Organizational structures -- how can finance ministry respond to new challenges?

“CASE OF MALAYSIA”

MOHD SAKERI ABDUL KADIR
National Budget Office
Ministry of Finance, Malaysia
Intro: Malaysia’s Budgetary Reform Initiatives

- Traditional
  - Detailed Controls & Discipline
    - 1957 - 1968
  - Incremental line item budgeting
- PPBS
  - Program Performance
  - Program Activities
  - Performance Indicators
  - Evaluation
  - 1957 - 1968
- Programs & Performance
  - Accountability, flexibility & delegation
  - 1969 - 1990
- MBS
  - Disaggregated Budget
  - Budget Ceilings
  - Program Agreements
  - Exceptions Reporting
  - Evaluation
  - 1990 - 2012
- OBB

www.treasury.gov.my
Need to shift focus from outputs to outcomes

Lack of vertical and horizontal integration

Cross cutting issues among agencies, overlapping programs, increasing redundancy

Focus on compliance (budgeting) as opposed to performance

Lack of systematic monitoring system and poor information system

Evaluation done on an ad hoc basis
Outcome Based Budgeting (OBB)

Traditional

1957 - 1968

- Incremental line item budgeting

1969 - 1990

- Program Performance
- Program Activities
- Performance Indicators
- Evaluation

1990 - 2012

- Accountability, flexibility & delegation

Integrated Approach

- 2012 >

PPBS

- Program Performance
- Program Activities
- Performance Indicators
- Evaluation

MBS

- Disaggregated Budget
- Budget Ceilings
- Program Agreements
- Exceptions Reporting
- Evaluation

- Integration
- Alignment
- Budgeting for results
- Results Reporting
- Evaluation

OBB

Detailed Controls & Discipline

- Programs & Performance

Integrated Approach

- 2012 >
OBB Implementation Strategy

- Awareness & Briefings
- Forum & Seminars
- Structured Training Programmes
- MyResults online system

OBB Strategic Programming Workshops

Top Management as Champions and Sponsors

Activity/Sub-Program Heads as Activists

Trainers as Coaches

Focal Persons & End Users
Under OBB, MOF’s New Results Framework is being Developed Based on its Strategic Functions & Roles

<table>
<thead>
<tr>
<th>Ministry-level outcome</th>
<th>Effective fiscal management</th>
<th>Prudent public financial management</th>
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</thead>
</table>
| **Ministry-level outcome KPI** | • Deficit to GDP  
• Debt to GDP  
• Credit rating (2 out of 3 rating agencies)  
• Percentage Non-oil tax rev to total revenue | • Auditor General's Accountability Index  
• Composite client satisfaction index |

<table>
<thead>
<tr>
<th>Program</th>
<th>Fiscal Strategy</th>
<th>Investment Strategy</th>
<th>Public Finance Services</th>
<th>Ministry Management Services</th>
<th>Accounting Management</th>
</tr>
</thead>
</table>
| **P1** | **Attainment of Balanced Budget**  
- Total tax revenue  
- Percentage gov expenditure to GDP  
- Year-on-year growth of Gov Revenue to remain higher than Expenditure | **Effective investment strategy**  
- Percentage NPL of strategic loans (excl. loans to state gov)  
- Percentage gov guarantees issued in compliance to set criteria and within annual limits  
- Percentage projected dividend vs target | **Effective public finance services**  
- Percentage procurement >RM 500k awarded through tender in compliance to set policies  
- No. of audit queries | **Timely, effective & client-focused management services**  
- Total Mgt Service Cost / Total FTE  
- Fulfillment of client charter | **Reliable and timely financial information**  
- Financial statements that comply with standards |
| **P2** | **Fiscal Strategy** | **Investment Strategy** | **Public Finance Services** | **Ministry Management Services** | **Accounting Management** |
| **P3** | **More effective public debt management**  
- Percentage FG debt interest payment to total OE  
- Percentage of deferred liabilities to GDP | **Investment Strategy** | **Effective public finance services**  
- Percentage decrease in negative feedback / appeals | **Ministry Management Services** | **Effective accounting service delivery**  
- Impact Studies on training effectiveness  
- Accountability Index  
- Star Rating  
- Client Satisfaction Index |
| **P4** | **Public Finance Services** | **Ministry Management Services** | **Accounting Management** | Here, it seems there are no specific KPIs listed for the Ministry Management Services. |
| **P5** | **Ministry Management Services** | **Accounting Management** | **Accounting Management** | Here, it seems there are no specific KPIs listed for the Ministry Management Services. |

**Program Outcome & KPI**

- **Act/Sub-Program**
- **Act/Sub-Program**
- **Act/Sub-Program**
- **Act/Sub-Program**
- **Act/Sub-Program**
“Tomorrow’s Treasury Today”
...a more strategic and advisory role

Largely operational with some strategic focus...

Competent central agency
Largely finance-focused
Efforts across core businesses and line agency operations
More focus on year to year timeframe
Heavy resourcing due to operational work

... to greater strategic policy and advisory focus

Strategic CFO for the government
Holistic focus on economy, fiscal and wellbeing
Stronger focus on core business and greater empowerment to line agencies
Longer term focus with increased strategic planning
Streamlined Treasury
MOF’s new Programming Structure is based on identified results areas and its strategic functions.

**Ministry of Finance:**
Effective fiscal management
Prudent public financial management

**PROGRAM**

1. Fiscal Strategy
   - Fiscal & Economic
   - Tax Division
   - National Budget Office
   - Inland Revenue Board
   - Customs

2. Investment Strategy
   - Strategic Investment
   - Statutory Bodies Strategic Mgt
   - MOF Inc.
   - Public Asset Mgt

3. Public Finance Services
   - Govt Procurement
   - Housing Loans Div
   - Nat. Strategic Unit
   - Treasury Malaysia Sabah
   - Treasury Malaysia Sarawak
   - Customs Appeal Tribunal
   - Income Tax Appeal Commission
   - Valuation Dept

4. Ministry Mgt. Services
   - Remuneration Policy and Corporate Services
   - Strategic Corporate and Communication
   - IT Management

5. Accounting Management
   - Accountant General Department with seven (7) Sub-Program

**ACTIVITY/ SUB-PROGRAM**

Note: Not all MOF’s programs/sub-programs are included in the above structure.
Challenges in Implementing OBB

- Understanding the **concepts**
- Role of management in strategy building
- Quality of information in the results framework
- Redefining the roles of budget review officers – focus on performance & accountability
- Sustainable capacity building and frequent movement of OBB trainers
- Translating business requirements into an **IT system** – planning, budgeting, results reporting, M&E
- Changes to the Ministry programming structure **may require changes** to the Ministry organization structure.
thank you

terima kasih

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