

INDIA: INDIAN EXPERIENCE WITH THE PERFORMANCE MONITORING AND EVALUATION SYSTEM FOR GOVERNMENT DEPARTMENTS

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Today 80 departments and ministries of the Government of India (and 800 responsibility centres under them), are required to prepare a results-framework document. It is a record of understanding between a Minister, representing the people's mandate, and the Secretary of a Department, responsible for implementing this mandate. The document contains not only the agreed objectives, policies, programmes and projects, but also success indicators and targets to measure implementation progress. To ensure the successful implementation of agreed actions, the results-framework document may also include necessary operational autonomy.

This policy was initiated with the President of India's address to both Houses of the Parliament in June 2009, in which she promised that the government would initiate steps within the next hundred days to "establish mechanisms for performance monitoring and performance evaluation in government on a regular basis." Pursuant to this announcement, the Prime Minister of India approved the outline of the Performance Monitoring and Evaluation System for Government Departments (PMES) in September 2009.

This paper discusses the origins, development and experience of implementing this remarkable policy. It is divided into following seven sections. The first section gives an overview of the PMES; the second section examines the rationale for its introduction; the third section reviews the international experience in this area and situates PMES in this context; the fourth section highlights the key challenges facing this policy; the fifth section lists the various uses of evaluation for public policies and programmes; and the sixth and final section looks ahead at the steps required to complete the performance management revolution in India.

OVERVIEW OF PERFORMANCE MONITORING AND EVALUATION SYSTEM

This system both evaluates and monitors government departments' performance. 'Evaluation' compares a department's actual achievements against its annual targets. In doing so, an evaluation exercise judges the ability of the department to deliver results on a scale ranging from excellent to poor. 'Monitoring' involves observing the progress departments make towards their annual targets.

PMES takes a comprehensive view of departmental performance by measuring performance of all schemes and projects and relevant aspects of expected departmental deliverables such as: financial, physical, quantitative, qualitative, static efficiency (short run) and dynamic efficiency (long run). As a result of comprehensively evaluating all aspects relevant to citizens' welfare, this system provides a unified and single view of departmental performance. In addition, by focusing on areas that are within the control of a department, PMES ensures fairness and high levels of motivation.

The working of a PMES can be divided into three distinct periods during a fiscal year:

1. **Beginning of the Year** (by April 1): Design of results-framework document;
2. **During the Year** (after six months after coming into effect – Oct. 1): Monitor progress against agreed targets; and
3. **End of the year** (March 31 of the following year): Evaluate performance against agreed targets.

The results-framework document, prepared by each department, seeks to address three basic questions:

1. What are the department's main objectives for the year?
2. What actions are proposed to achieve these objectives?
3. How to determine progress made in implementing these actions?

The results-framework document consists of five sections:

Section 1: Ministry's vision, mission, objectives and functions;

Section 2: Interrelated priorities among key objectives, success indicators and targets;

Section 3: Trend values of the success indicators;

Section 4: Description and definition of success indicators and proposed measurement methodology;

Section 5: Specific performance requirements from other departments that are critical for delivering agreed results; and

Section 6: Outcomes and impacts of department and ministry activities.

Results-framework documents represent methodological advances over existing practices. First, they introduce explicit prioritization with the help of weights attached to various objectives and performance criteria. Second, instead of a single point target, they introduce the

concept of scale.

Typically, performance evaluation systems suffer from two major conceptual flaws. First, they list a large number of un-prioritized targets. At the end of the year, it is difficult to ascertain actual performance. For example, merely claiming that 16 out of 20 targets were met is insufficient to determine actual performance. It is entirely possible that the four unmet targets were in the areas that are critical to a department's core mandate.

Similarly, most performance evaluation systems use single-point targets rather than a scale of targets, making it difficult to judge deviations from the agreed target. For example, how should a department's performance be evaluated if the target for rural roads is 15,000 kilometres and the achievement is 14,500 kilometres? One evaluator may declare this deviation from target to be close enough, while it is equally plausible for another evaluator to declare this deviation to be a failure of management to meet targets. This uncertain outcome and dependence on subjectivity is the bane of many public management problems.

RATIONALE FOR THE SYSTEM

In addition to these methodological flaws, current systems for accountability for results in government suffer from several limitations. For example, Institutional responsibility for performance management is often fragmented. Departments are required to report to multiple principals who often have multiple (and frequently inconsistent) objectives. A department could be reporting to the Department of Programme Implementation on important programmes and projects; the Department of Public Enterprises on the performance of Public Sector Undertakings under it; the Department of Expenditure on performance related to outcome budgets; the Planning Commission on plan targets; the Comptroller and Auditor General regarding the procedures, processes, and even performance; the Cabinet Secretariat on cross-cutting issues and issues of national importance; the minister in-charge on his priorities; and the Standing Committee of the Parliament on its annual report and other political issues.

Similarly, several important initiatives have fractured responsibilities for implementation; hence, accountability for results is diluted. For example, E-Government initiatives are being lead by the Department of Information Technology, the Department of Administrative Reforms and Public Grievances, the National Informatics Centre and individual ministries.

Some systems are selective in their coverage and report on performance with a significant time-lag. The comprehensive Performance Audit reports are restricted to a small group of schemes and institutions (only 14 such reports were put before the parliament in 2008) and come out with a substantial lag. Often, by the time these reports are produced both the management and issues facing the institutions change.

The reports of enquiry commissions and special committees established to examine government departments' performance, schemes and programmes suffer from similar limitations.

PMES is designed to overcome these limitations. An effective performance evaluation system is at the heart of an effective performance management system. PMES provides a methodology for calculating an objective and scientifically-based performance score.

PMES IN THE CONTEXT OF INTERNATIONAL EXPERIENCE

Similar policies used widely in developed and developing countries

The inspiration for this policy is derived from the recommendations of the Second Administrative Reform Commission (ARC II):

Performance agreement is the most common accountability mechanism in most countries that have reformed their public administration systems. 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.

Similar policies are being used in most OECD countries. The leading examples of this policy come from New Zealand, the United Kingdom and the United States. In the United States, the congress passed a law in 1994 called the Government Performance Results Act. Under this law, the US President is obliged to sign a Performance Agreement with his Cabinet members. In the UK, this policy is called Public Service Agreement. In developing countries, the best examples come from Malaysia and Kenya.

Importance of Management Systems

Management experts agree that around 80 percent any organization's performance depends on the quality of the systems used. That is why the focus of PMES is on improving management control systems within the government.

Response to government inefficiency

Quantity versus quality of government

Governments have responded to perceived dissatisfaction with agencies' performance. These steps can be divided into two broad categories: reduction in quantity of government, and an increase in quality of government services. Over time, most governments have curtailed their focus on reducing the quantity of government and increased their focus on improving the quality. The former is represented by traditional methods of government reform such as golden handshakes, cutting the size of government departments and sale of public assets through privatization. The latter, represented by institutionalizing and promoting good governance and monitoring and evaluation of programmes, policies and projects, is an integral component of this approach.

Trickle-down verses direct approach to performance management

The policies undertaken by governments to increase the quality of government can be further classified into two broad approaches: a trickle-down and a direct approach.

PMES largely falls under trickle down approaches, because it holds the top-levels accountable and the accountability for results trickles down to the lower echelons of management. It creates a sustainable environment for implementing all reforms. The generic names of PMES include performance agreement, performance contracts, memorandum of understanding,

delivery agreements and implementation agreements. These approaches have a sustainable impact on all aspects of performance in the long run, as accountability has a way of trickling down (it never reverses). Hence, holding the top accountable, increases sustainability.

The Direct approach consists of instruments of performance management that have direct and immediate impacts on some aspect of performance. Examples include E-procurement, ISO 9001 certification of government departments and citizens' and clients' charters. These approaches are complementary and not substitutes for each other. PMES in India makes use of these direct approaches by making citizens' charter and grievance redressal systems a mandatory requirement for all government departments in their results-framework documents.

KEY CHALLENGES

There are several key challenges facing PMES implementation. An analysis of results-framework documents prepared by the departments and ministries suggests that the focus of most departments is on process-oriented indicators focusing on the lower end of the results chain. Therefore, a key challenge is to move the department up on this chain towards outcome-oriented indicators (see Figure 1).

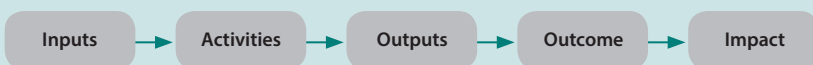
Many government tasks require proactive cooperation among departments. However, departments continue to work in compartments, the so-called 'silos' mentality. This leads to inefficiencies in tasks that require team efforts. To overcome this challenge, the Government of India is considering 'team targets'.

Given the federal structure of the Indian Union, it is important to have a similar performance management approach at the state level. However, the limited capacity of states to implement PMES on their own has prevented its widespread adoption.

PROPOSED USE OF EVALUATION FOR PUBLIC POLICIES AND PROGRAMMES

The outcomes of PMES/results-framework document exercises are used for several purposes. The primary purpose is to draw conclusions that are based on a comprehensive examination of all relevant aspects of departmental performance. This is very important as multiple, contradictory pronouncements based on examining particular aspects of a department's mandate can lead to confusion and demoralization.

FIGURE 1. TYPICAL RESULTS CHAIN



Most departments face multiple principals who have multiple (and often conflicting) goals, leading to unclear expectations. Results-framework documents reduce this ambiguity by providing clear goals to public managers, leading to improvements in department management. Results-framework documents mitigate issues of cross-blame or assigning responsibility outside the government for non-delivery and non-performance. Countering this, results-framework documents compel agencies to agree and delineate responsibilities, resulting in greater levels of accountability.

PMES fosters more rigorous policy evaluations. Designing policy typically entails developing a theory of change. For example, to reduce child mortality, a government may do a study and conclude that wider dissemination of oral rehydration therapy is necessary. If after a few years it is found, via results-framework document scores, that the programme was implemented perfectly yet child mortality rates have not come down, then that suggests there were flaws in either the policy and the underlying theory of change. PMES and results-framework documents thus distinguish between managerial and policy failure.

Effective evaluations provide a barometer for measuring departmental performance. Once this accountability mechanism is in place, it is possible to undertake other reforms to increase government departments' autonomy; autonomy can be increased once accountability has been increased via an effective monitoring and evaluation system.

NEXT STEPS

The following key reforms must be completed in a time-bound fashion in order to make PMES fully effective. This is as true for India as it is true for other countries embarking on reforming their government evaluation systems.

Implement performance-related incentives recommended by the Forth, Fifth and Sixth Pay Commissions

The Government of India set up the Sixth Pay Commission in October, 2006, and it submitted its report in March, 2008. These recommendations were considered by the government and a decision was taken to accept them (with some modifications) as a package in August 2008.

The recommendations can be broadly divided into two categories: a) level and structure of benefits, and b) performance-related incentives. Only the former has been implemented.

Payment of incentives based on performance is an old concept. The Fourth and Fifth Pay Commissions had also commented on the issue of rewarding performance. The Fourth Central Pay Commission recommended variable increments for rewarding better performances. The Fifth Central Pay Commission recommended a scheme of performance-related increments for all central government employees. Under this scheme, an extra increment was to be paid to exceptionally meritorious performers, with under-performers being denied even the regular/normal increment.

Given the central role that incentives play in improving the public- and private-sector employee performance, it is urgent to implement a performance-related incentive scheme. The proposed scheme is intended to be budget neutral.

Reform of performance appraisal reports

There is widespread dissatisfaction with the working of the existing performance appraisal report system at all levels in the government. Attempts to quantify and bring objectivity to the system are largely perceived as being unsuccessful. Most officers expect to receive a perfect score of 10—and usually get it—creating a situation where every officer is rated excellent yet department performance as a whole is not considered anywhere close to being excellent. Even though the performance appraisal report system is barely three years old, it is clear that it is also not achieving all its stated goals. The ‘General Guidelines for Filling up the Form’ state:

Performance appraisal should be used as a tool for career planning and training, rather than a mere judgemental exercise. Reporting Authorities should realize that the objective is to develop an officer so that he/she realizes his/her true potential. It is not meant to be a fault-finding process but a developmental tool.

Contrary to expectations, the primary purpose of the exercise seems to have become an instrument to judge officers. It is not seen to be playing any role in the development or training of officers. Thus reforming the system is urgently required (the Cabinet Secretariat is working towards it). Essentially, the performance evaluation methodology of the current performance appraisal report system has to be made compatible with PMES evaluation methodology.

When all three systems have been put in place (PMES, performance-related incentive system and performance appraisal report), India will be able to claim that it has a truly integrated performance management system.