

# IMPROVING PUBLIC SECTOR PERFORMANCE

THROUGH INNOVATION AND  
INTER-AGENCY COORDINATION



**WORLD BANK GROUP**  
Global Knowledge & Research Hub  
in Malaysia

**CASE STUDY FROM THE GLOBAL REPORT**

## Breaking Down Silos: Malaysia's Experience in Strengthening Inter-agency Cooperation



## CASE STUDY 2

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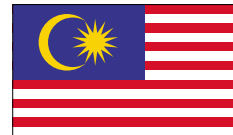


### Overview

Despite numerous inter-agency coordination mechanisms at the center of government, ministries and agencies in Malaysia still struggled to break out of silos and deliver the level of services expected by the public. In 2009, the public administration looked for new ideas from the private sector to complement existing efforts within government. The “Blue Ocean Strategy” model was adopted to encourage government ministries/agencies, NGOs, and the private sector to collaborate in innovative ways. While the Blue Ocean Strategy approach is no longer used by government to facilitate coordination, the legacy remains.

### Introduction

The government's efforts in enhancing the efficiency of service delivery resulted in several waves of reform efforts to improve the operations of the public administration. Expectations for reform were fueled in part by the government's policy direction circa 2009/2010 of making Malaysia a high-income economy by 2020. While the five-year national development plans provided the overall policy direction, the government agencies were pushed to deliver high-impact, low-cost improvements to public services on the ground.



#### MALAYSIA

POPULATION (July 2017 est.)<sup>1</sup>

**31.382 million**

GDP PER CAPITA (current US\$)<sup>2</sup>

**9,508.20**

INCOME GROUP<sup>3</sup>

**Upper middle income**

GOVERNMENT EFFECTIVENESS<sup>4</sup>

**76%**

<sup>1</sup>CIA World Factbook, <sup>2</sup>World Bank (2016),  
<sup>3</sup>World Bank (2016), <sup>4</sup>World Bank (2016)

## Response

Senior officials in the government in 2009 were attracted to the “Blue Ocean Strategy” concept developed at the INSEAD business school, as a means to promote a more creative way of delivering services and encourage greater inter-agency collaboration. The implementation of the Blue Ocean Strategy was headed by the Office of Chief Secretary to the Government. As the initiatives grew in number, the government decided to establish the National Strategy Unit (NSU) within the Ministry of Finance. The NSU was tasked with facilitating strategic collaboration between ministries, agencies, and the private sector, as well as with monitoring the implementation of Blue Ocean Strategy initiatives and assisting entities overcome obstacles they encountered.

### Pioneering the idea

Reducing crime was one of the first national priorities that the NSU team turned their attention to. Supported by the Chief Secretary to the Government, Minister of Home Affairs, and Minister of Defense, the team began thinking about possible solutions. One of the members of the team recalled the beginning of the discussions: “How do you get more police to patrol the streets for crime prevention? The traditional approach would be to train more police officers.” The Chief Secretary to the Government of Malaysia, however, was dedicated to thinking about non-conventional solutions. “With the Blue Ocean Strategy approach, the strategy drives the structure, rather than the other way around,” said the team member.

The Chief Secretary to the Government of Malaysia called together officials working on public security for the National Blue Ocean Strategy Summit, and together they began developing a new crime reduction strategy that was not confined by the existing structure of the police force. The meeting was chaired by the Chief Secretary, the highest-ranking civil servant, and attended by relevant ministries’ Secretary Generals and high-level officials from all institutions relevant to public security, including the Inspector General of the Police and the Chief of the Armed Forces.

One of the first realizations of the group was

that a significant portion of the police force was not fully engaged in fighting crime as they were involved in administrative duties. All positions in the organization were filled by fully trained police officers, even office jobs. “We had police personnel sitting behind desks doing administrative jobs, when they could have been on the street engaged in crime prevention,” said one of the team members. The government quickly redeployed police officers from administrative positions to crime-fighting roles, and transferred administrative staff from other departments to take on the newly vacated office jobs.

Nevertheless, the government wanted to further increase the number of police officers working on the streets on crime prevention. But there was a barrier to doing so quickly: “We couldn’t train sufficient people in a short space of time,” said a member of the Blue Ocean Strategy team. All new police recruits went through a thorough training process before securing their positions. One option would be to reduce the entrance requirements, but the government did not want to weaken the force with poorly trained officers.

Instead, the government turned to the military: all members of the armed forces had been through intense training, and there was a significant amount of overlap between how the police and the military trained their staff. Through the Blue Ocean Strategy platform, the police and the military decided to introduce a fast-track training for retired military personnel to become police officers, and also to start conducting joint patrols in high-crime areas.

Bringing the organizations together also helped the government resolve another major problem: the country’s overcrowded prisons. Rather than sending petty criminals to prison, the team decided it would be better to send them to military camps. Instead of spending public money on new prisons, the government began building new dormitories in military camps – a more cost-efficient alternative. In March 2010, the government launched the Community Rehabilitation Program (CRP), which would place petty criminals in secure military facilities, where they would be trained and rehabilitated before release. The Ministry of Agriculture and Ministry of Rural Development chipped in with vocational training programs. As well as reducing prison overcrowding, the initiative

had a secondary goal: reducing recidivism. “If you send petty criminals to prison, they might become hardened criminals,” said a Blue Ocean Strategy team member. “Now, they go through a process of rehabilitation and get skills training, and when they leave the center they are ready for a new life; it breaks the cycle of crime.”

### Creating collaborative opportunities

While the early Blue Ocean Strategy initiatives focused on reducing crime, new initiatives adopted at the Blue Ocean Strategy high-level meetings targeted a broad array of sectors. Priorities closely tracked the government’s national development strategy, as well as other issues that the government and the public wanted to address. “New initiatives depend on what issues the country is facing at the time,” said the senior deputy director for policy and planning at the NSU. “For example, when the government wanted to reinforce volunteerism among youths, the meeting introduced an initiative related to volunteerism and youths, and so on and so forth.”

To be considered an Blue Ocean Strategy initiative, any proposed project had to fulfill Blue Ocean Strategy principles, with implementation involving either multiple ministries or agencies, or collaboration between a government organization and an NGO or the private sector. For example, the Department of Wildlife and National Parks proposed collaboration between its forest rangers and the military to better prevent the poaching of flora and fauna in Malaysia’s jungles. Another initiative, proposed by the Malaysian Communications and Multimedia Commission, saw this agency collaborate with private telecommunication service providers to expand the reach of broadband internet and other communications infrastructure to rural areas (The Malaysian Insight 2018).

Every month, the lead agency for each Blue Ocean Strategy initiative had to report to senior government officials, including the Prime Minister, on the progress it and its partners had made. By 2017, more than 100 initiatives had been launched under the Blue Ocean Strategy banner.

### Transforming service delivery

One of the initiatives that required the most collaboration across government was the establishment of Urban Transformation Centres (UTCs). The new centers were essentially “one-stop shops” that brought various government agencies, statutory bodies and the private sector together in one location to provide services such as passports, identification cards, driving licenses, a clinic, a police beat base, sports, and social welfare programs.

Because of the scope of the UTCs and the high degree of coordination required across dozens of agencies, the NSU itself managed the initiative. The first step to set up a UTC was to find a suitable site. To keep costs low, the government tried to use existing, under-utilized government owned buildings that could be easily renovated to become a UTC. In some cases, the government owned suitable buildings in state capitals, while in other cases the government used buildings owned by state governments, local governments, or even state-owned enterprises. Such cases required an even higher degree of collaboration and commitment to push progress forward.

The first UTC was launched in 2012 in Melaka, and others quickly followed. By 2017, 21 were in operation in state capitals around the country, collectively serving millions of Malaysians. Compared with traditional government offices, the new centers had much longer opening hours, usually 7 days a week, from 8.30 am to 10.00 pm.

While the goal of the initiative was to provide faster and more efficient services to citizens, it also implied cost savings for the government. After a UTC was set up, the government could cut infrastructure and staffing expenses at the various agencies that had been incorporated into the one-stop shop.

To expand access to services, the government also launched Rural Transformation Centres (RTCs), which provided economic growth programs and agriculture-oriented services to rural areas, and mini-RTCs to serve more remote communities. Finally, the government launched Mobile Community Transformation Centres, which traveled around the country bringing the same services to interior areas not covered by the UTC or RTC network.

## Reflections

**S**trong support from the top leadership of the government incentivized collaboration and facilitated the rollout of Blue Ocean Strategy initiatives. Inter-agency coordination was occurring in Malaysia before the adoption of the Blue Ocean Strategy approach in 2009, and it will most certainly continue after its abandonment in 2018. The broader lesson is that high-level, focused attention on a narrow set of objectives can help agencies and external entities overcome their natural barriers to collaboration. The 2009 government was receptive to applying private sector concepts to the public sector when it saw that existing institutional mechanisms were not producing the results they wanted. Not all Blue Ocean Strategy initiatives were equally successful, and some agencies may have questioned the role and value of the NSU. Nevertheless, in a few areas, the government did achieve lasting benefits from breaking down silos; UTCs are an example.

A unique feature in the case of the UTC initiative is the direct involvement of MOF as the lead implementing agency as well as overall focal point for Blue Ocean Strategy initiatives. For an initiative such as the UTC, which appeared not to have a natural home,

the MOF played an instrumental role. As UTCs were being established in high density locales that come under state jurisdictions and with implementation highly dependent on the expeditious disbursement of funds, the MOF appeared better placed to lead its implementation and coordination.

The state administrations and participating agencies at UTCs were also incentivized to execute decisions swiftly as they dealt directly with MOF on their funding and logistics requirements. It also offered them the opportunity to make the case for better funding for higher quality service delivery options (as opposed to the regular budgetary process involving competing priorities). The MOF in turn incorporated performance measures through KPIs linked to funding assigned to implementing partners.

The NSU also helped support stakeholders with 'soft infrastructure'. In the case of the UTC initiative, the provision of guidelines on the procedure for implementing UTCs and the demarcation of roles of participating entities facilitated the implementation and coordination process. Their pro-active and troubleshooting stance also helped strengthen coordination and facilitate agreed outcomes.

## Success Drivers

**Malaysia's** implementation of its Blue Ocean Strategy reflects **three** of the five key dimensions for public sector innovation.

**Political leadership** from senior officials was critical for inter-agency coordination to be successful. The Prime Minister, Deputy Prime Minister, and Chief Secretary to the Government placed high importance on Blue Ocean Strategy initiatives, generating new energy for collaboration between government organizations.

**Institutional capacity** to deliver better public services was a central objective and driver of the Blue Ocean Strategy approach. This was achieved by improving coordination amongst agencies, optimizing resources, and reducing overlap. For example, the police and military worked together to optimize personnel and infrastructure to improve public security. Similarly, a nationwide network of one-stop shops was made possible by enabling agencies to collaborate and problem-solve in ways that had not been possible before.

**Incentives** for government organizations were important to ensure the success of Blue Ocean Strategy initiatives. Monitoring and troubleshooting was led by the newly created National Strategy Unit (NSU), strategically positioned in the Ministry of Finance to ensure it had the clout to push reforms forward. Organizations involved in the Blue Ocean Strategy reported progress to the high-level meetings chaired by the Prime Minister or the Chief Secretary to the Government, and periodic reviews were conducted by relevant technical committees at the NSU.