

Chapter 10

Performance Management Reforms in Malaysia

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10.1 History of Performance Management in the Administrative System

Malaysia has undergone a radical transformation in its public administration system since the 1980s, peppered with numerous reform measures introduced by the government. Reform measures have come in the form of policies, development plans, and legal frameworks, and more general themes or mottoes, among others. The policy and legal frameworks already in existence at the time greatly facilitated the introduction and implementation of these reform measures. These frameworks help provide the context within which the administration was operating, and these are explored here.

10.1.1 Policy Frameworks

Malaysia has made use of long-term plans and policies that were refined over time. The First Malaysia Plan was published for the years 1966–1970. Thereafter, the first Outline Perspective Plan (OPP1) was set out for the period 1971–1990, which incorporated the Second, Third, Fourth, and Fifth Malaysia Plans, each covering a 5-year period, respectively. The New Economic Policy (NEP) was introduced, and implemented between 1971 and 1991. This system of infusing a national development policy within a 5-year plan, which in turn is part of a broader and more visionary perspective plan, would then follow. Hence, the birth of the Second Outline Perspective Plan (OPP2), also known as the National Development Plan (NDP, 1991–2000), with specific socio-economic developmental targets to be achieved during that period, during which the Sixth and Seventh Malaysia Plans would be implemented. Finally, the Third Outline Perspective Plan (OPP3) was introduced, known as the National Vision Policy (NVP, 2001–2010), and is the latest and current 10-year policy governing Malaysia, also with similar broad goals and objectives. These, together with Vision 2020, announced in 1991 (discussed further below) have been instrumental in defining performance management reform within the public sector.

One can then generally associate the NEP with OPP1, the NDP with OPP2, and the NVP with OPP3, while the 5-year plans would be expected to fit into the broader national objectives already stipulated. Aside from the 5-year developmental plans, the government also publishes a Mid-Term Review of the plans, in order to gauge the effectiveness of the particular plan at its mid-point. Although this has been the traditionally accepted route of planning in Malaysia, there have been recent suggestions to shorten the period of national plans in light of rapid global change.

These developmental plans are prepared by the Economic Planning Unit, which comes under the purview of the Prime Minister's Office of Malaysia. Although in the past this process was largely centrally planned, where decision-making processes would only involve the public administration of various ministries, there is an increasing trend toward incorporating the views of the public. Public consultations are now being conducted to invite views and opinions from trade associations, non-governmental associations, independent think tanks, academics, and industry. Unfortunately, there is little information as to the actual process of vision formation, or the basis on which views and opinions are later chosen to be incorporated (or not) into the document. The EPU has primary jurisdiction over all developmental plans and policies' contents, which the Cabinet would have first access to on publication, and which in the final stages will be personally reviewed and altered by the prime minister of Malaysia. These plans are then tabled in Parliament, debated, and finally voted on. However, there is little opportunity given to members of Parliament to amend portions of the plans in any significant manner, and the vote is largely perfunctory in nature.

The structure of implementation has also been fluid in the last several decades; at present, the body tasked to execute and monitor the progress of all Malaysian developmental plans and policies is the Implementation Co-ordination Unit (ICU), which also comes under the Prime Minister's Office. Although this allows the prime minister to personally oversee the implementation of plans, it has also been suggested that an independent monitoring body be set up, incorporating many stakeholders, in order for there to be greater transparency and public accountability especially with regard to financial matters.

It is important to elaborate on the NEP (1971–1991), as its ethos and principles would eventually be applied to the later developmental policies. The NEP was introduced in 1971 as an affirmative action-based policy to eradicate poverty regardless of race, and to eliminate the identification of occupation with race. The policy was generally aimed at elevating the status of the poorest communities, at the

time the *Bumiputera* (literally translated as “princes of the earth”) community, made up of Malays, the ethnic majority group in Malaysia and the *Orang Asli*, the Aborigine community of Peninsular Malaysia. In reality, the policy would later take on a role of targeting mainly the Malay ethnic group in terms of corporate equity and wealth ownership of the nation. The NEP implied that the public sector would be given a significant role in being directly involved in the national commercial and economic sectors through productive activities such as banking and finance, manufacturing, and so on. The role of the state was given significant prominence, evidenced by the setting up of several state organizations designated to improving productive capacity, such as the *Bumiputera* Commercial and Industry Corporation (BCIC), and other public enterprises.

In the 1980s, however, there was a major policy shift, as Malaysia became a highly industrialized country, with increasing reliance on exports. Under the guidance of then Prime Minister Tun Mahathir Mohamad, the pace of industrialization was accelerated through his “Look East Policy,” emulating South Korea, Japan, and Taiwan; Malaysia introduced its first national made-in-Malaysia car, *Proton*, and in the early 1980s UNIDO sponsored studies that went into the formulation of the country’s first Industrial Master Plan (IMP), announced in early 1986. The manufacturing sector was emphasized, which eventually broadened to form a sizeable percentage of the Malaysian economy. Manufacturing industries grew at an average of 13% in the early 1990s, later slowing to 9% (late 1990s) and 4.1% (between 2000 and 2005).¹ As global approaches to development leaned toward privatization as opposed to state-run mechanisms, Malaysia responded likewise. This was also a response to high operational budgets and huge deficits faced by the government. The responsibility for economic development was shifted to the private sector, stemming largely from then Malaysian Prime Minister Tun Mahathir Mohamad, who introduced the Malaysia Incorporated and Privatisation Policy in 1983 and envisaged that the government would become the service arm of the enterprise. The Malaysian Privatisation Master Plan (MPMP) was later published in 1991 followed by Guidelines on Privatisation.

The civil service would now facilitate productive activities that could be more efficiently carried out by the private sector, still maintaining the objective of alleviating poverty and uplifting the status of the *Bumiputera* community, but through alternative means. The state would continue to play an important role in economic development and its performance through facilitation of legal structures, but the financial burden of the government would be reduced through transfer of actual activity to the private enterprise. Programs and projects were reviewed, with deliberate attempts to downsize the state to reduce excessive public expenditure, as indicated by Sarji. Under the Excellent Work Culture that was launched in 1989, another policy introduced was the Look East Policy, also aimed at reforming models of governing. This policy was specifically deployed to increase productivity, as inspired by Japanese and South Korean work ethics and methodologies. In the later plans of the NDP and NVP, although public-private co-operation was promoted for investment and growth, the public service was still expected to play a crucial role in achieving national developmental goals.

10.1.2 Organizational Structures

As early as 1965, a study was conducted on “Development Administration in Malaysia,” resulting in the Esman-Montgomery report. This was one of the milestones of impetus for change, recommending major changes in the public administration, education, and training systems. This led

¹ 7th, 8th, and 9th Malaysia Plans, Economic Planning Unit, Prime Minister’s Department, Government of Malaysia.

to the formation of the Development Administration Unit (DAU) in 1966. Given the responsibility of spearheading reforms in the government administration, the DAU was later expanded and renamed the Implementation Co-ordination Development Administration Unit (ICDAU), to co-ordinate development projects as well as planning and developing human resources. After several restructuring exercises, this unit was eventually split in two, one of which was named the Malaysian Administration Modernisation and Management Planning Unit (MAMPU). Tasked with the functions of administrative modernization and human resources planning, MAMPU was given the mandate to introduce strategies to improve public administration.

The National Training Institute, formed in 1972, was tasked to train a large number of public sector employees. In 1970, the Federal Establishment Office was also reorganized to form the Public Service Department (PSD) as a separate institution, entrusted with the responsibility for carrying out personnel management policies to ensure greater efficiency of the public service.

10.1.2.1 *Values and Work Ethic*

From the late 1970s, Islamic codes of conduct were considered the benchmark by which work ethic was measured. Indeed, in 1982, MAMPU launched a campaign based on Islamic values, which included calls for a clean, efficient, and trustworthy public administration, the first time in which religious values were used as bases for codes of bureaucratic self-conduct. In 1985, these three values were expanded to eleven: “trustworthiness, responsibility, sincerity, dedication, moderation, diligence, cleanliness, discipline, cooperation, and gratitude”. The code of conduct under the Public Officers (Conduct and Discipline) Regulations 1993, outline conduct guidelines for civil servants, including loyalty, priority of public interest, non-active participation in politics, strict rules against accepting gifts and presents for favors, and seeking outside employment that would jeopardize work performance. The “Leadership by Example” policy, introduced in 1983, encouraged public servant leaders to lead by example.

In the same light, later, in 1992, the National Institute of Public Administration, INTAN highlighted twelve values that should direct public servants’ conduct: valuing time, perseverance, pleasure of working, dignity of simplicity, character, kindness, influence of examples, obligation of duty, wisdom of economy, patience, improvement of talent, and joy or originating. These were then incorporated into human resource development courses for all civil servants, examined on values and ethics when being considered for job promotions. Islamic values, coupled with sociological postulations of Malaysian values, have therefore dominated the discourse and consequent implementation of imposed conduct and ethics within the civil service.

10.1.2.2 *Administrative Devices*

Under the Excellent Work Culture, the civil service was to be transformed into a more customer-focused, result and performance-oriented, responsive, accountable, and innovative public service. Prior to this, public criticism of the civil service included that of poor quality and service. A total of 22 Development Administrative Circulars were issued, including the Modified Budget System, Total Quality Management (TQM) of the Micro Accounting System, the NPA System, the Client’s Charter, and ISO9000, all of which were to improve the responsiveness and quality of the civil service. Other specific initiatives were one-stop counters to answer questions, additional counters, better layout, and basic facilities for the public.

One of the more significant Development Administrative Circulars was the introduction of Quality Control Circles (QCCs), which was defined as self-governing workgroups that would

meet regularly to identify and analyze work-related problems. The QCCs would then upgrade their quality of work through discussion, solving problems together, and generating interest in work. Triantafyllou reported that productivity and quality of work would be enhanced by encouraging QCC members to negotiate a “performance norm for the production output and product quality of the group.”

Another administrative device was the TQM, providing guidelines to civil servants to commitment toward product quality and customer responsiveness. Quality would be achieved in all operational aspects, including products, services, management, and employee competency and commitment.

In 1993, the Client’s Charter was introduced; a written commitment made by respective government departments on standards it would keep to regarding its public service delivery. The Client’s Charter would be made public, therefore departments would be held accountable for their actions. Departments that formulated their Client’s Charter reported a significant drop in complaints.

Other specific techniques of performance were introduced from the late 1980s to the early 1990s, from which only several will be mentioned here. These measures included the Civil Service Ethic, leadership by example, a clock-in system, and a name tag system, among others. Performance measurement was used at both individual and organizational levels, with the objectives of ensuring that programs and activities would be implemented efficiently and effectively. At the individual level, the New Remuneration System in 1992 was introduced to improve the public sector’s personnel administration and management system by “linking individual performance measurement to salary increment” [11], and the New Performance Appraisal (NPA) System was launched in support of this, where there would be direct links between individual performance and rewards in terms of a salary increase and promotion. On an organizational level, a manual was distributed in 1993 entitled “Guidelines for establishing performance indicators in government agencies,” which would assist government agencies in implementing performance measurements, indicators of which would be incorporated into budget estimates and annual reports.

10.1.2.3 Performance, Financial, and Budgetary Reporting

In order to best manage performance in the public sector, performance reporting was considered essential, as this would improve individual and public accountability and responsibility. Hence, in 1979, the auditor general’s powers were expanded to include management audits. The Audit Act of 1982 was amended to enhance his powers and duties to undertake extensive investigative auditing of the activities of an agency [12]. This “performance audit” monitor the efficiency and effectiveness of agencies’ delivery systems. The Audit Act requires the auditor general’s findings to be submitted to Parliament for examination by the Public Accounts Committee (PAC).

The Public Complaints Bureau (PCB) was also set up within the Prime Minister’s Department to allow members of the public to report on any abuse of powers within government agencies, address these complaints, and improve any systemic flaws. The Parliament Committee on Public Complaints was set up to monitor these services. In 1982, the Anti-Corruption Agency (ACA) was also established under the Anti-Corruption Act. The ACA has received and investigated numerous cases involving high-level government officials and other business tycoons with political links. The ACA has now been transformed into the Malaysian Anti-Corruption Commission (MACC) after the MACC Bill was passed in Parliament in December 2008. The MACC, however, has recently come under fire for selective investigations (to be elaborated on below). At the time, these mechanisms were introduced to address any misuse of power and funds. Other tools initiated to improve performance reporting in the public sector included the Program Performance Budgeting

System (PPBS) and the Modified Budgeting System (MBS) in the area of financial management, the Computerised Vote Book, and the Micro Accounting System.

Under the MBS, aimed at ensuring greater public accountability in financial management, the MBS contained a set of modifications to the PPBS that typified the governmental budgetary process. This stipulated that all governmental agencies, federal departments, and statutory bodies would be required to enter into a program agreement with the Treasury (under the Ministry of Finance), giving specific details on the inputs and expected outputs for all programs in a particular financial year. This would develop a more accountable system of financial management in terms of effectiveness of program performance, according to Xavier.

10.2 Performance Management Reforms in the Past Ten Years

Given such a diverse background of performance management reforms in the 1980s, leading up to the early 1990s, it was now necessary to consolidate these numerous initiatives. The next wave of performance management reforms, beginning in the late 1990s toward the twenty-first century, was attributable in large part to Vision 2020. At the launch of the Sixth Malaysia Plan in 1991, then Prime Minister Tun Mahathir Mohamed postulated his goal for Malaysia to become a fully industrialized and developed nation by the year 2020. Part of this included seven key features of an excellent public service: quality, productivity, innovativeness, discipline, integrity, accountability, and professionalism. Strategies would be put in place to move Malaysia toward an effective, efficient, clean, trustworthy, and disciplined public service, earning maximum credibility from the public. Overall, national development as a theme was sustained throughout all of Malaysia's 5-year plans, but Vision 2020 was a significant shift in policy direction.

In his speech, he outlined nine challenges that Malaysia must overcome to achieve Vision 2020, one of which was to form a progressive science community.² Other objectives were to enhance the socio-economic development of the country over the next two decades.

10.2.1 *Electronic Government*

As a result, the Electronic Government (or e-Government) initiative was launched to lead the country into the Information Age. The Multimedia Super Corridor (MSC), tasked with the role of creating a multimedia haven in Kuala Lumpur, would first create the Corridor itself in its first phase, then grow (renamed) MSC Malaysia into a global information, communication and technology (ICT) hub by 2010, and consequently transform Malaysia into a knowledge society and economy. It had seven flagship applications, namely, the Electronic Government, Multipurpose Card, Smart School, Telehealth, R&D Clusters, e-Business, and Technopreneur Development, all of which were to improve services provided to citizenry at large.

The Electronic Government's objective was to provide services more efficiently to all people of Malaysia, responding to immediate needs. This would significantly improve the quality of interactions with citizens and businesses through better connectivity, access to information and services,

² Other Vision 2020 challenges were to form a nation that stands as one; to produce a Malaysian community that has freedom, strength, and is full of self-confidence; to develop a mature democratic community; to form a community that has high morale, ethics, and religious strength; to cultivate a community that is matured and tolerant; to cultivate a community rich in values and loving culture; to ensure the formulation of a community with a fair economy; and to cultivate a prosperous community.

provide a feedback mechanism to systemic failures, and better processes and systems. The seven pilot projects of the Electronic Government Flagship Application when it started were the Project Monitoring System (SPP II), the Human Resource Management Information System (HRMIS), the Generic Office Environment (GOE), Electronic Procurement (EP), Electronic Services (e-Services), Electronic Labour Exchange (ELX), and e-Syariah. Along these lines, the Public Service Networks (PSN) was initiated, with the post offices acting as one-stop bill payment centers. They would also provide services such as renewal of licenses, stamping, and payment of road tax.

The e-Government in Malaysia was then developed into a comprehensive program, as originally proposed. It was envisioned to reinvent the service delivery and redefine the way the government relates to its public citizens, business sector, and inter-governmental transactions. A host of services and provision of information would be available on governmental websites and portals, including payment of bills and licenses and registrations renewals. The government's official portal, myGovernment, now contains information and services on all major sectors of public service, including education, employment, health, legal matters, taxation and collection, social welfare and community, among others, collating agencies at federal, state, and local authority levels. As initially proposed, this central portal has been the tool used in disseminating information and service to members of the public, enhancing the efficiency and effectiveness of the public service delivery system. This was a fairly ambitious project to start at a time when information and technology (IT) were not yet familiar tools. Nevertheless, this all-encompassing effort would allow citizens to access information from any location and time. This was viewed as a collaborative and proactive relationship between various government sectors in providing quality services to meet customer expectations in the information age.

In 2009, newly appointed Prime Minister Najib Abdul Razak has made unique use of the internet and technology in attempts both to project a personal image of efficiency and to invite recommendations on improving public administration in Malaysia. On his personal website, named 1Malaysia, ideas and proposals are invited from Malaysians on how to better the delivery system. A new portfolio was also given to a cabinet minister, monitored by the prime minister, to introduce "Key Performance Index" (KPIs) for all ministries. Part of the effort within the KPI is to ensure all contract procurement will go through an open tender process or a limited tender process. This is a prime minister who prides himself on being performance-driven, and more measures are expected to be introduced to that end during his tenure, although their effectiveness is yet to be evaluated. In particular, six "National Key Results Areas (NKRA) have been emphasized, ranging from improvement of public transportation to battling graft." At the time of writing, deliverables of numerous announcements made have yet to be translated into measurable action.

10.2.2 Public Service Delivery System

The early 1990s saw the introduction of revision in procedural matters of the public service delivery system. Government agencies were instructed to review their procedures for carrying out their duties in order to reduce red-tape, expedite delivery of services, and take action to ease regulations and procedures for the benefit of their clients. The objective of such measures was to speed up approval processes for business licenses, permits, land administration, and investment, thereby enhancing the bureaucratic systems as a whole. This led to new application forms, the reduction of processing time of applications, the establishment of local licensing centers, and consolidating several forms into a composite application form.

There were also inadequate guidelines and lack of facilities for the public, which led to poor performance of the public administration system. Over the years, these were gradually improved

on, taking the shape of better facilities, improved equipment, friendly staff, efficient counter service, cheque deposit boxes, and orderly queuing services. A program was introduced where public service agencies were required to establish one-stop clearance centers, where all issuance of licenses and permits were provided from one-point alone and would reduce the time for business approvals.

Throughout the late 1990s, these measures were deemed insufficient as problems continued to occur. With increased public education and equivalent demands, a Special Taskforce to Facilitate Business (PEMUDAH) was started after then Prime Minister Dato' Seri Abdullah Ahmad Badawi, in a speech, recognized the need for a public-private sector initiative. This taskforce was mandated to review the public services' delivery system in terms of processes, procedures, legislation, and human resource toward introducing and thereafter co-ordinating improvements. They would then monitor the implementation of policies, strategies, and procedures aimed at improving the delivery system's effectiveness and efficiency. Co-chaired by the chief secretary to the government of Malaysia (representing the public sector) and the president of the Federation of Malaysian Manufacturers (representing the private sector), since its inception PEMUDAH has successfully launched several reports and guidebooks, in particular the "Doing Business in Malaysia 2008" series, in which reform trends and options for Malaysia are outlined in detail. In its 2008 annual report, improvements recorded included enhancing transparency and streamlining processes and procedures, such as reducing the time taken for registration, facilitation of e-payment and establishment of a one-stop center to expedite the incorporation of companies. The success of PEMUDAH has also spurred the new Selangor State Government to launch its own version, naturally named PEMUDAH Selangor. Using the same model, it is hoped that the state will better facilitate business proceedings and operations.

10.2.3 Other Management Reforms

The NPA was adapted to introduce a new matrix salary schedule (MSS), replacing the former linear salary scale. Salary progression would now follow employees' performance, with greater flexibility. Motivated and driven employees would receive increments according to their performance. Another new performance evaluation was then introduced, to decentralize performance appraisal where a panel would determine the number of officers eligible for a salary increase. Finally, a new system called the Malaysian Remuneration System (SSM) was initiated in 2002, where any civil servants dissatisfied with the existing system could choose the SSM scheme instead. This would drive employees to perform better in lieu of enhanced salary and the prospects of career advancement.

A landmark initiative in 1996 was for Malaysia to require its entire government machinery to adhere to ISO standards, the first country in the world to do so. Adapted from the internationally recognized standard ISO 9000, this would provide a holistic and comprehensive system of checks and controls across every stage of the work process to ensure standardized consistency in the quality of products, both goods and services. The five standards of the ISO 9000 series are: ISO 9000, ISO 9001, ISO 9002, ISO 9003, and ISO 9004.³ Two of these standards (ISO 9000 and ISO 9004) are guidelines for understanding and selecting elements for the quality management

³ The ISO 9000 is a family of standards for quality management systems, maintained by the International Organisation for Standardization and is administered by accreditation and certification bodies. ISO 9001 is concerned with product design, development, production, installation, and servicing. ISO 9002 is concerned with quality assurance at production; ISO 9003 with testing; ISO 9004 for quality management. These taken as a whole are to ensure quality management of both goods and services.

system, while the other three are models for quality assurance. A benchmarking program was introduced in 1999, where a government circular gave guidelines to agencies to carry out processes to implement best practices. Each agency is now required to adapt such best practices for their respective need and use.

Part of this included the need to establish a more structured and uniform work system to ensure consistency of provided services, specifically the preparation of Quality Manuals, Procedure Manuals, Work Instructions and Contract Review, the latter of which expects customer requirements to be clearly understood, defined, and within organizational capabilities. To enhance quality and management of performance, orderly and systematic documentation would be strictly required. Other elements under the ISO provisions are process control, and inspection and testing.

On entering office, current Prime Minister Najib Abdul Razak reduced the number of ministries, from 28 to 25, in an apparent move to downsize the civil service to make bureaucracy leaner. However, although the number of ministers fell, the number of deputy ministers increased instead. The significant ballooning of operational expenditure in recent years is a sign that the top-heavy public service is in need of downsizing, in order to increase performance management and efficiency. Malaysia boasts the largest public sector per capita in Southeast Asia. This has also been criticized because of its large and increasing contribution to the widening national budget deficit in Malaysia.

10.3 Assessment of Performance Management Reforms

In order to evaluate outcomes of performance management reforms in Malaysia, it is necessary to evaluate performance management reforms using international indices in order to make comparisons between Malaysia and countries around the world.

Collectively, performance management reforms in Malaysia have resulted in improving efficiency at the bureaucratic and public service delivery system levels. Malaysia fell from 21st place in 2009 to 23rd place in 2010 in the “Ease of Doing Business Report”. The Doing Business Report provides measures of business regulations and their enforcement across 181 economies and selected cities, where first place is the best. A high ranking on the Ease of Doing Business Index means the regulatory environment is conducive to the operation of business. Its reforms have improved ease of doing business in two specific areas of “starting a business” and “paying taxes,” although in other areas no significant improvement has been shown (dealing with licenses, registering property, protecting investors, enforcing contracts, closing a business), which would require greater stringent measures.

However, some areas could have been further improved on, where 25 licensing procedures were required to build a warehouse, compared with 6 in Denmark, one of the world’s top economies. The Global Competitiveness Report 2008–2009 showed that Malaysia’s ranking improved significantly from 65th in 2001–2002 to 25th in 2005/2006, and consequently to 21st in 2008/2009. However, Malaysia’s ranking dropped to 24th in the 2009/2010 report. Measured on a 0–7 scale (where 0 means least competent and 7 means the most competent), Malaysia scored 4.87 in its latest score, falling from 5.04 in the previous year’s report. Neighboring country Singapore, however, has steadily increased its ranking from 7th in 2004–2005 to 3rd rank in 2009/2010.

More recently, the IMD (a Switzerland-based leading global business school) released the World Competitiveness Year Book 2010, ranking Malaysia in 10th place, up from 18th place the year before. Deutsche Bank also rated Malaysia as Asia’s second best growth prospect for the 2006–2020 period with a GDP growth of 5.4%, based on four driving factors: population growth, investment, human capital and trade. Frost and Sullivan also ranked Malaysia 5th in the

world for shared services and outsourcing (SSO) in 2007, sliding up a notch from its 6th position in 2006, based primarily on its high level of service providers, largely due to the efficiency of service within the public administration.

“In the World Bank’s Doing Business Report 2010, which ranked Malaysia as 23rd place down from 21st place the year before, two specific positive reform measures were cited for Malaysia, which helped in the areas of starting a business and enforcing contracts. Evaluation was done on regulations facing investors in 10 categories, including business start-up, business operation (obtaining licenses, employing workers, registering property, investor protection, and credit), taxation, trade, and closure. Then Prime Minister Abdullah Ahmad Badawi stressed the need to improve on standards and achievements in order to become a world-class civil service. He emphasized that a fast and efficient delivery system would have the accompanying benefit of curbing corruption. This sentiment is strongly shared by the current Prime Minister Najib Abdul Razak, evident in his current efforts at administration reform.

Transparency International’s Corruption Perceptions Index (CPI), however, indicates a worrying trend in Malaysia, where in just a short span of 3 years, it has fallen from a rank of 37th in 2003 (with a score of 5.2) to 44th in 2006 (with a score of 5.0), and further to 47th in 2008 (with a score of 5.1), and even further to 56th position in 2009 (with score of 4.5). More disturbing is that Malaysia initially scored 5.28 and 5.32, respectively, in 1995 and 1996, where higher scores are better. Further, in the Global Corruption Report 2007, also released by Transparency International, Malaysia was placed in Cluster 3 (Cluster 1 comprising countries least likely to bribe, Cluster 4 comprising countries most likely to bribe), implying that the administrative system was also likely to receive bribes, accepted as a cultural norm within the very structure of society. Despite the moral commitment by then Prime Minister Abdullah Ahmad Badawi to weed out corruption, public perception seems to indicate otherwise, reflecting deep schisms within the public administration system that have a direct implication on performance management. Although numerous reforms have been initiated throughout the 1980s till present, inherent structural flaws still permeate the institution, forming the roots of institutional dysfunction. The Global Corruption Report 2009 states there exists a precariously close nexus between private business and public institutions in Malaysia.

Corruption in Malaysia has been duly recognized as being systemic, resulting in the formation of numerous bodies and legislation to help resolve the issue. Political corruption, money politics, the strong and inextricable link between business and politics, leading to administrative corruption within the bureaucracy, are also prevalent. Corruption concerns stem from the lack of institutional independence in the country, including law enforcement agencies, the judiciary, media, and even bodies set up to curb corruption. Without the ability to correct these mechanisms, it is difficult to push for public administration reform. (See also the chapter on ethics and corruption in Malaysia in this volume.)

In ensuring the integrity of the civil service, the Institut Integriti Malaysia (IIM), or Malaysian Institute of Integrity, was set up in 2004 to facilitate the aims and objectives of the National Integrity Plan (NIP), the objective of which is to shape a society that is firmly based on moral principles and ethics imbued with sound religious and spiritual values, attested by good manners. The IIM would therefore enhance integrity as a way of life for Malaysian society, including especially that of the public administration service. It has been fairly successful in advising government on strategies in enhancing integrity through training and educational programs, but this has largely been considered as rhetoric, as structural problems continue to plague the delivery system. Coupled with falling corruption perception, privatization policies of earlier years were largely considered to have experienced several decades’ worth of privatizing profits and

profitable assets and socializing losses and liabilities. Some innovations of performance management reforms have also been criticized, for example the Client's Charter, which fails to empower the ordinary person and user of such services, with poor accountability, class biased (those in low-income groups would not benefit from it), and finally, that promises are not always fulfilled since most customers are unaware of its contents.

In January 2008, the Conference of the States Parties (CoSP) to the United Nations Convention Against Corruption (UNCAC) met for the second time. Malaysia signed the UN Convention against Corruption in December 2003 and ratified it in September 2008, which now necessitates its implementation within national legislation. Ratification of the convention now means that national law must comply with international rules on promoting integrity, accountability and proper management of public affairs and public property although no such public review exists as yet on this regard.

Some budgetary reforms have been outlined in this chapter, such as the PPBS and the MBS implemented throughout the last decade. Nevertheless, at the beginning of the chapter, public accountability and transparency are crucial in producing a budget document that adequately contributes to better performance measurement and, ultimately, performance management of the public administration. To this end, the Treasury at the Ministry of Finance should be credited as they regularly ensure that public consultation processes are held annually. These meetings, a combination of small issues-based focus groups and larger-setting consultation forums, are held with the objective of obtaining views and feedback from a wide spectrum of society to input as proposals within the budget for the following year.

This consultation process, however, can be further enhanced. Firstly, there are no post-consultation indicators or reports showing that some or any proposals are eventually incorporated into the national budget. Secondly, since it is currently only conducted at the pre-budget stage, there are few if any platforms available for citizens to critically examine the actual budgetary documents on their approval and adoption in Parliament. A budget's impact can usually be assessed only after expenditures have been made, and a thorough examination accompanied with the ability to channel these responses back to government would hold them accountable for the budget's concrete results.

For the first time, Malaysia was included in the International Budget Project that reviewed budget transparency and the availability of public documents to that end.⁴ This resulted in an international Open Budget Index 2008, categorizing countries by the manner in which the budget process is administered. Malaysia scored 35%, and ranked in the "minimal" category, which is defined as countries that provide minimal information to the public in its budget documents during the year. Apart from minimal provision of information (which would effectively allow for better and more efficient budget administration on the principle of accountability), the report also stated it is difficult to assess budget performance in Malaysia once the budget year is over. Although the audit report is public, no information is provided as to whether the audit report's recommendations are successfully implemented. The eventual target would be for Malaysia to adopt international best practices as outlined by the Organization for Economic Co-operation and Development (OECD) to ensure maximum information is provided transparently within budget documents, and to provide means by which the public and civil society can track and monitor expenditures through the entire budget implementation process. Providing such tools of accountability and transparency to the public would ensure the overall improvement of performance

⁴ The International Budget Project's Open Budget Initiative was conducted by the Centre for Public Policy Studies, Asian Strategy & Leadership Institute and results were released internationally in October 2008.

management of the public administration whose main purpose is to serve citizens' interests ultimately.

Despite government efforts at ensuring performance management reform over the past decade which has had to more, many incidences have unfortunately clouded their effectiveness. Scandals involving large sums of money are reflections of a system that may technically have rules and regulations in place, but in reality fail to measure up to these requirements. Essentially, most cases involve the complex relationships between business and politics, which the administration participates in—the finer details of which are beyond the scope of this chapter—and have in the past resulted in massive bailouts due to maladministrative practices. The most recent case involves the failed Port Klang Free Zone project that, which has had to be bailed out by government and to stand by borrowings exceeding their original amount. The Port Klang Free Zone's original cost of RM1.85 billion ballooned to RM4.6 billion amid allegations of irregularities. A continuous number of bailouts—in which government invested significant sums of money in corporations that would have “exited” from the marketplace due to market forces if not for such assistance—belie a system that unfortunately does not have in place the checks and balances to accurately measure, monitor, and assess performance management of government.

10.4 Analysis and Recommendations

Performance management reforms have been introduced to the Malaysian public administration in numerous forms and shapes, over the past several decades. In its earliest stages, reforms were instated with the contextual policy background of the NEP, and its consequent relatives the National Development Policy and the NVP, under which we are currently operating. Within these broad frameworks were the numerous organizational structures, principles of values and work ethics, administrative devices, performance and financial reporting standards introduced in Malaysia from the 1970s to the mid 1990s. In the last decade, however, the public administration fully maximized the benefits of previous reforms, and introduced more sophisticated tools under its ambitious e-Government program, among others.

At present, ongoing reforms are taking place, with PEMUDAH taking on an increasingly prominent role in ensuring standards are maintained. It has attempted to increase the efficiency and effectiveness of the public sector, by improving the delivery system in a number of areas. It has also successfully facilitated reducing the business registration processing time by the Companies Commission of Malaysia (CCM), and ensuring that the Immigration Department expedites the processing of work passes for expatriates.

While such performance management reforms have contributed significantly to the public service as a whole, the same cannot be said of that within rural areas of Malaysia. Technical knowledge, skills of and access to IT are lacking within smaller towns, causing citizens to be incapable of accessing information and data online. This inadvertently affects the success and effectiveness of the public delivery system. Greater internet and broadband access is continual, which will allow for greater internet services. New media and its ability to interact personally with Malaysian citizens is fast becoming an available option, where the public is able to respond immediately to government policies and government is equally able to respond to demands and requests from its citizenry. Some unique and unconventional ability to capitalize on the tools of new media in its various forms of weblogs, podcasts, videocasts, customer feedback forms, and so on, would be an important aspect to explore over the next decade. Despite efforts to ensure that public administration is awash with moral values and integrity, it is important that the upper levels of the civil

service are not given special privileges, which would effectively negate any efforts of maintaining strict rules on etiquette and behavior at its lower rungs.

There is no one standardized methodology to ensure that the best performance management reforms are put in place, and numerous attempts have been made to construct, correct, and refine the objectives and strategies to enhance public administration in the country. The government, in its continual efforts at maintaining a high quality public administration system, must ensure clear visions and structures under an overarching objective, along with their accompanying strategies and specific instruments. At this stage, when Malaysia is going through major political shifts, it is also a tremendous opportunity to substantially reform the way in which public administration performance is measured and managed.

Measures to improve performance management include the need for substantive reform such as to make the PAC hearings public. The PAC is a parliamentary body that looks into the financial management of most public entities. In making its minutes and reports publicly available, greater scrutiny of government administrative bodies would be assured, along with their performance management. The current PCB at federal and state levels could also be upgraded to become independent Public Complaints Ombudsman Offices that are answerable to Parliament or the respective state legislative assemblies. Such a Public Complaints Ombudsman would then be nominated by a Parliamentary or Assembly Standing Committee on Public Complaints endorsed by the Parliament or state legislative assembly. Existing training programs could include modules and subject content on public accountability.

Greater reform also requires that the Official Secrets Act (OSA), a dated piece of legislation used regularly by the government to keep most documents classified and hence not transparent, is repealed immediately. In order to improve accountability, efficiency, and enhanced levels of public administration's performance, it is necessary for transparent disclosure of most information. Calls have been made to legislate an Access to Information Act, existent and successfully executed in countries such as India and Ireland. Those documents, especially involving finance and budgetary information, should be made transparently available to the public, based on international standards as mentioned earlier. The Selangor State Government has announced its intention of legislating a State Freedom of Information Enactment, but this would only cover state agencies. It is expected to be tabled in its State Legislative Assembly Sitting by the end of December 2010. The Freedom of Information Act has not yet been discussed at federal level.

The institutions formed as checks and balances within the public administration system should be allowed to act independent of political instruction and patronage. The MACC, for example, tasked to investigate cases of corruption and whose jurisdiction also covers any governmental body, has been the subject of criticism and alleged selective investigation. Following the change in political structure after the 12th general election in March 2008, and the subsequent Act that gave the MACC greater powers,⁵ the MACC has been aggressively pursuing cases that involve members of the *Pakatan Rakyat* (People's Alliance), the coalition of parties that forms the opposition at federal level. The success of performance management is highly dependent on the effectiveness of such bodies, originally crafted to improve efficiencies by weeding out graft and corruption. A system of checks and balances to ensure the powers of the MACC are not unduly abused would be an additional recommended reform measure.

The civil service in both theory and practice must continue to be neutral and independent. Their role is to effectively carry out the policies of government and to administer the running of

⁵ The Malaysian Anti-Corruption Commission Act 2008 replaced the Anti-Corruption Act 1997 after it was debated and passed in Parliament in December 2008. Debates took place for two days.

the country. As a key non-elected institution, administrative neutrality cannot be violated nor can it be seen to serve the partisan interests of any party, which has unfortunately been the case in Malaysia. The last general election resulted in the *Pakatan Rakyat* leading five state governments, although they are the opposition at federal level. Therefore, in the *Pakatan Rakyat*-led states, the civil service should be encouraged to maintain neutrality and professionalism in their duties, although they are seconded from the *Barisan Nasional*-led federal government. Task-driven standards should be adhered to, in the interest of the public and work itself. The public administration should ensure it is driven by performance measures and not political directives.

Public procurement is also a key area to be reformed, where current practices still involve negotiated contracts as opposed to open tenders. The governmental procurement framework in Malaysia is made up of these components: the agents involved, the legal and regulatory framework, and the tender process. The government has held that limiting information about its procurement processes is necessary to support the national agenda to protect local suppliers. In reality, Malaysia's practice of affirmative action with procurement policies designed to upgrade *Bumiputera* equity has been shrouded in secrecy. In fact, greater transparency in public procurement, regulations, and procedures would result in better performance management at all levels of public administration and within all ministries and agencies. Hence, a clear, comprehensive, and transparent policy framework governing the public procurement system should be implemented. This would include the wide advertising of bidding opportunities, maintenance of records related to the procurement process, pre-disclosure of all criteria for contract award, contract award based on objective criteria to the lowest evaluated bidder, public bid opening, access to a bidder complaints review mechanism, disclosure of the results of the procurement process, and other good practices. The government has the option of making transparent all invitations for government procurement projects, regardless of the size of the projects. Restrictions that exclude participation on the basis of ethnicity or nationality, for the purpose of reform, would then eventually be phased out.

Selected civil service reforms would also be necessary to improve performance management in public administration, such as the introduction of merit-based appointment criteria to develop the best management and technical capacities. Other recommendations include the need to explore the relationship between government-linked companies (GLCs) and government, as well as between private crony companies and government, large financial transactions of which have a direct and invariable effect on the efficiencies of the administration's performance and their financial health. In addition, the civil service should also be representative of the ethnic breakdown in Malaysia. The current civil service is disproportionate, with Malays forming 77% of its workforce. It is imperative to have an ethnically balanced civil service not only to ensure equitable employment and governmental responsiveness to needs and wishes, but also to enhance the capacity and performance of the civil service itself through promoting a culture and ethos of national competitiveness. It is also important to ensure that all policies of ethnically based affirmative action are eventually phased out in line with the call for a united Malaysia. Presently, elements of the NEP that carry on till today are unhealthy and impede on operational efficiency. Specifically, it is important to amend those policies that grant favor toward the *Bumiputera* community on employment and promotions should be on the basis of meritocracy as opposed to ethnicity.

All performance management reforms could be correctly communicated to members of the public, in order that positive feedback can be obtained. Key is having quick response mechanisms to better facilitate and maintain the relationship between the public service and the public at large. Governance and accountability systems are perceived to be the more important of the reforms that need to be implemented immediately, as public demands for access to information and transparency steadily increase. Accountability and monitoring tools must be learnt from international best

practices, including keeping strictly to quality standards already set in place. Numerous reform measures will amount to little if these are poorly implemented, in particular government must ensure that performance management is not perceived to be ethnically biased, instead recognizing a system of meritocracy when evaluating efficiency and effectiveness of employees and staff.

10.5 Conclusion

It is important to note that performance management reforms have to be synchronized and equally matched with the political will to execute them. The last decade has seen numerous attempts at enhancing public administration. In recent years, however, Malaysians have acutely observed the manner in which public administration regulations are hampered by political influence. True reform places at its highest objective the need to implement programs efficiently, professionally, and effectively. Malaysia's international ranking within corruption indices has fallen, and the continuation of this trend will have a detrimental effect on efforts to improve public administration performance.

There are increasing calls for the independence of institutions in the country, which also has a direct implication on the effectiveness of the civil service. Future public administration reforms could do well in focusing on the areas highlighted in the above section. In a dynamic and changing environment, the Malaysian government has a wide menu of options available in institutionalizing such reform practices. Some fundamental reforms that have been recommended here include enhancing the work of PEMUDAH, expanding on IT tools, having clear vision and consolidation of public administration reform practices, putting in place systems of public accountability and transparency, legislating access to information as a principle, reforming the civil service, using meritocracy and need in place of ethnically based policy, and communicating these reforms effectively both internally and externally. All levels of the civil service need to be conscientized to both the reasons and detail of reform measures. Finally, in order for substantial reform to amount to actual results, it is imperative that the Malaysian government first sorts out its fundamental and systemic flaws. Only then will any regulation, circular, policy, and legislation take full effect independently. Prime Minister Najib's calls for the KPI and NKRA policies would see the successful implementation of public administration efficiency only with equal commitment toward integrity. With the fundamentals in place, it will then be possible for Malaysia to continue its past accomplishments of top quality performance management standards at all levels of its public administration.

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