# Chapter 13

## *Ensuring Performance Now*

The outcomes that we have set out to achieve for the country and for the rakyat, both in the shorter term (e.g., NKPI and MKPI targets) and the longer term (the Vision 2020 aspirations) are extremely challenging. Therefore we have embarked on a series of reforms to enhance our own capacity to deliver those short and long term goals. As discussed in Chapter 3, this is the *Performance Now* dimension of the GTP.

*Performance Now* will be implemented in three phases. In Horizon 1 (2010–2012), our immediate objectives are to ensure that the rakyat can quickly see delivery of their most important priorities and to deliver these outcomes efficiently, given the imperative for fiscal prudence discussed in Chapter 2. In Horizon 2 (2012–2015), we will institute broader and deeper changes to the government structure and the quality of our human resources. And in Horizon 3 (2015–2020), we will put in place innovative and rakyat-centric models of public service delivery, centred on choice and competition.

## 13.1 Horizon 1 (2010–2012): We will deliver big results fast by establishing a new engine for change

The objective here is to build momentum and confidence, and to enable the Government to deliver big fast results, a new engine for change is required. Therefore, we have:

- Committed to a set of Delivery Principles, i.e., a commitment to move away from the way things were done in the past and instead to do things differently to ensure the delivery of big results fast

- Established mechanisms to plan and manage delivery

- Set up a Performance Management and Delivery Unit (PEMANDU), to accelerate delivery, as well as catalyse bold changes in government

- Reinforced and intensified existing initiatives to transform the civil service

- Committed to enhancing the productivity of the Government

### 13.1.1 The Cabinet has committed to a set of Delivery Principles and a new way of doing things to ensure big results fast

In ensuring that all levels of government do things differently as we strive to deliver big outcomes fast for the rakyat, the Cabinet has signed (Figure 13.1) and committed to a set of 16 Delivery Principles. Before government officials make decisions or take actions, they must ensure that the decision or action is consistent with the 16 Delivery Principles. The objectives of these principles are to ensure a departure from ways of the past, instil a new way of doing things and ultimately deliver big results fast.

Figure 13.1
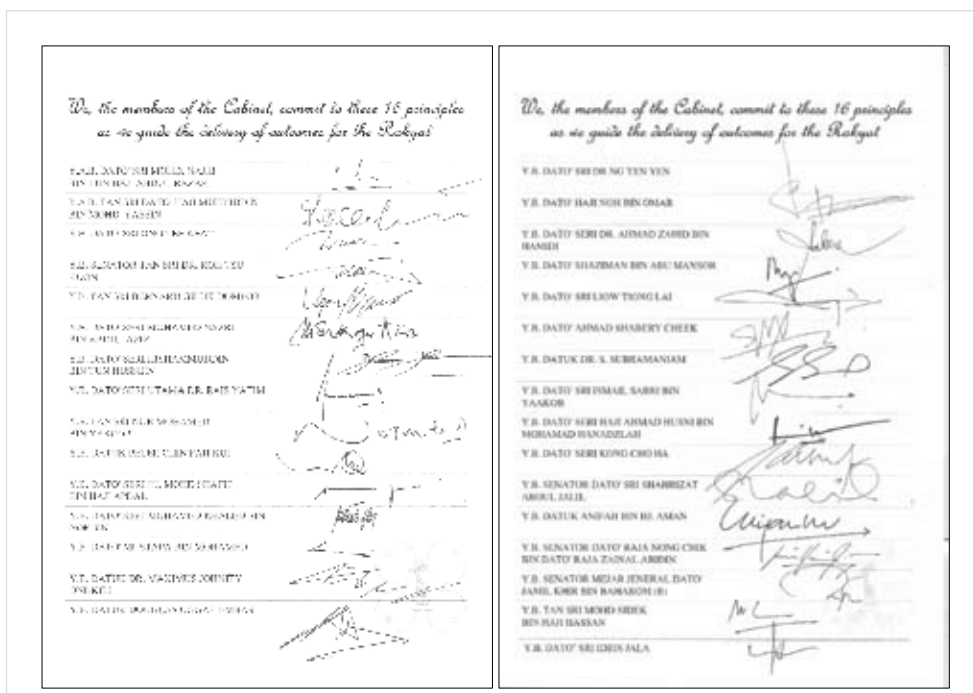


Broadly, the principles fall under four themes: putting the rakyat first, using resources prudently, collaborating with the best people (inside and outside of government) and managing outcomes to the highest standards.

A. We will **put the rakyat first:**

- Focus on the few highest priority outcomes that the rakyat want now and need for the long term, and stop or scale-back other efforts

- Make and maintain bold credible policy decisions – even where this will require us to overcome political constraints

- Encourage the rakyat's participation by getting their input before making decisions, involving them in delivery and regularly measuring their perceptions

- Manage expectations and communicate credible intent, then only communicate outcomes delivered

Examples of putting the rakyat first include choosing the six NKRAs based on inputs from the rakyat (as explained in Chapter 5), continuously getting input from the rakyat (e.g., Open Days, SMS polls, focus groups), partnering with the rakyat in delivery (e.g., through the 1 House 1 Volunteer programme described in Chapter 6) and publishing our progress against the NKRA and MKRA targets annually.

B. We commit to **using resources prudently**:

- Maximise productivity from existing resources, before asking for more, by eliminating leakage, optimising service standards and applying innovative approaches

- Shift the most important, but scarcest, resources – leadership, talent, funding – to our highest priorities

- Invest first in the software of front-line and leadership talent, then only invest in infrastructure and other hardware

- Be flexible, challenging legacy policies and procedures, while adhering to good governance

Examples of our increasingly prudent use of resources include reducing operating expenditure in the 2010 Budget by 14% compared to 2009, revamping existing processes to become more efficient (e.g., the tender processes described in Chapter 10) and finding new least-cost ways of increasing connections to clean water in rural areas (e.g., tube wells and gravity wells, also described in Chapter 10). In the 2010 Budget, we also announced measures to optimise our use of assets (e.g., renting out under-utilised facilities and identifying assets to be sold to or jointly managed with GLCs) and to apply an outcome-based budgeting (OBB) system. Under this system, we will conduct robust cost-and-benefit analyses to gauge the impact of expenditures prior to approving them.

C. We will **collaborate with the best in and out of government:**

- Enhance leadership and partnership between Ministers and KSUs to lead delivery jointly

- Break through boundaries and deliver as one Malaysian government by selectively introducing new structures for delivery and simplifying existing structures

- Build hybrid capabilities for delivery by attracting Malaysia's top talent and organisations from the public, corporate and social sectors

- Engage with the civil service as intensely as with the rakyat, communicating a clear and meaningful direction and regularly seeking input

Evidence of our efforts so far in intensifying collaboration can be seen through the setting up of the NKRA and *1Malaysia* Labs (which comprised cross-ministerial civil servants and representatives from the private and social sectors) and working with non-governmental organisations to reduce drug-related street crime (discussed in Chapter 6). In addition, the recently launched talent exchange programme between the Government and GLCs should help further strengthen the capability and versatility of both the public and private sector.

D. We pledge to **manage outcomes to the highest standards:**

- Set concrete, high aspirations, ideally to international standards

- Rigorously plan delivery and make decisions informed by facts from independent and credible sources

- Establish clear, single-point accountability, supported by the consistent use of differentiated, meaningful rewards and consequences

- Monitor and manage the delivery of outcomes that make a real difference, not just inputs and outputs

Signs of change towards our management of outcomes include adopting Transparency International's Corruption Perception Index as one of the KPIs for the Corruption NKRA, building new rural basic infrastructure at a scale and pace of up to 11 times that of previous programmes (see Chapter 10) and committing significant amounts of time of the highest leaders of government in regular PM-led Delivery Task Forces and performance reviews of ministers.

## 13.1.2 The Government will manage delivery of NKPIs and MKPIs intensely, and ensure that ministries meet their targets

We have established several mechanisms to ensure that we are effective in managing delivery. This is in response to rakyat feedback during the Open Days, which called for quick and effective implementation. These reporting and review mechanisms signal our new way of doing things, as well as our seriousness in allocating resources, managing performance and promoting accountability for results.

**Flash Reports to Cabinet and on-demand status reports:** All NKRA delivery plans, NKPI targets and trajectories have been entered into Project Monitoring System II (SPP II), an online system used to track progress of government projects managed by the ICU.  Data on actual performance will be uploaded regularly into SPP II (some even in real time). This will allow teams to monitor their respective progress and launch early interventions, if necessary, to get back on track. Flash Reports will be distributed to all Cabinet Ministers every month (or on demand when required) to update the Cabinet on the progress of each NKPI against target (Figure 13.2), enabling it to monitor progress towards milestones and address issues as soon as they arise.

Figure 13.2

**SPP II will enable top-level tracking of NKPIs as well as granular activity-level progress tracking of initiatives**



| Flash report of NKPIs for each NKRA | NKPIs trend report | Project monitoring reports |
|---|---|---|
| ■ Monthly/on-demand top-level report of each NKPI performance<br>■ Reported to cabinet<br>■ Traffic lights track targets against actuals for each NKPI | ■ Further details on each NKPI to help determine problems at more granular level<br>■ Visibility of overall NKPI trends | ■ Progress tracking of projects linked to NKRAs<br>■ Further detailed reports help provide information on delayed or late projects |

SPP II will also allow the Cabinet to obtain – on demand – the targets, detailed delivery plans, specific owners, timelines and resource requirements developed by the labs. The delivery plans are not reproduced in this roadmap due to their sheer volume (more than 100 programmes comprising more than 2,000 projects). To demonstrate the level of detail of the plans, an excerpt (for the Crime NKRA) is shown in Figure 13.3. A sample showing how the delivery plan details have been collated in SPP II is shown in Figure 13.4.

**Figure 13.3**

### Crime NKRA activity planning – Motorcycle security features

| Detailed activities | Start date | End Date | Responsible |
|---|---|---|---|
| **Mark body parts using Vehicle Identification Number (VIN/DNA) system and capture in manufacturer database. Place security mark on parts of motorcycles** | | | |
| Engage manufacturers, JPJ, MITI, SAC ll Chee Cheng Wan, FMM | 15 Dec 09 | 31 Dec 09 | Dato'Abd Rahim |
| Prepare policy | 01 Jan 10 | 14 Mar 10 | Dato' Solah |
| Announce policy to public | 15 Mar 10 | 30 Mar 10 | Dato' Solah |
| Get manufacturers prepared | 01 Apr 10 | 31 May 10 | KSU MOT |
| Implement | 01 Jun 10 | 31 Dec 13 | Manufacturer |
| **Control the issuance of e-Plate number** | | | |
| Set standard plate number | 01 Dec 09 | 31 Dec 09 | Norlizawaty, JPJ |
| Create regulation on e-Plate issuance plate number | 01 Jan 10 | 30 Mar 10 | KSU MOT |
| Get manufacturers prepared | 01 Apr 10 | 31 May 10 | MITI |
| Implement | 01 Jun 10 | 31 Dec 13 | Dato' Solah |
| **Implement security features as a motorcycle standard package (for new motorcycles)** | | | |
| Define standard security features for motorcycle (e.g., U-Lock, circuit breaker switch) | 01 Dec 09 | 31 Dec 09 | Shahrul, Urusetia VTAC JPJ |
| Establish policy/regulation on installation of standard motorcycle security features | 01 Jan 10 | 30 Mar 10 | KSU MOT |
| Ensure imported vehicleS subscribe to policy | 01 Jan 10 | 30 Mar 10 | KSU MITI |
| Get manufacturers prepared | 01 Apr 10 | 31 Dec 10 | KSU MITI |
| Implement | 01 Jun 10 | 31 Mar 13 | Manufacturers |

**Figure 13.4**

EXAMPLE

### Delivery plans are recorded in SPP II from the NKPI down to activity-level details



Detailed activity plans and owners for each initiative

Gantt charts to display detailed activity plans and timelines

**PM-led, cross-ministerial Delivery Task Force (DTF):** While the PM has designated lead ministers and lead ministries and/or agencies to be accountable for end-to-end delivery of each NKRA, we have set up a DTF for each NKRA to sign off on delivery plans, monitor progress and refine implementation strategies as required. Each DTF has met once every six weeks since July 2009.

The make up of the DTFs for each NKRA is shown in Figure 13.5.

Figure 13.5

**Members of Delivery Task Forces**

| | Crime | Corruption | Education | Low-income households | Rural basic infrastructure | Urban public transport |
|---|---|---|---|---|---|---|
| **Prime Minister** | | | Dato' Sri Mohd Najib Tun Razak | | | |
| **Lead Minister** | Dato' Seri Hishamuddin Tun Hussein, Minister of Home Affairs | Dato' Seri Mohamed Nazri Abdul Aziz, Minister in the PM's Department | Tan Sri Muhyiddin Yassin, Minister of Education | Dato' Sri Shahrizat, Minister of Women, Family and Community Development | Dato' Seri Mohd Shafie Apdal, Minister of Rural and Regional Development | Dato' Sri Ong Tee Keat, Minister of Transport |
| **Participating Ministers (non-exhaustive)** | ▪ Local Govt<br>▪ Federal Territories | ▪ Home Affairs<br>▪ Local Govt<br>▪ Works | ▪ Rural and Regional Dev<br>▪ Unity | ▪ Agriculture<br>▪ Rural and Regional Dev | ▪ Works<br>▪ Energy<br>▪ Plantation | ▪ Finance<br>▪ Law<br>▪ Home Affairs |
| **PEMANDU** | | | Tan Sri Dr Koh Tsu Koon, Chairman<br>Dato' Sri Idris Jala, CEO | | | |
| **Chief Sec. to the Govt (KSN)** | | | Tan Sri Mohd Sidek Hassan | | | |
| **Lead Perm. Sec. (KSU)/Deputy Perm. Sec. (TKSU)/DG (KP)** | Dato' Sri Mahmood Adam, KSU, Ministry of Home Affairs | Dato' Abdullah Sani Ab. Hamid, KP Legal Affairs Division, PM's Department | Tan Sri Dr Zulkurnain Awang, KSU, Ministry of Education | Datuk Nor Hayati Sulaiman, KSU, Ministry of Women, Family & Community Dev't | Dato' Abdul Jabar Che Nai, KSU, Ministry of Rural and Regional Development | Dato' Long See Wool, TKSU, Ministry of Transport |

The PM's leadership in all six DTFs allows him to be personally involved in reviewing and challenging progress, problem-solving, decision-making and holding the lead ministries and agencies accountable. It is also a valuable forum that supports continued collaboration and drives Lead Ministries and Agencies to work diligently towards meeting milestones. The PM's time commitment is considerable, as the cycle of one DTF meeting per NKRA every six weeks effectively means he meets with one DTF every week.

**PM-Minister Reviews, based on stocktakes and Delivery Reports:** A formal stocktake meeting is held once every six months, for each NKRA and MKRA, between the Prime Minister and the Lead Minister. This formal meeting enables the Prime Minister to use the Delivery Report to assess the mid- and end-year achievements of each Minister and decide on key actions needed to boost likelihood of delivery success.

The first stocktake meetings were held in November and December 2009. The second and third meetings will be held in June and December 2010.

In preparation for the stock takes, PEMANDU will prepare and send a confidential Delivery Report to the Prime Minister every six months. The report summarises the progress of all NKPIs and MKPIs over the previous half year and contains action plans for the next half year to resolve key roadblocks to achieving targets. The report also ranks the NKPIs according to likelihood of delivery. The progress report and ranking will then be used by the Prime Minister as the basis for his dialogues with the relevant ministers in the stocktake meetings.

The first Delivery Report was submitted to the Prime Minister in November 2009, and subsequent reports are due in May and November 2010.

**Performance Assessment:** We adopted best practice in managing performance for this transformation programme, which takes into account two critical aspects. As discussed in Chapter 1, these are:

- The need to encourage stretch, ambitious targets. We realise that, if not managed properly, there is a great tendency to set very modest targets, which defeats our purpose of inculcating a high-performance culture

- The need to be transparent and robust in assessing performance against the agreed KPI targets in order to ensure accountability

In the pursuit of transformation to achieve big results fast, we have taken such large strides deliberately. Bearing in mind that we have set stretch and ambitious KPI targets for the NKRAs and MKRAs, we will take appropriate action for different levels of achievement of ministers and civil servants, as shown in Table 13.1. Distinctive performance will be appropriately rewarded, while lack of progress will be addressed by providing extra support or changing the setup or composition of the team.

**Annual Report:** We will publish annual reports every first quarter to report on our progress and hold ourselves accountable to the rakyat. These reports will contain excerpts from the Delivery Report, including progress against NKPIs and MKPIs. They will single out distinctive ministries, as well as identify measures to improve performance where necessary (Table 13.1). The reports will also detail new metrics and targets for subsequent years.

| Table 13.1: Performance management of ministries | |
|---|---|
| **Achievement (% of KPI targets)** | **Action** |
| 90-100+ | Hold up as inspirational case study for other parts of government |
| 80-89 | Commend and challenge to raise aspirations |
| 70-79 | Provide appropriate support and resources to continue and upgrade delivery |
| 60-69 | Provide help, coaching and problem-solving support to meet targets |
| <60 | Provide extra help and activate consequence management (e.g., potentially change team structure and composition) |

As mentioned in Chapter 1, since we have set stretch targets, we expect mixed levels of achievement versus targets. In effect, this means that not all the targets will be achieved. If they were, this would be a sign that we had not stretched our aspirations enough.

### 13.1.3 The Government has set up PEMANDU to accelerate delivery

To assist the PM in managing the delivery of the NKRA and MKRA outcomes, we set up PEMANDU in August 2009. Tan Sri Dr Koh Tsu Koon was appointed Chairman and Dato' Sri Idris Jala was appointed Chief Executive Officer.

While the responsibility for end-to-end delivery of NKRA and MKRA outcomes ultimately rests with the respective ministries, PEMANDU has been mandated to:

- Catalyse bold changes in public sector delivery, e.g., assist civil service and ministries to find improvement opportunities in their procedures

- Support the ministries in the delivery planning process, e.g., problem-solving and challenging their plans and approaches to implementation

- Support the removal of obstacles to progress, e.g., coordinating cross-ministerial interdependencies and issues

- Work with ministries to ensure that all required data for performance tracking is available, complete, consistent and accurate

- Monitor performance by maintaining a database of high quality performance data

- Provide an independent view of performance and progress to the PM and ministers, facilitate progress reviews, make recommendations and highlight areas for immediate attention

In terms of performance management and reporting, PEMANDU will:

- Submit monthly Flash Reports to all Cabinet Ministers

- Facilitate DTF and stocktake meetings

- Submit half-yearly Delivery Reports to the Prime Minister

- Publish the Government's progress against NKPI and MKPI targets annually

The Government wishes to underscore the importance of PEMANDU's role, as well as use it as to seed a greater performance-based culture in government. Hence, PEMANDU has been specially designed and resourced to be a highly capable and performance-oriented unit.

To attract the highest quality human resources, PEMANDU was set up as a hybrid organisation. It has gone through a rigorous process to identify and appoint the best and brightest people, not only from across the civil service, but also from the private sector. All staff possess outstanding leadership skills and problem-solving abilities and share a passion for public service. PEMANDU will further build its team's capabilities through a continuous structured professional development and coaching programme.

In addition, to instil a performance focus, the remuneration of PEMANDU personnel is linked to the achievement of tangible results, and reviews of their performance are based on transparent metrics. This is a break from usual government practice, but is in line with that of high-performing organisations, which recognise, differentiate and reward staff who perform well.

### 13.1.4 The Government will intensify existing government transformation initiatives under various agencies

Prior to the GTP, the civil service had already embarked on various transformation efforts, with many early successes. Notable efforts are highlighted in Figure 13.8.

## Instruction to deliver: The Prime Minister's Delivery Unit (PMDU) in the UK

By the end of the first term of the UK's Labour Government in 2001, the British public had become impatient for improved government performance. Re-elected in 2001, the Prime Minister, Tony Blair, responded to the people's "instruction to deliver" by establishing the PMDU. The PMDU had a mandate to drive progress on specific targets in four key areas identified by the Government – health, education, transport and crime and also to report on performance and contribute to civil service capability-building (Figure 13.6)

Figure 13.6

**UK's PMDU focused on 10-20 national priorities across 4 key areas**
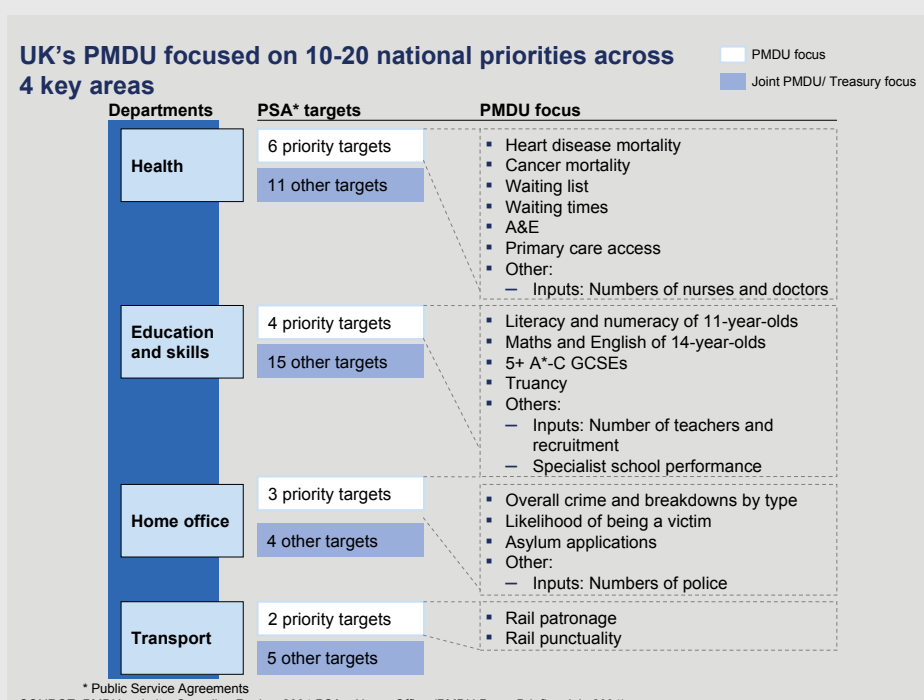


The PMDU was also mandated to report directly to him on performance and contribute to building the capability of the civil service (Figure 13.7).

Figure 13.7

**UK's PM set up the PMDU to drive delivery of priority areas, report to him on performance and build civil service capabilities**
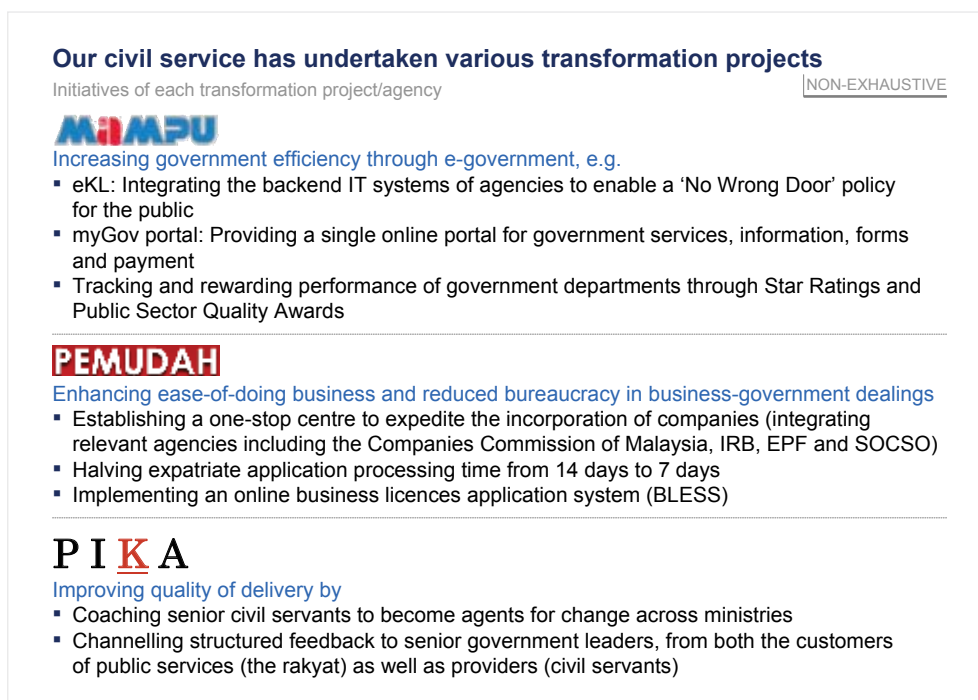
| Report on performance | Drive delivery in priority areas | Build capabilities by role modeling best practices |
|---|---|---|
| ▪ Facilitate fact-based dialogue between PM and departments on progress against targets<br><br>▪ Collect and analyse robust performance data, producing scorecards for departments' past performance against targets and assessing likelihood of delivery | ▪ Identify issues and root causes preventing delivery of targets<br><br>▪ Support development of delivery plans against public service agreements<br><br>▪ Prioritise resources against key targets and issues<br><br>▪ Work collaboratively with departments to accelerate the delivery of specific frontline projects and pilots | ▪ Build skills for civil servants by working alongside them<br><br>▪ Demonstrate use and power of data in departments<br><br>▪ Model new ways of working to drive delivery of priorities<br><br>▪ Launch structured capability reviews of government departments |

Source: Interviews with former Head of the PMDU

To empower the PMDU to perform its role successfully, it reported directly to the Prime Minister and was led by a civil servant with a strong track record of delivery. To further boost the PMDU's capabilities, its human resources combined the best talents from the civil service and secondees from the private sector.

Initially, successful delivery was a challenge, but over time, targets began to be achieved. By December 2004, over 80% of targets had been achieved or were on track for delivery, compared to just under 50% in the previous year.

Figure 13.8

**Our civil service has undertaken various transformation projects**

Initiatives of each transformation project/agency                NON-EXHAUSTIVE

**MiMPU**

Increasing government efficiency through e-government, e.g.
- eKL: Integrating the backend IT systems of agencies to enable a 'No Wrong Door' policy for the public
- myGov portal: Providing a single online portal for government services, information, forms and payment
- Tracking and rewarding performance of government departments through Star Ratings and Public Sector Quality Awards

**PEMUDAH**

Enhancing ease-of-doing business and reduced bureaucracy in business-government dealings
- Establishing a one-stop centre to expedite the incorporation of companies (integrating relevant agencies including the Companies Commission of Malaysia, IRB, EPF and SOCSO)
- Halving expatriate application processing time from 14 days to 7 days
- Implementing an online business licences application system (BLESS)

**PIKA**

Improving quality of delivery by
- Coaching senior civil servants to become agents for change across ministries
- Channelling structured feedback to senior government leaders, from both the customers of public services (the rakyat) as well as providers (civil servants)

We will continue and intensify these efforts into 2010 and beyond, to raise our ability to serve the rakyat more effectively and efficiently. For example, measures introduced in the 2010 Budget include:

- Upgrading INTAN Bukit Kiara to be an autonomous School of Government, with high quality faculty and collaborations with the best international institutions

- Rolling out the usage of a single reference number for each individual and company to facilitate faster cross-referencing for all dealings across government agencies

### 13.1.5 The Government will continue to enhance productivity to ensure delivery happens with minimum resources

Historically, we have attempted many ways of enhancing productivity, including expanding e-government to reduce transaction costs (e.g., encouraging online tax payments), trimming procurement costs through e-procurement and providing training to civil servants to be more effective and efficient (e.g., through INTAN, PIKA and the GLC cross-fertilisation programme).

As Malaysia's current fiscal position compels us to reduce our operating expenditure and yet still deliver more aggressive outcomes, we commit to improving productivity even further and are considering various management, technology, operations, asset management and finance levers. For instance we may look to improving managerial capabilities within the civil service, particularly on performance management, talent management and lean operations. We may also consider reforms in the use of ICT, such as shifting official correspondence from paper copies to electronic copies (via e-mail). In the area of operations, we may consider applying lean transformation to selected activities such as collecting tax, operating hospitals, paying welfare benefits and procuring goods and services. Asset management holds some possibilities to improve the productivity of our physical and financial assets: we announced measures under the 2010 Budget to optimise asset usage by renting out under-utilised facilities and identifying assets to be sold.

## Crisis management, reform and productivity: public-sector budgetary reforms in Sweden in the 1990s

The Swedish fiscal and economic crisis in the 1990s was in many ways a microcosm of today's global downturn. For three consecutive years, GDP fell and the rate of unemployment trebled to over 10%. Budget deficits rose above 10% of GDP, causing widespread speculation of state bankruptcy in the summer of 1994. The Swedish Government used the opportunity created by the crisis to introduce a fiscal efficiency programme:

- **Created sense of urgency** with an initial 11% cut in the operational budgets of all agencies. The agencies' awareness of the crisis was instrumental, as no one could deny the necessity of rapid action

- **Tightly controlled public expenditure** going forward by setting hard expenditure ceilings and allowing agencies to roll over up to 3% of their operational budget to other years. This took away the pressure and any incentive on agencies to spend all of their budgets every year

- **Forced agencies to implement efficiency measures** by deducting an automatic productivity factor from the expenditure ceiling every year

The savings generated were remarkable. Sweden's government expenditure fell from 72% of GDP in 1993 to about 55% by the end of the decade. Moreover this drop did not come at the expense of the quality of public services. For instance, the tax agency managed to improve productivity significantly between 1998 and 2008, while the citizens' satisfaction index for the agency increased from 57% to 64%.

## 13.2   Horizon 2 (2012–2015): The Government commits to broad and deep transformation

In the medium term from 2012 to 2015, we will carry out a broader and deeper transformation, with a view to strengthening the professional development of the civil service, generating more efficiency savings and improving delivery capabilities. Such transformational measures will potentially include:

- **Strengthening performance management** across all levels of government, including cascading the use of KPIs to all civil servants and implementing differentiated performance-based rewards and consequences.

- **Raising the level of capability** across government, including instituting structured professional development (e.g., regular performance dialogues and coaching) and raising the entry bar into the civil service.

- **Further improving efficiency**, including streamlining the Government structure, e.g., reducing layers of bureaucracy by reorganising ministries and agencies. We have already taken a first step by rationalising and reducing the number of ministries by two in 2008.

## Strengthening accountability and rewarding productivity: Differentiated pay schemes in public sectors worldwide

The concept of remunerating civil servants based on performance is common in most developed countries (Figure 13.9). Productivity pay systems range from annual bonuses on top of base pay (e.g., in the USA), to setting a certain percentage of base pay at risk, paid only if performance meets a set standard (e.g., in Canada). While in some countries, only the pay of top and middle management is tied to performance (e.g., in Denmark), in others, productivity incentives are applied to the whole civil service (e.g., in Singapore).

Criteria and evaluation systems are often structured and rigorous. For instance, Denmark assesses its public sector employees based on financial and managerial KPIs, while South Korea uses a combination of outcomes and competencies demonstrated on the job.

### Figure 13.9

**Individual performance-based pay for civil servants is common in many developed countries**    NON-EXHAUSTIVE

| Country | Form | Scope of personnel | Evaluation criteria | % of base salary |
|---|---|---|---|---|
| USA | ▪ Annual bonuses | ▪ Senior Executive Service (highest level not nominated by President) | ▪ Personal and departmental goals | ▪ 5-20% |
| Denmark | ▪ One-off bonuses and merit increments | ▪ Mostly top management and second-tier managers | ▪ KPIs, e.g., finance, customer service | ▪ N/A |
| South Korea | ▪ Annual merit incremental programme ▪ Lump sum bonus | ▪ Division Directors and above ▪ Division Directors and below | ▪ Annual goals/ outcomes ▪ Mixture of outcomes, ability and attitude | ▪ 3-8% ▪ 40-110% |
| Canada | ▪ Variable at-risk pay when expectations met ▪ Annual bonus for surpassing expectations | ▪ Executives and senior officials (e.g., Directors, DGs) | ▪ Results (KPIs) and key leadership competencies | ▪ N/A |
| Other OECD | ▪ One-off bonuses and merit increments | ▪ Country-dependent (some cover most government employees, some cover senior staff only) | ▪ Various, including KPIs and competencies | ▪ From 1-50% |
| Singapore | ▪ Performance bonus and increments | ▪ Top public servants (e.g., permanent secretaries) ▪ General public servants | Country performance (e.g., GDP) and individual performance | ▪ Up to 7 months bonus ▪ Average 2 months bonus |

Source: US Office of Personnel Management, State of the Public Service (2008, OECD), Republic of Korea Civil Service Commission, State Employers' Authority (Denmark), Singapore Public Service Division

## Whole government transformation in France

In 2007, France had one of the highest levels of government spending among all the OECD countries, reaching more than 52% of GDP. The key challenge the French government faced was to convince civil servants and citizens that it needed to reduce public spending, but that those reductions would not result in a decline in public services.

The French President, Nicolas Sarkozy, decided to launch a whole government transformation – a systematic review of all public policies and administrations – with the goal of doing more with less (Figure 13.10):
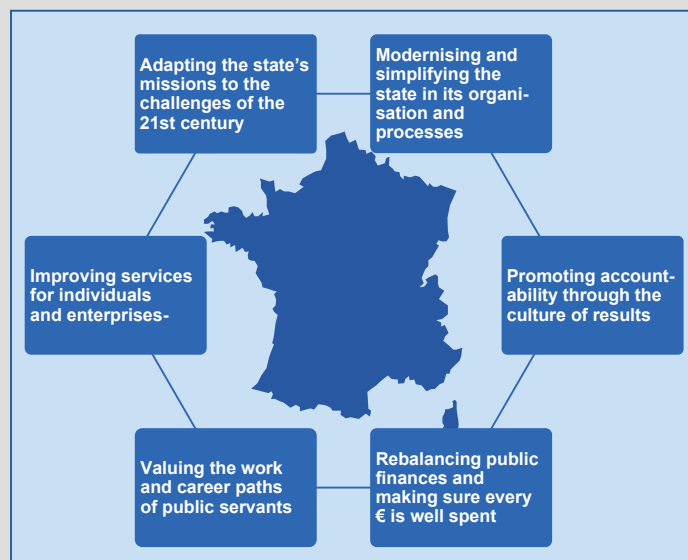
- Rationalise government administration expenses, with an expected impact of EUR 7.7 billion

- Improve services for citizens and companies

- Modernise the state's organisation and processes

- Value the work and career paths of public servants

The Government launched 370 initiatives simultaneously in all ministries and administrations, setting the path for the French government's modernisation effort over the next five years. The reforms pulled all improvement levers, including organisation, the application of lean transformation processes, digitisation and performance management. They also aimed to streamline government, with both intra-ministry transformations (e.g., merger of the public finance and tax collection administrations within the Budget Ministry) and broader cross-department reforms (e.g., pooling support functions such as real estate asset management). Significantly, to provide impetus to the whole programme, the Government announced that one out of every three retiring civil servants would not be replaced.

In order to better manage all public spending, the French government has already started to engage in the next wave of reforms by broadening the modernisation effort to 650 state agencies.

Figure 13.10

**Performance vision for France's public services in 2012**

Adapting the state's missions to the challenges of the 21st century

Modernising and simplifying the state in its organisation and processes

Improving services for individuals and enterprises-

Promoting accountability through the culture of results

Valuing the work and career paths of public servants

Rebalancing public finances and making sure every € is well spent

Source: French Directorate for State Modernization (DGME); French Ministry of Budget

### Backs to the wall: Public sector reforms in New Zealand

In the mid 1980s, New Zealand faced a substantial economic crisis: a fiscal deficit of 6–7% of GDP, a current account deficit of 9% of GDP, double-digit inflation, rising unemployment and, at one stage, 20% devaluation of the New Zealand dollar. There was a widely-shared belief that change was urgently required.

In response, the New Zealand government undertook a comprehensive and rapid programme of micro and macro-economic reform. A key part of its reform agenda was broad reform of the public sector, including simultaneously introducing performance accountability and a budgeting regime to increase the productivity of government departments. Initiatives included:

- **Empowering chief executives of each agency while strengthening accountability in return:** Government gave chief executives hiring and firing ability, but at the same time made them specifically accountable to the relevant minister for clear deliverables

- **Instituting data transparency and credibility to facilitate decision-making and performance monitoring:** Government set up the Crown Monitoring Unit as an independent monitoring and statistical body, instituted transparent financial reporting and used private sector standards wherever possible to evaluate performance

- **Exploiting IT driven efficiency savings:** Government rationalised the civil service by almost 30% and better leveraged IT, such as introducing new algorithms to increase the efficiency of tax collection monitoring

The results of the reforms to government were considerable: significantly improved productivity levels, with better quality and management practices, and unit cost savings in excess of 20% in many cases. The fiscal deficit transformed into a sustainable surplus within a decade.

### 13.3 Horizon 3 (2015–2020): Rakyat-centric models of public service delivery

The Government will move towards a new model of smaller government while simultaneously enhancing the quality of public services. We will promote innovation, choice and competition, and increase the role of the private sector in public service provision. Ultimately, Malaysia should see the size of its Government fall significantly as a proportion of GDP, without a reduction in the quantity and quality of public services offered.

"Going forward, there is significant scope for the Government to use private finance initiatives as a means for the Government to also enhance quality and efficiency of the public sector and at the same time, play a role as economic developer. A good example is in the space of healthcare and education, two service sectors which have been identified as having significant growth and export potential. The Government can move from providing such services, i.e., building and operating new hospitals and universities, towards purely financing such public services by procuring such services from the private sector"

(Tan Sri Nor Mohamed Yakcop, Minister in the Prime Minister's Department. Speech to World Bank Brainstorming Session, 7 May 2009)

Among other goals, we will endeavour to:

- Develop a rakyat-centric mindset and culture by creating an environment of competition and choice for public services

- Empower frontline public service personnel to deliver and do what is required to meet customer needs

- Apply lean transformation principles to all government processes to eliminate waste (leveraging lessons from selected lean transformations in Horizon 2)

- Establish wide-ranging roles for the private sector in public service delivery, and reallocate our resources to areas where government is truly the best provider. In fact, we have already taken preliminary steps, with our 2010 Budget announcement of the privatisation of selected Ministry of Finance companies and other government agencies offering various public services.
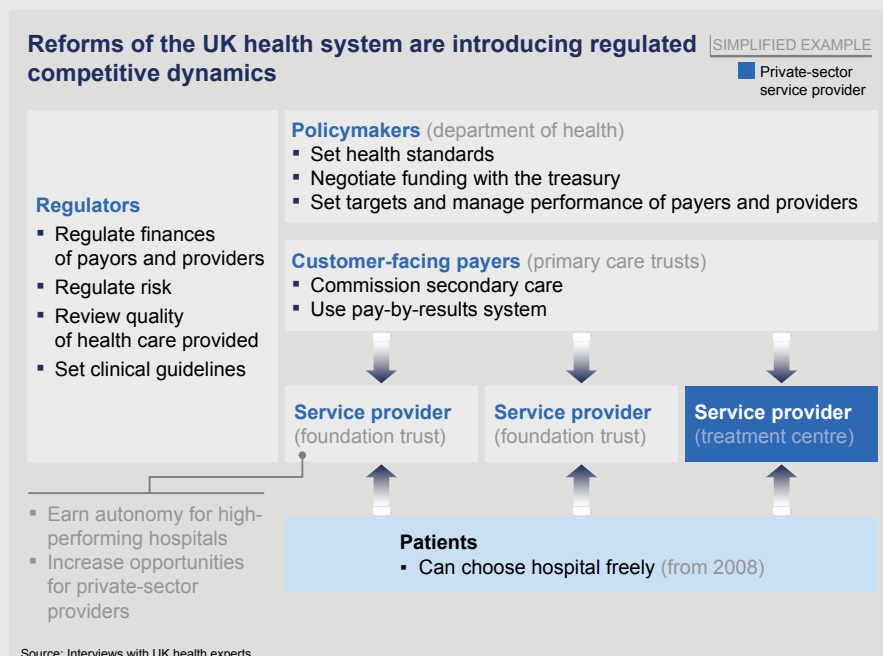
## Competitive dynamics in public hospital provision in the UK

Healthcare is an area where complete privatisation may be difficult, for reasons of equity, feasibility and politics. However, the UK's National Health Service (NHS) offers an example of how governments can enhance provision of healthcare services by introducing choice and competition.

The Government, through the Department of Health and health regulators, defines the strategic direction and manages the performance of the national healthcare system (Figure 13.11). It also channels funding to primary care trusts (PCTs), who are responsible for citizens in their areas. The PCTs control their own budgets and set their own priorities (within the overriding budget and priorities of the Government). They are responsible for commissioning and paying providers for care services. Providers come from the public or private sector, and patients are free to choose their providers for elective care, e.g., which clinics or hospitals to use for planned surgeries such as knee and hip replacements. This of course has implications for the funding the providers receive from the PCTs and hence drives competition. Competition amongst public sector providers, and between public and private sector providers, induces productivity and service improvements in frontline provision of healthcare services.

While, in practice, the NHS currently still provides 98% of its own care, the model foreshadows how customer choice could have great impact in the future.

Figure 13.11



**Reforms of the UK health system are introducing regulated competitive dynamics**    SIMPLIFIED EXAMPLE

■ Private-sector service provider

**Regulators**
- Regulate finances of payors and providers
- Regulate risk
- Review quality of health care provided
- Set clinical guidelines

**Policymakers** (department of health)
- Set health standards
- Negotiate funding with the treasury
- Set targets and manage performance of payers and providers

**Customer-facing payers** (primary care trusts)
- Commission secondary care
- Use pay-by-results system

- Earn autonomy for high-performing hospitals
- Increase opportunities for private-sector providers

**Service provider** (foundation trust)

**Service provider** (foundation trust)

**Service provider** (treatment centre)

**Patients**
- Can choose hospital freely (from 2008)

Source: Interviews with UK health experts

## Publicly funded, privately provided, world-class education: Independent schools in Sweden

The provision of education is another area where governments worldwide are expanding partnerships with the private sector. One such example is the system of independent schools in Sweden.

In Sweden, there are over 800 independent schools established to help increase freedom of choice and deliver better quality education through competition and cost-effectiveness for the Government. Such schools served almost 10% of students in compulsory education in 2008 (up from just 1% in 1990). They are free, open-enrolment and privately-run, but publicly-funded. They receive the same funding as municipal (government) schools and must conform to the national curriculum and objectives, but otherwise have free rein over pedagogy and timetables.

Quality control is market-driven, as each Swedish child is provided a voucher, which parents use to obtain a place at a school of their choice. Since funding follows the student, independent schools have an incentive to focus on student outcomes and constantly raise standards of teaching.