

Malaysia

1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.

Regulatory reform initiatives in Malaysia have always focused on maintaining the economic growth and stability as well as protecting consumers' interest. Malaysia has been consistent in continuously improving its business environment to be predictable and conducive in encouraging foreign direct investment and facilitating businesses. The government is also determined to upgrade public delivery system and significantly reduce bureaucracy in government dealings.

Public consultations are routinely used by government agencies to gauge feedback from the public on issues of public policy. Formal Dialogues are held with the relevant associations to obtain feedback and proposals to undertake necessary improvements measures so as to ease raise the impediments faced by the business community.

The government has also established a Special Task Force to Facilitate Business, PEMUDAH. This task force was formed through a public-private sector partnership and assumes advisory and advocacy roles as it cooperates with Ministries/Agencies, states and local governments in recommending, implementing and overseeing any reforms initiatives to enhance Malaysia's business environment. Under PEMUDAH, various task forces and focus groups are also established to help identify areas of improvements and undertake reforms process more effectively.

Among notable achievements include improvements in local government by creating one stop centre for processing of development proposals, greater utilisation of ICT in applications for licenses and payments, reduction of the processing time for various government procedures, and deregulation of equity requirements for foreign investors.

Improvements implemented will continuously be monitored by respective Ministries and government agencies to ensure the effectiveness of public delivery system.

2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.

Regulatory Reform

Among the successful reforms that have taken place are:

(i) Reduction in time taken to register standard property from 41 days to 2 days at a cost of between 1-3 percent of the value of the property, (ii) improvement made in the time taken to start a business from 11 days to 3 days and consolidation of nine procedures identified by the World Bank into three procedures; (iii) establishment of a Single Corporate Identity Card

(MyCoID) to facilitate Business-to-Government and Business-to-Business transactions; (iv) improvement in income tax system where tax refunds are now made within 14 to 30 days compared with 1 year previously; (v) and establishment of a single gateway called myBayar to assist users to be routed to other government Agencies for payment.

Establishment of Business Licensing Electronic Support System (BLESS) to facilitate on-line application for licenses in manufacturing, construction and services. The system will show the time taken by the various departments to process the applications, thus ensuring government departments and agencies adhere to their respective client's charter. It provides on-line feedback between the government departments and the applicants it enables on-line tracking and monitoring of applications and on-line payment of fees;

Establishment of One Stop Centre (OSC) in local government to expedite and streamline development and construction approvals process. This system enables all applications to concurrently submit for processing. Prior to 2007, the rules and regulations for processing development proposals are under the purview of the respective local government. With the inception of OSC, the procedures and regulations that govern the processing of development proposals have been streamlined. This reform has ultimately reduced the time taken to process development proposals to less than 180 days, from 261 days previously;

Establishment of New Commercial Courts to speed up in resolving commercial disputes. The court will utilise more IT applications and appoint judicial commissioners who specialised in commercial matters. The Courts are expected to reduce the time taken to resolve commercial disputes to only 270 days from 600 days previously;

Various tax administration improvements such as on-line services for companies to file tax return and provide clear guidelines for tax payment requirement for better transparency; and

Repeal of Foreign Investment Committee (FIC) guidelines on acquisition of equity stake, mergers and takeovers. The functions of FIC on equity matters will be done by sector regulators i.e., the respective Ministries and Agencies.

Examples of relevant websites include:

<http://www.pemudah.gov.my>

<http://www.epu.gov.my>

<http://www.lhdn.gov.my>

<http://www.bless.gov.my>

3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?

Engagement of the relevant stakeholders is necessary to garner the necessary support for the successful implementation of reforms. Most government agencies practice consultations with relevant stakeholders as and when necessary during the planning stage for important public policies. Many ministries adopt an open policy and encourage feedback from the private sector or public with regards to problems faced on a daily basis. Issues raised by them are brought forth by members to be discussed in forums such as the PEMUDAH meeting in attendance of various ministries and agencies with the authority to make decisions pertaining to those issues. Subsequent to the discussion of the issues raised at length, the relevant Ministry or Agency will carefully undertake a study and evaluate the suggestions raised during the meeting to determine the cost and benefit of such a proposal.

One of the biggest obstacles of the government is to change the mindset of the public service from playing the role of just implementer, to pacesetter and facilitator. It is important to be sensitive and responsive to demand of the private sector as the economic engine of growth. In addition, the government will need to continue promoting a conducive environment for doing business through continuous and systematic monitoring to ensure effectiveness of the reform initiatives implemented and can be replicated across the public sector.

4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.

So far, there is no direct analysis on the impact of regulatory reforms implemented. However, feedbacks from the private sector are generally supportive of the reforms. The reforms have managed to improve many areas of doing business i.e. reducing time taken, processes and cost in starting a business, closing a business, dealing with permits and etc. The government understands the need to increase the pace of reforms in order to stay competitive. In addition, the current global economic crisis has also made it difficult for the government to gauge the impact of regulatory reforms implemented as lower external demands is the bigger factor in the flow of trade and investment.

5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?

Capacity building programmes encourage the sharing of best practices to educate and assist other APEC members to strengthen their economy and competitiveness. It is a necessity to prioritise and define steps to encourage the members' participation in developing, conduct analysis, provide financial support, planning and monitoring the programmes.

APEC needs to identify the necessary Key Result Areas (KRAs) for the region to ensure that the required structural reforms are implemented and well achieved. KRAs could be used as a guiding tool for APEC economies to work toward the KRA deliverables with intensive

progress monitoring. The set up of pilot project or “labs” are new ways of working towards the deliverables by experimenting and identifying the issues of implementation. This way would reduce problems in implementation and ensure a more effective, transparent and faster way of achieving result as solutions are already formulated for issues identified.

APEC Business Advisory Council (ABAC) could also play a more substantive role in facilitating respective governments in their reform efforts as there are many areas on reforms particularly those involving cost reduction requires action from the private sector. ABAC must advise its members look into process and procedures that are out of governments control so that a more holistic reform is achieved.