

# PERSPECTIVE

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## **MARA's Future: Stuck Between Pakatan's Attempted Revamp and Perikatan's Hasty Takeover**

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### **EXECUTIVE SUMMARY**

- MARA is one of the most important institutions for Malay and Bumiputera socioeconomic development, through its extensive programmes in education, entrepreneurship and investment.
- In October 2018, the Pakatan Harapan government appointed a technocratic MARA Council which initiated a policy reset. The Council's declaration of education as the foremost policy sphere, with emphasis on distributing more opportunity to disadvantaged Bumiputeras, is readily agreeable, but the accompanying objective of improving academic quality and graduate capability presents more daunting challenges.
- MARA Corp, MARA's investment holding company, also saw a change of guard in top management and energized its operations, but the Council's declared intention to withdraw from non-education investments, which entails shutting down MARA Corp, prompted open conflict.
- Within days of Perikatan Nasional seizing power, before the first parliamentary sitting and amidst the Covid-19 crisis, the new Cabinet terminated all the above appointments. This hasty action reflects MARA's political significance, but also signals its potential utilization as a vehicle of patronage and the possible undoing of the Pakatan-appointed Council's timely and worthwhile interventions.

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## **INTRODUCTION**

Majlis Amanah Rakyat (MARA), the Council of Trust for the People, extensively provides socioeconomic opportunity to Malaysia's majority Bumiputera population. Historically, it has also been intertwined with UMNO and partisan patronage, and in recent years has drifted along rather unremarkably, while being thrust into the spotlight by financial scandal. The political clout of MARA, whose euphonious Malay acronym means progress, is demonstrated in attempts by the recent Pakatan Harapan (PH) administration to revamp it, and in the change of guard impetuously launched by Perikatan Nasional (PN). At its first cabinet meeting on 11 March, before any parliament sitting since the coalition seized power through defections and machinations, the Muhyiddin Yassin administration decided to terminate appointments in the MARA Council and the top management of MARA Corp.<sup>1</sup>

The changes under way were substantial and premised on an assessment of MARA's mission and impact. The extent to which the incoming leadership stays the course or charts a new path will be revealing, both in terms of policy and the possibility that partisanship will reign again. This Perspective briefly surveys MARA's background, range of operations, and recent challenges. It then outlines the changes initiated under PH, particularly the marked policy shift to concentrate on education and training and to withdraw from business in all non-education sectors, and discusses the impetus and implications of these measures. The former is readily agreeable but difficult to implement; the latter faced resistance and open conflict but began to subject MARA's businesses to more rigorous review and policy debate. The process has spotlighted problems and shortcomings that the next MARA Council and MARA Corp leadership will have to address.

## **BACKGROUND AND POST-2018 DEVELOPMENTS**

MARA employs 22,000 staff and for 2020 is budgeted to receive RM1.38 billion for operations and RM2.29 billion for development, of which RM2.08 is for education loans and sponsorship. Its activities span education institutions, education sponsorship, entrepreneurial training, business loans and advisory services, commercial support such as business premises and technological upgrading, and investment through owning and operating companies (Table 1).<sup>2</sup> Founded in 1965 to succeed the Rural Industry Development Authority and "promote, stimulate, facilitate and undertake economic and social development in Malaysia and more particularly in the rural areas thereof",<sup>3</sup> MARA has remained under the jurisdiction of the Ministry for Rural and Regional Development (MRRD), despite its expansion across sectors and activities. The MARA Council is the highest decision-making body, but the Minister of Rural and Regional Development wields the power to give directions "not inconsistent with this Act", on which the Council is bound to act.

Table 1. MARA: A selection of major policy areas and programmes.

<b>Policy areas</b>	<b>Programme / Form of assistance</b>
<b>Education</b>	
Secondary school	MRSM ( <i>Maktab Rendah Sains MARA</i> / MARA Junior Science Colleges)
Pre-university	MARA colleges (pre-university/International Baccalaureate)
Technical and vocational education and training (TVET)	GiatiMARA institutes, KKTM ( <i>Kolej Kemahiran Tinggi MARA</i> / MARA high skills college), IKM ( <i>Institut Kemahiran MARA</i> / MARA skills institute), German-Malaysian Institute, MARA Japan Industrial Institute
University and university college	UniKL (Universiti Kuala Lumpur, technical university), MARA Polytech University College, MARA Polytech Colleges, MARA Professional Colleges
Sponsorship	Loans and scholarships
<b>Entrepreneurship</b>	
Training, advisory and financial support	SPIKE (technical and financial support for government contractors), The Baron (facilitation of public listing)
Operational support	Subsidized rental of business premises
<b>Investment</b>	
MARA Corp	Entities under MARA Corp's management (current and proposed):  UniKL, Mara Inc Sdn Bhd, Pelaburan Mara Bhd (PMB), Glocal Link (M) Sdn Bhd, MaraLiner Sdn Bhd, Mara Aerospace and Technologies Sdn Bhd (Mara Aerotech), Asia Aerotech Sdn Bhd (Asia Aerotech, Kolej Universiti PolyTech Mara (KUPTM))

Source: Author's compilation from MARA's 2018 *Annual Report*.

Although MARA's mandate is national in scope, with a focus on rural areas, it has since its inception functioned as an agency for Malay and Bumiputera advancement – as well as a vehicle for political outreach. The breadth of its operations and delivery of benefits have induced strong affinities, especially in the Malay community. However, MARA's extensive education and entrepreneurship programmes have drifted along rather unremarkably in recent years, albeit with increased attention to B40 (Bottom 40%) households and some attempts at capacity building. Its investments, which proliferated in the past decade into an unwieldy sprawl of ventures, have largely under-delivered on returns, while some became mired in mismanagement. Pakatan Harapan's 2018 election manifesto included MARA among the financial scandals to be resolved, along with 1MDB, FELDA and Tabung Haji. PH also promised to make MRSM enrolment benefit the lower and middle classes, especially those from rural areas and FELDA settlements.

The PH government followed through with a leadership overhaul in October 2018, five months after the elections. The appointments were signed off by Prime Minister Mahathir, but reportedly decided by the post-GE14 Council of Eminent Persons chaired by Daim

Zainuddin,<sup>4</sup> and conveyed by Rural and Regional Development Minister Rina Harun. Dr Hasnita Hashim, Chair of Maybank Asset Management Group, became MARA Council Chair, and a new line-up of prominent corporate and education figures was ushered in to serve alongside MARA's Director-General and representatives of the Ministry of Finance and the Ministry of Rural and Regional Development (Table 2). The heavy presence of corporate figures was rather disproportionate to MARA's involvements in education relative to its entrepreneurship and investment arms. Nonetheless, this new leadership would announce a major change of tack, emphasizing education as the core pillar of Bumiputera empowerment.

Table 2. MARA Council non-civil service members (October 2018-March 2020)

Name	Main position (at appointment to Council)
Dr Hasnita Hashim (Chair)	Chair, Maybank Asset Management Group
Ahmad Bazlan Che Kassim	Principal Advisor, Enervive
Ameer Ali Mydin	Managing Director, Mydin Mohamed Holdings
Prof Dzulkifli Abdul Razak	Rector, International Islamic University Malaysia
Dr Nungsari Ahmad Radhi	Chairman, Malaysian Aviation Commission (Mavcom)
Syed Tamim Ansari Syed Mohamed	Chairman, Mayban Life Assurance
Tengku Mahaleel Tengku Ariff	Former CEO, Proton
Zakri Khir	CEO, Allianz Malaysia

MARA would focus on extending opportunities to rural and low-income students and raising academic quality, and in tandem with this concentration of priority and resources on education, the Council pronounced a withdrawal from investment and businesses in other sectors. The Council scrutinized MARA's financial health, especially its commercial entities, but maintained support for Bumiputera entrepreneurs, micro-enterprises and SMEs.<sup>5</sup> PH also replaced the top management of MARA Corp, which had been slated to centralize MARA's commercial dealings and to take over Universiti Kuala Lumpur (UniKL). MARA Corp's reinvigoration clashed with the Council, whose policy stance equated with MARA Corp's eventual closure.

Policy initiatives under Pakatan Harapan faced two major challenges that, if surmounted, would reshape and refocus MARA. First, while the Council's membership makeover and bold policy stances are decisive, and the heightened focus on education and low-income households indisputable, the attendant objective of raising quality poses more complicated and arduous challenges. Nonetheless, it is timely and vital for MARA to make some breakthroughs during political windows of opportunity. Education already constitutes about 80% of MARA's activities, but the extensive provision has not translated into broad-based development of Bumiputera capability. Second, the Council's pronouncement that MARA will phase out investments and direct business ownership is courageous, but also contentious – and indeed triggered open conflict. MARA Corp pushed back, and even

pursued new projects. We will not know if the Council could have achieved this objective, but its stance has induced some soul-searching and internal review of MARA's investments.

MARA has been the first major public entity targeted for capture by the Perikatan Nasional government. On 11 March 2020, swiftly after seizing power and while the country is engulfed in the Covid-19 crisis, the Muhyiddin cabinet terminated MARA and MARA Corp top appointments six months short of their two-year terms. The incoming MARA Council and MARA Corp leadership will need to address the same set of issues. The education agenda will surely proceed to a large extent – although it is the courage to confront ingrained habits and vested interests that will be decisive. The previous Council's decision to shut down MARA's business ventures, an intensely unpopular stance with some quarters, will surely be revisited, and likely be reversed. The haste with which the Muhyiddin administration has swooped down on MARA raises concerns of a return to partisan politics and patronage.

### **EDUCATION: CLEAR MISSION WITH CONSIDERABLE HURDLES**

The broad principles and goals of MARA's revamp were spelled out, but various hurdles will need to be cleared, of which three stand out.

First, bringing MARA's education-focused empowerment to fruition will hinge on making the education institutions more effective. Some conditions work to MARA's advantage. Being registered under the Private Higher Education Institutions Act, MARA's colleges and institutions enjoy relative latitude and agility, with less bureaucratic dealings compared to public institutions.<sup>6</sup> However, MARA's breadth of operations and sometimes unsystematic, project-based approach compound inadequacies in monitoring and evaluation. Institutions subsist but fail to thrive due to a general lack of resources for quality assurance and follow-through, occasionally due to a lack of supplementary funding, for instance, in the construction of new facilities without operational expenditures in subsequent years.<sup>7</sup>

However, MARA also remains embedded in Malaysia's bureaucracy and, although constituted as a statutory body with considerable autonomy, has scarcely distinguished itself from the bureaucracy. For instance, MARA Junior Science Colleges (MRSM) were established as institutions for making quality secondary education accessible to the rural populace. Disparities within MRSMs are wide; some continue to stand out, and in some ways these institutions increasingly resemble regular national schools, being weighed down by similar concerns such as heavy Islamic content. Recent news reports cited parents' concerns about this, but authorities were also swift to retort and deny.<sup>8</sup> Further challenges include MARA's insularity; enrolment in MARA institutions is heavily reliant on MARA sponsorship. The presumed continuous flow of funded students, in turn, can induce complacency and inhibit efforts to tap into other student pools.

Central to MARA's mission is its commitment to the B40 low-income segment, which was initiated before PH took power in May 2018 and which has continued and perhaps accelerated. MRSMs have allocated 60% of spaces to Bumiputera B40, and accordingly, for the 2020 Form 1 intake registered 62% from that category. However, these concerns for progressive distribution should not detract from its core mission of serving rural

communities. A further challenge concerns selection processes and academic ability, in view of MARA's focus not on mass education but on developing talent and skills.<sup>9</sup>

Second, the entrepreneurship arm of MARA, which largely involves training programmes, may welcome their exclusion from the distractive limelight, but still needs to increase efficacy. Indeed, the Council's pronouncement of MARA's phasing out of investments caused some consternation that support for businesses would also be halted, prompting Minister of Rural Development Rina Harun to assure the public that assistance for small businesses would not change.<sup>10</sup> Plainly, dismantling such programmes will be socially disruptive and politically explosive.

In recent years, MARA has rolled out some initiatives, notably GiatMARA's programme to encourage artisanal self-employment, and SPiKE for contractors to upgrade technology and generally improve performance. The proposed shifts can be characterized as an orientation toward "people development more than enterprise development", with possible enhancement of the training schemes through the formalizing of certificates and standards.<sup>11</sup>

Third, MARA grapples with various education funding challenges. MARA institutions largely depend on MARA-sponsored students, but this internal recycling of funds will be difficult to sustain in the long run. Increasing the share of B40 students also entails more financial assistance and subsidies. The mode of financial support has shifted to loans rather than grants in recent years – with repayment waived for maintaining high grades – and the rate of participation in loan servicing is high, due to flexibility in negotiating terms and amounts. Nonetheless, securing full repayment remains a challenge.<sup>12</sup>

The quest for financial viability continues to grapple with the challenge of raising quality and broadening its non-MARA student pool. The prospect of a MARA Educational Fund has been raised, partly in the context of the proposed withdrawal from investment, but such an endeavour, if taking the form of an endowment, will require massive fund-raising which is a long way from materializing.<sup>13</sup>

## **INVESTMENT: RESOLUTION AND COLLISION**

MARA Council of 2018-2020 was unequivocal about its intention to withdraw from investment and business. The MARA Act actually gives more attention to enterprise development, including ownership and joint ventures, than to education.<sup>14</sup> The lack of focus and the underperformance of MARA's business endeavours, however, drove this momentous decision – and set the Council on a collision course with MARA Corp, with the latter's Chairman Akhramsyah Sanusi<sup>15</sup> unequivocally declaring a diametrically opposite view – that it would expand and invigorate its operations.<sup>16</sup>

MARA Corp was founded in 2016 to be the investment holding firm of MARA, to centrally manage commercial entities that had become unwieldy and inefficient and to spur world class Bumiputera enterprise in key economic sectors. Progress was slow. By 2019, many assets, including the substantial UniKL, were not yet transferred to MARA Corp's jurisdiction. MARA Corp was also significantly a response to financial improprieties and global financial crisis, and maintained that there have been improvements in corporate governance, *inter alia* through incorporation of Ministry of Finance standards. The stand-

off with the Council is justified on the grounds that MARA Corp seeks to generate more returns for MARA, but dissatisfaction with its lack of autonomy from the MARA Council is clearly also part of the picture.<sup>17</sup>

Disagreements over the continuity of MARA's business ventures derives from differing interpretations of MARA's objectives. The MARA Act does not explicitly prescribe activities that generate returns for MARA and diversifying away from public funds; indeed, MARA's business forays only burgeoned in the past decade. A further purpose of providing a training ground and incubator for Malay managers and entrepreneurs may be closer to the original intent of MARA, but the mode of direct ownership – as compared to loans, advisory and business support – remains open to question.

A new governance structure was also in the works. By end 2019, MARA halted allocations for new direct investments except for businesses involved in education, which were also instructed to put a hold on new investments. Companies in MARA's stable would be managed by an oversight committee reporting directly to the MARA Council, which would “make recommendations on whether to keep, wind-up or sell off the companies to other Bumiputera entities.”<sup>18</sup> In addition, former Council Chair Hasnita Hashim explained: “Mara plans to develop and manage its investments through an endowment fund by selecting the sectors to invest in and the team to manage the investments, while monitoring and measuring the performance of the managers.”<sup>19</sup> Colliding head-on with the Council, MARA Corp signed an MoU with rare earths plant operator Lynas in early November 2019, to produce fertilizers as a downstream industry.<sup>20</sup> The Council claimed that this move openly defied its principle position of ceasing further non-education investment.

It is unclear how far the Council could have gone in dismantling MARA Corp, whose leadership rested confident in then Prime Minister Mahathir's support. Nonetheless, the Council had initiated due diligence and valuation of MARA's assets, and some divestments were under way.<sup>21</sup>

This stand-off was not resolved, and the issue is suspended pending new leadership line-ups. Dissatisfaction with the former Council's stance, and the “Malay unity” agenda that anchors Perikatan Nasional, suggest that the investment withdrawal decision will probably be reversed. A further possibility, and more concerning one, is that MARA may in general be utilized more explicitly for partisan patronage and political expediency. Possible deliberations on the broader question of overlapping and duplicating programmes, especially the sizable Bumiputera enterprise development schemes operated by SME Corp, have also been forestalled.

## **CONCLUSION**

MARA is at multiple crossroads, and in the near future may become a heightened site of political contestation. A new federal government enjoys the prerogative to reshuffle decision-makers in statutory bodies like MARA, but the haste in terminating Council appointments and the recklessness of the process, with the former members being abruptly informed and without any leadership handover being arranged, do not bode well for MARA's next steps.<sup>22</sup> The former Council's deliberations had also extended to institutional

matters, with a possible proposal of “refinements” to the MARA Act, presumably to increase autonomy and potentially mitigate its politicization.<sup>23</sup>

The current and necessary preoccupation with Covid-19 crisis response will likely defer appointments to the top posts in MARA. The leadership vacuum is untimely, but what happens to the timely revamps initiated by the outgoing Council will more decidedly impact on MARA’s focus, resolve and efficacy in Malay and Bumiputera development.

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<sup>1</sup> Muhammed Ahmad Hamdan, “Mara to see new leadership line-up”, *The Edge Markets*, 18 March 2020.

<sup>2</sup> Universiti Teknologi MARA (UiTM), while nominally bearing MARA’s banner, is effectively autonomous, being established by an Act of Parliament of its own.

<sup>3</sup> Majlis Amanah Rakyat Act 1966 (Act 489), Article 6 (1).

<sup>4</sup> Emmanuel Samarathisa, “Mara chairman, council members sacked”, *Focus Malaysia*, 18 March 2020.

<sup>5</sup> Hazlina Aziz and Murniati Abu Karim, “Mara — moving forward”, *New Straits Times*, 8 January 2020.

<sup>6</sup> Author’s interview with Md Bassit Husain, Senior Lecturer, UniKL, 1 November 2019.

<sup>7</sup> Author’s interview with MARA Council member Dr Nungsari Ahmad Radhi, 31 October 2019.

<sup>8</sup> Nur Hasliza Mohd Salleh, “Heavy hand of religion disrupting studies at govt schools, say helpless parents”, *Free Malaysia Today*, 21 January 2020; Nicholas Chung, “Principal defends Islamic programmes as critics hit out at ‘outward religiosity’ in schools””, *Free Malaysia Today*, 22 January 2020; “School association denies parents’ claims of excessive religious rituals”, *Malaysiakini*, 23 January 2020.

<sup>9</sup> Following the abolition of the PMR (*Penilaian Menengah Rendah*, or Lower Secondary Assessment) at the end of Form 3 (year 9), MRSMs encountered difficulty in screening entrants to its Form 4 programme. Work was underway to devise its own academic assessment as part of selection processes (Author’s interview with Dr Nungsari Ahmad Radhi, 31 October 2019).

<sup>10</sup> “MARA will continue aid for rural entrepreneurs - Rina Harun”, *Bernama*, 12 January 2020.

<sup>11</sup> Author’s interview with Dr Nungsari Ahmad Radhi, 31 October 2019.

<sup>12</sup> Author’s interview with Md Bassit Husain, Senior Lecturer, UniKL, 1 November 2019.

<sup>13</sup> “Mara plans to exit business, focus on education and training”, *Free Malaysia Today*, 7 January 2020.

<sup>14</sup> The MARA Act 1965 contains five sub-sections (6 (2) (a) to 6 (2) (d)) authorizing MARA to promote activities, establish companies, enter ventures, and provide financing and training. Sub-section 6 (2) (e) allows for MARA to establish education institutions which, sub-section 6(3) clarifies, will operate as private institutions.

<sup>15</sup> Akhramsyah Sanusi worked for many in Shell Malaysia and the oil and gas industry, and sits on the Parti Pribumi Bersatu Malaysia supreme council.

<sup>16</sup> Afiq Aziz, “Mara Corp to set Bumiputera’s economic development back on track”, *The Malaysian Reserve*, 11 February 2019.

<sup>17</sup> Author’s interview with Akhramsyah Sanusi, MARA Corp Chairman, 24 October 2019.

<sup>18</sup> “Mara to refocus: No more new investments except in education”, *Malaysiakini*, 21 December 2019.

<sup>19</sup> “Mara to refocus: No more new investments except in education”, *Malaysiakini*, 21 December 2019.

<sup>20</sup> “MoU between Mara Corp-Lynas signed in compliance of all requirements of good governance — Mara Corporation”, *The Malay Mail*, 5 November 2019; Shazwan Mustafa Kamal, “MoU with

Lynas without your consent? You attended board meet on decision, MARA Corp chairman tells council”, *The Malay Mail*, 5 November 2019; “Mara Council unhappy subsidiary inked MOU with Lynas without approval”, *Malaysiakini*, 5 November 2019.

<sup>21</sup> Author’s interview with Dr Nungsari Ahmad Radhi, 31 October 2019.

<sup>22</sup> Muhammed Ahmad Hamdan, “Mara to see new leadership line-up”, *The Edge Markets*, 18 March 2020.

<sup>23</sup> Emmanuel Samarathisa, “Mara revamp: reverting to its original agenda”, *Focus Malaysia*, February 2019.

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