

# Governance, Accountability and Performance Measurement: An Analysis of the Systems and Practices in the Malaysian Public Sector

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## Abstract

Accountability is one of the elements of good governance in the public sector. Various countries, including Malaysia, have used performance measurement, especially the system of key performance indicators, as one of the ways to improve performance and subsequently show accountability to their citizens. As such, in this paper, an analysis of the performance measurement initiatives and practices of the Malaysian public sector are discussed with specific emphasis on the Government Transformation Program (GTP) which was introduced in 2009. As compared to the previous systems implemented in the Malaysian public sector, the GTP uses a more integrated performance measurement system. However, there are various issues pertaining to the new GTP program, which are also discussed and elaborated in this paper.

## 1.0 Introduction

It has been accepted that good governance is seen as essential for poverty eradication and also in achieving sustainable development (Grindle, 2002; Abdellatif, 2003). Thus, good governance and sustainable development are tied together. It has been argued that a country's standards of governance influence the quality of life and welfare of its people. As such, countries with similar resources and structures but with different standards of governance will have different improvements in the welfare and quality of life of its citizens. A study by the World Bank, *Assessing Aid – What Works, What Doesn't and Why* (1998), found that aid worked well in a country with sound management.

With good governance, an additional one percent of GDP in aid will result in one percent decline in poverty and also infant mortality. However, aid has lesser impact in country that has weak management and policy. Bad governance leads to wastage of public resources and citizen especially the poor and disadvantages are not given the social, legal and economic protection (Grindle, 2002). Accountability, citizen participations and transparency are heralded as some of the factors that constitute elements of good governance in the public sector. Since accountability requires openness, transparency, information, and the agreement of responsibility for one's actions, it has been argued that performance measurement system is a tool and mechanisms that should be used to ensure greater accountability.

Thus, it is not surprising that various countries including Malaysia have used performance measurement system especially the use of key performance indicators and ranking of

government departments as one of their ways to improve performance and subsequently to show government accountability to its citizens. For instance, the Malaysian government followed the global trend by introducing results based management in public governance by practicing the concept and practices of 'new public management' and managerialism since the 1980s. The path for result based management culminated with the implementation of the Government Transformation Program that was introduced to meet the challenges standing in the way of achieving Vision 2020 for Malaysian to be a fully developed nation. As such, in this paper the various efforts and initiatives for result based management are discussed. The issues pertaining to the implementation and results of these initiatives are also discussed in this paper. The concept of governance, accountability and the link between performance measurement to enhancement of accountability and governance are elaborated in the next section.

## 2.0 The Link Between Governance, Accountability And Measurement

The term governance has several facets and distinct meanings (Rhodes, 1996, Huther and Shah, 1998). It is defined by the United Nations Economic and Social Commission for Asia and Asia Pacific as "... the process of decision making and the process by which decisions are implemented (or not implemented) (UNESCAP website). UNDP (1997, pg 2-3) provides a more comprehensive definition since take into consideration on how the various stakeholders role within the decision making process. Governance is defined as:

"the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences".

Whereas, Huther and Shah (1998) viewed decision making process as related to management of a country's resources since governance is seen as "encompassing all aspects of the exercise of authority through formal and informal institutions in the management of the resource endowment of a state".

The definitions by the various parties have some common ground in that governance is seen as a process. It relates to how decisions are made and the role of both formal and informal actors as well as the formal and informal structures that are put in place in the decision making process and the implementation of those decisions pertaining to the management of a country's resources.

What constitutes good governance? As mentioned, good governance leads to improvements of quality of life of the citizens as a result of competent, open, transparent and accountable management of the country's resources and affairs (Huther and Shah, 1998). There are three elements of good governance which are (i) systemic; which means the distribution of both internal and external political and economic power, (ii) political; which means that "a state enjoying both legitimacy and authority, derived from democratic mandate" and (iii) administrative; which means "an efficient open accountable and audited public service which has bureaucratic competence to help design and implement appropriate policies and manage whatever public sector there is" (Leftwich 1993 as quoted by Rhodes, 1996, pg 656).

According to the United Nations Economic and Social Commission, good governance has eight major characteristics; participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law as illustrated in Figure 1

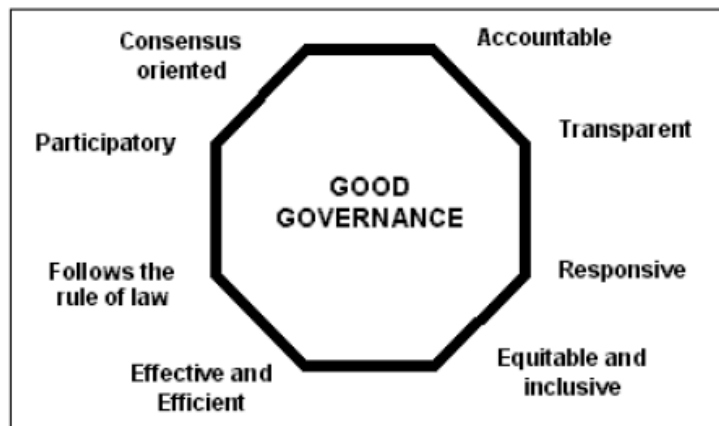


Figure 1: Elements of good governance

Source: UNDP Report (1997), Governance for Sustainable Development,

Therefore, it can be seen that accountability is an important and crucial element of good governance in the public sector. The concept of accountability is very broad and affects on all features of government operations. Accountability can mean responsibility, answerability, blameworthiness, liability, and other terms related to the expectation of account-giving (Gray and Jenkins, 1993). The fundamental ideas consist of accounting for, reporting on, explaining and justifying activities, and accepting responsibility for the outcomes. Accountability is an obligation to respond for decisions and actions made on behalf of stakeholders (Brennan and Solomon, 2008; Oakes, and Young, 2008). Accountability in public sectors requires public participation and cooperation, because not only the public is being served but they are also playing significant roles indirectly in the operations and the activities of public sectors.

The view of accountability takes into account all accounting and the operations of governments (Barton, 2006; Humphrey, Miller, and Scapens, 1993; Mayston, 1993) throughout every level in the entire structure of government departments and agencies (Cochrane, 1993; Rivenbark and Allison, 2003). Governments are accountable to the general public for the effective and efficient governance of the country; ministers and cabinet to the parliament for policy making and general implementation; and ministers and their staff for policy execution and the provision of public services as authorized by parliament (Cochrane, 1993; Ezzamel and Willmott, 1993). The most elementary form of public accountability in financial management is the requirement that local authorities give an account of their activities to the public and provide justification of what have been done (Local Government Act 1976).

Since accountability requires openness, transparency, information, and the agreement of responsibility for one's actions, it has been argued that performance measurement system is a mechanism that should be used to ensure greater accountability. The performance

information contribution conveyed by performance measurement systems to the promotion of accountability in the public sector has been widely emphasized in the literature (see for example, Modell 2005, Hoque 2008). Boyne and Law (1991) clearly emphasized the roles of performance measures in government agencies by maintaining that:

“...effective accountability in practice is impossible without accurate information of local authority performance. . . In the absence of performance data, the concept of accountability and indeed the whole democratic process is simply a sham. (p.179)”

Once the performance measurement system is appropriately used, the public sector can deliver greater accountability since their performance can be better communicated which can lead to stakeholders to have better understanding of the services and performance of the agencies (Bolton 2003, p. 24). Through the process of formulating and setting indicators to quantify the “efficiency and effectiveness of actions (Neely, 1995) and to compare the results with the targets, the government agencies can evaluate whether they are fulfilling their mission and the information gathered can be used to improve the service delivery (Rouse and Putterill, 2003).

Furthermore, it was argued that through the process of formulating measures, monitoring of activities and programs that were undertaken by the agencies would ensure a better management of public funds, which is one of the facets of good governance. A measurement system will enable gathering of data on effectiveness and efficiency of public service delivery and enable public sector to either do internal or external benchmarking. The agencies can subsequently report their performance to their stakeholders which will leads to greater transparency. Valid judgment by the users on how the government had been performing could not be easily made unless the information about performance is available (Moullin 2009). Thus, accountability and transparency are linked together since transparency means “being held into account”.

It is not surprising that for various public sector reform programs, particularly based upon the philosophy of the new public management, place a strong emphasis on performance management as one of the key drivers in the modernization of public organization (Sotirakou and Zeppou, 2006). Subsequently, since the past few decades, tremendous amounts of performance measurement systems and models originated from the private sector were imported to the public sector (Figlio & Kenny, 2009).

Various countries have implemented and used these performance measurement tools and techniques. For example, Australia and United States have introduced performance strategic plans which are linked and integrated into their yearly governmental budgets while New Zealand and United Kingdom used performance agreement between the head of governmental bodies and agencies with the respective ministers (Kusek et al, 2005). Similarly, Malaysia has also used performance measurement system over the last four decades in a move towards more results based performance and subsequently enhancing governance and accountability. Consequently, the system of measuring performance in the public sectors in Malaysia has been subjected to major changes over the years as explained in the next section

### **3.0 Initiative to Improve Accountability and Performance**

There are various mechanisms used by Malaysian government to ensure accountability in the public sectors. For example, management audits are introduced by Auditor General to accommodate the flaw and weakness in public sector as well as to enhance accountability. The “performance audit” or the “value for money audit” is introduced to ensure efficiency

and effectiveness of public sector in pursuing their departmental objectives. Evaluation and benchmarking of the government agencies are also done. For example, the use of accountability Index (AI), introduced in 2007, where the main objective is measuring and comparing financial management compliance of the government departments and agencies (National Audit Department, 2008, pg.3). Another benchmarking activity is by using the “Star Rating System” introduced by Ministry of Housing and Local Government in 2008 to ensure better service delivery by the local authorities.

Besides these external evaluation system and benchmarking activities, the usage of performance management system for target setting and evaluation have been widely encouraged by the Malaysian government to increase public management focus on achieving results over the last four decades. As such, as mentioned, the system of measuring performance in the Malaysian public sector has been subjected to major changes over the years.

The earliest performance measurement system in Malaysian government focused primarily on financial management process. In the earliest development of performance evaluation in the Malaysian Government, budgeting had a pivotal, important role in the entire performance measurement systems in the Malaysian history (Doh, 2003). Started with the use on one line item budgeting system emphasizing mainly on the input evaluation and later shifted to the program and process evaluation through the a new framework called Program and Performance Budgeting Systems (PPBS).

The use of PPBS can be simply the rationalization of the allocated resources and the assessment of such allocation on the basis of quantifiable and measurable objectives as well as the performance measurement of all projects (Xavier, 2007). This system enables the government to link the planning with the budgeting as well as providing small responsibility centers in each public unit. The local government or agencies need to specify and submit the inputs, outputs and impacts of each program/activity to the Treasury to be evaluated (Dean 1989, 2006).

The PPBS can be considered as the early attempts to focus on results and outcomes achievements (Koshy, 2008). However, the implementation seems to be input-oriented. As a result, governmental budget was seen as the cash allocations “software” instead of strategic management tool with no clear relationship established between the fund resource management and performance management. In 1990, the government replaced the PPBS with Modified Budgeting Systems or Integrated Results based Management Results rationalizing the needs for achieving results through systematic goals and objectives and clearly states how results ought to be achieved. Although, the RBM has proved to be suitable for several years, its effective and productive use however remains questionable due to several reasons.

First, RBM has been proved to be less practical due to its lack of ability to create some meaningful linkages between budget performance, resource usage and policy implementation (Rasappan, 1999). Therefore, in 1999, based on the historical lessons learned and the identified shortcomings of the previous systems, the government introduced new Integrated Results based Management using integrated performance management framework. The most distinguishing feature of IRBM as compared to the conventional RBM was its ability to integrate the critical performance components such as Results based budgeting system and the Personnel Performance System. IRBM in short is a systematic approach to integrate the strategic planning, systematic implementation and resource usage and performance monitoring, measurement and reporting.

The new system however, required top management within the Ministry and Departments to be actively involved in strategic performance planning, consultation efforts and close interaction with lower management levels. This system, therefore, highlights the analysis of stakeholders' demands and problems and focuses more on the results instead of the process such as efficient resources utilization, activities completion, outputs completion and outcome achievement.

The IRBM system comprised of five components that can be decomposed into two primary components and three complementary components. The primary components are:

i. Results-based Budgeting (RBB)

RBB is a strategic management tool that assists in improving resource management and public sector accountability. It focuses on performance measurement and its linkages with policy making and resource management (i.e. results from operations of programs and activities conducted by government using public money). The results under RBB are classified under various components of inputs, processes, outputs, impact, and activity completion.

ii. Results-based Personnel Performance System (PPS)

Results-based Personnel Performance System (PPS) is to be considered as one of major components and the driver for new performance initiatives. The role of PPS is important in establishing and urging the accountability of the public officers in the Malaysian government. Accountability can be achieved through linking the agencies/ central government performance and individual performance. This system also drives the essential role of appraisal systems to be linked to the work activities. This system consequently also forces the Human Resource Department (HRD) and Human Resource Management (HRM) to be more specific and focus. It also provides better foundation for HRD and HRM in the planning and implementation stages.

While the three complementary components are:

i. Results Based Management Information System

As the previous components of RBB and PPS sets the framework for performance planning by setting the overall objectives and goals in the public organization. The implementation of the programs needs to be monitored to ensure that the planned objectives are consistent with the predetermined parameters. In order to do this, the frameworks above have to be able to provide comprehensive, but not overloaded, information. The role of Management Information System is by identifying information needs at the different levels. The managements' involvement in the planning process must be highly prioritized since they are the user of the information which is to be used for effective planning and informed decision making.

ii. Results based monitoring and evaluation framework

The dynamics of RBM can only be achieved when there is a closed association between the MIS and Monitoring and Evaluation Framework. Monitoring and Evaluation refers to the on going process of tracking key performance indicators at different program levels so that timely and appropriate measures can be taken to keep a program on track and to ensure that all the objectives and goals are achieved at the most efficient

and effective manners.

iii. E-Government System

However the use of Integrated Results based Management was not pivotal and ingrained in the public consciousness. It does not seem to be integrated throughout the whole governmental bodies including at the executive level. Generally, the public was not made aware of the whole targets set in the system and the achievement of those targets. The performance of the ministers was not linked to the performance of their agencies. It was only by 2005 that the use of key performance indicators were introduced and subsequently in 2009, a more integrated approach involving those at the executive levels were put in place.

### 3.2 An Integrated Performance Measurement framework: The Government Transformation Programme

The origin of KPIs in Malaysia started with the GLC Transformation Program in 2004 in which the employment contracts for the heads of state controlled organisation are to be renewed based on their organisational performance. A year later, key performance indicators were introduced and used in the public sector. It could be said that the intensification of the measurement pathway culminated with the issuance of DAC circular 2/2005 which required all government agencies to formulate key performance indicators. Public agencies in Malaysia were to be measured in terms of (i) the efficiency and effectiveness of the process of service delivery (ii) the human resource and financial productivity and (iii) the customers' satisfaction towards the service received (DAC2, 2005, p 10). KPIs should be formulated based on the agency's current process of service delivery. The performance targets set can be based either on the agency's workload, the past experience, their existing capability or trend analysis.

However, the indicators formulated were mainly process based indicators with the main intention of ensuring faster service delivery (Siti-Nabiha, 2008). Even though cost based indicators were part of the indicators, cost perspectives were not emphasized. Furthermore, not all agencies fully implemented system of indicators. Similar to the previous framework, reporting of these indicators to the public was not made since the emphasis is more on improvement on the process of service delivery. Nevertheless, there are various improvements made by government departments or local agencies that have used this system of performance indicators.

The process of formulating indicators has ensured that government agencies reviewed the whole process of service delivery and made improvements where necessary. Case study research undertaken in governmental authority has shown that the process of developing indicators has lead to simplification of the workflow process and faster service delivery (see Siti-Nabiha, 2008, 2010). The data provide from the KPIs system has lead to head of agencies to do better planning and allocation of resources. However, the time needed for the collection of the data is one of the issues arises from the implementation of the system of key performance indicators. Not all governmental agencies implemented and put in effect the KPIs practice as required by DAC 2/2005.

In 2009, with the mantra of "people first, performance now" of the new prime minister, the government pushed for more emphasis on KPIs and accountability. A more integrated and strategic system of performance measurement was put in place under the ambit of the Government Transformation Program. Consequently, a unit under the Prime Minister office,

i.e. the performance management and delivery unit (PEMANDU) headed by a minister was formed in 2009, with the responsibilities of facilitating, evaluating as well as taking overall in charge of the GTP program.

The GTP objectives are "to transform the government to be more effective in its delivery of services and accountable for outcomes that matter most to the Rakyat; and second, to move Malaysia forward to become an advanced, united and just society with a high standards of living for all (GTP website). In line with the GTP, the new KPIs will emphasize on impact rather than input, on outcome rather than output.

Six major policy areas, called the national key results areas (NKRAs) were identified with specific KPIs formulated in each of these areas. The NKRAs are reducing crime, fighting corruption, improvement of students' outcomes, improvements in the standard of living for low income groups, upgrades and improvement of rural infrastructure, and improvements in urban public transportation (GTP Annual Report, 2011). The NKRAs are headed by the respective ministers and they are held accountable for the results achieved. The ministers have also specific key performance indicators set under the minister key results areas (MKRAs) which are need to be achieved but are not covered under the NKRAs.

The KPIs provide a mechanism for the evaluation of ministries and other government agencies including performance reviews carried out every six months. Each ministry has been required to establish specific KPIs that focus on policy outcomes over the traditional emphasis on inputs typically found in government performance assessments and planning (Siti-Nabiha 2010). KPIs include detailed job descriptions and goals for ministers, deputy ministers, and some other senior government officials. Thus, in this new system, the ministers are also made accountable for the achievement of results. However, the penalty for the ministers for not achieving the performance targets was not clearly stated.

The GTP program was initiated in 2009 and it is supposed to be aligned to the new economic model and the tenth Malaysian plan (GTP Annual Report, 2010). The GTP covers the period from 2010-2020 whereby the first three years was on setting indicators and also measuring performance and achievement. It is expected that the results of the GTP will bear fruit and by 2020, Malaysia will achieved it fully developed status with a just and equitable society.

#### **4.0 Discussion and Conclusion**

Malaysia has implemented and instituted various public sector reforms programs over the years, specifically those related to enhancing performance and accountability. The consequences of these programs have brought along attitudinal changes towards the private sector and the public at large. Similar to the private sector, civil servants are supposed to think and treat the citizens as customers of their services.

Regardless of all reformations and improvements, the civil service in Malaysia still continues to suffer from inefficiency, corruption and many other problems. Thus, various authors have argued that the public management transformations offered neither the improving of such mechanisms nor the change of bureaucratic ethics and work performance (see for example Siddiquee, 2010; Agus, Barker, and Kandampully, 2007).

The implementation and the achievement of those reform programs are far from satisfactory. Public sector in Malaysia continues to suffer from low level of efficiency and organizational competence and continued to be impeded with a host of problems including the lack of financial discipline and accountability (see for example the yearly Auditor-General' Reports). Despite these criticisms, improvements made the service delivery should not be negated. However, the core issues of governance and accountability have not shown much progress.

Due to the lack of public confidence in the public sector and with the need to show change after the disastrous results for the ruling party in 2008 general election, the Malaysian government under the new Prime Minister instituted a more comprehensive and integrated performance management system which was rolled out in 2009. After a year of GTP, the official results showed that the performance in 2010 generally was better than expected (see GTP annual report, 2011). Annual report of the performance was made public. Most of the targets were achieved and as stated in the GTP 2011 annual report (pg 6) "unprecedented success" with a lot of "big wins" was attained. However, such success should be taken with caution since it begs the question of whether the targets set are as "stretch" as they are intended to be or due to the inherent inefficiency existed in the system.

Since the key to successful accountability is the access to relevant information on performance (Funnell and Cooper, 1998), the indicators formulated are too comprehensive and negates the use of key performance indicators which are supposed to be a way of trimming down extensive information. Moreover, GTP focuses on managerialist accountability and not governance accountability. Performance is assessed in term of its compliance to measurable outcomes rather than whether it has improved performance and enhanced justice (Dubnick, 2006). The focus is mainly on managerialist accountability which may not be internalized by the person held to account. As Dubnick (2007, pg 3) succinctly states managerialist accountability '... tells that third grade teacher that his relationship with his students must be defined in terms of higher test scores. It assesses the firefighters' performance on the basis of measurable such as emergency response times. And in both instances the account giver does not take personal ownership of those standards—they are never internalized, but remain associated with the outside source". Dubnick (2007, pg 3) further argues for governance accountability in which:

"it is an embedded and internalized commitment to account giving. It is embedded in the very relationships that the individual has with those she serves, or the clientele group he works with. It is found in the way a third grade teacher relates to his students, or the obligation a firefighter feels to those who might be trapped in a burning building. It is internalized to the extent that the account giver regards the commitment to accountability to come from within and not be a reaction to some outside pressure".

In addition, not all relevant and important activities can be quantified especially in public service delivery. For example, how do we know that students have learned? There are instances where countries have achieved better educational performance results without the intensive and extensive use of performance measurement system. A good example in the field of education is Finland, which is one of the top countries where the students have achieved the top rating in test undertaken by the OECD. Interestingly, there are no league tables, ranking or inspection of schools in the Finnish education system (Vasagar, 2010). This is not to say that we should go to the Finnish route since the institutional structures are different. In Finland, the teaching profession is valued and has a high status and all teachers are required to have Masters degree (Mansell, 2009; Vasager, 2010) which may contribute to

the educational achievement of the students.

Another major issue regarding the full implementation of the system of indicators is requirement of data collection to ensure monitoring of performance and effective corrective actions. However, the activities pertaining to data collection and performance monitoring consume time and financial resources. The time and discipline needed to measure and collect data of these indicators means less time could be devoted on the promised objective of improved performance (Dubnick, 2006). Even more so in the case of the GTP program with its extensive administrative support put in place which consumes financial resources. Thus, the issue is not only to know whether the government "is doing the right things right", but cost effectiveness of the program should also be weighted in. As such, the money worth test also needs to be taken into consideration in the implementation of the transformation program. For example, is the operating budget for PEMANDU and consultancies fees' paid and financial resources diverted to the activities are really worth the effort or should it be used for other productive activities? Could GTP leads to more governance accountability of the ministers and civil servants and subsequently lead to a more just and equitable society?

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