

Who Sits at the Table?

From Political to Public Appointees in Malaysia's Federal Statutory Bodies (FSBs)

Priya Kaur Sachdev | Alissa Marianne Rode

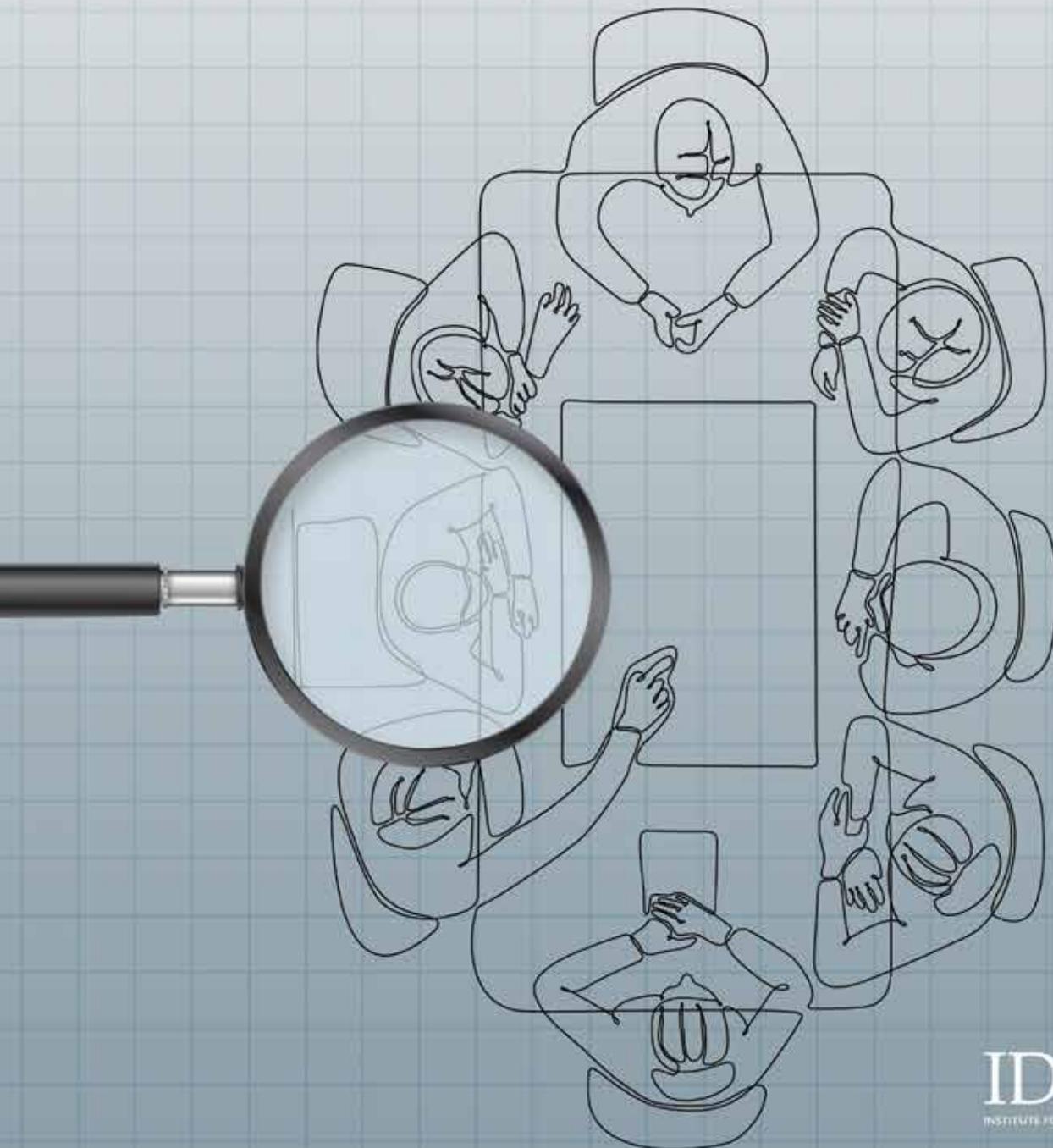


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Executive Summary

Malaysia's Federal Statutory Bodies (FSBs) are established to deliver specialised public functions with operational autonomy and accountability. Each FSB is governed by its own founding legislation, with ministerial oversight tailored to its mandate. In principle, this framework balances independence with accountability, enabling FSBs to operate professionally while serving the public interest.

Broad ministerial discretion over board appointments, weak enforcement of merit-based criteria, and minimal restrictions on political appointments leave FSBs vulnerable to political influence, patronage, and governance arrangements that may prioritise private or political interests over public needs, leaving the autonomy of FSBs limited by a fragmented governance system.

The legal framework governing FSBs grants ministers — including the Prime Minister — broad discretionary powers over board appointments, terms of office, and oversight of statutory bodies and their subsidiaries. These powers, combined with limited transparency, have historically enabled political actors to shape board composition strategically.

A series of analyses of 135 FSBs under IDEAS' Pantau Kuasa initiative reveals that ministerial discretion is applied unevenly, with weak enforcement of merit-based criteria and minimal restrictions on political appointments. Chairperson roles are particularly susceptible, with 78% of FSBs lacking defined qualification standards — creating systemic vulnerabilities where political loyalty can outweigh expertise.

Findings from the data further demonstrates the pervasiveness of political appointments across administrations, concentrated in key ministries and indicative of structural governance weakness rather than isolated incidents. Continuity of such practices, undermines board independence, weakens accountability, increases risks in poor governance attributed to conflicts of interest, political abuse, and corruption.

Malaysia's appointment system was compared with those of other Commonwealth parliamentary systems including the United Kingdom, Australia, and New Zealand, which share a common philosophical intent underpinning governance structure and conventions of ministerial accountability. These countries are recognised for their robust, merit-based public appointment processes that prioritise transparency, competence, and accountability. It is apparent that the Acts governing Malaysian FSBs provide limited procedural guidance in comparison to these nations which supplement legislation with comprehensive frameworks that ensure consistent and transparent implementation.

The report's comparative analysis is structured around seven key practice areas — board composition, criteria for board, open and public recruitment, vetting, appointment merit, transparency, and statutory oversight — providing a benchmark for strengthening Malaysia's FSB governance.

Based on these principles and the comparative analysis, the report recommends four core reforms:

- 1. Formalise Board Composition & Clear Eligibility Criteria for all FSBs:** Establish merit-based eligibility criteria and balanced board composition, publicly advertise vacancies to promote transparency and competition, and manage political appointments through clear boundaries and disclosure requirements to enhance accountability and uphold good governance.
- 2. Independent Pre-Screening of Candidates:** Establish pre-screening committees consisting of external experts and civil society representatives to assess the eligibility of candidates, evaluate conflicts of interest, and provide impartial recommendations.
- 3. Restructure the Appointment Process:** Implement a structured framework involving Advisory Panels, and Parliamentary Select Committees to oversee nominations and vetting, with cooling-off periods for politically influential individuals to safeguard independence.
- 4. Ensure Transparency through Legal Frameworks:** Codify appointment procedures into law or gazetted regulations, ensuring public disclosure of vacancies, criteria, and justifications for exceptional decisions. This would standardise recruitment, appointment, and induction processes across FSBs.

The founding intent of FSB's is to deliver specialised public functions that operate independently. However, they are hindered by a fragmented governance system, undermined by politicised appointments and the presence of discretionary ministerial powers, risking the boards independence. This calls for a reimplementation of a structured and transparent appointment system under the basis of merit, grounded by international best practices. The intended mandates of FSBs can be fulfilled when political interference are reduced and allows for the public to be served professionally and efficiently.

Ultimately, restoring public trust in statutory bodies comes not from exercising overt control through *political appointments*, but from *public appointments* where boards are accountable to the executive, to parliament, and eventually, to the public.



1. Background

1.1 Introduction

Political appointments¹ to the Board of Directors (BODs) in Malaysia's Federal Statutory Bodies (FSBs) continue to pose a structural governance challenge. Despite reform expressed by the government which sees discernible reduction in such appointments under Prime Minister Datuk Seri Anwar Ibrahim who took office in 2022, these shifts have not translated into fundamental change. The underlying appointment framework remains largely opaque and weakly anchored in merit-based principles. Board appointments are still shaped by significant ministerial discretion, with limited transparency around selection criteria and assessment processes. Moreover, the absence of entrenched institutional safeguards means that reform gains remain fragile, and changes of government risk reversing progress rather than consolidating it. This leaves FSBs vulnerable to undue political influence, undermines institutional independence, and compromises their ability to deliver on their mandates effectively.

¹ **Political appointments** refers to the appointment of individuals who currently hold, or have held within the past two years, legislative (Members of Parliament, State Assemblypersons, Senators), executive (Federal Ministers, Chief Ministers, State Executive Council members), or political party positions (including national, state, divisional, or sub-divisional executive committee members, party wings, and ordinary party members). This definition excludes politically connected individuals who do not hold these positions (Pantau Kuasa, 2024)

FSBs are public institutions established by Acts of Parliament to perform specific functions outside the administrative control of government ministries. Each FSB is regulated under its own founding Act, resulting in significant variation in the size, function, funding, legal and organisational form of FSBs, their internal governance and accountability mechanisms, and their relationship with their reporting ministry (OECD, 2002). In Malaysia, FSBs operate under the administrative oversight of a designated ministry, for example, *Kumpulan Wang Persaraan (Diperbadankan) (KWAP)* is overseen by the Ministry of Finance (MOF), while *Majlis Amanah Rakyat (MARA)* is overseen by the Ministry of Rural Development. The distribution of oversight across ministries is uneven; the MOF oversees 17 statutory bodies, followed by the Ministry of Transport (MOT) with 13, the Prime Minister’s Department’s with eight, and the remaining are spread across 21 other ministries (Zain, 2021).

Each FSB is governed by a board, tasked with providing strategic direction to the body on behalf of the government. Both the FSB and its board are required to act in accordance with their respective founding acts and prevailing government policies, as reflected in the objects of their respective FSB statutes. In carrying out these responsibilities, the board must balance the interests of the ‘owner’ (typically the government) with those of the broader public, represented by Parliament. This dual accountability requires board members to uphold a duty of loyalty, independence, and sound judgement, ensuring that decisions made shall advance the organisation’s mandate while upholding public accountability (OECD, 2013).

However, the practice of politically-motivated board appointments continues to raise concerns over the integrity, capacity, and independence of FSB boards in Malaysia. Currently, there are no visible frameworks defining appointment criteria, procedures, or conflict-of-interest safeguards. Additionally, the absence of rigorous due diligence and institutional checks and balances creates opportunities for misuse of positions and potential conflict of interest, ultimately undermining public interest (Fisal, 2021). This often leads to board positions to be used as political rewards for loyalists, reducing public trust and weakening institutional performance (Malaysia Now, 2023).

This report outlines essential and practical opportunities to strengthen governance and accountability in Malaysia’s FSBs through the reform of board appointment processes. The objective is to provide actionable policy recommendations for a transparent, merit-based, and accountable framework that reinforces board independence, professionalism, and alignment with public interest. The proposed appointment framework would be expected to enhance institutional performance, safeguard against undue political influence, and build public trust.

To inform this framework, the report draws on governance practices from the OECD Guidelines on the Governance of State-Owned Enterprises (SOEs). It also references experiences from the United Kingdom (UK), Australia, and New Zealand (NZ) – countries that provide clear and publicly documented frameworks for board appointments – which will be discussed further in section 4. Although the OECD guidelines focus on state-owned enterprises (SOEs), the principles are equally relevant to corporatised public bodies such as FSBs. Regardless of whether FSBs are SOEs, regulators, or government agencies

providing services, their statutory separation and public accountability require governance arrangements that balance state oversight with board autonomy. By recommending structured and merit-based appointments, this report aims to strengthen institutional governance and ensure that the public interest remains central to FSB decision-making.

The remainder of Section 1 provides an overview of FSB governance and the prevalence of political appointments in Malaysia, including statutory and regulatory frameworks. Section 2 examines the key risks associated with political appointments, including corruption, political abuse, and conflicts of interest. Section 3 then outlines current board appointment practices and their limitations. Section 4 presents a comparative analysis with international best practices, highlighting how structured, merit-based, and transparent appointment mechanisms support board independence, accountability, and long-term organisational effectiveness. Building on these insights, Section 5 offers targeted policy recommendations for Malaysia, detailing how criteria, composition, responsibilities, and the appointment process can be designed to safeguard governance, reduce political interference, and strengthen the professional capacity of FSB boards.

1.2 Governance Framework of FSBs in Malaysia

FSBs are designed to balance operational autonomy with public accountability. Its structure reflects a functional rationale: to deliver public services efficiently, concentrate technical expertise, provide specialised policy advice, maintain operational flexibility (including through commercial partnerships), and leverage professional and non-professional talent at board level (Ministry of Finance). To support these objectives, FSBs are typically constituted as separate legal entities with powers to manage assets, enter into contracts, and establish subsidiaries. Nonetheless, this autonomy is constrained by governance arrangements in which line ministries or the appointing minister holds the power over board appointments and oversight.

A key structural issue lies in the fragmented regulatory framework governing FSBs. There is no comprehensive statute that standardises board appointment processes, independence requirements, or responsibilities. Instead, governance provisions are embedded within the individual establishing Act of each FSB. Consequently, the rules governing board composition, tenure, and accountability vary widely across statutory bodies. This institutional variation has material consequences for governance quality, as it produces uneven standards of board independence and weakens the consistency of oversight across the statutory body ecosystem (The Edge, 2021; Pantau Kuasa, 2021).

While respective establishing Acts typically specify key governance provisions for FSBs — such as powers to appoint the board, define functions and responsibilities of directors, ministerial oversight mechanisms, and requirements for independent audit — they do so in idiosyncratic ways that reflect the priorities of the period in which each body was created. Governance provisions do not adhere to a coherent, system-wide governance philosophy.

As illustrated in Table 1, both the *Majlis Amanah Rakyat Act 1996* and the *Land Development Act 1956* grant extensive appointment powers to the responsible Minister. These include discretion over appointment authority, terms of office, reporting duties, and the scope of ministerial direction. Taking that into account, none of the analysed provisions explicitly bar or discuss political appointments – instead broad discretionary powers allow Ministers to give direct instructions to the board. The Acts provide minimal guidance on qualifications for directors, with provisions often limited to vague statements such as ‘appointing individuals with knowledge in business or finance’.

Critically, these provisions do not extend to the Chairman position, which is arguably the most influential role on the board. Even where nominal qualification requirements exist, ultimate discretion rests entirely with the Minister-in-Charge. There is no robust legal or institutional mechanism to verify that appointments reflect appropriate expertise, experience, or merit.

Beyond individual establishing acts, overarching laws that governs FSBs are largely limited to financial control and disciplinary procedures, including the *Statutory Bodies (Accounts and Annual Reports) Act 1980 [Act 240]*, *Statutory Bodies (Power to Borrow) Act 1999 [Act 596]*, and the *Statutory Bodies (Discipline and Surcharge) Act 2000 [Act 605]* (Ministry of Finance). While these statutes enhance fiscal accountability, they do little to address board independence or appointment integrity.

Building on this legal and regulatory landscape, recent administrative reforms suggest growing recognition of these weaknesses. The issuance of The *Surat Pekeliling Am Bilangan 5 Tahun 2024* (Circular 5/2024) by the Prime Minister’s Department represents an attempt to standardise board appointment criteria and procedures across FSBs. As an administrative circular rather than a binding statute however, its enforceability is limited. The circular must be read alongside each FSB’s establishing Act, which continues to be the primary source of legal authority governing board appointments. As such, Circular 5/2024 supplements but does not override the appointment powers granted under each FSB’s founding legislation. The circular preserves the Prime Minister’s authority to approve political appointments, thereby formalising discretion rather than substantively constraining it, as discussed in section 2.

This regulatory configuration, in turn, creates loopholes around the transparency of board governance, as it does not fundamentally alter the power dynamic underpinning FSB governance. Ministerial dominance over appointments and operational oversight continues to blur the line between autonomous statutory bodies and politically controlled entities, increasing exposure to politicisation and contributing to uneven institutional performance across FSBs.

Table 1: Examples of Governance Provisions in FSBs' Establishing Acts

FSB Establishing Act	Provisions	Details of the Act
Majlis Amanah Rakyat Act 1966 (MARA)	Establishment and Composition (Part II Establishment of Majlis)	<ul style="list-style-type: none"> The <i>Majlis</i> consists of a Chairman, Deputy Chairman, and between five to nine members, of whom not less than three shall be public officials. All members are appointed by the Minister (Section 3, no.2).
	Appointment Powers	The Minister appoints the Chairman on such terms and conditions as he determines (Section 4 (1)).
	Ministerial oversight	The Minister has authority to instruct or guide the Majlis on how it functions and Majlis is legally required to follow those directions from the Minister (Section 5).
Land Development Act 1956 (FELDA)	Appointment Powers (Part II FELDA Authority)	<ul style="list-style-type: none"> The Minister appoints the Chairman and all members (12 or less than six members). The Chairman serves at the Minister's pleasure (no fixed term). Members serve for a term of up to three years and are eligible for reappointment. Former members are eligible for reappointment after their term ends (Section 15 (1)).
	Ministerial Oversight	The Minister may give general directions on policy in the national interest, which the Authority must follow, provided they do not contradict the Act (Section 4 (1)).

Source: (i) *Majlis Amanah Rakyat Act 1966* and (ii) *Land Development Act 1956*

1.3 Prevalence of Political Appointments in Malaysia

As mentioned in section 1.2, while Malaysia's FSBs are governed by establishing Acts, a small number of uniformly applicable Acts, and administrative circulars, the effectiveness of these frameworks depends heavily on who sits on the boards. This section examines two key aspects of board appointments: the formal criteria for selecting the BODs, established by the FSB Acts, and the overall composition of boards, including ex officio and discretionary positions.

According to Circular 5/2024,² BODs must be selected in compliance with relevant laws and regulations. Appointees are expected to understand government policies relevant to the FSBs they serve, as well as the objectives, functions, powers, and responsibilities assigned to the board. They should possess specific skills or expertise aligned to the FSB's core functions, enabling them to contribute effectively to a dynamic and efficient board that consistently operates within legal and regulatory frameworks. Those appointed to the boards are further required to undergo professional training and development programs, with their performance assessed through peer evaluations (*Penilaian Prestasi Lembaga Pengarah BPP*) to ensure the board is capable, competent, and resilient. These provisions aim to balance statutory compliance with functional competence, creating a framework for boards that can theoretically govern effectively. But the mere existence of these criteria does not guarantee their enforcement or prevent political considerations from overriding merit.

Beyond these formal criteria, the board composition of an FSB typically includes a mix of public officers, including ministers or chief ministers, professionals or individuals with expertise relevant to the FSB's core functions, and representatives from the FSB's stakeholder groups. Ex officio members (usually the CEO or executive director) are prohibited from being voting members of the board unless otherwise specified in the founding act, but may attend meetings³ (*Jabatan Perdana Menteri, 2024*).

This report analysed 135 FSBs⁴ listed in the 2020 Auditor General's Report, which also serves as the basis for monitoring political appointments in IDEAS' Pantau Kuasa⁵ dataset. Of the 135 FSBs, the details of board composition requirements and criteria for 128 of them could be identified from the FSBs' establishing Acts. Five entities were public corporations with no disclosed governance framework, and one was established through a state ordinance which could not be located.

² Section 4.1, 4.1.1, and 4.1.2, *Surat Pekeliling Am Bilangan 5 Tahun 2024 (Circular 5/2024)*

³ Section 3.3 and 3.3.5, *Surat Pekeliling Am Bilangan 5 Tahun 2024 (Circular 5/2024)*.

⁴ List of the 135 FSBs in Malaysia. (Pantau Kuasa, 2024).

⁵ Pantau Kuasa, an initiative by IDEAS, tracks political appointments in Malaysia's Federal Statutory Bodies (FSBs) and Government-Linked Companies (GLCs). The [methodology](#) informs how the platform provides insights into board appointments, explaining political appointments, FSBs, and GLCs, and enhances transparency and public understanding of governance (Pantau Kuasa, 2021).

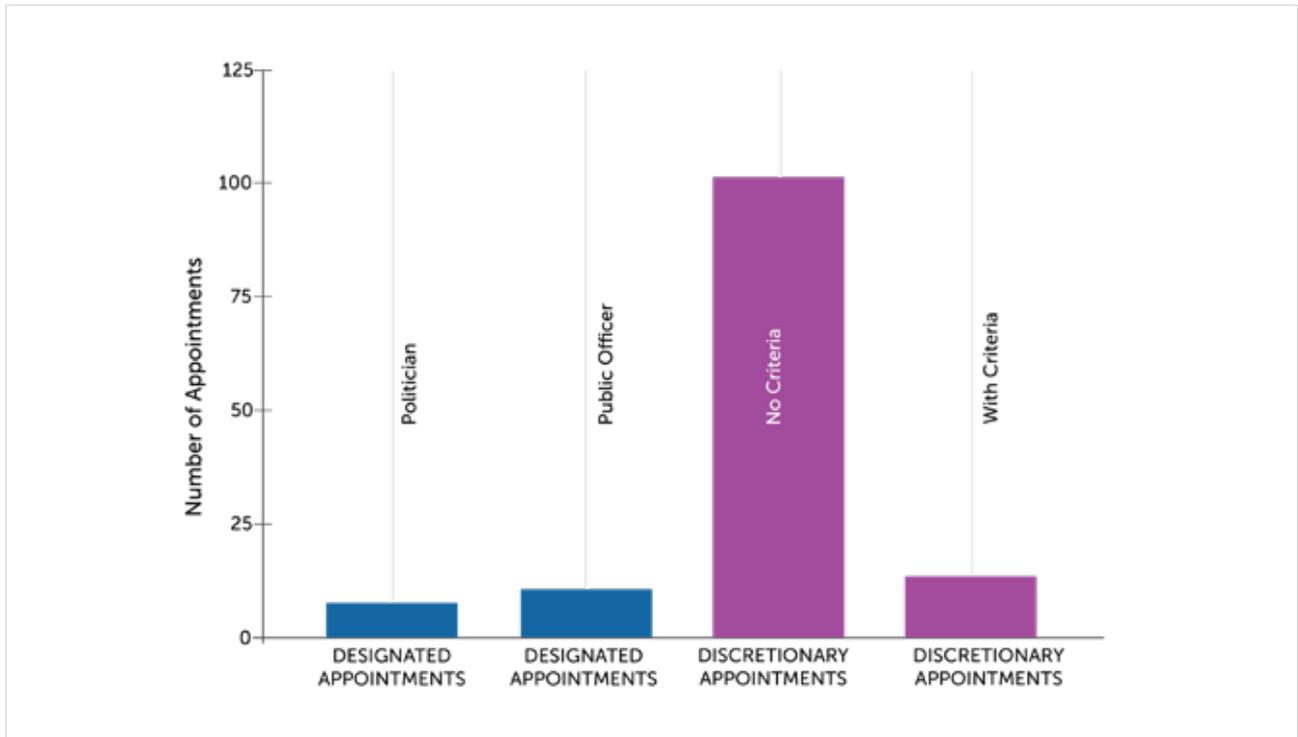
The board composition defined in each FSB's establishing Act was categorised according to designated or discretionary appointments. Where the Act appoints directors by virtue of their public office, these are defined as designated appointments. Such appointments are further categorised as politicians, or other public officers. Of the latter, sometimes specific roles are appointed to boards (e.g. the Secretary-General of a ministry), or general roles (e.g. a representative of the Ministry of Finance). Representatives of other statutory bodies or GLCs are also included in this category. Designated appointments are non-discretionary positions as these are mandated by the Act, but politicians mandated to boards by the FSBs' establishing Acts are still considered political appointees in Pantau Kuasa. Reforms of board composition in these cases would require amendments to the establishing Acts themselves.

Where the establishing Act does not specify a public officer for the role, the position is classified as discretionary (open) appointment. Discretionary appointments fall into two categories: unrestricted discretionary appointments where no formal criteria or only minimal criteria for sector representation apply; and criteria-limited discretionary appointments, where appointees are required to meet board experience, knowledge, or specific sector representation.⁶

The Chairperson position is particularly exposed to political appointments. As illustrated in figure 1, of the 130 chair positions analysed, 78% are unrestricted discretionary appointments (no criteria), while just over 5% are designated (closed) appointments in which a politician is explicitly named as chair by the FSB's establishing Act. The latter are mostly regional development authorities, two of which have ministerial co-chairs. Figure 2 presents a different pattern for the remaining 1,506 board positions, comprising 32 deputy chair positions with the rest being ordinary members. The non-chair board positions (Public Officer and Politicians) exhibit more balance, with 42% being designated appointments. Of these 41% are public officers, while discretionary positions with and without criteria form 29% apiece.

⁶ See Appendix for an explanatory table and examples.

Figure 1: Appointment Criteria for Board Chairpersons under the Acts of FSBs

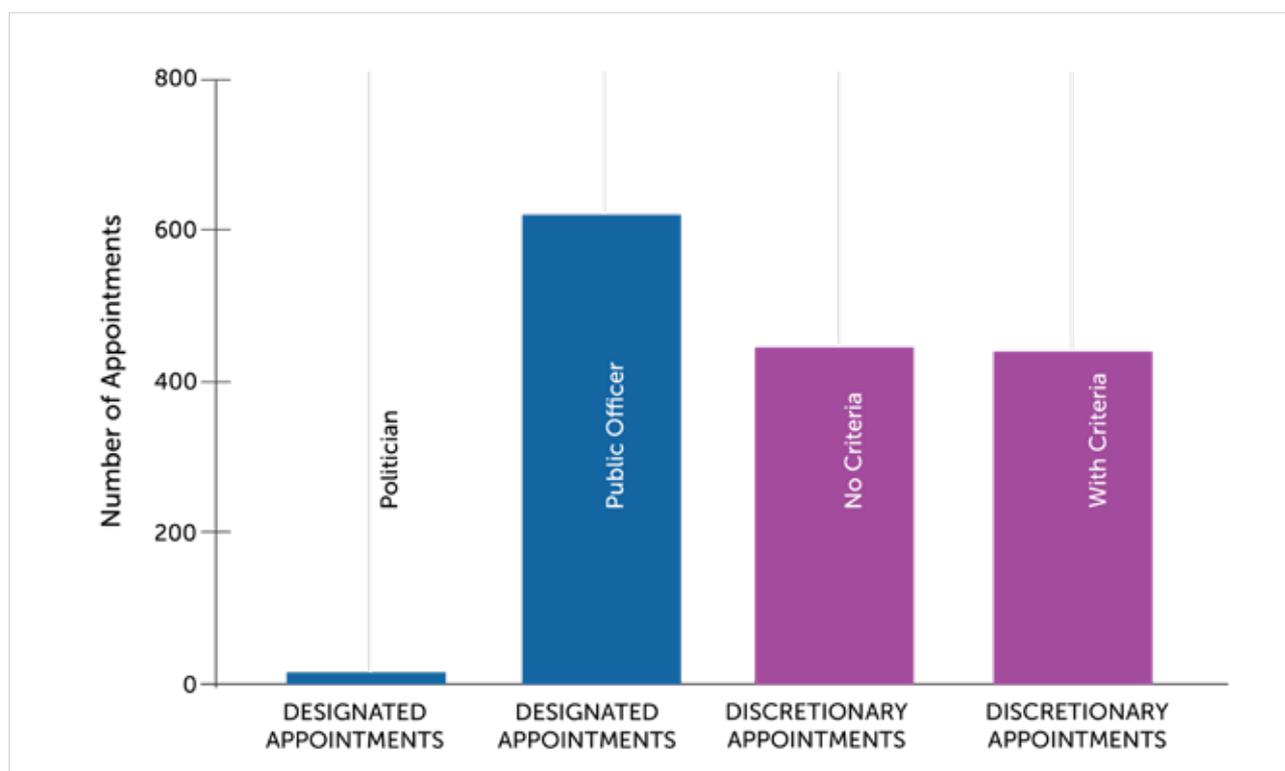


Source: Author's analysis of the 135 FSB's Establishing Acts

Notes:

1. Total positions = 130
2. 128 FSBs out of the 135 in the dataset were counted; information was not publicly available for 5 public corporations corporatised and owned by statutory bodies, and for the Lembaga Wakaf Hindu Pulau Pinang which is corporatised under state ordinance.
3. Public officers include specific roles such as the Secretary-General of a ministry, non-specific roles (e.g "a representative of the ministry of finance"), or representatives from government entities such as other statutory bodies or GLCs.
4. "Discretionary appointments with criteria" includes private sector representatives who are required to represent a specific sectoral interest, while "no criteria" indicates that no criteria were stipulated for the specific role.

Figure 2: Appointment Criteria for Members (Including Deputy Chairpersons) under the Acts of FSBs



Source: Author's analysis of the 135 FSB's Establishing Acts

Notes:

1. Total positions = 1506
2. This chart does not include chairpersons. It also counts deputy chair positions where they are listed as distinct positions from the members. Where the deputy chair is selected from the members, the position is not counted, to avoid double counting specific role.

Regional development corridors see the highest number of politically-affiliated members. 14 politicians take membership of two multi-state regional development corridors not including the political chairs, making it something of a political steering committee for regional development planning. The formation of politically-led committees can facilitate development objectives, but this structure, coupled with the corridor's implementing powers, muddle up a key governance principle that distinguishes oversight from operations. A political steering committee should not also be the committee that has direct operational access to approve of tax incentives, development permissions, and entity expenditures. Such a committee might approve policies that govern these matters, and might have oversight of an appointed board tasked with supervising the management implementation of policy.

The susceptibility of discretionary appointments shows in the ubiquity of political appointments in FSBs. From 2015 to July 2021, 74% of FSBs in the Pantau Kuasa dataset had active or recently active politicians sitting on their boards, appointed as chairpersons, deputy chairpersons, or directors. These appointments span across the political divide and are typically made by ministers or through recommendations to the Prime Minister, or recommendations by the Prime Minister to the *Yang di-Pertuan Agong*, depending on the specific provisions of each FSB’s founding Act.

Pantau Kuasa’s data highlights the scale and concentration of political appointments in Malaysia’s FSBs across multiple administrations. Between 2012 and 2025,⁷ the dataset records a total of 1,084 political appointments (959 to FSBs and 125 to GLCs) across five different Prime Ministers, underscoring the entrenched and cross-administrational nature of the practice.

As shown in figure 3, the pattern of political appointments across Malaysia boards reflects two distinct dynamics. Long-tenured administrations, such as that of Malaysia’s sixth Malaysian Prime Minister Dato’ Sri Najib Razak’s (2009 to 2018⁸), leveraged extended office to systematically consolidate influence, recording 301 appointments (269 to FSBs, 32 to GLCs) and embedding loyalists across FSBs and GLCs. Short-lived, politically fragile administrations also exhibited high levels of appointment activity. The eighth Prime Minister Tan Sri Muhyiddin Yassin oversaw 186 appointments (155 to FSBs and 31 to GLCs), within just 17 months (March 2020-August 2021), while the ninth Prime Minister Dato’ Sri Ismail Sabri Yakoob exceeded this with 273 appointments (240 to FSBs; 33 to GLCs) over an even shorter 16-month tenure (August 2021-November 2022). Both administrations faced urgent pressures to secure loyalty, resulting in rapid appointment of supporters despite limited tenure. Critically, neither leader assumed office without a clear first-past-the-post electoral mandate, relying instead on post-election realignment, which heightened incentives to distribute board positions as political rewards.

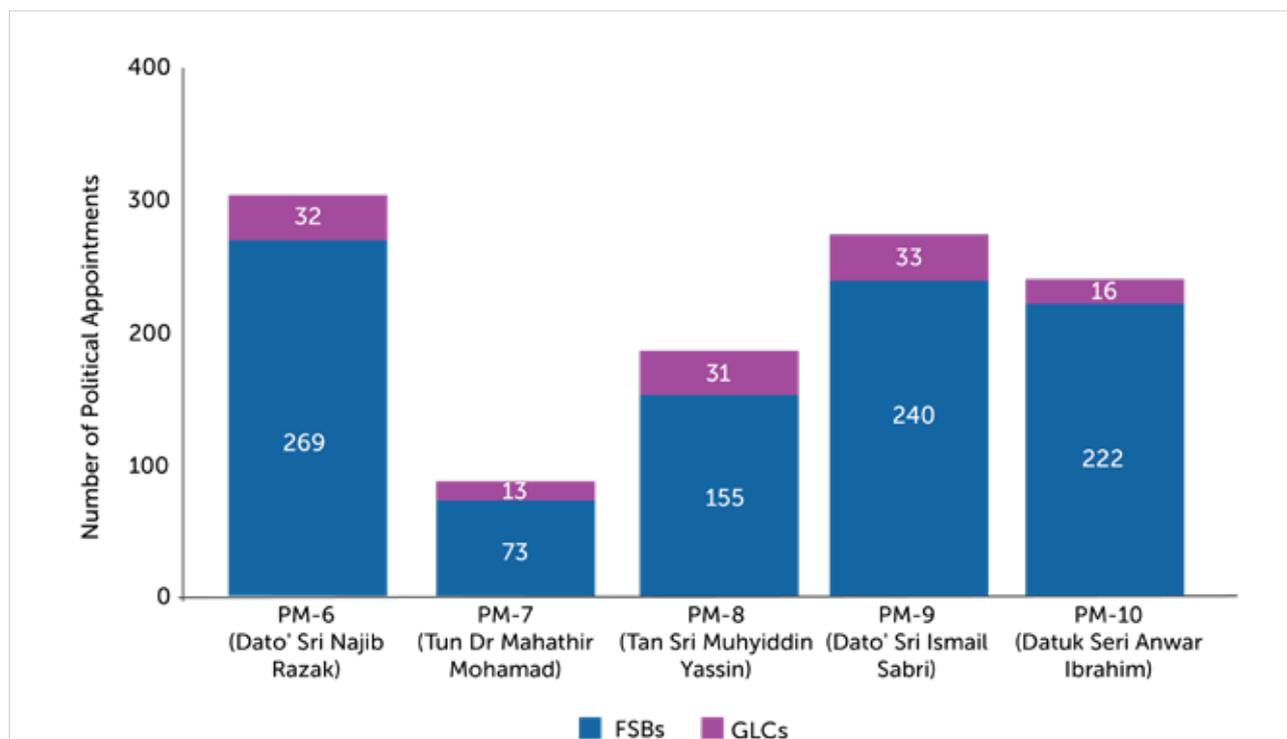
By contrast, the seventh Prime Minister Tun Dr Mahathir Mohamad’s Pakatan Harapan administration recorded the lowest number of political appointments, with 86 appointments (73 to FSBs; 13 to GLCs) from 2018 and 2020. This reduction reflects the coalition’s reform commitments, although a small number of discretionary appointments persisted in positions not formally classified as political, accounting for just 13.1% of board positions (including chairpersons) (refer to figure 4). Under the current administration of Prime Minister Datuk Seri Anwar Ibrahim, 238 appointments were recorded from August to October 2025, (222 to FSBs and 16 to GLCs). Although the number of appointments is lower than under immediate predecessors, the figures indicate continuity rather than

⁷ At the time of writing, the latest Pantau Kuasa update was on the 30th of October 2024. The analysis presented here uses the most recent data on Political Appointments to FSBs until October 2025 for Prime Minister Datuk Seri Anwar Ibrahim. Future Pantau Kuasa website updates will incorporate the updated data.

⁸ The Pantau Kuasa dataset officially began in 2012, roughly a third of the way through Dato’ Sri Najib Razak’s first term as Prime Minister. While it captures existing appointments at that time, it likely underestimates the total number of appointments made during his first term, meaning the 301 appointments recorded may not fully reflect his cumulative political influence.

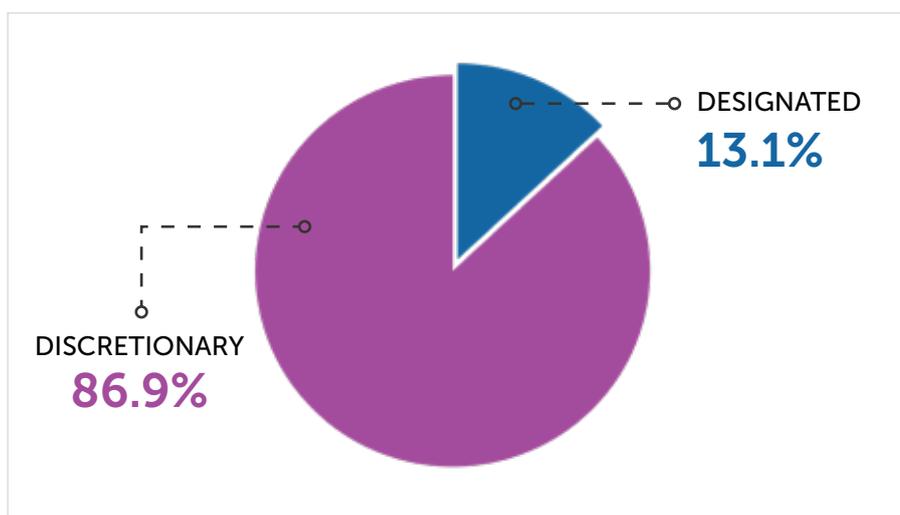
rupture; despite reformist rhetoric, political appointments remain embedded within Malaysia’s governance architecture.

Figure 3: Number of Political Appointments to FSBs as of 2025



Source: Pantau Kuasa (2024) and collection of data on Political appointments to FSBs under Prime Minister Datuk Seri Anwar’s Ibrahim administration for 2025 from relevant online sources.

Figure 4: Total Chairperson Appointments in FSBs Establishing Acts by Type



Source: Author’s analysis of the 135 FSB’s Establishing Acts

Across administrations, appointments are heavily concentrated within ministries offering greater discretionary latitude, notably the Prime Minister's Department (accounting for 139 appointments throughout), the Ministry of Rural and Regional Development (113), the Ministry of Higher Education (85), and the Ministry of Transport (81).

The Ministry of Higher Education is particularly illustrative: Tan Sri Muhyiddin Yassin's government saw 33 political appointments to the Ministry, compared to none under the Tun Dr Mahathir Mohamad, while both Dato' Sri Ismail Sabri Yakoob and Tan Sri Muhyiddin Yassin's governments made more appointments to the boards of universities than their predecessors. This suggests that ministries with easily distributable positions serve as convenient tools for consolidating support.

Under Najib, alongside UMNO's relatively secure position entering his second term (prior to the 1MDB controversy), political appointments were concentrated in the Prime Minister's Department, Ministry of Rural and Regional Development, and Ministry of Agriculture. This reflects a deliberate strategy to concentrate power in portfolios controlling rural development, highlighting a distinct form of influence consolidation that is separate from the broader correlation between ministry discretion and appointment numbers.

The prevalence of political appointments in FSBs highlights that those in power rely on FSB board appointments as a form of political capital. With the absence of clear checks and balances on appointments, political leaders are able to use this power to place allies in key positions, blurring the line between public service and political interest. In IDEAS' focus groups and informal discussion on political appointments, defenders argue that political appointments are perceived to bring valuable networks, leadership experience, and insights into public sentiment to guide entities. This mindset, along with appointees gaining influence over significant off-budget resources with reduced oversight, are powerful motivations for political appointments.

However, as will be argued in the next section, any politician on an FSB board is in an irreconcilable and permanent conflict of interest position, introducing a risk of abuse that cannot be justified by the desire for political control — even if it is to oversee policy objectives. The board of an FSB should be filled by public appointments that are accountable in a formal relationship of transparent communication to the responsible ministry and minister. The proper role of politicians would be to exercise their duty of oversight through scrutinising the board appointments and the achievements of the boards and the FSBs via select committees.

Political appointments continue to be lawful in the absence of any explicit legal provision barring political figures from serving on FSB boards. SUHAKAM is the sole exception, as its establishing legislation explicitly restricts political appointments (Pantau Kuasa, 2021). More broadly, appointment criteria in FSBs' establishing Acts are often minimal and vaguely defined. Although Circular 5/2024 was introduced to supplement these provisions, its practical effect has been to centralise approval authority for political appointments in the Prime Minister, rather than to impose substantive merit-based constraints.

The practice receives continued political support. Prime Minister Datuk Seri Anwar Ibrahim stated at PKR's national congress that party loyalty may be considered when making certain appointments – a remark that contrasts with earlier assurances that political affiliation would not influence such decisions (Malay Mail, 2025). While he adds that appointees must be “qualified” in line with the recent guidelines issued by the Prime Minister's Department, this condition is vague and appointments are subject only to the Prime Minister's direct approval. Being “qualified” does not make someone immune to acting in a politically motivated way (Aliran, 2025). This raises the concern that political allies may be favoured over equally or more qualified candidates, reinforcing patronage under the guise of competency.

2. A Gateway to Conflicting Interests, Corruption and Political Abuse

Having outlined Malaysia's formal frameworks for political appointments in FSBs, it becomes apparent that the manner these appointments are executed has direct implications for governance. Beyond the legal structures and eligibility criteria, the concentration of political influence on boards creates systemic vulnerabilities that affect accountability, decision-making, and independence. This section examines these risks in detail, highlighting how political appointments may give rise to conflicts of interest, opportunities for corruption, and the potential for political interference in FSB governance.

The core problem is not that all politicians are unqualified, but that political appointments distort board accountability and introduce conflicting interests that erode public trust. While politicians may play a legitimate role in ownership oversight and in deliberating ownership policy, their dual responsibilities to party constituents and public office creates an inherent tension when they sit on FSB boards. These tensions risk shifting decision-making away from long-term institutional objectives toward political expediency. Safeguarding state interest does not necessitate the appointment of elected representatives; this role can be achieved through the appointment of civil servants or non-elected representatives politicians (Fisal, 2021). As Section 4 argues, international best practice suggests instead that the state maintain active ownership through transparent board criteria and appointments, with strong accountability and reporting requirements – standards that are often unmet in Malaysia's FSBs.

Political appointments heighten conflicts of interest and undermine board independence, particularly where senior public officials serve concurrently in government and on FSB boards. This “dual hat” dilemma creates competing obligations between ministerial directives and fiduciary duties to the organisation, weakening independent judgement and accountability (World Bank, 2014). In such environments, political influence becomes embedded within governance structures, reducing boards' ability to act autonomously and increasing susceptibility to political interference in operational decisions, including project selection, funding allocation, and strategic priorities.

Malaysia provides a clear illustration of these risks: Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad served simultaneously as Chairman of FELDA and its affiliates while holding directorships in around 20 subsidiaries. This concentration of roles created conflicts of interest, undermined governance oversight, and exposed FELDA to operational risk. FELDA's politicised governance contributed to investment losses exceeding RM100 million and the need for a RM10 billion government bailout, largely due to uncollected smallholder debt, driven in part by the non-collection of politically sensitive loans to avoid electoral backlash (White Paper, FELDA, 2019; MalayMail, 2019). In 2023, the government agreed to restructure FELDA's finances through sukuk issuance and revolving credit, with 80% of settlers' loans worth RM8.3 billion written off at taxpayers' expense (New Straits Times, 2023). FELDA's inability to meet its obligations independently has created a heavy reliance on state support (TheEdge, 2024).

Similarly, governance vulnerabilities are evident in other politically linked appointments. Datuk Seri Panglima Abdul Azeez Abdul Rahim, who served as Chairman of Tabung Haji from 2013 to 2018 with strong political ties, faced allegations of bribery totaling RM5.2 million and money laundering of RM13.9 million in relation to a road project in Perak and Kedah (Bernama, 2022). More broadly, politically-linked appointments across critical FSBs responsible for agricultural, fisheries, and rural development sectors further reflect a recurring pattern where political loyalty takes precedence over expertise (Abd Mutalib, 2023). When board members answer to political agendas rather than institutional responsibilities, they open the door to mismanagement and financial risk. This structural vulnerability shifts the consequences of poor governance onto the organisation and ultimately the state.

Opaque appointment processes further entrench politicisation. Ministerial discretion and the absence of transparent selection criteria allow appointments based on loyalty or connections rather than competence, weakening board effectiveness and independence (OECD, 2013). In practice, such boards may either actively advance political objectives or function as passive rubber stamps, failing to provide meaningful oversight of management decisions.

Political appointments also serve explicit political objectives, enabling resource allocation to key constituencies, consolidation of party support, and prevention of political defection (Gomez, 2020). When loyalty outweighs merit in making appointments, independent judgement is compromised, heightening the likelihood of biased and passive governance. As highlighted by Bersih (2023), both the government and its appointees bear responsibility when statutory bodies face performance failures or instances of abuse. Without qualified and independent leadership, boards struggle to hold management accountable, increasing the risk of poor decision-making and weakening public trust.

3. Malaysia's Framework for FSB Board Appointments

Within the current legal framework for FSB governance, Circular 5/2024 plays a central role in structuring the process and responsibilities associated with board appointments. Rather than revisiting normative questions of ideal board design, this section examines how Malaysia's framework operates in practice through seven key governance practice — (i) Board Composition, (ii) Criteria for Board Members, (iii) Open and Public Recruitment, (iv) Vetting, (v) Appointment Merit, (vi) Transparency, and (vii) Statutory Basis — which will subsequently serve as points of comparison with international practices in the next section.

In terms of appointment authority, Ministers are the designated approving authorities for board appointments representing the core of the appointment authority and process. They are tasked with guiding boards in a manner consistent with government policies while ensuring that these directives do not conflict with the FSBs' founding Acts. Their responsibilities include communicating government or cabinet decisions to the boards and ensuring compliance with these policies.

With respect to vetting procedures, the *Kementerian Pengawal* plays a complementary role in the appointment framework by ensuring that nominations comply with FSBs' founding Acts, relevant laws, and administrative requirements, while safeguarding institutional interest and government priorities. It is also responsible for institutional interests, and government priorities. By delineating the roles of ministers and the *Kementerian Pengawal*, Circular 5/2024 seeks to balance state ownership objectives with boards' fiduciary responsibilities, embedding a system of checks that could, in theory, ensure boards act both independently and in alignment with national priorities. Nevertheless, the effectiveness of these provisions lies in their implementation and the degree to which political discretion is exercised in practice.

Additional vetting requirements apply to political appointees, which have implications for board composition. Section 3.3.3 of Circular 5/2024 mandates that appointments involving political figures must obtain formal approval from the Prime Minister:

"3.3.3. Perlantikan Lembaga Pengarah BPP dalam kalangan ahli politik hendaklah mendapat persetujuan Perdana Menteri secara rasmi"

"3.3.3. The appointment of the Federal Statutory Bodies (BPP) Board of Directors from among politicians must obtain formal approval from the Prime Minister"

The nomination must be initiated by the *Kementerian Pengawal* and submitted through the Implementation Coordination Unit of the Prime Minister's Department (ICU JPM), using standardised documentation such as *Lampiran A* and *Lampiran B*. Although these forms are intended to structure the process, the eligibility criteria set out in these forms are relatively narrow, lack detailed benchmarks, and not consistently disclosed to the public. Additionally, Section 3.3.4 also mandates that strong justifications accompany

such nominations (*Jabatan Perdana Menteri*, 2024). While these provisions introduce additional procedural layers, final approval remains within the executive hierarchy, reinforcing rather than diffusing political discretion.

In relation to eligibility criteria and expected standards of conduct, once appointed, BODs of FSBs assume fiduciary responsibility⁹ — a duty to exercise care and diligence that would be expected of a person with skill and experience. These responsibilities require directors to uphold the interests of the FSB in providing advice and making decisions, and to avoid misusing their position or the FSB’s assets and information for personal gain.

Fiduciary accountability further entails a duty of independence, including the non-delegation of board responsibilities, the proactive declaration and management of conflicts of interest, and recusal from decisions where such conflicts arise. Directors are also expected to perform their roles diligently, seek professional advice where necessary, and preserve the confidentiality of information acquired through their position. Collectively, these obligations are intended to safeguard institutional integrity and ensure that board members prioritise statutory objectives and public interest over political, personal, or external considerations.

However, in terms of recruitment practices, the framework does not require open or competitive selection processes. Board vacancies are not publicly advertised, nor are selection criteria uniformly disclosed. Instead, nominations originate within ministerial and administrative channels, limiting broader participation and constraining the pool of potential candidates. Appointments are made on a case-by-case basis, ostensibly to reflect the specific needs of each FSB. This closed recruitment model enhances executive control over board composition and reduces opportunities for independent or merit-based competition.

Transparency and enforcement mechanisms under the framework remain weak and leave room for political influence. In practice, these safeguards often function as procedural formalities. There are no requirements for transparency in disclosing appointments, to explain the rationale behind them, or to disclose the qualifications of successful candidates. On top of that, the declarations of political involvement (*"penglibatan politik"*) are not subject to public scrutiny. As a result, the system does not provide meaningful oversight of political influence over appointments. Nevertheless, while the circular sets expectations for accountability, it does little to prevent board positions from being used for political purposes.

At the level of statutory foundation, the appointment regime is further characterised by fragmentation. Many of these Acts stipulate only broad or general qualifications, but the standards are neither uniform nor consistently enforced, leaving appointments largely at the discretion of the respective ministers. This can be seen in the case study of MARA (see

⁹ Section 4.2, *Surat Pekeliling Am Bilangan 5 Tahun 2024 (Circular 5/2024)*.

Box Article 1), where political appointees were given positions despite concerns about their suitability. Such practices highlight the absence of institutional checks and external oversight mechanisms governing FSBs. In practice, ministers often prioritise political loyalty over governance integrity and long-term institutional credibility when making appointments.

Box Article 1: Political Appointments in MARA

Majlis Amanah Rakyat (MARA) was established in 1966 to develop Malay, and later Bumiputera, entrepreneurs. Placed under the Ministry of Rural Development, it was traditionally overseen by UMNO ministers, reflecting the close ties between MARA and the ruling coalition until Pakatan Harapan (PH) took power in 2018 (Pantau Kuasa, 2021).

Legal Framework:

Under the **MARA Act 1966**, the Minister holds broad appointment powers. Specifically, the Minister appoints:

- a Chairman;
- a Deputy Chairman; and
- between five and nine other members, of which at least three must be public officers.

The Act does not prescribe qualifications for board members, and the Chairman is appointed “*upon such terms and conditions as the Minister may determine.*” This effectively grants the Minister wide discretion to appoint individuals, including politicians, to the board.

Furthermore, Section 5 of the Act empowers the Minister to issue directions to MARA on the exercise of its functions, and MARA must comply. This institutionalises political influence in its governance structure (MARA Act 1966).

“5. the Minister may give to the Majlis directions, not inconsistent with this Act, as to the exercise of the functions of the Majlis; and the Majlis shall give effect to all such directions”

This discretion has enabled successive governments to shape MARA’s board along political lines (Table 2). For instance, the appointment of former UMNO Youth Chief Asyraf Wajdi Dusuki as MARA Chairman was widely perceived as a political reward for his support of UMNO President Ahmad Zahid Hamidi, who also serves as the Minister of Rural and Regional Development. Such appointments reinforce public perceptions that MARA’s leadership is tied less to professional expertise and more to political loyalty.

With public confidence in MARA to deliver on its development mission having been tarnished by the politicisation of its leadership (Zhou and Azmi, 2020), MARA exemplifies the risks that arise when appointment powers in statutory bodies rest solely with ministers.

Table 2: Political Appointments to MARA's Board Across Administrations

Prime Minister (PM)	Coalition in Power	No. of Political Appointments	Party Affiliation of Appointees
PM - 6 (Dato' Sri Mohd Najib Abdul Razak)	BN/UMNO	6	6 from UMNO
PM - 7 (Tun Dr. Mahathir Mohamad)	PH	0	-
PM - 8 (Tan Sri Dato' Haji Muhyiddin Yassin)	PN	4	2 BERSATU, 1 UMNO, 1 PAS
PM - 9 (Dato' Sri Ismail Sabri)	BN	5	4 UMNO, 1 BERSATU
PM-10 (Dato Seri' Anwar Ibrahim)	PH	2	2 UMNO

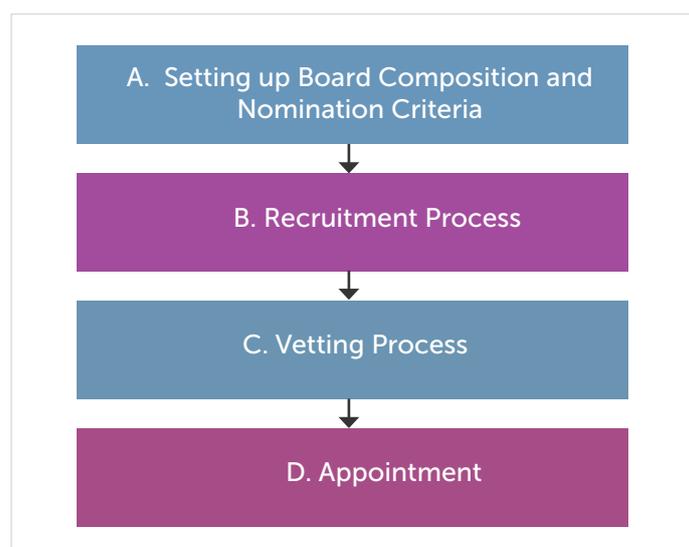
Source: Appointments by FSBs (Pantau Kuasa, 2025).

4. Reforming Board Appointments

4.1 International Best Practice for Board Appointments

This section explores international best practices to provide examples of structured, transparent, and merit-based board appointment processes that promote accountability and reduce political influence. They also include clearly defined ownership roles, standardised shortlisting and assessment processes, and mechanisms for public accountability. A well-designed nomination framework can both shield boards from undue political intervention and retain sufficient flexibility to support the long-term effectiveness of the board and the organisation (OECD, 2013). Examining these practices highlights governance tools and mechanisms that Malaysia could consider in further developing its board appointment framework. These elements are operationalised in Figure 5, which presents a recommended flow for the appointment of Boards of Directors in FSBs.

Figure 5: Recommended Process for Appointing BODs in FSBs



Source: Authors' illustration

Board composition and eligibility criteria form the foundation of an effective board appointment framework. The performance and governance capacity of a board depends on having members with the right mix of skills, expertise, and personal qualities to contribute meaningfully to strategic deliberations and organisational oversight. Effective boards typically combine independent directors with professional expertise, employee representatives where legally required, and a limited number of public sector representatives, ensuring both operational independence and diverse perspectives (OECD, 2013). Within this structure, the treatment of political appointments is critical to safeguarding board independence. Individuals in political positions or those able to materially influence the operating environment are generally excluded from board

membership or subject to a cooling-off period, while other public officials may serve where appointments are merit-based and supported by clear conflict-of-interest safeguards.

Eligibility criteria are often formalised through law, regulations or guidance from the ownership function, encompassing both formal and competency-based requirements. Criteria for board appointments may be objective and measurable, such as educational and professional qualifications, or subjective and intangible, relating to behavioural characteristics like integrity, honesty, and teamwork (OECD, 2013). Boards may also adopt guidelines for diversity, gender balance, and stakeholder representation. The application of these criteria varies by board type. Boards of larger or government-linked organisations, including FSBs, GLCs, and GLICs, generally follow formal statutory or corporate governance standards for appointments. Smaller or less regulated entities often adopt a more flexible, case-by-case approach to accommodate candidates with relevant industry experience or unique skills. Across all boards, nominations start with the need for relevant expertise, ensuring that the board collectively possess the knowledge and competencies for effective governance.

The recruitment stage of the appointment process determines how candidates are sourced and shortlisted, with best practice for board positions being transparent and open, limiting nominations driven by political discretion. Expertise could be mobilised from independent recruitment agencies or headhunters, or delegated in part or full to an advisory committee, expert panel, centralised ownership entity, or the entity board themselves to reduce ministerial discretion (World Bank, 2014). Countries such as the UK, Canada, and New Zealand involve a public recruitment process, where candidates are invited to apply to a position with publicised criteria. Other country practices include maintaining candidate pools through a central coordinator or using third party recruitment experts to seek out strong qualified candidates. Ad hoc processes relying solely on ministers or individuals to recommend names should be avoided.

The vetting stage of the appointment process is designed to ensure nominees are competent, ethical, and independent. Vetting is typically conducted by the same nomination committee that coordinates recruitment or a separate oversight body, sometimes with the assistance of external recruitment agencies before the ultimate decision of the ministers. The stage may also involve background checks, conflict of interest declarations, and structured interviews to ensure integrity and competence. In some countries, this stage includes public hearings or parliamentary reviews to reinforce transparency and accountability (OECD, 2021).

The final stage of the appointment process should ensure that board members are selected on merit and serve the organisation's mission rather than political interest. Final appointments are typically made with oversight or agreement from a broader authority, rather than a single minister. In most jurisdictions, ministers or the executives formally approve board appointments, but the degree of influence varies depending on whether ownership is centralised or decentralised. Centralised models – such as those in Brazil and Turkey – assign nomination roles to both the central ownership entity and sector ministries, while countries like Estonia split appointment powers between the sector

ministry and the Ministry of Finance. Dual-ownership systems may require coordinated nominations or consensus, often supported by a dedicated coordinating agency. Although involving multiple ministries can broaden expertise, it also risks creating boards that reflect ministerial interests rather than organisational needs. To counter this, many OECD jurisdictions require greater transparency such as disclosing selection criteria, procedures, and candidate qualifications and, in some cases, mandate that appointments be endorsed by the cabinet, parliament, or another governing body. These mechanisms help ensure that even when ministers retain the final sign-off, appointments remain professional, accountable, and aligned with the organisation's mandate rather than political preferences.

4.2 Board Nomination Processes in Comparative Perspective

The United Kingdom, Australia, and New Zealand were selected for comparison because they are Commonwealth countries¹⁰ with parliamentary systems similar to Malaysia's, sharing comparable governance structures in terms of statutory bodies (or at-arm's-length-bodies, or corporate Commonwealth entities as the case may be), and systems of ministerial accountability. These countries are also recognised for having strong public appointment processes that emphasise transparency, merit, and accountability. Unlike Malaysia where the framework accompanying the founding Acts of FSBs lacks detailed procedural guidance, all three benchmark countries supplement their legislation with comprehensive guidelines that work in tandem with the law to ensure consistent and transparent implementation. Using the same seven practice areas as aforementioned, the following section compares Malaysia's approach with international practices in selected jurisdictions (refer to table 3).

¹⁰ European Union (EU) member states were not selected as primary comparators because their public appointment systems operate within distinct constitutional and legal traditions often rooted in civil law frameworks and shaped by supranational EU governance which limit direct comparability with Malaysia's Westminster-derived parliamentary system and arm's-length statutory bodies.

Table 3: Comparative Nomination and Appointment Framework for Malaysia, the UK, Australia, and NZ

Practice Areas	Criteria	Malaysia	UK	Australia	NZ
1. Board Composition	Are there rules for independent directors, civil servants, sectoral experts or political figures?				
2. Criteria for Board	Are the required qualifications, skills, and experience for board members clearly stated and publicly available?				
3. Open or Public Recruitment	Is there a transparent, publicly accessible process for announcing and filling board vacancies?				
4. Vetting	Is there an independent nomination committee involved in reviewing candidates, and is this process transparent? Are provisions made to identify and manage conflicts of interest?				
5. Appointment Merit	Is the appointment decision based on merit and recommendation from vetting bodies, not political discretion?				
6. Transparency	Does the process provide transparent disclosure of the candidate's qualifications, selection rationale, and any political links?				
7. Statutory basis	What rules or laws govern board appointments? and what level are they set at?	Administrative order	Administrative order with statutory backing	Law Guidelines	Law Guidelines

Source: Author's evaluation based on relevant acts and guidelines from the respective countries

Legend:

Regulation is in place Some regulation is in place, or weak enforcement No regulation in place

Practice Area 1: Board Composition

Board composition standards aim to ensure an appropriate balance of independence, expertise, diversity, and limited government influence in overall representation. In the UK, boards typically comprise a chair, independent members or non-executive directors (NED), alongside an individual officeholder and, in some cases, a representative of the public body. In the UK, public appointments are governed by an overarching *Governance Code on Public Appointments*, supported by an Order in Council, which sets out principles such as merit, openness, fairness, integrity, and diversity that should underpin all ministerial appointments to public bodies. Individual public bodies may also have their own statutory composition rules in their establishing statutes, but they must operate within the broader principles of the Governance Code.

New Zealand places greater emphasis on independence and inclusion, encouraging diverse representation and generally avoiding the appointment of current public servants unless exceptional circumstances are formally justified. While specific composition rules are determined by statute for individual entities, overarching guidance such as the *Board Appointment and Induction Guidelines* provides a policy framework on good practice, emphasising merit, diversity, and effective recruitment while operating within the legislative context.

Practice Area 2: Criteria for Board

Board criteria standards require the right mix of qualifications, skills, experience, and personal attributes. Boards should collectively have industry knowledge, sector-specific expertise, leadership capability, integrity, and sound judgment. The UK provides publicly available guidance through its appointments webpage¹¹, including a clear “Who Can Apply” section that sets out general skills such as strategic leadership, financial risk management, and the ability to provide independent scrutiny and challenge. This is accompanied by a Code of Conduct¹² that all board members are expected to follow. Australia, on the other hand, uses a structured, skills-based approach for Government Business Enterprises (GBEs)¹³, emphasising expertise in commerce, law, finance, and management. It is supported by guidelines issued by Australia’s Government Department of Finance¹⁴.

¹¹ UK Government, Guidance on Public Appointments (2025), GOV.UK. <https://www.gov.uk/guidance/public-appointments#what-is-a-public-appointment>

¹² UK Government, Code of Conduct for Board Members of Public Bodies (June, 2019), GOV. UK, <https://assets.publishing.service.gov.uk/media/5d037ebc40f0b609a555f141/Code-of-Conduct-for-Board-Members-of-Public-Bodies-2019-WEB.PDF>

¹³ Department of Finance, Commonwealth of Australia, *Government business enterprises: Governance and Oversight Guidelines (2018)* <https://www.finance.gov.au/sites/default/files/2019-12/commonwealth-gbe-governance-and-oversight-guidelines-rmg126.pdf>

¹⁴ Department of Finance, Commonwealth of Australia, *The role of directors in Commonwealth GBE’s Guidelines* (2023), <https://www.finance.gov.au/government/government-business-enterprises/role-directors-commonwealth-gbes-guidelines>

New Zealand’s Board Appointment and Induction Guidelines (2024)¹⁵ highlight formal qualifications, sector-specific knowledge, diversity considerations, and personal attributes such as integrity and sound judgement. Regarding political involvement, the UK¹⁶ and New Zealand¹⁷ manage participation through conduct rules and Cabinet oversight.

Practice Area 3: Open or Public Recruitment

Vacancies should be announced through transparent and publicly accessible processes. The UK, Australia, and New Zealand apply this standard in practice. In the UK, all public appointments are openly advertised on a centralised platform, with details of the appointee, the Advisory Assessment Panel, and the selection process published; with exceptions to open competition disclosed with justifications. Under Australia’s framework, vacancies may be advertised publicly or filled through executive search processes, subject to agreement by the Shareholder Ministers¹⁸, to ensure appointments are drawn from the widest and most suitable field of candidates. In New Zealand, board vacancies are filled through multiple channels, including public advertising, professional networks, and nominations from interested groups. Importantly, across comparator jurisdictions, the method of identifying candidates is distinct from the authority to appoint, which is typically constrained by formal assessment and approval processes.

Practice Area 4: Vetting

In the comparator countries, specialised advisory bodies or nominating agencies provide independent advice and pre-screen candidates, while recruitment consultants or head-hunters identify qualified directors who might not otherwise put themselves forward.

In the UK, ministers approve the job description, person specification, and the composition of the Advisory Assessment Panel. The panel, which includes a departmental official alongside an independent member, provides advice on candidate selection, while ministerial approval ensures the process remains under government oversight. As part of its evaluation, the panel assesses candidates against published criteria and screens for potential conflicts of interest. Applicants are required to disclose any relevant factors, such as (i) shareholdings in companies providing services to the government, (ii) actions

¹⁵. New Zealand Government, Board Appointments and Induction Guidelines (August 2024) *Board Appointment and Induction Guidelines* (2024), <https://www.publicservice.govt.nz/assets/Uploads/BAIG-Sept-2024-PDF.pdf>

¹⁶. UK Government, *Code of Conduct for board members of public bodies* (June 2019) (Section 3.11), GOV. UK, <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies/code-of-conduct-for-board-members-of-public-bodies-june-2019>

¹⁷. New Zealand Legislation, *Crown Entities Act 2004* (2004, Section 89(3)) <https://www.legislation.govt.nz/act/public/2004/0115/201.0/whole.html#DLM330330>

¹⁸. Shareholder Ministers are the ministers responsible for a government business enterprise (GBE), typically including both the minister overseeing the specific GBE and the Finance Minister (Commonwealth Government Business Enterprises – Governance and Oversight Guidelines Resource Management Guide No. 126, 2016). <https://www.finance.gov.au/sites/default/files/2019-12/commonwealth-gbe-governance-and-oversight-guidelines-rmg126.pdf>

or public statements that could affect their reputation, and (iii) political roles held or campaigns supported. The panel also considers mitigation measures before submitting a shortlist to ministers, with significant appointments published in consultation with the Commissioner for Public Appointments. Australia places responsibility with the board Chair for shortlisting, advising the Shareholder Minister, who consults the Prime Minister, and in some cases requires Cabinet approval. New Zealand relies on nominating agencies that maintain databases of qualified candidates, provide matched lists to appointing authorities, advertise vacancies through professional and regional networks, and conduct rigorous conflict-of-interest screening. Across these jurisdictions, independent assessment and conflict-of-interest management are central to legitimacy and effectiveness.

Practice Area 5: Appointment Merit

Board appointment processes should be structured, merit-based, and transparent, with clear procedures to ensure candidates are selected based on skills, experience, and suitability for the role. The UK, Australia, and New Zealand follow these standards. In the UK, ministers are accountable to Parliament for public appointments and must consult before opening a role. Appointments follow principles of merit, openness, and integrity, with oversight by the Commissioner for Public Appointments and Advisory Assessment Panels. If a minister wishes to appoint someone deemed “not appointable,” they must consult the Commissioner, publicly justify the decision, and notify the relevant select committee. In Australia, following consultation with Shareholder Ministers, the board may provide a shortlist of candidates for vacancies through the Chair, who may also recommend reappointment of existing directors based on performance and tenure limits, with ministers retaining final authority. New Zealand requires ministerial or Governor-General approval, with review by the Cabinet Appointments and Honours Committee for most appointments. Section 29 of the Crown Entities Act 2004, mandates that only candidates with the necessary skills, knowledge, and experience are appointed. Political appointments are subject to safeguards: the UK requires disclosure of political activity; Australia allows political appointments only in exceptional cases under governance rules; New Zealand prohibits serving politicians or civil servants from SOE boards.

Practice Area 6: Transparency

Transparency is a key component of the appointment process to ensure public confidence and accountability. In the UK, departments and the Government of Wales are required to publish contact details for their appointments teams, advertise all vacancies publicly, and disclose information about appointees, the Advisory Assessment Panel, and the selection process. Any exceptional appointments made without open competition must also be publicly explained, and all processes are run through the Public Appointments Digital Service, which provides performance data for scrutiny and accountability. In New Zealand, transparency is maintained through adherence to principles of fairness, privacy, and background checks, and appointments to Crown entity boards must be published in the New Zealand Gazette as soon as practicable after confirmation.

Practice Area 7: Statutory basis

Legal frameworks underpin public board appointments, establishing the rules and accountability mechanisms that guide decision-making. A key principle in strong international practice is centralisation; having a single, overarching legal framework that applies consistently across boards rather than relying on fragmented or board-specific regulations. Stricter legal frameworks provide the approach most likely to ensure consistent, fair, and predictable application. The strongest international examples are those enshrined in primary legislation or gazetted regulations, which provide binding authority. Administrative orders or circulars offer a medium level of enforceability, while non-binding guidelines represent the weakest form.

In the UK, the Governance Code on Public Appointments, under the Public Appointments (No.2) Order in Council 2023, sets out the principles and processes for all public appointments to bodies listed in the Order, with oversight by the independent Commissioner for Public Appointments. In Australia, the Public Governance, Performance and Accountability Act 2013 establishes a national system of governance and accountability for public resources, reinforced by the Commonwealth Government Business Enterprise–Governance Oversight Guidelines. In New Zealand, the Crown Entities Act 2004 provides a national framework for the establishment, governance, and operation of Crown entities, clarifying accountability between boards, responsible ministers, and the House of Representatives. Supporting guidelines outline recruitment, appointment, and induction procedures for board members, ensuring robust, timely, and transparent appointments, with publicly available information reinforcing good practices.

Based on the comparison, the UK, Australia, and New Zealand embed merit, transparency, and accountability into every stage of board appointments, supported by clear qualification standards, independent nomination mechanisms, structured appointment processes, and balanced board composition. These countries not only have regulations in place, but also ensure they are underpinned by legal statutes and detailed regulatory frameworks, backed by consistent enforcement.

5. Recommendations

Building on the insights from the comparative analysis above, the following recommendations seek to address key gaps, leveraging existing strengths and adapting best practices to the Malaysian context.

A. Formalising Board Composition and Clear Eligibility Criteria for all FSBs

i. Centralised and Merit-Based Appointment Criteria

Establishing centralised, clear, and merit-based criteria for FSB board appointments would strengthen governance by requiring that nominees possess the skills, experience, and integrity to provide effective oversight. These baseline criteria should set a minimum threshold for education, professional and sectoral experience, and integrity while retaining flexibility to accommodate FSB-specific mandates and sectoral needs.

Kementerian Pengawal would be required to assess proposed candidates against a standardised competency matrix and fit-and-proper checklist, aligned with existing disclosure requirements under *Lampiran A and B*. Importantly, merit-based criteria do not imply a technocratic model or the exclusion of stakeholder representation; rather, they ensure all appointees meet minimum competencies before other considerations are applied.

Open and transparent recruitment by publicly advertising board vacancies and eligibility requirements, for example via the ICU website, would broaden the candidate pool, encourage merit-based competition, and enhance transparency. Clearly stated criteria would also strengthen accountability by making appointment decisions more visible and contestable, thereby reducing the scope for discretionary or opaque selections. This approach aligns with practices in the UK and New Zealand, where appointment criteria and processes are publicly accessible and serve as an institutional safeguard for board independence and effectiveness.

ii. Defining Boundaries and Disclosure Requirements for Political Appointments

Politically appointed individuals frequently occupy open board positions, including chair roles, limiting the scope for independent oversight. Governance reforms should focus on clearly defining role boundaries to protect board independence. Politically appointed directors should not receive financial compensation for their board role, and their involvement in operational decision-making could be restricted to limit partisan influence. While a stricter prohibition on political appointments could be considered, this paper adopts a more incremental approach that reflects Malaysia's political-administrative context and the practical realities of ministerial accountability.

Appointment rules should be formalised through mandatory disclosure of party positions, partisan activities and potential conflict of interest to the *Kementerian Pengawal* or ministry. Guidance should also explicitly require that a politically appointed board of directors act in accordance with fiduciary duties to FSBs, rather than party interests, with formal procedures for reporting and addressing breaches.

These safeguards, consistent with practices in the UK and New Zealand would allow Malaysia to retain flexibility in political representation while strengthening board independence, reducing undue influence, and enhancing public trust.

iii. **Strengthening Board Independence and Public Disclosure**

Malaysia could further improve governance by providing clearer and more standardised guidance on board independence, while retaining flexibility for sectoral expertise and stakeholder representation consistent with individual FSB mandates. Clearly stating the required qualifications, skills, and experience – and making them publicly available – would complement the current case-by-case approach, ensuring boards are both competent and accountable.

B. **Independent Pre-Screening of Candidates**

i. **Introducing Independent Oversight in the Nomination Process**

Malaysia should introduce an independent, multi-member pre-screening committee for FSB board appointments to reduce reliance on the *Kementerian Pengawal*. Comprising external experts, independent professionals, and civil society representatives, the committee would provide collective, non-partisan assessments of candidates, diversify perspectives, and strengthen accountability. By distributing screening responsibility, this mechanism would enhance the credibility, consistency, and integrity of board appointments and support more effective FSB governance.

ii. **Assessing Competence, Integrity, and Conflict of Interest**

An independent pre-screening committee should be established to assess candidates against publicly published eligibility criteria, evaluating qualifications, sectoral experience, and integrity, and identifying potential conflicts of interest with appropriate mitigation strategies. Beyond reducing political influence, pre-screening mechanisms also serve a capacity-building function by improving the overall quality and consistency of board appointments.

This approach mirrors international practice and would strengthen board competence and fiduciary oversight, ensure continuity in governance standards

across FSBs even during changes in government. It would also enhance institutional resilience and public confidence by anchoring appointments in capability and integrity rather than political affiliation.

C. Restructuring the Appointment Process

i. Separating Political Authority from Assessment and Oversight

Establishing an independent board committee framework makes room for a Central Commissioner to play a role in overseeing the process, with the support of Advisory Panels to assess candidates against clearly defined skills, experience, and qualifications. Strategic oversight would be provided by a Parliamentary Select Committee (PSC) to review, vet, and approve appointments for critical FSBs or high-impact chairperson positions, while the *Kementerian Pengawal* manages administrative and technical tasks, such as verifying eligibility, coordinating panels, and maintaining candidate records. Politicians with prior roles capable of materially influencing SOEs should observe a predetermined cooling-off period before board service to safeguard independence (OECD, 2024).

ii. Strengthening Post-Appointment Oversight and Performance Expectations

Implementing post-appointment measures that reinforce professionalism throughout the appointees' board membership. This includes clear conflict-of-interest provisions requiring the declaration of assets, liabilities, investments, and employment, with public disclosure where legally appropriate. Performance-based reappointments, skill-based shortlisting, and rigorous evaluation of qualifications and experience, drawing on best practices from Australia and New Zealand, can further enhance board quality and accountability.

This approach ensures that key FSB boards are led by qualified, independent, and accountable members, protecting institutional integrity while remaining practical for implementation across Malaysia's statutory landscape.

D. Ensuring Transparency through Legal Frameworks

i. Supporting Guidelines for Standardised and Consistency of Process

Introduce additional supporting guidelines that provide standardised, step-by-step procedures for recruitment, appointment, and induction. These guidelines would operationalise the law and circulars, supporting appointments that are merit-based, timely, and consistent across all FSBs. These guidelines would complement the legal framework by offering practical steps to operationalise the law, providing boards and appointing authorities with clear instructions, and ensuring that all appointments are conducted in a professional and accountable manner.

ii. Embedding Appointment Processes in Law

Codifying FSB board appointment procedures into a formal legal Act or gazetted regulations instead of relying on administrative circulars. This could take the form of a dedicated FSB Appointments Act, clearly outlining eligibility criteria, nomination and selection procedures, oversight responsibilities, and approval mechanisms. Codification would provide binding legal authority, standardise processes across all FSBs, and limit discretionary power by ministers. It would also allow for systematic monitoring and enforcement, ensuring compliance with the law and protecting boards from politically-driven decisions.

By embedding the procedures in law, Malaysia would strengthen institutional continuity, maintain consistent standards even during government transitions, and enhance public confidence in the fairness and transparency of FSB appointments.

iii. Transparency and Justification of Appointments

The law should require that all board vacancies be publicly advertised, with detailed eligibility criteria, selection procedures, and information on the roles of appointing authorities. Any exceptions, such as political appointments or special nominations, are accompanied by a formal written justification, submitted to the relevant oversight body and made publicly accessible. This could include a brief explanation of why the candidate meets specific skills, experience, or sectoral requirements that cannot be fulfilled through the standard open process.

This would increase transparency, safeguards against undue influence, and reassure stakeholders that appointments are made fairly and in the public interest.

6. Conclusion

Malaysia's current approach to political appointments in FSBs lacks several key safeguards that exist overseas. Without standardised qualification criteria, open advertisements of vacancies, or independent vetting mechanisms, the appointments process does not provide the necessary checks and balances to ensure nominees are objectively assessed or appropriately matched to the needs of each statutory body. The absence of systematic conflict-of-interest safeguards and limited transparency surrounding appointments further create conditions in which decisions may be perceived as politically motivated rather than merit-based. These weaknesses undermine board performance and continuity and erode public trust in statutory bodies that play critical roles in regulating key sectors, managing public resources, and delivering essential services.

To close this gap, Malaysia could adapt key elements from the UK, Australia, and New Zealand, developing clear and publicly accessible eligibility criteria, mandating independent vetting bodies with strong conflict-of-interest requirements, and standardising appointment procedures to limit excessive political discretion. Integrating diversity considerations, skill balance, and sector-relevant expertise into board composition policies would help ensure that appointments more accurately reflect organisational needs. Anchoring these reforms in legislation — supported by an enforceable regulatory framework — would not only align Malaysia's practices with international governance standards but also strengthen public confidence, enhance accountability, and attract more qualified candidates into the appointment pipeline.

Moving forward, strengthening the governance of political appointments will require a shift from discretionary, ministry-specific approaches toward a structured, legally grounded framework that institutionalises transparency and merit-based decision-making. Malaysia can draw from international models by establishing independent advisory or vetting bodies, mandating public disclosure of selection processes, and enforcing robust conflict-of-interest rules.

Embedding these mechanisms in law or gazetted regulations would provide consistency across ministries, reduce opportunities for undue political influence, and ensure appointments serve long-term organisational and public interests. At its core, reforming the appointments framework is about recognising that who sits at the table determines the quality, integrity, and direction of public decision-making. In the end, reforming the appointments system is not about excluding political participation but about ensuring that political appointees, like all board members, enter their roles through transparent, accountable, and competency-based processes that reinforce the credibility and legitimacy of Malaysia's FSBs.

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Appendix

The table below provides the definitions and examples used to categorise the types of board appointments as specified in each FSB's establishing act.

Position	Definition & Example	
Designated positions	<p>A position where there is a requirement set up to be a chairperson, deputy chairperson, or board member:</p> <p>i) From a specific ministry; or</p> <p>ii) From a specific public entity</p> <p>By definition, these positions are non-independent. Politicians who are appointed to boards by virtue of the act, are included in the Pantau Kuasa dataset.</p>	
Politician	Politicians appointed by virtue of their position	NCIA 9.1(c): the Menteri besar or Chief Minister, as the case may be, of each State
Public officer		
Specific position	Public officials that hold a specific profile/ position	<p>KADA 5.1(c): Ketua Pengarah Pengairan dan Saliran atau wakilnya;</p> <p>MAVCOM 5.1(b): (i) the Secretary General of the Ministry of Transport;</p> <p>(ii) the Director General of the Economic Planning Unit of the Prime Minister's Department;</p>
General public officer	Public officials where the position of the P.O is not specified but is part of the civil service	<p>NCIA 9.1(e): a representative of the civil service to be appointed by the Prime Minister for such duration and on such terms as the Prime Minister may determine;</p> <p>MIROS 11.1(f): a representative from the Ministry of Transport;</p> <p>MAIWP 10.1(e): (e) the Inspector-General of Police or his representative;[*]</p> <p>[*]This indicates that a representative from PDRM can be elected to the board on behalf of the IGP. This highlights the flexibility of the appointment and will be regarded as "Ex officio (general)"</p>

Others	<p>Other than central or state government public officials mentioned above such as:</p> <ul style="list-style-type: none"> i) Statutory Bodies (including public universities) ii) GLCs (iii) CEO joins as ex officio 	<p>KADA 5.1(e): seorang wakil Bank Pertanian Malaysia yang ditubuhkan di bawah Akta Bank Pertanian Malaysia 1969</p> <p>LTAT 4.3(ca):the Chief Executive who shall be an ex-officio member</p>
Discretionary appointments	Individuals not from the public sector. These positions are opportunities for independent directors, but may also include sector representatives or political appointees.	
No criteria	<p>Fully open position where there is no requirement set up</p> <p>There may be certain disqualifying criteria.</p>	<p>KADA 5.1(h): tidak lebih daripada tiga orang ahli yang lain.</p> <p>e.g KWSP: S4 (1) The Board shall consist of— ... (d) not more than twenty other members of whom— ... (ii) not more than five shall be employers contributing to the Fund and not being persons holding office of emolument under the Government of Malaysia or of a State or employed by any statutory or local authority; (iii) not more than five shall be employees contributing to the Fund; and... ”</p>
With criteria	<p>A fully open position where there is a requirement for an individual to be from a certain sector/ industry; or with certain type of knowledge or experience</p>	<p>NCIA 9.1(f): two members from the private sector with suitable experience or qualifications to be appointed by the Prime Minister.</p> <p><i>At a bare minimum, a requirement for expertise, or relevant experience and qualifications must be specified.</i></p>

Notes

Notes



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