CHAPTER FOUR

4.1 CONCLUSIONS

From the analysis in the previous chapter it is quite evident that there were significant improvement in the budgeting system practised in the public sector. Most of the respondents viewed MBS as a good substitute for the old system although basically it is a mere extension on the current PPBS in Malaysia. The reforms introduced as a package of modifications did produce the desired impact of greater accountability although there was a mismatch in the authority aspect.

Most of the devolution of power did not go beyond the boundaries of the ministry or department HQ. Although devolution has assisted most managers, in that virements need not have to go to Treasury, but nevertheless the spirit of the reform was never adhered to, which was that managers closest to where output are produced should be given as much budgetary flexibility as possible. However, within the context of public sector, there are many organisational levels and therefore this principle may not have practical implications.

All in all, the degree of flexibility is a function of what the ministry feels should be the amount of control that the federal level wants to exert over the state and federal institutions under them and what the Treasury delegates to the implementing agencies. In the end what the state, district and unit heads actually receive is just a slight improvement over the previous system and at best may be described as
cosmetic since these centres are still being made heavily dependent on the ministry or department HQ. Perhaps the saving grace as far as these centres are concerned is that certain virements now need not have to go to the Treasury for approval and the ministry could literally juggle funds intra and inter Activity in the same Program.

Did the reforms increase the effectiveness of the management of government programs? The result from this study indicates a positive attitude towards these modifications in the operationalisation of the annual budget and that the respondents were generally receptive of the changes that the system intended to achieve. On the whole from the summated scale, management of budget, almost all the respondents felt that MBS has effectively assisted them in their management. This general improvement can also be attributed to the fact that the majority of respondents were generally satisfied with the package of MBS reforms. This improvement in program management was further enhanced by the inculcation of the need for greater control and accountability among the respondents.

Overall, this study has revealed that there are at least five dimensions that can account for the general receptiveness of the respondents towards MBS. They are control & accountability, management of budget, satisfaction with the various modifications under MBS and managerial responsibility. These variables together
have help explain the extent of user perception to the reforms and the resulting budget system.

Since inculcating greater control and accountability among managers was one of the reasons for the modifications, a regression analysis was conducted to see how well this variable can be explained by the present factors in the study. From the statistical analysis, only 43 percent of the variation in this variable could be explained by the existing factors especially management of budget, satisfaction with implementation reforms, respondent's organisation and managerial responsibility. This implies that there are other factors not found in the model that could help explain the control and accountability variable.

I have postulated three other possible factors that could help explain why managers believe that it is important to inculcate greater control and accountability. These are "Treasury" factor, "Executive" factor and the "Imperative" factor. The Treasury factor implies that managers do not have a choice of budgeting system and have to make the best out of it. The Executive factor implies that managers are governed by other considerations in the operationalisation of the budget. Closely linked to the Treasury factor is the Imperative factor which implies that managers believed that the only way to inculcate greater responsibility and accountability was by way of forcing upon oneself to implement the reforms.
4.2 RECOMMENDATIONS

MBS has proven to be a useful budgetary reform as far as management of government programs are concerned. Ministries now have better budgetary flexibility compared with the previous system although this flexibility is still limited to the federal level. Not much has devolved down to lower line managers. Perhaps it is timely to review the extent of this flexibility and "force" agencies to devolve as much flexibility as possible. How much should be devolved depends on the size of the ministries annual operating budget, the competencies of the lower line management, structural support at line management, and the risk that top management of agencies are willing to take such as over-expenditure as a result of poor control, unable to respond quickly in cases of emergencies when additional funds are required, expenditure pattern inconsistent with output of a particular unit or department and so on.

In view of the above I recommend that the following authority structure be implemented:

<table>
<thead>
<tr>
<th>Organisation level</th>
<th>Types of Authority</th>
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<tbody>
<tr>
<td>1 Ministry</td>
<td>Virement between Activities</td>
</tr>
<tr>
<td>2 Department HQ</td>
<td>Virement within an Activity</td>
</tr>
<tr>
<td>3 State &amp; Institutions</td>
<td>Virements within an Activity but limited to between Supplies General Object (20000) and Asset (30000).</td>
</tr>
</tbody>
</table>
Emoluments (10000) and Grants Heads (40000) should not be allowed.

4 District

Virements between subheads within a general object for all general objects. Across general object not allowed.

5 Unit

Virement between subheads within a general object but limited to supplies (20000) only.

For integrated ministries such as Ministry of Health, there are no added departmental HQ levels, as in the case of Ministry of Agriculture, and therefore may wish to devolve further flexibility to the state, institutions and district levels.

Consistent with the above recommendation, I further propose that the format of the current printed estimate in the budget document tabled in Parliament be simplified to show the allocation by programs only and eventually be just a single line item showing the overall budget requirement for that ministry. Detailed information on breakdown by programs and activities and general objects can be appendixed with the printed estimate and should be considered as information points only and therefore not subject to any legal impediments.
Training should be an important requisite for all managers in the public service and be made mandatory since some of these managers are reluctant to attend training for reasons best known to them.

The Treasury should closely monitor the progress of the ministries expenditure and output patterns instead of just leaving it to the ministry concerned. This is to ensure that funds are really utilised for the purpose it was intended and the output indicators are not mere "polished" figures at the end of the year. The Treasury should also be strict about viring funds out of new policies/one-offs to existing programs just to satisfy the expenditure gap since there could be a tendency among Ministries to put up new policies and plans and during the year find some convenient excuse to abort it. Treasury should come up with some sinking lid formula with regards to new policies applications, calculated on the basis of the number of new policies actually implemented divided by the number of new policies approved, within say, the last three years. This factor would then be used as a lid on future new policy applications. This modification should replace the concept of threshold.

Closely related to output monitoring, the Treasury and Ministries should place greater importance to the exceptions reporting and not merely laying out the cause-effect and future action to be taken. Provided that the output reported are fairly accurate, any shortfall should be seriously investigated and proper remedial
action should be taken. To ensure that these remedial steps are not just penned to appease top management, the ministry or even the Treasury itself should set up an exceptions reporting mechanism to make sure that the remedial actions are actually undertaken and not make it a meaningless year end routine form to be filled in.