

## Muhammad bin Ibrahim: Charting a path for the future

Remarks by Mr Muhammad bin Ibrahim, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the National Public Sector Accountants Conference 2017 "Charting a Path for the Future", Penang, 15 August 2017.

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Thank you for the invitation to speak today. My congratulations to Jabatan Akauntan Negara Malaysia and Persatuan Akauntan Sektor Awam Malaysia on the successful organisation of the 28th National Public Sector Accountants Conference.

In two weeks' time, we will be celebrating our 60th year of independence. Our nation has come a long way – economically, socially and politically. Faced with the challenge of the new and the unknown at the dawn of our independence, our nation has risen to the occasion time and again. We have persevered. We have adapted. We have transformed. We have grown from strength to strength despite the many challenges.

This boldness of spirit is something that has driven us from the very first moments of our nationhood. Upon the proclamation of our independence in 1957, Tunku Abdul Rahman had imparted these important words: "From henceforth, we are masters of our destiny, and the welfare of this beloved land is our own responsibility."

These last six decades have been a journey committed to this endeavor. Where rubber and tin once dominated, we now have an integrated, open and diversified economy. Where roads once laid bare, now stands world class infrastructure. Where others had led, our economy now thrives on high-skilled industries, some on the frontiers of innovation.

Looking back, we can take great pride in our achievements as a nation. Looking forward, there are infinite possibilities that await us. But there are challenges that we need to navigate and overcome. I shall mention some of them.

First, a challenging global environment. Nearly a decade on from the Global Financial Crisis, the global economy continues to remain relatively weak.

World growth is projected to grow an average of 3.5% in the next two years. Amid a mood of economic uncertainty, protectionism, once thought of as an irrelevant concept, has made an unexpected re-entry into the global discourse on international trade.

Second, technological progress. The speed at which this is occurring means that our greatest challenge is anticipating the technologies that will have the greatest impact on our lives. As public officials, we need to appreciate how technological progress will influence the way public policies are formulated and communicated.

Third, demographic shifts. At present, an estimated 26.3% of our total population is between the ages of 25 to 40 years old. This represents a group of better-educated individuals, used to unfettered access to information. They are likely to have higher expectations on public service. The era of "government knows best" is a past participle. Our engagements must therefore adapt and respond to evolving norms of our society.

These are some of the challenges we are facing. The challenges are enormous yet exciting. The public sector must be ready to steer and lead the nation onto a new, uncharted path with confidence, certainty and conviction. This is a heavy responsibility. What we do today will have ramifications on the future of our children and our children's children. We must rethink the way we formulate policies, the way we deliver on our mandates and the way we think about public policy.

Today, I would like to speak about three possible characteristics that will be necessary for the public sector to navigate the challenges of the future. These are: Integrity, Agility and Validity of Measurement.

### **Integrity: The courage to take the road less travelled**

As public servants, our duty is to serve and protect the public interest. Our legitimacy is strengthened by their confidence. Discharging this responsibility will become more challenging as we move forward: Priorities and needs will continue to expand faster than our resources.

In these times, moral courage, integrity and transparency will be more important than ever. We must be brave enough to pursue the right course of action, doing the right thing, unpopular as they may be in the short-term. We must also be accountable for our decisions. This requires that we engage and communicate with the public as never before, explaining clearly the rationale of our policies.

It is also important that we foster a culture and environment that prioritises these values at the level of the individual. The integrity of the public sector rests on the strength of character of each and every public official, without any exception. This will require leadership, incentives and structures that will enable individuals to be clear-eyed and independent-minded. This is a spirit best summed up in Mahatma Gandhi's words: "Even if you are a minority of one, the truth is the truth."

Integrity is best demonstrated through the transparency and thoroughness of disclosures. The publication of financial and non-financial information is the central means by which the public can truly hold its government and public institutions to account.

Public sector accountants, tasked with the preparation and audit of such information, naturally take on an immense moral responsibility.

It is critical that the public sector appreciates and respects the importance and impartiality of this role. Accountants and auditors must be provided with the platform and stature to pursue facts and voice any concerns in a meaningful and constructive manner. This includes follow-up on investigations or corrective actions, where necessary.

As the demands and expectations of public service grow, the use of data and the mined information will take centre stage in the administration of the public sector. Accountants will be in the unique position to define, provide and interpret the facts and figures that can greatly influence and shape policy and strategy.

### **Agility: New environment, new challenges and new set of competencies**

We live in a world that is constantly changing. One shaped by evolving factors influencing societal behaviors and norms. In this environment, it is easy to fall into the trap of short-termism or pandering to popular opinion. We must resist this addictive and damaging behavior.

Instead, a long-term strategy that prepares for the society and industries of the future is warranted. This will be difficult. Faced with these challenges, we must be willing to re-invent, re-skill and re-adapt. The future will require a multidisciplinary of knowledge. Our agility in responding to evolving circumstances will also depend on a new set of competencies, but would requires new approaches.

For one, the approach towards policy-making will need to be more flexible. In a fast-moving environment, we must allow ourselves more room to fine-tune our policies, or change course where necessary.

This is not 'policy flip-flopping'. Instead, policymakers should be bold enough to reverse or

change policy direction if it is no longer serving the public interest effectively. The expectation is not for the public sector to be infallible, but for it be agile enough to respond calmly and assuredly to unintended outcomes.

Maintaining public confidence in this day and age requires a highly adaptive communication strategy. Information and knowledge is no longer monopolized by a select few. Technology has empowered every individual to spread knowledge or falsehood within seconds. And it could quickly lead to negative perception. But this risk can be addressed through wider and more frequent engagements with the public and key stakeholders.

Going forward, new competencies are required. Foremost of these is communication skill. Technical know-how alone is not enough. Our communication strategy should be guided by three principles: To say it correctly, to say it well, to say it differently. This will require an astute awareness of relationships from a social, economic and political standpoint. Through this understanding, we will be able to articulate our ideas or positions more clearly and coherently.

The use of multiple platforms, such as social media, instant messaging services, or public online forums will offer new possibilities.

Ralph Waldo Emerson, an essayist and poet who led the transcendentalist movement of the mid-19th century, once said, "In skating over thin ice, our safety is in our speed." This analogy is appropriate in our current environment. Responding to a dynamic environment in a timely manner will require the intuition of skill and knowledge. Many professions will see a dramatic shift in skill sets required over the coming decade, and the accountancy profession will be no exception. Given finite resources, public policy is likely to be overwhelmed by a sense of cynicism or pessimism. This is where public sector accountants may offer a breakthrough by taking on a more strategic role. As financial data expands in scope, volume and complexity, operational efficiency demands a new set of technical skills and knowledge. Complex problem solving, critical thinking, coordinating with others, service orientation, cognitive flexibility, just to name a few.

Amid new international accounting standards, rising trends in financial technology and the attendant changes required, accountants are becoming among the most flexible and multi-skilled individuals.

This is a major transformation in role of accountants compared to only two decades ago. As the profession grows in technical mastery and sophistication, accountants will contribute significantly to charting a new path for the public sector. A key area that I foresee accountants will wield considerable influence is in performance measurement. This brings me to my final point on Validity of Measurement.

### **Validity of Measurement: Identifying, measuring and assessing outcomes**

I have so far alluded to initiatives and policies for the transformation of the public sector. However, these would be futile if we do not know how effective they are. In this respect, we must develop identifiable, measurable and practical performance indicators.

Our performance indicators should be defined by three key features: Long-term in outlook, integrated with overall strategic objectives and should also focused on impact of social outcomes.

Achieving the objectives of national development requires strong coordination across all parts of the government machinery. It is important to eradicate silo mentality and turf protection. Cross collaboration will generate unique and fresh policy perspectives. Collaborative ownership will also increase the probability of policy success. It will also minimize unnecessary and costly overlaps.

Performance measurement should go beyond budgetary considerations. Our performance as public officials is mainly determined by how well we have served the needs of the public. We must consider public satisfaction and post-completion financial sustainability. Unintended consequences or externalities should also be taken into account, particularly in terms of socio-economic and environmental impact.

Many among the audience would be familiar with a concept that is fast gaining traction, “integrated reporting”. This approach, as described by the International Integrated Reporting Council, “communicates a clear, concise, integrated story that explains how resources are creating value”.

It covers a much broader scope of factors connected to business activities, including greater consideration of social impact and value creation for the future. By identifying the inter-linkages between financial, environmental, social and corporate governance, we are better placed to adopt a more holistic and socially meaningful approach towards strategy development.

Adopting the ‘Integrated Reporting’ approach has immense potential for public sector disclosures. It provides an excellent template that will help the public better understand the governance, deliverables and long-term direction of the public sector. It also motivates institutions to think about how best to measure and describe outcomes in relation to their mandates. Going forward, accountants will likely have an important say on how these performance measurements are designed and defined.

## **Conclusion**

Peter Bakker, the president of the World Business Council for Sustainable Development, famously said that “Accountants would save the world.” There is some truth to the statement. Few other professions have the same power to dictate the language and context of that discourse.

As we work together towards change, our ability to continuously learn, improve and reinvent ourselves will ensure that we emerge a more successful nation in the decades to come. With integrity, agility and vision, I am confident that we will triumph over the unfamiliar which most likely characterize our future.

Thank you, and I wish all of you a fruitful and engaging conference ahead.