owned by the government, broken down by industry, size, and type of ownership (for example, majority- or minority-owned companies, strategic companies, or candidates for privatization).
- An overview of how the government has exercised its ownership policy, including the appointment of board members, dividend policy, organizational and governance arrangements, and the announcement of financial and public policy targets.
- Special topics, including a more thorough explanation of issues related to the government's ownership policy: for example, changes in the policy framework for GLCs, remuneration policy, the valuation of companies, issues of organization and management, and the impact of these enterprises on government finances and the economy more broadly.
- Information on individual GLCs, providing a summary of their operations, abridged financial statements, and indicators of financial performance for the current year as well as previous years. The report should also provide a list of board members, key management personnel, and auditors, as well as information on the government's shareholding and financial targets, if applicable, together with data on key performance indicators. This information should draw on a central database of GLCs at the national and subnational levels which can be publicly accessed.
- Transactions by GLCs with the government in the form of dividends, taxes, grants, compensation for quasi-fiscal activities, and other subsidies. Changes in government equity holdings in the GLCs should also be publicly disclosed.

International Comparisons

While these recommendations by international institutions merit consideration when introducing reforms in Malaysia, what is equally beneficial is to look at how similar public corporations, usually referred to as state-owned enterprise (SOEs), are owned and managed in different countries. Table 1 provides a list of sound practices in the management of GLCs, or SOEs, in different countries.

Table 1: Good Governance Practices of GLCs – Comparative Perspective

	Australia	New Zealand
Autonomy level of Board of Directors	Boards enjoy independence from management and the government. However, the responsible Ministers are consulted during the process.	No government representative as non-executive directors serve on the board.
Nomination and appointment process of Board of Directors	Government Business and Private Financing Advice Unit (GBPFAU) has an informal role in providing advice to the Minister of possible board candidates.	The nomination process is codified and involves both the Crown Company Monitoring Advisory Unit (CCMAU) and the shareholding Ministers. CCMAU identifies qualified candidates for Ministerial consideration, interviews and assesses them. It manages appointment processes, the induction process, and later on monitors board and individual directors' performance.
	Australia and New Zealand have a structured and skills-based nomination system. Structured systems are based on a systematic evaluation of existing boards. Competence and experience requirements are specified for new board positions. Candidates are systematically identified, interviewed, and assessed based on profiles drawn up for each board position.	
Autonomy level in day-to-day operations	Government Business Enterprise (GBE) boards have absolute responsibility for the performance of the GBE and are accountable for this to the shareholder Ministers.	The board's role is described in broad strategic terms, which includes preparation, finalization, and implementation of the Statement of Corporate Intent as a central part of the accountability process. The Statement of Corporate Intent guides the strategic and operational direction of the GBE.
Existence of a GLC Act	Public Governance, Performance and Accountability Act 2013	State-Owned Enterprises Act 1986
Are politicians legally able to hold positions		No public servant should be appointed to the board of GBEs, except in exceptional circumstances.
Oversight Institution	Ministry that is relevant to the GBE represented by the shareholder minister.	

	Sweden	Norway
Autonomy Level of Board of Directors	<p>The board can have nominations from the Minister-in-charge of the Ministry to which the SOE belongs. However, the appointment of the members can only be made by the Board of Directors.</p> <p>90% of all SOE board members have to be independent directors. Regulations have set in place that women have to comprise at least 40% of SOE boards.</p>	<p>Department of Ownership oversees most SOEs.</p> <p>Appointment of independent members to the boards of publicly-traded SOEs is compulsory.</p> <p>A 40% female composition requirement is imposed.</p> <p>Employees have the right to elect one-third of the Board members.</p>
Nomination and appointment process of Board of Directors	<p>The starting point for board nominations is the need for specific expertise, relevant to the vacancy. To be considered for election to the board, a generally high level of expertise is required in areas such as corporate governance, business operations, financial issues, and other relevant fields. Integrity and the ability to see to the company's best interests are required.</p> <p>Once a head has been appointed, he cannot be fired/demoted without reference to some form of serious misconduct. Disagreements over policy are not considered legitimate grounds for removal.</p>	<p>Nominations to the boards of listed SOEs are made via nomination committees comprising representatives from government and non-government shareholders.</p> <p>The composition of the Board is to be characterized by competence, capacity, and diversity and shall reflect the distinctive characteristics of each company.</p>
Autonomy level in day-to-day operations	<p>Government has no power to intervene in an agency's decisions in specific matters relating to the application of the law or due exercise of its authority.</p> <p>The Riksdag (Parliament) is responsible for monitoring to ensure that ministerial rule does not occur.</p>	<p>The Board has overall responsibility for decisions of a commercial nature, including long-term strategic planning and budget supervision.</p> <p>Very limited government influence.</p>
Existence of a GLC Act	<p>Companies Act</p> <p>Swedish Code of Corporate Governance</p>	<p>Article 19 and Article 12 of the Norwegian Constitution.</p> <p>Article 12 explains the requirements of Storting (Parliament) oversight in terms of electing BODs and related matters.</p>
Are politicians legally able to hold positions	<p>State representatives are not allowed on the board of SOEs, including prevents government officials (unless under explicit exemption).</p> <p>There is legal and regulatory consensus that ministers, state secretaries, or other direct representatives of, or parties closely related to, the Executive cannot be</p>	<p>Legislation bars SOE boards from having even a single member from government or politically-linked individuals.</p> <p>Parliament does not allow Ministry officials, Members of Parliament, Ministers, or State Secretaries to sit on the boards of companies where the government holds shares.</p>

	nominated to SOE boards. The Code on Corporate Governance, which applies to private firms and SOEs, requires a majority of independent directors on the boards.	
Oversight Institution	Parliament and the Courts	<p>Storting (Parliament), Courts, and Department of Ownership.</p> <p>Report on State Ownership has to be released on a yearly basis.</p>
	UK	South Korea
Autonomy Level of Board of Directors	Majority of board members must be independent. One non-executive government representative may be appointed.	<p>No government representation on boards.</p> <p>Ministry of Finance & Strategy exerts its ownership policy to control staffing, organizational structure, and subsidy policy through the budgetary process and performance evaluation.</p> <p>Ministries responsible for each SOE have economic and social policy power over the company.</p>
Nomination and appointment process of Board of Directors	<p>Board members are appointed (or approved) by the shareholding Ministry, in accordance with the government's Code of Practice for Ministerial Appointments.</p> <p>Commissioner for Public Appointments ensures the process is efficient, transparent, and based on merit, excluding political activity and affiliation from selection criteria. All stages are subject to audits.</p>	The Ministry of Strategy & Finance (state ownership unit) appoints directors of SOEs based on recommendation of Committee for Recommendation of Executive Officers and Board Members which comprises non-executive directors of the SOE (or quasi-governmental institution) and members appointed by the board.
Autonomy level in day-to-day operations	Yes	Yes
Existence of a GLC Act	-	Act on the Management of Public Institutions 2007 (Applicable to SOE as well as government agencies).
Are politicians legally able to hold positions	-	-
Oversight Institution	-	<p>Ministry of Finance and Strategy.</p> <p>Relevant Ministries.</p> <p>The Alio System that publicly publishes important information (financial, governance, corporate decisions, etc.).</p>

	Singapore	China
Autonomy Level of Board of Directors	<p>Singapore allows for the appointment of retired civil servants or politicians on the boards of GLCs.</p> <p>In the case of Temasek, of the ten directors, two are usually government representatives (the Permanent Secretaries of Ministry of Trade and Industry and MOF).</p> <p>The boards do not comprise members from parent companies. For example, Singtel will not have a Temasek representative on the board, even though Temasek holds majority ownership.</p>	<p>State enterprise ownership function is centralized through a dedicated state enterprise ownership unit with direct responsibility for nominating members of SOE boards.</p>
Nomination and appointment process of Board of Directors	<p>Holding company suggests “qualified individuals for consideration by the respective boards,” but the holding is not represented on the boards of its portfolio companies.</p> <p>In the case of Temasek, its board and CEO are appointed by the President of Singapore, independent of cabinet decisions.</p> <p>Supports the formation of high caliber, experienced, and diverse boards to guide and complement management. Temasek’s policy is not to direct the business operations or decisions of the companies in its portfolio and to leave this to their respective boards and management.</p> <p>For GLCs, board members are elected by the nomination committee in the board.</p>	<p>Non-executive (external) directors in central SOEs are directly nominated and appointed by the ownership agency, SASAC, in consultation with relevant departments, including the line ministries, central SOEs, and industrial associations at home and abroad. External directors are recruited either through direct appointment or through an open selection process. The board can recommend candidates for external directors and interested outsiders can recommend themselves as candidates.</p> <p>According to the Regulations on State-owned Assets of Enterprises, directors are required to have professional knowledge and competency. Having “good character” is one required qualification.</p> <p>There are no specific requirements regarding gender, nationality, or locality.</p>
Autonomy level in day-to-day operations	<p>The Board and Management Team have the autonomy to carry out the interests of the company, according to shareholder interests.</p>	<p>SOEs must establish a supervisory board to govern the board of directors and better protect the interests of the shareholders.</p>
Existence of a GLC Act	<p>Singapore Company Act. Even Temasek is not exempted from this law.</p> <p>Singapore Code on Corporate Governance</p>	<p>According to the laws and regulations, enterprises wholly-owned by the state should safeguard the board of directors’ responsibilities, including conceiving development strategies and supervising their implementation; setting up a management structure; communicating their decision to the SASAC; conducting performance evaluation; determining remuneration level of senior executives; developing and monitoring the enterprise’s risk management system; reviewing internal</p>

		<p>audit reports and appointing the person-in-charge of the internal audit unit; and addressing problems pointed out by the supervisory board. The Guidelines require the board to submit an annual report.</p> <p>Enhance responsibility of BODs along with corporatization of SOEs</p> <ul style="list-style-type: none"> • Guidelines on improving Corporate Governance of SOEs; • Guidelines on Pilot Programs for Central SOE Board of Directors
<p>Are politicians legally able to hold positions</p>	<p>No, but politically-linked or retired politicians may do so. Civil servants can be appointed; however, these cases tend to only fall under GLICs owned by ministries. In Temasek, for instance, there are representatives from MOF.</p> <p>GLCs have rarely appointed politicians on their boards. Singapore stresses upholding professionalism in the governance of GLCs.</p> <p>There are claims of PAP's inordinate influence over GLCs.</p>	<p>No state representatives on boards.</p> <p>Board composition is stipulated in the corporate charter. Enterprises with majority state ownership are required to have external directors to a certain portion and should be elected at the shareholders meeting. Incumbent public officials or persons directly linked with the executive powers cannot be appointed as directors in central SOEs.</p> <p>As for independent board members, "Yes, but no formal requirement for the percentage".</p>
<p>Oversight Institution</p>	<p>The President, MOF, and Courts.</p>	<p>State-owned Assets Supervision and Administration Commission of the State Council (SASAC). The SASAC directly represents the state as shareholder in 110 of the central SOEs, which are essentially corporate groups with an extensive network of subsidiaries. Most central SOEs at the group level are enterprises wholly-owned by the state.</p> <p>Nearly all entities overseen by SASAC are structured as corporations and are legally separate from the government, with their own boards of directors, effectively delegating more authority to the executives.</p>

Conclusion

These recommendations can contribute to significant reforms that determine how GLCs function in a context where government intervention in an economy is extensive, as is the case of Malaysia. The vital role that GLCs play in an economy to sustain growth and aid companies in dire need of support is now imperative, a consequence of the health pandemic that has deeply undermined the economy. Government intervention in various forms is vital to prevent the collapse of a multitude of SMEs and to curb a debt crisis because of the escalating volume of non-performing loans (NPLs) from bankruptcies (*The Edge*, 29 September 2021). However, what is equally urgent is the need to assess and change the nature of the relationship between government and business. While current government-business ties are characterized by rent-seeking and cronyism, the reformed compact should be one that is based on mutual support to foster development.

What is patently obvious is that the GLCs cannot be used to consolidate control over the political system. Malaysia's three governments since the general election in 2018 have actively employed GLCs to consolidate power. These GLCs function within a structural framework conceived in 1970 when the NEP was introduced. This framework has grown to a point where it is now unclear how many GLCs operate within it, allowing politicians in the federal and state governments to exploit them through innumerable methods to serve vested political and economic interests. For this reason, there is little political will by politicians to institute reforms that will cast light on this shadow economy, to ensure that GLCs are employed in a responsible manner. A new institutional framework has to be created to ensure transparent, accountable, and equitable development. Regulations matter, involving adequate checks and balances in the system, to inspire confidence in investors

In the post-pandemic period, this reformed GLC framework is particularly urgent given the role these institutions can play to reduce the impact of the crisis on the economy. These reforms serve as an opportunity for a highly interventionist government to also consider its model of development and how GLCs are to function in the economy. A clear separation of the objectives of GLCs should be considered, involving social provisioning and profit-making. Since GLCs have a phenomenal presence in this economy, in this revised model, a core dimension of policy planning has to be the promotion of active government-business dialogue and cooperation, with the government steering resources to the private sector to nurture domestic enterprises and generate employment. Promulgating policies based on a symbiotic relationship between GLCs and private firms, particularly SMEs, to promote entrepreneurship and competition that fosters innovation – given also the radical technological changes brought on by the Covid pandemic – is essential to ensure equitable development.

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