



SARAWAK GOVERNMENT

**STATE FINANCIAL SECRETARY
CIRCULAR NO. 11/2024**

**RESULTS-BASED BUDGETING (RBB) POLICY OF
SARAWAK GOVERNMENT**

**STATE FINANCIAL SECRETARY'S OFFICE
MAY 2024**

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All Permanent Secretaries

All Heads of State Departments

All Residents

All Heads of State Statutory Bodies

All Heads of Local Authorities

All Heads of Government-Linked Companies

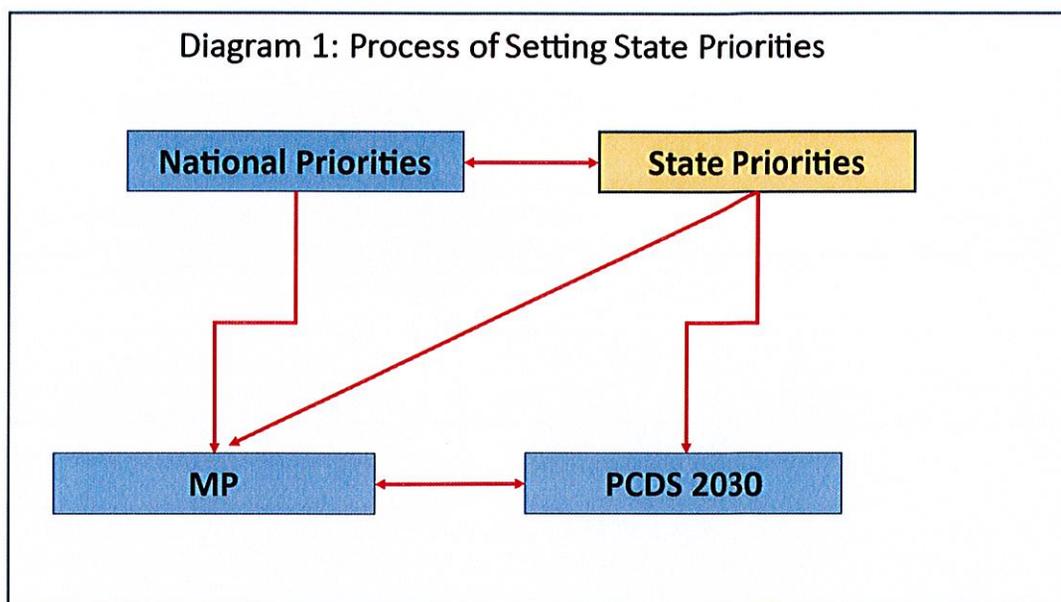
RESULTS-BASED BUDGETING (RBB) POLICY CIRCULAR

1. PURPOSE

- 1.1 The purpose of this Circular is to introduce and give guidance on the policy and implementation of the Results-Based Budgeting (RBB) system in the State public sector. It explains the strategic components and mandates of the RBB system which encompasses integrated results planning, results-based budgeting, monitoring and evaluation, and results-based performance reporting.

2. BACKGROUND AND INTRODUCTION TO RESULTS-BASED BUDGETING (RBB)

- 2.1 In keeping with the contemporary changes and advancements in Public Sector Programs and resource planning and management, the State Government of Sarawak (SGS) has decided to adopt a Results-based Approach in line with international best practices as part of its Public Financial Management (PFM) Transformation Program.
- 2.2 The thrust and strategy of the Sarawak State Budget shall be focused on achieving the State Priorities as targeted in the Post COVID-19 Development Strategy 2030 (PCDS 2030), State Development Plan and the continued implementation of the ongoing programs and projects under the prevailing Malaysian Plans (MPs). The comprehensive and successful achievement of the targets outlined in the strategies of PCDS 2030 and the MPs shall be systematically assisted through the introduction and implementation of the RBB across the SGS. See Diagram 1 below for the link between the prevailing MPs, PCDS 2030 and the defining National and State Policy Priorities.



3. FUNDAMENTALS OF RBB

3.1 RBB is a key component of the Results-based Management (RBM) approach to strategic management. RBM is a contemporary management philosophy and approach that focuses on the appropriate and timely achievement of relevant outcomes at all levels, through a rigorous cycle of strategic planning, systematic implementation and resource usage, performance monitoring, measurement and reporting as well as systematic utilization of performance information to improve policy decision-making and program performance at all levels. The focus of the implementation of RBM in Sarawak will be the systematic integration of all the RBM components at all levels of development management.

3.2 One of the initiatives under the PFM Transformation Program for the realization of the State development agenda, is through the introduction of the RBB. RBB lays greater emphasis on the effectiveness and impact of the programs implemented as compared to the current budget system's focus on monitoring expenditures, activities and outputs. The RBB is focused on:

3.2.1 Preparing a well-structured mechanism to translate the policies and mandates of the government into results;

- 3.2.2 Adopting an effective Program-Activity structure for all implementing Ministries and Agencies and focusing on their program outcomes as results;
 - 3.2.3 Delegating focused executive powers to the Controlling Officers to better manage their allocated resources towards producing mandated results;
 - 3.2.4 Enhancing accountability at all levels by strengthening the governance framework of the implementing units; and
 - 3.2.5 Ensuring value-for-money (VFM) in all public expenditures across government.
- 3.3 At the national level, the Ministry of Economy Malaysia has also adopted a results-based approach for its medium-term development plans, referred to as the Outcome-Based Planning approach. In line with this, the Ministry of Finance introduced an Outcome-Based Budgeting (OBB) system in 2013. The OBB system introduced a results-driven National Results Framework (NRF) that identified the National Policy Priorities at the national level which were then cascaded down to the relevant implementing Ministries which then developed a reciprocal Ministry Results Framework (MRF).
- 3.4 To ensure relevant positive results at the state level, a reciprocal State Results Framework (SRF) will be developed under the RBB structure in Sarawak. The SRF will be used to guide the formulation of the Ministry and Program Priorities at the state level.
- 3.5 The respective results frameworks at each level containing details of the development priorities for the level will form the basis for results-based budget development and rationalization.

4. RBB KEY PRINCIPLES

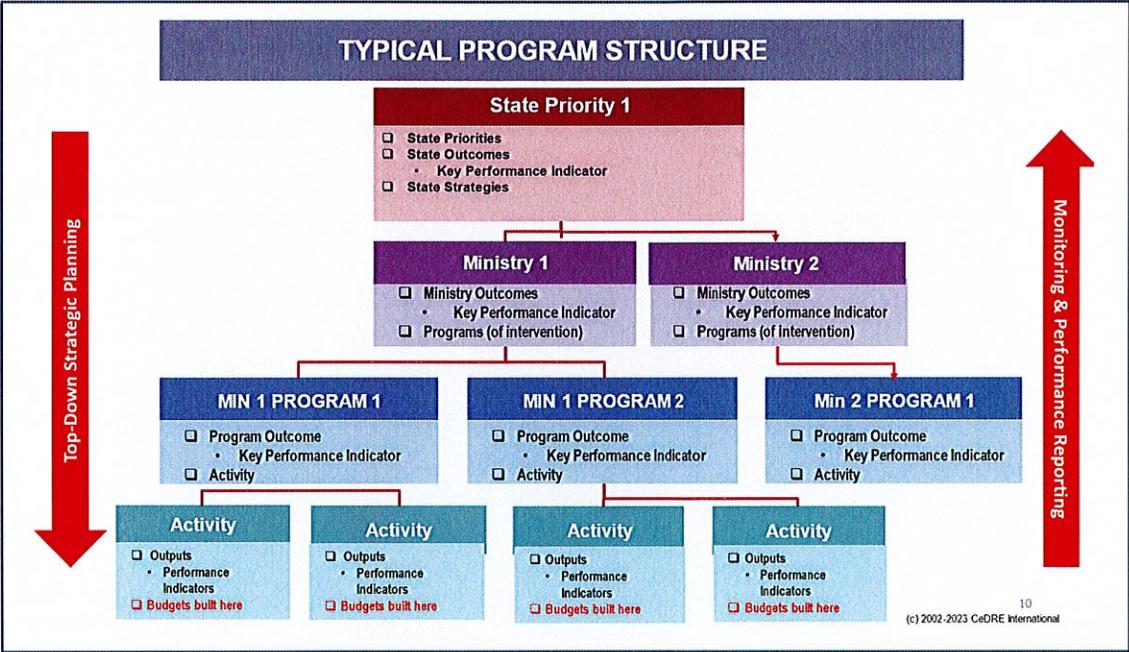
- 4.1 The development of RBB is anchored on a set of key principles as follows:

4.1.1 Program/Activity-Based Structure

The budget at each Ministry must be built based on a Program based structure. The Program Structure stresses that the planning and budget-building process be implemented through

Programs of Intervention to achieve the mandated results of the Ministries. The Programs under each Ministry will be responsible for achieving the specific mandated results for their Ministry. Budgets shall be built at the Program level and the budget preparation shall be based on the results to be produced by the Program. Large and complex Programs may be structurally broken down into Activities. Where there are Activities under Programs, the budget may also be built at the Activity level and consolidated up to the Program level. The budgets of all Programs under the Ministry shall be consolidated to form the Ministry's results-based budget.

Diagram 2: Program & Activity Structure



4.1.2 Policy Linked Budget

The purpose of a budget is to plan for resources to implement a program of intervention to produce mandated results under one or more policy priority areas. As such, it is critical that the budget be linked with one or more policies and the results mandated under them.

In line with the above, the implementing entities of government must plan for and ensure that the annual budget allocated to

them must produce the mandated results under the policies assigned to them. They must also report their performance in achieving the policy priorities and results under them to the policy stakeholders.

4.1.3 **Vertical Alignment of Ministry Programs**

Ministry Programs represent the actual implementing entities to achieve their respective Ministry's mandated priorities and results. The results produced by the Programs and the Ministry must be aligned and shall contribute to the higher-level priorities at the State level. Through this process, State Outcomes can be mapped to their contributing Programs and Outcomes down to the implementation levels. This is also crucial for identifying contributing Programs to shared outcomes at the higher levels and their apportioned budget.

4.1.4 **Medium-Term Perspective in Results Planning and Budgeting**

The planning and preparation of the annual budget shall take into account a medium-term rolling plan with specific results targets that cover the budget year and two forward years. Sufficient allowance must be made to achieve the mandated outcomes and outputs within the stipulated period of each budget year, moving towards achieving the medium-term targets. This facilitates a more focused and realistic planning and utilisation of resources by the Program Managers and Activity Heads.

4.1.5 **Strengthening Performance Management**

The existing monitoring and evaluation system for all Programs across Ministries must focus on mandated outcomes and outputs at each level. This will support and strengthen **evidence-based information management systems** and decision-making through systematically documented proof of results and will improve the overall performance management of the public sector.

4.1.6 **Empowerment & Flexibility for Accountability**

The Controlling Officers are the stewards of development results for their respective organizations. As such, they need to be sufficiently empowered in strategising and managing the limited resources under their charge. This is especially critical as they shall be held accountable for the level of success or failure of the results achieved. The principle of **LET MANAGERS MANAGE** shall be applied under the RBB system.

4.1.7 **Incentives for Achievement of Results**

To strengthen the accountability of managers and to encourage continuous improvement in the public sector, the achievement of program results shall be linked with the **personnel appraisal system**. The RBB system shall introduce specific incentives towards this purpose.

4.1.8 **Continuous Capacity Building**

Human development is a key success factor for achieving sustainable development results. Continuous targeted capacity building is required to ensure sustainability in the implementation of RBB. This requires systematic planning of capacity building for various levels of officials at the Ministry and Program levels.

4.1.9 **Integrated Budget Approach**

The budget under the RBB shall be integrated, made up of the development budget and the operating budget using a program-based approach. This integrated budget approach is important to ensure that both the development budget and operating budgets are strategically planned and utilised to produce the mandated outcomes and outputs for the Program and Ministry. The development assets acquired under the development budget are directly linked with the outcomes of the Programs and are not stand-alone development assets. Budgets must be built and presented to demonstrate the intended results to be produced and how the development

expenditure will support the planned Program outcomes which are under the Operating Budget.

4.1.10 **Policy Driven Budget Categorization**

The budget to be developed by a Ministry and its Programs must be systematically linked to specific State Government policies and their mandated results. This will ensure that the budget is directly focused on producing mandated results under each policy assigned to a Ministry for implementation. Towards this end, the budget management shall be divided into three policy-linked categories as follows:

- Ongoing Policies
- New Policies
- One-offs

Ongoing policies represent the existing policies being implemented by a Ministry and its Programs and their mandated results that are already being funded in the annual budget.

New policies represent requests for funding for new policies and additional new results that have been mandated for the Ministry and Programs for the new budget year and beyond. An approved new policy will be continued into a second year and beyond as an additional ongoing policy for budgeting purposes.

One-offs represent a one-time budget expenditure that has been approved only for the upcoming budget year. This is typically not a new policy expenditure, but a one-time expenditure allocated under an ongoing policy and not to be repeated the following year.

5. INSTITUTIONAL STRUCTURES FOR RBB IMPLEMENTATION

RBB system shall have the following institutional structures:

5.1 State Steering Committee (SC)

The SC shall provide the overall policy direction for the implementation of RBB on a government-wide basis. This includes approving guidelines and prescribing ongoing improvements to ensure that the RBB System is in line with best practices. The SC shall also be responsible for approving the progress reports on the implementation progress of the RBB system in the State and issuing specific directives to the implementing entities for the RBB.

Where policies are involved, the SC shall make appropriate recommendations to the Sarawak Government for any policy adjustments. The SC shall also review and decide on the evaluation reports on Programs under the Ministry and use them as a basis for any proposed policy and/or Program adjustments, including the abolition of Programs evidenced through evaluations to be redundant or ineffective.

5.2 State Technical Committee (TC)

The TC shall provide the RBB technical support in terms of best practices agreed to by the SC for RBB and all its components. It will work collaboratively with the consulting team in providing oversight for all the RBB guidelines, manuals and training materials within the context of the State. TC will also provide technical support to all functional ministries in identifying Programs of intervention for RBB.

The TC may decide on the incorporation of the services of any technical personnel from any Ministry or entity within and outside the State if such technical services are needed to further strengthen the RBB implementation. Such decisions shall be channelled through the relevant policy entity in the State.

5.3 State Budget Committee

This Committee will be responsible for the review of the integrated budgets, submitted by the Ministries and Departments based on Programs. The Committee will be chaired by the SFS and core members

will include the Deputy SFS, Budget Director, representatives from the Economic Planning Unit Sarawak, the Human Resource Development and Management Unit, the Sarawak Implementation and Monitoring Unit, the Land and Survey Department, and the Administration Unit. Budgets at this committee level will be reviewed at the aggregate level. Budget reviews will be conducted based on the results-based approach and its principles under the RBB.

6. ROLES OF CENTRAL AGENCIES UNDER RBB

Central Agencies have a collective role in driving Sarawak Development by way of close coordination. The agenda is a singular agenda of using the resources available as efficiently as possible to achieve the State's Outcomes. The coordinating roles of the Central Agencies are important to ensure the effective implementation of the RBB policies at the State and Ministry levels. From time to time any additional roles that are required by Central Agencies to support the implementation of RBB shall be deliberated and approved by the SC.

The key central agencies' roles are as follows:

6.1 Economic Planning Unit (EPU) Sarawak

EPU Sarawak formulates the strategic State priorities for the socio-economic development of the State and proposes the State development projects to be included in the State Results Framework (SRF), which consists of the State program outputs and outcomes. It coordinates the allocation requirements for the programs and projects, monitors and reports the performance of PCDS 2030 initiatives and the implementation of the prevailing MPs programs within the State. Additionally, under RBB, EPU and its Performance Management and Delivery Sector (PMDS) will be responsible for the following:

- i) Monitor the implementation of PCDS 2030 using the SRF Framework or any existing framework;
- ii) Identify Development Projects based on Program Priorities;
- iii) Shall be a Member of SC and TC; and
- iv) Shall be a Member of the State Budget Committee.

6.2 **State Financial Secretary's Office (SFSO)**

Prepares the guidelines, schedules, reviews and coordinates the budget proposals for approval based on the budget strategic plan for the budget year and the results achieved in the previous year. Approves the establishment of Programs under Ministries and where relevant recommends the abolition and/or adjustments to the Programs. Oversees and coordinates the RBB performance of the Ministries and Programs. Additionally, under RBB the SFSO will be responsible for the following:

- i) Drive the RBB Reform Program through SC and TC
- ii) Budget Review shall focus on Program Priorities and Results
- iii) Delegation of Authority and Accountability and introduce Performance Agreement
- iv) Lead (Chair) the State Budget Committee
- v) Continuous Training program for Sustainability with the HRDM Unit
- vi) Chair of the SC and TC
- vii) Secretariat to the SC and TC

6.3 **Sarawak Implementation Monitoring Unit (SIMU)**

Coordinates and monitors the implementation of the State Development Plan and the Budget Strategic Plan. In the process, SIMU shall be entrusted with the role of monitoring the progress and performance of the Ministries and Programs under the RBB system. Additionally, under RBB, the SIMU will be responsible for the following:

- i) Monitor Program Performance (both Capital and Operating Programs)
- ii) Monitor using the RBB Results and Monitoring Framework
- iii) Prepare periodic reports to SS, SFS and Ministries Top Management

- iv) Member of the State Budget Committee
- v) Member of the SC and TC
- vi) Alert EPU and SFS on program/project delays

6.4 **Human Resource Development and Management Unit (HRDM)**

The HRDM focuses on the human resources policy and organisational development in managing and improving the employees' public service delivery and welfare. The HRDM shall be responsible for all personnel performance management aspects under the RBB System. Towards this end, the HRDM shall be responsible for the planning and execution of all Human Resources Development initiatives. Continuous capacity building and training of the human resources in the public service to better equip them with relevant knowledge, skills and competencies for results-based management would contribute to the sustainability of RBB. Additionally, under RBB, the HRDM will be responsible for the following:

- i) The Personnel Appraisal system to include performance dimensions, obtained from the RBB results framework
- ii) Develop a Comprehensive Results-based Reward and Incentive System to complement and culturalise RBB
- iii) Prepare a comprehensive HRD Strategic Plan for all Ministries and Departments
- iv) Member of the State Budget Committee
- v) Member of SC and TC
- vi) Work with SFSO to develop a continuous RBB Training program for sustainability

6.5 **Sarawak Civil Service Digitalization Unit (SCSDU)**

The introduction of RBB will involve the increased use of data for decision-making at all levels of administration. Data validity and timeliness are critical to the decision-making process. An e-enabled data management system should eventually support the RBB system. Additionally, under RBB, the SCSDU will be responsible for the following:

- i) To develop an e-enabled system to support the data management and decision support system.
- ii) Responsible for managing the security of such a high-level system
- iii) Work with SFSO to determine data and report requirements

6.6 **The Internal Audit Unit**

In addition to its ongoing functions, the Internal Audit Unit shall:

- i) Undertake planned performance audits as requested by the SC
- ii) Undertake random data validation exercises to ensure accuracy and validity

6.7 **Accountant General's Office (AGO)**

The AGO shall continue to maintain its role in developing, managing and controlling the accounts in the accounting system of the government. This shall be based on program budgets and their results. AGO will be responsible for any expenditure reports required for any additional classification required under RBB.

7. ACCOUNTABILITY AND AUTHORITY UNDER RBB

- 7.1 The implementation of RBB involves the restructuring of the accountability levels at the Ministries and their Programs. Determining the accountability of the Program Owner at the Program level is important to plan for targeted outcomes and to identify the responsibility that is entrusted to the respective Program Owner.
- 7.2 The Controlling Officers are accountable for the achievement of results under their organization. However, based on the concept of **LET MANAGERS MANAGE**, the Controlling Officers may delegate the responsibility of implementing and delivering the Programs to specific Program Owners below their charge. The delegated authority carries with it the reciprocal accountability to deliver mandated results.
- 7.3 The three categories of public sector accountability are program accountability, management accountability and financial accountability.
- 7.4 Under the RBB, at the Ministry, each owner at the Program and Activity level shall be required to be accountable for the delivery of mandated results through their respective signed **Performance Agreements**.
- 7.5 At the Ministry, each owner at the Program and Activity level shall be required to sign a focused **Performance Agreement** which shall spell out the mandates and deliverables for the respective owner's position.

8. CLASSIFICATION AND ACCOUNTING CODES

- 8.1 The current Government Accounting Codes shall be maintained unless amendments are announced from time to time on changes to the codes.

9. STRATEGIC TEMPLATES UNDER RBB

- 9.1 The Performance Agreement is a detailed template which is introduced as a performance management instrument for the Controlling Officers, Program and Activity owners. The Performance Agreements are drawn up:
- 9.1.1 to show the alignment and the clear linkages between the deliverables contained in the Ministry Results Framework at the Ministry and the deliverables in the Performance Agreement;
 - 9.1.2 to provide a clear picture of the mandated results and deliverables of the respective owner in the preparation of an integrated budget for each Program/Activity.
- 9.2 Three other Strategic Templates shall be introduced under the RBB system. These are as follows:
- 9.2.1 **Ministry Results Framework (MRF):** This document contains the strategic results plan for the Ministry, the mandated outcomes, outputs and targets as well as the financial performance plan of the Ministry. The MRF shall also contain the monitoring plan for the Ministry. The MRF reflects the consolidated view of the strategic plan, deliverables and budget of all programs under the Ministry;
 - 9.2.2 **Program Results Framework (PRF):** This document contains the strategic results plan for the program, the mandated outcomes and outputs and their targets, as well as the planned program budget. The PRF shall also contain the monitoring and evaluation plan for the Program. The PRF shall be supported by the **Program Budget Sheet (PBS)** which contains the details of the estimates of expenditure for the Program; and
 - 9.2.3 **Activity Results Framework (ARF):** This document spells out the Activity's strategic results plan, its annual budget plan, and the monitoring and evaluation plan for the Activity. The ARF is supported by the **Activity Budget Sheet (ABS)** which contains the estimates of expenditure for the Activity.

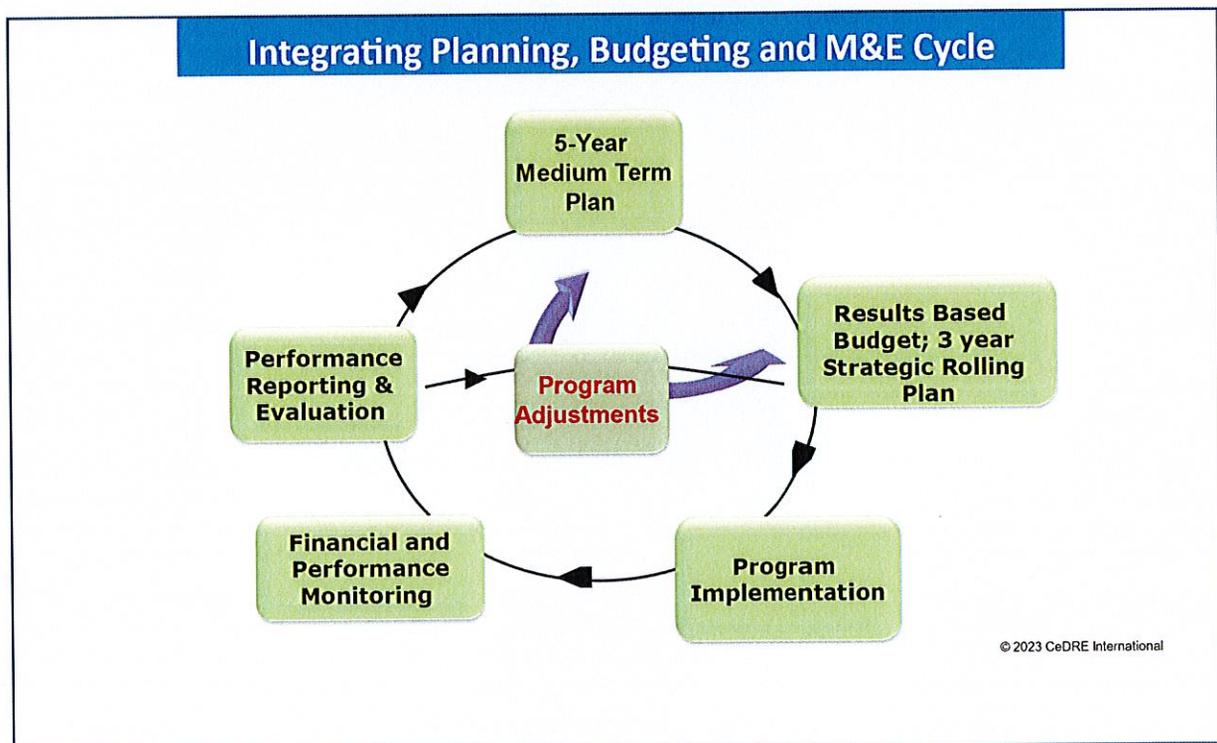
10. RBB STRATEGIC IMPLEMENTATION PROCESS

10.1 RBB Strategic Cycle

The implementation of RBB has a strategic cycle which is made up of four main process segments which are:

- Strategic Results Planning (Budget Strategic Plan);
- Results-based budget preparation;
- Monitoring and Evaluation planning; and
- Results-based Performance Reporting plan.

Diagram 3: Strategic Cycle under RBB



10.2 Strategic Results Planning

10.2.1 The Ministry level strategic results planning shall be for three years, based on the outcomes that are targeted to be achieved during the period.

10.2.2 The results planning at the Ministry (MRF) level shall commence with the development of the Results Framework which establishes the targets for the achievement of mandated outputs and outcomes. These are based on the changes needed to address the problems and/or needs of the clients and stakeholders at the Ministry level;

10.2.3 The results planning and outcomes at the Program and Activity (PRF & ARF) level under the Ministry shall be aligned to contribute towards achieving the Ministry's mandated outcomes which in turn will contribute to the State Outcomes.

10.2.4 The combination and/or consolidation of the outcomes and outputs of the Programs and their performance targets shall form the basis of the MRF. The PBS and ABS shall be consolidated as budget inputs for the Ministry's Budget Sheet.

10.3 Budget Preparation

Under RBB, the budget preparation process will be an integrated budget, allocating resources based on program priorities, that have been cascaded down from the state-level priorities. Financial and Human Resource allocations are functions of the program results.

10.3.1 The Development Project Estimates (DE) and Operating Estimates (OE) shall be prepared at the Activity level and consolidated at the Program level above it. The budgeting process shall be integrated into the Budget Strategic Plan using the PBS and ABS.

10.3.2 The preparation of the Ministry budget shall be on a **three-year rolling plan basis** and shall also be aligned to the State's Development Plan, PCDS 2030 and the prevailing MPs. The three-year rolling plan shall constitute the Budget Year

proposal and estimates for two forward years. Only the Budget Year proposal shall be approved by the State Assembly.

- 10.3.3 All budgets must be prepared in three integrated categories namely the budget for Ongoing, New Policies and One-Offs. All proposals for New Policies and One-Offs shall be accompanied by full justification and supported by the findings of any relevant evaluation program.
- 10.3.4 Based on the Revenue Projection and the above policy dimensions, the SFSO shall provide a ceiling to each ministry specifically for the Ongoing Budget components. The New Policy and One-Offs will not be part of this ceiling.
- 10.3.5 The schedule for the annual budget preparation and submission by the Ministry shall be as stipulated in the SFSO Annual Budget Circular for the preparation of the annual budget and the Technical Guidelines.

10.4 Monitoring Implementation for Performance Reporting

- 10.4.1 The Ministry shall monitor its Programs/Activities to determine the level of achievement against the targeted performance and its effectiveness.
- 10.4.2 The monitoring exercise shall be on various essential aspects of the operations which include the following:
- i) Progress and achievement of the planned outcomes and outputs;
 - ii) Progress and status of financial expenditures;
 - iii) Progress and status of key programs and activities; and
 - iv) Progress and status of development projects implementation.
- 10.4.3 A monitoring report for each Ministry and its Program shall be filed by the Ministry in accordance with Clause 10.6 of this Policy Circular.

10.5 **Evaluation of Programs and Evidence-based Decisions**

- 10.5.1 To ensure focused strategies and evidence-based decisions at all levels, Program and Activity owners are required to evaluate their Programs/Activities using a formative and summative approach.
- 10.5.2 Formative evaluations on Programs shall be carried out annually using the **Internalised Self Evaluation (ISE)** approach. Program Owners shall use the information derived from such formative evaluations to determine and propose adjustments to their program strategies and budget adjustments for the new budget year.
- 10.5.3 Summative evaluations on each Program are recommended to be conducted at least once in three to five years. Such evaluations and their findings must be used as the basis for the continuation, additional intervention, improvement or abolition of the relevant Program and/or Activities under it.

10.6 **Information Management & Results Reporting**

- 10.6.1 The Ministry is required to present regular prescribed progress and performance reports on its outcomes, outputs and financial performance to SIMU and the SFSO. The type of reports will be prescribed by the SFSO. Details and formats of some of the key reports shall be as prescribed in the Technical Guidelines.

10.7 **Whole-of-Government Implementation**

- 10.7.1 The RBB system uses an integrated approach which applies both the Horizontal and Vertical Integration methods. This is in line with the Program-based structure and shared outcomes approach.
- 10.7.2 As such, the RBB system shall be applied on a Whole-of-Government basis. This shall mean that every Ministry and its

Programs/Activities will apply and implement the RBB system simultaneously.

10.7.3 The Whole-of-Government approach in the implementation of RBB has a cascading flow of organizations contributing to the results that are produced. The implementation shall include all Ministries, Departments, Statutory Bodies, Regional Development Agencies, Local Authorities, and Government Linked Companies in sharing the outcomes.

10.7.4 To allow sufficient time for adoption and familiarization of the system by all parties and to allow time for progressive maturity, the RBB system shall be implemented in stages.

11. CIRCULARS TO BE REPEALED

There is no circular in force to be repealed.

12. EFFECTIVE DATE OF THE CIRCULAR

This circular is effective from the date it is signed.



(DATO SRI DR. WAN LIZOZMAN BIN WAN OMAR)
STATE FINANCIAL SECRETARY
SARAWAK

DATE: 15 MAY 2024