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SPEECH BY DR RICHARD HU, MINISTER FOR FINANCE, AT THE

1ST PS21-MANAGEMENT FOR EXCELLENCE (MFE) FORUM AT THE INSTITUTE OF PUBLIC ADMINISTRATION AND MANAGEMENT AUDITORIUM, NORTH BUONA VISTA ROAD, ON TUESDAY,

24 AUGUST 1999 AT 9.30 AM.

Head of Civil Service, Permanent Secretaries, Chief Executives, Ladies & Gentlemen

# Weathering the Storm

The recent economic crisis has shaken the foundations of many of the economies in the region. It exposed defects and deficiencies that were previously masked by rapid economic growth in the 1980s and 1990s.

Singapore has weathered the storm well. Except for the construction sector, our economy appears set on the road to recovery. Uncertainties abound, of course, but the outlook remains optimistic.

How we have handled the crisis is an object lesson in governance. The government communicated to all Singaporeans the grave danger we faced in loss of jobs and loss of competitiveness because our business costs were too high. Employers, unions, the government and the people all drew together to face the situation squarely and realistically. CPF contributions were cut, wages adjusted,

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rentals reduced and rebates extended. It was a demonstration of leadership, getting our people to focus on the problem, and pointing the way to the solution. It was an exercise in flexibility, nimbleness, adaptability and responsiveness.

#### The New Boost in PS21

I am glad to note that openness to change and capacity to change fast are what undergird the PS21 movement. This offers Singapore the best chances for survival and success in making the most of opportunities that come our way even in times of adversity.

I commend the Public Service for embracing the three-fold challenge in PS21 of:

- anticipating the future with scenario-based strategic planning,
- fostering positive attitudes among staff towards continuous change, and
- executing change as effectively and efficiently as possible.

The last four years have seen concerted effort on the first two pillars of the challenge. What we now need is a boost for the third pillar. This third pillar is about implementation, or what we might call "policy delivery". What we need are good people running good systems and processes which produce excellent performance and results.

#### Managing for Excellence

I am happy to note that the Ministry of Finance and the Public Service Division have come together to spearhead the drive for Organisational Excellence in the public sector. They call this the Managing for Excellence (MFE) movement. The objective of MFE is to build an excellent Public Service through harnessing the creativity of our people and effective management of our resources.

Why harness the creativity of our people? People are the most critical of all the resources in an organisation. They are the masterminds of the organisation's plans and strategies. They are the ones who will deliver the policies. Excellent infrastructure, systems and processes cannot, in the long run, replace the creativity and enthusiasm of the people.

MFE also seeks to bring the effective management of our resources to great heights. Effective management of our resources assures maximal outcome and maximal value from the resources assigned to an organisation. The MFE movement aims to create a treasure chest of best practices, good systems, and effective processes, and to forge a network to help ensure that these "treasures" are shared, learnt and replicated across the public service.

Organisational excellence requires close attention to processes and not just results, because superior systems and practices are what assure sustainable performance, sustainable productivity and sustainable excellence. Much has been done in the field of people management and development, though there is still room for improvement. But even more must be done in the management of financial and physical resources in the public sector.

## The Challenge in Resource Management

Looking ahead, we can see that the yearly budgets will continue to be tight and get tighter. The halcyon days of sustained high economic growth are gone. As our economy matures, we will increasingly face the need to balance the demand for quality public services at developed country levels, while keeping taxes at internationally competitive rates. Smart people managing the public sector will have lots of ideas on how their ministries' mission could be better achieved. But a competitive tax regime will limit our operating revenue. Ideas will run ahead of money available. Yet balanced budgets must remain our cardinal principle.

The future is unpredictable, and societal values and expectations change. We need a budgetting approach based on proactive prioritisation of needs and a high degree of flexibility to switch resources when needed. Decision-making ought to be as close to the ground as possible for greatest responsiveness.

Public Service agencies must move to a situation where they are fully aware of the costs in providing their services. Then they can make better decisions in deploying their resources for service to the public. There must be cost awareness, and not just cash consciousness, on the part of all officers. Accrual-based financial accounting will therefore be introduced to all ministries and departments, going beyond the current cash-based accounting. Agencies will be able to better manage their resources with accrual accounts. Parliament, however, will continue to appropriate funds on a cash basis, as this offers a higher order of control and discipline in our system where we expect operating and development expenditure to not exceed operating revenue in normal times.

We will need skillful budgetary management to prioritise and allocate financial resources. We will need people sharp not only with their pencils, but innovative and creative in extracting more value out of the resources placed in their hands. We will need a revised budgeting and expenditure framework, where tighter overall budgets are compensated by increased flexibility in the utilisation of funds, and financial tools are freely used to help produce sound decisions from conflicting priorities. We must change our budgetting paradigm from one of striving to incur the least cost to achieve a given result, to one of achieving the greatest results from a given resource.

These new steps in budgetting and expenditure management will be a continuation of financial reforms introduced over the years. In 1978, we moved from line-item budgetting to programme budgetting, where ministries gained flexibility in resource allocation. Later, in 1989, we had block vote budgetting to contain the growth of government expenditure and extend the capacity of ministries to re-prioritise their expenditures. The Ministry of Finance will now take the next step of determining total budgets for ministries, and leaving ministries to

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re-allocate the budgets between their departments and statutory boards as they consider best. Budget allocation will increasingly depend on prioritisation of needs rather than simply the justification of needs.

In 1994, we reached another milestone with the introduction of the Budgetting for Results or BFR framework. Ministries and departments are managed as Autonomous Agencies or AAs. BFR shifted budgetting from an input driven process to a focus on outputs. There is greater emphasis on performance, results and accountability, in exchange for greater autonomy and flexibility.

The BFR/AA framework has served us well. It has resulted in well-deserved attention to outputs and results. We now must take the next step. The Ministry of Finance is switching its focus to outcomes, meaning answers to the question: "What do ministries and statutory boards and agencies exist for?" Our agencies do not exist just to do work. They exist to accomplish a purpose. The purpose is expressed in terms of outcomes.

The Ministry of Finance is passing the supervision of outputs down to ministries. In concentrating on outcomes, the Ministry will not look at just the outcomes of individual ministries, but outcomes across ministries on a national level. Outputs measure the results of work done; outcomes measure whether the purposes of the work are met.

#### MFE Award Scheme

Ladies and Gentlemen, we have come a long way in giving ministries flexibility in the management of their resources - the people resources as well as the financial and physical resources. But globalisation, international competition, technology, demographics and changing societal values and expectations all demand even more responsiveness and better policy delivery from the public sector. Our concern cannot therefore be just good results; or even superior results. Our concern must be to have a continuing capacity for excellence. Sustainable performance requires equal attention to both processes and results, and not just results. It is a drive for Organisational Excellence.

I am pleased this morning to announce the introduction of an MFE Award Scheme, where ministries will be given extra funds for use on their staff when they attain the national and international benchmarks for excellence in processes and results. The MFE awards will be given to departments that attain the Singapore Quality Award, Singapore Quality Class, People Developer Award and ISO 9000 Certification. Other benchmarks may be added to the scheme as and when appropriate.

It is right and proper that the staff in the agencies attaining these standards of excellence be given these financial extras as encouragement and appreciation for their conscientious and effective efforts. No organisation can attain and retain such standards without superior commitment and motivation on the part of all their people. Their staff have much less scope for slack and error, and must meet higher expectations in quality and efficiency of service. They deserve special recognition.

The MFE Award Scheme will take immediate effect. All departments which attain or maintain their standing in the selected national benchmark standards during calendar year 1999 will get the awards credited to them in FY2000, ie the following Financial Year. The details of the scheme will be announced separately.

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The future promises interesting and rewarding times for the innovative, the creative, the enterprising and those who manage their resources well. We need to keep challenging our assumptions and practices, to make sure we keep up with the changes around us and anticipate well the future that awaits us. The MFE Movement deserves your utmost support. By being willing to learn and willing to share in MFE, we can look forward to a Public Service for the 21st century which is worthy of our country and our people.

It gives me great pleasure to inaugurate the PS21-MFE Forum series. I wish you much success in your endeavours.

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