

LAND ADMINISTRATION SYSTEM IN MALAYSIA:

Implementation of Outcome Based Budgeting and the impact on the Department of the Director General of Land and Mines (Federal)

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Abstract—This paper discusses the implementation of the Outcome Based Budgeting system and how it effect the existence of the Department of the Director General of Land and Mines (Federal).

Keywords- Outcome, Development expenditure, Operating expenditure, Programs , functions

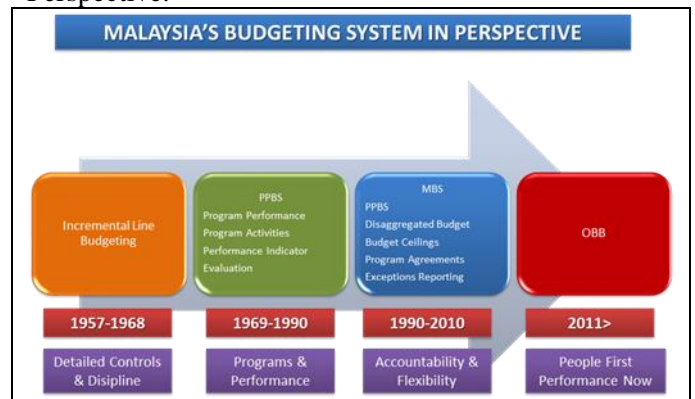
I. INTRODUCTION

Budgeting is an integral part of managing an organization. Maximizing the usage of the finances in an organization is the utmost responsibility of managers. There have been many budgeting system practiced and each has its own approach and benefits.

The Government of Malaysia as decided to shift its approach of budgeting from the Modified Budgeting System (MBS) to the ultra new Outcome Based Budgeting (OBB) system. Figure 1 provides the overview of the budgeting system that has been practiced in Malaysia over the years. OBB will be implemented at all level of government agencies by the year 2013. Serious studies are being carried out by the government on the feasibility of implementing these sort of system to a bureaucratic architecture of the civil service of Malaysia.

The Department of the Director General of Land and Mines (Federal) is not left behind in jumping into the OBB bandwagon. The implementation of these new budgeting system will in a way provide changes to the management of the Department and how it establishes it's programmes and the mode of spending. The conventional methods of spending and project planning will be out of the door. Setting goals and outcomes rather than outputs shall be the denominator for the department to obtain the financial injections to sustain it's operations and in a way it's existences.

Figure 1: Malaysia's Budgeting System in Perspective.



This paper shall provide how the principles of OBB that will be in place in the Governments budgeting system effect the Department and how will the Department cope with these changes and does it need a major transformation to still be relevant in the undertakings of the Government machineries.

II. OUTCOME BASED BUDGETING

Outcome Based Budgeting (OBB) is subset of a result based management. OBB provides a mechanism where the Government defines what a particular program or function does to achieve public benefits. The outcomes of the programs and functions are clearly defined and measurable with performance indicators to evaluate the outcomes.

The old budgeting system were more concern of what outputs are being produced from the programs and functions that have been implemented or invested in. This provided the element of focusing of economy of inputs and financial regularity based on budget ceilings.

The element of OBB is to provide a tool for the Government to formulate policies that make great social impacts to the general public. Besides that government officials shall be made more accountable to decisions made by them when implementing programs and projects that are funded by tax payers' money. Rather than creating white elephant projects, a more people centric projects provide a bigger outcome and show the success of implementation of Government Projects. OBB provides the government to prioritize its allocation of resources that provides higher returns in outcomes. It is not the principle of less is more but the value of the outcome that matters the most.

The OBB system implemented in Malaysia will focus on the programs and projects that will be submitted in the 10th Malaysian Plan and will be in full swing when we approach the 11th Malaysian Plan. The OBB will have a budgetary program that will combine the operational and development expenditure together. This will provide the managers to evaluate their operating expenditure based on their development expenditure and it will not stand alone. The success of the OBB system will be based on constant monitoring, evaluation and outcome enhancement reporting. These aspects of the system will determine the flow of cash and also future injection of money towards an organization.

The conventional method of obtaining the funds to run an organization will be assessed through the scrutinizing of how it will provide a major outcome rather than output. The projects that the organization are planning to do has to be visualized by the top management and they should set goals and objectives that targets the citizens rather than to facilitate the government machineries. The new system of budgeting is not to see how funds are funneled to make an office department look good or operates properly but what services can the office provide to the general public and what outcome can it profess with its existence.

If the conventional methods of obtaining funds are still maintained, it will not succeed in the OBB system. The basis of the conventional method of obtaining budget is by sustaining the current operational expenditure and the development expenditure is based on output rather than outcome. There is no correlation between the operational expenditure and the

development expenditure. The expenditure on human resource in a public organization does not tailor to what the development expenditure dictates or programs that have been determined by the departments. The lack of evaluation of the outcome and emphasis on output of the core business provides a low return of investment of tax payers' money.

When OBB is established and constant monitoring and evaluation will in a long run transform public organization into corporate organization that puts emphasis in management of budgetary aspects and also pay more importance to return of investment of tax payers' money. The reduction of work force will also be in the horizon when service delivery shall only embark on people centric activities and high outcome projects. Redundancy and routine tasks shall be reduced and in a long run eliminated, to be cost effective and to concentrate more on development expenditure rather than operating expenditure.

III. BUDGETING IN THE DEPARTMENT OF THE DIRECTOR GENERAL OF LAND AND MINES (FEDERAL)

The Department of the Director General of Land and Mines (Federal) (DGLM) has been practicing the conventional method of budgeting or the Modified Budgeting System (MBS). To some extent if one analyzes the organization of DGLM in a business perspective it can be considered a loss making organization.

The basis of this analysis can be interpreted in a simple observation of the increase in liabilities of the Department. Increasing numbers of land titles yearly contributes to the increase in the amount of land tax paid yearly. Development projects like building of the new departmental branch offices rather than renting readymade premises increases development expenditure and the outcome of these projects have never been evaluated. Operating expenditure pertaining to emoluments and human resource management are also high compared to the income generated by the department assets and core businesses.

The Department is not duty bound to generate income from the land or assets owned by the Federal Government but rather act as custodians and to manage its record keeping. Subsidiary functions provided by the Department such as legislation

development assistance and system development are funds consumptive and the return of income as never been evaluated. This does not support the need for sustenance of the current services provided.

The total budget of the Department approved by the Malaysian Treasury which includes operational and development expenditure has been constant for the past 3 years. This in business sense shows there have not been much activities in the Department that suggests in cost saving or improvements.

Table 1: Provides the budget of the Department from 2009 till 2011.

	Development (RM)	Operational (RM)	Total (RM)
2009	45,251,000	180,626,260	225,877,260
2010	126,309,640	172,008,900	298,318,540
2011	45,850,000	183,187,600	229,037,600

The trend of development expenditure is seen here to be highly invested on development of new office buildings being built at various states. The need of the buildings is said to enhance the working environment of the Departments staff rather than being in a rented premises where the space is limited. First and foremost in a OBB based budgeting system, the outcome of the new building must be evaluated with the current premises. Is the services that will be offered in the new building shall prevail the current services. Is the location more customers friendly or further away from the town center? A huge sum of money is spend on these elements of developments as shown in Table 1 above. Besides that development of internal computer system that has been carried out from 2009 is funded by tax payer money for the betterment of the department in the sense of expediting processes. Those the outcome reflected by these improvements in the services offered to the public. These have not been evaluated properly. One can only anticipate that it makes things easy and this is how much it's worth, but the main question here is what is my rate of investments?

The department holds approximately about 22,565 land titles registered to the Federal Land Commissioner and approximately about 6228 lots of reserved land. About 94% of the total lands held are occupied by government buildings that facilitate public services to the general public. The balance of 6

% of land acquired by the government is idle land that is not used for public purpose. Some of these lands are privatized to corporations by virtue of lease for not more than 99 years and some a leased to individuals or corporations for a term not more that 3 years. These efforts provide some returns to the government in the form of income generated by these assets.

Table 2: Provides the Income of the Department for 2010.

	Long term lease (RM)	Short Term lease (RM)	Sea sand licenses (RM)
2010	68,919,791	13,192,557	2,630,087

The total income of the Department for the year of 2010 was a mere RM 84,742,435.00 which does not even cover the operational cost of 2010. In a long run the deficit of running this department will eat into the annual budget of the nation. Changes have to be done within the Department and introducing OBB shall provide measures in reducing the high cost of operation and also unnecessary spending on irrational development projects.

IV. SUGGESTIONS TOWARDS CHANGES OF THE DEPARTMENT'S STRUCTURE

With the implementation of the OBB, the way of budgeting within the Department has to change. Maintaining the conventional method of setting of goals and development projects it will indirectly place the department at the edge of a cliff of demise. With the current income only supporting 49% of the total operational expenditure, it will cause a deep hole in the purse of the national budget. Change of institutional structure or echoing the need for reducing the number of human resource by virtue of lean management is seen as an alternative towards the survival of the Department.

It seems from the numbers obtained, the bulk of the Department's operational expenditure is spent on paying land taxes of the 22,565 land titles which amounted to RM 115,876,219. This cost cannot be avoided because these are assets that provide public facilities to the general public like hospitals, schools, police stations and other government entities. The large number of lands owned by the Government is due to improper planning. The need of too many physical structures to proof the efficiency of service

delivery is rather ridiculous at the current juncture. There are many offices that are underutilized and the concept of individuality has cost the need for separate buildings in a single area rather than a consolidated building.

This is where the Department can come into play by flexing it's muscle in determining the need for these kind of developments and to advice in acquiring land which generates the most outcome in the sense of locality and service delivery. From initial observation, it is suggested that the position of the Federal Land Commissioner (FLC) be separated from the Director General of Lands and Mines. To provide more power to the position, it will be elevated to be a central agency in kind of the Economic Planning Unit (EPU), Implementation Coordinating Unit (ICU) and the MAMPU. The office of the FLC will be the sole advisor to the Federal Government in the aspect of Federal Land management and gaining revenue from it. This will transfer the current practice of land procurement for Malaysian Plan Projects from the Ministries to the FLC in terms of determining the feasibility of the project. The individual Ministries will only have the discretional power and financial ability to develop their proposed project on lands that will be procured by the FLC. This is to avoid unnecessary spending and to reduce the number of undeveloped land held by the Federal Government.

The suggested functions that the FLC will oversee are as such:

- i. maintaining the records of titles and reserves of the Federal Government;
- ii. managing and maintaining a complete information of land (includes planning, market expectation and survey) for the purpose of Malaysian Plan projects development;
- iii. Exercise procurement of land for Malaysia Plan projects through application of state land, acquisition and purchase of land;
- iv. Take over the duties of the Economic Planning Units on the management and deciding on privatization and leasing of federal land for development;
- v. Managing short term leases on Federal Land to generate revenue on abundant Federal Land;

- vi. Having legal power to carry out enforcement actions on encroachment of Federal Land;
- vii. Having a enhanced and effective revenue collection system;
- viii. Provide consultancies and advices to the Federal Government on aspects of land management, application, planning and legal aspect;
- ix. Provide training and develop land consultants through a structured module in Federal Land Management; and
- x. Creating and maintaining an independent electronic database that provides the platform of managing all the functions mentioned above through paperless management.

To provide a more business orientated environment it can be suggested that the establishment of FLC be corporatized or be more independent like the Singapore Land Authority (SLA). The function of the FLC will be monitored by a board called the Federal Land Board that will be appointed by His Majesty the Yang Di-Pertuan Agong. The board will be headed by the Prime Minister himself and members of the board will comprise of the Minister of Finance, public officers from the Treasury, land surveyors and legislators. The board will consist of not more that 10 members. This board will act has a check and balance on the duties of the FLC because the funds of procuring the lands are obtained through public funds. The board will provide policy directions to the FLC in matters as such:

- i. Management of funds or revenue generated by sales of Federal Lands for privatization projects;
- ii. Future investment of funds and revenue of Federal Lands;
- iii. Providing advice to the Cabinet on Federal Land Management;
- iv. Approval of the Annual Report of the Federal Land Commissioner to be tabled at the Parliament.

These new structure shall maintain the current manpower or it may reduce the number of its employees to reduce operating cost and maximize income that could in a way reduce the overhead cost of operating a Department that seems to provide functions that are not people centric.

If the entity is corporatize, the burden of operational cost shall be borne by the existence and business generated by that entity. This will provide an avenue for the FLC to generate more income from its assets rather than leaving in idle and entertain the problems of encroachments. By providing this option tax payers' money will be diversified as shares in the corporation where Interest can be provided to the shareholders when the entity provides profits in its businesses.

Combining with other related agencies that provide the similar services of managing Government assets has to be looked into as alternatives. This will provide a mechanism of reducing operating cost and also maximizing human resource. A simple example can be the assimilation of the Federal Assets Division of the Prime Minister's Office (BPH) with the FLC and also the Housing Loan Division (BPP) of the Treasury. This will provide only one entity that deals with assets and loans provided by the Government. Monitoring of projects implemented and evaluation of outcomes can be measured easily and will provide the government with prudent investment and high return of investment.

Rather than having a separate entity to oversee development of land administration in Malaysia, it can be suggested that the functions carried out by the Department of Land and Mines to be assimilated into the National Institute of Land and Survey (INSTUN). The assimilation of this two entities within the Ministry of Natural Resource and Environment will provide better management, better service delivery and the most important aspect of OBB is the reduction of budgetary wastage and the need for high outcome approach to the citizens.

The new functions of the National Institute shall look into these aspects in creating more professional land administration officials and in the long run produce better service delivery. The suggested activities the new entity should concentrate is as such:

- i. Legislative review and amendments of all land related legislation and procedures except the Federal Land Commissioners Act and State Land Rules;
- ii. Reengineer the procedures in land administration to provide an enhanced service delivery;
- iii. To create and control an electronic land administration system to implement the legislative and procedural changes suggested;
- iv. Provide training and accreditation to all land administrators and land

administration staff in line of building a sustainable land administration expertise;

- v. Act has a think tank in providing tools for higher education institutes in performing research and collaboration with International Research Institutes
- vi. Advices the Federal Government on land administration;
- vii. Professing the use of an electronic based system in registration of titles with integrated information sharing that will link cadastral data, identity information, court orders, local authority development plans and valuation detail

Development projects' that emphasizes on physical structures and internal enhancement has to be reduced because the impact of these projects are rather small compared to projects that reflects the need and services to the general public. Treasury officials will look on how projects implemented will affect the public and what are the positive outcomes gained from it to determine whether a department obtains future funding. If the trend of the Department is in enhancing information technology projects for internal use or providing new buildings for State Branch offices, the results will be detrimental to the Department in terms of obtaining future development funds.

If the Department has very little to offer the government in terms of providing positive outcomes to the general public, in the long run, the Government would take serious measures to cut cost or to maintain its current mechanism. With the current situation of only 49% of the operational expenditure recouped from income generated, in 5 year time the Department would have cost a total deficit of RM 436,332,325 to the Government. The current trend of many Governments in the world reducing its expenditure due to economic turmoil it would seem that the Department of the Director General of Land and Mines will be faced out and its functions taken over by other entities in the future if it fails to exploit the mechanism of outcome based budgeting.

V. CONCLUSIONS

The Department has to evaluate its' spending and earnings to formulate the best mechanism it can introduce to serve the general public. Maintaining the status quo is intolerable an irresponsible by the management and also lacks the accountability to the tax payers. Evaluation should start now and not when Outcome Based Budgeting is implemented in 2013. If the current practice is continued it shall pave way to

other entities to supersede the Department or in a worst case scenario the demise of the Department. OBB is just around the corner, we should pull our socks and get things in shape for the betterment of the administration and take some responsibilities towards the tax payers and provide better services to the general public with outcome based projects rather than routine attributes.

The focus of the paper is seen as a preliminary observation of the current implementation of budgeting system in the Department it's contribution towards land administration service delivery. The results of this observation will be an input in future research on the restructuring of the Department.

This paper was created to get feedbacks from other land administrators and the general public on what can be done to improve the institutional framework of the Department in the business sense and the effect of implementation of Outcome Based Budgeting

Biographical Notes

Anesh Ganason has a Degree in Environmental Science (Hons.)(2004). He is currently the Principal Assistant Director of Research and Development in the Department of Lands and Mines (Federal) (DGLM). He has an experience of 6 years at managing Federal Land properties and providing research materials for the enhancement of land related legislation. He is the co-author of the "*Guidelines in Amending Land Related Legislations*". He is a protégé of the Young Managers Programme in the Department of the Director General of Lands and Mines Federal.

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