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APRIL 2017 | THE MALAYSIA DEVELOPMENT EXPERIENCE SERIES

Driving Performance from the Center

Malaysia's Experience with PEMANDU



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The report is based on information as of December 2016.

List of Acronyms

APMF	Activity Performance Management Frameworks
AUP	Agreed Upon Procedures
BFRI	Big Fast Results Institute
BRN	Big Results Now
BRT	Bus Rapid Transit
CAGR	Compound Annual Growth Rate
CCE	Communications Content and Infrastructure
CEO	Chief Executive Officer
COL	Cost of Living
CSL	Competition, Standards & Liberalisation
DMO	Delivery Management Offices
DU	Delivery Units
ECCE	Early Childhood Care & Education
EDU	Education
E&E	Electrical & Electronics
EKSA	Public Sector Conducive Ecosystem
EPP	Entry Point Projects
EPU	Economic Planning Unit
ETP	Economic Transformation Programme
GDP	Gross Domestic Product
GKL/KV	Greater Kuala Lumpur and Klang Valley
GNI	Gross National Income
GST	Goods and Services Tax
GTP	Government Transformation Programme
HCD	Human Capital Development
HRM	Human Resource Management
ICU	Implementation and Coordination Unit
IE	Impact Evaluation
KEMAS	Department of Community Development
KPI	Key Performance Indicator
KSN	Chief Secretary to the Government
KTM	Malayan Railways Limited
LIH	Low Income Households
LINUS	Literacy and Numeracy Screening
LRT	Light Rail Transit
LTPP	Long Term Perspective Plan
MAMPU	Malaysian Modernisation and Management Planning Unit
MDAs	Ministries, Departments and Agencies

MDU	Ministerial Delivery Unit
mg/L	Milligram per Litre
MITI	Ministry of Trade and Industry
MOE	Ministry of Education
MOF	Ministry of Finance
MoU	Memorandum of Understanding
MRT	Mass Rapid Transit
NBOS	National Blue Ocean Strategy
NGO	Non-Government Organisations
NITI	National Institution of Transforming India
NKEA	National Key Economic Area
NKRA	National Key Result Area
NPA	National Priority Areas
NTP	National Transformation Programme
OBB	Outcome Based Budgeting
OECD	Organisation for Economic Co-operation and Development
OGE	Oil, Gas & Energy
PADU	Education Performance and Delivery Unit
PDB	President's Delivery Bureau
PEMANDU	Performance Management and Delivery Unit
PEMNA	Public Expenditure Management Network in Asia
PEMUDAH	The Special Task Force to Facilitate Business
PM	Prime Minister
PMD	Prime Minister's Department
PMDU	Prime Minister's Delivery Unit
PPMF	Program Performance Management
PSD	Public Service Department
PSDT	Public Service Delivery Transformation
PSM	Problem Solving Meeting
PSTF	Public Sector Transformation Framework
PwC	PricewaterhouseCoopers
SOE	State-Owned Enterprises
SPP2	Project Monitoring System (managed by ICU)
SPV	Special Purpose Vehicle
SRI	Strategic Reform Initiative
TDC	Transformation and Delivery Council
U.S.	United States
UKP4	President's Delivery Unit for Development Monitoring and Oversight
UPT	Urban Public Transport
USD	United States Dollar
W&R	Wholesale & Retail

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Foreword

When I began my journey in 2009 with the public sector under the appointment of the Prime Minister, Malaysia was beset with four problems. Firstly, there had been concerns that Malaysia was caught in the middle income trap since the 1990s. Secondly, our fiscal deficit was reported at 6.6 percent. Thirdly, our Government debt was rising at 12 percent per annum of GDP. And fourthly, we needed to move the country into high-income status by 2020.

I agreed to take on the task to start and lead a team, which we now all know very affectionately as PEMANDU, because I was given the assurance by the Prime Minister in 2009 that the government is altogether committed in the pursuit of sustainable and inclusive socioeconomic transformation.

That commitment proved to be catalytic and is firmly established in the National Transformation Program (NTP), which kicked off in 2010. According to the latest available data from the World Bank, Malaysia's GNI per capita as at 2015 was USD10,570, just 15 percent short of the current high-income threshold of USD12,475. In comparison, our GNI per capita was USD8,280 in 2010. There was a gap of 33 percent from the then-high-income threshold of USD12,276. Additionally, we have catalyzed a 2.2 times growth in the compound annual growth rate (CAGR) of private investment. While the previously recorded CAGR was 5.5 percent in 2006-2010, private investment recorded a CAGR of 12.1 percent between 2011- 2015.

And we have achieved this without further compromising our fiscal deficit, which in fact has improved from 6.6 percent of GDP in 2009 to 3.2 percent in 2015. This data clearly show that we

"To achieve transformation, leaders have to dance on the boundaries of expectations; gradually pushing the bubble from one dimension to another."

have been managing our fiscal position, moved out of the middle income trap, are more than halfway to high-income status, and on track to achieve our goals by 2020.

There is no denying that the government made some very tough calls on fiscal policies, as opposed to sticking with popular ones, to drive a sustainable and resilient economy. An adaptive change was required. Subsidies were cut. A Goods and Services Tax (GST) was imposed. Policies were also implemented to enable a friendlier business environment for the private sector to flourish. Since 2010, the NTP has been getting Malaysians to adapt to a new reality. A reality where they are expecting positive trade-offs for the opportunity cost.

To this end, through the NTP, we have helped raise the quality of life of everyday Malaysians in an inclusive way, such as through the completion of 5,286 km of rural roads benefiting 3.5 million people. We have also connected 144,025 rural houses to reliable electricity, lighting up the lives of 720,125 people; provided 1.68 million living in 334,593 rural houses with access to clean water; as well as having built and restored 79,137 houses benefiting 412,360 people.

I return to my point of leadership. Without the PM and his Ministers' leadership commitment, the NTP would have failed. In short, a concerted leadership is a critical prerequisite for any national transformation to succeed.

Marty Linsky, a professor at the Harvard University Kennedy School of Government and a co-founder of Cambridge Leadership Associates said, "Too often we focus on the inspirational aspects of leadership and not enough time talking about the perspirational aspects of it."

People are often uncomfortable with change. It is not easy to lead adaptive change. Clear, directed, resolute and committed leadership is key to transformation. Transformational leadership is about disappointing people at the rate that they will permit you to. To achieve transformation, leaders have to dance on the boundaries of expectations; gradually pushing the bubble from one dimension to another. That means taking tough measures that often go against the status quo. And prescribing focused intervention to problem-solve and accelerate progress.

Malaysia has been recognized by many global institutions, academic groups and governments in the course of the last seven years of the NTP as a model of national socioeconomic transformation. This did not come without the perspiration.

Dato' Sri Idris Jala
President and CEO
PEMANDU Associates Sdn. Bhd.

Executive Summary

Many governments have introduced delivery units (DUs) to tackle pressing implementation challenges, deliver on key political priorities, and better respond to citizen needs. Despite adopting good policies, governments often face implementation challenges in delivering outcomes. The outcomes citizens expect from governments often have a long results chain: from defining policy priorities to policy formulation, policy implementation, and service delivery outcomes for citizens. Governments have recognized that enhancing public sector performance is key to achieving better citizen outcomes. DUs at the center of government are one type of such a solution. Under the right circumstances, DUs can help to strengthen the link between a given policy and citizen outcomes. They can also work to create strong performance incentives, driving the public sector to produce high-quality outputs in an efficient and accountable manner.

Malaysia introduced the Performance Management and Delivery Unit (PEMANDU) in 2009. Since its inception, PEMANDU helped design and then facilitated the implementation of the National Transformation Program (NTP), a set of high-level strategic priorities of the government broken down into concrete interventions. NTP has been implemented by ministries, departments, and agencies (MDAs), while PEMANDU helped track, monitor, and de-bottleneck the process. PEMANDU became the largest and one of the most prominent DUs in the world, with many countries looking to learn from its experience.

Malaysia's experience with PEMANDU is best understood in the context of the country's broader development journey and public sector performance culture. Malaysia's public sector development, which pre-dates PEMANDU, has created an enabling environment that set the stage for PEMANDU. Since the country's independence in 1957, Malaysia's public sector focused on solving development challenges facing the newly-independent country, including providing services to eradicate poverty and build up infrastructure to enable the diversified growth of its economy. The focus has been on results from the very beginning. This performance orientation created elements of a performance culture. As the public sector developed, it also gave rise to an institutional ecosystem for performance management. These elements provided the foundations on which PEMANDU could build.

What makes PEMANDU effective?

By design, PEMANDU fulfills multiple roles that are well-defined and sequenced. PEMANDU's signature methodology, "Eight Steps of Transformation," ensures its focus on key tasks at every point in time. These eight steps start with the strategic direction from the cabinet on government's priorities early in the government's term. PEMANDU helped break down these high-level priorities into concrete interventions contained in the NTP and create stakeholder ownership. After that, PEMANDU has acted as technical support to MDAs in implementing the NTP, including setting and monitoring the key performance indicator (KPI) targets. If problems occurred during implementation, PEMANDU escalated the process to progressively higher levels of decision-making to de-bottleneck the implementation. Toward the end of the cycle, the reported KPIs were validated by a third party and communicated to the stakeholders and the public through the annual report.

PEMANDU's goals are specific and granular in order to create maximum focus and accountability for results. The key to success of any DU is to focus on a limited number of well-defined priorities. For PEMANDU, these priorities are defined by the NTP: eight national key results areas (NKRAs), twelve national key economic area (NKEAs), and six strategic reform initiatives (SRIs). At the same time, these high-level priorities are further stepped down into projects with specific KPIs and timelines that PEMANDU follows up on. It is important to note that the responsibility for the implementation of the NTP projects, including the budgetary authority, lies with the MDAs, not PEMANDU. At the same time, PEMANDU drives the NTP – through its design, adjustments, monitoring, de-bottlenecking, and communicating.

"Labs" were one of PEMANDU's signature innovations that created ownership of the NTP among a wide variety of stakeholders. The Lab is a consultative process: an extensive stakeholder engagement workshop focused on a policy priority area lasting six to nine weeks, where participants work together to design solutions to identified policy challenges. The participants include representatives from the MDAs, both leadership and rank-and-file, as well as representatives from the business community and civil society. PEMANDU-run Labs were responsible for taking strategic priorities of the new government in 2009 and unpacking them into projects and actions under each NKRA, NKEA, and SRI. Through Labs, PEMANDU ensured that the NTP was demand-driven and widely owned by the implementation agencies.

PEMANDU creates incentives at all levels through rigorous monitoring and reporting of KPIs. KPI target-setting for the NTP cascades down from the Minister to the MDA staff. While the initial KPIs were set during the original Labs, annual targets are revised jointly between PEMANDU and MDAs. The set of KPIs is then presented in a Minister's Scorecard. PEMANDU uses a dashboard for KPI tracking that is updated weekly. Weekly monitoring often reveals implementation problems. These can either be solved with PEMANDU's assistance at the first instance, or further referred to technical committees. If those fail to solve the issue, it is then referred to monthly steering committee meetings. If the problem remains unresolved, it is referred to the semi-annual PSM, chaired by the Prime Minister.

PEMANDU's institutional setup allows to attract talent from private sector, introducing

private sector elements into public sector management. As a "special-purpose vehicle" in the Prime Minister's Department, PEMANDU has flexibility in recruiting its staff who are not civil servants. PEMANDU's pay structure is outside the civil-service pay scale, enabling PEMANDU to attract talent from both the private and public sector. This naturally allows for a mix of ideas and best practices to be shared and implemented. While the technical skills of its staff are important, PEMANDU also develops "soft skills" of its staff: communication, relationship building, positive attitude and problem-solving have proven valuable in interacting with MDAs and stimulating their performance.

PEMANDU's interaction with stakeholders within and outside the government is key to achieving results. The implementation of the NTP is enabled by institutional structures, such as Delivery Management Offices (DMOs) within ministries, which become the vehicles that allow PEMANDU drive the NTP implementation. These structures include MDA officials who work alongside PEMANDU staff to set, track, and adjust the KPIs. The DMOs also assist PEMANDU to escalate, coordinate and facilitate the processes associated with the KPI reporting.

PEMANDU puts much emphasis on its communication function, reinforcing the ownership of the NTP and government's accountability to the public. Its communications plan is designed to keep stakeholders informed every step of the way: to put the strategic direction into the global perspective; highlight the subject matter, findings and progress of the Labs; public engagement and communication of feedback; illustrate the accountability, commitment, and built-in flexibility of the KPI targets; highlight milestones and challenges during the implementation; emphasize that the external validation of results is achieved through the audit; and summarize what the NTP delivered in the Annual Report. Besides the NTP Annual Report, key outputs of PEMANDU's communication team include weekly communications plans that are developed a year ahead and utilize a wide range of platforms: infomercials, social media, radio, editorials, as well as direct engagement through roundtables and workshops.

What are the limitations of PEMANDU's experience?

PEMANDU's biggest challenges are a flip side of its greatest strengths. The same features that make PEMANDU effective can turn into weaknesses when the mix is not right, or conditions change. This points to a set of tradeoffs that DUs must balance.

The existence of a robust institutional ecosystem focused on public sector performance is a strength until the ecosystem becomes too complex. PEMANDU relies on the existing sophisticated system of planning, monitoring and evaluation, and reporting. However, a plethora of institutions both at the center of government and among the implementation agencies creates overlap, blurred accountabilities, and coordination challenges. Aside from PEMANDU's mandate, which involves reporting on NTP KPIs, ministries have a number of other performance tracking obligations. This results in a heavy reporting burden for MDAs. In addition, different sets of KPIs make performance incentives complex and sometimes conflicting.

A private sector corporate culture and top talent infuse innovation into the public sector management, but also create a perception that PEMANDU staff are outsiders with

limited public sector exposure. This tension is inevitable. It is also present in other DUs that rely on a similar model. The salary differential between PEMANDU staff and civil servants potentially creates an additional strain. PEMANDU staff strive to counter this by focusing on areas where they can add value for MDAs, such as monitoring, just-in-time problem-solving across MDAs, and resolving bottlenecks through the escalation process. Overall, the perception of PEMANDU varies among ministries. In some MDAs, the relations are cordial and PEMANDU is perceived as an asset; in others, a more skeptical attitude prevails.

Rigorous KPI monitoring and reporting can drive performance; on the other hand, it is limited by the quality of the indicators and the data. PEMANDU's efforts are not immune to the well-known critiques of KPI-driven efforts to improve public sector performance. If the indicator does not measure a desired outcome, then the MDAs "meet the target but miss the point" of a broader reform. Some parts of the NTP, particularly the NKEAs, yield themselves to measurement; yet others, notably the NKRAs such as reducing crime or controlling corruption, are notoriously hard to measure. There is also a more general discussion about whether the targets are meaningful, given that MDAs achieve and overachieve the majority of them. The critics sometimes call into question the credibility of the underlying data used to measure the KPIs, but PEMANDU's reliance on an annual third-party audit assuages these concerns to some degree.

Designing the transformation program through Labs may have missed some important elements of project design that would allow attributing results to the NTP and not to other efforts. Because the NTP represents only a small portion of government efforts under the five-year plan, the questions of attribution of the outcomes are often raised. For example, if literacy improves in Malaysia, is this due to the NTP interventions (i.e. the literacy and numeracy screening), or to one of the many other non-NTP initiatives (e.g. the revamped curricula, district transformation program, or others), or some combination of the above? To be clear, the problem of attribution is not between the MDAs and PEMANDU; it is unequivocal that the MDAs are the implementer and the DU the facilitator. Rather, the question is whether the overall impact was a result of a narrow strategic intervention in the NTP, or of a multitude of other programs that are ongoing in parallel. Although PEMANDU Labs created stakeholder ownership, they did not build in features into the project design that would allow impact evaluations of the NTP programs. Evidence from impact evaluations is the best defense against the critique that the priorities are narrow and communications aggressive.

At the same time, the NTP interventions are meant to be catalytic and not all-encompassing. Shifting the emphasis to impact evaluations for the sake of clear attribution may be missing the point of a transformational exercise. The impact of the NTP is by design expected to be more than the sum of the impact of its projects. Impact evaluations will only be able to show part of the picture. However, they can help build the overall support for the DU efforts, maintain the MDA buy-in, and also establish the cost efficiency of the priority interventions.

What are the key lessons learned for other countries?

Countries looking to learn from PEMANDU will have to carefully weigh the tradeoff between the cost and replicating the whole structure in its entirety. Among the DUs around the globe, PEMANDU is the largest in size. This has cost implications: few developing countries are able to afford a large DU. In addition, not all countries will be able to get exemptions from the civil-service salary structure that allowed PEMANDU to recruit talented staff from the private sector. Many contextual factors, such as a relatively-developed institutional ecosystem and performance culture, also contributed to PEMANDU's ability to drive performance. On the other hand, the potential benefits of the PEMANDU model are significant. While PEMANDU's critics point to the high costs of setting up and operating this model, PEMANDU and its supporters consider these costs a reasonable investment, given the benefits to the Malaysian economy from the NTP. A careful consideration of the country context and a cost-benefit analysis will therefore have to precede any decision to adopt a similar model.

Because of the tradeoffs inherent in its design features, PEMANDU's experience is instructive both for its successes and challenges. Finding the right balance is key. The features that played to PEMANDU's strengths point to the following lessons and tradeoffs for countries considering establishing a DU:

» Secure strong backing and involvement of the top leadership

PEMANDU's success depends critically on the Prime Minister's direct involvement in its routines. PEMANDU not only tracks progress in implementation, but is actively involved in clearing up bottlenecks between MDAs. These incentives work only with the regular involvement of the Prime Minister through routines, such as the PSMs and performance reviews. The tradeoff is the potential politicization of the technical implementation process, which in turn requires a strong leader of the DU that can manage these issues.

» Create a focused and granular results platform linked to an overarching national results framework

It is impossible to discuss PEMANDU without discussing the NTP – a results platform that PEMANDU helped create and whose implementation it drove. Just like PEMANDU did with the NTP, successful DUs generally focus on a limited number of well-defined and operationalized strategic priorities. At the same time, the selectivity of such focused platforms may create questions about the attribution of national outcomes to the narrow interventions facilitated by the DU. Building in ways to ascertain such contributions *ex ante* can assuage this concern.

» Combine top-down control with bottom-up voice

As is typical of most DU approaches, PEMANDU is embedded within a top-down, command-and-control system. Yet through the Labs, the process of operationalizing the government's strategic priorities included the voice from the rank-and-file MDA staff who became the eventual implementers of the NTP. This process has also built in some responsiveness to line MDAs' objectives, issues, and challenges.

» Create institutional interface between the DU and MDAs

The DU by itself does not implement the policy prerogatives – the MDAs do. The DU's role as a driver of MDAs' performance is greatly facilitated if there is an institutional interface with MDAs, such as DMOs within MDAs, ministry-level DUs, or specialized M&E divisions. Because MDAs are the implementers of government's top priorities, the real action takes place on their turf, not at the Prime Minister's office. The DU strengthens the link through introducing the routine of reporting and regular problem-solving meetings where unresolved issues are progressively escalated.

The challenges that PEMANDU has faced, as well as the limitations of its experience, also offer valuable lessons for other countries. The following are worth highlighting:

» Balance private and public sector elements in a DU

Attracting private sector talent into a DU infuses the public sector with innovations and urgency, but comes at a cost of being perceived as outsiders and pay differentials creating resentment in the civil-service. Finding the right balance of public- and private-sector staff and approaches mitigates the downside risks.

» Optimize the amount of reporting by MDAs

Whenever possible, build KPIs around the existing indicators that MDAs already report on. Work across the performance ecosystem to create synergies with existing reporting structures, such as existing performance-based budgeting or national development plan reporting. The Ministry of International Trade and Industry (MITI) has a single Monitoring and Evaluation Division responsible for all reporting. This is a good model to learn from and build on.

» Strengthen impact evaluations

Build in impact evaluations (IEs) into the program design. IEs can help resolve questions of attribution and cost effectiveness through comparing treatment and control groups. This has implications for program design, as IEs must be built into programs from the very start. If the programs are developed through a Lab or Lab-like process, then Labs should include IE specialists as technical advisors.

CHAPTER 1

Why is there a global interest in Delivery Units?

"The challenge for governments across the world is to efficiently and effectively turn political ambitions into policy; policy into practice; and the engagement of front line public service professionals into results for and with citizens."

World Bank (2014)[1]

"People may deliver what you expect. People will deliver what you inspect."

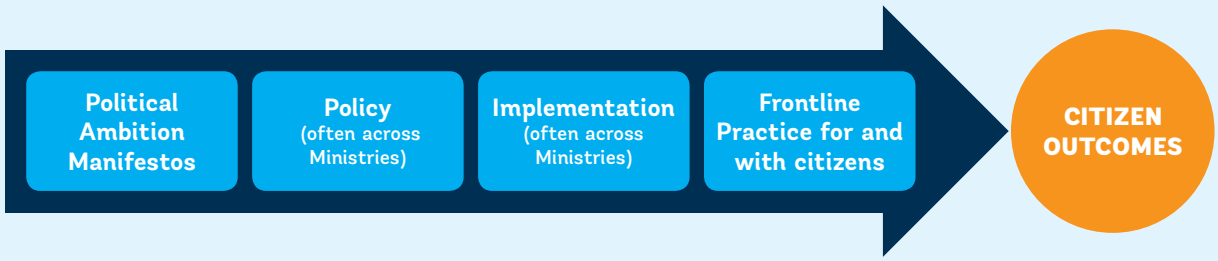
Dato' Sri Idris Jala, CEO, PEMANDU

1 Bellver, Ana, Indu John-Abraham, Ray Shostak, and Joanna Watkins. 2014. "When Might the Introduction of a Delivery Unit Be the Right Intervention?" Governance & Public Sector Management: Driving Results from Public Institutions. Washington, DC: World Bank. http://siteresources.worldbank.org/PUBLICSECTORANDGOVERNANCE/Resources/285741-1368636830774/When_Might_the_Intro_of_a_DU_Be_the_Right_Intervention_FINAL.pdf

Delivering on policy promises is often derailed by implementation challenges

Delivering citizen outcomes hinges on the implementation capability of the state. While there is no question that good policies are necessary for achieving development outcomes, there is also increasing recognition that they are not sufficient: good policies need to be effectively implemented. Enhancing implementation capability has received much attention from policy makers, the international development community, and academic research.[2] However, there are no ready-made solutions. Different countries around the world are now exploring innovative ways in which to enhance the quality of policy implementation.

FIGURE 1. A long and precarious road to citizen outcomes

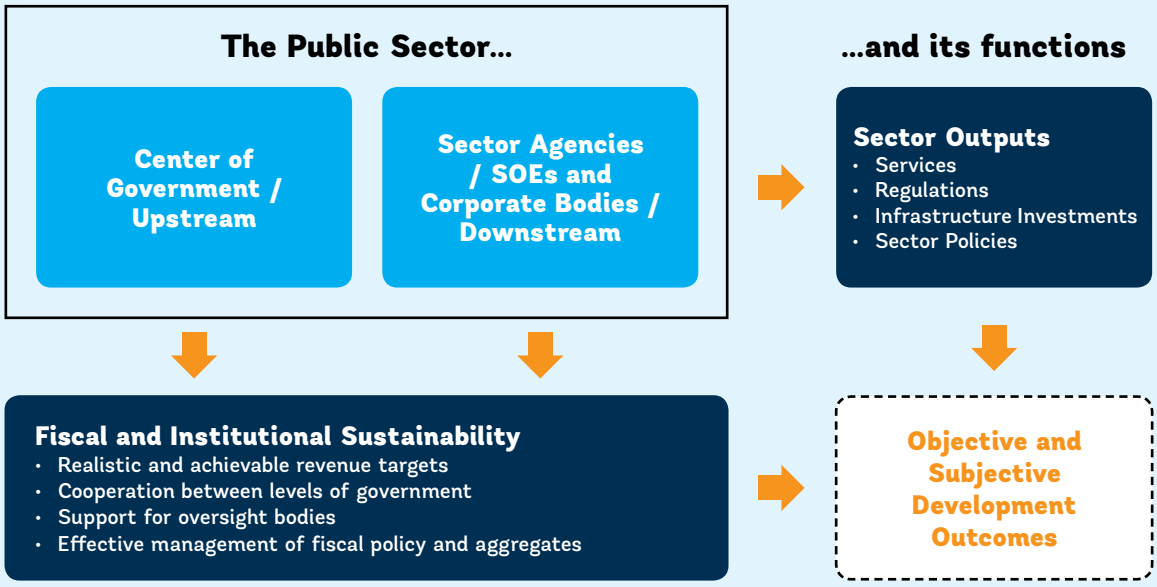


Source: World Bank (2014)

Outcomes that citizens expect from their governments – reduced crime, better healthcare and education, or quality infrastructure – are at the end of a long results chain. Many actors and systems must work in unison in order to deliver these outcomes. Politicians will rely on the public sector institutions to implement their policy vision for better citizen outcomes. Further downstream, it depends on how service delivery professionals – doctors, teachers, or the police force – respond to the incentives created by new policies to deliver better outcomes for citizens. There are many potential weak links in this results chain. There are numerous principal-agent problems, where those responsible for policy implementation bear the full cost of change but do not receive its benefits. This results in institutional inertia and status quo bias. As multiple ministries, departments, and agencies are involved in complex service delivery outcomes, coordination and oversight challenges also abound.

2 See, for example: World Bank. 2011. The Practice Of Policy-Making In The OECD: Ideas For Latin America. Washington, DC: World Bank. http://documents.worldbank.org/curated/en/127701468217446803/The-practice-of-policy-making-in-the-OECD-ideas-for-Latin-America; Andrews, Matt, Lant Pritchett, and Michael Woolcock. 2017. Building State Capability: Evidence, Analysis, Action. New York: Oxford University Press.

FIGURE 2. Public Sector Performance: Achieving Development Outcomes



Source: World Bank (2014)

Enhancing public sector performance is key to achieving better citizen outcomes. The public sector delivers a wide variety of outputs. Some of them are "downstream" as they affect citizens and firms directly; for example, public services such as health, education, sanitation, infrastructure management, and regulations. Others are less tangible but equally critical; they occur further "upstream" in the public sector delivery process: for example, policy formulation and prioritization; coordination across government bodies; fiscal and institutional sustainability; revenue and expenditure management; accountability and governance mechanisms. Figure 2 depicts the public sector results chain that includes both types of outputs. Satisfactory public sector performance means that the links in the results chain are working well, producing high-quality outputs in an efficient and accountable manner. In contrast, poor public sector performance can be traced to weak links within the results chain. For example, poor education quality can be caused downstream (e.g. school management arrangements that weaken accountability) or upstream (e.g. by financing mechanisms that allow funds to dissipate before they reach schools). Weak links can be either in formal rules and procedures, or in their lack of enforcement. Governments around the globe are looking for new ways of fixing these weak links, be it to improve the quality of service delivery to citizens and firms, or to improve upstream functions of the public sector.

Delivery Units at the center of government can enhance public sector performance

Many governments have sought to strengthen the link between the center of government and citizen outcomes in order to address principal-agent problems, create stronger performance incentives, and improve oversight. DUs have been introduced around the world as one type of such solutions. In the UK, the Prime Minister's Delivery Unit (PMDU) was established in 2001 as the first such unit at the Head of State

level. Other countries followed suit: Malaysia (PEMANDU), Chile (President's DU), Albania (PMDU), Romania (PMDU), Indonesia (the President's Delivery Unit for Development Monitoring and Oversight - UKP4), and others. There are also DUs at the subnational and municipal levels in the US, South Africa, and elsewhere. Box 1 provides a definition of a DU and further details on its form and function.

BOX 1

What is a Delivery Unit?

A DU is a discrete unit at the center of government with a mandate to use the authority of the chief executive to:

- **Focus on improving citizen outcomes in a limited number of priority areas**;
- **Unblock obstacles** when monitoring shows that progress is off-track; and
- **Build understanding and capability** for strengthening the underlying actors and systems/processes.

The DU approach to public sector performance draws on two broad methodologies: (i) the leadership and management practices from both private and public sectors, and (ii) an understanding of the network of organizations and their relationships that must work together to deliver services to citizens, known as "delivery systems."

DUs are created at the center of government and are typically close to the chief executive (President or Prime Minister). This signals the leadership's commitment to results and focus on performance.

International experience shows that DUs work best when they: (i) rely on the existing organizational performance framework; (ii) drive a limited number of high-profile goals; and (iii) receive high-frequency data to monitor progress.

Different countries adopted different forms of DUs depending on their existing government structures. Although their size varies, DUs usually rely on a relatively small and nimble team of highly skilled experts. Their focus is to change the culture in the public sector with the end goal to deliver quality services faster.

Given that they are closely tied to a Chief Executive who drives their establishment and provides the authorizing environment, DUs may not last beyond a specific administration or term in office – they are often semi-permanent structures.

DUs must rely heavily on the functioning of existing public management systems within MDAs. After all, it is the MDAs who deliver, while the DUs enable the center of government manage the process.

Source: Adapted from World Bank (2014)

CHAPTER 2

Why is Malaysia's experience with PEMANDU worth learning from?

The answer to this question has two parts: the first has to do with Malaysia's development journey, and the second with the characteristics of PEMANDU.

The first part concerns Malaysia's broader development experience, and its public sector development in particular, that pre-date PEMANDU. This recent history has set the stage for PEMANDU's success. It includes the development of the public sector that focused on solving development challenges facing the newly-independent Malaysia, including providing services to eradicate poverty and build up infrastructure to enable the diversified growth of its economy. The performance orientation of Malaysia's public sector created elements of a performance culture and an institutional ecosystem for performance management. These, in turn, provided the foundations that PEMANDU could build on when it was created in 2009. **The second part of the answer** has to do with PEMANDU's success. The Unit was created with a specific goal in mind: to focus attention on a manageable number of national priorities contained in the NTP. Subsequently, the NTP, driven by PEMANDU, has recorded measurable results, which in turn led to the demand for knowledge transfer to several countries around the globe.

Malaysia has recently tackled issues that many developing countries face

A South-South exchange is better suited for learning about the process of public sector reform, rather than disseminating best practices from OECD countries. Many developing countries look to diversify their economies and move from a primary-sector-driven growth to value-added manufacturing and developing a services sector. This requires fostering a dynamic public sector that evolves to meet changing needs and cuts across institutional and organizational silos to achieve development results. Malaysia faced the same challenges in the recent past, which makes public sector solutions developed in Malaysia better suited for peer learning for other countries in the global South. At the same time, Malaysia's current strategic priorities focus on attaining upper-income-country status, which make its development experience also worthwhile for other middle-income countries.

Malaysia was an early adopter of performance-oriented reforms in the public sector

Since attaining independence in 1957, Malaysia has achieved impressive socio-economic results. During this time, per-capita income grew from USD 240 in 1962 to USD 10,570 in 2014.[3] Poverty was all but eradicated, falling from 50 percent to under one percent. Overall, the country achieved significant improvement in virtually every measurable development indicator.[4] At the same time, the newly-independent federal state had to build up its public-sector institutions and their implementation capability that would deliver public services underpinning these impressive results. Creating a public sector performance culture became a key part of the solution to Malaysia's development challenges.

Malaysia has recognized from an early stage that effective frontline service delivery depends critically on a strong public sector governance backbone. Malaysia has a well-articulated and comprehensive vision for national development supported by a strong planning function. Development planning in Malaysia first emerged in the 1950s with the preparation of the first five-year development plan (1956 – 1960). The Economic Planning Unit (EPU) was established within the Prime Minister's Department in 1961 to undertake a development planning role, endowed with authority and convening ability to facilitate inter-agency planning and cross-government monitoring. Strong planning is linked to budgeting for performance. As early as the 1960s, Malaysia moved to introduce results-based budgeting to support the efficient and effective delivery of public services. Drawing on this experience, the country has positioned itself as a leader in regional and global public sector governance initiatives. In the Public Expenditure Management Network in Asia (PEMNA), Malaysia plays a central role in both Budget and Treasury Communities of Practice.

3 World Bank. 2016. World Development Indicators (WDI). The figures are for Gross National Income (GNI) per capita (Atlas Method).

4 Ibid.

PEMANDU is part of a larger performance ecosystem

DUs cannot accomplish their goals alone. To the contrary: DUs can only assist the Ministries, Departments and Agencies (MDAs) in their efforts to implement the key strategic priorities of the government. DUs also must rely on the existing overall monitoring and evaluation systems. Over the years since independence, Malaysia developed a complex ecosystem of public sector performance institutions and processes. This ecosystem spans economic development planning, budgeting, implementation, and monitoring and evaluation that are squarely focused on results. When PEMANDU was introduced in 2009, it was able to work with the existing building blocks of a performance culture in Malaysia's public sector. At the same time, the fast economic growth and growing revenue base since independence may have created a conducive environment for the proliferation of public sector institutions and an overly-complex performance management framework. Box 2 provides an overview of Malaysia's performance institutions.



BOX 2

Malaysia's Performance Ecosystem

The institutional ecosystem that fosters public sector performance is clustered around the center of government in Malaysia. This includes the Ministry of Finance as well as the Prime Minister's Department (PMD). PMD contains over 50 agencies; aside from PEMANDU, the key ones for performance management are the Economic Planning Unit (EPU), Implementation and Coordination Unit (ICU), Malaysian Modernisation and Management Planning Unit (MAMPU), Public Service Department (PSD), and the Chief Secretary's Office. On the service delivery efficiency front, a taskforce (PEMUDAH) was established by the Government to tackle business environment and red tape issues together with the private sector.

There are five key national-level performance frameworks that drive performance in Malaysia's public sector. These include: (i) the five-year national development plans developed by the EPU; (ii) the NTP driven by PEMANDU; (iii) the Outcome Based Budgeting (OBB) framework by MOF; (iv) the project monitoring system (SPP II) managed by the ICU; and (v) the Public Sector Transformation Framework by the PSD.

There are also national frameworks that focus on service delivery and administrative improvements. This includes MAMPU's framework on the Public Sector Conducive Ecosystem and PEMANDU's Public Service Delivery Transformation (PSDT). Some of these frameworks also come with their own set of tools for planning, coordination, implementation, and monitoring purposes. PEMUDAH also has its own monitoring mechanisms, including an annual report to communicate improvements in service delivery and efforts to reduce red tape. To monitor the implementation of capital investments, MDAs are also required to provide updates to the ICU for all development projects under the Malaysia five-year plan.

There are some linkages between the PEMANDU tools and these national performance frameworks; however, the strength of these linkages varies. For example, PEMANDU's monitoring and reporting runs independently from the monitoring tools used in the OBB, e.g. MyResults. Ministries update the OBB indicators separately from the PEMANDU KPIs. Some MDAs, such as MITI and MOE (through its own DU, PADU), have made efforts to streamline their performance reporting to meet the requirements of the NTP and OBB. In addition, the PSD has established KPIs for senior civil servants that are separate from NTP-related KPIs.

The existence of a performance ecosystem is a precondition for the success of any DU. However, a sophisticated system will inevitably create its own challenges of coordination, overlap, and duplication. Managing this tradeoff skillfully then also becomes one of the roles that the DU must fulfill, by both integrating into the existing planning and reporting structures, as well as actively facilitating inter-agency coordination.

Source: Authors

PEMANDU was created with a specific purpose in mind

PEMANDU was established at the end of 2009 and mapped to the Prime Minister's Department, with direct reporting lines to the Prime Minister.[5] PEMANDU means "driver" in Malay, as it is intended to drive the implementation of the government's policy priorities. Box 3 provides details on the process of PEMANDU's creation. PEMANDU recognized from the start that in order for these strategic priorities to receive traction, they had to be owned by a wide swath of stakeholders, both within the government and beyond. Through a series of in-depth stakeholder workshops ("Labs")[6], PEMANDU led the operationalization of the incoming government's strategic priorities into the NTP.

Prime Minister Najib Tun Razak unveiled the ten-year PEMANDU-driven NTP in 2010, anchored in the vision of transforming Malaysia into a high-income nation by 2020. NTP consists of the Government Transformation Program (GTP) and Economic Transformation Program (ETP). The GTP has the seven National Key Result Areas (NKRAs) and their related KPIs; the ETP has the twelve National Key Economic Areas (NKEAs) and six Strategic Reform Initiatives (SRIs). These are further stepped down into 131 Entry Point Projects (EPPs) and 60 business opportunities. Figure 3 illustrates the structure of the NTP.

The difference between the GTP and SRIs on the one hand and the ETP on the other reflects two largely distinctive roles that PEMANDU plays. The ETP essentially reflects industrial policy: picking industries, choosing projects to accelerate development of these industries, and supporting their implementation. This function is generally reflected in the NKEAs.[7] The other role is the implementation of public sector and service delivery reforms under the NKRAs and SRIs. This dual role can be both helpful and present tradeoffs.[8] Most other DUs around the world focus almost exclusively on public sector and service delivery reforms; hence, this note analyzes this function of PEMANDU in more depth than its industrial policy function.

PEMANDU is responsible for monitoring the achievements of each MDA involved in the implementation of the NTP. The NTP was created to support the Prime Minister Najib's government policy priorities while being grounded in the existing national development planning framework. The NTP builds on the foundations of the 10th and 11th Malaysia Plan, while being guided by the PM's vision and the motto "People First, Performance Now." In driving the implementation of the NTP, PEMANDU is responsible for select key priorities while building on the national development planning and performance systems.

In the spirit of DUs as semi-permanent structures, the NTP is time-bound by the goal of transforming Malaysia into a high-income nation by 2020. PEMANDU's future beyond the life of the NTP and the current government's term is not fully defined. In the words of its own staff, PEMANDU will have succeeded if it puts itself out of business by 2020. It may serve to drive a new policy agenda, or may morph into a different function.

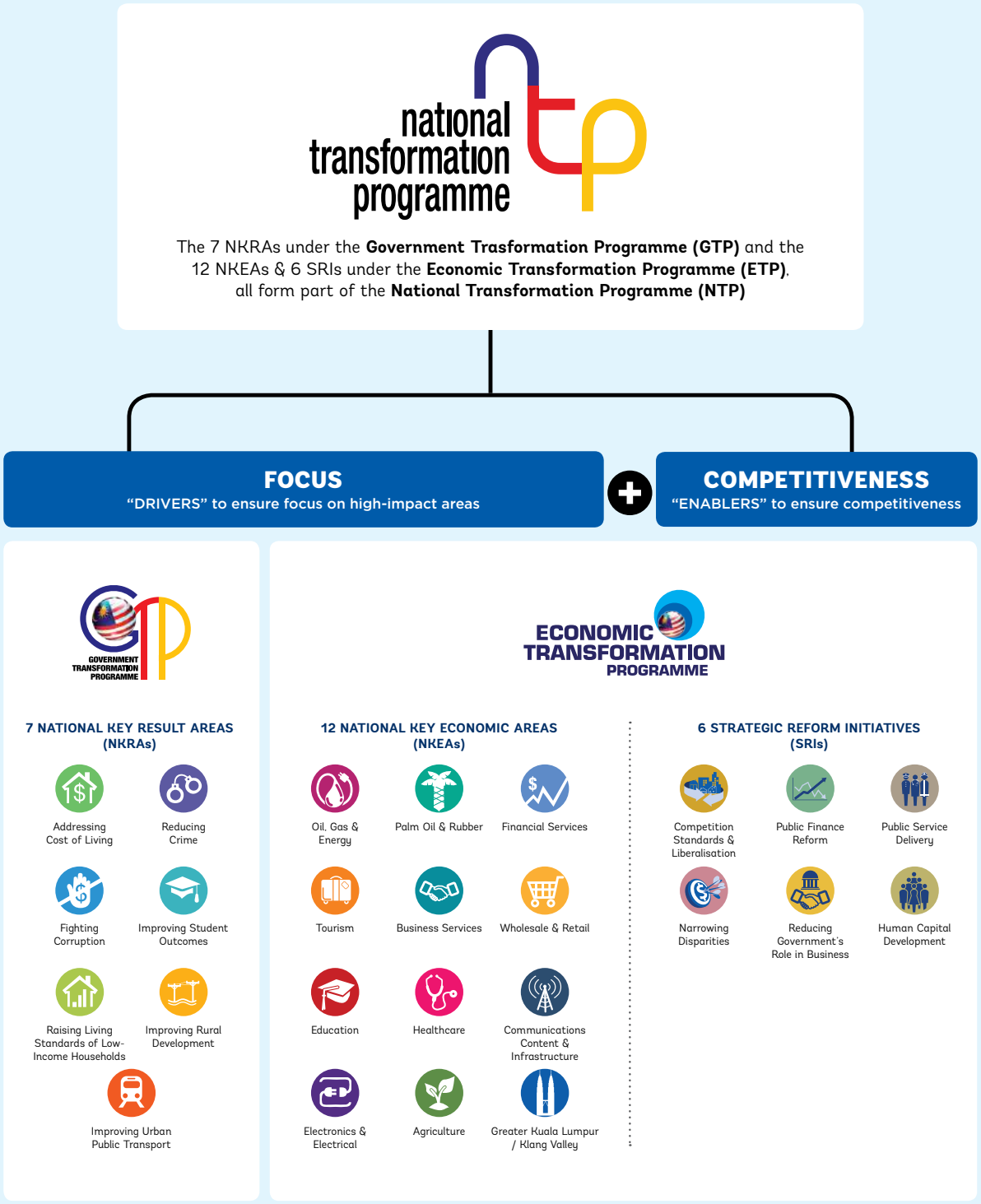
5 PEMANDU Corporation is a "special purpose vehicle" (SPV) under the Prime Minister's Department; see Chapter 3 for further discussion of PEMANDU's structure and institutional setup.

6 Labs are discussed in depth in Chapter 3 of this report.

7 See Jordan, Luke, and Charles Sabel. 2015. "Doing, Learning, Being: Some Lessons Learned from Malaysia's National Transformation Program." Columbia University. http://www2.law.columbia.edu/sabel/papers/CS-LSJ--DLB%20Malaysia%20PEMANDU--Final-190115.pdf

8 In some cases, there is significant overlap; for example, "Greater Kuala Lumpur" is an NKEA, although it is a largely urban development initiative. Also, some of the EPPs resemble more public service delivery than industrial policy, while others, such as offering incentives for multinational companies to relocate to Kuala Lumpur, can be seen as industrial policy.

FIGURE 3. Malaysia's National Transformation Programme (NTP)



Source: PEMANDU Associates

BOX 3

How was PEMANDU created?

In April 2009, after disappointing electoral results, Prime Minister Abdullah Ahmad Badawi resigned. His deputy, Najib Razak, was sworn in. With the memory of public discontent fresh in everyone's mind, the Najib government had to deliver results fast.

Malaysians were unhappy with the government's performance: inefficient and low-quality public services and perceived lack of government accountability. Citizens complained about the rising cost of living and current levels of income inequality which exacerbated the effects of the economic stagnation.

Najib's predecessors tried various ways to improve efficiency of the public sector. Badawi's predecessor Mahathir launched the "clean, efficient and trustworthy" campaign in 1981, encouraging Malaysians to "look East" to learn from the Japanese approaches to efficiency. In the 1990s, Mahathir pioneered computerization and automation in the government, relying heavily on MAMPU to drive the introduction of the ICT technologies to the government. Yet the public perception of the government as inefficient and slow persisted despite these strategies.

To Najib, this implied that the old ways did not work and a new approach was needed. His advisors suggested a series of Cabinet workshops to determine how to address the apparent crisis of public confidence and build consensus around the government's top priorities. To infuse these workshops with innovation and a new way of thinking, Najib decided to invite international consultants and select private sector leaders. The first Cabinet workshop in May 2009 included McKinsey consultants discussing what drives transformation in companies; in addition, Michael Barber, also a consultant with McKinsey at the time, relayed his experience as head of UK Prime Minister Tony Blair's DU. Idris Jala, then a prominent Malaysian corporate executive who turned around the Malaysian Airline System, discussed his experience in the private sector and successful leadership strategies. At the end of the workshop, the initial priorities started to emerge, as Ministers coalesced around the biggest challenges facing the country: crime, education, corruption, unity, economy, and transportation.

The second Cabinet workshop further refined these priorities. This time, the McKinsey team brought in the results of two public perception surveys to get the pulse of the nation and help shape the Ministers' conclusions from the first workshop. One survey was commissioned by then Prime Minister Badawi in September 2008 after the elections, the other was conducted by the Merdeka Center, an independent Malaysian research firm. Consultants from McKinsey also analyzed media coverage post-election 2009 to see what issues were discussed most and where the public's discontent was strongest. Through further reflection on this additional information and consensus building, the Ministers settled on six original NKRAs: reducing crime, fighting corruption, improving student outcomes, raising living standards of low-income households, bolstering rural development, and improving urban public transportation. Later, reducing cost of living would be added as an additional NKRA.

In the past, the government would have formed a task force to follow up on progress toward achieving the new goals and targets. However, Najib wanted to try a new approach. After months of discussions, the government decided to create a separate government unit to oversee and implement the kind of performance monitoring needed to revamp service delivery. Thus was born the Performance Management and Delivery Unit, better known by its acronym PEMANDU, or "the driver" in Malay, with Idris Jala at the helm.

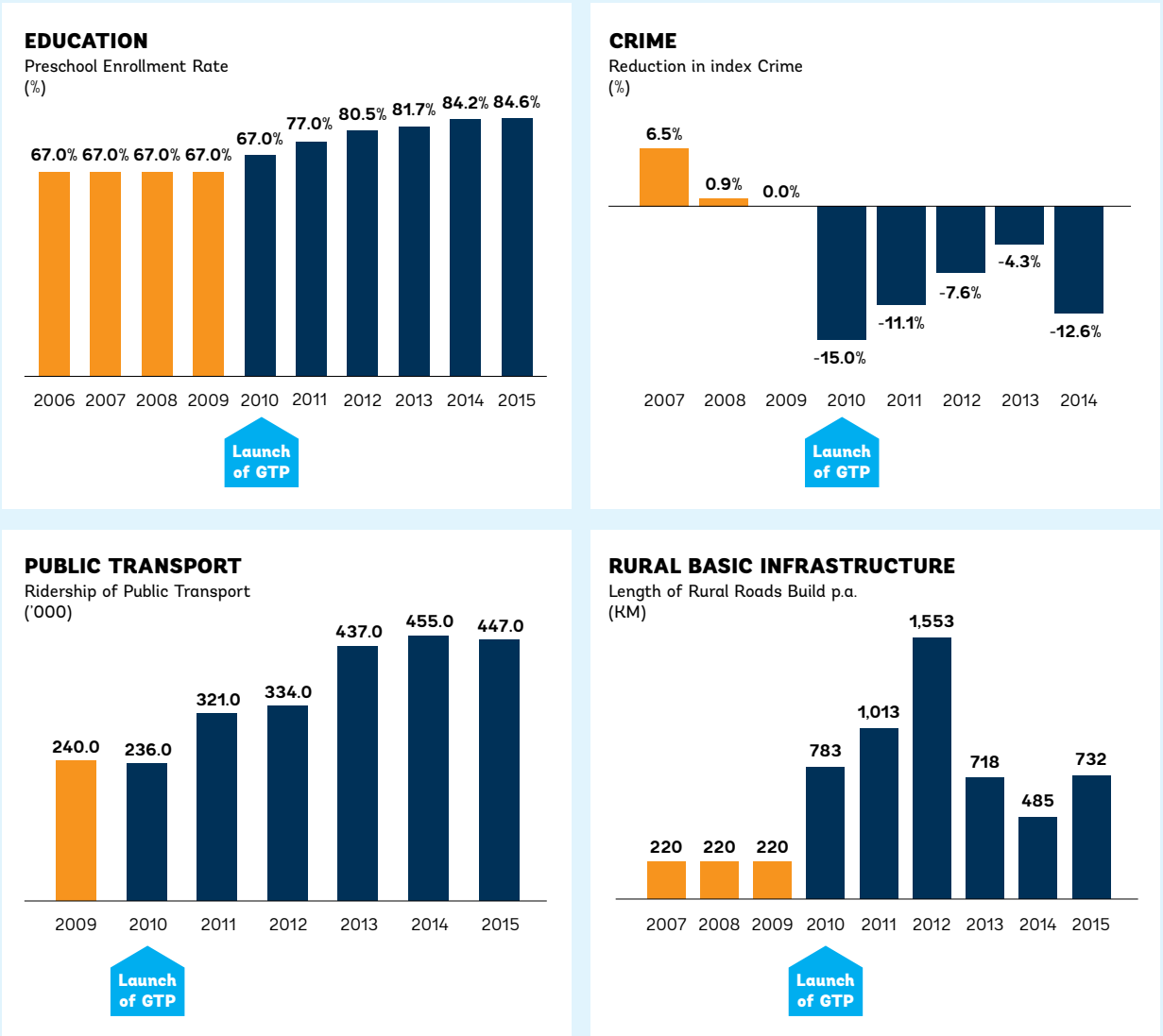
The Cabinet workshops were then followed by intensive lab sessions with participants from both the public and private sector. These labs aimed to granularize the targets set by the Cabinet workshops and develop concrete projects that would help achieve these priorities.

Source: Lesley (2014)

PEMANDU-driven NTP demonstrates results

Now in its seventh year of implementation, Malaysia has recorded measurable progress towards the NTP goals. Figure 4 illustrates the dynamics of selected aggregate indicators in some of the key NKRAs under the GTP. Since the launch of the GTP, preschool enrollment rates have steadily risen, as has the public transport ridership. Rural infrastructure has been significantly improved. The crime index has fallen significantly each year since 2010. However, the selectivity of the GTP interventions and a plethora of concurrent initiatives implemented through the Malaysia 10th and 11th plan inevitably lead to questions of attribution: what part of these improvements results from the narrow interventions within the NTP driven by PEMANDU, and what part is the end result of concerted effort of all ongoing initiatives? In the absence of impact evaluations of the specific projects under the NTP, it is difficult to answer this question.

FIGURE 4. Aggregate Indicators in selected NKRAs



Source: PEMANDU Associates

The NTP Annual Report provides a more granular look at the NTP performance. It lists all KPIs across NKEAs, NKRAs, and SRIs, reporting to what extent the targets had been achieved. These annual results undergo a third-party validation by Pricewaterhouse Coopers (PwC) according to the Agreed Upon Procedures (AUP). While the AUP enhance the accuracy and transparency of reporting, they focus on the process rather than the impact. Figure 5 summarizes the results: targets are achieved 90 percent or higher in all areas with the exception of improving mass public transport. The NTP over-performs the majority of its own targets in most of the key areas, although these KPIs are susceptible to the common critiques of aggregate indicators. In addition, the results that are directly linked to the NTP interventions are more focused on outputs and intermediate outcomes, rather than the impact of the Program. In the absence of impact evaluations, it is difficult to attribute the outcomes to the NTP, but the NTP proponents argue that the transformational effect of key programs would be only partially captured by impact evaluations.

On balance, the aggregate data show that the country is moving in the right direction. The debate about the attribution of these results to the NTP or other interventions may be difficult to resolve, but the improvements for the citizens are measurable. In some areas, it is easier to document the link between the NTP interventions and results than in others. Box 4 illustrates such connection between the efforts in education and urban public transport NKRAs with observed results.

FIGURE 5. 2015 NTP performance

NATIONAL KEY RESULTS AREAS (NKRAs)	KPI Total Score*
Reducing Crime	114%
Fighting Corruption	93%
Improving Rural Development	107%
Improving Urban Public Transport	72%
Raising Living Standards of Low Income Households	97%
Assuring Quality Education	94%
Addressing the Rising Cost of Living	98%
Public Service Delivery Transformation	120%

STRATEGIC REFORM INITIATIVES (SRIs)	KPI Total Score*
Competitioin, Standards & Liberalization	110%
Human Capital Development	108%
Public Finance Reform	95%
Narrowing Disparity	120%

NATIONAL KEY ECONOMIC AREAS (NKEAs)	KPI Total Score*
Oil, Gas & Energy	107%
Palm, Oil & Rubber	111%
Financial Services	103%
Agriculture	104%
Communications, Content & Infrastructure	123%
Healthcare	101%
Business Services	109%
Tourism	97%
Education	109%
Wholesale & Retail	122%
Electrical & Electronics	116%
Greater Kuala Lumpur / Klang Valley	111%

*KPI Total Score is taken as calculated as per Method 1 (Scoring is calculated by a simple comparison against set 2015 targets) in National Transformation Programme Annual Report 2015.

Source: NTP Annual Report (2015) and Authors' calculations

BOX 4

Documenting NKRA Results



Education (EDU) NKRA

Funds were made available under the EDU NKRA to open public pre-schools, create an online data capture system, offer incentives such as launching grants and fee assistance to encourage opening of private pre-schools, with policy changes implemented to recruit and upskill pre-school teachers to increase the professionalism of ECCE educators. A taskforce was set up to co-ordinate the pre-school initiative that involved agencies that offer pre-school education, including MOE, KEMAS (the Department of Community Development), Perpaduan, PERMATA and ECCE Council (private pre-school). All these concerted efforts followed from the Lab recommendations and were supported by the NKRA funds. As a result, pre-school enrolment increased from 67 percent in 2009 to 85 percent in 2016.

Urban Public Transport (UPT) NKRA

The UPT NKRA focus is to put in place sustainable building blocks that will provide a better public transport landscape in Greater Kuala Lumpur and Klang Valley (GKL/KV). Since the inception of the NTP, the capacity of the existing public transport system has been expanded, as well as the construction of large-scale infrastructural projects has begun. Early results can already be seen, including the injection of new trains for the Light Rail Transit (LRT) Kelana Jaya line and KTM Komuter; new Park and Ride facilities; and refurbishment of bus stops. This was followed by the completion of larger transportation projects, such as the MRT Line 1 (phase 1), LRT Extension Project, BRT Sunway, and the upcoming projects like MRT Line 2, BRT KL-Klang and LRT3.

The current public transport system in GKL/ KV is at the brink of a significant capacity boost leading up to 2020 with many high-impact projects that are underway if not already completed. This will help alleviate the choking traffic conditions, subsequently reducing loss of productivity due to congestion. UPT NKRA projects will help increase connectivity between many suburban centers with the KL City Centre. With higher availability and reliability on public transportation, this will also help to reduce the cost and stress level for commuters entering the city and subsequently opening possibilities for people who do not own cars to capitalize on career opportunities in the city.

All of these initiatives will significantly improve mobility, productivity and quality of life in the GKL/KV area. The modal share of urban public transport has in fact risen from 10 percent in 2009 to 20 percent by the end of last year. GKL/KV ridership today serves up to 1.37 million commuters daily and customer satisfaction also continue to record tremendous improvements from the 2010 baseline. It will significantly reshape the urban public transport landscape in GKL/KV, directly and indirectly enhancing the lives of many in GKL/KL.



Source: PEMANDU Associates

CHAPTER 3

How does PEMANDU drive performance?

PEMANDU's ability to drive performance stems from its design features, innovative tools, as well as how it works with others.

By design, PEMANDU fulfills multiple roles that are well-defined and sequenced, which ensures its focus on key tasks and prevents mission creep. Its goals are specific and granular in order to create maximum focus and accountability for results. PEMANDU's institutional setup allows to attract talent from the private sector, introducing private sector elements into public sector management. The second piece of the puzzle has to do with PEMANDU's tools. Labs were one of PEMANDU's signature innovations that created ownership of the NTP among a wide variety of stakeholders. Similarly, PEMANDU creates incentives at all levels through monitoring and reporting of KPIs. Finally, PEMANDU's interaction with stakeholders within and outside the government is key for achieving its results. The implementation of the NTP is enabled by institutional structures, such as DMOs within MDAs, which become the vehicles that allow PEMANDU to drive the NTP implementation. Last but not least, PEMANDU takes its communication function seriously, reinforcing the ownership of the Program and government's accountability to the public.

PEMANDU fulfills multiple well-defined roles

PEMANDU acts as a convener, coordinator, and technical support to MDAs on performance management, monitoring and reporting. Although these are distinct roles, they are well-defined and structured in PEMANDU's "Eight Steps of Transformation" (Figure 6). PEMANDU acts as a convener at Step 1, when multiple cabinet retreats provided strategic direction and alignment at the highest leadership level. PEMANDU also convenes and coordinates Labs (Step 2) that break down the strategic priorities into concrete interventions and create ownership among stakeholders. PEMANDU continues in the same role by holding Open Days (Step 3) and publishing Roadmaps (Step 4), ensuring that the public is aware of the government plans and holds it accountable for delivery. In Step 5, PEMANDU switches gears and acts as technical support to MDAs in setting and monitoring KPI targets. If problems and bottlenecks occur in during implementation (Step 6), PEMANDU becomes a convener and coordinator again, escalating the process through the Steering Committee and PSMs (see Box 5 for details). In Steps 7 and 8, PEMANDU is again a technocratic agent overseeing that the reported KPI targets are validated by the third party and compiled into the Annual Report. Annex 2 describes the eight steps in more detail.

FIGURE 6. Eight Steps of Transformation



Source: PEMANDU Associates

BOX 5

De-Bottlenecking: The Escalation Process

PEMANDU monitors progress towards the NTP KPI targets on a weekly basis. MDAs submit information to PEMANDU every week. PEMANDU reviews the information and updates its dashboard. If the weekly monitoring uncovers implementation issues, PEMANDU refers them to the Technical Working Group, which consists of the staff from the relevant MDAs that are involved in implementing the relevant NKRA/NKEA/SRI.

Implementation issues that cannot be resolved at the Technical Working Group are elevated to the Steering Committee. The Committee is typically chaired by one or two ministers, and also comprises secretaries-general, directors-general and CEOs from core ministries or agencies. The Committee serves as the principal decision-making forum (as opposed to the Technical Working Group that serves as the principal working session) and meets on a monthly or quarterly basis.

The issues that remain unresolved at the Steering Committee level are then elevated to the Problem-Solving Meeting (PSM), which is held twice a year, chaired by the Prime Minister. The PSM is pivotal in resolving difficult, cross-ministerial issues.

At mid-year and year-end, the Prime Minister also conducts reviews with the respective ministers, with the CEO of PEMANDU in attendance, where issues are highlighted for his direction and decision. It also provides an avenue for revision of targets, if and when endorsed by the PM.

Source: Authors

Some of PEMANDU-managed NKRAs and NKEAs (including public transport, petrochemicals, and agriculture) involve coordination with sub-national governments. PEMANDU's approach to goalsetting through Labs resulted in an open, transparent and inclusive process, which tended to generate buy-in at multiple levels of government, along with the persuasive power that initiatives emanating from the Prime Minister's office tend to enjoy. This is augmented by PEMANDU's status as an independent, technocratic institution focused upon performance. At the same time, Malaysia's federal structure adds implementation complexity to many NTP initiatives. Box 6 illustrates the types of implementation issues that arise, as well as PEMANDU's coordinating role.

BOX 6

Coordinating Different Levels of Government

Agriculture

In the Agriculture NKEA, one of the EPPs is "Mini Estate Farming for Seaweed in Sabah." The Federal Constitution provides that land matters, including ownership and leasing, are under the purview of state authorities rather than the central government. Therefore, while the right to own property, including land, is guaranteed under the Federal Constitution, the formalities through which land can be owned, transferred, and disposed of, are given effect through state legislations. Such division of authority sometimes leads to difficulties for companies to acquire lands and embark on agriculture projects. The progress of this EPP was initially stunted due to the mini estate companies' difficulties in acquiring land titles and meeting the requirements for leasing. After PEMANDU intervened and brokered an agreement among the stakeholders, state authorities stepped in to exempt companies from some of these requirements to ensure that the EPP was back on track.

Integrated petrochemical complex (Johor)

The Pengerang Integrated Petroleum Complex (PIPC) is one of the major initiatives under the Oil, Gas and Energy NKEA. The PIPC project was introduced for the development of the oil and gas downstream segment and is located in the southern state of Johor, Malaysia. The PIPC is expected to commence operations by 2019; it will span 20,000 acres and house oil refineries, naphtha crackers, petrochemical plants as well as a liquefied natural gas import terminals and a regasification plant upon completion. The project is estimated to generate about MYR 18.3 billion Gross National Income (GNI) by the year 2020 and help to create 8,600 high-income and high-skilled jobs. The PIPC is an example of a high-priority national-level economic development project located in one of the States. This requires coordination among the Federal, State and Local Governments.

A joint Federal-State governance structure was created to coordinate the development of the PIPC. PEMANDU helped create the Malaysian Petroleum Resources Corporation (MPRC) as a federal agency to develop the downstream segment of the oil and gas sector at the national level. The Johor Petroleum Development Corporation (JPDC) is a subsidiary of MPRC tasked to coordinate development of the PIPC in the Johor economic corridor. Putting in place the required infrastructure and utilities in the Pengerang district in Johor to cater to the future expansion needs of PIPC poses several challenges. These include the construction of new roads, installing a comprehensive network of power, telecommunications and water supplies, upgrading roads to highways to facilitate movements of goods and services, and a centralized management of industrial waste products from the complex.

This is a massive project with significant land requirements, which are the purview of the state. Anticipating coordination challenges, a joint governance structure for PIPC involving the central government and sub-national government was created. The JPDC Board of Directors is represented by both the Malaysian Federal Government and the Johor State Government to align efforts in making PIPC a success. The CEO of PEMANDU is the Chairman of JPDC, while the Johor State Secretary is a member of its Board of Directors.



Source: Authors

PEMANDU focuses on granular tasks

Besides selectivity, one of the defining features of the NTP is its granularity. Not only does the NTP focus on a manageable number of areas, it also unpacks each priority area into concrete interventions (see Box 7). The metaphor often used by PEMANDU is a perspective from a descending airplane. At 30,000 feet, only a big picture is visible: for example, the NKEA of the revitalization of Greater Kuala Lumpur and the Klang Valley, including one of its EPPs that strives to transform Klang River into a vibrant and livable waterfront. Descending to 10,000 feet, the EPP's components come into view, including river cleaning, beautification, and development. Further down at 1,000 feet, activities that are needed to achieve each of those objectives come into view, as well as the indicators that must be monitored. Yet the NTP descends further: at 100 feet, it defines parties responsible for each activity, timelines, and stakeholders. At three feet, weekly progress is tracked and problems troubleshot.

BOX 7

Emphasizing Granularity: Delivery Roadmaps

Transforming Klang River into a vibrant and liveable waterfront with high economic value

10,000 feet

RIVER CLEANING | RIVER BEAUTIFICATION | RIVER DEVELOPMENT

1,000 feet

Indicators of a clean river

- Decrease nitrogen from .9 to .3 mg/l
- Decrease biological oxygen demand from 6 to 3 mg/l
- Decrease suspended solids from 150 to 50 mg/l

Example of Activities

(in order of highest potential impact):
1. Upgrading existing sewerage facilities
2. Expand regional sewage treatment plants
3. Install 5 wastewater treatment plants

100 feet

Details for each activity - key questions asked:

- What is to be done?
- Who is responsible?
- Timeline
- Stakeholders
- Anticipated impact



Source: PEMANDU Associates

PEMANDU supports the MDAs responsible for the NTP implementation in specific activities to achieve the NTP's KPIs. Technically, PEMANDU is not the implementer of the NTP – the MDAs receive the budget for NTP projects and are ultimately accountable for the NTP results. However, PEMANDU's incentives are aligned with the MDAs, as 70 percent of PEMANDU's teams' performance is assessed based on the KPI score of their lead implementing MDA. The specificity of the KPIs ensures the accountability for results both on the MDA and PEMANDU side.

PEMANDU's institutional setup allows attracting talent from the private sector

PEMANDU was established in the Prime Minister's Department as a "Special Purpose Vehicle" (SPV). As such, it can recruit its own staff who are not civil servants. This allows flexibility in attracting talent from the private sector, as PEMANDU's remuneration structure is outside of the civil-service pay scale developed by the Public Service Department (PSD). While PEMANDU's culture is markedly influenced by the private sector, it does not exclusively cull talent from the private sector. PEMANDU has direct hires with experience from both public and private sectors, as well as staff seconded from the PSD.

PEMANDU has its own Human Resource Management (HRM) unit that oversees hiring and talent management. The direct hiring process is competitive; the interviews for qualified candidates focus on a rigorous case study that tests for problem-solving as well as presentation and speaking skills. The civil-service secondment plays a dual role: it provides Malaysian civil servants with the exposure to the Big Fast Results (BFR) methodology and PEMANDU's private-sector influenced culture, and at the same time strengthens the relationship between PEMANDU and various government units that the secondees represent. Assignment of roles is based on competencies and expressed areas of interest.

PEMANDU's organizational structure mirrors the delineation between the domestic and the overseas agenda: (i) PEMANDU's Operations segment focus on supporting the domestic agenda through the NTP; (ii) PEMANDU's Corporate Services segment, including the Big Fast Results Institute (BFRI), focus on the overseas agenda and sharing the BFR methodology. PEMANDU's operating expenditures are financed from the national budget, while BFRI's operations are charged on a cost recovery basis to the requesting governments. Annex 1 discusses the overseas agenda in more detail.[9]

PEMANDU's reporting structure reflects its two types of activities. PEMANDU is led by the CEO, Dato Sri Idris Jala, who is supported by Directors overseeing the various NKRAs, NKEAs, and SRIs. PEMANDU's consulting arm, BFRI, is led by the Managing Director and is supported by an ad hoc team based on requests from interested governments. Consequently, PEMANDU's staff consists of two types of officers: PEMANDU officers whose primary focus is NTP work, and BFRI officers dedicated to overseas assignments. However, the delineation between these two groups is fluid: PEMANDU officers may choose to be considered for overseas assignments on a case-by-case basis, in which case their time will be charged to the BFRI clients.

9 On March 1, 2017, PEMANDU announced the handover of its remaining domestic functions to the civil-service over a two-year transition period. The newly-created Civil Service Delivery Unit will oversee the final phase of the NTP implementation. At the same time, a private entity, PEMANDU Associates Sdn. Bhd., was created to focus fully on the non-NTP domestic and overseas agenda, both public and private.

PEMANDU introduced "Labs" as a multi-stakeholder problem-solving tool

Labs are one of the highest value-added innovative tools that PEMANDU introduced. They are extensive stakeholder engagement workshops lasting 6-9 weeks organized around a policy priority area. Box 8 describes the Lab process in detail. In Malaysia, Labs were conducted early in the transformation process. As Figure 6 depicts, the Labs took place during Step 2 in PEMANDU's eight-step methodology. After Step 1 defined the government priorities grounded in the national development framework, the Labs achieved three main results:

1. **Labs took the government's strategic priorities to the more granular level**, focusing on developing and specifying the projects and actions under each NKRA, NKEA, and SRI. The resulting delivery maps included timelines, resources, KPIs and targets (see Box 7).
2. **Through Labs, PEMANDU ensured that the NTP was demand-driven and created ownership among a wide range of stakeholders.** Labs brought together representatives from the relevant government MDAs, the private sector, and civil society. EPU and MOF officials were invited to the Labs to ensure that the proposed budget requirements were realistic.
3. **Labs gave voice to rank-and-file MDA officials.** In a Lab setting, hierarchy does not matter. Subordinates felt empowered to challenge their superiors and highlight potential implementation challenges, resulting in more realistic delivery maps and targets.

Labs are a flexible tool that allows for iteration and modification of programs and targets, but are also vulnerable to critique. PEMANDU learned from experience that the 8-step BFR methodology is not linear. As the economic, political and social contexts change, the implementation of key policy priorities must adjust as well. PEMANDU's current approach is to allow for a 30:30:40 ratio: 30 percent of Lab recommendations are implemented, another 30 percent are implemented with refinements, and 40 percent of new initiatives not suggested during the Labs are introduced. Labs' critics suggest the duration of six to nine weeks is excessive and makes the NKEAs vulnerable to capture, as only private-sector actors with strong commercial interests and upside potential would be able to spare the time to participate.

BOX 8

How do PEMANDU Labs work?

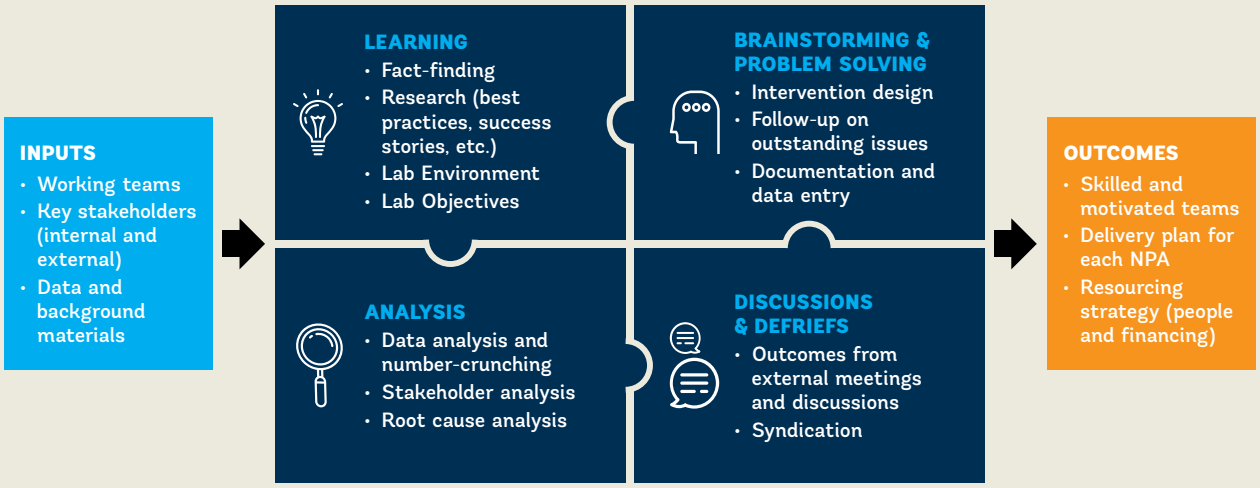
PEMANDU initiated Labs to analyze how to implement Malaysia's goal of becoming a high-income country by 2020. At the beginning of initiating the NTP, PEMANDU invited officials from line ministries and representatives of the private sectors for 6-9 weeks and discussed sectoral and industrial priorities and implementation plans. PEMANDU worked with line ministries and the private sector to set the objectives, actionable work plans, specific deliverables, and timeline, as well as resource needs to implement policy objectives. In Dato' Sri Idris Jala's (CEO of PEMANDU) words, Labs allowed for "the descent from 30,000 feet to 3 feet" and facilitated the prioritization of policies, KPIs and action plans of NKRAs and NKEAs that would support the Malaysia's development goals.

The Lab is a consultative process, where people work together iteratively to design solutions to identified policy challenges within a strict timespan.

Source: Authors and PEMANDU BFRI







Senior leaders act as "Lab sponsors" to support the conduct of the Lab. The Lab consists of three sessions; the pre-Lab, the main Lab and the post-Lab. The pre-Lab session includes planning among key stakeholders, initial analysis and selection of relevant Lab participants. The main Lab session is held at a physical location and the participants work together to create a solution in a specific timespan. The participants select a Lab leader among themselves. PEMANDU deploys Lab facilitators who moderate the discussions and ensure that Lab leaders undertake their assigned role. The session focuses on learning, analysis, brainstorming and problem solving, and discussions and debriefs. The Lab produces a report containing sectoral or thematic initiatives, detailed implementation plan, lead agencies and identified KPIs. The report is then presented to the "Lab sponsor." Once Lab sponsor endorses the report, the post-Lab session of public consultation starts. If no significant public objections are received, the initiatives will be implemented.

PEMANDU's Big Fast Results Institute (BFRI) has been conducting Labs in countries outside of Malaysia. BFRI staff facilitated the running of the Labs in the education sector and the retail sector at the state level in Andhra Pradesh, India. The Education Lab focused on how to improve the quality of education across the pre-school, primary and secondary levels. The Lab detailed the policy outcomes and KPIs to monitor the achievement of the objectives. This included improving student learning outcomes, improving quality of teachers, and enhancing the school system. The Lab involved 92 participants from 26 organizations. Similarly, the Retail Lab focused on how to generate investment, jobs and income, involving 13 government agencies, two NGOs, and 18 private-sector organizations.

PEMANDU creates performance incentives through monitoring and reporting of KPIs

NTP KPI target setting is an iterative process that cascades from the Minster to the MDA staff. The initial KPIs are set during the original Labs. Subsequent to the Labs, the annual targets are revised jointly between PEMANDU and the MDAs. The annual target setting also includes the development of KPIs for Ministers and Secretary-Generals for the MDAs involved in the NTP implementation. The set of KPIs is then presented in a Minster's Scorecard (see Box 9). Ministers' KPIs are cascaded through the departments and agencies under the relevant ministry.

PEMANDU uses a dashboard for KPI tracking. The dashboard monitors the achievements of each NKRAs, NKEAs, and SRIs against the set KPI targets. It is updated weekly. The implementing MDAs are required to provide the progress update by end of each week; PEMANDU examines the input and updates the dashboard and the Minister's scorecard. The MDA top management has access to the dashboard and can view their MDA's progress. The audited numbers for the KPI results are also reflected on the dashboard. The audit is one of the AUP, which is also part of PEMANDU's year-end review on the annual performance of the NTP. An external auditor (PwC) reviews the performance results.

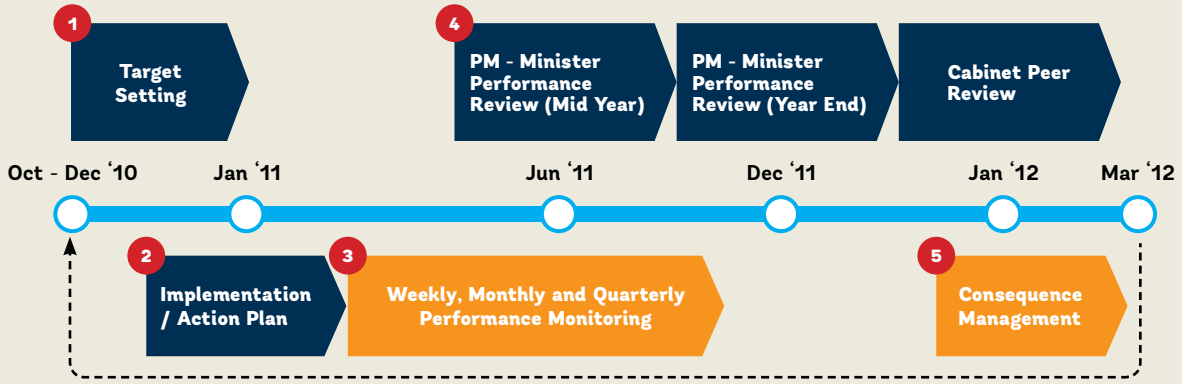
PEMANDU creates incentives to resolve implementation issues at the lowest possible level through the gradual escalation process. Weekly reporting on the NTP KPI targets often reveals working-level implementation problems. In the first instance, PEMANDU provides assistance to the implementing MDA or refers these issues to technical committees. The implementation issues that cannot be solved at the technical level are referred to the monthly Steering Committee meetings. Steering Committees are chaired by a lead implementing MDA for each NKRA, NKEA, or SRI. If the problem is still unresolved, it is referred to the PSM with the Prime Minster, held twice a year. It is used to resolve difficult, cross-ministerial problems. At mid-year and year-end, the Prime Minister also conducts reviews with the respective ministers, with the CEO of PEMANDU in attendance, where issues are highlighted for his direction and decision. It also provides an avenue for revision of targets, if and when endorsed by the PM.

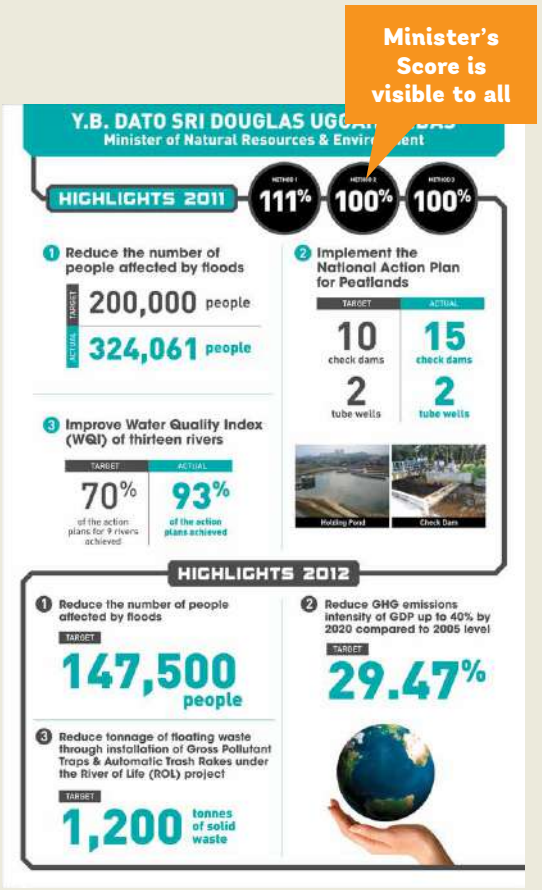


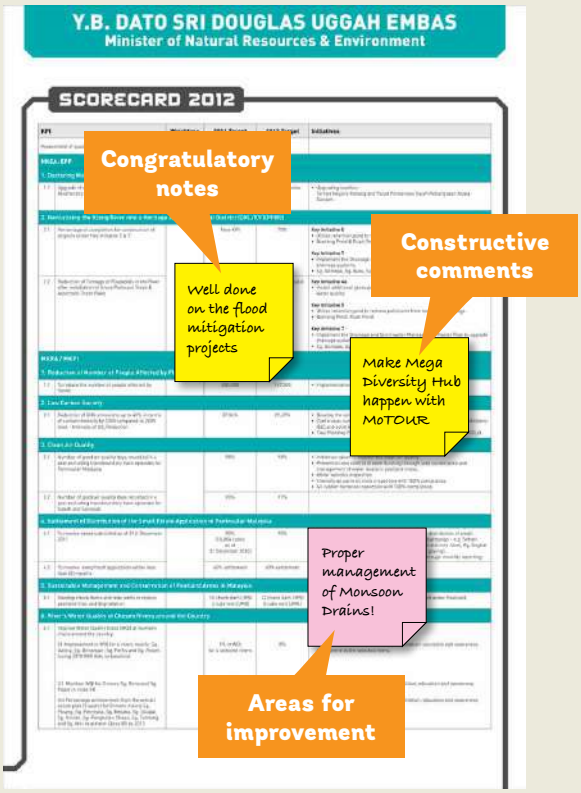
BOX 9

Performance Management through Ministers' Scorecards

Performance Management Framework
Minister Scorecard Annual Cycle







Source: PEMANDU Associates

PEMANDU uses an institutional infrastructure for delivery that extends to MDAs

DMOs were established in the relevant MDAs to assist the interface between MDAs and PEMANDU in implementing the NTP. The DMOs include MDA officials who work alongside the PEMANDU team in the setting, tracking, adjustment, escalation, coordination and facilitation required for the KPIs. This includes coordinating the monthly to quarterly Steering Committee Meetings and Technical Working Group Meetings, and the mid-year reviews. The form and function of DMOs in different ministries have evolved, depending on a particular nature of the NKRA/NKEA/SRI that the ministry leads.

MOE established the Education Performance and Delivery Unit (PADU) in 2013 replacing the traditional DMO function. PADU is a central coordination unit within MOE and was given the mandate for the implementation of the EDU NKRA and the education strategy called "Malaysian Education Blueprint." PADU helps implement MOE's KPIs, monitors the implementation progress, and recommends specific actions to address lagging performance. PADU also publishes reports, and provides stakeholder engagement support. PEMANDU interacts with PADU on the specific national-level priorities of the EDU NKRA.

MITI set up the Monitoring and Evaluation Division to monitor the overall performance of the Ministry. This is a broader mandate than a traditional DMO, as the division monitors not only the progress in MITI-led NKEA (Electrical & Electronics, E&E), but also the Outcome-Based Budgeting (OBB) indicators, and the MITI Transformation Plan. The division tracks the progress of all 20 EPPs under the NKEA E&E as well as EPPs outside this NKEA. For example, the NKEA Oil, Gas and Energy does not come under MITI's purview, but MITI monitors specific EPPs such as encouraging FDIs in this NKEA. The Division updates the PEMANDU Dashboard and the Project Monitoring System (SPP II) on a weekly basis. Upon completion of an EPP, the division prepares an Outcome and Impact Achievement Report.

PEMANDU developed a strong communication function

PEMANDU channels substantial attention and resources towards communications. During the initial stages of the NTP, PEMANDU received a special budget allocation to develop communications strategies and plans for ministries. PEMANDU recognized early on that managing the public perception of the Government's reform efforts is one of the key tasks of the transformation agenda.

PEMANDU's communications strategy is also anchored in the BFR eight-step methodology. The communications plan is designed to keep stakeholders informed every step of the way: to put the Strategic Direction into the global perspective; highlight the subject matter, findings and progress of the Labs; provide public engagement and communication feedback on the Open Days; inform the public about the details of the Roadmaps; illustrate the accountability, commitment, and built-in flexibility of the KPI Targets; highlight milestones and challenges during the Implementation; emphasize that the external validation of results is achieved through the Audit; and summarize what the NTP delivered in the Annual Report.

Efforts are made to define and map internal and external stakeholders. This identification allows messages to be customized. Transparency, credibility of the outcomes, and feedback for improvement are the general principles around which the communication strategy is built. The communications strategy is managed from the highest level to the implementation level. It includes providing frequent narratives to the weekly Cabinet meetings to keep Ministers informed and updated of the NTP's progress. Communication plans are comprehensively laid out. Weekly communications plans are developed for up to a year ahead, utilizing a wide range of tools and platforms, including infomercials, social media, radio, and editorials, as well as direct engagement through roundtables and various fora. PEMANDU's communication team also periodically collects feedback on the NTP through a survey of the general population, business leaders, and opinion leaders, which it calls "the NTP health check."

The NTP Annual Report, the final step of the BFR methodology, is one of the key outputs of the PEMANDU communications efforts.

The NTP annual report is a rigorous exercise that engages internal teams, both public and private sector, and external auditors, as well as a monitoring process to ensure accuracy and on-time delivery.

The Report is comprehensive and includes a variety of testimonials and in-depth information on the implementation progress of each NKRA, NKEA and SRI, as well as a table with the externally audited achievement of the NTP KPI targets.

CHAPTER 4

What can be learned from PEMANDU's challenges?

PEMANDU's biggest challenges are a flip side of its greatest strengths.

The existence of a robust institutional ecosystem focused on public sector performance is a strength until the ecosystem becomes too complex and creates overlap, blurred accountabilities, and coordination challenges. A private-sector corporate culture and top talent infuse innovation into the public-sector managements, but also create a perception that PEMANDU staff are outsiders with limited public sector exposure. Rigorous KPI monitoring and reporting drives performance, but on the other hand it can also be gamed and undermine citizens' trust in the entire transformation process. The same is true for a sophisticated communications effort that may be viewed as an aggressive public relations campaign. Finally, designing the transformation program through Labs may have created stakeholder ownership, but did not build in features that would allow impact evaluations of at least some of the NTP programs.

A complex performance ecosystem creates a heavy reporting burden and coordination challenges

The sheer complexity of Malaysia's performance monitoring system is striking. On the one hand, the existence of a performance ecosystem is a prerequisite for the success of any DU. On the other hand, its complexity creates new challenges. PEMANDU's mandate is relatively narrow yet complex. Although the NTP focuses on a "manageable" number of NKRAs, NKEAs, and SRIs, these are further stepped down into component parts; for example, the 12 NKEAs contain 131 EPPs and 60 business opportunities. On top of this, ministries have their own sets of strategic and operational indicators at the ministerial, program and activity level, some of which are tracked through Program Performance Management (PPMF) and Activity Performance Management Frameworks (APMF).

The coordination challenges and reporting burden of the NTP KPIs vary among MDAs. Annex 3 lists the number of 2016 NTP KPIs and the periodicity of their reporting by each NTP initiative and the responsible MDAs. First, the complexity of the NTP initiatives varies: some, such as the Greater KL and Klang Valley NKEA, are implemented by as many as 20 MDAs; others, such as the Cost of Living NKRA and Wholesale & Retail NKEA, have only one responsible implementing agency each. The more MDAs involved, the more complex the coordination issues. As Box 10 illustrates, some of these coordination challenges are beyond the scope of DU interventions and require institutional reforms within the sector. Second, the total number of KPIs per NTP initiative ranges from one for the Cost of Living NKRA to 35 for the Greater KL NKEA. The periodicity of reporting also varies. Out of the total 277 KPIs for the whole NTP, only 43 are reported weekly. By far the largest number of KPIs (148) are those reported on a monthly basis, while the remaining ones are gathered quarterly and annually.

BOX 10

Balancing PEMANDU's Strengths with its Natural Limitations: The case of Urban Public Transport

DUs cannot accomplish national goals alone: ultimately, delivering on development outcomes is the responsibility of the MDAs in charge of the interventions, policies, regulations, and institutional strengthening measures adopted in pursuit of those goals. PEMANDU's key strengths include a constant focus on results, the deployment of innovative practices such as Labs and collaborative approaches to decision making, and a committed, capable, and empowered staff. But these assets are not meant to be a substitute for institutional, planning, and regulatory reforms at the MDA level.

The urban public transport NKRA — the only NKRA with a KPI achievement score in the 70 percent range — illustrates this point. Despite tangible achievements in the delivery of improved urban public transport in Kuala Lumpur and the Klang Valley, many challenges remain. One such challenge has been the deployment of a Bus Rapid Transit (BRT) line linking Kuala Lumpur with Klang, an important component of the Land Public Transport Master Plan for the Kuala Lumpur/ Klang Valley region. Despite an initial delivery target in 2016, the 34 km Kuala Lumpur-Klang BRT has still yet to be designed and constructed as of early 2017. In this, the Kuala Lumpur-Klang BRT is hardly alone — many BRT schemes around the world have experienced delays, largely due to their planning and decision-making complexity. Like most urban transport interventions, delivery of the BRT depends on close integration across several dimensions of decision making: functional integration (e.g. across strategic, tactical, and operational planning), geographic integration (e.g. across local authorities along the BRT corridor), modal integration (e.g. across public transport — BRT, LRT, MRT, commuter rail, regular buses — and private transport, due to the dedicated lane that is taken up by the BRT service), and integration across levels of government (e.g., federal, state, and local). International experience shows that these kinds of integrations are difficult to operationalize and tend to be the result of institutional reform. This is something that falls well beyond the scope of PEMANDU's remit, mandate, and capabilities.

PEMANDU has convened and led Labs and discussion sessions among the many stakeholders involved in the BRT project.

Labs and collaborative discussions, while helpful in many settings, are not a panacea.

When it comes to strengthening public sector decision-making through integration, the adoption of lead urban transport agencies at the conurbation level have tended to work best. DUs are a complement to such efforts, not a substitute for them.

Source: Authors

Aside from the NTP, parallel monitoring systems proliferate, which creates an additional reporting burden on MDAs. Outside PEMANDU's remit, the key part of the national performance monitoring system also includes the Outcome-Based Budgeting effort, which has its own set of requirements for reporting performance linked to annual and medium-term plans. Aside from reporting on the NTP-related KPIs, the MDAs also report on the indicators related to the implementation of the Malaysia five-year plan to the EPU. In addition, MDAs provide updates to the Implementation and Coordination Unit (ICU) in the Prime Minister's Department that monitors all public investments projects through the SPP II system.

There are a multitude of institutions involved in performance monitoring. The size of the Prime Minister's Department, with over 50 different agencies reporting to it, is quite unique. Only a small number of centers of government worldwide, including the U.S. and Russia, are that large. With a multiplicity of agencies active at that level, and what appears to be the lack of well-defined coordination mechanisms between them, it is not surprising that lines and roles often get conflated. Overlap of functions and blurred accountability for results inevitably ensue from this system. Box 11 illustrates this issue in the transport sector.

BOX 11

Which MDA is in charge? The case of the transport sector

The Ministry of Transport is in charge of planning, formulating and implementing policies on maritime transport, rail, ports and civil aviation. The Ministry's Transformation Plan, published in June 2015, also lists the development of a holistic, sustainable and integrated National Policy on Transport as one of the agency's strategic initiatives. On the other hand, the Land Public Transport Commission (SPAD), an agency under the Prime Minister's Department, is empowered to plan, regulate and enforce all matters related to land public transport. To this effect, SPAD has also developed a National Land Public Transport Masterplan. Adding to this mix is the Jiwa Murni project, undertaken through the National Blue Ocean Strategy (NBOS) initiative, in which a number of agencies came together to build roads in the rural areas of Sarawak. These agencies were the Ministry of Finance, the Ministry of Defense (specifically the Malaysian Armed Forces and the Royal Armed Engineers Regiment), as well as the Sarawak State Government.

Source: Authors

Different sets of KPIs blur performance incentives. Aside from the NTP-related KPIs for ministers, the PSD also sets KPIs for senior officials (Chief Secretary, Secretaries-General, Directors-General, and State Secretaries). These KPIs are broader than the NTP-related KPIs and include three components: (i) Shared & Collective Responsibility; (ii) MDA's Specific Programs; and (iii) Leadership & Core Personality Values. PEMANDU is invited to provide input into PSD's KPIs, which also cascade down to respective ministries and agencies. It is not clear how the NTP-related KPIs are captured in PSD's KPIs for senior officials, leading to questions about how various cascading KPIs interact and potentially create conflicting performance incentives. Even if they do not conflict, at the very minimum their multitude and complexity is bound to create confusion and blur performance incentives.

PEMANDU's size and private-sector corporate culture present tradeoffs

The corporate culture of PEMANDU is derived from private-sector consulting. Around 80 percent of the staff come from the private sector. This is both a source of strength (in that they are praised for bringing in fresh insights and approaches) and a source of weakness (the most common complaint is that they "don't understand the nuances of what the public sector does or how it functions"). PEMANDU staff try to guard against these allegations, arguing that they really need to get "down into the weeds" and grapple with these challenges. In addition, the non-civil-servant status of PEMANDU officials and their salary differential may create implicit resentment vis-a-vis their public service colleagues in the MDAs.

The perception of PEMANDU staff varies across ministries. There are some, such as the Ministry of Plantation Industries and Commodities, where relations are quite cordial and PEMANDU staff are clearly perceived to be an asset. A clear division of labor has emerged, whether the ministry implements and PEMANDU monitors, checks, and helps to resolve bottlenecks. There are others where this is not the case.

When it comes to the size of DUs worldwide, PEMANDU is the largest because of the breadth that it covers. As illustrated in Figure 7, most DUs range in size from around six to about 16 staff; the original PMDU under Tony Blair had staffing ranging between 30 and 40. Their small size is reflective of a variety of dynamics. Some are small by design, as in many cases deliberate decisions were taken to keep the DU's organizational footprint light and not to create large structures that could potentially compete with line departments in either policymaking or delivery. In other cases, it reflects the inherent limitations involved in trying to establish such units quickly, and recruit or second strong technocratic staff from what is often a limited talent pool.

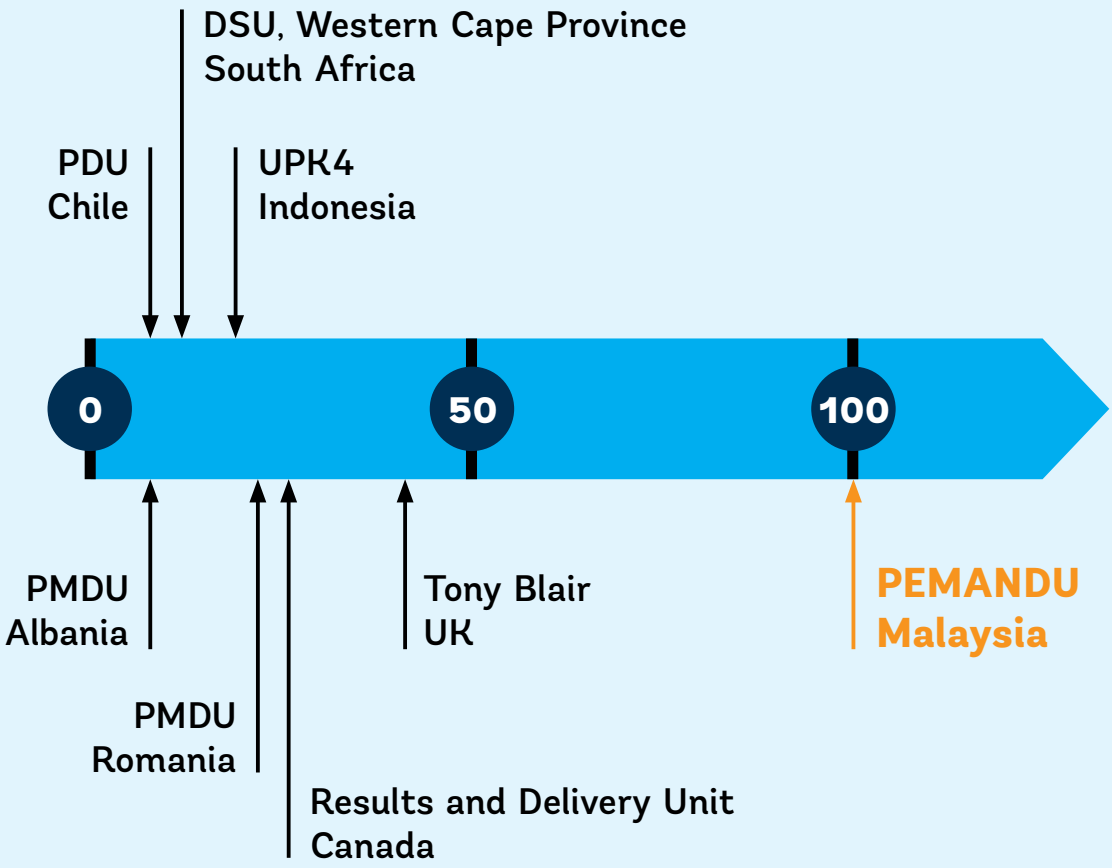
PEMANDU is unique among DUs worldwide given the breadth of its mandate. This includes not only the service delivery aspect (NKRAs and SRIs) that is the remit of other DUs worldwide, but also the industrial policy (NKEAs). In addition, part of PEMANDU's size can be explained by its commercial arm, which accounts for around 40 percent of PEMANDU's staff complement. Finally, PEMANDU has also staffed certain functions, such as communications, far more extensively than other DUs. This breadth of scope results in PEMANDU's slightly over 100-person staff strength.

While PEMANDU may be the largest in size, it is important to weigh its costs against the benefits that the NTP produces. A large DU with top-notch private sector talent carries considerable setup and operating costs. The costs of setting up PEMANDU in 2009 included engaging international consultants such as McKinsey (see Box 3 on McKinsey's role). In addition, PEMANDU's annual operating budget is about RM 40 million (about USD 10 million), which includes emoluments, services and supplies, Labs, open days, workshops, surveys, and similar.[10] PEMANDU's critics bemoan the high costs of setting up and operating this model, while PEMANDU and its supporters consider these costs a reasonable investment, given the benefits to the Malaysian economy from the NTP. For example, PEMANDU records that the ETP Lab garnered private-sector investment commitments totaling USD 406 billion, which is expected to create 3.3 million jobs and deliver an additional GNI of USD 250 million in 2020. As reported in the NTP Annual reports audited by PwC, the realization of these figures is on track. On this basis, the return on investment is likely to be significant.

10 This is separate from the operating budget for the NKRAs (RM334 million, or about USD 83.5 million) and NKEAs (RM355 million, or about USD 88.75 million) in 2011. The majority of these budgets sit with the implementing MDAs, while a portion is allocated to the Prime Minister's Department to ensure coordination. Source: Media Statement by DS Idris Jala, Minister in the Prime Minister's Department and CEO, PEMANDU (29 October 2010).

Nevertheless, the size of PEMANDU raises questions about how readily this model can be adopted elsewhere. Few developing countries are able to afford a large DU. In addition, few countries will probably be able to get exemptions from the civil-service salary structure that allowed PEMANDU to recruit talented staff from the private sector. At the same time, PEMANDU argues that its success is heavily predicated on adopting transformational leadership from the highest level and hard-wiring a new way of working, since the old ways have not delivered the desired results. Implementing selected tools and approaches without linking to others may result in suboptimal outcomes. This is a tradeoff that other countries must evaluate carefully before embarking on their own initiatives.

FIGURE 7. Staff Size of DUs in Comparative Perspective



Source: Authors

Focus on KPIs is a mixed bag

The actual KPIs themselves may have left a mixed legacy that is typical of broader efforts to rely heavily upon indicators to improve public sector performance. This includes the focus on certain (typically politically motivated) priorities to the detriment of other important objectives. Another is the danger that such targets can be "gamed" or manipulated.

The success of KPI-driven performance depends on whether the right indicator has been chosen. If it doesn't measure the desired outcome, then focus to meet the target misses the broader point of the reform. There are some parts of the NTP, particularly the NKEAs, which easily yield themselves to measurement and quantification. Others – especially the key parts of the GTP such as the NKRAs of fighting crime and combatting corruption – are notoriously difficult to measure. Those measures that PEMANDU ends up using are often critiqued as selective. As Elena Lesley writes:

> *"According to the 2012 GTP annual report, street crime dropped 40.8% after the launch of the transformation program. […] However, many Malaysians felt the police were not transparent about how crime statistics were compiled, and they suspected that certain incidents went underreported. Detailed crime statistics obtained by the New York Times from the Malaysian government in 2013 showed mixed results: Although armed robberies and gang robberies had decreased dramatically since 2000, the number of homicides had remained relatively unchanged, and rapes had increased. […] People do not feel 40% safer, and that's why there's a lot of disbelief in these crime statistics.*[11]"

If the reported KPIs clash with citizens' own experiences, it can undermine the trust in the entire transformation effort. Such discrepancies fuel skepticism about the metrics employed and successes reported, and lead to attributing transformation successes to aggressive communications and public relations campaign. Box 12 documents most recent efforts by PEMANDU to address the fear of crime among citizens, including the most recent encouraging results.

Lack of impact evaluations creates questions about attribution

The evaluations that PEMANDU commissions for various programs under NKRAs and NKEAs are mostly process evaluations, while the impact evaluation culture is less developed. The evaluations at the vertical team level do examine rigorously whether the implementation of particular programs is working as intended. However, this is different from designing a program in a way that would allow to ascertain how it contributes to desired impacts further down the results chain (see Box 13).

Impact evaluations (IEs) seem to be rare among the NTP programs, but without them it is difficult to resolve questions of attribution. The correct attribution of results to a particular intervention is especially important for DUs who by their design only focus on a very limited set of priority initiatives, with many programs under implementation at the same time. PEMANDU's and NTP's critics often scoff at crediting

11 Lesley, Elena. 2014. "Mapping a Transformation Journey: A Strategy for Malaysia's Future." Innovations for Successful Societies. Princeton University. http://successfulsocieties.princeton.edu/sites/successfulsocieties/files/EL_COG_Malaysia.pdf

BOX 12

Crime NKRA: Addressing Citizens' Perceptions through Policy Implementation

The key programs that forms the backbone of the NKRA Reducing Crime are the Omnipresence Program, Community Policing Program and Safe City Program.

The Omnipresence Program's objective is to increase police visibility (target hardening) at crime hotspot areas through: (i) replacing personnel on administrative duties with civilians and freeing them up for patrolling; (ii) collaborating on joint patrols with other uniformed personnel such as the military, Department of Civil Defence (JPAM) and People's Volunteer Corps (RELA); and (iii) investments in replacing beyond-lifespan police vehicles, which have resulted in response time improvement (from 15 minutes to 8 minutes). Moving forward, under the Modern Policing initiative, the Omnipresence Program will undergo a shift from physical visibility to more reliance on technology and simplification of decades-old processes.

The Community Policing Program is about engaging citizens and encouraging open dialogue and problem-solving sessions between the police and residents. The Community Policing framework is based on mutual respect, removing bias, and action oriented solutions. It is crucial to ensure continuity of this program as the police move from a traditional policing mindset to a service-oriented force under Modern Policing.

The Safe City Program is based on the Broken Windows theory and Crime Prevention Through Environmental Design, where the program involves reducing the opportunity to commit a crime by installing bollards and railings separating the pedestrians and roads, brightening dark alleys and streets, and collaboration with other agencies and ministries to conduct clean-up operations.

Pre-GTP, the crime index was rising steadily (with a slight drop of 0.9 per cent in 2009). After 6 years of implementation, a cumulative drop of 45 per cent, or an average of 7.5 per cent drop annually, has been achieved. However, despite the NKRA's best efforts, the fear of crime remained a challenge up until 2016, with people still feeling fearful (80 per cent and above). Results in the most recent annual perception survey measuring the level of fear have finally shown an improvement, dropping to 61 per cent in 2016 from 80 per cent in 2015.

Source: PEMANDU Associates



the NTP for Malaysia's aggregate achievements, as the NTP represents only a narrow set of priorities while many initiatives under the Malaysia five-year plan are working toward the same goals. Consequently, this perception undermines the overall trust in the NTP, ascribing its success to a mere public relations campaign. In this case, the problem of attribution is not between the MDAs and PEMANDU; it is unequivocal that the MDAs are the implementer and the DU the driver. Rather, the question is whether the overall impact was a result of a narrow strategic intervention in the NTP, or of a multitude of other programs ongoing in parallel.

Designing the NTP through Labs may have missed the opportunity to build in IEs into the program design. Labs may be an excellent problem solving platform, ushering consensus building and bringing various stakeholders together. However, introducing sophisticated forward-looking technical design features that enable impact evaluations is not the comparative advantage of the Lab method. However, going forward and applying the Lab method elsewhere, nothing prevents bringing in impact evaluation specialists to the Labs to address this shortcoming.

At the same time, NTP interventions are meant to be catalytic and not all encompassing. The impact of the NTP is by design expected to be more than the sum of the impact of its projects. PEMANDU argues that shifting the emphasis to IEs for the sake of clear attribution may be missing the point of a transformational exercise. IEs will only be able to show part of the picture. However, they can help build the overall support for the DU efforts, maintain the MDA buy-in, and also establish the cost efficiency of the priority interventions.

BOX 13

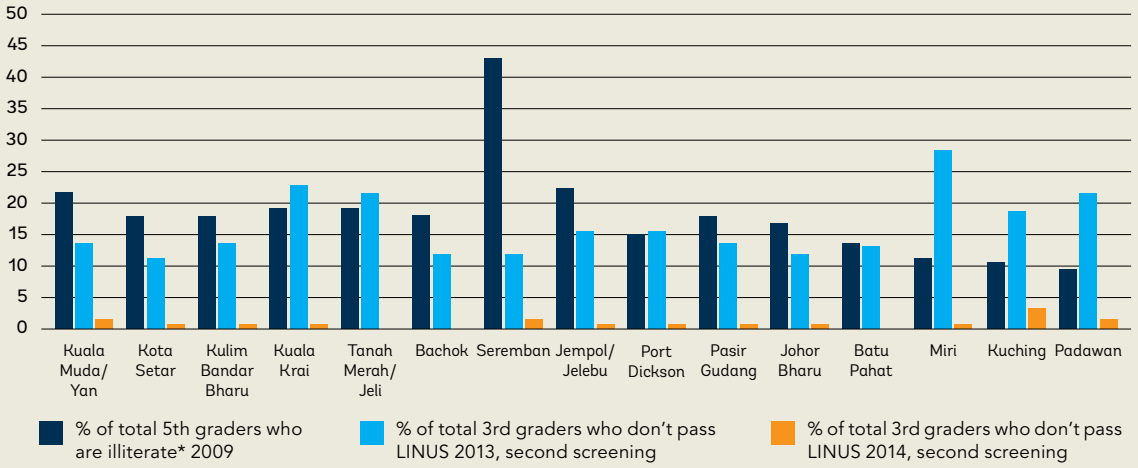
EDU NKRA: Literacy and Numeracy Screening (LINUS)

Malaysia introduced Literacy and Numeracy Screening (LINUS) in 2009 as a systematic and comprehensive effort to screen and improve literacy and numeracy standards of primary school students. The objective of the program was to ensure that all students acquire basic literacy and numeracy skills at the end of three years of primary schooling. The "Screening" part of LINUS aims at identifying students who are struggling by introducing mandatory (and universal) assessments of all first-, second- and third-graders. Once identified as struggling, the program provides additional support to students with difficulties in reading, writing and arithmetic.

LINUS has *likely* played an important role in the improvements in overall literacy rates that has been observed in recent years. National literacy rate for early primary school students was initially ranging from 87 percent to 89 percent in 2006 to 2008. By 2012, three years after LINUS was introduced, the national literacy rate was close to 100 percent by the time students are in Year Three. The improvements in the literacy rate under LINUS is higher when looking at the state or district level. There are several indications that LINUS is perceived as having been a success: its funding has continued; and it has expanded in scope. When LINUS was introduced in 2010, it covered screening and remedial efforts in Malay language literacy and numeracy. In 2013, LINUS 2.0 was introduced to cover English language literacy.

Even though literacy and numeracy improved, it is difficult to tell if it is because of LINUS. Given the many reforms that were initiated during the years from 2009-2012, it is hard to attribute observed improvements in literacy to one program. LINUS is one among several key programs designed to improve access to and quality of education, led by MOE through the Education National Key Result Areas (NKRA) platform facilitated by PEMANDU. LINUS was not launched in isolation. For instance, the High Performing Schools (HPS) initiative was

PROTIM vs LINUS results for Struggling Districts



also introduced to identify and cultivate Malaysia's cadre of internationally competitive schools, lift the performance of other schools in the system and use it as a nurturing ground to produce excellent students. There was also a curriculum review which was conducted in 2011 which saw the introduction of the Primary School Standard Curriculum (KSSR).

If the program design built in impact evaluation features, it would be easier to attribute the results to LINUS or some other parallel intervention. When designing and implementing new sizeable programs, international best practices and experience point towards design features that would allow for a rigorous impact evaluation, e.g. randomized treatment and control. This means designing implementation in such a way that one group of students receives "treatment" (i.e., is exposed to LINUS interventions) while the other ("control") group does not. This allows the interventions to be both monitored and evaluated to ascertain whether they have an impact on desired outcomes.

Most times, the problem is not the lack of data, but program design that does not include elements that would enable impact evaluation. There were no "treatment" and "control" groups for LINUS; to do so, it would be important to sequence the implementation and use pilots as "treatment" groups while comparing to "control" groups that were not exposed to LINUS. For LINUS, it is not possible to ascertain whether it was LINUS or something else that helped improve literacy rates during 2012-2014. Also, what part of the LINUS program (e.g. FasiLINUS; remedial teachers; the focus on measuring learning outcomes) was more impactful in improving learning outcomes? While there was an in-depth process evaluations conducted to help identify strengths and weaknesses of implementation, an impact evaluation would be beneficial to determine which interventions have worked.

Aside from problems of attribution, IEs would allow to determine the program's cost effectiveness. Currently it is difficult to tell which of the interventions embedded in LINUS contributed more than others – or whether all were required, or only some. This means that it is impossible to establish whether the interventions included in LINUS were "cost effective" -- were some better "value for money" than others?

Source: Authors. For more information on treatment and control groups in IEs, see http://siteresources.worldbank.org/EXTHDOFFICE/Resources/5485726-1295455628620/Impact_Evaluation_in_Practice.pdf



CHAPTER 5

What are the key takeaways for other countries?

Countries looking to learn from PEMANDU will have to carefully weigh the tradeoff between the cost and replicating the whole structure in its entirety.

Among the DUs around the globe, PEMANDU is the largest in size. This has cost implications: few developing countries are able to afford a large DU. In addition, not all countries will be able to get exemptions from the civil-service salary structure that allowed PEMANDU to recruit talented staff from the private sector. Many contextual factors, such as a relatively developed institutional ecosystem and performance culture, also contributed to PEMANDU's ability to drive performance. On the other hand, the potential benefits of the PEMANDU model are significant. While PEMANDU's critics point to the high costs of setting up and operating this model, PEMANDU and its supporters consider these costs a reasonable investment, given the benefits to the Malaysian economy from the NTP. A careful consideration of the country context and a cost-benefit analysis will therefore have to precede any decision to adopt a similar model.

PEMANDU's story also demonstrates the semi-permanent nature of DUs. DUs rarely last beyond the government's term in office since are focused on driving the implementation of time-bound priorities. In addition, they introduce private sector elements that are intended to disrupt some of the unproductive routines in the public sector, but this only works for a limited time. As the government's term is coming to an end, PEMANDU is currently phasing out its public-sector role while handing over the reins for the remaining tasks to civil-service.

PEMANDU's experience is instructive both for its successes and challenges. As illustrated in the previous chapter, the same features that result in PEMANDU's strengths become its weaknesses if the mix is not right, or if conditions change. Finding the right balance is key.

Learning from PEMANDU's strengths

Features that played to PEMANDU's strengths point to the following lessons and tradeoffs for countries considering establishing a DU: (i) top leadership backing; (ii) prioritization and granularity; (iii) control and voice; and (iv) MDA interface.

Secure strong backing and involvement of the top leadership

PEMANDU's success critically hinged on its access to the Prime Minister and his direct involvement in the routines introduced by the unit. PEMANDU not only tracked progress in implementation, but was actively involved in clearing up bottlenecks between multiple MDAs. These incentives work only with the regular involvement of the Prime Minister through routines such as the PSMs and performance reviews. However, such high-level access and hands-on involvement presents its own tradeoffs, including the potential politicization of the technical implementation process. Managing this tension is critical for a DU's success, which requires strong DU leadership. PEMANDU's CEO Idris Jala brought in the inspirational leadership, technical skills, as well as the political and business savvy required to maintain the PM's confidence and to carve out the financial and administrative space to build an effective unit.

These lessons are consistent with the conclusions in the existing analyses of DUs worldwide. For example, Bellver *et al* (2014)[12] argue that "unless the most senior members of the government take an active interest in results and communicate that the government regards the efficient and effective delivery of public service outcomes as a political priority, there is little chance that they will focus on outcomes and there will be no platform for a unit to operate."

Create a prioritized and granular results platform

It is impossible to discuss PEMANDU without discussing the NTP – the results platform that PEMANDU helped create and which implementation it drove. Just like PEMANDU did with the NTP, successful DUs generally focus on a limited number of well-defined and operationalized strategic priorities.[13] There are two important lessons from PEMANDU in this respect. First is on prioritization: the NTP contains only a manageable number of priorities, while broader and far more numerous national objectives are contained in the national five-year plans. The second lesson is on operationalization: it is not enough to simply define the high-level priorities – just as crucially, they have to be translated into granular projects with assigned implementation responsibilities, timelines, and KPIs.

At the same time, PEMANDU's experience demonstrates that the selectivity of such focused platforms may create questions about the attribution of national outcomes to the interventions facilitated by the DU. It may not always be possible to measure the full impact of transformational programs. However, building in ways to show some of their contributions, wherever possible, can assuage this concern and help maintain trust among stakeholders.

12 Bellver, Ana, Indu John-Abraham, Ray Shostak, and Joanna Watkins. 2014. "When Might the Introduction of a Delivery Unit Be the Right Intervention?" Governance & Public Sector Management: Driving Results from Public Institutions. Washington, DC: World Bank

13 See, for example: Jordan, Luke, and Charles Sabel. 2015. "Doing, Learning, Being: Some Lessons Learned from Malaysia's National Transformation Program." Columbia University. http://www2.law.columbia.edu/sabel/papers/CS-LSJ--DLB%20Malaysia%20PEMANDU--Final-190115.pdf; Barber, Michael. 2016. How To Run a Government. London: Penguin

Combine top-down control with bottom-up voice

Driving performance from the center of government should not mean ignoring the rank-and-file implementation staff in the MDAs. As is typical of most DU approaches, PEMANDU is embedded within a top-down, command-and-control system. Yet through the Labs, the process of operationalizing the government's strategic priorities included active participation by the rank-and-file MDA staff who became the eventual implementers of the NTP. This process has also built in responsiveness to line MDAs' objectives, issues, and challenges.

This facet of the PEMANDU experience illustrates the importance of thoughtful change management. Much has been written about the necessity of creating ownership among a wide set of stakeholders as well as creating the buy-in among the implementers when managing change.[14] Similarly, status quo bias due to the change resistance of middle-management and rank-and-file cadres is well documented, both in private- and public-sector organizations coping with change.[15] PEMANDU's experience shows that participatory approaches such as Labs can ease this constraint and help manage change by building ownership of the transformation program from the start.

Create institutional interface between the DU and MDAs

DUs do not implement the policy prerogatives by themselves – MDAs do. PEMANDU's role as a driver of MDAs' performance was greatly facilitated because there were specialized units within MDAs with which PEMANDU interacted. This echoes the existing literature on the monitoring and evaluation (M&E) systems that also highlights the benefits of dedicated M&E units within MDAs.[16] An interesting takeaway from the PEMANDU experience is that the institutional interface need not be uniform across MDAs. Some established DMOs, others created their own specialized DUs, yet others integrated the interface with PEMANDU into their specialized M&E divisions. Tailoring these units to the implementing agencies' needs and sectoral specificities facilitated the implementation.

Because MDAs are the implementers of government's top priorities, the real action takes place on their turf, not at the Prime Minister's Department. This is consistent with the lessons from the UK's PMDU.[17] At the same time, PEMANDU's role in interfacing with MDAs extends to creating specific routines, such as regular reporting and trouble-shooting, as well as progressive escalation of unresolved matters to a series of regular high-level meetings. This creates strong incentives to resolve issues at the lowest possible level.

14 See, for example: Mabey, Christopher, and William M. Mayon-White, eds. 1993. Managing Change. London: Paul Chapman Publishing Ltd in association with The Open University; Backoff, Robert W., and Paul C. Nutt. 1993. "Transforming Public Organizations With Strategic Management And Strategic Leadership." Journal of Management, 19(2), 299-347.

15 See, for example: Pardo del Val, Manuela, and Clara Martinez Fuentes. 2003. "Resistance to Change: A Literature Review and Empirical Study." Management Decision, 41(2): 148–55; Reginato, Elisabetta, Isabella Fadda, and Paola Paglietti P. 2016. "The Influence of Resistance to Change on Public-Sector Reform Implementation: The Case of Italian Municipalities' Internal Control System." International Journal of Public Administration 39 (12): 989-999. doi: 10.1080/01900692.2015.1068325.

16 Kusek, Jody Z., and Ray C. Rist. 2004. Ten Steps to a Results-Based Monitoring and Evaluation System: A Handbook for Development Practitioners. Washington, DC: World Bank. https://openknowledge.worldbank.org/bitstream/handle/10986/14926/296720PAPER0100steps.pdf

17 Barber, Michael. 2008. Instruction to Deliver: Fighting to Transform Britain's Public Services. London: Methuen Publishing Ltd.

Learning from PEMANDU's limitations

The challenges that PEMANDU has faced, as well as the limitations of its experience, also offer valuable lessons for other countries. These include: (i) finding balance between the private vs. public sector elements; (ii) optimization of reporting; and (iii) introducing impact evaluations.

Balance private- and public-sector elements in a DU

Attracting private-sector talent into a DU infuses the public sector with innovations and urgency, but comes at a cost of being perceived as outsiders. In addition, pay differentials tend to create resentment in civil-service. Although PEMANDU has had a limited number of secondees from various public-sector institutions and hired staff with both private- and public-sector backgrounds, its corporate culture and skills have been strongly skewed toward the private sector. The existing literature finds that that the types of skills that a successful DU must attract include quantitative, qualitative, as well as "soft" skills, such as negotiation, creative problem solving, and collaboration.[18] Although their natural reservoir appears to be in private-sector consulting, such skills can arguably be found in both private and public sectors. Finding the right balance of public- and private-sector staff and approaches can mitigate the downside risks and reduce costs.

Optimize the amount of reporting by MDAs

By requiring regular reporting on KPIs, a DU establishes important routines and promotes data-based decision-making; at the same time, it creates a reporting burden. This burden is compounded especially if the MDAs already report on a number of indicators for existing plans and programs. This issue is omnipresent throughout public-sector performance management. For example, the literature on performance-oriented reforms in public financial management[19] concludes that information is not an end in itself, but a means to better performance. In order for this information be used in decision making, the number of performance indicators must be optimized. Similarly, one of the key lessons for the practice of performance-based budgeting is to "measure key strategic goals, but not everything."[20] Countries with the most experience with performance budgeting have steadily reduced the number of programs and indicators over time, reflecting both the administrative burden of reporting and the limited time senior managers have to monitor performance.

Whenever possible, a DU should build KPIs around the existing indicators that MDAs already report on. PEMANDU could further work across Malaysia's performance ecosystem to create synergies with the existing reporting structures, such as performance-based budgeting (OBB) or national development plan reporting. Among the MDAs that PEMANDU worked with on the NTP, MITI's model of a single M&E Division responsible for all reporting presents a good example to learn from and to build on. Although analyzing MITI's experience in depth is beyond the scope of this report, such exercise could uncover existing synergies among various results frameworks.

18 Bellver, Ana, Indu John-Abraham, Ray Shostak, and Joanna Watkins. 2014. "When Might the Introduction of a Delivery Unit Be the Right Intervention?" Governance & Public Sector Management: Driving Results from Public Institutions. Washington, DC: World Bank. http://siteresources.worldbank.org/PUBLICSECTORANDGOVERNANCE/Resources/285741-1368636830774/When_Might_the_Intro_of_a_DU_Be_the_Right_Intervention_FINAL.pdf

19 See, for example, Curristine, Teresa, and Suzanne Flynn. 2013. "In Search of Results: Strengthening Public Sector Performance." In Public Financial Management and Its Emerging Architecture, edited by Marco Cangiano, Teresa Curristine and Michael Lazare, 225-255. Washington, DC: International Monetary Fund.

20 Moynihan, Donald; Beazley, Ivor. 2016. "Toward Next-Generation Performance Budgeting: Lessons from the Experiences of Seven Reforming Countries." Directions in Development--Public Sector Governance. Washington, DC: World Bank. https://openknowledge.worldbank.org/handle/10986/25297

Strengthen impact evaluations

Impact evaluations (IEs) can be used to strengthen the public's trust in the transformational effect of DU-driven programs. DUs, by definition and design, focus only on a limited number of well-defined priorities. Since many other programs are implemented at the same time, the critics of the DU approach tend to question whether observed successes can be attributed to the narrow interventions that DUs drive. Aside from addressing the questions of attribution, IEs can enhance cost-effectiveness by establishing which components of the priority program contribute most to its impact and which are unnecessary. For these reasons, it is important for a DU to be supported by a strong evaluation function.

Far from an academic exercise, IEs are used around the world to refine the existing programs for maximum impact. IEs are now widely used in a variety of settings: for example, to improve resource allocation for family planning programs in Indonesia; to refine program design of malnourishment programs in Colombia; or to improve the cost effectiveness of strategies to increase school attendance in Kenya.[21] A DU can similarly rely on IEs for evidence-based policy making and improved implementation.

A stronger attention to IEs has implications for program design through Labs. For example, to allow for treatment and control groups to differentiate impact of a particular DU-driven program, IEs must be built into the design from the very start. If the programs are developed through a Lab or Lab-like process, then Labs should include IE specialists who can advise on the appropriate IE method and corresponding program design.

21 Gertler, Paul J., Sebastian Martinez, Patrick Premand, Laura B. Rawlings, Christel M. J. Vermeersch. 2011. Impact Evaluation in Practice. 1st ed. Washington, DC: World Bank. https://openknowledge.worldbank.org/handle/10986/2550

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http://successfulsocieties.princeton.edu/sites/successfulsocieties/files/EL_COG_Malaysia.pdf

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http://documents.worldbank.org/curated/en/127701468217446803/The-practice-of-policy-making-in-the-OECD-ideas-for-Latin-America

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https://openknowledge.worldbank.org/handle/10986/22534

Annex 1
PEMANDU's Overseas Experience

PEMANDU's model has generated significant demand for peer learning from governments around the globe. In responding to this demand, PEMANDU in 2015 adjusted its structure, creating the Big Fast Results Institute (BFRI), a new subsidiary company under PEMANDU headed by a Managing Director. BFRI is PEMANDU's development consulting arm and focuses on delivery overseas. Its source of revenue are payments from foreign governments on cost-recovery basis. Box A1 provides details on selected consulting engagements that PEMANDU has overseas. As these summaries show, overseas partners are interested in some of the processes that PEMANDU introduced, including the stakeholder engagement through the Labs and the rigorous monitoring and reporting of KPIs. The demand is growing; the latest engagements include Oman and other Gulf States. Looking past the NTP's life span, overseas consulting will become the main focus of PEMANDU's work.

BOX A1

PEMANDU's Overseas Engagements

Tanzania

Tanzania was the first country that formally invited PEMANDU to share its Big Fast Results (BFR) experience. In 2011, President Kikwete visited Malaysia and was introduced to the delivery Lab methodology as part of the Langkawi International Dialogue Conference in sharing Malaysia's experience. In 2012, the Tanzanian government expressed interest in replicating the methodology in Tanzania. The Tanzanian cabinet invited the PEMANDU to give a workshop to the approach, and selected six focus areas that are critical in achieving the goals of Tanzania's Development Plan 2025, Long Term Perspective Plan (LTPP), and annual development plans.

The Tanzanian government launched the Big Results Now! (BRN) program in January 2013, facilitated by the PEMANDU team. The PEMANDU team supported the Tanzanian government in conducting delivery Labs in the six NKRAs; agriculture, education, water, energy, resource mobilization, and transport. The PEMANDU team also engaged closely with the Tanzanian President's office, the Cabinet, and line ministries in setting up and institutionalizing the National Key Results Areas (NKRAs) delivery system. It included establishing necessary institutions such as the President's Delivery Bureau (PDB), Ministerial Delivery Unit (MDU), Transformation and Delivery Council (TDC), Inter-Ministerial Technical Committee, and

Independent Review Panel. These delivery systems focused on solving problems, and the accountability process in communication. To support the operation, PEMANDU entered into a 4-year Memorandum of Understanding (MoU) agreement with the Government of Tanzania, which allowed the PEMANDU staff to work on the ground and provide advice to the Tanzanian government staff on the planning and implementation of delivery system.

The PEMANDU team worked with the Tanzanian government in a different political and institutional context. The Tanzanian government had a priority to coordinate multiple donors' initiatives with the national development goals, which was very different from the Malaysia BFR context. Tanzania's DU focused on prioritizing these government key priorities, managing the donors' programs and funds and the government funds to these six NKRAs. Despite the political changes in Tanzania, the PEMANDU team remained heavily engaged in the country by localizing their approach and provided advisory services to the government.

PEMANDU conducted an operational review for the Tanzania engagements. The objective of the operational review was to assess the effectiveness of the BFR to the Tanzanian government; more specifically, to understand the strengths and weaknesses of the BFR model in a different context to Malaysia, and to address BFR's value addition to the Tanzanian government. In mid-2015, PEMANDU conducted an on-line survey with relevant heads of agencies and staff who were not team members of the BFR Tanzania team visited the country, documenting the operations and the feedback received. The review note covered PEMANDU's lessons learned and recommendations, and was the first operational review for the BFR engagement.

South Africa

The PEMANDU team worked with South Africa and conducted the Labs in specific sectors. The PEMANDU team conducted two sets of Labs: (i) Oceans Economy; Oil + Gas, Marine Manufacturing, Aquaculture and Governance and (ii) Healthcare. The Government of South Africa initiated the implementation, and the PEMANDU team was invited to the annual review. To implement the Lab recommendations, the Department of Planning, Monitoring and Evaluation under the Presidency of South Africa has set up a similar delivery system to PEMANDU. One of the challenges for the PEMANDU team was to conduct Labs in specific sectors without having the overall prioritization of the national agenda. This has allowed the team to localize their approach, and focus on supporting the Government of South Africa with the Lab methodology.

South Asia

Since 2013, PEMANDU has engaged with Afghanistan, Pakistan, Bangladesh, India, and Sri Lanka. Approached by the governments of Afghanistan, Bangladesh, and Sri Lanka, PEMANDU has been exploring the potential of collaborations in various areas, including

conducting Labs, the adoption of BFR methodology, and the assessment of government performance management systems.

PEMANDU has established a strong engagement with the government of India. PEMANDU has engaged with India both with the central government and five state governments. In 2014, the PEMANDU team conducted a pilot Lab for the water sector in Mumbai, Maharashtra. In 2015, the PEMANDU team representing the government of Malaysia and the National Institution of Transforming India (NITI) Aayog, representing the government of India, and subsequently with the government of Andhra Pradesh, entered into an MoU to formalize the collaboration between both parties. The MoU focused on cooperation in performance management, project delivery and monitoring related to public programs. Other states included Madhya Pradesh, Chhattisgarh, Telangana, and Karnataka. In addition, PEMANDU has been assisting the Central Government Prime Minister's Office and the Cabinet with the development of a national transformation program.

The engagement model in India is different from that of Tanzania, with the focus on states' problem solving through the Labs methodology. PEMANDU conducted two Labs to improve the quality of the 'retail' and 'education' sectors, and expect to conduct 'governance', 'urban development', and 'agriculture and industries' sector Labs in the near future. The Andhra Pradesh Education Lab, for example, focused on improving the quality of education through the pre-school, primary, and secondary levels. This involved 92 participants and 26 organizations. It also ran the Retail Lab to support the key economic drivers of the state, and involved 13 government agencies, two NGOs, and 18 private-sector stakeholders.

Source: Authors

Annex 2
Eight Steps of Transformation

The "Eight Steps of Transformation" is PEMANDU's methodology in driving performance for the NTP. According to PEMANDU, the discipline of implementing the "Eight Steps" is the critical success factor in ensuring understanding, buy-in, alignment, and implementation amongst the MDAs and stakeholders.

Step 1: **Strategic Direction** entails identifying and agreeing on the "True North" with all key stakeholders. This is the starting point that lays the foundation for the transformation program.

For the 2009 Government Transformation Program (GTP), public opinion polls were conducted and disseminated to identify the top issues that citizens cared and worried about. The results were discussed in multiple Cabinet retreats leading to the formulation of the National Key Result Areas (NKRAs).

For the 2010 Economic Transformation Program (ETP), a workshop was conducted to prioritize sectors for the National Key Economic Areas (NKEAs). More than 1,000 leaders from the private sector and government leaders participated and provided their inputs. The NKEAs were determined based on data such as current contribution to GDP, historical and future growth trends, global growth trends, and qualitative inputs on competitive analysis and comparative advantage. This resulted in 12 NKEAs agreed upon by the leaders in both the private and public sector.

Step 2: **Labs** are controlled environments where diverse groups of stakeholders come together and experiment new ways of working. Labs usually run from six to nine weeks with a commitment of agreed objectives and plan of action, with specific deliverables throughout the duration of the Labs.

In a Lab, there is no hierarchy, in which the most junior are encouraged to voice their views and all inputs are treated equally. Diverse groups of stakeholders, ranging from public to private to NGOs and academia, sit in a room to brainstorm and understand the different points of views. The Lab process aims to breakdown silos and encourage the best ideas from robust discussions. It is an iterative process to address difficult issues and accelerate solution development. This process also encourages the sharing of local solutions and best practices.

Another critical feature of the Lab is the emphasis on developing a "three-foot plan." This '"three-foot plan" is a detailed, step-by-step plan of with delineated responsible actors, deliverables, and timelines. This output is crucial as it ensures alignment and responsibility from stakeholders from the different agencies. This process aims to reduce the time lag compared to typical steering committee meetings that are conducted sequentially (every fortnight/month/quarter) that may not reach consensus or decision.

Step 3: **Open Days** are held to communicate the agreed Lab outputs to the public and seek feedback. Posters and exhibits in simple and clear messages and visuals are on display to inform the public on the Lab objectives, approach and implementation plans (what, who, when, how). This exercise is significant as this is the first time that the MDAs share their program plans publicly before implementation. By making it public, there is an expectation from the public and a sense of urgency and responsibility from the Government to deliver upon its agreed plans.

The Open Days for the GTP, ETP and SRI were held

in major public convention centers in the city center of Kuala Lumpur and various regions. More than 26,500 people attended these three Open Days.

Step 4: **Roadmaps** for the GTP and ETP are translated into multiple formats to inform the public and all stakeholders of the transformation plans. The three main formats are a full report, an executive summary, and a short video, which were produced to meet the needs of the different stakeholders in consuming information. The Roadmaps are then shared widely via various media platforms, including print, online, TV, radio, newspapers and online. The high emphasis on a dissemination strategy and an education plan meant that a large proportion of the public have understood, read or at the very least heard about the GTP and ETP.

Step 5: **KPI Targets** are agreed upon with the Ministries and they are assigned to each Minister. All Cabinet Ministers have two sets of KPIs. The first set are common KPIs that are cross-cutting across the entire Cabinet team; the second set of KPIs are unique to each Minister's portfolio. The first set of KPIs encourages teamwork and a collective sense of responsibility, whilst the second set provides direct accountability and responsibility to the Minister and his/her team. The Minister's KPIs are cascaded to his or her civil-service team in the Ministry.

The NTP KPIs are tracked and reported via an online reporting tool to the Minister on a weekly basis. The Prime Minister has a full view of all the KPIs and is able to provide immediate feedback. The weekly reporting means that there is a high degree of urgency to implement and resolve any bottlenecks on a timely basis, as any delays would be flagged up.

In **Step 6**: **Implementation**, the PEMANDU team works closely with the respective program management teams in the various MDAs. During the implementation phase, PEMANDU plays the roles of convener, facilitator and problem solver to resolve bottlenecks or issues. As KPIs are tracked weekly, PEMANDU liaises closely with the implementing agencies on the progress of their 3-ft plans.

Every six months, a performance review session is held between the PM, Minister and the Minister in-charge of the transformation program and PEMANDU. The Cabinet Away-Day is held annually to share the progress made amongst the Ministers. This entire process lends a further sense of urgency, focus, and discipline of action to ensure the plan is implemented and cascaded to the ground, from federal to state to local agency level.

Step 7: **Audit and KPI Target and Validation Process**. The Ministerial KPIs progress reports are reviewed and validated by an external audit firm on an annual basis. An international panel convenes on an annual basis to provide a critical review of the progress of the transformation program. This step is crucial in ensuring an objective reporting of progress made versus the successes and challenges encountered in other countries.

Step 8: **Annual Report** is published annually in multiple formats (full report, executive summary, infographics, and video) and disseminated widely through the media and online platforms. Every year, the Prime Minister officiates the launch event for the Annual Report, and his Cabinet team, civil servants, private sector and partners attend this event.

Annex 3
NTP: Reporting Burden of the MDAs

NKRA/NKEA/SRI	No of MDAs	2016 KPIs reported on					Total Number of KPIs
		Weekly Basis	Monthly Basis	Quarterly Basis	Semi Annual Basis	Annual Basis	
NKRA Education	2	0	5	1	4	5	15
NKRA LIH	10	4	3	3	0	0	10
NKRA COL	1	0	0	1	0	0	1
NKRA Anti-corruption	5	1	2	0	1	6	10
NKRA UPT	16	0	11	0	0	1	12
NKRA Crime	3	0	3	1	0	4	8
NKEA E&E	8	30	0	0	0	0	30
NKEA Business Services	12	0	1	8	1	0	10
NKEA Tourism	7	0	10	1	1	0	12
NKEA W&R	1	0	3	1	0	0	4
NKEA GKL/KV	20	2	31	2	0	0	35
NKEA Education	6	0	1	12	0	0	13
NKEA Healthcare	7	0	12	0	0	0	12
NKEA OGE	17	0	3	17	0	0	20
NKEA Financial Services	4	0	0	7	0	0	7
NKEA Agriculture	10	0	13	0	0	0	13
NKEA CCI	5	0	10	2	0	0	12
NKEA Palm Oil & Rubber	10	0	24	0	0	0	24
SRI CSL	8	4	1	2	0	0	7
SRI HCD	5	0	13	2	3	0	18
SRI PSDT	4	2	2	0	0	0	4
TOTAL	**161**	**43**	**148**	**60**	**10**	**16**	**277**

Source: PEMANDU Associates

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