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Performance Matters

A Quarterly Newsletter

Performance Management – Cabinet Secretariat

Volume 1 April 21, 2009 Issue 1

From the Desk of the Cabinet Secretary

No civilized society can function effectively without an effective government. This statement was as true for Chanakya in the 3rd Century BC and for Sher Shah Suri in the 16th century AD as it is for us today.

All countries use government as a mechanism to provide services that benefit all citizens: police, judicial services, national defense, and municipal services. Government also serves as a means of making some of the most important collective decisions: nature of the health system, education system, water and sewage system, roads and highways system. Given this pervasive nature of government, its performance has a direct bearing on the welfare of citizens.

Our work on performance management is inspired by our belief that returns from improving effectiveness of the government are immense. Further, we believe that the majority of these benefits will accrue to the socially and economically weaker sections of our society. Hence, we do not believe that there is a trade-off between efficiency and equity. Extra effort spent on improving government efficiency is likely to do more good on the margin than spending it on a program that does not work effectively.

We seek to create a government that not only does the right things but does them right, that is more efficiently and effectively. Enhanced government effectiveness not only affects the welfare of citizens in the short run but also in the long-run. In the increasingly globalized world, government effectiveness is the key determinant of a country's competitive advantage. Experts agree that in the long run, race among nations will be won or lost not on the basis of comparative advantage arising from resource endowment, but by the competitive advantage created by effective governments.

The purpose of this newsletter is to have a regular dialogue on matters relating to performance management in government and promote knowledge sharing in this area. We want do so because performance really does matter.

I invite you to contribute to this dialogue.

Performance Matters

Volume 1 April 21, 2009 Issue 1

On why citizens need to establish

The Performance-Target Ethic

"Robert D. Behn is a lecturer at Harvard University's John F. Kennedy School of Government where he chairs the executive-education program "Driving Government Performance: Leadership Strategies that Produce Results." You can read more of Behn's articles, learn about his programs on his website: www.ksg.harvard.edu/The BehnReport (email: redsox@hks.harvard.edu)"

How can citizens decide whether their governments and public agencies are performing well?

Today, many public agencies and government jurisdictions have their data dashboards. These Web sites contain a glut of input, administrative, operational, output, and outcome data. In fact, most governmental dashboards contain so much data that they are useless. It isn't obvious what data are relevant and what data aren't. It isn't even obvious how or where to find the meaningful data.

Too often, these dashboards are little more than data dumps. Consequently, citizens are confused: What data might provide what kind of clues about what agency's performance?

Furthermore, even if a citizen is concerned about a specific aspect of governmental performance, and even if this citizen has figured out what measure captures this specific aspect of performance, how can a citizen decide whether the reported results are outstanding, good, fair, or stinko?

To evaluate a public agency, citizens need to answer the compared-with-what? question.

With what can the citizen compare his or her selected performance measure? There are three obvious candidates: (1) the agency's past performance, (2) the performance of similar agencies in similar jurisdictions, (3) the agency's own performance target. Each has pluses and minuses.

The agency's past performance is an obvious basis for an evaluative comparison. Is the agency improving or not? But any improvement might be accidental. After all, any improvement could easily be explained by the well-known statistical phenomenon of "regression towards the mean."

If an organization is producing results that are below (or above) its usual level of performance, what should we expect in the future? Answer: It will "regress" or move towards its normal mean. Regardless of what its managers or employees do, if a public agency has been performing very badly, we would expect it to improve. Conversely, if an organization has been doing particularly well, we would expect its performance to slip.

(Hint to would-be public managers: Don't take a job managing a well-performing agency; for even if you are brilliant, regression towards the mean may undermine your efforts. Instead, do take a job managing a poorly performing agency; as long as you avoid big mistakes that make things worse, regression towards the mean can help your reputation.)

Okay: Maybe we should compare the agency's performance with that of similar agency's in similar jurisdictions. Maybe. But how similar are these jurisdictions, these agencies?

Consider the task of picking up the trash. Most municipalities do this. So why not compare a set of similar municipalities in terms, for example, of their per-ton-collected cost? If a sanitation department collects its trash more cheaply than others, isn't it doing a better job?
Maybe. Maybe not. It might be cheaper to pick up trash in a municipality where houses are close to each other. Besides, the city council has made a number of policy choices that can affect the cost: Will citizens roll their trash out to the street, or will the city pick it up at their back door?

Has the city made a capital investment in city-owned trash cans that work with the city's trash trucks to make the process more efficient? Moreover, the fit between these cans and the city's trucks might leave less debris on the sidewalks and streets.

After all, citizens don't just care about cost; they also care about how messy their streets are after trash day. And the policy choices made by the city council, even on the basic operational task of collecting trash, reflect a variety of conflicting citizen preferences. Thus, it is logically legitimate to compare only those jurisdictions that have made very similar (if not quite identical) policy choices.

A third possibility is to compare an agency's performance with its own performance target. After all, this target reflects (either directly or indirectly) policy choices of the jurisdiction's political leadership—both elected and appointed. Indeed, creating a performance target is, itself, a policy choice. It states: With these resources (and flexibilities), we commit to accomplish the following . . . .

Then, at the end of the month, quarter, or year, the data will reveal whether the agency did, indeed, accomplish what it set out to do.

It would be tempting to pass a law or promulgate a rule requiring all agencies to set performance targets. And if we do so, all agencies will comply. They will, however, see this requirement as just another regulatory hoop-jumping exercise. Yes, they will jump through it. But they will not take the hoop seriously.

Instead, citizens need to establish the performance-target ethic: "We expect our elected and appointed executives to establish specific, meaningful performance targets."

If a governmental jurisdiction and its agencies did create such targets, its citizens would have a clear basis on which to judge whether their government was performing well.

Invitation to contribute

We invite you to comment on the material in this edition of Performance Matters. You are also welcome to send articles and other material related performance management. In particular, we would like to hear about innovations in managing and improving performance in the government. Please send your queries and comments to the Editor, Performance Matters, at performance-cabsec@nic.in

Views expressed in this newsletter are those of the individuals and not necessarily those of the Government of India.

Workshop On Results-Based Management Framework

We organized on-day workshops on "Results-Based Management Framework" in collaboration with the following ministries/departments:

1. March 25, 2009 Department of Heavy Industries, Ministry of Heavy Industries & Public Enterprises
2. April 6, 2009 Ministry of Tourism

Workshops with the following ministries are planned for in the future:

4. April 29, 2009 Department of Commerce, Ministry of Commerce and Industry
5. May 4, 2009 Ministry of Labour and Employment

Workshop Objectives

These workshops were interactive, hands-on exercises. They sought to achieve the following objectives:

a. Provide an overview of the international trends in public sector management
b. Provide tools and techniques for implementing a results-based management framework in participants' work units.
c. Illustrate the usefulness of these tools and techniques by applying them to various divisions of the Department.

Workshop Structure

The workshops consisted of the following three categories of activities:

a. Class room lectures that provide (i) an overview of international trends and best practices in the area of public sector management; (b) tools and techniques to implement results-based management framework in the participant's work units.
b. Group discussions and group work that provide an opportunity to apply concepts developed in the lectures to the real world issues.
c. A competition among groups to prepare a state-of-the-art results framework document.

A sample of the typical workshop schedule is given on the next page.

We are extremely grateful to Dr. Satynarayana Dash, Secretary Heavy Industry and Mr. Sujit Banerjee, Secretary Tourism for hosting these workshops. If other departments would like to explore the possibility of organizing these workshops, they may contact: Mrs. Ajanta Dayalan, Joint Secretary, Performance Management and NACWC, at 24675763

WORKSHOP ON RESULTS-BASED MANAGEMENT FRAMEWORK

Typical Schedule

Time	Activity
9:00 AM — 9:15 AM	• Introduction and Overview
9:15 AM — 10:15 AM	• Performance Management of Government Agencies: Overview of International Experience and Lessons for Designing a Results-Based Management Framework (Results Framework).
10:15 AM — 10:30 AM	Tea/Coffee Break
10:30 AM — 11:30 AM	How to design success indicators – International Best Practice CONCEPTS
11:30 AM— 1:00 PM	Group Work on Results Framework • Participants will be divided into four groups • Each group will work on creating a Results Framework for one of the internal divisions of the department/ministry
1:00 PM — 1:45 PM	Lunch Break
1:45 PM — 2:45 PM	Group work on Results Framework in assigned rooms
2:45 PM — 3:15 PM	Tea/Coffee Break
3:15 PM — 5:15 PM	Review of Group Work by other Groups
5:15 PM — 6:45 PM	Group Discussion on the document prepared by each group
6:45 PM — 7:00 PM	Award Ceremony Distribution of Certificates and Awards

Department of Heavy Industries

Ministry of Tourism




Focus on the systems of government, not the people.

An open letter to President-elect Obama (and all other new government leaders) on the best ways to improve government.

Ken Miller is the founder of the Change and Innovation and author of *We Don't Make Widgets: Overcoming the Myths That Keep Government From Radically Improving*, published by Governing Magazine (email: ken@changeagents.info)

This year's election season generated a lot of enthusiasm from all sides. The record-breaking voter registrations and the long lines at the polls are positive signs of an active democracy. The pundits are saying this election will drive renewed interest in public service the likes we haven't seen since the 1960s. I hope that is true. The work of government is noble, necessary and too often thankless. But we can't renew interest in public service until we reform the perception of public servants.

Government employees have been an easy target for far too long. Imagine how well a company would perform if the employees were continually berated by the investors, the board of directors and the customers. Imagine how inspired you would be if you were told that your life's work was "the problem" instead of the solution. While you alone can't change the attitude of taxpayers and elected officials, you can at least assure the employees that the CEO is supportive of them and their important mission.

Over the next four years, people will be approaching you with any number of initiatives to improve government. Many of these initiatives will be directed at improving the performance of the people of government. On the surface, they may sound well-meaning, but I challenge you to search your heart and ask what assumptions these initiatives make about people. Through what lens do they view the work of government? Are they assuming government employees are looking to avoid work and responsibility? Are they assuming that government employees are motivated by money? Do they assume that the customers of government are all out to cheat the system?

As you embark on your new administration, I challenge you to change the lens. To start with a fresh perspective. To see government employees as they truly are — hard working, creative, mission-driven, passionate people who want to make a difference in the world.
With that perspective in mind, what can you do to radically improve the performance of government?

There is a commonly held perception that government employees are slow, unresponsive and inefficient. But I ask you, if you fired every government employee and replaced them with all new people, would anything change? Maybe for a moment, but it wouldn't be long before the same problems would show up again.

The problems we face in government are truly systemic. They are rooted in the systems of government: the rules, policies and procedures that dictate what is to be produced, for whom and how it can and cannot be made. Whether it's the mechanisms we use to distribute food stamps, to protect children from abuse, to ensure health care for seniors or to respond to natural disasters, these systems are often slow, inefficient and unresponsive.

But nobody set out to make them that way. They have been calcified by years of CYA steps introduced to eliminate "waste, fraud, and abuse." The people are not slow, inefficient and unresponsive. The systems are. Yet we are forced to endure program after program geared toward motivating and incentivizing employees to be better. My favorite management guru, Peter Scholtes, put it this way: "All of the empowered, motivated, teamed-up, self-directed, incentivized, accountable, reengineered, and reinvented people you can muster cannot compensate for a dysfunctional system. When the system is functioning well, these other things are all just foofaraw. When the system is not functioning well, these things are still only empty, meaningless twaddle."

Peter is pretty blunt, but his point is right on. The people of government are amazing and can do amazing things. But they are mired in systems beyond their control.

For the next four years, I urge you to focus your attention on improving the systems of government.

Quotes on Performance Management

It is an immutable law in business that words are words, explanations are explanations, promises are promises—but only performance is reality.
Harold S. Geneen 1910-1997

The value of achievement lies in the achieving.
Albert Einstein 1879-1955,
German-born American theoretical physicist

Effective leadership is not about making speeches or being liked; leadership is defined by results not attributes.
Peter F. Drucker 1909-,
American management guru

It is no use saying "we are doing our best." You have to succeed in doing what is necessary.
Winston Churchill 1874-1965,
Prime Minister of the United Kingdom during World War II

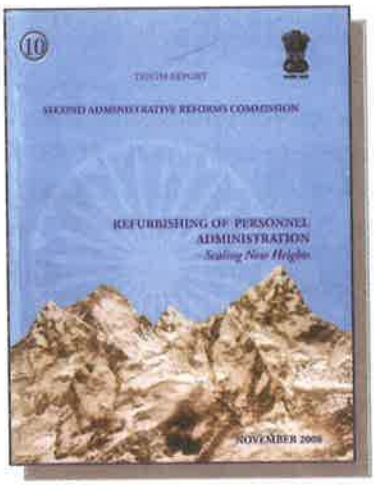
The man who starts out going nowhere, generally gets there.
Dale Carnegie 1888-1955,
Author and pioneer in self-improvement and interpersonal skills

Excerpts from the 10th Report of
SECOND ADMINISTRATIVE REFORMS COMMISSION
(Chapter 11 on Performance Management)
November 2008

In every issue we will reproduce some parts of the reports of the Second Administrative Reform Commission and invite your comments. We will reprint these comments in our future issues. We start with one of the key recommendations regarding Performance Agreements in the Government. Please send your comments to us at: performance-cabsec@nic.in

11.14 Performance Agreements

11.14.1 Performance agreement is the most common accountability mechanism in most countries that have reformed their public administration systems. This has been done in many forms - from explicit contracts to less formal negotiated agreements to more generally applicable principles. At the core of such agreements are the objectives to be achieved, the resources provided to achieve them, the accountability and control measures, and the autonomy and flexibilities that the civil servants will be given.



11.14.2 In New Zealand, for example, the Public Finance Act of 1989 provided for a performance agreement to be signed between the chief executive and the concerned minister every year. The performance agreement describes the key result areas that require the personal attention of the chief executive. The expected results are expressed in verifiable terms, and include output-related tasks. The chief executive's performance is assessed every year with reference to the performance agreement. The system provides for bonuses to be earned for good performance and removal for poor performance. The assessment is done by a third party - the State Services Commission. Due consideration is given to the views of the departmental Minister. A written performance appraisal is prepared. The chief executive concerned is given an opportunity to comment, and his/her comments form part of the appraisal.

11.14.3 The Centres de Responsabilite in France is another example. Since 1990, many State services at both central and devolved levels have been established as Responsibility Centres in France. A contract with their Ministry gives the Directors greater management flexibility in operational matters in exchange for a commitment to achieve agreed objectives. It also stipulates a method for evaluating results. Contracts, negotiated case by case, are for three years.

11.14.4 Reforms in these countries are instructive in the way accountabilities were clarified as a necessary first step. The important part of this clarifying process was that it was done by law. As a result of legal clarification of accountabilities, the civil servant in charge of a department became directly accountable to the departmental Minister through the annual performance agreement that was defined in advance and used as a benchmark for measuring end-of-the-period performance. In India, a provision in the proposed Public Services Law could be incorporated specifying that the heads of the line departments or of the executive agencies whenever they are set up, should sign annual performance agreements with the departmental Minister.

11.14.5 The performance agreements should be signed between the departmental Minister and the Secretary of the Ministry as also between the departmental Minister and heads of Department, well before the financial year. The annual performance agreement should provide physical and verifiable details of the work to be done by the Secretary/Head of the Department during the financial year. The performance of the Secretary/Head of the Department should be assessed by a third party – say, the Central Public Services Authority with reference to the annual performance agreement. The details of the annual performance agreements and the results of the assessment by the third party should be provided to the legislature as a part of the Performance Budget/Outcome Budget.

International Experience

The following paragraph, from the introduction to various performance agreements signed by President Bill Clinton with his departmental secretaries (ministers), lucidly describes the concept of performance Agreements in the U.S. context.

> "The American people deserve a government that works better and costs less. The departments and agencies of the federal government hold vital keys to improving performance and to restoring the faith of the American people in their government. Many changes will need to take place for this broad goal to be realized. The purpose of performance agreements with senior officials is to establish clarity and consensus about the priorities for departmental management. They are intended to improve the management of the Executive Branch and are not intended to create any legally enforceable rights. From these agreements should flow the program management priorities of the departments. These agreements represent a beginning, a basis of continuous improvement as we reinvent our government to meet the needs and expectations of the American people."

What is Performance?

Dr. Prajapati Trivedi is Secretary (Performance Management), Government of India

Different people have different notions about what constitutes government and the meaning of performance. Therefore, it is important to ensure that we have a shared understanding of what is meant by the phrase *performance of a government agency* before we devote our energies trying to improve it.

I. What Is Meant by *Government Agency*?

In most countries, the term *government* refers to a collective of three institutions (branches): the legislature, the judiciary, and the executive. Each branch has its own well-defined role and system of accountability. In democracies, legislators are usually held accountable by the citizens through regularly scheduled elections. The Judiciary, on the other hand, has its own checks and balances to ensure its independence from the other two branches. The performance of all three branches is important for improving the overall performance of the government; however, the focus of this newsletter is on matters concerning the performance of the executive branch. Thus, the term *government* as used here refers to the executive branch.

Typically the executive arm of the government in any country is a multilayered organization. Often there is a broad distinction between the federal (central) government and the provincial (state) governments. Within these broad categories there are various ministries, and within each ministry there are several departments.

The term *government agency* can refer to any layer of the executive branch. For example, in India, the Ministry of Chemicals and Fertilizers has two departments: (a) Chemicals and Petrochemicals, and (b) Fertilizers. In addition, it includes a regulatory body: National Pharmaceutical Pricing Authority. The three entities are as much government agencies as the ministry itself. In fact, the public enterprises under these departments are also government agencies. The key ingredients of a government agency are: (a) a clearly defined budget (as a cost or profit center) and (b) a clearly identified chief executive who is accountable for the agency's performance.

II. What is Meant by the Term *Performance*?

Like the term "*government*," the term *performance* has many different interpretations. There are a number of approaches to measuring the performance of a government agency and there is no such thing as *the* correct approach. The appropriateness of the performance evaluation approach depends on the objective of the performance evaluation exercise. Approaches to performance evaluation of government agencies can be broadly categorized as follows:

a. *Ex Ante* Performance versus *Ex Post* Performance

An *ex ante* performance evaluation exercise is based on a comparison of achievements against the targets agreed between the evaluator and evaluatee at the beginning of the exercise. Typically, this involves some sort of a formal agreement at the beginning of the year in which targets in key performance areas are agreed upon between the two parties. Most performance appraisal exercises in professionally run organizations involve performance evaluation on the basis of targets agreed on an *ex ante* basis.

An *ex post* performance evaluation exercise, on the other hand, is based on a selection of criteria and levels of targets by the evaluator at the end of the year. It is not necessary that these criteria be the ones that the evaluatee was pursuing during the year. This is the kind of performance evaluation exercise undertaken by researchers looking at historical data.

b. Managerial Performance versus Agency Performance

Let us assume that the minister of health in a country agrees with the director general of hospitals on a set of criteria by which to evaluate latter's performance at the end of the year. One of the agreed criteria is: Total Number of Hospital Beds Available in the Country. The minister also agrees to allocate necessary funds from his ministry's budget to help achieve the target of 350,000 hospital beds. Obviously the quality of the hospital beds has to be agreed to before hand. A "hospital bed" implies not only the physical piece of furniture but also the minimum amount of medical care that goes with it. For example, there may be a requirement to have a fully trained doctor and four nurses per 50 hospital beds.

During the year, however, the minister is forced to divert funds allocated for hospital beds to an emergency program to fight an unexpected epidemic. As a consequence, the director general of hospitals is able to provide only 250,000 hospital beds that year. How are we to judge the director general performance?

Clearly, the performance of the hospital department (i.e., the concerned government agency) has been poor (achieving 250,000 against a target of 350,000). However, it is not clear that the blame for this can be laid at the door steps of the director general of the department (i.e., the manager of the government agency). It is possible, for example, that the director general managed to perform even under adverse budgetary condition. Assume that his budget was cut in half, yet he did not let his achievement fall proportionately.

The following equation succinctly summarizes the heuristic relationship between Managerial Performance and Agency Performance:

$$\textbf{Agency Performance} \equiv \textbf{Managerial Performance} \pm \textbf{Exogenous Factors}$$

Using the numbers in the example just cited, let us say that the budgetary cuts (an exogenous factor) would have reduced the number of hospital beds by 50 percent to 175,000. Thus, the total reduction in the number of hospital beds available should have been 175,000. However, the actual reduction in the number of available hospital beds is 100,000 (agency performance), because 75,000 beds were made available due to the initiative of the director general (managerial performance). In numbers, this heuristic relationship may be depicted as shown in Table 1.

Table 1:
Heuristic Relationship between Managerial Performance and Agency Performance

Change in Agency Performance	≡	Contribution of Managerial Performance	±	Impact of Exogenous Factor
- 100,000	≡	(+) 75,000	±	(-) 175,000

It is clear from the description in Table 1, that the so-called poor agency performance is a result of a combination of the negative impact of an exogenous factor that has been partially off set by "good" managerial performance. The challenge for performance evaluators is to be conscious of this distinction.

A simple taxonomy of usual approaches to performance evaluation of government agencies is presented in Figure 1. Most efforts to evaluate the performance of government agencies can be classified under Cell 4 in this figure. There are several problems with this approach. To start with, these efforts are simply unfair, since they ignore the impact of uncontrollable exogenous factors. Moreover, these exercises can have several perverse consequences. For example, since governments rarely have funds to meet the demands and expectations of the people they are required to serve, they are always likely to be judged poorly. Worse still, this poor performance is attributed to public servants; thus, they are unfairly stigmatized. Consequently, good public servants begin to leave public service, and soon the government is dominated by a mediocre group of workers. This makes a bad situation worse and hastens the exit of capable workers. In economics this is described as the "lemons phenomenon."

Figure 1:
Taxonomy of Performance Evaluation Approaches

	Managerial Performance	Agency Performance
Ex- Ante Performance	Cell No. 1	Cell No. 2
Ex-Post Performance	Cell No 3	Cell No. 4

If the objective of the evaluation system in the government is to improve agency performance, then the appropriate approach is represented by Cell 1: *Ex ante* Managerial Performance. If we ensure that contribution of managerial effort is maximized, then other things remaining the same (for any level of exogenous factors), we would have maximized agency performance. This is indeed what constitutes the logic for using the performance agreement (performance contract) approach for performance management in government agencies. Such documents contain *ex ante* agreements on managerial performance. This is also the reason why Performance Agreements have been recommended by the Second Administrative Reform Commission.

Volume 1 April 21, 2009 Issue 1

Excerpts from the Report of

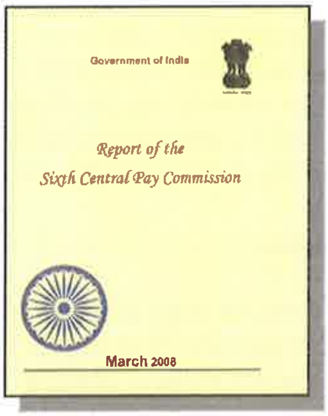
SIXTH CENTRAL PAY COMMISSION

(Chapter 2.5 on Performance Related Incentive Schemes)
March 2008

The enclosed excerpts are intended to vet your appetite for more details regarding this important report. We hope you will read the entire Chapter 2.5 on "Performance Related Incentive Scheme" on www.performance.gov.in Please send us your comments for the next issue of this Newsletter at the following email: performance-cabsec@nic.in

Introduction

Terms of Reference of the Commission mandated it to devise ways for transforming the Central Government organisations into professional and citizen friendly entities dedicated to the service of the people. The Terms of Reference also made it incumbent on the Commission to work out a pay package for Central Government employees that was linked to promoting efficiency, productivity and economy. The Commission also had to look into the financial parameters and conditions that would govern the payment of bonus. Keeping in view the aforesaid Terms of Reference, the Commission had to devise compensation package which improves the efficiency and delivery mechanism in the Government and which rewards performance. This, in the view of the Commission, could be achieved by incorporating an incentive, over and above the normal salary, in the revised structure being recommended. This was all the more important because the thrust of the Report is to move to a system that increasingly recognizes performance and gives motivation in the form of monetary incentives, merit increments, etc. Giving monetary incentive over and above the normal salary will also ensure that the emoluments available in the Government become somewhat comparable to those available for similarly placed personnel in other sectors.



What is Performance?

Before elaborating further on the concept of incentive based on performance, need exists to define performance. Performance for the Government is usually not measured in terms of profit, but in terms of achieving societal goals and desired outcomes, for example, reduction of crime, enhancing the quality of life, reducing infant mortality etc. Performance is effective service delivery and responsiveness to stakeholders. In the Governmental context, performance can be defined as the ability of the Government to acquire resources and to put these resources to their most efficient use (input-output relationship) and to achieve the desired outputs and outcome goals (output-outcome relationship). It is the shift from inputs-process emphasis (efficiency) to results, social goals and outcomes (effectiveness). Performance can, in the final analysis, only' be viewed in terms of the final deliverables to the user/stakeholder.

Definition of performance related pay (PRP)

The OECD, in its synthesis study' 'Performance Related Pay Policies for Government Employees' (OECD 200.5), has defined 'Performance related pay' (PRP) as the variable part of pay which is awarded each year (or on any other periodic basis) depending on performance. PRP systems are applied at the individual employee level and at the team/group level. The definition of PRP excludes:

- Any automatic pay increases by, for example, grade promotion or service-based increments (not linked to performance);
- Various types of allowances which are attached to certain posts or certain working conditions (for example, over time allowances, allowances for working in particular geographical areas)

Past developments

Payment of incentives based on performance is not a new concept. The earlier two Pay Commissions i.e. Fourth and Fifth Pay Commissions had also commented on the issue of rewarding performance. The Fourth CPC had recommended variable increments for rewarding better performances. The Fifth Central Pay' Commission had recommended the scheme of performance related increments for all Central Government employees where an extra increment was to be paid to the exceptionally meritorious performers with the under-performers being denied even the regular/normal increment.

PRIS - the International experience

Most OECD countries have introduced links between performance and pay. The methods by which different countries have introduced elements of performance-related pay in their public services broadly' reflect the established methods for determining public pay. Asian countries like Singapore, South Korea, Vietnam and Pakistan have also introduced FRI. Performance related incentives have now been introduced in career based systems like France, Hungary', Russia and Korea. Most of the countries pay PRI in form of merit increments as well as bonuses. Rate of merit increments normally' varies from 3% to 20%. Rate of Bonus varies and countries like South Korea pays bonus of upto 100% of the monthly base salary.

Change in work culture through PRIS Principles

*"In India, Government employees are paid according to their service-*incremental salary scales. For a *larger (majority) section of employees there is hardly any performance for pay incentive available to them. Their salaries are today only a composite of basic pay plus certain allowances (variable) including DA that are admissible depending on the nature of jobs and duties and accompanying* working conditions. In *fact, natural increases* in salary *are very much* guaranteed to Government *employees.* This *leads to a situation where*

employees do not exert themselves for a higher *level of on-the-job performance* and achievements, *thus depriving the Government of potential productivity gains and service delivery enhancements, both in terms of quantum and quality. There is no external* motivation *for* risk-taking and *delivering a higher level of performance, because though the* risk-taking is *punished if things go wrong,* it is not financially *rewarded if* things *improve* because *of* employees' initiative and risk-taking. *Over the years, this has led to the development of a culture where employees have become risk averse."*

The lower risk taking ability of public servants where emphasis is only on routine observance of procedures without any reference to the end result or outcome can be changed only through changes in work culture that rewards performers. This will involve changes in the extant accountability structures and linkage to outcomes and deliverables. PRI is being recommended to act as a lever to herald this new work culture.

Funding for PRIS: A budget neutral framework

The essence of PRIS is that it will improve efficiency and end delivery without placing any additional financial burden through more efficient use of the available resources. Expenditure currently incurred in terms of current expenditure on ad-hoc bonus and honorarium payments will, in any case, be available to ministries/departments. Additional finances for implementing PRIS would, therefore, have to be generated internally through cost and efficiency improvements and productivity/output increases resulting from improved work processes and extensive use of information and communication technologies. Potential for cost-savings exists in most of the departments and ministries. This is also borne out in the study conducted by IIM (A). It is, accordingly, recommended that fifty percent of the organizational savings available to a Department or organization should be made available for the PRI schemes or other organizational priorities, keeping in mind the levels where these savings occurred, as reward for effectiveness, with the balance being apportioned to Government. For computing the savings, the Commission recommends benchmarking of the annual budget expenditure by the Ministries and Departments in the year 2005-2006 with flexibility given to the individual Ministries/ Departments to use the savings generated against the benchmark *year* under various heads for the PRIS or for other organizational priorities like additional manpower, office infrastructure etc. within the overall budget neutral framework. The department/organization should consciously plan its savings. Savings from the restructuring and reorganization of work, rightsizing, improved efficiency and productivity, reduction in wasteful expenditure and tangible savings in contingencies like travel and consumables and outsourcing, savings through process re-engineering, greater delegation of responsibility and accountability in decision making, redistribution of the work load and efficiencies of scale, de-layering and simplification of office procedures would be part of the budget available to the organization for deployment towards its own priorities. The savings from phasing out of ad-hoc bonus or PLB would also be part of available funds. The funding for PRI should flow from savings and deployment within the budget with focus on greater organizational effectiveness and improved functioning and efficiency in working without confining it to downsizing and manpower reduction.

My Book

By Mukesh Jain

EXCELLENCE IN GOVERNMENT - A Blueprint for Reinventing the Government: Mukesh Jain; Atlantic Publishers and Distributors; New Delhi

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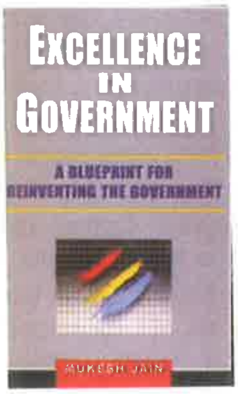
In this section we invite our colleagues from the civil services to talk about their books dealing with various aspects of performance management in government.

In every country today, we confront a host of stubborn problems: Violent crime, Drug abuse, budgetary constraints, crumbling roads, traffic congestion, and pollution. Every community is facing serious problems. The problems differ from place to place. But, the most serious problem of all, however, is different. It is the inadequacy of the institutional mechanisms we rely on for making public decisions. Government, our biggest institutional mechanism, has failed to generate effective public response to the problems. As citizens, most people think, their worst nightmares about relationship with government is to be lost in bureaucratic maze; shuffled from place to place, waiting hours in long queues, unable to find or learn anything. Books have been written and movies made about these nightmares.



The bureaucratic model developed in conditions very different from those we experience today. It developed in a slower paced society, in an age of hierarchy, when only those at the top of the pyramid had enough information to make informed decisions. It developed in a society of people who worked with their hands, not their minds. It developed in a time of mass markets, when most people had similar wants and needs.

Today all that has been swept away. We live in an era of breathtaking change. We live in a global marketplace, which puts enormous pressure on our economic institutions. We live in an information society, in which people get access to information almost as fast as their leaders do. We live in a knowledge-based economy, in which educated workers bridle at commands and demand autonomy. We live in an age of niche markets, in which customers have become accustomed to high quality and extensive choice. In this environment, bureaucratic institutions developed during the industrial era increasingly fail us. Today's environment demands institutions that are extremely flexible and adaptable. It demands institutions that deliver high quality goods and services, institutions that are responsive to their customers, offering choices of nonstandard services. It demands institutions that empower citizens rather than simply serving them.

In last decades several governments have been reinventing themselves, from Australia to Great Britain, Singapore to Sweden, The Netherlands to New Zealand. Everywhere the needs of information age societies are colliding with the limits of industrial era government. Britain has called it "New Public Management", USA has named it "Reinvention Initiative".

My biggest inspiration behind the book' **"Excellence in Government: A Blueprint for Reinventing the Government"** is the famous management Guru **Tom Peters** and his path breaking book **"In Search of Excellence"**, which got a lot of us thinking about how our business organizations could emulate world leaders. Similarly, my attempt in writing this book has been to create a book which acts as a catalyst to get citizens and government workers thinking about how to make government more effective and cheaper to run.

For years, the government has studied failure, and for years, failure has endured. So, I thought, the approach has to be different. We have to look for success. We have to search organizations that produce results, satisfy customers, and increase productivity. We have to study organizations that constantly learn, innovate and improve. It was not difficult to find effective, entrepreneurial public organizations. The book is full of examples of such organizations.

The book is about studying success in this reinvention movement and exploring common characteristics of success. The book lays down the strategies that have proven the most effective and describe how the world's most successful reinventors have used them. The vision the book seeks is that of a government that works for people, cleared of useless bureaucracy and waste and freed from red tape and senseless rules. The first part of the book, interestingly titled, "*Governments are from Saturn.. Citizens are from Jupiter*", talks about how and why we are running a Vacuum tube Government in a Microchip world. The second part cracks the code of successful public organizations, by changing their DNA – customer orientation, processes, performance measurement, innovation mindset, structure etc.

Any effort at government reinvention or reform must be carried out with a clear eye on a technology-driven future that is unfolding faster than most democratic governments are generally used to moving. Governments have a role, not just to respond to citizen pressures and desires, but also to lead citizens into this new age. Some believe that the less government is involved, the better. But to believe that private corporations or market forces alone can take the lead in this revolution is somewhat shortsighted. The reinvention of governance for a new age is perhaps the most important undertaking any government can embrace today. This process, more than anything else governments may do, will profoundly shape the future of nations, regions and even communities. Government reinvention usually won't make the headlines of newspapers. Yet changing the structure and role of government will ultimately have more far-reaching effects than most of what seizes media and public attention.

Marcel Proust once wrote, "*The real voyage of discovery consists not in seeking new lands, but in seeing with new eyes*". The goal in writing this book has been to help the readers see with new eyes. It is the fervent hope that when you put this book down, you will never see government in the same way again. The book will provide something like the map: a simple clear outline of a new way of conducting the public's business.

Our governments are in trouble today. The book is for those who are disturbed by this reality. It is for those who care about government because they work in government, or work with government, or study government, or simply want their government to be more effective. It is for those who know something is wrong, but are not sure what it is; for those who have glimpsed a better way, but are not sure just how to bring it to life; for those who have a sense of where government needs to go, but are not quite sure how to get there. It is for the seekers.

Promoting Performance Through Training

By Rudhra Gangadharan

Mr. Rudhra Gangadharan is the Director of Lal Bhadu Shastri National Academy of Administration. He is an IAS officer from the Kerala cadre

"We seek to promote good governance by providing quality training towards building a professional and responsive civil service in a caring, ethical and transparent framework"
Vision Statement of LBSNAA

Civil servants have been traditionally recruited through UPSC's rigorous examination system. ASSOCHAM's survey in 2007 reiterated that the premier civil services continue to be among the preferred career options for the brightest talent in the country. Each year, a small percentage representing arguably the most meritorious of a large number of aspirants enters the portals of the Lal Bahadur Shastri National Academy of Administration in Mussoorie. These new entrants to over twenty services attend the basic Foundation Course. Notwithstanding the limitations of time and the diverse academic and social background of the trainees, the Academy seeks to introduce them to the broad contours of Government life as well as provide relevant academic inputs in the entire gamut of subjects related to public policy. Our guiding principle at the Academy has been to inculcate in the young Officer Trainees a spirit of excellence coupled with an unfailing commitment to public service. Through successive rounds of training, we aim to foster a performance-oriented work culture in them that promotes good governance. The Academy uses a variety of pedagogic methods to optimize learning outcomes: case-studies, seminars and free-wheeling discussions, lectures by eminent personalities, hands-on assignments and field visits to develop an informed appreciation of empirical realities at the ground level. Constant feedback and review of the performance of the trainees and trainers form an integral part of our training methodology. The Academy seeks to enable every trainee to attain an acceptable threshold of professional competence.

The Civil Services have more or less validated the vision of their founder, Sardar Vallabhbhai Patel, who considered them "an imperative for a strong, stable and free India". Our trainees are expected to be agents of change, ushering in incremental (and possibly more sweeping) improvements in the delivery of public services in their successive tenures. A Mid Career Training Programme has recently been institutionalized for IAS officers to address training needs and improve performance. Formalized mid career training has helped provide a unique opportunity for peer group evaluation and learning from each other. The advanced pedagogic content based upon national and international best practices is further sought to be complemented through more focused international exposure. These new courses have generally been well-received; the Academy is now in the process of further honing the teaching methodology and curricula for the future.

The Academy has been tasked with the onerous mandate of training civil servants across their three- decade- long careers. We are alive to the need to introduce a more professional and performance-oriented work ethic in the higher civil services: this is the kernel of our training philosophy. The Academy must continue to play a seminal role in the civil service's quest for excellence. Civil Services Day is the right occasion to, the "redeem our pledge" to paraphrase the words of our first Prime Minister and rededicate ourselves to the nation.

Performance Management in Government : Some lessons of International Experience

Editor

Lesson # 1: Accountability for results only trickles down and does not "trickle up." Thus, the design of the system should focus on holding the top accountable for performance and the rest will take care of itself. The Government Performance and Results Act passed by the US Congress in 1993 illustrates this point well. This Act required the President of the United States to sign a Performance Agreement with each of his Cabinet Secretaries. By holding the top accountable for results, the US President was able to let the accountability for results trickle down to all layers of the US bureaucracy.

Lesson # 2: The design for a performing government should focus on accountability for "results" and not accountability for "processes". Since many governments believe that it is difficult to measure results in the government, they find it convenient to specify procedures that will lead to the desired results. Unfortunately, procedures in government have a tendency to spawn more procedures and eventually the government gets overwhelmed with its own rules and regulation. The infamous "licence raj" was a classic example of this phenomenon.

Lesson # 3: Accountability for results requires an effective performance evaluation system in the government. All experts agree that what gets measured, gets done. There is no point in setting goals and objectives if you cannot determine whether you are achieving them or moving away from them. As I write this, I see many government officials nodding in agreement and claiming they do have evaluation systems in their governments. I ask them to evaluate the quality of their evaluation systems using the following four criteria: (a) Do you have an evaluation system that covers all aspects of your department's performance? Often, many evaluation systems cover processes or other easily measurable aspects of government functioning. (b) Does your evaluation system separate and make provision for performance areas that are within the control of government managers and those that are dependent on exogenous factors? (c) Do you prioritize your performance criteria? (d) Do you have a system to evaluate variation inside the government (divergence) of performance from targets? For example, if a government department creates 25 new primary health centres against a target of 30, how are we to judge its performance? Is it very good, just good, average, poor or unacceptable? If an evaluation system in the government lacks any of these four necessary conditions, then it is not really an evaluation system. It should be such that three different people using the evaluation system should come to a similar bottom-line result.

Lesson # 4 It is not only important to conduct a good evaluation of the government's performance, the results must be communicated effectively. The emerging international best practice in this area is clear. Leading performance management systems in government convey results in the form displayed in the adjacent table. The performance of each ministry/ department is ranked on a scale of 1 to 5,where 1 is equal to excellent and 5 represents "poor" performance. Any performance management system that does not communicate results in this manner cannot have a fully satisfactory desired impact. The technology for creating this index is now standard knowledge in this area. Indeed, the MoU system in India uses exactly the same methodology for rating performance of public enterprise chief executives. There is no reason the Government of India cannot (and should not) use this methodology for ranking performance of its Secretaries. The importance of using an index for objectively and scientifically measuring the performance of government departments was recently recognized by the United Nations when it awarded Kenya its prestigious United Nations Public Service Award at the 7th Global Forum on Reinventing Government, held in Vienna.

Lesson # 5 Any reform of the government should start by reforming the system and not the people. A good system will eventually attract good people and even the current government employees will respond differently. There is a common misconception that poorly qualified people working in the government are the main hurdle to improving government performance. This flawed belief has led to many cases of brilliant people from the private sector being brought into a government system only to find them eventually failing to turn around government performance. In fact, it is much more common to find government officials turning out to be highly successful when hired by the private sector. Many private sector owners are willing to pay a several-fold increase in pay to senior government officials. To the student of management, this is not surprising. It is said that 80 per cent of the performance of any organization depends on management systems and only 20 per cent on people, as shown in the figure at left. Of this 20 per cent, 80 per cent is accounted for by the quality of leadership. Leadership, and rank and file account for 16 per cent and 4 per cent, respectively.

Lesson # 6: The use of Performance Agreements between government and Secretaries of government is an effective institutional instrument to improve performance of government departments. Performance Agreements are known by various names around the world. However, they all represent the same management philosophy—management by objectives. They are an explicit agreement between a principal (government) and an agent (Secretary responsible for a government department) which outlines their mutual responsibilities.

Lesson # 7: The effect of implementing an effective performance management in the government can take some time to "trickle down". Hence, it is desirable to implement a few other schemes to yield immediate benefits. I call this the direct approach (as opposed to trickledown approach) to improving government performance. Tools and techniques to fight public sector inefficiency under this category may remind development economists about the debates of yesteryear on the appropriate development strategy to fight poverty. There were those who argued for the "trickle down" approach while others argued for a direct attack on poverty. Similarly, system-wide initiatives like Performance Agreements bring long-term benefits in terms of increased efficiency. However, it takes some time for the efficiency to trickle down whereas Client Charters and Quality Mark, ISO 9000, E-government, E-procurement and other similar initiatives represent a direct attack on public sector inefficiency. These are complementary approaches and not substitutes for each other.

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