

IDEAS lauds the termination of all political appointments, urges government to end political patronage

Kuala Lumpur, 16 December 2022: The Institute for Democracy and Economic Affairs (IDEAS) welcomes the letter issued by the Chief Secretary to the Government, Tan Sri Dato' Seri Mohd Zuki bin Ali, to terminate all political appointments made on the boards of directors of all Federal Statutory Bodies (FSBs) and Government Linked Companies (GLCs), including those under the Ministry of Finance Incorporated.

IDEAS understands that these political appointments were made by previous governments either under the Perikatan Nasional government of Tan Sri Muhyiddin Yassin or the Barisan Nasional government of Dato' Seri Ismail Sabri. IDEAS's Pantau Kuasa data (a website that tracks political appointments over the last four administrations, www.pantaukuasa.com) indicates that there have been more than 200 political appointments in 72 Federal Statutory Bodies under the previous governments. New Chairs and directors will now need to be appointed to these entities by the new government.

"We hope that the new appointments made by the current government will be based mostly on expertise, skills and experience instead of political affiliation alone," comments Dr Tricia Yeoh, CEO of IDEAS. "Subsuming political affiliation into appointment criteria compromises integrity. Moreover, there is a risk of there being a conflict of interest when politically-appointed figures prioritise programs with vested interests."

Commenting on calls for discretionary power to be granted to the Prime Minister in appointing new Chairs and Board members of public entities, Dr Yeoh adds, "Some statutory bodies' legislations already identify entities and persons that should appoint the Chairs and board members. These provisions should therefore be respected and adhered to. As for the GLCs, the power of appointment should be given to the government entities that own it or the nomination committee of the Board."

Moving forward, IDEAS urges the government to issue guidelines in setting the criteria for the Chairman and Board of Directors to complement the absence of appointment criteria at the statutory bodies level. "As for GLCs, the *Green Book on Enhancing Board Effectiveness* issued by the Putrajaya Committee in 2006 can be a reference on the appointment of GLC boards. For example, some of these stricter criteria should be applied where board members must possess the necessary knowledge, skills and the right mindset. In addition, evaluation criteria of individual directors and the Board collectively should be transparent, customised to the specific company's needs and requirements, and explicitly linked to clear consequences for non-performance. Such effort ought to be accompanied by the establishment of a Parliamentary Select Committee that can examine and monitor the annual reports of Statutory Bodies more regularly", commented Dr Yeoh.

Finally, in its effort to improve good governance on the boards of GLCs, it is important for the government to consider the responsibilities of boards more broadly. The OECD Guidelines on State-Owned Enterprises spells out some principles, including that the boards of SOEs should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions. Ultimately, all board members should be “free of any material interests or relationships... that could jeopardise their exercise of objective judgement” (OECD, 2015) and conflicts of interest should be prevented, to limit political interference in board processes.

For more information on political appointments, please visit IDEAS Pantau Kuasa Website. Pantau Kuasa tracks political appointments in the Federal Statutory Bodies (FSBs) in the four last administrations. IDEAS will continue monitoring appointments in the FSBs and selected GLCs in the current government and invites the public to view the website regularly (<https://www.pantaukuasa.com>).

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