

Malaysia: Integrated Results-Based Management – the Malaysia Experience

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- *“The Malaysia Modified Budgeting System (MBS) provides greater managerial flexibility and accountability...it performs on par with international best practice and is being used in some developing countries as a model.” (World Bank report (1999) on Public Expenditure Management in Malaysia: How Malaysia Performs.*
- The Integrated Results Based Management system incorporates a long-term macro-planning framework through effective horizontal and vertical integration for national development and capacity-building.
- Integrated Performance Management Framework, part of Results Based Budgeting, provides baseline data that allows measurement of comparable progress and results at predetermined intervals. Performance data are explicitly focused on measuring performance progress areas such as key result areas (KRAs), goals, objectives, outcomes, outputs, and activities. Such performance data are monitored against predetermined targets.
- A well-structured national level strategic plan lays the foundation for focused sector and program level plans and allows ministries and departments to establish linkages to higher-level key result areas. The targets under the Millennium Development Goals (MDG) typically form part of such a macro strategic planning framework.
- The system is critical to meeting Malaysia’s national needs and the challenges of globalization and regional competition.

Introduction:

Malaysia’s economy functions very well in an extremely competitive East Asian region, driven by a solid partnership between efficient public sector management and private sector entrepreneurial spirit. Results Based Management (RBM) is a contemporary management approach that helps enable successful economies. It focuses on the appropriate and timely achievement

Malaysia

of relevant goals and objectives through strategic planning, systematic implementation and resource usage, performance monitoring, measurement and reporting as well as systematic use of performance information to improve policy decision making and program performance at all levels. It emphasises the importance of achieving results through systematic goals and objectives and clearly states how results should be attained. The RBM approach has been used in many countries as a strategic performance planning tool – it was first introduced in Malaysia in 1990 and is now being adopted in several countries such as India (Kerala), the Philippines, Namibia, Mauritius, Bhutan, Nepal, Bangladesh, Pakistan, Botswana, Vietnam, and South Africa, to name a few.

The early years of RBM stem from the Management by Objectives (MBO) approach and the Program Performance Budgeting System (PPBS) developed in the 1960s, which were early attempts to focus on results and objective achievement. However, these systems lacked detailed processes for implementation. In the 1970s, the Logical Framework (LF) approach was introduced in an effort to better track the process. LF was used extensively in many countries and organizations in the 1980s-90s in various forms as a management and planning tool. LF later evolved into the rudimentary versions of RBM, which has been successfully used by a number of countries to drive more focused planning and implementation of public sector programs.

Application:

The Integrated RBM (IRBM) System: a Focus on Outcomes. Despite these early developments, integrated approaches to render the RBM system a comprehensive, dynamic and practical performance management system for government-wide implementation were limited. Early versions of the RBM were focused either on the budgeting system or on the personnel performance system, and there was minimal or no integration between the two. There was also minimal integration between the

development (public sector investment programs) and operating budgets in these countries. In addition, these systems did not reflect the fact that most developing countries have limited human resources and technological capacity. As a result, an RBM system developed in the late 1990s based on the performance framework was first introduced in the Malaysian public sector in 1990 under the Modified Budgeting System (MBS)¹. However, the original performance framework did not integrate the operating and development budgets nor the personnel performance system, and it created only limited linkages between budget performance, resource usage, and policy implementation. These gaps were identified as fundamental missing links in this version of the RBM system².

Based on the lessons learned since 1990 and the identified shortcomings of the original RBM system, a revised Integrated RBM (IRBM) system³ was developed in 1999, using an Integrated Performance Management Framework (IPMF). Unlike typical RBM systems, the IRBM system takes into account and integrates critical performance components such as the Results-Based Budgeting (RBB) system and the Personnel Performance System (PPS), both of which utilize the IPMF. The IRBM system requires top management within the Ministry and Departments to be actively involved in strategic performance planning, consultation efforts and consensus-building with lower management levels. This system essentially focuses on analysis of client needs and problems and on results at the various stages of program implementation, such as efficient resources utilisation (inputs), activities completion, outputs completion, and outcome/impact achievement.

¹ Rasappan, Arunaselam (1994), "How to measure success", *Kbidmat*, Kuala Lumpur, October, p. 27-29.

² Rasappan, Arunaselam. (1999), "Budget Reform - Malaysia", Paper presented at World Bank Budgeting & Performance Management Workshop, Washington DC, July 15-16.

³ Ibid.

The cornerstone of the Integrated Results Based Management system is its strategic use of the Program and Activities approach within a long-term macro-planning framework. It focuses on systematic and structured performance measurement and involves linkages with policy-making, resources management, program performance improvement, and other crucial success factors in performance management. The IRBM system consists of five key components - two primary and three complementary or support components. The primary components are the Results-Based Budgeting System (RBB) and the Results Based Personnel Performance System (PPS). There are three support components:

- The Results-Based Monitoring and Evaluation (M&E) System is used for systematic and focused program planning, performance monitoring, performance evaluation, performance reporting and information utilization for program improvements and policy decision-making. This factor helps to ensure systematic and structured performance planning, management, and measurement under the RBM and helps to forge tighter linkages between resource use and policy implementation.
- The Management Information System (MIS) is used to provide the basis for an effective decision support system at different levels of an organisation.
- An Enabling E-Government (EG) System

The primary components under the IRBM provide the necessary framework for planning, implementing, monitoring and reporting on organisational performance, with systematic links to personnel performance. The M&E, MIS and EG support components provide the dynamic dimension to the entire performance framework. The system brings to life static information by establishing relationships between cause and effect, which is

important for resource allocation decisions by the Central Budget Office.⁴

Results-based Budgeting (RBB) is a strategic management tool designed to improve resource management and public sector accountability. The core of the RBB system is the IPMF, and it focuses primarily on performance measurement and linkages with policy-making and resource management. It targets the results of programs and activities undertaken by government agencies using public monies. The RBB results are classified under various performance components: inputs, processes, outputs, outcomes, and impact. Though traditionally there is overwhelming emphasis on outputs and outcomes measurement, RBB also focuses on purposive input application and activity completion, recognizing the close relationship between input use and output performance. Various dimensions of output performance also affect the desired outcome of the program or activity. Therefore, the RBB measures results achieved at almost every stage of the project from input application, activity completion, outputs delivery, and impact achievement, using a unique Results Ladder approach⁵.

The RBB drives the RBM system and is implemented using the Modified Budgeting System (MBS). The Performance Agreement for the IPMF is normally prepared using a unique program logic tool called the ProLL™ as part of the budgetary process⁶. The RBB system's strong focus on results is evident in the approach

⁴ The Malaysian version of the IRBM has been implemented over the past few years with technical and capacity-building support from the Center for Development & Research in Evaluation (CEDRE) Malaysia. CeDRE Malaysia is a development and research center in Malaysia, conducting M&E and budget analysis. The center also serves as technical advisor to several governments in Asia and Africa on the IRBM system, conducting M&E and budget analysis. The center also serves as technical advisor to several governments in Asia and Africa on the IRBM system.

⁵ Rasappan, Arunaselam (2000), "Moving to Performance-Based Management", Asia Development Forum Workshop: "Public Expenditure Management: New Processes and Technologies: From Rules To Results: Singapore: June 7-8

⁶ ProLL is the Program Logic & Linkages Model that was developed for public sector program planning and evaluation by Arunaselam Rasappan, the trainer/advisor on MBS and evaluation to the Government of Malaysia since 1991.

and strategic components used in the IPMF planning process. The RBB requires considerable strategic inputs and needs assessments before goals and objectives are set for each program and project. A good budgeting system must not only have strong linkages between resource use, outputs achievement and ensuing program results but should be closely linked with policy implementation.

Who drives the system? The Treasury drives the RBM public sector reform and the performance agenda using Integrated Performance Management Framework as part of the RBB system. This allows the planning framework to be integrated with the budgeting process, so that managers can be held accountable for the resources provided to them. Since the planned programs are driven through the IPMF, human capital plays a pivotal role in organisational and personnel performance. These dynamics are captured in an integrated monitoring system that forms the basis of a comprehensive MIS. Although the focus of performance measurement under the IRBM is on results (outputs, outcomes, and impact) and its various dimensions, there is also equal emphasis on the efficient use and management of inputs and work processes.

Problem Solving: the Integrated Performance Management Framework (IPMF)

The IPMF is mandated as the strategic planning framework under IRBM. Therefore, all ministries and departments are required to prepare their strategic plan for resource allocation using the IPMF as part of the RBB system. The IPMF has been designed in sufficient detail to capture specific information at various levels, as well as to establish strategic linkages between one level and the next. The information focuses on results at different levels that are important to relevant stakeholders. The comprehensive nature of the IPMF also focuses on long-term goals that are broken down into shorter-term budget-linked objectives. RBM strongly subscribes to the systems theory that allows not only vertical

integration, but also horizontal integration at the program level. Programs are normally defined at the national and sectoral levels, and the eighteen components in the standard Malaysian IPMF provide sufficient baseline details that can be used by management for program planning and target setting. The IPMF also establishes the necessary linkages between sectors and creates inter-agency coordination. As a result of the integrated nature of the IPMF, it has become the primary performance monitoring and reporting tool.

Results:

IPMF baseline data allow measurement of comparable progress and results at predetermined intervals, which are dependent on the nature of the program that is being measured. Baseline data can be classified into profile data and performance data. Profile data provide critical information about the entity measured and is not typically prone to major changes. Examples of profile data include general information about the nature of an entity as well as client, stakeholder, staff, and budget profiles. Profile data, such as budgetary allocation and personnel, may change in the course of the year and therefore need to be periodically monitored and reported. Performance data are explicitly focused on measuring performance progress areas such as key result areas (KRAs), goals, objectives, outcomes, outputs, and activities. Such performance data are monitored against predetermined targets. A well-structured national level strategic plan lays the foundation for focused sector and program level plans and allows ministries and departments to establish linkages to higher-level key result areas. For example, the targets under the Millennium Development Goals (MDG) typically form part of such a macro strategic planning framework.

Personnel Performance System, MIS and M&E need to be inter-linked. Clear lines of accountability need to be established within the IPMF so that linkages can be created between organizational performance and personnel performance. An

Malaysia

individual's work program is linked to the IPMF through the group work program resulting in more focused and effective Human Resource Development (HRD) and Human Resource Management (HRM) programs. The Results-based Personnel Performance System provides better grounding for planning and implementation of HRD/HRM.

The M&E and MIS components must drive the linkages within the IPMF in order to produce timely, accurate, and reliable information for both program improvement and policy decision-making. Program monitoring tracks key performance indicators (KPIs), both operational and results-based, at different program levels, so that timely and appropriate steps can be taken to keep a program on track and to ensure that its objectives or goals are met in the most effective manner. The KPIs generate reports for specific stakeholders and user groups including the Budget Office, Cabinet, Permanent Secretaries, Department Heads, and Donor and Aid Agencies.⁷ The information can be aggregated into an early warning system or information dashboard for management, providing useful information on shortfalls in resource utilisation, over-expenditure, variances in achievement, and the identification of weaknesses so that remedial actions can be taken. This process enables timely decisions to be taken on funding and apportionment of resources, human resource deployment, policy adjustment, and program improvement.

Conclusion:

It is critical that public sector program planning and implementation is carried out in a systematic and integrated manner. Given the increasing resource constraints faced by governments and the increasing demands from the public for better quality and more responsive services, public sector planners must be more results-oriented in program planning and delivery so

⁷ Reports are generated on a weekly, monthly, quarterly, or annual basis with frequency (and depth of reports) determined by the level of managers.

that the best ‘value for money’ can be realized. The IRBM system, with its integrated approach to performance improvement, is a practical and proven solution to systematic program planning, implementation, monitoring, evaluation, and improved policy decision-making in the public sector. And Malaysia continues to improve the IRBM system to meet the country’s needs. For example, in 2004, the introduction of a unique computerized application solution, the PPMSTM⁸, increased the system’s efficiency.

⁸ PPMs software was developed by CeDRE for the IRBM system -- see www.cedre.org.my/ppms