

## Key Messages:

- To bolster efforts in Good Regulatory Practice (GRP), the government shifted from a deregulation strategy to a holistic whole-of-government approach with the introduction of the National Policy on the Development and Implementation of Regulations (NPDIR) on 15 July 2013.
- The NPDIR is designed to foster a responsible, efficient, and effective regulatory process, aiming to create a more cohesive policy framework. Its ultimate goal is to align Malaysia's regulatory structure with the national vision of becoming a progressive, high-income country with a competitive economy based on inclusive growth and sustainable development.
- Subsequently, on 8 May 2017, the Prime Minister launched the Malaysia Productivity Blueprint (MPB), a new national initiative focused on enhancing productivity. The National Productivity Council (NPC) provides leadership for the MPB, concentrating on establishing a robust ecosystem, particularly in the Key Activity identified by the MPB.
- In 2021, significant strides were taken to fortify GRP in Malaysia, highlighted by the replacement of the 2013 National Policy on the Development and Implementation of Regulations (NPDIR) with the National Policy on Good Regulatory Practice (NPGRP).
- The NPGRP introduces clearer and more comprehensive guidelines for adopting GRPs, placing a strong emphasis on improving the quality of both new and existing regulations. The introduction of this new policy further emphasises the importance of implementing GRPs within the country.

### **Muhammad Faliq Abd Razak**

Universiti Kebangsaan Malaysia

### **Sufian Jusoh**

Universiti Kebangsaan Malaysia

### **Tamat Sarmidi**

Universiti Kebangsaan Malaysia

### **Intan Murnira Ramli**

Senior Policy Fellow, ERIA

## Good Regulatory Practice in Malaysia

**Muhammad Faliq Abd Razak, Sufian Jusoh, Tamat Sarmidi,  
Intan Murnira Ramli**

*International indicators suggest that Malaysia has attained a level of parity with high-income OECD nations, primarily attributable to the establishment and implementation of Regulatory Policy, particularly in meeting GRP requirements and regulations. The significance of Malaysia's regulatory reforms and GRP is underscored by various factors, with the World Bank Group in 2019 highlighting crucial aspects related to regulatory governance for development and growth in the country. Malaysia's GRP experience stands out, characterised by several significant elements. The engagement of the business sector was facilitated through a high-level task force named PEMUDAH, achieving notable success evident in both the process and outcomes.*

*To promote the adoption of GRP, Malaysia established a comprehensive institutional ecosystem, enabling the meticulous implementation of all facets of the reforms. Over the past few decades, GRP commitments have been seamlessly integrated into both Malaysia's medium-term national development plans and its long-term development vision, ensuring high-level support and continuity for this agenda. Lastly, Malaysia has shifted its regulatory reform focus from a deregulatory strategy to one that complements it by placing emphasis on regulatory quality.*

### **Malaysia's Progress with Good Regulatory Practice (GRP)**

Since 2007, the collaboration between the government and the private sector has been instrumental in advancing regulatory reforms in Malaysia. Through the Special Taskforce to Facilitate Business (PEMUDAH), concerted efforts have been made to streamline regulatory frameworks, diminish business licensing requirements, and promote the adoption of information technology by government agencies.

In pursuit of further advancements, the government's approach to regulatory reform shifted from deregulation to a comprehensive whole-of-government strategy on Good Regulatory Practice (GRP) with the unveiling of the National Policy on the Development and Implementation of Regulations (NPDIR) on 15 July 2013. The NPDIR aims to foster a more cohesive policy through a responsible, efficient, and effective regulatory process. Its overarching objective is to ensure that Malaysia's regulatory framework aligns efficiently with the nation's goal of becoming a progressive, high-income country with a competitive economy grounded in inclusive growth and sustainable development.

Following this, on 8 May 2017, the Prime Minister introduced the Malaysia Productivity Blueprint (MPB), a national initiative focused on boosting productivity. The National Productivity Council (NPC) provides leadership and guidance for the MPB, with ten national-level initiatives supporting the defined strategic thrusts. The NPC is tasked with creating a robust ecosystem, particularly emphasising the MPB's Key Activity.

In October 2018, during the Mid-Term Review of the Eleventh Malaysia Plan (MTR 11MP), the Prime Minister announced the Shared Prosperity Vision (SPV) 2030, committing to sustainable growth and equitable distribution across income groups, ethnicities and supply chains. Integrity and Good Governance are fundamental principles of this vision. Additionally, the Twelfth Malaysia Plan (12MP) presented by the Prime Minister serves as the development roadmap for the nation from 2021 to 2025, focusing on resetting the economy, strengthening security, wellbeing, inclusivity, and advancing sustainability.

Significant strides in strengthening GRP in Malaysia occurred in 2021 when the government replaced the 2013 NPDIR with the National Policy on Good Regulatory Practice (NPGRP). The NPGRP provides clearer guidelines on the adoption of GRPs, emphasising the improvement of the quality of both new and existing regulations. The introduction of this new policy reinforces the importance of employing GRPs within the country, seeking to enhance Malaysia's business environment, citizens' well-being, productivity growth, and competitive edge.

## **GRP in Engineering Services in Malaysia**

The engineering profession in Malaysia has wholeheartedly embraced Good Regulatory Practice (GRP) in its services, exemplified by the recent Regulatory Impact Statement (RIS) conducted by the Malaysian Board of Engineers (BEM). The RIS on the Proposed Expansion of Scope and Inclusion of New Engineering-Related Professions Under the Registration of Engineers Act 1967 [Act 138] was finalised by BEM in September 2023.

Why GRP in Engineering Services? The selection of Engineering Services as a case study is justified by the engineering profession's advanced status amongst the seven Mutual Recognition Arrangements (MRAs)

in ASEAN. The mobility of Professional Engineers within ASEAN facilitates the exchange of information, standards, and qualifications, bringing benefits like promoting Best Practices, capacity building, and training opportunities.

Moreover, the critical shortage of engineers in Malaysia, as indicated by the classification of Professional Engineers as critical occupations, underscores the significance of GRP in addressing the needs of the industrial, civil, and mechanical engineering sectors. Additionally, the selection is motivated by cross-cutting issues governed under GRP, Mutual Recognition Arrangements (MRA), Movement of Natural Persons (MNP) Agreement, and Domestic Regulations.

## **The Impact of GRP on Engineering Services**

The Malaysian Board of Engineers (BEM) has undertaken out a comprehensive Regulatory Impact Statement (RIS) aimed at effectively managing and regulating the engineering profession in Malaysia. The RIS, conducted in alignment with the National Policy on Good Regulatory Practice (NPGRP), has successfully addressed all seven essential elements, demonstrating compliance with regulatory processes.

The RIS, encompassing the following seven key elements: (1) Problem Statement, (2) Objectives, (3) Options, (4) Impact Analysis, (5) Consultation, (6) Conclusion and Recommendation, and (7) Strategy for Implementation.

The engineering profession in Malaysia has significantly benefited from the Good Regulatory Practice (GRP) reform, with notable impacts that highlight the importance of Regulatory Impact Assessment (RIA), Regulatory Impact Statement (RIS), and GRP in the Services Trade sector:

### **i. Emphasis on Regulatory Quality**

GRP, with its emphasis on regulatory quality and non-discrimination, is evident in the Regulatory Impact Statement (RIS) concerning the Proposed Expansion of Scope and Inclusion of New Engineering Related Professions under the Registration of Engineers Act 1967 (Act 138). This enables the Malaysian Board of Engineers (BEM) to expand its jurisdiction and effectively govern matters related to compliance amongst engineers.

## ii. Transparency and Confidence

GRP fosters transparency as a fundamental principle, particularly benefiting professional service providers in engineering. This transparency builds confidence in the regulatory framework, institutions, and processes, contributing to the overall effectiveness of the sector

## iii. Influence on Supply, Demand, and Mobility

The GRP approach has a notable impact on the supply, demand, and mobility of professional service providers in engineering. These factors are often shaped by national policies influenced by GRP principles.

## iv. Reducing Unnecessary Regulatory Burdens (RURB)

The national-level implementation of GRP, particularly through the Reducing Unnecessary Regulatory Burdens (RURB) programme, reflects a comprehensive, whole-government approach. This strategy breaks down silos and provides clarity on the necessity for regulatory reform, contributing to a more efficient and streamlined regulatory environment.

## v. Symbiotic Relationship

GRP showcases a symbiotic relationship between the state and stakeholders in the engineering profession. This mutual interaction fosters collaboration, transparency, and effective regulatory practices, benefiting both the government and professionals in the sector.

## Challenges in Implementing GRP in Malaysia

While Malaysia has commendably initiated regulatory reform through the National Regulatory Policy, with a focus on public consultation and Regulatory Impact Assessment (RIA), there are key aspects of Good Regulatory Practice (GRP) that warrant attention and improvement:

### a) Incomplete Coverage of GRP Tools

The National Regulatory Policy currently lacks the inclusion of various GRP tools, such as forward planning, transparency, access to a centralised repository of laws and regulations, and robust oversight functions. While acknowledging public consultation and RIA, a broader spectrum of GRP needs consideration.

### b) Lack of a Centralised Repository for Laws and Regulations

The absence of a single, cost-free repository for all enacted laws and regulations poses challenges. Establishing a comprehensive and authoritative registry would enhance transparency, reduce transaction costs, and improve accessibility for citizens and the private sector.

### c) Limited Adoption of Ex Post Review

Efforts to enhance existing regulations through ex post review lack a consistently applied approach. Although provisions exist in the National Regulatory Policy and Handbook, widespread adoption remains low. Establishing a systematic ex post review system, including tools like terminating regulations after a specific date unless reviewed, could enhance regulatory efficiency.

### d) Deficient Regulatory Oversight Functions

Malaysia's regulatory oversight functions encounter challenges, especially in lacking an effective challenge function for identifying and rejecting regulatory proposals that fall short of GRP requirements. Uneven adoption of GRP standards persists due to the absence of a legal mandate for challenging GRP compliance.

### e) Regulator Knowledge and Capacity

Non-compliance with GRP requirements is partly attributed to regulators' insufficient knowledge and capacity. Some regulators perceive GRP and RIA as bureaucratic hurdles, revealing implementation issues related to awareness, support, capacity, resource commitment, and limited outreach and training programmes.

Addressing these challenges can further enhance Malaysia's regulatory environment, ensuring a more comprehensive and effective application of Good Regulatory Practice.

## Policy Recommendations

1. Formulate official, legally-binding guidelines for regulators to adhere to in implementing Good Regulatory Practice (GRP).



- II. Establish efficient regulatory oversight mechanisms to challenge non-compliant regulations that do not comply with GRP requirements.
- III. Develop a structured framework for monitoring and evaluating the implementation of the country's regulatory policy.
- IV. Provide precise definitions and specifications for key GRP components, including government coordination, forward planning, regulatory impact assessment, and the review of existing regulations.
- V. Expand the implementation of GRP at both subnational and sectoral levels, enhancing capacity building and training for officials to understand and implement GRP effectively.

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Economic Research Institute  
for ASEAN and East Asia

Sentral Senayan II, 5<sup>th</sup>, 6<sup>th</sup>, and 15<sup>th</sup> floors  
Jalan Asia Afrika No.8  
Senayan, Central Jakarta 10270, Indonesia  
Tel: (62-21) 57974460  
Fax: (62-21) 57974463  
E-mail: [contactus@eria.org](mailto:contactus@eria.org)

