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Plotting a Functional Typology for Government Agencies

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Abstract

How many federal agencies are there? It depends... on many things. In addition to the lack of a widely agreed upon definition for what constitutes an agency, agencies exist in a variety of forms and furthermore, they possess varied characteristics across and within types. While this diversity may have developed to suit the needs of each individual agency in isolation, this variety does not necessarily benefit the government as a whole. This proliferation of agencies can undermine the very advantages that their establishment is intended to provide. A functional typology of agencies is therefore needed as a foundation for developing a more coherent framework for their creation and management. This paper analyses the entire portfolio of 34 agencies from two ministries in Malaysia – the Ministry of Science, Technology and Innovation (MOSTI), and the Ministry of Human Resources (MOHR) – approaching this task through four foundational governance dimensions. It then proposes a functional typology for classifying agencies based on their expected distance from ministerial control, along with considerations for their governance structure, oversight, and accountability mechanisms.

1. Introduction.....	1
2. Approach and methodology	1
3. Analysis	2
3.1 Legal and organisational framework.....	2
3.2 Governance structure	3
3.3 Resources and budget process.....	5
3.4 Policy coherence, oversight and accountability mechanisms.....	6
4. Discussion	7
5. Recommendation on a functional typology of agencies	9
6. Conclusion	11
References	12
Annex 2	1

1. Introduction

The seemingly simply question about how many agencies there are at the federal level yields inconsistent answers. As of 2023, the Public Service Department (JPA) records 244 agencies, the National Audit Department (JAN) reports 145, and the National Digital Department identifies over 300 (Figure 1). This variation reflects the absence of a uniform definition of what constitutes an “agency”; apparently, each department applies its own interpretation, shaped by its institutional mandate and operational scope. For example, JAN includes statutory funds without an organisational form, while JPA excludes statutory bodies that manage their own human resources.¹ Furthermore, discrepancies are also evident when comparing agency listings across official platforms. The Ministry of Investment, Trade and Industry (MITI), for example, presents a more comprehensive agency list on its website than what is published on the federal portal, MyGOV (Table 1). This suggests a lack of alignment in agency classification and possibly divergent interpretations of what constitutes an “agency”.

Classification practices further vary across ministries. The Ministry of Science, Technology and Innovation (MOSTI) categorises entities by their legal and organisational forms – *Department*, *Statutory Body*, *Government-linked Companies (GLC)*, *companies limited by guarantee (CLBGs)* *Foundation and Progressional body* – and differentiates reporting relationships. *Departments* and *Statutory Bodies* report directly to the Secretary General, while others are linked via informal or dotted-line arrangements. In contrast, the Ministry of Natural Resources and Environmental Sustainability (NRES) applies a generic label of “Departments and Agencies” without specifying reporting structures. The Ministry of Energy Transition and Water Transformation (PETRA) adopts a similar classification to NRES but explicitly notes direct reporting to the Secretary General (Figure 2).

These examples underscore the absence of a standardised taxonomy of public sector bodies within the federal government. This lack of a functional classification framework impedes comparative analysis, hinders whole-of-government oversight, and limits the ability to assess institutional performance systematically. This Penang Institute Monograph analyses a sample of 34 agencies from two ministries across four core dimensions, with the aim of identifying common traits and subsequently proposing a basis for functional classification.

2. Approach and methodology

A list of agencies was compiled from the websites of the Ministry of Science, Technology and Innovation (MOSTI) and Ministry of Human Resources (MOHR). In this context, agencies are defined by their institutional separateness from the central ministry structure. This is consistent with how both ministries report their organisational components: MOSTI distinguishes “*Divisions and Units*” from other entities categorised as agencies, while MOHR differentiates its “*Departments and Agencies*” from its central ministry structure. Based on these criteria, MOSTI lists 20 agencies, and MOHR lists 14 (See Annex 2 for list of agencies).

Each of the 34 agencies is analysed across four core characteristics, selected to reflect foundational governance dimensions:

1. *Legal and Organisational Framework*

This dimension examines the agency’s legal basis, founding instrument, and organisational form. It identifies the enabling act or policy as well as the agency’s primary mandate and

¹ The Public Service Department (JPA) allows for a statutory body’s board of directors to have full autonomy over human resources under its *Badan Berkanun Diasingkan Saraan Sepenuhnya* (BBDS) status

structural positioning within the government bureaucracy. This informs the degree of institutional formality and the agency's proximity to the central ministry structure.

2. *Governance structure*

This assesses how the agency is directed and overseen, including the presence of a governing board, appointment procedures, and the role of the chief executive. The governance structure reflects the agency's operational autonomy and the nature of ministerial oversight.

3. *Resources and budget process*

This refers to the agency's access to and control over financial and human resources, including funding mechanisms and staffing arrangements. It provides insights into the agency's capacity, flexibility and potential performance implications.

4. *Policy coherence, oversight and accountability mechanisms*

This dimension evaluates the alignment of the agency's work to ministerial priorities, the nature of oversight, and the mechanisms for accountability. It covers strategic, operational and policy-level integration and helps assess transparency and responsiveness to stakeholders.

Findings across these four characteristics are synthesised to identify recurring patterns and shared traits. These form the basis of a bottom-up classification approach aimed at generating practical categories that reflect the current diversity of agency types within the government bureaucracy.

3. Analysis

3.1 Legal and organisational framework

Mode of establishment

Agencies in the sample exhibit three distinct modes of establishment, each corresponding to different legal and institutional origins:

- (a) *Executive decision*. These agencies are established through administrative authority, typically by the Cabinet or the minister-in-charge. They may operate as internal units within the host ministry (e.g. *Pusat Nanoteknologi*, *Planetarium Negara*) or as administratively separate entities (e.g. *Agensi Angkasa Malaysia*, *Agensi Nuklear Malaysia*). While lacking legal personality, they are organisationally distinct and operate with delegated authority.
- (b) *Legislative Act*. Agencies under this category are established through primary legislation and can take either of the following forms:
 - i. Statutory body. These are agencies that possess their own legal identity, often including a corporate seal (e.g. *Human Resource Development Corporation*, *Akademi Sains Malaysia*) and is defined according to the Statutory Bodies (Accounts and Annual Reports) Act 1980 as “any body corporate, irrespective of the name by which it is known, that is incorporated pursuant to the provisions of federal law and is a public authority or an agency of the Government of Malaysia but does not include a local authority and a body corporate that is incorporated under the Companies Act 1965 [Act 125]” (Statutory Bodies (Accounts and Annual Reports) Act 1980, 2011)
 - ii. Statutory department. These are agencies whose existence is defined by law rather than by administrative authority, and do not possess their own legal identity. These entities are generally autonomous from changes in ministerial portfolios and are commonly referred to as government departments.

- (c) *Private law*. These agencies are incorporated under the Companies Act 2016 and function as separate legal entities. They take the form of either standard companies (e.g. *Talent Corporation*, *Cradle Fund*) or companies limited by guarantee for non-profit purposes (e.g. *Yayasan Inovasi Malaysia*). These agencies are operationally and legally independent from their host ministries and most closely resemble the commonly understood concept of an “agency”.

Primary function of agency

Agencies perform a range of public functions, which may be broadly categorised as advisory, regulatory or delivery. A common feature across all agencies is the absence of a policy formulation role, which remains the responsibility of the minister and the central ministry.

- (a) *Advisory*. While no agency listed on the ministry’s website were classified under this category, this likely reflects nomenclatural conventions rather than functional reality. Advisory bodies – though often not labelled as “agencies” – are structurally and functionally separate from ministries and meet the working definition applied in this study. Examples include entities established by legislative act (e.g. *Majlis Perundangan Gaji Negara*, *Majlis Keselamatan dan Kesihatan Pekerjaan Malaysia*).
- (b) *Regulatory*. Regulatory agencies in the sample are exclusively established by legislative act. They are responsible for both the formulation and enforcement of regulations, although these functions are typically separated: rule-making authority resides with the governing board or minister, while enforcement authority is vested in the agency’s chief executive. Enforcement mechanisms include licensing, inspection, accreditation, investigation, and penalties. Notably, exceptions exist. For example, under the National Skills Development Act 2006, the Director General of the *Jabatan Pembangunan Kemahiran* is mandated to both develop standards and oversee their enforcement (National Skills Development Act 2006, 2006)
- (c) *Delivery*. This category serves as a residual classification for agencies whose functions do not fall under advisory or regulatory roles. It includes a wide range of operational mandates such as implementing government programmes, delivering public services, managing commercial initiatives, or providing technical and administrative functions. Examples range from commercial entities (e.g. *Malaysia Technology Development Corporation*), to public service providers (e.g. *Pusat Sains Negara*)¹⁰, to judicial bodies (e.g. *Mahkamah Perusahaan Malaysia*) and technical departments (e.g. *Jabatan Kimia Malaysia*). The majority of agencies in the sample fall under this category.

3.2 Governance structure

Governing board, functions and appointments

Agencies established under private law consistently maintain governing boards, as required under the Companies Act 2016 or relevant enabling instruments. These boards hold collective responsibilities for the strategic direction and performance of the agency. Board appointments are made by the minister-in-charge and typically include senior public officials from the host ministry or other relevant ministries. Political appointments are also common.

¹⁰ Pusat Sains Negara does not appear as an agency listed in Table X since its depicted as part of the central ministry structure. However, it is explicitly listed as an agency that the minister is responsible for in the Ministers of the Federal Government Order. This discrepancy is discussed in Section 4 of this paper.

Agencies created by executive decisions do not possess governing boards. Governance functions in these cases are exercised directly by the host ministry, often through prevailing internal administrative structures.

Agencies established through legislative acts exhibit variation in board design. In some cases, the governing board is provided for in the enabling legislation and plays an active role in agency governance (e.g. *Human Resource Development Corporation*). In others, a board exists formally but acts primarily in an advisory or consultative capacity, with ultimate decision making being retained by the minister. As example, the Atomic Energy Licensing Board is established by the Atomic Energy Board Act 1984 (Act 304) but does not function to govern Jabatan Tenaga Atom that serves as its executive secretary. In such cases, effective governance is exercised by the host ministry, operating as an extension of the minister's administrative authority. As with private law entities, board appointments are generally made by the minister and often include senior public officials and political appointees.

Chief executive, functions and appointments

All private law agencies appoint a chief executive (or equivalent) as the principal officer under the governing board responsible for the agency's overall operations. Appointment authority lies with the governing board, often in consultation with the minister. These positions are generally held by individuals from outside the public service.

Among agencies established through legislative act or executive decision, there is no consistent pattern regarding the role of its chief executive.¹¹ Appointment authority varies not only across agency types but also within them. For example, the chief executive of *Jabatan Keselamatan dan Kesihatan Pekerjaan Malaysia* is appointed by the minister while *Jabatan Hal Ehwal Kesatuan Sekerja* is appointed by the Yang di-Pertuan Agong (YDPA) despite both being a statutory department. Likewise, the *Human Resource Development Corporation* chief executive is appointed by the minister while that for *Akademi Sains Malaysia* is instead appointed by the governing board despite both being a statutory body.

The functional role and requirement of the chief executive similarly varies: some report directly to the minister with significant managerial authority, while others do so to the governing board, or as head of sub-units within the ministry, with more limited discretion. In some cases, legislation explicitly requires the chief executive to be a public servant, while in others, the chief executive is deemed a public officer by virtue of its establishing act.

Relationship to minister in charge

Under the *Ministers of the Federal Government Order*, each minister is legally "charged with the responsibility" for agencies within their portfolio (Ministers of the Federal Government Order 2023, 2023). It is noted that this responsibility is exercised directly or indirectly, depending on the agency's legal and governance structure.

Direct ministerial responsibility occurs when the minister serves as chair of the agency's governing board, or when the establishing act confers explicit authority over specified functions. The scope of authority varies: it may include strategic oversight (e.g. rule-making on employment conditions, as in Section 2(4) Employment Act 1955)¹² or operational powers (e.g. procedural rules for boards of

¹¹ Chief executive here refers to the principal officer responsible for the agency's overall operations, irrespective of the name by which it is known. General Director is a common title for statutory departments while others may include Registrar, Space Regulator or the like.

¹² "The Minister may make regulations in respect of the terms and conditions upon which the person or class of persons specified pursuant to subsection (3) may be employed." (Employment Act 1955, 2023)

inquiry, as in Section 36(3) Industrial Relations Act 1967)¹³. Where the minister chairs the governing board, a high degree of active involvement in agency governance is typically required.

Indirect responsibility arises when the minister holds no formal powers within the agency's governance structure. This occurs most commonly in private law agencies, where the minister may exert influence through the appointment of proxies – such as political appointees or ministry representatives – to the governing board. For executive decision-based agencies, indirect oversight is exercised through delegated authority using internal ministry protocols and administrative controls.

3.3 Resources and budget process

Financial resources

No consistent funding model exists across agency types in the sample. Instead, agencies are financed through two general mechanisms: (i) direct allocations from their host ministry, and/or (ii) self-generated revenue.

In general, most agencies in the sample – regardless of type – receive ministry-based funding. This may include both operating and development expenditure. Operating allocations typically cover emoluments and administrative costs, while development funding supports programme implementation. Ministry-based funding is crucial for agencies which have limited levers to raise self-generated revenue, or for those whose revenue is insufficient to support their operations. For these agencies, ministry-based funding is their primary source of revenue.

Agencies that raise self-generated revenue do this through a variety of means: service fees, licensing fees, or other permitted income-generating activities. Some agencies – particularly those established by legislative act or under private law – are empowered to undertake investment activities. While most agencies are not self-sufficient, some exceptions exist. For example, *PERKESO*, which is designated a *Badan Berkanun Diasingkan Saraan Sepenuhnya* (BBDS) is expected to be self-sufficient.¹⁴ The *Human Resource Development Fund* on the other hand leverages on its significant levy collection by virtue of its core function. Notably, not all agencies with powers to raise revenue can expend them. This is only possible for agencies that have a separate consolidated fund.

Two primary budget processes are observed. Agencies with a governing board generally prepare and approve internal budgets at the board level. Where ministry-based funding is required, a budget proposal for such specific sums is submitted to the host ministry and incorporated into the federal government's annual budget cycle. In contrast, agencies whose governance is exercised by the host ministry follow the ministry's internal budget process, aligned directly with the federal budget framework.

Human resources

Across the sample agencies, two categories of employees are identified: (i) public officers; and (ii) public employees.

¹³ “The Minister may make rules regulating the procedure of any Board, including rules as to the summoning and payment of expenses of witnesses, quorum and calling for documents.” (Industrial Relations Act 1967, 2010)

¹⁴ *Badan Berkanun Diasingkan Saraan Sepenuhnya* (BBDS) is a category of statutory bodies recognised by the Public Service Department (JPA) which perform commercial and investment functions and are financially secure. BBDS bodies are given management autonomy by JPA in the area of personnel management (Government of Malaysia, 1991)

Public officers are serving officers appointed by the Public Services Commission, the Judicial and Legal Service Commission, the Police Force Commission or the Education Service Commission on a permanent, temporary or contract basis (Public Officers (Appointment, Promotion and Termination of Service) Regulations 2012, 2012).

All agencies except for private law agencies have public officers as employees. Employees can either be chosen from the existing pool of public officers or be deemed public officers upon appointment by the agency – which is the case exclusively for statutory bodies. For some agencies, the establishing act specifies a scheme of service from which a public officer should be appointed from. For example, Section 5(1) Occupational Safety and Health Act 1994 (Act 514) states that the Director General, Directors, Deputy Directors, Assistant Directors and other occupational safety and health officers shall be appointed from among officers in the Factory and Machinery Inspector Scheme of Service.

Agencies employing public officers are generally subject to the human resource policies and regulations of the Public Service Department (JPA), with limited agency-level discretion. However, statutory bodies typically share a degree of joint authority with JPA over human resource management. An exception applies to statutory bodies designated as Badan Berkanun Diasingkan Saraan Sepenuhnya (BBDS), which are granted full autonomy over human resource management including recruitment, remuneration and promotion.

The second category of employees are those employed by private law agencies: public employees. These individuals are governed by the Employment Act 1955 and fall outside the jurisdiction of the Public Service Department. In such cases, the governing board retains full authority over human resource policies, including employment terms and organisational structure. While not part of the public service, public employees are distinguished by their employment within government-owned entities.

3.4 Policy coherence, oversight and accountability mechanisms

Policy coherence

The degree of policy coherence across agencies is influenced by the extent of decision-making authority retained by the minister-in-charge, as prescribed in the agency's founding legislation. Agencies in which ministers are granted prescribed powers – at the governing board and/or chief executive levels – tend to demonstrate higher policy coherence. This is most evident in statutory departments, where legislation often embeds ministerial authority into both strategic and operational functions.

Conversely, agencies with greater institutional autonomy – such as statutory bodies and private law agencies – demonstrate lower degrees of policy coherence, depending on the governance structure and extent of delegation. While these agencies may align broadly with ministerial objectives through the budget, their operational independence can lead to variation in implementation and responsiveness to evolving policy directives.

Oversight and accountability

With the exception of private law agencies, all agencies in the sample are subject to a common set of oversight and accountability mechanisms, with some adaptations made depending on their legal and institutional status.

In matters of financial oversight, most agencies are governed by the Financial Procedure Act 1957 which prescribes compliance with expenditure and procurement regulations issued by the Malaysia Treasury. Private law agencies, by contrast, operate under their own financial frameworks and are not bound by such regulations, unless explicitly required through funding agreements.

In matters of audits, agencies are generally governed by the Audit Act 1957 which requires the National Audit Department (JAN) to audit their annual financial statements. However, application differs by agency type:

- (a) Agencies established by executive decision and statutory departments do not produce standalone financial statements; their accounts are consolidated within the federal government's financial statement.
- (b) Statutory bodies are regulated by the Statutory Bodies (Accounts and Annual Reports) Act 1980 and are required to produce independent financial statements, audited by the National Audit Department (JAN).
- (c) Private law agencies have historically been exempt from audit under the Audit Act 1957. However, a recent amendment extends the Auditor-General's powers to include audits of such agencies that receive government financial guarantees, thereby expanding public audit coverage (The Star, 2025).

Beyond the executive, the parliament is another crucial accountability forum. The Auditor-General's report for example is tabled annually to the parliament and serves as a primary source for inquiries into a specific agency by the Public Accounts Committee (PAC). Additional scrutiny is exercised through the tabling of strategic policy documents (e.g. the Supply Bill, Mid-Term Reviews) and more generally, through parliamentary procedures such as debates and written questions. However, parliamentary oversight in this manner is typically exercised at the ministerial rather than agency-specific level.

Some degree of accountability to the public is achieved through the voluntary or statutory publication of agency-level reports detailing their activities. All statutory bodies are required under the Statutory Bodies (Accounts and Annual Reports) Act 1980 to cause annual reports and financial statements to be tabled to parliament, though there is no obligation for public dissemination. Other agency types have no statutory requirement to publish reports but may do so at their discretion sometimes in the form of strategic plans, if not an annual report of their activities.

4. Discussion

Absence of a coherent framework for agency establishment and classification undermines the benefits of its establishment as compared to it having a ministerial function

The analysis reveals the absence of a consistent institutional logic underpinning the establishment and classification of agencies. Agencies are created through varied legal instruments, often without adherence to a common set of principles regarding their structure, purpose, or governance arrangements. As a result, similar types of agencies may be constituted under different legal frameworks, operate under distinct accountability regimes, and exhibit considerable variation in managerial autonomy and oversight.

The creation of agencies by governments is not new. In fact, Schick (2002) points out that central ministries were historically disparate agencies, consolidated functionally to address "over-extended span of control, weak co-ordination of related activities, and an unruly public administration". Despite this, agencies do have their unique proposition. While central ministries are characterised by policy coherence, integration and uniformity, agencies offer single responsibility, responsive services and administrative independence.

It is ultimately these propositions that have motivated the proliferation of agencies such that agencies are fragmented and have overlapping or unclear mandates. For example, MOSTI has four agencies in the technology financing space, differentiated mainly by their customer segments along the technology lifecycle.¹⁵

The emerging trade-off to agencies is beginning to show in the cost of ensuring policy coherence, enforcing accountability standards, and managing performance systematically. We see already how there is no consensus on how many agencies exist across the federal government, nor how agencies are depicted in relation to their host ministry.

Without a coherent establishment and classification framework, agency creation will be a mere response to short-term political or administrative needs such as bypassing bureaucratic rigidity, enhancing delivery, or securing greater operational discretion. This, in addition to the continuous expansion of government activities will only increase the trade-off cost, and in time, outweigh any benefits of establishing an agency in the first place.

Ambiguity in ministerial responsibility calls into question the intended separation of ministerial control from the operational functions of the state

Agencies differ significantly in the extent to which ministers retain decision-making authority, both across and within agency types. In some cases, ministers directly chair governing boards or possess defined statutory powers over operational matters. In others, their role is indirect, exercised through influence over key appointments or through the ministry's administrative apparatus. This variation results in significant discrepancies in how authority is distributed between the political executive and bureaucratic management.

The argument for agencies is strongly rooted in the context of New Public Management (NPM) reforms. Among other things, agencies are established primarily to separate ministerial control from the operational functions of the state. The rationale is to allow ministries to focus on policy design, while agencies are tasked with implementing those policies. This “arms-length” relationship is designed to insulate service delivery from political pressures which could result in efficiency, patronage and a lack of focus on results (Lafuente & Nguyen, 2011).

As it stands, agencies in the sample may be structurally separated from its host ministry but show little separation from ministerial involvement even in the case of agencies tasked with service delivery. It is observed for example how the minister may have prescribed powers to give directions at both governing layers – the governing board and the chief executive – encompassing even operational matters. This ambiguity is also evident in the discrepancy of how agencies are depicted by a ministry. According to the Ministers of the Federal Government Order, the Minister of Science, Technology and Innovation is responsible for Pusat Sains Negara, Planetarium Negara and Lembaga Pelesenan Tenaga Atom (AELB). However, the first two entities are depicted as part of the ministry's central structure – a division within the ministry – while AELB is not listed as an agency of the ministry. There are also instances of entities which are structurally separate from the ministry but neither as identified by the ministry nor explicitly in the Order. An example of this is the *Majlis Perundangan Gaji Negara*. Rather, the Order merely lists its establishing Act as a matter of ministerial responsibility.

It is currently not clear if this separateness is for greater control by the minister, or the opposite, to distance political control from a specific function of the state. This has resulted in an ambiguous formulation of the role of the minister in relation to an agency, mimicking both distancing and direct control which ultimately opens an agency to political pressures.

¹⁵ This used to be five, until the transfer of responsibility for MAVCAP from MOSTI to Ministry of Finance in October 2024 (P.U. (A) 21)

Varied agency forms require differentiated mechanisms of accountability and control

It has been established hitherto that agencies have unique propositions, but absent a coherent establishment and classification framework, these render the government with a proliferation of agencies. Furthermore, within the context of NPM, agencies call for the separation – or managerial autonomy – of agencies from ministerial control. However, this separation is ambiguous in the sample of agencies. These in turn affect how effective oversight of agencies is maintained and subsequently how they are held accountable for performance or non-performance.

It is observed that existing oversight mechanisms in the sample of agencies reflect a “catch-all” approach to maintain agency separateness but equally retain ministerial authority. For example, some governing boards are designed as advisory bodies to the minister, with effective governance being assumed by a vague combination of its host ministry and the minister. This creates a system where responsibility for an agency is diffused across fragmented parties such that no single actor is charged with the oversight of the agency’s performance as a coherent whole. In practice, the agency will be subject to overlapping, and sometimes excessive lines of reporting. Combined with the proliferation of agencies, these oversight mechanisms increase bureaucratic red tape and ultimately undermine the expected benefits from managerial autonomy of agencies.

The same fragmentation that produces excessive and overlapping oversight results has the opposite effect for accountability. Because accountability is primarily exercised outside the executive, it lacks the administrative leverage and coordination needed to effectively track performance across heterogeneous agency forms. For example, even with positive amendments to the Audit Act, agencies established by private law are only audited when receiving direct funding from the government. Additionally, the requirement to publish annual reports and financial statements are not applied equally across agency forms. Agency accountability is further exacerbated by the existing deficiencies in public-facing transparency and parliamentary oversight.¹⁶ Without an integrated accountability framework, agencies often fall through the cracks and are not properly monitored.

5. Recommendation on a functional typology of agencies

Three categories of federal agencies distinguished by their distance from the minister and associated characteristics are proposed as a functional typology of agencies.

A functionally useful typology should be based on the degree of distance from the minister. This approach is preferable because the autonomy, governance, and accountability arrangements of an agency are largely determined by its proximity to ministerial control. The further an agency is from the minister, the greater its operational autonomy, and correspondingly, the higher the requirements for oversight and accountability. Three categories are proposed, adapted from the UK Government’s classification of Arm’s-length bodies (Cabinet Office, n.d.):

1. *Federal Executive Agency*. These are federal agencies that act as an arm of a ministry to deliver specific outputs.
2. *Autonomous Federal Agency*. These are federal agencies that operate separately from a ministry to deliver specific functions.

¹⁶ Malaysia continues to lag behind most advanced and regional economies on a variety of transparency-related and parliamentary accountability measures. E.g., Open Budget Survey 2023 [score of 48/100]; “Voice and Accountability” in the World Bank Worldwide Governance Indicators 2023 [rank 51/100]; Corruption Perception Index (CPI) 2024 [score 50/100].

3. *Non-ministerial Federal Agency*. These are federal agencies that share many characteristics with a ministry but without a minister, and act separately from a ministry.

For each category of federal agency, the following should be considered:

Governance structure

The governance structure of agencies should reflect their distance from direct ministerial control. As the agency's autonomy increases, the minister's direct influence should decrease, with authority clearly delegated to the governing body and executive leadership. To maintain policy coherence, ministers may retain certain strategic and appointment powers. Particularly, the appointment of board members. Furthermore, appointing selected officials from the agency's host ministry will also be beneficial for policy coherence. However, independent board members should form the majority in the most autonomous agencies, to further preserve ministerial influence.

Oversight

Oversight mechanisms should be responsive to the level of autonomy granted to the agency, in order to ensure effective performance. However, oversight should be well-coordinated to avoid administrative burden that will undermine an agency's efficiency. In this, the role of the host ministry should be limited to setting out performance targets and periodic reviews, while day-to-day oversight is assumed by the board. Primary oversight should rest with the agency's governing board and independent oversight institutions.

Accountability

While ministers are responsible and ultimately accountable for all agencies under their purview as prescribed in the Ministers of the Federal Government Order, accountability for agencies should be designed to reflect the distribution of authority within the agency. Where ministers retain direct control, they are accountable for agency performance or non-performance. As authority is delegated, accountability must shift correspondingly to those responsible for the governance and management of the agency. In the same vein, agencies which are most autonomous from ministerial control should therefore have robust public transparency to complement parliamentary accountability.

Table 2 in the Annex is provided as a preliminary guide for each characteristic, differentiated by the type of agency.

State-Owned Enterprises (SOE) is proposed as a sub-category of *Non-ministerial Federal Agency*.

Notably, a sub-category of *Non-ministerial Federal Agency* is proposed: *State-Owned Enterprises* (SOEs). These are "any undertaking recognised by national law as an enterprise, and in which the state exercises ownership or control. This includes joint stock companies, limited liability companies and partnerships limited by shares. Moreover, statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities, or large parts of their activities, are of an economic nature" (OECD, 2024).

Establishing a formal category for SOEs as agencies has been accepted as an international best practice for governance reforms in the public sector. This is motivated by the growing influence of the state in economic sectors through SOEs, capturing increasing share of gross domestic product (GDP), employment and market capitalisation. Concerns have been raised on increased fiscal risk for governments through direct and contingent liabilities that are not captured in standard bureaucratic procedures, the risk of political interference for political finance and patronage, and the risk of eroding competitive neutrality at the expense of crowding out the private sector.

Moreover, SOEs face distinct governance challenges. As a government agency, enforcement of laws and regulations against SOEs can be hindered by intra-governmental friction resulting from regulators bringing enforcement actions against an SOE. As a commercial enterprise, SOEs are often propped up

by the government, which reduces their incentives to operate efficiently, control costs or manage risks prudently.

As a sub-category of *Non-ministerial Federal Agency*, SOEs will be formally defined by their political impartiality through autonomy from ministerial control but compensated by necessary oversight and accountability mechanisms commensurate with their given autonomy.

6. Conclusion

The analysis of agencies from two ministries – the Ministry of Science, Technology and Innovation (MOST) and Ministry of Human Resources (MOHR) – has shown that there is an absence of a coherent framework for agency establishment and classification. Rather, agencies are established and structured in ways that are tailored to their individual context and needs, often reflecting what works best for each agency in isolation but not for the government as a whole.

This has resulted in a proliferation of agencies across ministries with a variety of agency forms and unique characteristics that ultimately risk the benefits that are expected from establishing agencies in the first place. Worse still, managing agencies this way requires differentiated oversight and accountability mechanisms which ultimately burden agencies with “catch-all” oversight to cover all contingencies but still fail to hold agencies accountable for performance or non-performance.

A functional typology for categorising agencies and its associated structures is needed to provide a methodological framework that can be used to harmonise the management across all agency forms. The expected degree of autonomy from ministerial control is proposed as the basis for a typology because this is the deciding factor that will affect the design of an agency’s governance structure, oversight and accountability. The core idea is that agency autonomy should be preserved in exchange for accountability. Furthermore, a sub-category of agency is proposed for agencies with commercial functions due to their unique nature of being both a government and commercial entity.

While useful as a starting point, further research and analysis are needed in this. It should be qualified that agencies from only two ministries out of 28 is covered in this analysis. Extending this analysis to other ministries will prove beneficial given the broad scope of agencies under their purview and their associated design.

Of particular interest is whether a typology based on expected degree of autonomy from ministerial control will still hold across the population of agencies.

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Annex 1

Figure 1: Report on number of federal agencies by selected departments.

(a) The Public Service Department reports 244 of 888 government agencies at the federal level

Agensi Kerajaan

BIL.	KATEGORI	JUMLAH AGENSI
1.	Perkhidmatan Awam Persekutuan (PAP)	160
2.	Perkhidmatan Awam Negeri (PAN)	397
3.	Badan Berkanun Persekutuan (BBP)	84
4.	Badan Berkanun Negeri (BBN)	101
5.	Pihak Berkuasa Tempatan (PBT)	146

JUMLAH KESELURUHAN AGENSI KERAJAAN

888
JUMLAH AGENSI

Nota: Data sehingga Disember 2023
Sumber: Bahagian Perjawatan dan Organisasi

Source: Jabatan Perkhidmatan Awam (2024)

(b) The National Audit Department reports auditing financial statement of 145 federal agencies

JADUAL 1.1
PENYATA KEWANGAN YANG DIAUDIT OLEH JABATAN AUDIT NEGARA

BIL.	AGENSI PERSEKUTUAN	BILANGAN PENYATA KEWANGAN
1.	Badan Berkanun Persekutuan	132
2.	Kumpulan Wang Persekutuan	10
3.	Agensi Persekutuan Lain	3
JUMLAH		145

Sumber: Jabatan Audit Negara

Source: Jabatan Audit Negara Malaysia (2025)

(c) The Public Sector Plan sets a target for 50% of 150 public sector agencies to adopt MyGovCloud@PDSA



Rajah 2.5 Sasaran Strategik Terpilih (SST) di bawah TS5

Source: Ministry of Digital (2023)

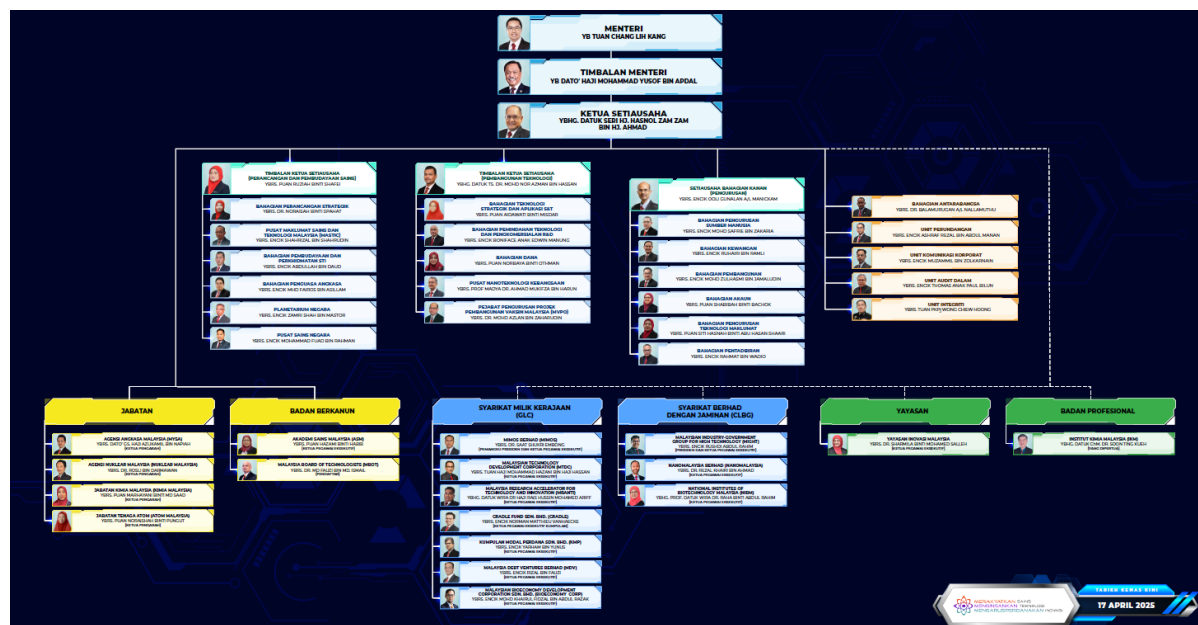
Table 1: Status of listing for agencies Ministry of Investment, Trade and Industry (MITI) agencies between MyGov portal and MITI website

No	Agency	MyGov	Website
1	Malaysian Investment Development Authority (MIDA)	Yes	Yes
2	Malaysia External Trade Development Corporation (MATRADE)	Yes	Yes
3	Malaysia Productivity Corporation (MPC)	Yes	Yes
4	Malaysian Industrial Development Finance (MIDF)	Yes	Yes
5	Malaysia Automotive Robotics and IOT Institute (MARII)	Yes	Yes
6	Malaysia Steel Institute (MSI)	Yes	Yes
7	SIRIM Berhad	Yes	Yes
8	EXIM Bank	Yes	Yes
9	Department of Standards Malaysia (JSM)	Yes	Yes
10	Halal Development Corporation	No	Yes
11	Majlis Rekabentuk Malaysia (MRM)	No	Yes
12	National Measurement Council (MPK)	No	Yes
13	National Aerospace Industry Corporation (NAICO)	No	Yes
14	CREST	No	Yes
Source: MyGOV (n.d.); MITI (n.d.)			

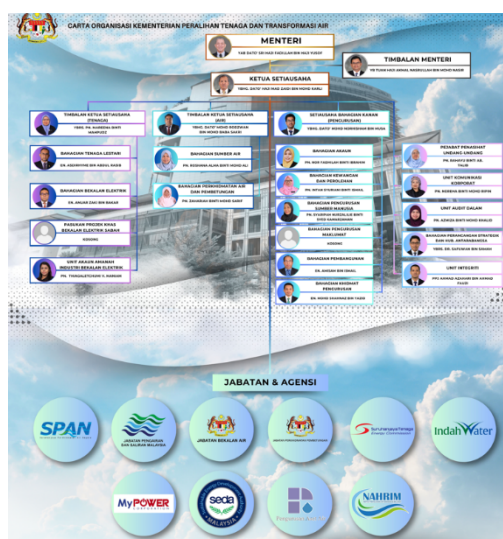
Figure 2: Differences in categorisation and illustration of reporting by selected ministries

- (a) Ministry of Science, Technology and Innovation (MOSTI) categorises agencies by their legal forms with *Department* and *Statutory Body* reporting directly to the Secretary General while other forms of agencies have only dotted-line reporting to the Secretary General

Source: MOSTI (n.d.)

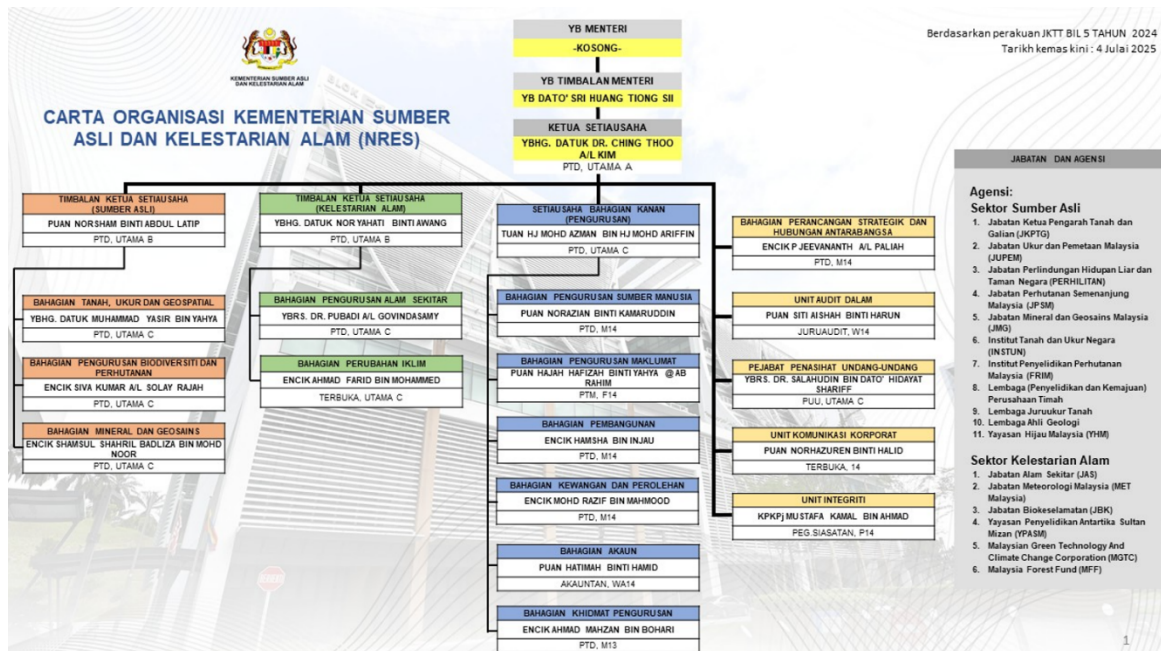


- (b) Ministry of Energy Transition and Water Transformation (PETRA) applies a generic label of “Departments and Agency” who collectively reports to the Secretary General



Source: PETRA (n.d.)

- (c) Ministry of Natural Resources and Environmental Sustainability (NRES) applies a generic label of “Department and Agency” but without explicit reporting lines to the ministry



Source: NRES (n.d.)

Table 2: Preliminary guide to selected characteristics of each proposed category of agency

	Federal Executive Agency	Autonomous Federal Agency	Non-ministerial Federal Agency
Short description	Agency that acts as an arm of a ministry delivering specific outputs	Agency that operates separately from a ministry to deliver specific functions	Agency that shares many characteristics with a ministry, but without a minister and acts separately from a ministry
General characteristics	Accepts direct funding; staffed by public servants; not separate legal personality	Accepts grant in aid; can levy fund; staffed by public employees or made public officers by law; usually separate legal personality	Funded from own estimate; staffed by public employees, or made public officers by law; separate legal personality
Examples	Departments, Divisions	Commissions, Advisory Council, Licensing Bodies	Regulatory Bodies, agencies established by private law
Governance structure	Governance function assumed by ministry; managerial function by chief executive; board appointment by minister	Governance function assumed by the board; managerial function by chief executive; non-independent board appointment by minister	Governance function assumed by a majority independent board; managerial function by chief executive; non-independent board appointment by minister
Oversight	Oversight assumed by ministry; reporting consolidated with ministry	Oversight assumed by board; activities audited by Supreme Audit Institution independently of ministry	Oversight assumed by board; activities audited by Supreme Audit Institution, independent oversight bodies, ownership entity
Accountability	Minister accountable to Parliament	Minister and board accountable to parliament through select committees	Minister, board and chief executive accountable to parliament through select committees; statutory transparency requirement

Annex 2

List of agencies compiled from the website of MOSTI and MOHR that is used in this analysis

MINISTRY OF SCIENCE, TECHNOLOGY AND INOVATION (MOSTI)	MINISTRY OF HUMAN RESOURCES (MOHR)
<ol style="list-style-type: none"> 1. AGENSI ANGKASA MALAYSIA (MYSA) 2. AGENSI NUKLEAR MALAYSIA (NUKLEAR MALAYSIA) 3. JABATAN KIMIA MALAYSIA (KIMIA MALAYSIA) 4. JABATAN TENAGA ATOM (ATOM MALAYSIA) 5. MALAYSIAN BIOECONOMY DEVELOPMENT CORPORATION SDN BHD (BIOECONOMY CORP) 6. CRADLE FUND SDN BHD (CRADLE) 7. KUMPULAN MODAL PERDANA SDN BHD (KMP) 8. MALAYSIA DEBT VENTURES BERHAD 9. MALAYSIA VENTURE CAPITAL MANAGEMENT BERHAD (MAVCAP)⁹ 10. MALAYSIA RESEARCH ACCELERATOR FOR TECHNOLOGY AND INNOVATION (MRANTI) 11. MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION (MTDC) 12. MIMOS BERHAD 13. CROPS FOR THE FUTURE RESEARCH CENTRE (CFFRC)¹⁰ 14. MALAYSIAN INDUSTRY-GROUP FOR HIGH TECHNOLOGY (MIGHT) 15. NANOMALAYSIA BERHAD (NA NO MALAYSIA) 16. NATIONAL INSTITUTES OF BIOTECHNOLOGY MALAYSIA (NIBM) 17. AGENSI INOVASI MALAYSIA (AIM)¹⁰ 18. AKADEMI SAINS MALAYSIA (ASM) 19. MALAYSIA BOARD OF TECHNOLOGIST (MBOT) 20. INSTITUT KIMIA MALAYSIA (IKM) 21. YAYASAN INOVASI MALAYSIA (YIM) 	<ol style="list-style-type: none"> 1. JABATAN TENAGA KERJA SABAH 2. JABATAN TENAGA KERJA SARAWAK 3. JABATAN PEMBANGUNAN KEMAHIRAN 4. JABATAN TENAGA MANUSIA 5. MAHKAMAH PERUSAHAAN MALAYSIA 6. JABATAN KESELAMATAN DAN KESIHATAN PEKERJAAN MALAYSIA 7. JABATAN TENAGA KERJA SEMENANJUNG MALAYSIA 8. JABATAN HAL EHWAL KESATUAN SEKERJA 9. JABATAN PERHUBUNGAN PERUSAHAAN 10. PERTUBUHAN KESELAMATAN SOSIAL (PERKESO) 11. INSTITUT KESELAMATAN DAN KESIHATAAN PEKERJAAN NEGARA (NIOSH) 12. HUMAN RESOURCE DEVELOPMENT CORPORATION (HRDCORP) 13. TALENT CORPORATION MALAYSIA BERHAD 14. PERBADANAN TABUNG PEMBANGUNAN KEMAHIRAN (PTPK)

⁹ The responsibility for MAVCAP has been transferred to the Ministry of Finance since October 2024 through P.U. (A) 21) but is still listed on MOSTI's website

¹⁰ CFFRC and AIM is excluded from the analysis as they are in the process of dissolution