



Chapter 7

TRANSFORMING GOVERNMENT TO TRANSFORM MALAYSIA



Perdana Putra

“There is a remarkable future that we can achieve together in Malaysia if we spark innovation, bring public and private sector expertise together for the common good, focus on delivery, have the courage to make the right choices for our country, and maintain our commitment to 1Malaysia.”

*The Right Honorable Dato' Sri Mohd Najib bin Tun Abdul Razak,
Prime Minister of Malaysia (February 12th, 2010, NCCIM)*

The Malaysian Government, along with other governments around the world, is faced with operating in a rapidly evolving global environment. Expectations and demands for public services are increasing, fiscal positions are tightening and issues are more complex as they cut across traditional organisational and geographical boundaries. This new environment requires a new approach. As Malaysia becomes a globally competitive and high-income country, the Government needs to increasingly act like a competitive corporation. The Government, and more specifically, the public sector, must transform.

Whole-of-Government Approach

Increasingly, challenges and opportunities will transcend the traditional boundaries of public agencies in Malaysia, and therefore a higher level of inter-agency collaboration and cooperation is required. A whole-of-government approach will be adopted to ensure cross-cutting issues are addressed with a focus on the people as customers. This requires agencies to work across portfolio boundaries and across federal, state and local levels as an integrated government. This whole-of-government approach will be applied to policy formulation, programme development and delivery of outcomes.

Principles of Government Transformation

Malaysians will be able to rely on a government that is efficient, effective, responsive and committed to the national objective of building a high-income economy and an advanced nation. The Malaysian Government will be transformed into a government that embodies the following four principles:

- **Delivers through creativity and innovation.** Developing a public service that thinks outside the box by using creative and innovative methods within the Government's processes, systems and policies to deliver solutions. As the driver of the nation's



“... we need public officials who will challenge the norms, dare the traditions and customs of what used to work...”

*Tan Sri Mohd Sidek bin Haji Hassan,
Chief Secretary to the Government (June 24th, 2009)*

development and economy, this aspect is crucial to allow the public service to respond to a dynamic global environment;

- **Emphasises speed of decision-making and execution.** The Government will need to show speed of decision-making and execution while exercising fact-based and sound judgement. This will require streamlining traditional decision-making and implementation processes and finding innovative ways to respond quickly to rapidly changing public demands;
- **Delivers value-for-money.** Wastage and mismanagement of public finances will be eliminated. A value-management approach towards planning and evaluation of projects will ensure that every project takes into account holistic life-cycle costs and benefits to ensure that every ringgit is well spent. This is critical to deliver in a tight fiscal environment without compromising on the desired outcomes; and
- **Upholds the highest level of integrity.** As a custodian of the public's interest, the Government will embody the highest standards of ethical conduct and good governance to gain the public's confidence and trust.

While full outcomes are only expected beyond the Plan period, the transformation of Government will begin now. The five levers to deliver this are:

- Designing public services around people and business;
- Accelerating delivery through transparent and accountable management of priority outcomes;
- Positioning Government as an effective facilitator of private sector-led growth;
- Driving productivity to ensure prudent use of public finances; and
- Rationalising and building capacity in government.

DESIGNING PUBLIC SERVICES AROUND PEOPLE AND BUSINESS

Globally there is an increasing expectation for public sector services to be comparable to the best in the private sector. In line with this, the Government will continue to be responsive, flexible and consultative in its approach to providing public services. During the Plan period, the Government will embark on a series of transformational initiatives to respond to the needs of the people and business, including:

- Designing efficient and convenient services for people and business;
- Adopting a more consultative approach and proactively seeking input and feedback;
- Devolving powers to agencies at the frontline of delivery to increase responsiveness and improve speed of decision-making;
- Introducing competition and other market mechanisms within public services to encourage innovation and improvement; and
- Combating corruption for effective delivery.

Designing Efficient and Convenient Services for People and Business

Government service delivery will be designed to provide people and business with efficient and convenient services based on understanding and anticipating customer needs. Previous innovative efforts have yielded positive results. The 1Malaysia clinic rollout exemplified the Government's commitment to speed of execution and ability to deliver improved healthcare services to the underserved in an innovative and affordable manner. Improvements to fiscal policies, business legislations and institutional frameworks have similarly driven the improvement in Malaysia's ranking under the IMD World Competitiveness Scoreboard. Over the period of 2009 to 2010, the country's ranking improved from 18th to 10th position. Efforts to improve ease of doing business, many which were driven by PEMUDAH, have shown clear outcomes, as illustrated in *Box 7-1*. As a measure of success, Malaysia is ranked 23rd among 183 countries under the World Bank's Ease of Doing Business index in 2010. Within the East Asia and Pacific region, Malaysia ranked fourth after Singapore, Hong Kong SAR and Thailand. The Government aims to make Malaysia one of the top ten nations in the world for doing business.

Box 7-1

Achievements in ease of doing business

- **Starting a business now takes 3 procedures and 3 days compared to 9 procedures and 11 days previously.** A standard company identification number or MyCoID was introduced for companies to use in interactions with government agencies.
- **Time to register a standard property now takes 2 days compared to 41 days previously** at a cost of between 1–3% of the value of the property.
- **Tax refunds are now made within 14 to 30 days** when returns are filed through e-filing, compared with 1 year previously.
- **Insolvency process reduced from 2.3 years to 4 months** with the recovery rate increased from 38.3 sen on the ringgit to 90.5 sen on the ringgit.
- **103 One-Stop Centres (OSC) were launched to streamline and expedite the approvals process for development proposals.** This enables applications for development proposal to be submitted concurrently for processing. Development proposals can now be approved within 120 days. The system has been further improved with the introduction of OSC Online whereby the Principal Submitting Person (PSP) can submit their development proposals online.
- **Deregulation of the Foreign Investment Committee (FIC) Guidelines** enabling greater inflow of private investment.
- **Six new Commercial Courts were established.** In addition, the Commercial Division of the Kuala Lumpur High Court has been reorganised into two groups, the “A” or fast track judges who only hear and dispose of interlocutory matters and “T” or trial track judges who hear and dispose of all legal applications involving oral evidence. This is to ensure that interlocutory matters can be disposed of speedily.
- **Automatic approval for work permit applications by expatriates** with salaries of more than RM8,000 per month to increase employment of knowledge workers.

During the Tenth Plan period, efforts will be intensified and expanded to further facilitate services for people, businesses and trade where efficiencies and response times will be benchmarked with international best practices. Processes and services across agencies will be re-engineered and streamlined to design interfaces that address customer needs and are simple to use, leveraging on the latest technology. New channels and modes of

service delivery will be explored to extend outreach. Due attention will be given to security and privacy to safeguard confidential personal and business data and earn the trust and confidence of the public in using these services. The improvements to service delivery, covering redesigning, upgrading and expansion is expected to cost about RM850 million. Such initiatives that will be implemented during the Plan period are outlined in *Table 7-1*.

Table 7-1: Facilitating people, business and trade

Applying a people-centric approach	
Initiative	Description
National Registry System (NRS)	<ul style="list-style-type: none"> Through the Citizen Registry System (CRS) the public no longer has to provide personal information separately to different agencies every time they make a public service transaction. Personal information will be collected by a single agency and shared across others to avoid duplication. CRS is the first component of the National Registry System and will involve five agencies; the National Registration Department, Immigrations Department, Road Transport Department, Employees Provident Fund and Inland Revenue Board. Subsequent systems will include registries for vehicles, income, businesses and land.
Malaysian Emergency Response System (MERS 999)	<ul style="list-style-type: none"> With the introduction of MERS 999, the public will be able to seek emergency assistance from the police, hospitals, Fire Departments, and civil defence through a single emergency number. MERS 999 further enables accelerated response to the location of emergency through common despatch centres.

Initiative	Description
	<ul style="list-style-type: none"> This system replaces the multi-agency number currently in use and will be expanded nationwide by 2015.
MyGovXchange for public services	<ul style="list-style-type: none"> This online portal offers services that cut across multiple agencies through a single interface. The public is no longer required to be physically present to conduct selected public service transactions. To improve ease of use, the service offers payments via credit or debit card transactions as well as tailored notifications and alerts through email and SMS.
Trustmark for online transactions	<ul style="list-style-type: none"> Trustmark is a certification of recognition for public and private sector websites that will help to increase public confidence and adoption of online transactions. A website that is certified will comply with stringent online privacy and security regulations, thus reducing the risk of fraud.
e-Tanah	<ul style="list-style-type: none"> The e-Tanah system establishes a single interface for all land administration matters, which include registration of land and strata titles, land development process, land disposal and acquisition as well as revenue collection. This provides users with an efficient and uniform service for all matters relating to land administration. During the Plan period, e-Tanah services will be extended to other states in Peninsular Malaysia, based on successful implementation in Melaka, Negeri Sembilan and Pulau Pinang.
e-PBT	<ul style="list-style-type: none"> The e-PBT is another online-based system that allows local authority-related transactions to be conducted online without the customer having to be physically present. Among the services it offers includes revenue management, tax collection, accounting, complaints management and licensing. e-PBT will be rolled-out to the remaining 114 out of 147 local authorities across the nation in phases starting with the local authorities located within priority economic clusters.

Initiative	Description
eKL expansion	<ul style="list-style-type: none"> • eKL initiative is an online-based portal for the Klang Valley that provides a single interface for services such as electronic payment (myBayar), Government SMS gateway (mySMS 15888), online submissions, online news and JobsMalaysia providing job matching for employers and job-seekers across various agencies and local authorities. • During the Plan period, the system will be expanded to other regions outside of the Klang Valley, with a focus on areas of strategic economic growth under the Government Regional Electronic Advancement Transformation Programme (GREAT). • GREAT will establish a unified government delivery system that embraces the No Wrong Door approach where customers will be able to enjoy the services without having to know the agencies involved.
Telecentres	<ul style="list-style-type: none"> • Centres providing Internet access will be established as community and business centres in rural communities. These centres will serve as a community hubs as well as play an important role in ensuring that rural communities are virtually connected to the world. • These hubs will also function as an additional channel for people in underserved communities to access public services such as renewal of road tax, driving licenses and business licenses.
Applying a business-centric approach and facilitating trade	
MyGovXchange for business	<ul style="list-style-type: none"> • The existing MyGovXchange will be enhanced as the single gateway for businesses, covering registration, licence application, licence expansion as well as applications for loans and grants from various public agencies.
SSM Enterprise Services Gateway	<ul style="list-style-type: none"> • Building upon the introduction of a single company identification system, MyCoID, the SSM Enterprise Services Gateway will enable simultaneous registration across multiple agencies following the incorporation of a company with SSM. This reduces the need for companies to register multiple times across various agencies.

Initiative	Description
	<ul style="list-style-type: none"> The system will be expanded from five agencies to include all public agencies dealing with business entities.
National Single Window (NSW) for trade	<ul style="list-style-type: none"> NSW is an online-based single point of entry for submission of trade data and information. It avoids repetition of provision of the same data multiple times and facilitates quick and easy release and clearance of cargo. During the Plan period, the services under NSW will be expanded to include services of Free Zone Declarations, Dangerous Goods Declarations, Non-Customs Permits, Phytosanitary Certificates and Convention of International Trade on Endangered Species Certificates.
Reducing bureaucracy and streamlining procedures	<ul style="list-style-type: none"> To facilitate trade, documentation requirements will be reduced and streamlined with the aim of achieving a paperless transaction environment in line with international standards. A single Customs Portal will be developed to reduce bureaucracy and facilitate the supply of information and services; it will be supported by an amendment to the Customs Act 1967.
Participation by banks in Financial Process Exchange (FPX)	<ul style="list-style-type: none"> The FPX is an online payment gateway for any business-to-business or business-to-consumer transactions with participating banks. During the Plan period, Bank Negara will define a timeframe for all banks to participate in the FPX to enable a more effective nationwide rollout of the NSW Electronic Customs Duty Payment.
MyExport Portal	<ul style="list-style-type: none"> Malaysian exporters registered with MATRADE are able to access a variety of services such as up-to-date trade information on trade events and activities, trade statistics and market alerts through the MyExport Portal.

Adopting a More Consultative Approach and Proactively Seeking Input and Feedback

The Government will adopt a more consultative approach and proactively seek input and feedback from multiple stakeholders from within government, the private sector and non-government organisations (NGOs) in the development of government policies, plans and programmes. This will allow the Government to receive firsthand input from the frontline, respond to the concerns of stakeholders and improve the overall quality of solutions. More importantly, it ensures that the wants and needs of people and business are taken into account. This approach has been adopted in delivering the most important priorities of the nation, including:

- **Developing the Government Transformation Programme (GTP).** The selection of the National Key Result Areas (NKRAs) was based on three main inputs; opinions through surveys and wide-ranging media analysis, Cabinet and top leadership of the public service as well as feedback from the private sector and NGO representatives. Text messages were sent to over 12 million people to seek ideas, and Open Days with over 5,000

visitors were held across multiple locations to seek feedback on initiatives;

- **Developing the Tenth Malaysia Plan.** The priority areas and programmes for the Plan involved extensive consultation with over 3,000 representatives from over 400 agencies in the public and private sectors, through workshops, seminars, industry dialogues and cluster group meetings; and
- **Forming effective public-private partnerships.** A Special Task Force to Facilitate Business (PEMUDAH) is a consultative forum on issues concerning public service delivery and Malaysia's business environment. Reporting directly to the Prime Minister, it comprises 23 highly respected members from the public and private sectors. Since it was formed, PEMUDAH has charted many successes making Malaysia an easier place to do business.

Continuous monitoring of people and business perceptions through regular surveys will be conducted to assess the extent to which government programmes are translated into outcomes that people and business can see, touch and feel. Feedback and ideas on improvement from these surveys will be collated as input in the formulation of government policies, plans and programmes. To embed a people-centric

culture into frontline service agencies, customer satisfaction will form a component of their key performance indicators (KPIs).

Devolving Powers to Agencies at the Frontline of Delivery

During the Plan period, empowerment and decentralisation of authority will be given renewed focus. Appropriate decision-making

authority will be devolved to frontline agencies to accelerate decision-making and to enable them respond better to increasing expectations from customers. With empowerment, comes greater accountability and a need to build capacity to enable efficient and effective delivery. Initiatives to devolve powers include:

- **Enabling high performing schools to tailor services and resources to students needs.** High performing schools will be given flexibility in adapting curriculum and instruction methods

Chart 7-1

MIDA will be empowered with additional decision-making authority in negotiations with investors

MIDA (formerly known as the Malaysian Industrial Development Authority) will be repositioned as the **Malaysian Investment Development Authority**

As the principal agency responsible for the promotion of the manufacturing and services sectors, MIDA will play a critical role in ensuring investments are directed to priority sectors and geographies and that they support innovation and productivity growth



Key shifts in role and powers

- **MIDA will be corporatised** to enable the necessary organizational flexibility to attract and retain talent it needs to be internationally competitive
- **MIDA will be empowered with additional decision-making authority in negotiations** with investors for targeted projects
- **MIDA will be designated as the central investment promotion agency for the manufacturing and services sectors** (excluding utilities and financial services), to enhance the coordination and cohesion among the various investment promotion bodies in the country

as well as over selection and deployment of teachers. This flexibility comes with increasing accountability for outcomes. These schools are responsible for maintaining excellent student outcomes as well as sharing knowledge and expertise with other schools through mentoring networks, teacher attachments and student exchange programmes; and

- **Empowering MIDA to be an effective international facilitator.** MIDA will be empowered as the central investment promotion agency for the manufacturing and services sector as shown in *Chart 7-1*. Important shifts in MIDA's functions include corporatisation to provide greater organisational flexibility, decision-making autonomy as well as authority for direct negotiations.

Introducing Competition and Market Mechanisms Within Public Services

Greater competition will be introduced to encourage agencies to learn from best practices, be more responsive to the changing demands of customers and to continuously strive for better performance. The introduction of performance competition among peer agencies such as schools competing with other schools, is expected to compel quicker

response to changing customer needs and establish a virtuous cycle of continuous improvement, innovation and induces self-regulation. The experience of other countries indicate this, as shown in *Chart 7-2*.

Overall standards and level of performance will be raised through the introduction of such competition. Efforts in this areas include:

- **Ranking police stations.** Police stations will be transparently ranked along three dimensions of public satisfaction: response time, ease of making a report and effectiveness in reducing crime;
- **Ranking schools based on performance bands.** As part of the School Improvement Programme, the performance of all schools on student outcomes will be ranked into various performance bands. This transparent reporting of outcomes will motivate and challenge schools to improve, be linked to rewards and consequences and highlight to school principals the specific areas that require attention;
- **Introducing demand-side funding in tertiary education.** Demand-side rather than supply-side funding will be emphasised and expanded to introduce competition among suppliers for customers. For example, in

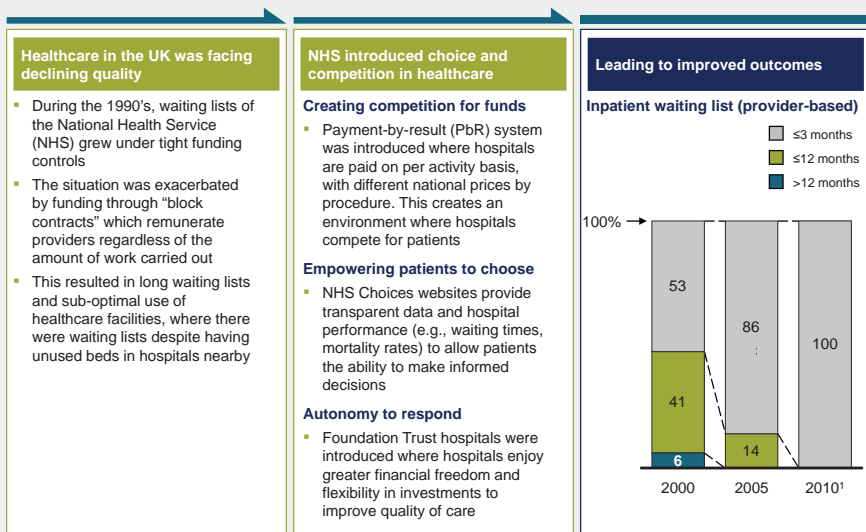
tertiary education, a portion of funding will be provided to students rather than institutions of higher learning. The institutions will then have to ensure that their standards and offerings are of sufficient quality and are relevant to attract students. With institutions competing for students and funding, standards are expected to rise and overall outcomes to improve; and

and rank local authorities on their performance along the four criteria of management effectiveness, quality of core services, degree of community consultation and customer satisfaction. The rating system is available for public viewing online, creating an environment of competition across local authorities to improve service delivery. During the Plan period, this system will be extended to local authorities in Sabah and Sarawak.

- **Ranking local authority performance.** A star rating system was developed to evaluate

Chart 7-2

Introduction of competitive pressure in the UK healthcare system has contributed towards improved patient outcomes



¹ 2010 based on average from January to March 2010
 SOURCE: Department of Health; UK Office of Fair Trading (Choice and competition in public services)

Combating Corruption for Effective Delivery

Combating corruption is a high priority as corruption fundamentally undermines the integrity of the Government. In 2009, Malaysia's ranking in the global corruption benchmark Transparency International's Corruption Perception Index (TI-CPI) dropped to 56 from 47 in 2008. This erosion in confidence in our institutions by the public and business community is detrimental to our nation's competitiveness. Combating corruption is therefore integral to the Government's transformation efforts. In line with this, the Government has identified combating corruption as one of the six National Key Result Areas (NKRAs) as shown in *Box 7-2*.

Since the launch of the GTP, efforts under the NKRA programme have reported early signs of success.

- Information on government tenders including tender advertisements and successful bidders can be accessed by the public through MyProcurement Portal effective April 1st, 2010;
- A guideline was issued to all civil servants on how to react to support letters to minimise any

interference with proper procedures on March 8th, 2010;

- The Whistleblower Protection Act 2010 was passed by Parliament in April, under which a comprehensive whistleblower protection framework will be established to cover members of the private and public sectors who disclose wrongdoings as well as those who are required to assist in investigations; and
- Malaysian Anti-Corruption Commission (MACC) has begun publishing a webpage with the names of all convicted offenders, and a court circular has been issued to all judges requesting for all corruption cases to be completed within one year.

The Government is committed to combating corruption and establishing a reputation for being a government that upholds the highest levels of integrity. Efforts to combat corruption will focus on:

- **Strengthening compliance and monitoring.** To support this, compliance and monitoring will be strengthened to take action on reported instances of abuse of discretionary power. Compliance efforts within customer-facing agencies will be strengthened through regular inspection of enforcement processes,

Box 7-2

In assessing the Government's performance in fighting corruption, the KPIs and targets will be objectively measured, clearly linked to outcomes and internationally benchmarked. They include improving Malaysia's score on the TI-CPI.

Efforts are focused on the following three areas:

- **Reducing instances where discretionary power is allowed in agencies dealing with the public.** Initiatives will also be taken to strengthen and empower agencies to report and take action in cases of malpractice, misconduct or abuse of power;
- **Ensuring transparency in the award of government contracts.** Initiatives here include publicly disclosing government procurement; and
- **Tackling high-level corruption to prevent the abuse of power and misuse of public resources.** This is supported by a zero tolerance policy on corruption and the Whistleblower Protection Act 2010.

***Combating
Corruption
is one of 6
National Key
Result Areas***



as well as through investigation of reported cases of malpractice, misconduct and abuse of power;

- **Enhancing transparency in the government.** Efforts to create greater transparency and accountability will be enhanced, including through the continued public release of the Auditor-General Reports and the establishment of the MyProcurement

portal. Government contracts will be procured through competitive bidding adhering to standard guidelines and policies;

- **Enforcing swift and stiffer punishments to deter corrupt practices.** Corruption trials will be accelerated by reducing the duration of court processes. Stiffer penalties for individuals found guilty of corruption will be implemented as a strong deterrent. Details of convicted

offenders will be made public as an act of deterrence. This effort has already begun with the MACC's initiative to publish the names of convicted offenders on their website;

- **Increasing public awareness.** The Government will adopt a zero tolerance policy towards corruption with a clear stance that no individual is above the law and all reported cases of corruption will be fully investigated. As corruption is a two-way process, involving the giver and the taker, campaigns will be launched to increase awareness of the public on the important role that they can play in combating corruption;
- **Reviewing key institutions.** The Government will undertake a comprehensive review of the institutions at the frontline of combating corruption with the objective of developing ways to promote the independence and empowerment of these institutions; and
- **Nurturing a system based on integrity and moral values.** The National Integrity Plan has an important role in cultivating a society that adheres to the highest ethical and moral standards and is strong in religious and spiritual values. Towards this end, the Tekad Integriti action plan will be introduced as an enhancement to Tekad 2008.



ACCELERATING DELIVERY THROUGH TRANSPARENT AND ACCOUNTABLE MANAGEMENT OF PRIORITY OUTCOMES

The Tenth Malaysia Plan marks the beginning of a new way for the government to deliver. An outcome-based approach will be adopted for planning, resource allocation, monitoring and evaluation. This means establishing a clear set of outcomes for national priorities measured by objective KPIs. The focus on outcomes will allow for more effective resource management and therefore greater value-for-money in terms of public investments. As resources are finite, it is important that leadership, talent and funding are directed towards the delivery of outcomes for the nation's priorities. The key steps of the outcome-based approach are as follows:

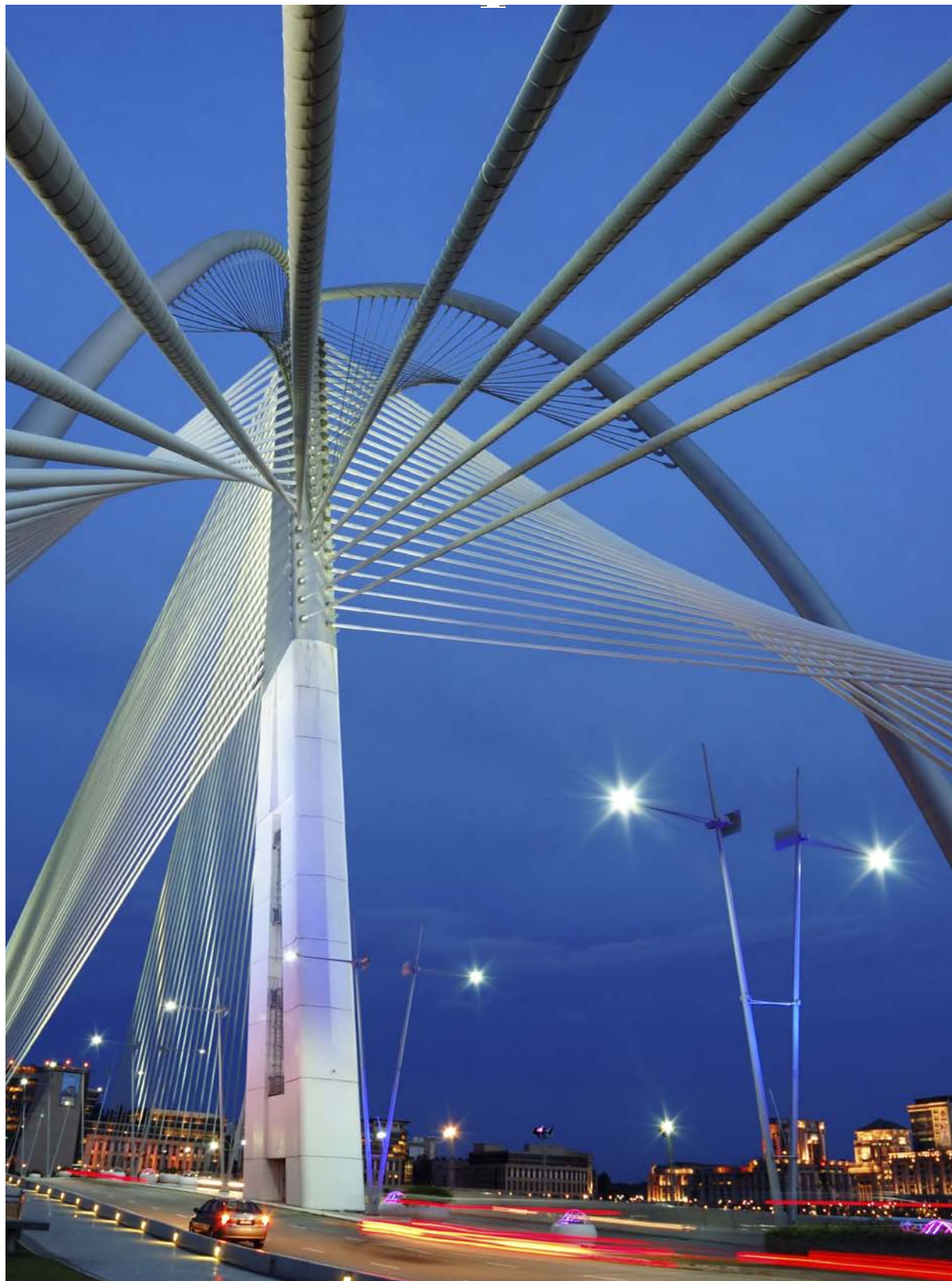
- **Defining national priority outcomes.** The Government has gone through a systematic process with multiple stakeholders to determine the nation's priorities. These priorities include the NKRA, the Tenth Plan Key Result Areas (KRAs) and National Key Economic Areas (NKEAs). Selection of these priorities was based on extensive consultation with multiple stakeholders. These were selected based on the current wants and future needs of the people and as the critical drivers of economic growth that will propel our nation to high-income status;
- **Leveraging broad expertise to develop strategies and plans.** Cross-functional technical working groups are formed to develop strategies and plans to deliver the outcomes identified for all priorities. The development process of the GTP and the Tenth Plan adopted this approach, with intensive working groups, or NKRA Labs in the case of GTP, established with participants from various ministries and agencies as well as the private sector and NGOs in a collaborative effort to develop detailed strategies and implementation plans;
- **Establishing single-point accountability for outcomes.** To ensure accountability, the KPIs to measure outcomes will be attributed to individuals. In the case of NKRA, the KPIs will be attributed to Ministers and senior civil servants. These KPIs, in addition to the KPIs linked to the Tenth Plan KRAs, will be systematically cascaded from the national level down to implementation level of projects at ministries and agencies. This ensures that every ministry and agency is aligned to delivering these priority outcomes. Once clear outcomes and accountability have been established, increasing autonomy for resource management will be devolved to ministries and agencies; and
- **Creating transparency on performance.** Transparency on performance will reinforce accountability for outcomes. KPIs will be

regularly and transparently reported to the public. Both the GTP and Tenth Plan embrace a transparent approach, where targets and initiatives are provided in the GTP Roadmap and its annual report, as well as the Tenth Plan document.

Enabling the Outcome-Based Approach

Resource allocation will be designed around the outcome-based approach. These improvements mark a major shift in the way the Government plans and manages to ensure value-for-money for public investments, creating a strong link between funding and outcomes. Key initiatives are detailed below:

- **Adopting outcome-based budgeting.** This approach will take an integrated view of the financial requirements of the programme, including both development and operating costs. This will allow for more efficient management of resources, assist in eliminating redundancy of programmes and projects and ensure that the nation's resources are allocated proportionately to its priorities;
- **Introducing a two-year rolling cycle within a five-year planning horizon.** This acknowledges the dynamic nature of development planning and enables the government to make commitments within its financial capacity and allows for greater flexibility in the reprioritisation of programmes and projects, incorporating new opportunities as they arise. Programmes and projects are allocated budgets based on two-year rolling cycles, with an annual review process to ensure seamless planning and implementation;
- **Embedding an integrated approach to planning.** Greater coordination across agencies at an earlier stage will ensure more effective use of resources. An integrated approach will be adopted that requires all stakeholders to examine economic, social and environmental costs and benefits prior to project selection. This approach also makes a holistic assessment of existing facilities and other projects in the same area, while considering the National Physical Plan, State Structure Plans and Local Plans as a guide in planning and sharing of resources, particularly land use, infrastructure, utilities and services; and
- **Regular monitoring and evaluation of outcomes.** This is the most critical factor in the outcome-based approach. Management information systems will be strengthened to enable systematic and



regular performance monitoring, evaluation and reporting. Information on progress will assist in ensuring that remedial actions are taken where necessary. Funding of future

programmes and projects will be contingent on achievement and delivery of programme milestones and outcomes as measured by KPIs.

Shifting Funding from Physical Infrastructure to Soft Infrastructure to Achieve Outcomes

Two key factors drive the imperative for Malaysia to shift from emphasising physical infrastructure to soft infrastructure. Firstly, the next phase of Malaysia's transformation, from a middle-income to high-income country, requires a shift towards higher value-added and knowledge-intensive activities. Secondly, the Government will adopt a strategy that carves out a greater role for the private sector in the provision of infrastructure and public services. To enable this, a shift in emphasis from physical infrastructure to soft infrastructure is required.

During the Plan period, approximately 40% of total funding, compared to 22% during the Ninth Plan period, will be directed towards soft infrastructure with a focus on the following areas:

- Emphasising skills development, especially in terms of upskilling the existing workforce to support efforts of industry moving up the value chain;
- Providing the enablers to support the development of concentrated industrial clusters and supporting ecosystem towards enabling specialisation and economies of scale; and
- Increasing investment into the enablers of innovation, particularly R&D and venture capital funding.

In line with this shift from physical to soft infrastructure, the Government will increasingly move away from building physical infrastructure and operating public services towards buying services from the private sector. For example, in terms of skills training, the modality of buying services provides for greater flexibility to respond to changing requirements and facilitates greater competition between training providers in terms of training outcomes.

POSITIONING GOVERNMENT TO BE AN EFFECTIVE FACILITATOR OF PRIVATE SECTOR-LED GROWTH

To date the Government has played a critical role as a core strategic investor and thus a driver of the economy. This strategy has worked well, resulting in the emergence of Malaysia as a middle-income economy with large and strong government-linked companies (GLCs), including a few that have developed regional or global footprints. However, to move towards a high-income nation, the resources, talent, technology and innovation of the

private sector will need to be unleashed so that it becomes a more significant engine of growth for the economy. The Government's role will become that of a catalytic facilitator, to create an enabling environment for the private sector through effective policies and regulations, as shown in *Chart 7-3*. In its facilitation role, the Government will remove distortions and provide the appropriate environment for the market to respond to.

Chart 7-3

Position role of government as an effective facilitator to unleash private sector-led growth

	From To	Examples
Policy-making and regulation	<ul style="list-style-type: none"> Policy, regulatory and operating functions managed within a single entity 	<ul style="list-style-type: none"> Separate and distinct policy, regulatory and operating entities Strong business-friendly regulation that still protects public interest 	<ul style="list-style-type: none"> Aviation Healthcare Housing Energy (electricity) Telecommunications
Economic engine	<ul style="list-style-type: none"> Government plays key role as investor and operator 	<ul style="list-style-type: none"> Private sector as key players <ul style="list-style-type: none"> Investments through PPPs Delivery of frontline services Outsourcing of non-core government functions 	<ul style="list-style-type: none"> Education Healthcare Large-scale infrastructure investments
Ownership and control of assets	<ul style="list-style-type: none"> Government as owner of key assets 	<ul style="list-style-type: none"> Reducing government ownership of non-core companies and assets by transferring stakes to private sector Creating a level playing field for industries where government maintains presence 	<ul style="list-style-type: none"> Reducing stakes in non-core GLCs Unlocking value of other commercial assets

During the Plan period, the Government will:

- Strengthen its role as policy-maker and independent regulator;
- Increase the role of the private sector in new national investments and delivery of public services; and
- Systematically reduce its ownership and control of non-core assets.

Strengthening Government's Role as Policy-Maker and Independent Regulator

The Government's role and effectiveness as a policy-maker and independent regulator will be strengthened in line with increasing participation from the private sector. The objective of this is to create a business-friendly regulatory environment that has clear, stable and consistent policies. Regulations will be tailored to the maturity, structure and needs of each sector. The focus will be on establishing transparent objectives for the sector and on defining clear roles and boundaries for respective players. Disclosure-based practices will be encouraged, rather than strict enforcement of rules and regulations.

The agenda for regulatory reform will focus on four pillars:

- **Creating structures to separate policy-making from regulation and specifies clear lines of accountability.** Separate commissions will be created as industry regulators, similar to the Malaysian Communications and Multimedia Commission for the telecommunications sector. Immediate focus in this plan period will be on sectors such as healthcare where the Government plays a sizeable role as a policy-maker, regulator and operator;
- **Creating structures to address areas of overlapping jurisdiction.** The commission for land public transport or SPAD has been established as the single-point of accountability for land public transport planning and regulatory functions. This commission consolidates functions previously held by 13 separate agencies;
- **Improving the formulation of regulations.** Robust and comprehensive processes that address stakeholder concerns and institutionalises public consultation will be adopted in the formulation of regulations; and
- **Enhancing the capabilities of policy-makers and regulators.** Capacity and

capability building of policy-makers and regulators will be critical and aligned with changes in the global and domestic landscape of respective sectors.

Increasing the Role of the Private Sector in National Investments and Delivery of Public Services

Under the competitive pressure of market forces and a clear objective of improving shareholder value, private sector companies are forced to quickly respond to customers and the operating environment in innovative and creative ways. With increasing shareholder value as the primary goal, private sector companies are focused on the bottom-line and the top-performing companies are typically those that exercise prudent management of resources and lean operations. To harness these entrepreneurial characteristics of the private sector in the delivery of public goods and services, the Government will create opportunities for private sector participation in investments and service provision. These models will not be limited to investments in physical infrastructure, but extended to increase collaboration with the private sector in the delivery of frontline public services.

Engagement with the private sector, either directly or via industry associations, will be intensified, as it provides broader viewpoints and transparency in developing the way forward. In particular, input will be actively sought in the formulation of policy to ensure that the needs of the private sector are understood and incorporated such that market-friendly environments are created.

The Government will carve out a greater role for the private sector in the delivery of frontline public services, both as owners and operators. An early example is the Trust School initiative, where private sector companies will operate schools. The Government will provide funding, allow greater operating autonomy and set accountability standards, and in return operators must adhere to clear standards and achieve specific improvements in student outcomes. The same principles will be applied to the provision of other public services, for example selected segments of the healthcare services. Carving out roles for the private sector in the delivery of frontline public services will also create competition between public and private services providers, driving improved outcomes in services.

The Government will also increase outsourcing of non-core government functions. This will

enable the Government to better focus on policy and strategy formulation, regulatory and core operating functions. Transferring non-core operating functions to private sector players with scale and expertise should improve outcomes and potentially save costs. Steps will also be taken to improve capabilities and accountability in the Government to enable the long-term goal of autonomy for ministries and agencies, in return for the delivery of specific outcomes and adherence to pre-determined standards.

Systematically Reducing Government Ownership and Control of Non-Core Assets

During the Plan period, the Government will pursue privatisation and divestments of non-core and non-competitive assets that operate in areas where strategic shareholders or innovative entrepreneurs have the potential to create more value. The government will divest its ownership stakes in selected companies to ensure that assets are broadly held and that initiatives will not affect public interest or the people's well-being. The objective is to reduce the Government's involvement in economic activities, particularly those that compete with the private sector. This includes the announced divestment of Khazanah's shareholding in Pos Malaysia and

the privatisation of selected Petronas subsidiaries via initial public offering. Other divestments, include the privatisation of companies under the Ministry of Finance Incorporated such as Percetakan Nasional Malaysia Berhad, CTRM Aero Composite, Nine Bio Sdn Bhd and Inno Bio Sdn Bhd. The Government will ensure that any divestment and privatisation is in the public interest, and will use transparent processes to ensure that potential private sector bidders meet a minimum set of criteria.

In line with positioning the Government as an effective facilitator, a level playing field will be created such that all companies can compete fairly even in areas where the Government remains as shareholder or operator. New government investment will be used to accelerate and facilitate emerging specialisations, especially through co-investments with the industry in terms of skills training, R&D and enabling infrastructure. Other potential areas for facilitation support include NKEAs, such as education, healthcare and tourism, to help drive these sectors up the value chain.

DRIVING PRODUCTIVITY TO ENSURE PRUDENT USE OF PUBLIC FINANCES

The Government is committed to delivering better outcomes for people and business and some of these outcomes will require higher funding. Additionally, the Government is also committed to reducing its fiscal deficit from 7.0% of GDP in 2009 to below 3.0% of GDP by 2015 and reducing total Federal Government debt from 53.3% in 2009 to 49.9% of GDP at the end of the Plan period. Consequently, the Government will significantly improve productivity to deliver better outcomes without increasing allocations,

ensuring the public receives better value for each ringgit spent.

To achieve greater value-for-money, the Government has taken measures to increase transparency and efficiency with a commitment to maintain integrity among all parties. The adoption, adaptation and application of best practices will continue to be strengthened. This effort will drive an estimated cost savings of 5-10% through, among others, the following measures:



- **Implementing value-management analysis and life-cycle cost evaluation for procurement.** Development programmes and projects costing RM50 million or more will be subject to value-management analysis. This approach requires consideration of various options to arrive at the optimal project design aligned to the desired outcomes. Life-cycle cost evaluation will ensure cost optimisation and value-for-money while meeting required performance levels. Ministries and agencies implementing projects costing less than RM50 million will also be encouraged to conduct similar analyses;
- **Taking a centralised whole-of-government view on procurement.** Common items, such as office supplies, Information Communications Technology (ICT) and selected services will be procured centrally to achieve savings across government. To achieve economies of scale in rubber and oil palm plantations, FELDA, FELCRA and RISDA have started collaborative efforts through a consortium where selected operational activities in these agencies will be undertaken collectively by the consortium as a central provider of shared services. The activities include investment, procurement of common items such as fertilisers and chemicals, upstream and downstream activities, R&D as well as

supply and marketing of rubber and oil palm. The consortium will also allow for technology sharing and capacity building among these agencies.

- **Reviewing common procurement standards and policies.** Strengthening common procurement standards and policies to ensure that ministries and government agencies have autonomy to make fast procurement decisions within these standards and policies; and
- **Ensuring contracts are conducted in a transparent manner** using competitive bidding, and publicly reporting the names of awarded parties and the value of each award on the MyProcurement Portal.

The Government will continue to improve its productivity through a whole-of-government ICT infrastructure consolidation exercise which will result in increased productivity, minimised redundancies and improved efficiencies brought about through centralised management and maintenance of shared resources. The projected cost is estimated to be approximately RM650 million. This will provide cost savings on an increasing basis as more agencies migrate to the shared network and centres. Towards this end, the following initiatives will be implemented:

- **Further streamlining ICT architecture.**

This initiative will simplify systems, remove duplication and leverage technologies that enhance the Government's delivery of services and relationships with the people and businesses;

- **Simplifying and consolidating ICT operations.**

This will include consolidation of wide area networks, data and disaster recovery centres, as well as common applications; and

- **Implementing cost-benefit assessment to obtain more value from ICT projects.**

Cost-benefit assessment of proposed projects will be carried out to determine priority of project implementation. Analysis will be undertaken to assess actual cost and benefits relative to planned costs and benefits.

The Government will broaden the tax collection base. Tax collection from individuals and businesses that underpay their taxes will be enhanced through:

- Tightening and enforcing regulations around specific areas of non-compliance, such as transfer pricing and thin capitalisation;
- Enhancing tools and analytics that identify individuals and businesses with a high

likelihood of non-compliance, such as matching declared information to third-party data;

- Increasing enforcement capacity and capabilities through additional recruitment, more specialised training and enhanced auditing techniques;
- Focusing specific enforcement campaigns on segments of individuals and businesses that have low levels of compliance;
- Improving the collection of taxes through enhanced collection techniques such as contact strategies, closer corporation with the legal system and other agencies, as well as targeted use of legal remedies; and
- Improving the time taken to handle and settle tax cases through various options such as allocating specific days in a week of court time dedicated to tax issues.

RATIONALISING AND BUILDING CAPACITY IN GOVERNMENT

The structure of government to support a high-income economy is different from that required to support a middle-income economy. The issues and challenges faced will also be different. These will often be cross-cutting and transcend the traditional boundaries of agencies. Efforts will be directed towards reducing bureaucracy and improving the interface between government and people, and government and businesses, where a higher level of inter-agency collaboration and cooperation will be adopted. These efforts will be focused on four areas:

- Rationalising existing government organisations and structures;
- Building capacity in organisations focused on national priorities;
- Establishing high performance monitoring units; and
- Attracting, developing and retaining top talent in the public service.

Rationalising Existing Government Organisations and Structures

In striving to become a high-income nation the structure of government ministries and agencies will be shifted towards supporting the economic

and social sectors that will drive our nation, to high-income status. Talent and funding will also be allocated along these priorities. During the Plan period, a comprehensive audit of all government organisations and structures will be carried out looking across government roles, functions, gaps and overlaps. The objective of this will be to develop a plan for rationalising agencies with overlapping or redundant functions to align the structure of government with contribution to GDP and national priorities. The extra manpower resulting from this rationalisation will be redirected from lower priority to priority areas. This will create an agile government and improve speed of decision-making and execution.

Rationalisation efforts will include:

- **Federalisation of solid waste management and public cleansing responsibilities.** Under the federalisation initiative, the functions of solid waste management and public cleansing responsibilities will be shifted from the jurisdiction of local authorities to the federal government. This will have a major impact on resource management for local authorities, especially on manpower. Local authorities will now be able to focus on their core functions of planning, licensing, processing of development orders, enforcement and implementation of local by-laws, thus, increasing efficiencies in the delivery of these services;

- **Streamlining functions in fisheries industry.** The functions of the Department of Fisheries (DOF) and the Malaysian Fisheries Development Board (LKIM) will be streamlined. Under this streamlined structure, DOF will assume LKIM's previous role as a market player and in upstream production activities while all processing and downstream activities will now be undertaken by LKIM; and
- **Streamlining diplomatic missions and other offices abroad.** Efforts will be made to streamline diplomatic missions and all other Malaysian offices abroad to optimise deployment of human resources in the public service.
- **Establishing a new Talent Corporation.** A new independent Talent Corporation will be established in 2011. This unit will assume a catalytic role in attracting, creating and motivating a world-class workforce and act as a facilitator to both industry and private sector;
- **Expanding the efforts of poverty eradicating agencies to support the bottom 40% of households.** Poverty eradication implementing agencies, particularly those under the Ministry of Rural and Regional Development, the Ministry of Agriculture and Agro-based Industries, the Ministry of Housing and Local Government, and the Ministry of Federal Territories and Urban Well-being will be given a greater mandate to cover and assist the bottom 40% of households;
- **Expanding the role of the Malaysian Investment Development Authority (MIDA).** MIDA will have an expanded mandate as the central investment promotion agency for manufacturing and services with decision-making authority in negotiations with investors; and
- **Establishing InnovationMalaysia™.** This unit is responsible for overseeing and coordinating innovation initiatives to improve the quality of R&D and its contribution to

Building Capacity in Organisations Focused on National Priorities

The ministries and agencies responsible for facilitating and delivering top national priorities will be strengthened. Top talent, funding and leadership attention will be redirected to these agencies. In addition, several agencies will have their mandates refined or expanded to reflect new priorities.

generation of intellectual properties (IPs). A key outcome of this will be an increase in the commercialisation rate of R&D outputs through proper management of IPs.

Establishing High Performance Monitoring Units

Besides the Implementation Coordination Unit (ICU) of the Prime Minister's Department, other monitoring and delivery units to manage the delivery of specific outcomes include the Project Management Unit (PMU), Performance Management and Delivery Unit (PEMANDU) and the new Economic Delivery Unit (EDU). These units, as shown in *Chart 7-4*, have common characteristics:

- **Direct reporting to the highest levels of leadership.** ICU, EDU and PEMANDU are within the Prime Minister's Department, while the PMU is a unit within the Ministry of Finance. This allows for increased speed of decision-making based on direct feedback from the monitoring agencies;
- **Narrow and specific mandates.** These units monitor and track the delivery of specific projects and initiatives. Actual implementation

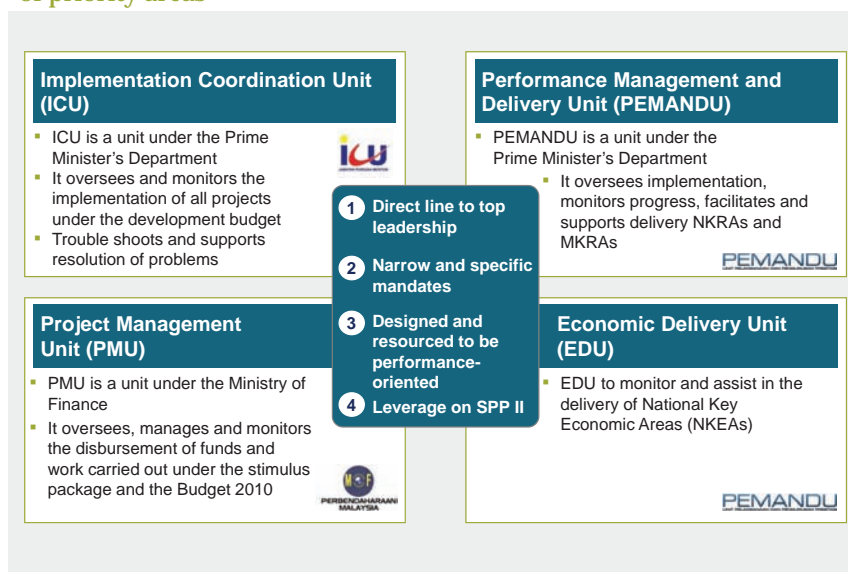
and delivery is carried out by the relevant ministries and agencies. With dedicated focus on specific initiatives, this allows for quick intervention and remedial actions when required;

- **Designed and resourced to be highly capable and performance-oriented units.** Data-driven techniques and performance mindsets are embedded within the approach of these units. In some cases, these units are resourced with talent from both the public and private sectors; and
- **Leverage Project Monitoring System II (SPP II) as a common data and reporting system.** This system is a shared repository of data related to all projects and programmes. The system provides a comprehensive, transparent and up-to-date view of the status of current projects via a single interface enabling comprehensive status reports to be generated when necessary.

Collaboration across agencies and between federal, state and local governments will also be strengthened particularly on national priorities. Lean, dynamic governance structures with representation from all constituents, such as the Prime Minister-led delivery taskforces for NKRA will be used to drive the delivery of high priority

Chart 7-4

Performance-oriented units monitor and track the delivery of priority areas



issues. These structures are time- and issue-based and will be dissolved upon achievement of outcomes. Labs consisting of cross-agency working teams will be more frequently deployed to deliver national priorities that cut across federal, state and local government responsibilities.

Attracting, Developing and Retaining Top Talent in the Public Service

In 2009, there were 1.27 million employees in public service, with 47% or approximately

600,000 serving as teachers, doctors, nurses, police and the armed forces and the remainder serving in various administrative roles across federal, state and local governments. To achieve Malaysia's aspirations, the talent within the Government must be of the highest quality. During the Plan period, the following strategies will be implemented to develop and retain top talent in the public service:

- Strengthening the performance culture within the public service;
- Attracting talent by identifying talent early

and raising the profile of the public service to attract them;

- Injecting best practices into the public sector through lateral hires and exchange programmes;
- Designing flexible schemes of service to effectively match talent and experience with the requirements of the public service; and
- Realigning capacity-building programmes to meet job requirements.

Strengthening the performance culture

In order to enhance its effectiveness as an integrated government, the public service will continue to enhance its culture, mindset and practices to be delivery-oriented, highly collaborative and seamless across jurisdictional and functional boundaries and across every level of government. These values will be core to the public service and will be cascaded across all of government, right through to those at the frontline of delivery. These best practices will also be institutionalised to build a sustainable and enduring system.

Performance management is critical to ensure accountability for outcomes and to drive improved

performance. Rewards, such as accelerated career tracks, higher performance bonuses and high-profile recognition will be accorded for outstanding performance. The Annual Performance Evaluation Report will be improved in order to incorporate more objective measures that are linked to ministry or agency specific KPIs. In order to ensure that the public service continues to have the best and brightest, the Government will review exit policies and mechanisms, such as voluntary separation schemes to remove underperforming personnel from the service.

Attracting talent

The public service will increase its focus on attracting high calibre young talent, leveraging the best practices of agencies within the private sector. During the Ninth Plan period, the Government offered approximately 47,300 scholarships to students in courses in various public and private institutes of higher education, with 18% of these scholars pursuing studies at international institutions, including world-renowned universities. During the Plan period, the Government will continue to strengthen this scholarship programme with a target to provide 60,000 local and overseas scholarships, an increase of 27% of scholarships offered compared to the previous Ninth Plan. In addition, talent scouting programmes will continue to be strengthened to identify, attract and recruit non-

scholarship holders in universities and institutes of higher education to join the public service.

Currently, scholars are required to serve the Government for a period of between four to ten years depending on their field of study. Moving forward, the Government will continue to strengthen its scholarship programme by increasingly offering flexible scholarship schemes that provide graduates with excellent result the flexibility to serve part of their bonds in GLCs or in the private sector. This ensures that young graduates are exposed to a wide range of experiences, which will serve them well as they progress in their careers. To identify and groom outstanding young talent, a fast track career progression path will be introduced. These talents will be given challenging roles across various ministries, agencies and departments.

Effective marketing and awareness campaigns linked to a strong value proposition will be crucial in attracting recruits into the public service. One such effort is the high-profile nationwide marketing campaign to position the teaching profession as one that is financially attractive, nation-building, career-building and prestigious. During the Plan period, the public service will similarly undergo a rebranding and promotional exercise to redefine the image of the civil service as one composed of the best and brightest talents in Malaysia.

Injecting best practices into the public sector

Lateral hiring from the private sector will be expanded to attract high calibre individuals into key strategic posts within the Government. Multiple entry points will be created with competitive benefits for lateral hires of private sector leaders into ministries and agencies responsible for Malaysia's highest priorities.

Efforts to expose the public sector to international best practices have long been a priority for the Government. The first such programme was launched in 1992 with attachment programmes to international bodies, such as the World Bank and UNESCO. In 2009, a cross-fertilisation programme was established with GLCs with participation of 37 individuals from 9 GLCs and 10 agencies within the Government. During the Plan period, this cross-fertilisation programme will be expanded and enhanced to allow for one to two years of mobility between the public sector, GLCs and the private sector.

Designing flexible schemes

Recognising the need for talent with deep content knowledge as well as breadth of experience, the public service will introduce schemes of service that will ensure that both content specialists and generalists are provided with competitive career

progression tracks, depending on performance and personal preferences. The public service today has a wealth of highly qualified individuals, from PhD holders to those with deep practical experience. The Government will implement measures to optimise the usage of these talents, matching placements within the service to their qualifications and preferences. The Government will also consider opening up more senior positions to enable them to be filled by a broader range of candidates, from both within and outside the public service.

Schemes of service will be rationalised and new service schemes created to reflect changing job descriptions and the new skills required. To create a more adaptable workforce, individuals should be trained to carry out a variety of roles and functions. To support this, a study on multi-skilling requirements will be undertaken. As part of this, entry into the public service will be possible at

multiple entry points for the administrative service to allow for lateral hires from the private sector or from the other services. To support existing personnel to move to higher skilled positions and also take advantage of these opportunities, skills training programmes for existing personnel will be enhanced.

Realigning capacity-building programmes

Training programmes will be reviewed and aligned with personalised on-the-job needs. Individuals will be provided with greater flexibility in choice, content and location of in-service training programmes. The Government will establish a world-class civil service college, leveraging on existing physical facilities. This college will be staffed with top local and global faculty and its curriculum will be tailored to the needs of the changing role of government.

CONCLUSION

The public sector must transform to effectively respond to a rapidly evolving global environment. Four key principles will underpin the transformation, namely a culture of creativity and innovation, speed of decision-making and execution, value-for-money and integrity. As challenges and opportunities will increasingly transcend traditional boundaries, a whole-of-government approach will be deployed, where inter-agency collaboration and working across federal, state, and local levels as an integrated government, will be adopted to ensure cross-cutting issues are addressed.

Public sector reforms will be customer-oriented, with delivery systems and interfaces improved and centred around people and businesses. To enable greater speed of decision-making and execution, greater empowerment will be provided to selected agencies tied to increased accountability and capability. Further, greater autonomy will be provided to operating agencies, such as universities and hospitals to increase responsiveness to the customer. To enhance delivery, competition and market mechanisms will increasingly be introduced, such as league tables for police stations and schools and demand-side financing for universities and training institutions.

An outcome-based approach will be adopted for planning, resource allocation, monitoring and

evaluation. This focus on outcomes will allow for more effective resource management and therefore greater value-for-money in terms of public expenditure. To ensure accountability, KPIs to measure outcomes will be attributed to individuals and their KPIs will be regularly monitored. The Government will also focus on improving its fiscal position during the Plan period, broadening the tax base through more effective collection, achieving productivity gains in the public sector by consolidating infrastructure requirements and introducing shared services as well as driving efficiencies in procurement and ICT management.

The Government will focus on being a facilitator that provides an enabling environment for the private sector through effective policies and regulations. In tandem with this, the participation of the private sector via outsourcing, PPPs and privatisation, will be enhanced in the delivery of public services. There will also be a fundamental shift in public sector expenditure towards soft infrastructure rather than physical infrastructure, particularly on upskilling programmes, R&D, venture capital funding and other enablers of innovation. The Government will also increasingly shift from building infrastructure and operating public services towards buying services from the private sector.

The new structure of the Government will require some existing government organisations,



particularly those with overlapping or redundant functions, to be rationalised. Organisations focused on national priorities will be strengthened and talent in the public service will continue to be developed.

The implementation of these measures will contribute to making the aspiration of an innovative, speedy and prudent government that delivers with integrity, a reality.

