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# Politicians must stay out of GLCs

I REFER to the report "'We are not ruling out appointing politicians'" (*The Star*, Jan 9) which quoted the Economic Affairs Minister that Pakatan Harapan may appoint politicians "at top positions in government-linked companies and development agencies" if they have the right qualifications. This presumably means they may be appointed as chairmen and board members of GLCs and statutory agencies.

The minister also said he is waiting for proposals for appointing the CEO of FGV Holdings Berhad. It appears that he will make the decision on who should be appointed to this CEO position.

All this is bad news for the country because, firstly, the minister's statement contradicts the party's election manifesto to do away with political appointees in GLCs and statutory bodies. Secondly, it goes against the GLC Transformation Programme (GTP) which was launched with a big fanfare about 15 years ago to announce to the world that Malaysia was making a giant leap forward to clean up the mess in the GLC sector.

Earlier, Bank Negara Malaysia had introduced structural and governance reforms in the banking and financial sectors in response to the 1997/98 East Asia financial crisis. This was followed by the Securities Commission and Bursa Malaysia introducing comprehensive guidelines to strengthen the governance systems in the corporate sector so as to make Malaysia attractive to local and foreign investors.

All these reforms follow the practice in OECD countries that the boards must be independent. No politically-linked person would be allowed to sit on the governing boards of corporate and banking institutions.

And no minister, not even the prime minister, should have a say in the appointment of the CEOs of GLCs as this is the responsibility of their boards.

In 2007, the Wall Street banking crisis triggered another round of regulatory reforms across the world. International investors did not want to experience the bad practices again and expect all countries to also change their regulatory policies to comply with the new corporate guidelines introduced in the United States and Europe.

Malaysia has been praised for its progressive reforms covering the financial, corporate and GLC sectors led by our regulatory authorities, especially Bank Negara and the national wealth fund, Khazanah Nasional Berhad.

After the reforms were implemented, foreign confidence in Khazanah's biggest investee companies, namely Tenaga Nasional and Telekom Malaysia, rose, resulting in their share prices going up. As they were the largest corporations on the stock market, their improved share performance became the catalyst for lifting up investor interest in Malaysia.

The reforms also helped to insulate the economy from the bad news coming from the 1MDB scandal.

I am afraid that if we turn the clock back on reforms and get hit by another economic downturn, local and foreign investors may not give us a second chance. The experience in third world countries is that once the confidence is shaken, it takes a long time to repair the damage.

Investors are most worried when politics and business are so closely intertwined and, worse, when politicians are appointed board chairmen and the management comes from their nominees. Therefore, they should not be appointed to top positions in the GLCs as well as statutory bodies. The boards and management of government-linked entities must be independent and free of any political influence.

Politicians can best play their role in overseeing the GLCs and statutory bodies by setting up standing or select committees in the Federal parliament as well as in the state legislatures. Pakatan Harapan has many highly educated, talented and committed members of parliament who can serve on the committees.

These committees will function by requiring the CEOs and chairmen of government-linked enterprises to submit their quarterly, semi-annual and annual reports for the elected representatives to scrutinise and debate among themselves. In addition, the committees can hold their meetings in open sessions and can invite professionals, experts and civil society and also chambers of commerce and industry to come forward to testify before the parliamentarians if they have criticisms on how the GLCs are being managed or if they have ideas on how to improve their financial results.

In monitoring the performance of GLCs, the committees should also carry out investigative public inquiries when there is an issue of wide public concern, such as allegations of corruption, nepotism and cronyism, and to investigate whether the GLCs are involved in money politics, as these unethical practices will have a destructive effect on their financial results.

The parliamentary committees should extend their responsibility to cover the statutory bodies as well. These bodies were established to serve as development agencies for ministries such as rural and regional development, land development, sports and culture but, over time, they have gone beyond their mandate to create their own corporate creatures or mini GLCs.

They operate as commercial enterprises but hardly any of them can get funding from the banks as they are considered moral hazards in view of their political connections. As banks will not finance them, they rely on their ministries and the political support of their ministers for financial grants through the annual budgetary allocations. These GLCs should be closely monitored by the parliamentary committees and should be required to close down as they are a heavy burden on ministry budgets.

Politicians who serve on the parliamentary standing and select committees are elected members of parliament. Their political activities cost them time and money. The country should be fair to them and compensate them properly for contributing in the committees in ensuring good corporate governance, integrity, transparency and accountability in the GLCs and statutory bodies.

It's therefore worth rewarding the committee members for performing their heavy duties in safeguarding the country's finances in terms that are comparable to the directorship fees in the private sector.

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