

Governance and Public Policy of Islamic Economics

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The United Nations (UNDP) dashboard lists the 16 goals of the Sustainable Development Goals (SDG) agenda i.e., peace, justice and strong institutions. The aim of institutional strengths can be achieved through government efficiency and corruption perception index. Both can be achieved through good governance. Hence, the goal of economic policy must be in line with those goals. But the latest ranking according to the UNDP 2017 report (SDG Index and Dashboards Report 2017. New York: Bertelsmann Stiftung and Sustainable Development Solutions Network) for the purpose of Malaysia shows that the dashboard for the goal is yellow. It means something needs to be done so that the goal shows a green color that the goal has been achieved. Therefore, the government must have the commitment to change the color and improve governance institutions. This requires immediate attention especially to repair the defective process related to the formulation of public policy in relation to the Islamic economy.

Malaysia has suffered a lot because of the wide gap between the declared economic and social policies and its implementation. There is not much confusion in the content of the policy but in the process of drafting, implementing and reviewing, there is no clear accountability; and accountability and shallow negotiations with the stakeholders. The result is frequency of repetition, bias modifications and premature abandonment.

The public policy of Islamic economics such as zakat distribution and waqf benefits is a living example of this phenomenon. Every new government starts policy formulation without examining past experience. The same mistake is repeated and at the time it completes its period, no apparent decision is reached, forcing his successor to evaluate the policy and restart the process. Compared to other factors, the "top-down", odd and ad hoc policies have spoiled the economy. Loss of credibility resulted in uncertainty among stakeholders contributing to its implementation to be powerless.

This article proposes structured, systematic and synergistic processes in the existing constitutional context such as the Financial Procedure Act 1957. This process puts more emphasis on: (i) staff skills and competencies, (ii) wider consultation, (iii) multi-level approvals and (iv) keep track of policies on a regular basis.

Let's start with the first one. The mastery of the State Islamic Religious Council in the development of Islamic economic policies and virtually implementing the "veto" power has given rise to short-term "ism" and is too engrossed with the sole purpose of balancing the financial statements without realizing the impact on long-term development goals. For example, a large collection of zakat only gives incentives to amil, the zakat collection center or body. The head of Baitulmal, who was supposed to lead the work of staff to make policy formulation, was reduced to almost peripheral positions to produce an annual report prepared for the Head of State Islamic Religion.

Unlike the Inland Revenue Board and the Customs Department who have attracted staff from various fields, the Baitulmal Board cannot do the same. Appointment of staff and competition between staff ultimately depends on the decision of the Council. The less staff have the right

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to occupy the top with the head of the board. While staff from outside are not cooperative with existing staff. This does not lead to productive staff generation. A better option is to hold open competition for this post that meets the selection criteria of the Federal Public Service Commission.

In order to maintain staffing skills to date and prevent them from falling into cynicism and lethargy or leaving the board, they should be given ongoing professional training and education. Their promotion must rely on performance and meet the assessment of the training.

After positioning the Council and Baitulmal, as well as planning for appropriate staff, skills and incentives, the next step is to stabilize the centralization responsibilities placed under the responsibility of the Ministry of religion. Every Council dealing with economic and social development as well as other councils of the other States should have the endeavour to produce policy implementation according to best practices.

A complete research and training institution under the ministry will become a think tank that shares international views and experiences, and advises and guides the Council through decentralization. It will ensure that the proposed policy is coherent and in line with other strategic policies and objectives such as the achievement of SDG. The ministry may comment, before approval, on financial implications arising from its recommendations and their impact on public finances. Each Council should prepare an initial draft by consulting with the stakeholders.

For example, the Council before starting the zakat distribution policy could bring all non-governmental, research and academic institutions, ministries and federal and state agencies together. The draft document will then be posted on the ministry's website to get a general view. After incorporating legal and value-added opinions, subsequent versions need to be submitted for approval of the Cabinet, the Joint Interests Council or the National Economic Council. Policy documents need to be widely disseminated.

The next step is to provide matrices that clearly outline the responsibilities and accountability of different implementing units, key performance indicators, milestones and timeframes. The relevant minister will monitor and review the progress and submit an annual report to the Cabinet, the Joint Interests Council or the National Economic Council and the parliament. Things that cannot be resolved at the ministerial level should be sent to the prime minister. The person and agency responsible for implementation should explain the deviation and difficulty, if any.

These measures are expected to minimize the wide gaps between good policies and weak implementation.