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‘KEJUJURAN DAN KETEKUNAN’  
‘PRODUKTIVITI TINGGI AMALAN KITA’

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Sekretariat Pentadbiran Kerajaan Negeri Selangor Darul Ehsan

Y.A.D./Y.Bhg. Dato' Setia/Dato'/Datin Paduka/Tuan/Puan

**SURAT HEBAHAN SUK BIL. 31 TAHUN 2011**

**PELAKSANAAN *OUTCOME BASED BUDGETING* (OBB) DI SEKTOR AWAM**

Dengan segala hormatnya dilampirkan sesalinan surat yang saya terima daripada Kementerian Kewangan bertarikh 7 April 2011 mengenai perkara di atas.

2. Y.A.D./Y.Bhg. Dato' Setia/Dato'/Datin Paduka/Tuan/Puan sekalian diminta **mengambil perhatian** akan **para 2 hingga 3** surat berkenaan.

Sekian. Terima kasih.

**“BERKHIDMAT UNTUK NEGARA”**

  
(DATO' HAJI MOHAMMED KHUSRIN BIN HAJI MUNAWI)



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: 7 April 2011

## SEPERTI SENARAI EDARAN

YB Datuk/Dato',

## PELAKSANAAN *OUTCOME BASED BUDGETING* (OBB) DI SEKTOR AWAM

Dengan segala hormatnya saya diarah merujuk perkara yang tersebut di atas.

2. Untuk makluman YB Datuk /Dato', Kementerian Kewangan kini menerbitkan *Technical Notes* dan *Newsletter* mengenai *Outcome Based Budgeting* (OBB) secara berkala sebagai salah satu usaha untuk menyebarkan dan berkongsi maklumat mengenai pelaksanaan OBB. *Technical Notes* diterbitkan pada setiap bulan memaparkan konsep dan fakta-fakta asas berkaitan OBB. Manakala *Newsletter* OBB pula diterbitkan pada setiap suku tahun memaklumkan mengenai perkembangan terkini dan kemajuan pelaksanaan OBB di sektor awam.

3. Bersama-sama ini disertakan senaskhah *Newsletter* dan *Technical Notes* OBB Edisi 1/2011 untuk rujukan YB Datuk/Dato'.

Sekian, terima kasih.

## "BERKHIDMAT UNTUK NEGARA"

Saya yang menurut perintah,

  
(KOSHY THOMAS)

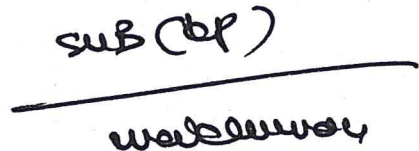
Pasukan Projek OBB  
b.p. Ketua Setiausaha Perbendaharaan  
Kementerian Kewangan Malaysia

☎ 03-8890 631

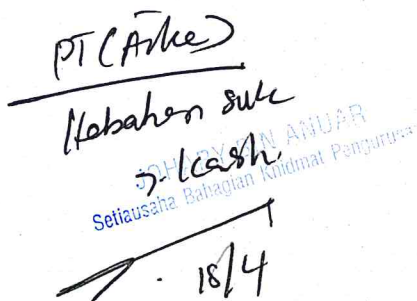
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## **What are Technical Notes?**

As we undertake to enhance the public sector performance by moving to Outcome-based Budgeting (“OBB”) from its current Modified Budgeting System (“MBS”), the OBB Project team will be preparing a series of “Technical Notes” aimed at sharing knowledge with the reader, as part of our Awareness initiative. These notes will be published on a monthly basis starting with this edition, focusing on the fundamental questions about OBB that is on everybody’s mind.

## **What is OBB?**

Outcome Based Budgeting (OBB) is a “whole of government” approach cascading from the Outcome Based Approach (OBA) as initiated by the Economic Planning Unit under the 10<sup>th</sup> Malaysia Plan. By focusing on Outcomes, all ministries and agencies within the government work collectively towards attaining National Goals/ Outcomes, while making certain that the needs and problems relevant to the Stakeholder and Client at the Agency levels are met with and overcome. Clear lines of responsibilities and accountabilities at each entity and a well structured coordinative model will be required to ensure effective implementation of projects and programs. Very simply, any initiative undertaken under OBB must be done with the “end in mind” immaterial of the level of intervention.

OBB shifts focus from inputs and outputs to outcomes. It represents a change from the traditional system of focusing on inputs (how much we spent) and outputs (what was generated) to focusing on the outcomes (the results that occurs as a consequence of the planned outputs) and tracking the series of events that led to the outcomes.

Just as in OBA, OBB is a strategic approach that covers planning, budgeting, monitoring, and evaluation on a yearly basis, i.e. as a subset of the Five Year National Development Plan. All these elements will be supported by an effective management information system (MIS) that monitors the achievements to ensure that planned results are met. The MIS will ensure that critical information is made available for managers at all levels to make informed decisions so that corrective intervention can be done on a timely basis to avert wastage.



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# OBB Insigh

## Focusing on Results

Globalisation demands that countries be competitive in the international arena. Success in the 21st century depends not only on the size of the domestic markets but also on the ability of a nation to source capital, raw materials, finished goods and talent from the global front. Managing the national economy has increasingly become a matter of responding to global market trends, wants and needs. In responding to these global realities and in line with our aspirations of becoming a developed nation by 2020, the Malaysian Government has embarked on a number of initiatives including the move to focus National Planning and Budgeting on Outcomes.

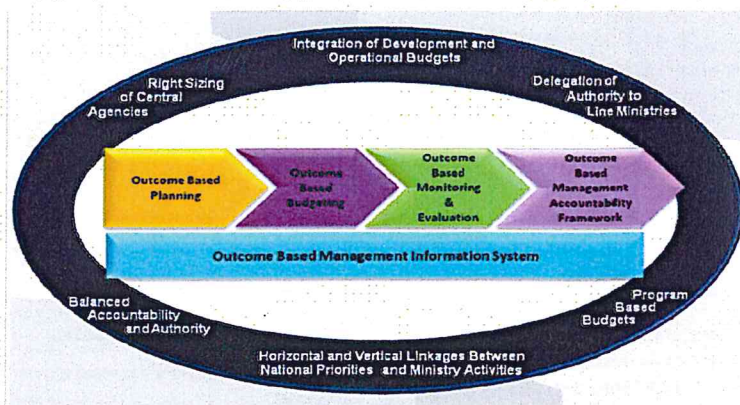
## Outcome Based Budgeting

YAB Dato' Sri Mohd Najib Tun Abdul Razak, when introducing the Supply Bill (2010) in the Dewan Rakyat said:

*"The Outcome Based Budgeting (OBB) system will be developed in 2010. This system will be implemented during the 10thMP period to replace the existing Modified Budgeting System. Under the OBB approach, emphasis will be given to the outcome and effectiveness of projects and programmes, compared with expenditure and output. In addition, Government expenditure will emphasize value-for-money as well as programmes and projects with high multiplier effect."*



## Introduction to OBB



OBB is an integrated process incorporating 5 main development components, of Planning, Budgeting, Monitoring & Evaluation, Accountability and Management Information System. By integrating these components, OBB seeks to enhance Public Sector Management effectiveness and efficiency. Areas of improvement include focusing planning on Outcomes, getting a single view of the budget incorporating Development and Operational Budgets under a Programme, establishing vertical and horizontal linkages between National Priorities and Ministry Activities and improving the accountability framework to drive performance across a more structured state framework.



## The Editorial Board

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Interactive  
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## From the KSP's Desk



Managing an open economy while facing numerous global challenges has set us back in reaching the targets set under Vision 2020. There were many factors that were beyond our control that required close monitoring and management to ensure that we maintain our planned trajectory. While the government has instituted various measures to fast track the achievement of the planned targets in the remaining years, it is incumbent upon us to be more productive, innovative and creative in managing our limited resources. We are taking a 'whole of government' view under the Outcome based Approach as initiated by the Economic Planning Unit under the 10<sup>th</sup>MP. Various national priority areas and the programmes and strategies to drive it have already been identified. As such it will not be about *just building airports or ports, it will be about being the regional aviation hub or the regional transshipment and logistics centre*". It's about focusing on the destination we hope to achieve with each initiative, essentially focusing on the outcomes from our intervention. This approach of focusing on Outcomes starts with the planning process and resources will be targeted to ensure these outcomes are achieved. As such

Outcome-based Budgeting or OBB provides the basis through the budgeting process to ensure that budgets are better targeted towards achieving these outcomes be at the implementation level or at the national level utilized. Therefore, OBB entails enhancing the government budgeting, accountability, and authority frameworks. Senior managers will be given greater autonomy in managing the programmes under their portfolio. Through OBB the focus will be on achieving the programme goals or outcomes. This means that senior management will dedicate more time to strategic elements in the organisation such as planning, resource allocation and managing results. OBB is a journey that takes time in its implementation and requires continuous capacity building and systems improvement. We need to be mindful that OBB just like any system or framework is only a management tool, and to ensure its success, dedicated participation from all ministries will be required. The Ministry of Finance, on its part will continue to provide the necessary logistic support in terms of systems and training. I urge all stakeholders to play an active role in rolling out this initiative to support our drive to become a developed nation by 2020.

Y.Bhg Tan Sri Dr. Wan Abd Aziz Wan Abdullah

## PROJECT TEAM STRUCTURE



### Steering Committee

Chaired by Secretary General to the Treasury  
Members include:  
BPKS, JPA, EPU, ICU, MAMPU, AG, KKR, JKR



### Implementation Committee

Chaired by Deputy Secretary General (Systems & Controls)  
Members include:  
BPKS, BPB, BSWP, AG, EPU, MAMPU, ICU, INTAN, JPA



### Project Team

Koshy Thomas  
Project Team Leader



### Project Team

Mohd Sakeri bin Abdul Kadir  
Deputy Project Team Leader



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Azral Izwan Mazlan  
Norsuhada Sahedan



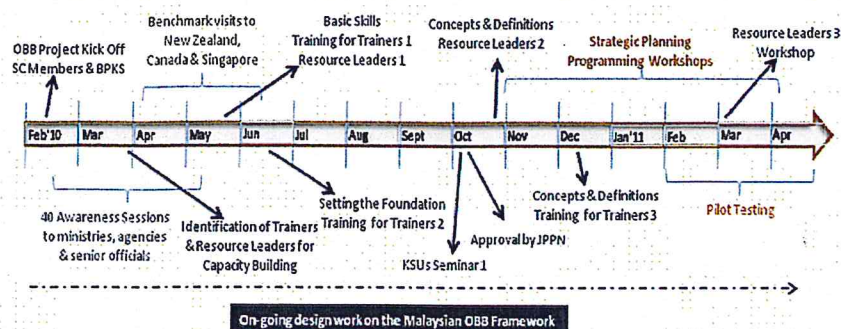
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Richard Barahim  
Siti Suhaila Bahudin



## MALAYSIA'S OBB JOURNEY so far...



## THE START OF THE OBB PROJECT



The MOF undertook an initiative to enhance the public sector performance by moving to Outcome-based Budgeting ("OBB") from its current Modified Budgeting System ("MBS").

The project was initiated once the Steering Committee chaired by KSP agreed to the proposal at its meeting on 11 May 2009. The Steering Committee was also represented by representatives from the Central Agencies. The meeting emphasised on the way forward in developing the framework for implementing OBB and the role that central agencies and line ministries have to play in ensuring its successful implementation of OBB by the year 2013. It was also agreed that 5 ministries will be selected to pilot the OBB system in 2012 prior to full roll-out in 2013. The members of the project agreed to work hand in hand and give their full commitment to meet the expectation of the government in delivering this initiative.

Three main strategies will drive the implementation of OBB. The first will be the preparation of the OBB conceptual framework that will provide the strategic framework for the new system, the second will be the focus on people since the success of the system will depend largely on how well we capacitate and communicate with the clients. Lastly, the strategy also includes the setting up of a comprehensive M&E system that will provide information to managers on a timely manner to make informed decision.

## Strategic Programming Workshops (SPW)

As a first step towards the implementation of OBB, the Ministry of Finance (MOF) in collaboration with the Economic Planning Unit (EPU) is holding a series of Strategic Programming Workshops to facilitate the development of Ministry level Programmes within each ministry. The programmes will be identified based on the Outcomes that need to be achieved. The workshops started with 5 pilot ministries, i.e. MOHR, MOE, MOW, MOT and MOF.

The objectives of conducting these workshops are:

1. To rationalise the ministry programmes under the OBB PAA taking into consideration the integrated planning and budgeting approach for both DE and OE activities; and

2. To conduct alignment and mapping exercise to fit the rationalised ministry programmes as mentioned above under the OBB to MBS Programmes and Activities as well as the national programmes.

This rationalisation and alignment exercises at the ministry is aimed at fulfilling the following key objectives:

1. Ministry Programmes to be based on the core functions of the ministry as stipulated by the relevant legislations and should contribute to the national priorities;
2. DE Projects are aligned to MBS Programmes/Activities;

MBS Programmes and Activities best fit to 10thMP Ministry Programmes. The workshops

aim to review the existing Ministries' programmes and identify modifications to be made in accordance with new developments. It is also to align the ministry programmes to the national priorities.

The OBB PAA aims to provide clarity and present a holistic view of programmes and activities that are systematically aligned to the national development framework.

The process of building the OBB PAA structure involves the input and discussion from the relevant stakeholders at different stages of the process. This is to ensure that the PAA that is developed will be robust and is based on the core activities of the ministries/agencies and is able to contribute towards the National Programmes.

## Events & Highlights

### Benchmark Visits to Leading Practices April to June 2010

Objective of these benchmark visits was to learn from the current leading practices of OBB and customise it to the Malaysian context. Visits were made to Canada, New Zealand and Singapore, where key learning points were noted and used in the development of the Malaysian OBB Framework.

### Initial Awareness Sessions February to May 2010

A series of awareness sessions were done throughout all the ministries and agencies. The objectives of these sessions were to provide the stakeholders with a basic understanding of OBB, the reason for the move from MBS to OBB, and also to obtain feedback from the participants on moving forward towards OBB.

### KSUs OBB Seminar 1 October 2010

Leading practitioners from Canada and New Zealand were invited to speak and share their experiences in public sector management in line with the implementation of OBB. Around 200 KSUs, TSKUs, Director Generals, BROs and Trainers attended the sessions held at the Ministry of Finance Auditorium.

### Training of Trainers May, June, December 2010

Around 140 Trainers have been identified across the ministries and agencies. These trainers will undergo a series of trainings to equip them with the skills and knowledge to train their people in the OBB process and its monitoring and evaluation.

To date, the first 3 sessions have been completed i.e. Basic/Soft skills training, Setting the Foundation, and Concepts and definitions. There are 2 more sessions planned for the trainers: The OBB Process, and the OBB Monitoring and Evaluation which will be conducted by mid-year 2011.



## Snapshots of Our Events



For more photos, please log on to our website: <http://www.myresults.treasury.gov.my>

## Events & Highlights

### Training of Resource Leaders 3 (BROs) in March 2011

There were 2 sessions undertaken on 25-26 Feb and 4-5 Mar 2011 for the RLs on the OBB Framework, and more specifically to highlight the changes/enhancements to the RLs roles and responsibilities.

## Upcoming Events

### Training of Trainers May 2011

The next round of training targeted for the Trainers will be on the OBB Framework, and the process changes especially in terms of the circulars, ABMs and timelines moving forward, and also the enhancements to roles and responsibilities within the ministries.

## Frequently Asked Questions (FAQs)

### Q1: What are the components in OBB?

A: There are three (3) major components namely, Result Based Budgeting (RBB), Results Based Performance Monitoring and Evaluation (M&E) and Results Based Management Information System (MIS).

### Q2: OBB seems to drive more quantitative results than qualitative indicators. How do we collect qualitative data/results?

A: OBB considers both quantitative and qualitative data. Initially, existing data will be leveraged but additional data may be needed depending on the programs and the validity of current data. These will be identified when developing the programs.

### Q3: Will the implementation of OBB cover all the ministries & agencies in Malaysia?

A: Yes, all the ministries and agencies under the Federal Government will be involved in this project.

### Q4: How will I be involved in OBB?

A: You will be either directly or indirectly involved in the process. It is a nationwide effort to improve the current budgeting system.

### Q5: Do we need to prepare any new facilities?

A: No new facilities are required.



### Q6: Will this project improve productivity?

A: Absolutely, the project is aimed to focus on the outcome and not on the output or input. OBB will have clear linkages from planning to activities that will help better understand the need for intervention and take corrective action. This will lead to more efficient and effective public sector financial management.

### Q7: Will the new system share the data across the ministries?

A: Yes, one of the important features of OBB is the robust management information system. Data sharing among the ministries is emphasized across the ministries to ensure no overlapping by considering the issues of ownership and accountability.

### Q8: What is the implementation plan?

A: Please refer to <http://myresults.treasury.gov.my>

### Q9: Will OBB remain at ministry level or national level?

A: OBB is a government wide initiative. It will cascade the whole planning, budgeting, implementation, monitoring and evaluation cycle. Therefore both national and ministry level will be involved.

Should you have any questions on OBB, please do not hesitate to write to us at [myresults@treasury.gov.my](mailto:myresults@treasury.gov.my)