ACHIEVING PRODUCTIVITY THROUGH
BUDGETARY REFORM :
A PROPOSAL FOR NEGARA BRUNEI DARUSSALAM

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Abstract: The principle budget and productivity reforms of recent decades have shared a common error whereby they have been preoccupied with measurement while ignoring the incentive environment of public organization and their managers. This paper is an attempt to discuss issues pertaining to Negara Brunei Darussalam budgeting process which focus on a pervasive set of disincentives that penalize productivity improvements. The future of both productivity improvement and the country planning depends upon the incentives we create for the public organizations through the budgetary process. Some strategies to remedy the situation in Brunei are recommended.
1. Introduction

Administrative capacity in any country requires competent public service. In contemporary Brunei political experience the ultimate effectiveness of the process of governance is being called into question with new urgency. On this very reason, the Special Adviser to His Majesty at the Prime Minister's Office, Pehin Orang Kaya Laila Setia Bakti Diraja Dato Laila Utama Awang Haji Isa, reminded the public servants to change their mindsets in order to understand the fact that Brunei public service must relentlessly pursue administrative improvements and change by emphasizing the pursuit of excellence and higher productivity (Borneo Bulletin, 2003). Despite all the criticisms being thrown towards the Brunei public service, administrative improvements have been undertaken and continuously being pursued since Independence. All these efforts are directed at increasing output as well as providing more efficient, speedy and effective delivery of services. However, the introduction of various policies, programs and activities during the 1980s brought about a significant changes in the system of public administration in Brunei. The introduction of these administrative improvement programs sought to inculcate awareness and nurture a core of administrators capable of implementing government policies and projects efficiently and effectively. This was because, in the same decade, Brunei entered a new phase in its national development as clearly reflected in the policies and programs then announced. These policies needed to be effectively implemented in order to meet specific desired goals. The civil service, thus, took on a more important and ever challenging role and responsibility to ensure the effective implementation of those policies.

2. What Is Productivity?

Most definitions of productivity emphasize both efficiency and effectiveness. To be productive is to accomplish something worthwhile (effectiveness), and to consume as few resources as is absolutely necessary (efficiency) in doing so. Productivity, therefore, has to do with input/output relationships. It is possible to think about outcomes without thinking of the resources consumed in achieving them, but to do so ignores reality. Conversely, it is possible to think only about reducing expenditure, while ignoring the services that will be lost. Such a cost cutting mentality may be forced by revenue constraints, but simplistic cost cutting, ignoring as it does the output side of the productivity relationship, should not be confused with productivity improvement. Unfortunately, definitions of productivity too often neglect other essential attributes of sound management such as anticipatory capacity and organizational adaptability. This is because most common definitions of
productivity suffer from the nearsighted bias of the political system itself. If the relevant time frame is restricted to a single budget cycle or to a single term in the office (for rotational head of department), productivity will be defined differently than it would be if the relevant time frame is extended several years into the future. For example, if one is concerned about the long range future of Brunei and her citizens, then a productive agency is one which tries to anticipate how the nation's dramatic growth will affect the needs of her citizens for its services. This productive agency is one which tries to anticipate how the country's dramatic growth will affect the delivery of services to meet the expectations of the people. This productive agency takes steps to change itself and to avoid future "catch up" costs which will be incurred if the need for such change is not anticipated and begun in time. A preoccupation with short range definitions of effectiveness, especially in our rapidly growing nation, can easily lead to the types of errors underlying the adage "penny wise, pound foolish." (Nacubo, 2001).

An appropriate definition of productivity, then, is the achievement of the best possible relationship between required resources and services to the public, both now and in the future. Such a definition is essential if the concept of productivity is to be relevant to the new processes of planning and capital improvement programming in Brunei public sector. These new processes call for resources to be allocated from an "investment" perspective one which tries to allocate money in a way which best shapes Brunei's future. A productive agency, therefore, is one which exhibits sincere, creative cost consciousness in its present operations and which carefully studies its future environment to assure that the needs of Brunei citizens will continue to be efficiently met. In our rapidly growing country, agencies which do the former, but neglect the latter, may be "productive" today, but exceedingly costly tomorrow.

3. The Problem of Pervasive Disincentives In The Budgeting System
There is no major method of reducing or containing costs known to business managers that is not also known to practitioners in public administration. Scholars and many practitioners of public administration are well aware of various techniques used by the private sector to improve productivity which range from capital investment and automation to the application of management science or human resource development techniques. To the degree that there is a productivity problem in government, it stems not from ignorance of productivity improvement techniques, but from an environment that too often discourages their application. Furthermore, the system of pervasive disincentives that exists is not the creation of career public servants, but is
largely attributable to the failure of the budgetary process which fashion the incentive system to which public managers respond. Rather than suggest a series of productivity improvement techniques, this paper instead will review some of the research into the nature of the incentive system which shapes productivity related behavior in public agencies. Recommendations will then be offered for improving the incentives for productivity.

a. Failure to Spend an Appropriation

There is a monumental irony associated with the manner in which budgets are developed and executed in Brunei public sector. Although country's leadership and budget office (Treasury) give much attention to the problems of control to assure that the behaviors of executive agencies are in accordance with their dictates, little or no attention is given by the leaders and budget staff to the incentive effects of their own behaviors. Consequently, the various methods and procedures which have been devised to enhance control over budget expenditures have, themselves, created severe disincentives to productivity. In other words, the exercise of the political power of the purse has been done in a way which has perverted the incentive power of the purse.

Pressures for end-of-year spending are the most obvious manifestation of disincentives at work. Agencies take great care to ensure that appropriations are fully spent. In a study in United States (Anton, 2000), it was found that failure to spend all of an appropriation in a given fiscal period can lead to a reduction in the next. This finding supported another finding which was established in another classical study which was carried out way back in the sixties by Wildavsky (1964), where end year surpluses for federal agency does not need such appropriations, justifying cuts in its subsequent budgets. Agencies, therefore, being neither blind nor stupid, act in a manner which is totally rational in their response to their incentive environment, i.e. they try to spend every possible cents. In a survey conducted by Razali (1993) in one public organization in Malaysia, one manager narrated that:

*I was given a direct order by my superior to purchase large quantities of supplies which were not needed at the time in order to protect the level of spending authority that we would receive in the following year.*

Such end of the year spending pressures are quite common in Malaysia, Brunei and other public organizations in different countries. The organizations do, indeed, obligate disproportionate amount of their money during the last quarter,
and especially during the last month of each fiscal year. Even when the agencies do not have to return unused funds to the Treasury, they fear that unobligated balances will raise questions as to whether their programs are over-funded or not being accomplished as quickly as they should. We can conclude here that a significant underlying problem is that there are no incentives not to spend the funds appropriated.

b. Disincentives and Fiscal Constraints
It is often said that budget reforms are more effective during periods of fiscal constraint because such efforts will then be taken more seriously. Levine (1998), however, indicates that such constraints do not alter the more basic aspects of the incentive structure for public managers. In his extensive studies of management under "cut back" conditions, Levine has concluded that the manager who willingly exercises frugality when his or her government is faced with such constraints is likely to be penalized. The savings which are created by conscientiously cost conscious manager are often shifted to support the programs of other, less conscientious managers. Levine concluded that in order to change this attitude, managers will have to be shown that saving has rewards. In most government organizations, this will require fundamental reforms in budgeting and personnel practices.

In his study of budgetary environments, Straussman (1999) has observed the same set of disincentives. When confronted with fiscal constraints, agency managers fear that efficiency oriented reviews will expose their agencies even more to the cuts which are at hand. Obfuscation and other defensive strategies seem more logical, especially if other managers are doing the same to protect their own agencies. On the other hand, Straussman observed that when times are good, the incentive for self-evaluation as a part of budget reform is minimal, since in a generally favorable fiscal environment, the agency will receive its base and increment anyway.

The importance and relevance of Levine and Straussmann's conclusion for Brunei context cannot be under-emphasized. The pervasive disincentives to being self-evaluative in a cost conscious manner are not a function of revenue availability. The disincentives are largely independent of the economic environment of the organization and the government. Rather, the disincentives to productivity improvements are rooted in the behavior of budgeters and those who develop and enact the budgets.
c. Disincentives for Cash Flow Planning
Current practices in exercising the power of the purse also include serious disincentives for cash flow planning. Compare, for example, the incentives for cash flow planning which confront public and private managers. It is not uncommon for a private business with good long term prospects to fail due to inadequate cash flow planning. If the manager of a business firm fails to build a contingency reserve of cash, or an ability to borrow cash on relatively short notice, then unforeseen cost increases or revenue shortfalls can cause a severe liquidity crisis. It is a foolish stockholder who does not demand that a manager develops and maintains cash reserves for contingency purposes.

A manager of a public agency faces similar uncertainties regarding cash requirements. A budget is a plan for the future and some degree of uncertainty is an inescapable feature of any plan. For example, the level of demand for an agency’s services may become higher than was anticipated, or the costs of goods and services which must be procured may exceed projected levels. The public manager is, therefore, also in need of some contingency cash reserves, but any efforts to request these explicitly, or to overtly retain cost savings for such purposes, is likely to be construed as evidence of "fat" which is to be cut. Public managers apparently behave in a totally rational manner when faced with this reality. The logical behavior is to request enough to cover some of the possible cost and increase, and then to spend all that was appropriated to the agency, even if the higher costs or demands do not occur, simply to assure that sufficient funds to cover such contingencies will again be appropriated. Unfortunately, the degree to which agencies behave in this manner cannot be well studied due to the obvious fear which agencies have of being "punished" for maintaining contingency reserves is the only way the system allows.

d. Employee Frustration at Loss of Cost Savings
Employee involvement and commitment is essential to lasting productivity improvement. This is the basic premise underlying much productivity reform. For example, much has being written about the involvement of Japanese workers in improving the productivity of their organizations. The Theory Z approach to management, a term coined by American management professor, William Ouchi, is an attempt to apply some of the best Japanese management practices to organizations world wide. It is very troublesome, then, that one of the early reviews of efforts to try such productivity oriented reforms in the public sector has found that the efforts are foundering. Cantino and Lorusso (1992) studied the public sector application of Theory Z and found that the techniques has, indeed, resulted in greater productivity with resulting cost
savings. Employees have become involved and had successfully achieved results. The employees who were responsible for achieving the savings, however, have developed feelings of frustration and futility as a result of their efforts. Cantino and Lorusso reported that the savings which were achieved through the Theory Z approach were removed from the agency's budget with no corresponding return of benefit. These researchers concluded that the success of such group oriented productivity reforms was related to the ability of the budget process at all levels to develop positive incentives to reward such effort. I remember one incident when I was a junior lecturer at the School of Economics and Public Administration, University Utara Malaysia in 1988 (Razali, 1996). The school organized a two-days computer training for public employees in the State of Kedah and Perlis. The training program was very successful not only from the feedback supplied by the participants but the organizing committee made a RM3,000.00 profit. The school decided to purchase a computer from the profit, but the university's Treasury did not approve such a move. The justification given was that the profit collected from any training program conducted by any school must go to a "common pool." Any request to purchase computers must then be forwarded through a different budget allocation. The entire staff in the school, particularly those who were involved in that program, were extremely frustrated with such a policy adopted by the university.

e. Inseparability of Personnel and Budget Based Product Reform
A common weakness of Brunei and other developing countries' public administration is our continuing compartmentalization of budgeting and personnel administration. This tendency to separate the two greatly diminishes the likelihood that the underlying problems regarding productivity improvement will be addressed. The failure of Theory Z in the case cited by Cantino and Lorusso demonstrates this phenomenon.

Two types of personnel based productivity reforms are of special importance in this regard. The first category includes the various efforts to gain the involvement of employees in productivity improvement. The Brunei public service experimentation with "Kumpulan Meningkatkan Mutu Kerja" and continued with "Total Quality Management" (TQM) are examples of such efforts. Linking pay to productivity was a major theme of personnel reform discussions in the era of the present governance.

A major weakness of such personnel/human resources based efforts to improve productivity, however, is the failure to recognize that any effort to alter the incentive structure of individual public employees without also altering the incentive structures confronting their organization is likely doomed to failure.
Cantino and Lurosso's analysis showed that it is possible to effectively involve public employees in productivity improvement, but the disincentives of the budgetary process confronting the agency diminished much of that promising reform's momentum.

It is realistic to expect a manager to discover opportunities for cost savings, in the hope of a personal bonus, when doing so will jeopardize the status of his or her organization in the budget process. Would the managers who would be most likely to place personal interest over agency interest be those who are least committed to the needs of the people who receive the services of the agency? Such a possibility exists when the nature of the incentive process is ignored. Organizational incentives and personal incentives are closely linked, and efforts to develop personal incentives, or interpersonal cooperation, will likely be confounded if the personnel system is trying to encourage behaviors that are penalized by the budget system.

4. Recipe For Improvements: Some Recommendations
a. Political Theory and Incentives Theory: New Orientation for Brunei Budgetary System

The body of theory that has most addressed itself to the relationship between incentives and the accomplishment of an objective such as productivity is that of political economy. It is a body of theory which has dominated much of the thought about productivity reform; particularly that associated with deregulation, decentralization and merit pay.

The origins of this body of theory can be traced at least as far back as the writings of Adam Smith in the 18th century (1789). In his famous work, The Wealth of Nations, Smith (1937) himself addressed the production of a variety of goods and services which were often the responsibility of government, most notably transportation, education, and legal services. In each instance, he approached problem from the standpoint of the incentive structure as it actually existed for the persons who provided the goods and services.

Smith assumed that these persons, whether senior officials or mere law clerks, would do that which was in their own perceived self interest. In analyzing the behavior of university professors, of which Smith was one, he observed that diligence is likely to be proportioned to the motives which he had for exerting it. Thus, as Rosenberg (1990) suggests, Smith set about devising institutional structures which would provide the best possible incentive patterns. In doing so, he suggested that taxes should be designed so that their sources would stimulate wise public investment, and that citizens should be given a choice as to the organization from which they would purchase a service
such as education. Smith was especially concerned that efforts to measure outputs might inadvertently cause the perversion of behaviors. For example, he observed the obvious disincentive effect of paying lawyers and law clerks by the number of pages they produced. Considering the repeated efforts today to control the volume of paperwork in Brunei government, one is led to wonder about the relationship between current incentive systems and paperwork. Much paperwork is the result of overlapping efforts to "control" the behavior of public servants. These are imposed by legislators, judges, and executive branch members who have no incentive to be sparing in the controls which they imposed, nor to be aware of their cumulative burden.

The underlying assumptions of political economy as it relates to the development of prescriptions for productivity improvement have changed little since the time of Adam Smith. Firstly, it is assumed that each person has their own self-interest. Indeed, many public servants feel that what is in the best interests of their agency is also in the best interest of those whom they serve. Doing that which is the best for the organization, therefore, from my perspective is their way of serving public interest. Secondly, it is assumed that people are rational and that they will respond to the incentive structure which their environment presents so as to attain its reward and avoid its sanctions.

The prescriptions of political economy frequently call for the removal of restrictive controls upon people and organizations, allowing them more flexibility to creatively and energetically secured the rewards offered. For example, prescriptions for deregulation are intended to stimulate the delivery of more and cheaper goods or services through unfettered competition for profits. Similarly, prescriptions for decentralization in the government, from a political economy perspective, are efforts to remove restrictions upon operating managers to enable them to also respond creatively and energetically in the provision of public services. Such decentralization, however, to qualify as a true test of the political economy approach, must be accompanied by measurements of outcomes that do not pervert behaviors and provide rewards for those who do well.

b. Prescription for Brunei Political Economists
In a sense, political economy is a search for a greater congruence of personal and public interests. Modern political economists are suggesting a variety of strategies to achieve this congruence. These strategies usually seek to introduce profit-like incentives and they often assume some degree of inter-agency competition. Among the most fully developed prescriptions are those of Niskanen (1991).
Niskanen has proposed three specific methods to reward administrators whose organizations demonstrate significant cost effectiveness. Two of these methods would provide monetary rewards for senior administrators only. The first would allow top administrators to be paid a portion of the difference between an administrator's appropriation and the actual cost of providing a designated level of service. Recognizing that there is often a considerable time lag in identifying actual effectiveness in government, he proposes a second alternative which would be to award very large deferred "prizes" for exceptional management. Neither of these proposals, however, would address the overall problem of pervasive disincentives confronting public agencies. Each proposals essentially calls for the managers to ignore the incentive structure confronting their agency to advance their own economic self interest.

Niskanen's third proposed method addresses the incentive structure of the agency as a whole. Variations of this strategy, have been proposed by a number of persons (Doh, 1971; Roessner, 1997). This alternative would allow agencies to retain amounts saved from appropriations rather than being required to return all of such savings to the general treasury. Proposals vary as to whether any of the retained savings could be paid directly to employees and, if so, to which employees. Niskanen apparently believes that paying only senior officials is a sufficient incentive to prompt agency action. Others, including myself believe that rewards should be widely distributed throughout the agency rather than to the agency head or top management group alone. Doing so recognizes that productivity improvement is often the result of creativity and cooperation throughout an organization not by one single individual person.

c. A Conditional Appropriations Strategy
A retained saving policy does not have to include payments to the employees in the organization. I would like to propose here a retained savings concept called "conditional appropriations." A portion of an organization's request could be authorized on a conditional basis, with organization authority to do certain things contingent upon their ability to generate sufficient cost savings to do so. As it now does, the Treasury would unconditionally appropriate money to assure the performance of highest priority tasks, including real growth in an organization's unconditional appropriations where its need warrants such growth. Other spending authority, to which the organization aspires, but to which the Treasury assigns a somewhat lower priority, would be authorized on a conditional basis.
In other words, if an organization could save money in the performance of its higher priority tasks, it would be guaranteed that it would not lose the fruits of its costs saving efforts. Instead, it would have the Treasury's assurance that the savings could be applied towards improving the organization's delivery capacity by enabling it to purchase those things to which it aspires, rather than losing the money. The process of "conditional appropriations" would not be designed to cut an organization's budget, either in the short or long run, but could be an incentive for the organization to try to do more with the resources it receives.

Although a retained savings strategy, the conditional appropriations strategy differs in one vital aspect from other retained savings proposals which assume that the public servants are motivated only by financial self-interest. My conditional appropriations proposal assumes that public servants are altruistically motivated to the degree that they will direct their efforts towards productivity improvement if they feel assured that such efforts will result in improved organization services, and their efforts will not result in eventual penalties in subsequent budgets.

A conditional appropriations process would work best if organizations were required to rank their expansion items. For example, an organization might request funds to decentralize some of its operations. The people in Treasury may see some merits in the request, but feel that revenues are not sufficient to fund such a move. Instead, it could authorize the agency to rent space, and move the people and the equipments, if the agency could fund such rentals and moves through cost savings. Depending on the amount of cost savings, the organization could accomplish a test study of decentralization, or might even cover the full cost of decentralization over a few years. It is likely, however, that most conditional authorizations would be for capital investment items to avoid committing operating budgets.

Possible abuses are always there. Abuse of the conditional appropriation process would occur if an agency skimps in the performance of its higher priority tasks in order to obtain funds to purchase conditionally authorized items. Such a move would frustrate the intent of the Treasury. The only means of ensuring that such abuses are kept at minimum is through the development and use of costs and performance measures for each agency. Using such measures, auditors can then audit agency performance to ensure that "Ali is not being robbed to pay Abu." Auditors themselves could become impediments to the development of a positive incentive structure. This would occur if auditors approached their task from an excessively adversarial standpoint (something to which they might be naturally inclined) and if they
demanded irrefutable proof of every cent of claimed savings. Such adversarial proceedings and a preoccupation with details will lead to a severe, possibly fatal, blow to a retained savings effort. What is needed is sufficient auditing of costs and performance to develop a well informed judgement that organizations and Treasury will accept as being fair; not a review that kills initiative and diminishes the motive forces which an incentive strategy is intended to awaken.

It will not be known whether agencies have met performance goals at less than expected costs until late in a budget year, or even well after the year ends. Also, it may be the case that organizations will not be able to create enough cost savings in a given fiscal period to cover the cost of major, conditionally authorized items. Accordingly, a savings fund might be established for each organization from which future withdrawals could be made to purchase conditional goods or services. The establishment of such organization saving funds might do much to convince organizations that they will not be penalized for trying to cut costs while maintaining productivity. Nevertheless, a big question remains: "Would budget staff at the Treasury and the public managers use accumulated savings in an organization's account as a signal that the unconditional portion of the organization's budget request should be cut?" To do so would be a signal that the budget process lacks the discipline to make an incentive approach work.

Only budget and appropriation staff at the Treasury and ultimately, the political leaders themselves can convince organizations that sincere cost reduction efforts will be rewarded. It is only these group of budget officials who can convince the organizations that cost savings could be retained without jeopardizing their chances for fair competition for budget resources. Great pains must be taken not to reward the least efficient organization with relatively greater budget increases. This will be very difficult to do, particularly since government organizations vary widely in the degree to which productivity can be measured and monitored. The crux of the challenge, though, is not to achieve perfection in the measurement of productivity, but to measure well enough for budgeters to differentiate between agencies which are making sincere progress and those which are merely paying lip service.

d. More Administrative Discretion
Feasibility, especially political feasibility, must be considered in developing any policy to create positive incentives for productivity improvement. The most difficult form of positive incentive to implement is apparently a retained savings strategy in which some of these savings are distributed to managers or employees. The conditional appropriations type of retained savings strategy
should be more politically feasible because it offers the organization something attractive to aim for, but it avoids the problems of individual financial rewards.

Any retained savings strategy, however, would be difficult to sustain during periods of tight revenues. Such financial pressures create such severe pressures to "find money" that our ability to avoid penalizing those agencies which generate cost savings is in doubt. There is, however, an alternative to retain savings strategies where there is doubt about their political feasibility. Furthermore, this alternative may be implemented in addition to a retained savings strategy. They are not mutually exclusive.

The alternative is deceptively simple. In my perspective, reward the best managed organizations with greater discretion. This was proposed by Boynton, Medina and Covello (1997) in an article, "How You Always Wanted to Manage. But were Not Allowed to Try: Disincentives to Good Management and Some First Thoughts in the Development of Arrangements that Reward Good Management". It is possible to reward an especially well managed organization with greater discretion -- a greater range of freedom as to how it decides to accomplish its mission -- whether revenues are growing or are constrained. Thus, organization discretion is a potential tool for incentives management that is relatively independent of the intricacies of revenue forecasts, something that cannot be said for retained savings strategies.

One of the great difference between public and business management is that public managers are confronted with a much more complex and limiting array of controls -- acts, statutes, rules, regulations and procedures -- which collectively limit their ability to organize and manage their organizations. These controls have been imposed for a variety of reasons -- to enhance the ability of organizational heads to assure organization compliance to their wishes; to accomplish social goals through collective action by organizations; and even to achieve "good management" practices. Boynton, Medina and Covello say these controls have three things in common: (i) They tend to be instituted uniformly across all organizations; (ii) Individually and collectively, they add significantly to the paperwork and to the number of institutional bases that must be touched as an agency attempts to accomplish its missions. That is, they add dramatically to the red tapes; and (iii) The procedures and goals sought by their imposition are seen by organizations as a cost of doing business. Though individually well intentioned, the collective impact of these controls is to stifle creative public management and impose a substantial, and costly administrative burden. Neither they nor I question the intent of these controls. What we do question is whether the controls are working as well or as cost effective as they should be. Should all agencies be required to accomplish the
intent of these controls in the same, uniform (I would term as "inflexible") manner? If organizations already believe in the intent of these controls, is it not possible that they can best decide how to accomplish them within the context of their own unique missions? Furthermore, the external mandating of controls does little to internalize (in socio-psychological sense) the accomplishment of such purposes in the minds and hearts of organizational members as they pursue their daily mission related tasks.

Instead, Boynton, Medina and Covello propose the following guidelines for a truly inclusive approach to productivity improvement the design accepted must free bureaus and departments to pursue missions; must foster the internalization within the agency of the proper and just intents of the existing control systems; and must reward good management and punish poor management. The reward process would begin with the establishment of an office of "management assessment and improvement." It would review the activities of each organization and assign a summary rating to each as follows: "excellent, superior, acceptable, and unacceptable." Those agencies ranked most highly would be rewarded with as much discretion as possible, while those performing poorly would receive low ratings and be provided with consulting assistance. If the latter agencies failed to respond, disciplinary actions for senior managers might follow. Moreover, reviewing agencies to arrive at such summary ratings need not be the burdensome task of measurement that is likely to precede individual monetary awards.

Agencies receiving a rating of excellent might be rewarded with lump sum appropriations rather than appropriations with detailed restrictions. End of the year surpluses would not revert for such organizations, but would be retained as discretionary funds as suggested by Boynton, Medina and Covello. An organization which is relatively well managed, but not as consistently so as with the superior organizations might be rewarded with somewhat reduced reporting requirements, with authority to reprogram appropriations somewhat more freely, and with the ability to retain a minor portion of end of year surpluses for discretionary use.

e. Productivity Measurement and Perceived Fairness
The literature on productivity improvement is replete with articles about the technical problems of identifying the political and social-psychological dimensions of performance review. It should be obvious to any informed student of management, however, that the implementation of performance review process could have substantial political repercussions. Furthermore, any review process that is not perceived as one which is fundamentally fair will
fail. Our goal in applying an incentive approach is to enhance production of public services through the differential rewarding of public servants who live in a very complex social and political environment. What we must seek first is to gain their willingness to participate in the necessary review and evaluation process, for them to continue to make efforts toward improvement, and for them to continue to be willing to submit information which can be used to judge the quality of their efforts. The first criteria, therefore, which must be in order to achieve this continuing willingness to participate is that those who are being reviewed be pursued that the process is fair.

The development and maintenance of a decision process for incentives must take precedence over the more purely technical issues of measurement. Decisions must be made and not delayed. It is beyond human capacity to develop an irrefutable calculus, and no amount of analysis will overcome legitimate differences in opinions and value preferences (Nacubo, 2001). Politicians and career bureaucrats must believe that the system for reviewing performance and arriving at judgements about quality of agency performance is reasonably accurate, but above all, fair. It must be an effort to which officials will be willing to submit themselves and their organizations to be reviewed on a continuing basis.

For the process to be perceived as fair, it is probable that those who are reviewed must feel that their reviewers have faced similar managerial problems themselves. Some form of "peer" review is applicable. Schultze (1999), for example, has proposed the use of peer review panels in comparing the performance of hospitals for incentive rewards. In addition, the process must also be perceived as one in which the reviewers are not only eminently qualified, but free from systematic bias and political pressure.

f. Organizational Development (OD) Approach Among Budget (and Appropriations) Staff

The ability of a political system to discipline itself sufficiently to implement positive incentives has not been tested. If the professional employees of the Treasury office do not advise the politicians in a manner consistent with positive incentives, then there is no possibility that Brunei will ever develop its budget process into one that nurtures productivity. It is essential that our professionals who make budget recommendations examine their own behavior to remove, insofar as is possible, their unintended disincentive effects.

In short, what is needed is a collective introspection and action a shared sense as to what behaviors need to be modified, and a mutually agreeable set of strategies to bring about this modification of behaviors. The disincentives,
however unintentional they may be, are the byproducts of deeply ingrained budget behaviors. Such behaviors are not likely to be altered through such superficial means as a memorandum or a meeting or two. It is likely that such behaviors can only be changed through a sustained effort utilizing a number of organizational development strategies.

If an organizational development approach to improving the incentive effect of Brunei budget process is adopted, it should begin with the development of a shared awareness of the disincentive effects of existing behaviors. For example, each budget professional might be required to read some of the literature about the disincentive effects of budget behaviors. A series of meetings within each policy unit or committee staff could follow (possibly with a consultant's assistance) to discuss this literature and to begin a survey of each group behavior to identify similar patterns. Each group might then develop its own recommended strategies to alter its behavior, as well as a list of conditions that must be changed if it is successfully alter its behavior. Conditions within, and beyond, the group's control should be addressed. Each group could choose a member to work collectively with representatives of other groups to identify strategies for changing the conditions that are beyond the control of any single group. Support from the highest official (Minister of Finance) is essential and detailed leadership from the officials in Treasury is essential.

5. Conclusion
At the outset of this paper, it was pointed that most definitions of productivity suffer from the near-sighted bias of the political system. Most definitions of productivity center on attributes related to cost consciousness, but ignore the vital qualities of organizational foresight, learning capacity and adaptability. Are not the agencies that are doing both -- being cost conscious while responding to changing needs in our rapidly growing country -- the most productive? Can they continue to be cost effective if they ignore changes in the society that they must serve or if they ignore the directions laid before them by the government?

Surely the definition of productivity for government in Brunei must include both dimensions. We must, therefore, assure that both dimensions of productivity are encouraged. Our application of the incentives approach should reward each of the qualities essential to good management in Brunei. What is it that organizations are being asked to do in Brunei, particularly now that our economy is struggling to recover from crisis and the country is aggressively
advancing towards development? First, they are expected to think systematically about the future needs of the country and of the organization's role in averting crises and seizing opportunities. Second, they are expected to be responsive to the leadership of our leaders, and especially to those priorities expresses by them through the government development plans. Third, as always, they are expected to produce as many goods and services for the public as they can with the money they receive. Fourth, in accomplishing the first three responsibilities, they are expected to be both open and fair. A critical juncture has now been reached. A new developmental plan has been put into place, but there is a definite possibility that it will be largely ignored by budget makers. To do so would reaffirm the pervasiveness of disincentives, and of our unwillingness to alter them. If budgeters (the Treasury) will reward good organization planning, if budgeters are able to alter their own behaviors and eliminate their disincentives effects, we can begin to see some light at the end of the tunnel.

References

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