Performance Management in Government

A Primer for Leaders

The Commonwealth

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Foreword

This collection of articles on aspects of government performance management is inspired by our Commonwealth understanding of the important social and economic developmental gains to be made by improving government effectiveness. Enhanced delivery affects the welfare of citizens in the short term, and has enduring impact long into the future. In particular, our concern is that the benefits offered should accrue principally to the advantage of those sections of society which are marginalised, or tend to be socially and economically more vulnerable.

So attention needs to be paid to equity as well as to efficiency, and indeed the two go hand in hand. The guiding principle should be both to do the right thing and to do things right. This means operating and delivering in ways which are responsive and accountable, as well as more efficient and effective. The focus therefore needs to be on ensuring that systems are streamlined and managed to work better, faster and cheaper in order to deliver what is promised and what is needed.

These articles on designing and implementing performance management systems which contribute to more effective government are presented in non-technical language, and are aimed at senior leaders and decision-makers. We hope the content will provoke both thought and action. To assist with this, I commend the range of toolkits prepared by the Commonwealth Secretariat which offer very practical guidance on the implementation of the valuable ideas and methodologies discussed in this publication.

The Rt Hon Patricia Scotland QC
Secretary-General of the Commonwealth

About the Author

Prof. Prajapati Trivedi is currently the Director heading the Economic, Youth, and Sustainable Development Directorate of the Commonwealth Secretariat in London, UK. Prior to joining the Commonwealth Secretariat, Prof. Trivedi was a Senior Fellow (Governance) and the Faculty Chair for the Management Programme in Public Policy (MPPP) at the Indian School of Business, India's highest ranked business school. In addition, he is a Visiting Fellow at the IBM Center for the Business of Government, Washington, DC, and Visiting Economics Faculty at the Harvard Kennedy School of Government, Harvard University. From 2009-2014, he worked as a Permanent Secretary to the Government of India in the Cabinet Secretariat, Prime Minister's Office, where he was responsible for designing a highly regarded whole-of-government performance monitoring and evaluation system for government departments and reporting the results to the Prime Minister of India. He worked as a Senior Economist with the World Bank from 1995-2009; Economic Adviser to Government of India (1992-1994) and a Chaired Professor of Public Sector Management at the Indian Institute of Management Calcutta (1987-1992).

After graduating in B.A. (Economics Honours) from St. Stephen's College, Delhi University, he received M.Sc. (Economics) from London School of Economics in 1974 and Ph.D. (Economics) from Boston University in 1985. Author of four books and several academic papers, he has worked in more than 30 countries around the world. He is the first Indian to receive the International Public Administration Award by the American Society for Public Administration (ASPA) in recognition of his significant contributions to the field of public administration as a scholar and practitioner. He is also the first Indian to be elected as the Fellow of the National Academy of Public Administration (NAPA), Washington, DC.

Contents

Acronyms and Abbreviations

4G	Fourth-Generation
BIGD	BRAC Institute of Governance and Development
CCC	Citizen/Client Charter
CEO	Chief Executive Officer
COP	Community of Practice
EU	European Union
GPMS	Government Performance Management System
GPRA	Government Performance and Results Act (USA)
HRD	Human Resource Development
INTOSAI	International Organization of Supreme Audit Institutions
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MBO	Management by Objectives
MDG	Millennium Development Goal
MOU	Memorandum of Understanding
NAPA	National Academy of Public Administration (USA)
NKRA	National Key Result Area
NPM	New Public Management (New Zealand)
OECD	Organisation for Economic Co-operation and Development
OMB	Office of Management and Budget (USA)
PART	Program Assessment Rating Tool (USA)
PMD	Performance Management Division (India)
PMES	Performance Management and Evaluation System
PRIS	Performance-Related Incentive Scheme
RFD	Results Framework Document
SDG	Sustainable Development Goal

SIS	SDG Implementation Strategy
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
USA	United States of America

Preface

On the face of it, the task of improving government performance looks daunting. Governments are complex, multi-layered organisations and, not surprisingly, government effectiveness and efficiency have many dimensions. As such, we clearly need a multidimensional approach if we wish to create a government that works better, faster and more cheaply. Our approach should also be comprehensive, covering all aspects of government performance – static, dynamic, quantitative and qualitative.

However, the diversity that exists among nations and their governments tends to obscure three key facts. First, many of the problems involved in managing government are a result of a few underlying causes. Second, the underlying causes of poor government performance are similar in nature across a diverse set of countries. Third, countries have successfully dealt with these (few) underlying causes using remarkably similar approaches.

Viewed in this light, the challenge of government performance management appears more manageable. Government leaders must therefore first identify the underlying causes of poor government performance and then apply proven strategies to fix these. Government leaders must not be tempted only to cure the symptoms: this represents a temporary solution at best, and the list of symptoms can be too large to fix.

Typical causes of poor government performance

1. Fragmentation of institutional responsibility for performance management

In most countries, government departments are required to report to multiple principals, who often have multiple objectives that are not always consistent with each other. This leads to fuzziness of goals and objectives, and managers do not have a clear idea of what is expected from them. A department head could be reporting to the Ministry of Statistics and Programme Implementation on important programmes and projects; the Department of Public Enterprises on the performance of public enterprises under it; the Department of Expenditure on performance in relation to its outcome budgets; the Planning Agency on planning targets; the Comptroller and Auditor General regarding procedures, processes and even performance; the Cabinet Secretariat on cross-cutting issues and issues of national importance; the minister in-charge on his/her priorities; and the Standing Committee of the Parliament on its annual report and other political issues.

2. Fragmented responsibility for implementation

Similarly, in many countries, several important government initiatives have fractured responsibilities for implementation, and hence accountability for results is diluted. For example, e-governance initiatives may be led by the Department of Electronics and Information Technology, the Department of Administrative Reforms and Public Grievances and the National Informatics Centre, as well as individual ministries.

3. Selective coverage with a time lag in reporting

Some systems are selective in their coverage and report on performance with a significant time lag. The comprehensive Performance Audit reports of the Comptroller and Auditor General are restricted to a small group of schemes and institutions (only 14 such reports were laid before the Parliament in 2008) and come out with a substantial lag. Often, by the time these reports are produced, both the management and the issues facing the institutions have changed. The reports of enquiry commissions and special committees set up to examine the performance of government departments, schemes and programmes suffer similar limitations.

4. Most performance management systems are conceptually flawed

At the heart of an effective performance management system is an effective performance evaluation system. In most countries, performance evaluation systems suffer two major conceptual flaws. Chapter 7 discusses these flaws in detail.

Commonwealth toolkits for improving government performance

Commonwealth Toolkits for Improving Government Performance

This figure presents the wide array of toolkits developed by the Commonwealth Secretariat to improve government performance. This publication explains many of these toolkits.

Some of the toolkits are described below. Each of the following toolkits is based on international best practice in general and best practice in Commonwealth countries in particular.

Table: Commonwealth Toolkits for Improving Government Performance

	Toolkit	Main objective and brief description
1	**Performance Management and Accountability Toolkit**	This toolkit aims to convert the strategic objective of a government into demonstrable and quantifiable results. It creates Performance Agreements and Public Service Agreements that hold each government agency accountable for results.
2	**Monitoring and Evaluation (M&E) Toolkits**	'Evaluation' deals with the final results and 'monitoring' with the journey towards those results. This toolkit helps policy-makers ensure government departments and agencies are on track towards achieving results.
3	**Strategy Development and Implementation Toolkit**	Most government have a clear idea where they want to go. They are elected because the electorate shares their vision. However, there are several paths to the final destination, articulated as a vision. This toolkit helps governments convert their vision into viable, practical and quantifiable (measurable) strategies.
	Sustainable Development Goal (SDG) Implementation Toolkit	The Commonwealth has developed a related toolkit to ensure integration of the SDGs into national development strategies and to ensure clear accountabilities for implementation.
4	**Risk Management Toolkit**	Risk is the effect of uncertainty on the potential to achieve objectives. This toolkit offers governments a systematic process to provide information on possible undesirable consequences through quantification of the probabilities and expected impacts of identified risks.
5	**Citizen/Client Charter (CCC) Toolkit**	Research has shown that achieving results is a necessary but not sufficient condition for improving perceptions of government. To improve such perceptions, it is important to improve the interface between citizens and government departments. This toolkit operationalises best practice in this area and makes it easy for any government to implement CCC.
6	**Public Grievance Redress and Management Toolkit**	This toolkit is an essential element of a strategy to improve the quality of the government's interface with citizens and clients. While it is linked to it, its scope is larger and covers all sorts of grievances citizens have.

	Toolkit	Main objective and brief description
7	**Toolkit for implementing ISO 9001 in Government Departments**	ISO 9001 is a quality management system that can assure leaders that internal processes in government are well documented and being reviewed and improved continuously. This toolkit allows governments to implement ISO 9001 without spending a huge amount of money on consultants.
8	**Toolkit for Implementing Performance-Related Incentive Scheme (PRIS) in Government**	Holding governments accountable for delivering on promises and incentivising government employees appropriately is a fundamental requirement of good governance. This requirement can be met through a PRIS. This toolkit captures the essence of designing an effective PRIS.
9	**E-Government Toolkit**	This toolkit captures the state-of-the-art performance management systems that use fourth-generation (4G) platforms to deliver government services. It includes a toolkit for e-office and various mobile applications in government.
10	**Toolkit for Creating an Innovation Ecosystem**	Innovation is defined as the implementation of a significant change in the way government operates or in the products and services it provides. This toolkit provides guidance to departments to prepare an Innovation Action Plan to encourage innovation.
11	**Knowledge Management Toolkit**	One of the most valuable resources for government is the explicit and implicit knowledge within it. Yet this asset (factor of production) is the least used by most governments. Today, however, modern governments are judged by the quality of their knowledge management systems.
12	**Corruption Mitigation Toolkit**	The breakdown of ethics in government leads to corruption. This toolkit deals with corruption within government departments in a practical and realistic manner. Like other toolkits, it is an integral part of any effective governance and accountability strategy.

A complete list of Commonwealth toolkits is included in the Appendix.

This publication is essentially a compilation of my recent columns for the American Society of Public Administration and the IBM Center for the Business of Government, Washington, DC. I would like to thank these entities for giving us their permission to reproduce these columns in this publication.

This publication would not have been possible were it not for the stimulating intellectual environment in the Commonwealth Secretariat that helps in generating this kind of work, in general, and for the strong support and encouragement of the Secretary-General, in particular. However, these are my views and do not necessarily represent the views of the Commonwealth Secretariat.

1

Implementing Performance Measurement Initiatives in Government

Lessons of Experience

Implementing Performance Measurement Initiatives in Government

Lessons of Experience

I was responsible for the design and implementation of the *Performance Monitoring and Evaluation System*[1] implemented by the Government of India in 2009. This experience has been described extensively elsewhere[2] and hence it is not repeated here. This experience taught me lessons not only on what governments need to do but also on what they must not do.

1. Most performance measurement exercises in government focus on ex-post as opposed to ex-ante approaches

Ex-post performance measurement exercises deal with measuring performance against criteria and benchmarks decided after the fact. They focus on what they believe are the explicit or implicit intentions of the government policy, programme or project. Examples of this consist of impact evaluation studies carried out by supreme audit organisations (the Government Accountability Office in the USA and the Comptroller and Auditor General in India) academics, researchers, consultants and most international development agencies. The current trend in this genre is towards randomised evaluations[3] based on randomised control trial techniques.

Ex-ante performance measurement approaches evaluate against goals and targets agreed (and freely negotiated) at the beginning of the evaluation period with those being evaluated. Examples are Performance Agreements under the Government Performance and Results Act (1993) in the USA[4] and India's Results Framework Document.[5]

1 Trivedi, Prajapati. "The rise and fall of India's Government performance management system" Governance, Vol. 30, Number 3, July 2017
2 http://tgpg-isb.org/
3 www.povertyactionlab.org/research-resources/introduction-evaluations
4 https://www.congress.gov/bill/103rd-congress/senate-bill/20
5 http://tgpg-isb.org/content/rfd-central-government

Ex-post performance measurement, though a valid and legitimate instrument, has very little impact on actual behaviour and policy outcomes. Not only is it hugely costly to undertake, but also, by the time some of the results become available, the *dramatis personae* has changed and the new actors find the results interesting but of no real consequence. At least in developed countries with a more vigilant media, some of these reports find their 15 minutes of fame; in the developing world, such reports hardly ever see the light of the day, let alone getting into the media glare.

Ex-post measurements are also inherently unfair to managers. The directions that managers in government have from their bosses on actions to take during the year may not necessarily be the same as those ex-post evaluators use to measure their performance. In fact, I believe that, unless there is a clear ex-ante agreement with executing managers on goals and targets, it will be only by chance that a project's objectives will be achieved. Without even undertaking an expensive ex-post research study, I would be willing to predict that the outcomes of such a project would be less than desirable in most cases. If the outcomes of a project with no ex-ante clarity on targets happen to be desirable, this will be purely by chance.

Given the sub-optimal outcome of ex-post approaches for behaviour in general, we need to ask the logical question: Why do ex-post performance measurement studies continue to dominate? The answer is primarily that it is much easier to conduct ex-post measurement than to agree ex-ante with the heads of organisations on the criteria and targets to measure their performance. And this latter becomes tougher as you move up the chain. You may be able to brow-beat a lowly bureaucrat and make him/her agree to some targets but you cannot do this for the head of the organisation.

Lessons learnt:

- Governments must define goals and targets ex-ante. If they don't, someone will define them ex-post for them.
- Define not only long-term (five to ten years) targets but also annual targets. It is difficult to hold public officials accountable only to long-term targets.

2. Most performance measurement efforts in government are partial and not comprehensive

Most performance measurement effort in government is partial. It focuses either on a project, on a policy or on a few select departments. In my experience, this approach hardly ever succeeds. Partial approaches are akin to arranging chairs on the deck of Titanic. In a dysfunctional system, looking for pockets of excellence is a futile exercise. In many cases, you can obtain temporary results by focusing on a part of the organisation or even some government departments, but you can be sure, just like when you sit on a waterbed, that the inefficiency has travelled to another part that is currently not under scrutiny. Even temporary efficiency gains are often a result of the so-called 'Hawthorne Effect': individuals change their behaviour because they are aware they are being observed. This temporary beneficial effect is also called the 'audit effect'. For sustainable change in behaviour, a comprehensive, whole-of-government approach is a necessary condition. It is also worth remembering that accountability trickles down and never up. Holding the part responsible is unlikely to make the whole responsible. However, holding the whole organisation responsible will ensure all parts are also accountable.

Lessons learnt:

- Governments must have an integrated performance measurement system. Performance measurement of each programme or project must affect the performance measurement of the whole organisation.
- Performance measurements of programmes and projects must be derived from the goals and objectives of the organisation.

3. Most performance measurement exercises in government ignore performance management

Most governments believe performance measurement is the same as its management. Consequently, they treat performance measurement as an end in itself, and are repeatedly disappointed when it does not have the desired impact. Performance measurement is merely the starting point for performance management. We need to assign clear ex-ante accountabilities for results and design an incentive system. By incentive system, I do not mean a complicated monetary reward system. An incentive system means there should be 'consequences' to the measurement exercise. Without clear assignment of responsibilities, most measurement systems remain an academic exercise.

Lessons learnt:

- For performance measurement systems to affect behaviour, good or bad performance must have consequences.
- Performance measurements systems must be mapped to individuals in the organisation. Programmes and projects do not self-implement. It is specific individuals in the organisation who are responsible for their success or failure.

4. Most performance measurement exercises use flawed evaluation methodologies

It is surprising what passes for evaluation. Most performance measurement systems and exercises have two fatal flaws—even when they use ex-ante specification of goals and targets. First, they often contain a list of criteria and targets that are not prioritised. At the end of the year, how are we then to judge an organisation that has achieved 12 out of the 15 targets? Reasonable people would agree that the answer would depend on the relative importance of the 15 targets. If the three targets that were not achieved constitute the core mission of the organisation, then achieving other twelve targets may not be that impressive.

Similarly, most government documents continue to use single point targets for various criteria. For example, say the target for road-building in a year is 700 miles. What if at the end of the year actual achievement is 685 miles? How are we to measure performance? In the absence of an agreement on judging deviations from the target, the final say lies with the evaluator. If the evaluator likes the evaluatee, he or she could say the result is close enough. Otherwise, he or she could make a big deal about missing the target. In the absence of an ex-ante agreement on measuring deviations, evaluators have huge subjective power over evaluatees. This subjectivity is the bane of public sector management and explains why there is general scepticism about performance measurement exercises in government.

Lessons learnt:

- A performance measurement system must, at the very least, (a) prioritise the criteria, success indicators and targets and (b) indicate, ex-ante, how deviation from targets will be judged.
- Effective performance measurement must be able to create the missing bottom line in a government organisation.

5. Most performance measurement exercises are not system-driven

Most management experts agree that 80 per cent of the performance of an organisation can be attributed to the quality of its systems and only 20 per cent to the people working in the organisation. Of this 20 per cent, leadership accounts for 80 per cent. In short, we need good leaders—but more importantly we need good systems. Yet performance measurement exercises are highly dependent on the leadership of the day. Hence, performance measurement initiatives tend to come and go with changes in leadership. One reason for this is that performance measurement professionals do not codify the generally accepted performance measurement practices. In the private sector, conversely, annual accounts are prepared according to Generally Accepted Accounting Practices, irrespective of any change in leadership.

Lessons learnt:

- Governments must create and codify a performance measurement system.
- Good people are not a substitute for a good system

It is time for professionals in this area to agree on a minimum set of necessary conditions for an effective performance measurement system. These conditions can be used to evaluate the evaluators.

2

Evolution of Performance Management on Government

Evolution of Performance Management in Government

Policy-makers wanting to improve their government's performance are often presented with a rich menu of choices by their advisers. They are told that they could choose from several options—Budgeting Reforms, Performance Budgeting, Outcome Budgeting, Performance Agreements, Project Management, Monitoring and Evaluation (M&E), ISO 9000, Lean Sigma and so on. Alas, as we shall see, this advice is misplaced.

First, as argued in an earlier column (Trivedi, 2017a), there is a big difference between comprehensive, whole-of-government approaches (Budgeting, Performance Budgeting, Outcome Budgeting and Performance Agreements) and partial approaches to performance improvement (ISO 9000, Lean Sigma, etc.). Partial approaches are akin to arranging chairs on the deck of the Titanic. In a dysfunctional system, looking for pockets of excellence is a futile exercise.

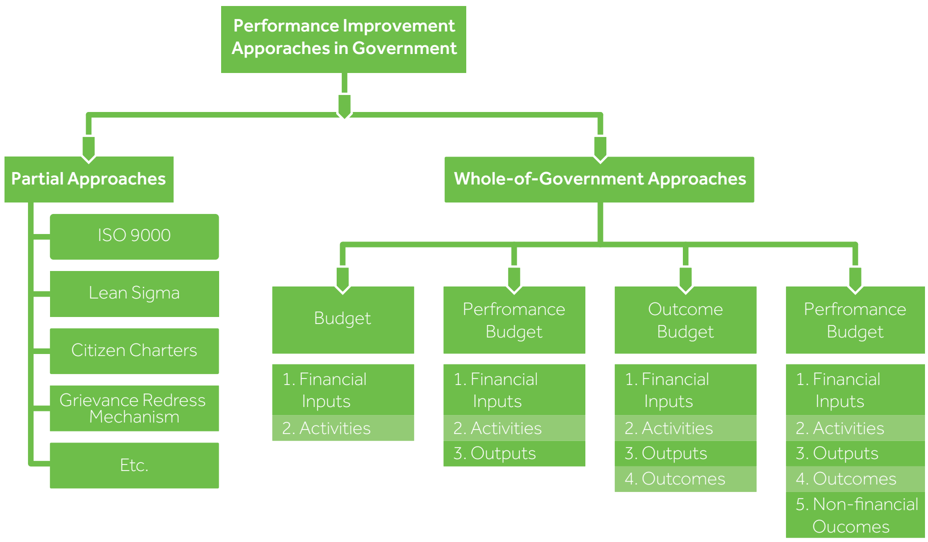
Second, we need to make a distinction between 'monitoring' and 'evaluation'. 'Evaluation' deals with the final results and monitoring with the activities and processes leading up to these final results. Monitoring and evaluation are, in fact, complementary, and require different techniques and methodologies. Unfortunately, they are often offered as substitutes for each other.

Finally, this is really a false choice. Those offering these approaches as options overlook the fact that management technology evolves like any other technology, such as the all-familiar information and communication technology. Today, most of us use fourth-generation (4G) internet connectivity for our fifth-generation smartphones. The choice among various options for performance improvement mentioned earlier is similar to a choice between a flip phone and a smartphone. That is, there is really no choice—unless, of course, you also prefer a vintage car to go to work every day.

The figure below summarises some of the main whole-of-government approaches to performance improvement, all of them predicated on the belief that what gets measured, gets improved. Also, to be able to see whether management efforts are yielding any results, there must be a way to evaluate the results of these efforts.

These approaches fall under the genre of Management by Objectives (MBO). The technology of measuring and quantifying objectives in MBO has taken a quantum leap. Indeed, there was time when everyone believed that what government did

Figure 2.1. Taxonomy of Performance Improvement Approaches in Government



could not be evaluated. That is, they believed that the outputs in government could not, and perhaps should not, be evaluated. Thus, the focus was on 'inputs' and 'due process'. In this context, budgeting was considered an effective tool for controlling financial inputs and, through financial control, all other inputs. Thus, budgets became the primary tool in performance management, and spending within budgetary limits was considered 'good' performance.

Dissatisfaction with the narrow focus of budgets on inputs in the 1960s and 1970s led to widespread advocacy and adoption of Performance Budgeting. In addition to financial information, this included information on activities and outputs associated with government departments. This new version of MBO improved the way objectives were defined and measured.

Soon, there was a realisation among policy-makers that Performance Budgeting was missing perhaps the most important aspect of government performance – the final outcomes for the society. This led, in the 1980s and 1990s, to a wave of Outcome Budgeting in governments around the world. Unfortunately, most governments simply, and somewhat mechanically, specified outcomes for various items of departmental expenditure. Thus, we saw examples of ridiculous outcome budgets that specified outcomes for each line item in a budget or that simply mentioned outcomes as another table, without making any organic links.

Even outcome budgets that were structured more thoughtfully were found to be ineffective for government performance management. This is primarily because outcomes are a long-term concept, whereas most governments operate on an annual cycle. Therefore, how can we evaluate the performance of an officer in the government each year when it takes several years for an outcome to materialise? By the time the expected outcomes materialise, the officers have been moved around. This is the primary reason why Outcome Budgeting never worked in any country and has been pretty much abandoned by all.

In addition, outcome budgets were focused primarily on the outcomes related to budgetary expenditures. However, as we know, governments to a large number of things that do not require any financial outlay. Indeed, many innovations could actually save money.

In response to prevailing dissatisfaction with the state of management technology in the government, New Zealand pioneered a revolutionary approach to government performance management in the late 1980s. Inspired by techniques used in the private sector and the army, this approach has come to be known as the New Public Management (NPM) (Scott and Boyd, 2017) and, explicitly or implicitly, dominates thinking in public administration globally.

Performance Agreements are the centre-piece of NPM. In New Zealand, for example, the Public Finance Act of 1989 provided for a Performance Agreement to be signed between the head of a government department and the concerned minister every year. Such agreements received a worldwide boost when they were made part of the Government Performance and Results Act (GPRA) of 1993 by the US Congress (OECD, 2007). Performance Agreements typically describe the key result areas that require the personal attention of the departmental head. The expected results cover all relevant aspects of departmental performance – static, dynamic, financial, non-financial, quantitative and qualitative. These are prioritised and expressed in verifiable terms. The performance of the departmental head is assessed every year with reference to the Performance Agreement.

Today, Performance Agreements, the latest incarnation of the MBO approach, are used widely (OECD, 2007) in both the developed[1] and the developing worlds (Trivedi, 2017b) and they have overcome many of the fatal flaws of previous approaches. While not yet perfect, technically they are far superior to the other options. Performance Agreements in fact represent the 4G MBO technology in the government and they should be the starting point for all serious efforts to improve the performance of government departments. Other options do not represent a viable choice, and policy-makers should be careful not to reinvent the wheel by experimenting failed approaches that have fatal flaws identified later in Chapter 7.

1 www.businessofgovernment.org/blog/what-does-performance-management-look-india

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3

Meaning of ‘Performance’ in Government Performance Management

Meaning of 'Performance' in Government Performance Management

While government performance management is in vogue, there seems to be no consensus on the meaning of the term 'performance'. In the name of measuring the 'performance' of an agency, there has been a proliferation of approaches, methods and methodologies. However, no one measurement approach is in itself better than others. The question to ask is whether the measurement approach is appropriate for the task at hand.

Most governments around the world are working on improving the performance of their government agencies. It is clear that the 'performance' of a country's government has emerged as a key determinant of that country's competitive advantage. The race among nations is being won not by those nations that have more resources or ideas. Rather, the outcome of this race among nations is decided largely by how effectively nations use their resources and how well they implement good ideas and policies. This outcome is usually achieved by having a performance management system in place in the government.

To be sure, 'performance management' is more than 'performance measurement'—a necessary but not sufficient condition. For effective performance management, we need:

- Appropriate performance measurement;
- Assignment of responsibility for performance; and
- An incentive system (consequences for performance)

While all three of these are important, high-quality and appropriate performance measurement is the starting point for the design of any meaningful performance management system for a government agency. If the measurement system is flawed, the entire performance management exercise is a non-starter.

The commonly used measurement systems for agency performance can be classified along the following broad dimensions.

1. Partial versus comprehensive performance measurement systems

Partial measurement systems measure only specific aspects of an agency's performance. They may, for example, focus on a particular programme, project or policy. Comprehensive measurement systems, on the other hand, evaluate the performance of the entire agency. The Program Assessment Rating Tool (PART),[1] developed by the US Office of Management and Budget (OMB) under President Bush, would be an example of a partial performance measurement system. On the other hand, Performance Agreements,[2] developed as part of the National Performance Review initiative of President Clinton, and Performance Plans under the US Government Performance and Results Act (GPRA) 1993[3] would be examples of a comprehensive measurement system.

2. Ex-ante versus ex-post performance measurement systems

All Management by Objectives systems are *ex-ante* measurement systems, as they are based on the specification of measurement criteria and targets *at the beginning of the year*. Most professional organisations use some variation of this system. On the other hand, *ex-post* measurement systems involve the measurement of performance after the fact, and are not necessary based on any agreed set of criteria at the beginning of the year. In fact, often, they are based on criteria selected by the evaluator *at the end of the evaluation cycle.* Thus, most of the Performance Audits conducted by the Supreme Audit Institution (the Comptroller and Auditor General) are an example of such *ex-post* measurement systems. Research conducted by academics also falls in this category.

3. Managerial versus agency performance measurement systems

Measurement of an agency's performance is based on the observed results delivered by the agency at the end of the year. Managerial performance (or performance of the head of the agency), on the other hand, is calculated by adjusting 'agency performance' for factors beyond the control of the 'management (head of the agency)'.

When we place all three dimensions discussed above in a two-dimensional diagram, we obtain the following eight major types of performance measurement approaches:

1 https://georgewbush-whitehouse.archives.gov/omb/performance/
2 www.opm.gov/policy-data-oversight/performance-management/performance-management-cycle/planning/performance-agreements-lead-to-improved-organizational-results/
3 www.dol.gov/ocfo/media/regs/GPRA.pdf

No approach mentioned above is in itself better than the others. The right question to ask is whether the measurement approach is appropriate for the task at hand. For example, measurement approaches under Cell # 1 are more effective for managing the performance of an agency. These approaches specify targets for all aspects of agency operations at the beginning of the year and hold the management accountable for achieving the targets at the end of the year. Meanwhile, approaches in Cell # 8 are more appropriate for measuring the effectiveness of policies and programmes.

In short, performance measurement is a means, not an end. If the ends are not clear, any measurement technique will be fine. Alas, the mismatch between 'ends' and 'means' is more common than one might think.

Table 3.1 Taxonomy of performance measurement approaches

		Measurement of Managerial Performance	Measurement of Agency Performance
Ex-ante performance measurement	Comprehensive performance measurement	**Cell # 1** Results Framework Document in India[4]	**Cell # 2** 'Performance Agreements' under National Performance Review[5]
	Partial performance measurement	**Cell # 3** Performance Management & Delivery Unit in Malaysia[6]	**Cell # 4** PART (OMB 2004)[7]
Ex-post performance measurement	Comprehensive performance measurement	**Cell # 5** Newspaper Reviews	**Cell # 6** Academic Research
	Partial performance measurement	**Cell # 7** Randomised Clinical Trials[8]	**Cell # 8** Performance Audit (Government Accountability Office)[9]

4 http://tgpg-isb.org/content/rfd-central-government
5 www.opm.gov/policy-data-oversight/performance-management/performance-management-cycle/planning/performance-agreements-lead-to-improved-organizational-results/
6 www.pemandu.gov.my/genesis/
7 https://georgewbush-whitehouse.archives.gov/omb/performance/
8 Duflo, E., Glennerster, R. and Klemer, M. (2007) 'Using Randomization in Development Economics Research: A Toolkit'. Discussion Paper 6059. London: CEPR
9 Trivedi, P. (2017) 'Rethinking Performance Audit Methodology in Government'. IBM Center for The Business of Government blog, 19 January. www.businessofgovernment.org/blog/rethinking-performance-audit-methodology-government

4

Lagging and Leading Indicators of Government Performance Management

Lagging and Leading Indicators of Government Performance Management

All performance indicators can be divided into two broad categories—lagging indicators and leading indicators. Lagging indicators of performance measure the current results of past efforts, whereas leading indicators measure the future results of current efforts. For example, the level of tourism in a country is a lagging indicator. In any country, today's tourism is usually a result of many years of (past) efforts by government and others to promote the sector in the country. Similarly, today's tourism promotion campaigns are likely to yield most of their results in the future. Typically, therefore, lagging indicators deal with 'outcomes' and leading indicators deal with 'outputs'.

This implies that performance management of a government department based on lagging indicators is not only unfair and misleading but also can be counterproductive. It is possible that the current managers of the department are taking actions that will be detrimental to the desired long-term goals of the department and yet they are being rewarded based on a lagging indicator. Hence, persons charged with designing a performance management system should first and foremost make sure they are not using only lagging indicators.

1. Static versus dynamic indicators

Leading indicators of performance can in turn be further subdivided into two categories—those measuring 'static' performance and those measuring 'dynamic' performance. Static performance indicators measure the results of our efforts in one accounting year. For example, results achieved by a government department by living up to its commitments for timely delivery of public services listed in a Citizen's Charter would be an example of static efficiency. The key characteristic of a static indicator is that all the costs (increased effort) and most of the benefits (increased citizen satisfaction) associated with the action are delivered in the same accounting year.

Dynamic indicators of performance, on the other hand, involve incurring the cost in one calendar year and the benefits accruing in future years. Human resource development (HRD) is a common example used to illustrate this point. The cost of training and capacity-building is incurred immediately but benefits flow over time. This is why HRD is the first things to go when budgets are tight. The negative consequences of cutting HRD are likely to be felt in the future when the manager in question has long been promoted and moved on to manage other units.

Unfortunately, most government performance management systems (GPMS) tend to focus on static efficiency indicators, because they are:

- Easier to measure;
- Easier to implement;
- Better understood by the general public;
- Perceived to have higher political returns.

2. Meta-criteria for performance management

A GPMS must be 'fair' not only to the managers but also to the country. By ignoring the dynamic efficiency aspects of performance, most systems do not meet this 'fairness' standard.

A performance management system is fair to managers when it measures all areas within the 'control' of managers. For example, such a fair system adjusts for exogenous factors and *force majeure*—the unknown unknowns. A fair system also counts all the contributions of the management accurately. Many public managers instinctively want to do the 'right thing'. They know they are not only employees of the department but also, as citizens, shareholders in the government. They want to have a long-term impact on the public institution. A GPMS that focuses on static efficiency alone therefore ignores the desire of public sector managers to do the right thing. Hence, it is unfair to them.

A performance management system is 'unfair' to the country when a manager can look good at the cost of the long-term health of the organisation. This is exactly what happens when a system's design ignores the dynamic efficiency aspects of performance.

The private sector has been aware of this important distinction for some time. This distinction lies at the heart of the Balanced Score Card approach, which tries to judge performance based on a combination of long- and short-term parameters. McKinsey defines organisational health as 'the capacity to deliver—over the long term—superior financial and operating performance'.[1] This definition emphasises the multidimensional character of organisational health: dimensions include leadership, motivation, innovation and learning, culture, organisational climate and risk management, among others.

1 https://www.mckinsey.com/~/media/mckinsey/industries/public%20sector/how%20we%20help%20clients/organization/organizational%20health%20indexpsp.ashx

Table 4.1 International comparison of performance management frameworks

	Assessment area	Canada Management Accountability Framework	UK Capability Review	US President's Management Agenda	South Korea Performance Evaluation	EU Common Assessment Framework
1	Leadership	√	√			√
2	Organisational structure	√	√		√	
3	Strategy and policy	√	√		√	√
4	Partnership working	√	√		√	√
5	Resource management	√	√	√	√	√
6	Financial management	√	√	√	√	√
7	Performance management	√	√	√	√	√
8	Risk management	√	√		√	
9	Learning and innovation	√	√		√	√
10	Customer focus	√	√		√	√
11	Performance results				√	√

3. Recent National Academy of Public Administration White Paper

The holistic approach to performance management is also catching on with governments. Its value is most vividly captured by a recent white paper by the US NAPA entitled, 'Strengthening Organizational Health and Performance in Government' (NAPA, 2018). An Accompanying Working Paper summarises the experience of many Commonwealth countries that are considered pioneers in applying this holistic approach to performance in government. The approach started with UK capability reviews and was adopted by Australia, New Zealand and Canada. The table below presents an international comparison of leading government GPMS, prepared by the UK's National Audit Office in 2009[2].

It is clear from the above table that, while there is greater awareness of the holistic approach to government performance management, there is insufficient consensus on the concept of what constitutes a 'holistic' approach. It is, therefore, time to develop a consensus on generally accepted performance management practices.

2 https://www.nao.org.uk/wp-content/uploads/2009/02/0809123.pdf

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5

It’s the System, Stupid!

It’s the System, Stupid!

The now famous slogan, ‘It’s the economy, stupid,’ is given a big chunk of the credit for the election-winning campaign of Bill Clinton in the USA 1992. Slogans work in elections because they effectively capture the current aspirations of the electorate.

Similarly, Modi’s campaign of 2014 successfully captured a great yearning within the Indian electorate for a change in the prevailing system. Modi cited a large number of problems confronting the electorate—corruption, inflation, lack of electricity and roads, poor quality of education and health facilities and so on. He promised to deliver on these fronts not by throwing more money at them but by changing the system, including the political system. Therefore, people voted for Modi and not necessarily for the Bharatiya Janata Party.

In identifying the dysfunctional system as the root of most of India’s problems, Modi was right on the mark. All management experts agree that 80 per cent of the performance of any organisation depends on the quality of its systems and only 20 per cent depends on its people. This should not be surprising for most of us in India. We often wonder how a mediocre colleague from school or college who went abroad has become so amazingly rich (and famous). The answer is simple: they went and worked in a system that allows ordinary people to do extraordinary things and rewards them for doing so. They did not have uncles and aunts to promote and help them.

On the other hand, we take some of the best minds in the world into the government through the Union Public Service Commission and yet cannot deliver what is expected from government organisations. Take Air India for example. Having come to his wits’ end, the then Prime Minister PV Narismha Rao appointed Russi Mody, an iconic management giant from the House of Tatas, as the combined Chairman of Air India and Indian Airlines in 1993. After tumultuous infighting with the entrenched bureaucracy in the Department of Civil Aviation, Mody resigned before his term expired in 1997. The moral of the story is that one man, no matter how brilliant, cannot deliver if the system is not changed. To be fair to Russi Mody, he was given a mandate only to turn around the airlines—not to change the system.

As mentioned earlier, only 20 per cent of the performance of an organisation can be explained by the contribution of its staff; the balance is a result of the ‘quality of the systems’. Of this 20 per cent, quality of leadership accounts for 80 per cent of the contribution from people in the organisation. This too is not surprising. The world has seen great kings, like Ashoka and Alexander; these were great leaders with effective systems. The rank and file in their armies rose to the occasion and conquered the world for them. And yet we do not even know the names of the soldiers—only those of the kings.

Given the importance of 'quality of systems' for sustainable improvement in performance, good managers and administrators always worry about creating systems. It is always possible to get work out of a system by using intimidation and fear tactics. However, these are not sustainable in the long run. We have a classic example of Chief Minister Chandra Babu Naidu, who used extensive monitoring as a way to improve his government's performance in erstwhile-undivided Andhra Pradesh. He used computers, satellites, phones and whatever else he could lay his hands on to monitor departmental performance. This worked in the short run, while he was at the peak of his power, but performance went back to old levels as soon as he left.

Unlike Chandra Babu, to improve the dismal performance of public enterprises, the Government of India introduced the Memorandum of Understanding (MOU) system in 1991 as part of the New Industrial Policy and reforms. The MOU is a performance contract between the secretary of a department, on behalf of the owners, and the chief executive of the public enterprise. Each public enterprise is held accountable for rigorous, verifiable and measurable targets. The MOU system has survived changes in governments cutting across political systems, and performance figures indicate a dramatic turnaround in the public enterprise sector as a whole. Today, the Initial Public Offerings of public enterprises do far better than those of the private sector.

A study undertaken by the erstwhile Planning Commission of India[1] found that, over a comparable 10-year period, the average annual compounded profit of central government public enterprises under the MOU system was around 14 per cent. For the same period, state government public enterprises without the MOU system made an average compounded loss of around 17 per cent. Thus, it is reasonable to conclude that the MOU system made a difference of 31 percentage points to performance.

The general point is that a change in systems contributes much more to the performance of the organisation than do mere change to the persons working in it. Human beings respond to incentives, and systemic changes are required to change these incentives. Having changed the people, the government must now focus on re-engineering government systems.

1 http://planningcommission.gov.in/aboutus/committee/psu_vol1.pdf

6

Seven Steps for Creating a Bottom Line in the Government

Seven Steps for Creating a Bottom Line in the Government

Most government agencies do not have a clearly defined bottom line. Thus the managers of the agency often do not know what is expected from them. This column argues that most of the problems in government can be traced to this absence of a bottom line and suggests a tried and tested seven-step process for creating the missing bottom line in government agencies.

1. The challenge

Absence of an objective, credible and meaningful bottom line for government agencies is arguably the single biggest challenge in managing government. Most of the management problems we observe in government agencies are 'symptoms' resulting from the missing bottom line in this sector.

Governments around the world seem to be very busy 'reforming' and 'modernising' their agencies. However, without an acceptable yardstick to measure the outcome of these efforts, this process of reforming agencies appears to have no end in sight. This process-oriented approach to the reform of the government is akin to giving medicines to a patient without a sound diagnostics system that can inform the doctor as to whether the patient's health is improving or if it is, in fact, being harmed. Without a clear and agreed bottom line, 'good' performance of agencies cannot be distinguished from 'bad', and managers cannot be rewarded on the basis of performance; consequently, inefficiency results.

Indeed, it is hard, if not impossible, to imagine how anyone could manage a private sector company without an agreed financial framework or a reliable accounting system that measures the bottom line—such as net profit or earnings per share. Managing in government without a clear bottom line is like playing a game of football without goal posts. Initially, players may continue to exhibit their old skills through professional pride or force of habit. Eventually, however, new forms of behaviour will emerge. For example, selfish show-boating will begin to yield rewards in crowd applause without incurring the cost of reduced teamwork and scoring. Coaches will have little reason not to indulge their whims and play their favourites regardless of their skills.

2. The problem

The difficulty in specifying the bottom line in the government is genuine. Typically, most government agencies face multiple principals who have multiple and often conflicting objectives. Everyone in a country feels they have the right to supervise the government's agencies. They are questioned by the Auditor General, the Ministry of Finance, the Treasury, the Courts, Parliament (Congress) and the Prime Minister's/President's Office, but also by the media, vigilance agencies, investigating agencies and non-profits. A listed company in the private sector also has multiple principals (thousands of shareholders), but the difference is that, whereas in the private company all shareholders have the same objective (profitability), in the case of a government agency principals have different objectives, which are often conflicting (equity versus efficiency, political versus non-political objectives).

3. The solution

Many governments around the world have successfully used the following seven-step process to create a bottom line for their agencies. Four steps are to be taken at the beginning of the year and three steps at the end of the year.

Governments have used various institutional arrangements to implement these seven steps. In parliamentary systems, successful examples include the Prime Minister's Delivery Unit (United Kingdom, Malaysia, Australia), the Performance Management Division in the Prime Minister's Office and the Cabinet Secretariat (India, Bhutan, and Bangladesh). In presidential systems, most successful initiatives are driven essentially from the President's Office (Kenya). In short, creating and monitoring the government's bottom line is a top management function.

Steps to be taken at the beginning of the year

STEP 1: Specify the long-term vision for the agency. A vision specifies the final destination for the agency. It shows where we want the agency to be in a few years' time. It is the big picture of what the leadership wants the government agency to look like in the future.

STEP 2: Specify the objectives that will help achieve the vision. Objectives specify how to get to the final destination captured in the vision statement. They should be linked to and derived from the departmental vision.

STEP 3: Prioritise key objectives and corresponding key performance indicators (KPIs). While many agencies take the first two steps mentioned above, they flounder when it come to the next steps. Objectives and corresponding KPIs should be prioritised and specific weights attached to these1. As the table shows (column 3), these weights must add up to 100 per cent.

STEP 4: Agree on how to measure deviations from targets. Instead of a single-point target, we need to agree on the entire range performance (columns 4–8 above). This scale of criteria values allows us to accurately measure performance at the end of the year. Without such a clear understanding, performance measurement remains subjective. A document incorporating the first four steps is referred to as a Performance Agreement2 .New Zealand was the pioneer of this innovation, introduced as part of the New Public Management Revolution in 1980s. The Government Performance and Results Act of 1993 made Performance Agreements a mandatory requirement for USA government agencies**.**

Steps to be taken at the end of the year

Once an agreement has been reached on steps 1–4, government agencies should be allowed sufficient operational freedom to achieve the agreed targets. That is, 'accountability' must be coupled with appropriate 'autonomy'. This is the essence of Management by Objectives. At the end of the year, government agencies submit their achievements against the targets to the designated authority and we calculate their bottom line achievement as follows (steps 5–7).

STEP 5: Calculate the raw achievement score for each KPI. By comparing actual achievement at the end of the year with the range of criteria values agreed at the beginning of the year, we can calculate the precise raw score for each KPI (columns 9–10 above).

Table 6.1 Specifying the bottom line in government

Beginning of the year								End of the year		
1	2	3	4	5	6	7	8	9	10	11
Objectives	Actions	Weights	Criteria values					Achievement	Raw score	Weighted raw score
			Excellent	Very good	Good	Fair	Poor			
			100%	90%	80%	70%	60 %			
Objective A	Action 1	.50	85	80	70	60	50	65	75	37.50
	Action 2	.30	20	15	10	5	2	10	80	24
	Action 3	.20	50	40	30	20	10	60	100	20
Composite score										81.50 %

1 Trivedi, P. (2017b) 'Seven Steps for Creating a Bottom Line in the Government'. PA Times, 11 August. https://patimes.org/steps-creating-bottom-line-government/

2 http://tgpg-isb.org/sites/default/files/document/rfd/rfd-2013-14/Syndicate1/DAC.pdf

STEP 6: Calculate the weighted raw score for each KPI. Multiply the raw score for each KPI with the corresponding weight for that raw score (column 11).

STEP 7: Calculate the composite performance score—the bottom line. Add up all the weighted raw scores to get the composite score—that is, the bottom line. For example, in the table, this number is 81.50 per cent. This measures the degree to which a government agency has been able to achieve agreed-upon objectives.

Significance of the bottom line

This bottom line is powerful because the composite score:

- Incorporates government priorities;
- Is a comprehensive measure of all aspects of departmental performance—quantitative, qualitative, static, dynamic, short term and long term;
- Allows benchmark competition among agencies (research shows that competition is a key source of efficiency).[3]
- Is a necessary condition to implement an effective performance incentive system in government.

3 See www.youtube.com/watch?v=k2IsZIfVc-w for an example.

7

How to Avoid Four Fatal Flaws When Designing Your Government Performance Management System

How to Avoid Four Fatal Flaws When Designing Your Government Performance Management System

Most government performance management systems (GPMS) suffer from serious conceptual flaws that have regularly proven fatal. For example, there are often no consequences for 'good' or 'bad' performance in government. Thus, even a good performance measurement system is a waste of time. In addition, performance measurement systems in government lack (a) upfront prioritisation of goals and objectives; (b) upfront agreement on how to judge deviation from targets; and (c) focus on the whole of the organisation.

Performance management in government is in vogue. All manner of governments have adopted some form of performance management system. However, in the name of performance management, almost anything seems to go.

Alas, most GPMS are flawed, and a truly robust system is an exception rather than the rule. The list of such flaws is too long to summarise here; I focus here on only four fatal flaws of such systems.

Fatal flaw 1: Lack of an incentive system

Almost all experts agree that a good performance measurement system in government is a necessary though not sufficient condition for an effective performance management system. As the saying goes, 'What gets measured get managed.' But this aphorism is not necessarily true. A performance measurement system with no (or random) consequences is not only a non-starter as a performance management system but also a waste of time and money.

Unfortunately, governments continue to believe that performance measurement is the same as performance management. Consequently, they treat performance measurement as an end in and of itself and they are repeatedly disappointed when performance measurement does not have the desired impact. Performance measurement is merely the starting point for performance management. We need to assign clear upfront accountability for results and design an incentive system that links to those results. By incentive system, I do not mean a complicated monetary reward system. An incentive system entails clearly defined consequences (positive and negative), upfront, that flow from the measurement exercise. Without clear assignment of responsibilities, most measurement systems remain an academic exercise. This, then, is the first fatal flaw of most GPMS.

Fatal flaw 2: Lack of prioritisation of objectives and key performance indicators

Too often, measurement systems list a number of important objectives and corresponding key performance indicators without prioritising them. At the end of the year, how are we then to judge an organisation that achieves 12 out of the 15 targets set at the beginning of the year? Reasonable people would agree that the answer would depend on the relative importance of the 15 targets. If the three targets that were not achieved constitute the core mission of the organisation, then achieving other twelve targets may not be that impressive. Thus, the lack of upfront prioritisation of objectives and targets constitutes the second fatal flaw.

Fatal flaw 3: Lack of agreement on how to measure deviation from targets

Similarly, most government documents continue to use single-point targets as measures of success. For example, say the target for the amount of roads to be built in a year is 700 miles. What if at the end of the year the actual achievement is 685 miles? How are we to judge performance? In the absence of an agreement on judging deviations from the target, the final say lies with the evaluator. If the evaluator likes the evaluatee, he or she could say it is close enough. Otherwise, he or she could make a big deal about missing the target. In the absence of an *ex-ante* agreement on measuring deviations from the target, evaluators have huge subjective power over evaluatees.

This subjectivity is the bane of public sector management and explains why there is general scepticism in government about performance measurement exercises. This lack of upfront agreement on how to evaluate deviations from targets is then the third fatal flaw of most GPMS.

Fatal flaw 4: Lack of comprehensive evaluation of organisational performance

Finally, most performance measurement efforts in government are partial and not comprehensive. They focus either on a project, on a policy or on a few select government departments. In my experience, this approach hardly ever succeeds. Partial approaches are akin to arranging chairs on the deck of Titanic. In a dysfunctional system, looking for pockets of excellence is a futile exercise. In many cases, you can obtain temporary results by focusing on some part of the organisation or even some government departments, but you can be sure, just like when you sit on a waterbed, that the inefficiency has travelled to another part that is currently not under scrutiny. Even temporary efficiency gains are often a result of the so-called 'Hawthorne Effect'—whereby individuals change their behaviour because they are aware they are being observed. This temporary beneficial effect is also called the 'audit effect'.

For sustainable change in behaviour, a comprehensive, whole-of-government approach is a necessary condition. It is also worth remembering that accountability trickles down and never up. Holding the part responsible is unlikely to make the whole responsible. On the other hand, holding the whole organisation responsible will ensure that all parts are also accountable. Thus, performance measurement of only a part of the whole organisation is the fourth and final fatal flaw that stymies most performance management initiatives in governments.

For an example of a real-world performance management system that was designed to avoid these four flaws, look at how the Indian government's system was modelled in recent years.[1]

1 www.businessofgovernment.org/blog/what-does-performance-management-look-india

8

How to Prevent Soft-targeting in Government Performance Management Systems

How to Prevent Soft-Targeting in Government Performance Management Systems

We do not have to be trained psychoanalysts to know this much—we humans are wired to seek pleasure and avoid pain. Referred to as the '*pleasure principle*', this was made famous by Sigmund Freud in German as *lustprinzip*.

It is, therefore, hardly surprising that the preference for 'soft targets' is a near universal phenomenon. Anyone designing a government performance management system (GPMS) must therefore assume that we humans have a preference for 'soft' targets.

Given this seemingly reasonable assumption about human behaviour, the key to designing an effective GPMS lies in making protocols that tend to create incentives for those covered by the GPMS in such a way that the pursuit of 'self-interest' promotes the desired 'public interest'. I have found the following design elements to be helpful in this regard.

1. Require government agencies to place their annual targets on the internet at the beginning of the year

Transparency is an effective antidote to soft-targeting. Once targets are made public, (a) concerned citizens, journalists and analysts can see whether they match the budget provided for the targets and (b) experts can benchmark targets with respect to comparable organisations and functions. Further, the risk of appearing as a 'shirker' among peers tends to motivate agencies to reveal their true potential.

2. Require government agencies to provide trend data with respect to each target

Government agencies often do repetitive tasks—collect taxes, build and maintain bridges, treat veterans, build schools and so on. Hence, as seen in the table below, for most important targets it is possible to require agencies to provide historical data (and indicative trends) with respect to their key performance indicators (KPIs).

Table 8.1 Format for Data on Trend in Performance

	Actual achievement in 2015	Actual achievement in 2016	Target for 2017	Projected value for 2018	Projected value for 2019
KPI # 1					
KPI # 2					

This requirement to provide trend data ensures that (a) agencies suddenly do not provide a target for the current year that is significantly lower than actual achievements in the past and (b) the projections for the future are also realistic. Of course, there are circumstances when the past is not a good predictor of the future. A requirement to provide the above table ensures that a conscious decision is taken in this regard. Agencies should provide a narrative description if significant changes are made.

3. Ensure quality assurance by an independent expert group

Many countries have successfully created independent bodies of non-government experts consisting of former permanent secretaries, leading academics, CEOs of private and public enterprises and other recognised domain experts. Often known as an 'advisory taskforce', these vet targets at beginning of the year and also achievement at the end of the year. They are often also called to decide whether the explanation for non-achievement of a target is a valid one (a genuine unknown unknown). The existence of such a competent neutral expert body, and the danger of being exposed by it, ensures that government agencies propose realistic targets. In the USA context, this group could easily come from among the Fellows of the National Academy of Public Administration.

4. Penalise unexplained over-achievement of targets

Good management includes the ability to set realistic targets. If an agency beats a target by 100 or even 1000 per cent, and there is no good explanation, then this achievement should be suspect and invite some negative consequences, and the overall performance assessment of the agency (or management) should be downgraded appropriately.

5. Make performance assessment of the agency depend on the quality of its KPIs

If the Titanic is sinking, there is no point in arranging chairs on the deck. Similarly, if the quality of KPIs is a poor measure of the actual work of the agency, having 'realistic' targets is not likely to be a great help. The following heuristic equation captures the essence of this above argument:

Figure 8,1 Importance of Quality of KPIs

Performance against targets	X	Quality of KPI system	=	True performance of organisation
100 %	X	70 %	=	70 %

6. Impose a statistical protocol for deciding levels of targets

The South Korean government is credited with being the first to use the statistical concept of 'normal distribution' in the context of a GPMS for its state-owned enterprises (government-invested enterprises). As depicted below, according to this rule, performance along a trend line was considered average; one standard deviation above trend was good; and two standard deviations above trend was designated excellent.

Table 8.2 Statistical Rule for fixing various levels of targets for a KPI

Criterion values				
Excellent	Good	Average	Fair	Poor
2 Standard deviations above the trend value	1 Standard deviation above the trend value	Trend value	1 Standard deviation below the trend value	2 Standard deviations below the trend value

This statistical rule-based approach was found to mitigate the tendency to negotiate softer targets.

7. Agree on how to measure deviations from a target

As I have argued (Trivedi, 2017a), single-point targets create a 'yes/no' option and thus encourage a tendency towards soft targets. As argued elsewhere (Trivedi, 2017b), a scaled set of targets allows an agency to agree to a challenging target, as any slippage from 'excellent' will not necessarily mean 'nil' performance.

While each of these seven protocols has been tried successfully somewhere, GPMS designers have to decide which ones will work for them in their context.

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9

How to Design Effective Team Targets in Government

How to Design Effective Team Targets in Government

1. The challenge

Government is a team sport. Almost everything (really) important we do in government—whether this be reducing child mortality, disaster management, fighting opioid crises or stopping money laundering— requires effective teams.

Like in all team sports, it is not important how well you do individually; rather, it matters how well you do as a team. Yet governments around the world are notorious for their 'silo' mentality. Government departments, agencies, units within agencies and their subordinate and attached offices work as silos unto themselves. Even when governments have a performance management programme for the whole of government, they often end up creating islands of excellence, and a great deal of really important stuff requiring inter-agency coordination tends to fall through the cracks.

Not surprisingly, governments are acutely aware of this dilemma, and have tried different approaches to promote greater coordination. Alas, very few have truly succeeded in achieving this. In this article, I outline the principles for designing an effective system of team targets based on my experience of doing so for the Government of India.

The most common method of dealing with silos is through 'inter-departmental committees' (also known as 'inter-agency coordination groups', 'inter-ministerial groups', etc.). These suffer from some well-known limitations. Most such groups meet to reiterate their departmental positions. Few try to come up with ideas that will make them more accountable for the final outcome of the government as a whole. Often, the buck is passed on to another agency, and agencies make claims that things are not part of their mandate or that they do not have the resources to deliver this expected outcome.

These inter-agency groups do succeed occasionally. When they do, it is because they have been set up by the chief executive in the government (the president or prime minister) and are also regularly monitored by them. The approach is thus limited in scope, as the chief executive can only monitor a finite number of such team targets. It is also not sustainable. A change in the chief executive (the head of government) can change the level of interest and engagement by agencies, and hence the degree of eventual success in achieving team targets.

2. A case study on team targets

The concept of team targets in India was introduced in 2011. All government departments required to achieve a common 'goal' or 'objective' for the nation were to be designated as a team for that 'objective'. For example, for electric power generation in India, the team consisted of the following five agencies: Ministry of Power, Ministry of Coal, Ministry of Railways, Department of Heavy Industries and Ministry of Environment and Forests. This was designated the Electric Power Team.

Each such team had to agree jointly on a team/group target. The Electric Power Team had to agree on a target for additional power to be generated in a given year. This target had to be consistent with the government's strategic plan. For the year 2013/14, the Electric Power Team agreed to jointly deliver 18.5 K MW of additional generation capacity and 975 billion units of additional electric power.

Once the team agreed on team/group targets, these were included with an appropriate weight of 5 per cent in the government-wide performance appraisal system known as the Results Framework Document (RFD) of individual departments making up the Electric Power Team (Government of India, 2014). This weight for 'team target' was to be in addition to their respective targets. Thus, the Ministry of Coal was to continue to have a target for overall coal production. The team target was in addition to all other targets for the Ministry of Coal and had the same value across all RFDs.[1]

This meant that, even if the Ministry of Coal achieved its target for coal production, if the team did not achieve the team target of 18.5 K MW of additional generation capacity, it would get 'zero' on this target (but full marks for its individual target). This incentivised the ministry to ensure not only targeted production of coal but also that it was being picked up by railways in a timely manner and delivered on time to power plants.

Introducing team targets in the five departments achieved its objective: the departments worked together collectively in ways they never had before. The same people with different incentives can work miracles!

3. Lessons from experience

First, if we want government agencies to achieve team targets, we must incentivise them to do so. That is, achieving 'team targets' must explicitly be part of their bottom line (Trivedi, 2017).

1 www.businessofgovernment.org/blog/what-does-performance-management-look-india

Second, team targets must be part of a comprehensive system of departmental accountability. If they are the only focus of the head of the government, then departments will ignore other aspects of their performance and the country may not necessarily be better off.

Third, a government-wide performance management system is necessary to identify various areas that require team targets. When departments are given targets related to outcomes associated with them and are made accountable for them, they reveal other members of the team responsible for their success. In the absence of a government-wide performance management system, only the high-profile targets with immediate political dividends tend to get focused on. New Zealand is the only other country that has a similar whole-of-government approach to team targets (Kamensky, 2017).

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10

Government Performance Management Systems in South Asia

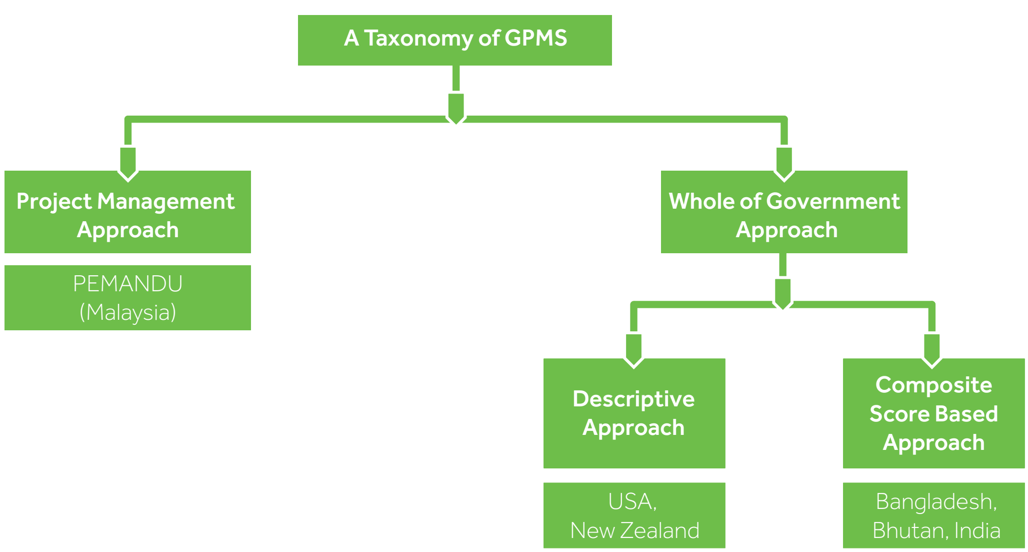
Government Performance Management Systems in South Asia

After participating in the International Conference on Government Performance Management Systems (GPMS) organized by the Government of Bangladesh in Dhaka in January 2016 I can say with confidence that Bhutan is the current leader in South Asia when it comes to implementation of government-wide GPMS. Bangladesh is close on the heels of Bhutan. Before I explain the reasons for reaching this conclusion, a word about the conference.

Organised by the BRAC Institute of Governance and Development (BIGD) in collaboration with the Cabinet Division of the Government of Bangladesh and the World Bank on 22 January 2017, the conference participants included government officials, members of civil society, leading academics, scholars and policy-makers from Asia and elsewhere.

The main presentations covered GPMS approaches in Malaysia, Bangladesh, Bhutan and India—countries that were active in the region and were part of a regional Community of Practice (COP) hosted by BIGD, World Bank and the Government of Bangladesh. Set up in 2014, this COP sought to 'promote peer

Figure 10,1 A taxonomy of Government Performance Management Systems (GPMS)



learning and evaluation amongst practitioners of performance management in countries of South Asian Region countries, as a common practice to further enhance the quality of policy dialogue, and subsequent delivery of public services. The main instrument for implementing GPMS is the preparation of Implementation Agreements between a concerned ministry and the cabinet division.'

Figure 10.1 summarises a broad taxonomy of GPMS approaches.

We can classify approaches to GPMS into two broad categories: (a) project/programme management-type approaches to GPMS and (b) whole-of-government approaches to GPMS. The Malaysian approach is all about effective design, management and implementation of select programmes. It focuses the entire attention of the government at the highest level on a few specific priority areas such as skills development, increasing rural connectivity, e-governance, etc. In Malaysia, these are called the National Key Result Areas (NKRAs) and are driven by the Performance Management & Delivery Unit (PEMANDU), a unit set up in 2009 under the Malaysia Prime Minister's Department to oversee the implementation, assess the progress, facilitate, support the delivery and drive the progress of the NKRAs.

While PEMANDU-type approaches have the great advantage of focus, they represent the classic waterbed phenomenon. When you press one part of the waterbed the water goes to another part. Similarly, when you focus on one aspect of the operations of government agencies, the inefficiency travels to other parts. Thus government agencies may deliver the results that are under the scanner (what gets measured indeed gets done!) but this is not conducive to institutional development and sustainability; eventually, the inefficiency in other parts of the agency and the government overwhelms the short-term gains.

Whole-of-government approaches, on the other hand, typically encompass all government departments and all aspects of a department. Such approaches, in turn, can be classified into two broad categories. As the figure above show, some of these approaches are primarily descriptive and do not lend themselves to more objective and meaningful evaluation. Performance Agreements under the 1993 Government Performance Results Act in the USA and Performance Agreements prepared under the Public Finance Act 1989 in New Zealand are examples here.

The other set of whole-of-government approaches is based on calculation of overall 'composite scores' for Performance Agreements with government departments. This approach is represented by countries such as India, Bangladesh and Bhutan in South Asia. A similar approach has been used in Kenya and South Korea. See John Kamensky's blog[1] to learn more about the underlying methodology of these approaches and calculation of the composite score for Performance Agreements in India.

1 http://www.businessofgovernment.org/blog/what-does-performance-management-look-india

Table 10.1 Comparison GPMS in India, Bangladesh and Bhutan

1	**Methodology used**	All three countries use the same methodology that enables them to calculate a composite score at the end of the year.
2	**Structure of Performance Agreements**	The Performance Agreements in all three countries have a similar basic structure with minor variations. In India they are called Results Framework Documents (RFDs). In Bhutan, Performance Agreements are signed between the prime minister and the minister. In Bangladesh, they are signed between the cabinet secretary and the concerned secretary of the department. In India, RFDs are signed between the minister and the concerned secretary to the Government of India.
3	**Transparency**	Performance Agreements documents are published on web portals in all three countries.
4	**Trickling down**	The process of 'trickling-down' of accountability has taken place in all countries. In India it has gone from federal-level RFDs to state-level RFDs. In Bhutan it has gone to the district and village levels. The same is true for Bangladesh.
5	**No explicit incentives**	None of the countries has introduced performance-related financial incentives.
6	**Results published**	Only Bhutan publishes the composite scores for all Performance Agreements. In India, the results at federal level are conveyed to secretaries by the cabinet secretary and also included in the annual reports to Parliament.
7	**Budget integration**	In India and Bangladesh, the targets are decided after the budget has been firmed up. In Bhutan, Prime Minister and the Ministers first agree on a Performance Agreement and then find resources to match the agreed departmental priorities.
8	**Human resource integration**	The Civil Service Commission in Bhutan has integrated Performance Agreement with the human resource system.
9	**Political commitment**	Once again, Bhutan is ahead of the other two countries. The prime minister personally drives the system. In Bangladesh, the Prime Minister's Office drives the system. In India, the political commitment was good enough to get started but could not be sustained. The story of the rise and fall of the GPMS in India is discussed in Trivedi (2017).

Table 10.2 Summary of Comparative Evaluation of GPMS

		Bangladesh	Bhutan	India
1	Methodology	✓	✓	✓
2	Structure	✓	✓	✓
3	Performance Agreements published on web	✓	✓	✓
4	Trickling down	✓	✓	✓
5	No explicit incentives	✓	✓	✓
6	Results published	X	✓	X / ✓
7	Budget integration	X	✓	X
	Human resource integration	X	✓	X
9	Political commitment	✓	✓ ✓	X

This whole-of-government approach differs from the one used by the USA and New Zealand in three essential ways: First, all objectives, targets and Key Performance Indicators are prioritised. Second, there is an *ex-ante* agreement on how the deviation from targets will be judged. Third, at the end, the 'principal' is able to evaluate the performance of the 'agent' on a scale of 0 per cent to 100 per cent.

In my opinion, approaches that do not arrive at a composite performance score are not sustainable in the long run. They involve a great deal of subjectivity, are hard to defend and do not provide an accurate measure of performance. Therefore, what does not get measured well does not get done well!

In this column I therefore, focus on comparing similar approaches in the South Asia region. India was first to implement a whole-of-government performance monitoring and evaluation system, in 2009. It was followed by Bhutan and Bangladesh in 2012 and 2014, respectively.

The approaches used by the three South Asian counties are compared on the basis of nine attributes.

The above table is further summarised below. It is clear from this table that Bhutan is the leader in South Asia.

References

Trivedi, Prajapati. "The rise and fall of India's Government performance management system" Governance, Vol. 30, Number 3, July 2017

11

Performance Management Versus Perception Management in Government

Performance Management Versus Perception Management in Government

Many governments have learnt the hard way that there is a big difference between 'performance management' and 'perception management'. Often, leaders assume that, if they create a good performance management system, it will be recognised and appreciated by voters for what it is worth and their popularity will go up. Alas, the causal relationship between the creation of a performance management system in the government and perceptions about the performance of the government is not as straightforward as it may seem.

1. Measuring the gap between perception and reality

Allow me to share a true story with you to illustrate my argument. 26 May 2010 was the first anniversary of the new coalition government (the United Progressive Alliance) in India, led by Prime Minister Dr Manmohan Singh. The leading newsmagazine of India had the following cover story in its 31 May 2010 issue. The magazine claimed the government had failed 'to live up to its mandate as good intentions were marred by poor delivery'.

Figure 11.1 Cover of India Today Magazine (May 31, 2010)

Cover story ESSAY

	THE RANKINGS		Score (%)
1	P. CHIDAMBARAM	Minister of Home Affairs	65
2	PRANAB MUKHERJEE	Minister of Finance	63
3	KAPIL SIBAL	Minister of Human Resource Development	62
4	ANAND SHARMA	Minister of Commerce and Industry	61
5	M. VEERAPPA MOILY	Minister of Law and Justice	59
6	C.P. JOSHI	Minister of Rural Development and Minister of Panchayati Raj	57
7	AMBIKA SONI	Minister of Information and Broadcasting	55
8	PRITHVIRAJ CHAVAN	Minister of Science and Technology; MoS for Earth	53

While the headlines appear bold, the magazine was modest in explaining its methodology. It explained that this was a perception survey and based on voluntary responses on an internet portal. These rankings were not based on data, facts or a representative sample.

Coincidentally, in 2009, the Government of India had launched one of the most ambitious whole-of-government performance management systems, and its first round of results was released on almost the same day as this cover story came out. The results from the new government performance management system (GPMS) told a very different story. This system, known as the Performance Management and Evaluation System (PMES)[1] for government departments, was based on Performance Contracts between ministers and permanent secretaries (top civil servants). These documents, known as Results Framework Documents (RFDs)[2] were based on rigorous performance targets and third-party vetting. The performance of government departments was evaluated against these agreed commitments at the end of the financial year (31 March) and a list[3] was presented to the prime minister, who was proud and pleased to have implemented a GPMS that was based on international best practice and recommended by a high-level administrative reform commission. In this new system, the performance of government departments was essentially rated based on the comparison of agreed targets with actual delivery. The figure below summarises the difference between the outcomes of the opinion poll by *India Today* and the prime minister's rigorous performance management system based on RFDs:

Table 11.1 Comparative Score of Departmental Performance GOI versus India Today

RFD versus India Today

	RFD	India Today
Mean (Average) Score	89	39
Median Score	93	34
Percentage of departments above average	67	36
Percentage of departments below average	33	64

Spearman Rank Correlation .02

1 www.businessofgovernment.org/blog/what-does-performance-management-look-india
2 http://tgpg-isb.org/content/rfd-central-government
3 www.youtube.com/watch?v=zQWuSIpy1Wo&feature=youtu.be

As the table shows, the reality according to the two methods was dramatically different. According to the government-run RFD system, departments were achieving 89 per cent of the targets. But the perception of the government departments was that they were delivering only 39 per cent of what was expected from them. The low statistical value of the Spearman Rank correlation (.02) confirms that there was no correlation between the results reported by the two systems—one based on perception and the other based on facts (reality).

2. Explaining the gap between perception and reality

One possible explanation for this dramatic gap between perception and reality could relate to the credibility of the GPMS (RFD/PMES). While blaming the lack of credibility of the system is a natural and understandable first reaction for outside observers I believe that credibility of the system was not a factor. This was so because the existence of GPMS in Government of India was not well-known. The government of the day had failed to communicate the details of the system to the public. The Prime Minister had, in fact, decided to treat the first year of this system as a pilot. Unfortunately, he remained reticent about the value of the system till the very end. The credibility of the system would have come into play if citizens were aware of its existence. In this case, public at large thought there was no system for accountability in place.

To be sure, the Indian government's performance management system was in fact appreciated and applauded—but by international organisations (United Nations Development Programme/World Bank (UNDP, 2013)), private rating bodies (Fitch) (India Ratings & Research, 2014), and India's neighbours (Bangladesh, Sri Lanka, Pakistan, and Bhutan) (Trivedi, 2017)—not by its own citizens. However, this was not properly communicated to the stakeholders. Hence, the main explanation for the gap between perception and reality was the absence of effective communication to the public by the government about its performance. Nature does not like vacuum; if a government does not communicate the facts, the space is quickly filled with speculation. Like elsewhere, here there is also a first-mover advantage. Once the damage is done, it is difficult to repair it. This may explain why the prime minister became forever seen as a non-performer in voters' mind.

While governments are beginning to understand the importance of communication, they are far behind their counterparts in the private sector in taking it seriously and making it a science. For example, communications and marketing are required courses in most business schools, yet courses on marketing and effectively communicating public policies are hardly ever taught in public policy schools.

Most governments communicate only their achievements but not the journey towards these. Take the example of two airplanes stuck on the tarmac waiting for clearance for take-off from traffic control off. The pilot of one airplane comes on the public address system and reassuringly explains the delay and offers a round of drinks on the house while waiting for clearance. The pilot of the second plane does not do so. Both planes are in the same situation and are not moving but the passengers of the first plane are more relaxed and happy.

Governments should learn a lesson from this and keep their stakeholders informed about the journey towards final results. If they do not, then citizens will assume the worst and feel nothing is happening. A good performance management system therefore reports on the achievement of major milestones in the journey towards the desired destination. This is an essential element of a communication strategy.

Finally, public managers must remember that citizens' views of the government do not depend solely on the government's achievements of results. Public managers must also manage public perceptions of government performance, via engagement and communication tools. Two examples of such strategies that have been used successfully include Citizen's Charters, which detail what citizens should expect in terms of service quality for specific services such as phone responses and time spent standing in line, and grievance redress mechanisms, which give voice to citizens' concerns about how they are treated by government employees.

To take the airline example, while two airlines may take us from point A to point B (same result), we prefer the airline that provides a better customer experience and is more responsive to its clients.

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12

Rethinking Performance Audit Methodology in Government

Rethinking Performance Audit Methodology in Government

In the past two decades there has been exponential growth in Performance Auditing in governments around the world—a phenomenon often characterised as an 'audit explosion'.

Increasingly, Supreme Audit Institutions in most countries (e.g. the US Government Accountability Office, the UK's National Audit Office) are allocating a greater share of their resources to conducting Performance Auditing of government entities. Yet serious academic work examining the methodological foundations of Performance Auditing is conspicuous by its absence in the extant literature. In what follows, I argue that it is time to rethink the Performance Auditing methodology and offer a possible way forward.

Much of the literature on the subject comes from various Supreme Audit Institutions. Academics have either only elaborated on the methodology adopted by these Supreme Audit Institutions or taken issue with the magnitude and direction of the impact of Performance Auditing on the performance of government entities. To my knowledge, no one has looked at the basic approach to performance auditing in government.

The dichotomy between Performance Auditing and Financial Auditing exists only in the government. In the private sector, financial statements are also the performance statements for the company. This is because the performance of a company in the private sector is measured primarily by the bottom line in its financial statement for the year.

The usual textbook definition of Financial Auditing is along the following lines:[1]

1. *A **financial audit**, or, more accurately, an* **audit of financial statements***, is the verification of the **financial** statements of a legal entity, with a view to express an audit opinion.*

2. *The audit opinion is intended to provide reasonable assurance that the **financial statements** are presented fairly, in all material respects, and/or give a true and fair view in accordance with the **financial reporting framework**.*

1 See https://en.wikipedia.org/wiki/Financial_audit

3. *The purpose of an audit is to enhance the degree of confidence of intended users in the* financial *statements.*

It stands to reason that the definition of Performance Auditing should parallel that of Financial Auditing outlined above. In this case, the definition of Performance Auditing ought to be as follows:

- *A **performance audit**, or, more accurately, an **audit of performance statements**, is the verification of the **performance statements** of a legal entity, with a view to express an audit opinion.*
- *The audit opinion is intended to provide reasonable assurance that the **performance statements** are presented fairly, in all material respects, and/or give a true and fair view in accordance with the **performance reporting framework**.*
- *The purpose of an audit is to enhance the degree of confidence of intended users in the **performance** statements.*

If we accept the above definition of Performance Auditing, then the inconsistencies between it and the current Performance Audit methodology recommended for use by the International Organization of Supreme Audit Institutions (INTOSAI)[2]—which is used by the Comptroller and Auditor General of India and many other countries—becomes obvious.

Inconsistency 1: First, it is clear from the above definition that a Performance Audit presupposes the existence of Performance Statements prepared by the agencies under review. However, INTOSAI's approach to Performance Auditing recommends that auditors first create the Performance Statement and then audit it. This is equivalent to saying that a financial auditor should first prepare an entity's financial statement and then audit the same statement. At the very least, there is a conflict of interests involved. A core principle of auditing is that one cannot self-audit: one cannot audit what one has created. No one would accept the validity of financial statements that are audited by the same chartered accountant that created these financial statements in the first place. It is indeed bewildering that this core principle is not the basis of INTOSAI's recommended Performance Auditing methodologies.

Another way to visualise this counter-intuitive approach is to imagine an auditor arrives at a private sector company to audit its books and the company gives the auditor many mountains of raw financial data to audit. In the private sector, the auditor would not accept the task and would ask the company to call them back when the accounts are ready. However, the extant Performance Auditing methodology recommends the auditor undertake this task.

2 www.intosai.org/issai-executive-summaries/view/article/issai-3100-performance-audit-guidelines-key-principles.html

Inconsistency 2: The second foundational challenge in INTOSAI-inspired methodologies relates to the subjectivity that inevitably creeps in when a Performance Audit is conducted based on goals, objectives and targets created after the fact. As any professional evaluator will tell you, it is hard enough to design *ex-ante* systems. However, when they are created *ex-post*, they are susceptible to allegations of witch-hunts and political manipulation, among other subjective influences. There are plenty of examples of such Performance Audits leading to the downfall of democratically elected governments. In some cases, the fate of these governments has allegedly depended on the performance assumptions made by auditors after the fact.

In view of these two methodological inconsistencies, most professional evaluators would consider current Performance Auditing methodologies unsatisfactory at best. Other problems highlighted by commentators on the current INTOSAI methodology seem so insignificant in comparison that it is not worth spending time on them until INTOSAI sorts out this fundamental methodological inconsistency.

13

How to Foster Innovation in Government Management Systems

How to Foster Innovation in Government Management Systems

Arguably, innovation is a key determinant of the competitive advantage of nations. Little wonder, therefore, that governments around the world want to be seen to be promoting innovation. However, based on my experience, government efforts in this area can be divided into two broad categories. More than 90 per cent of government resources (money and time) are used to promote innovation by non-government actors and less than 10 per cent to encourage management innovation within the government itself. The former category represents innovation 'by' the government and the latter innovation 'in' the government.

1. Innovation 'by' the government

These efforts primarily involve the government giving financial and non-financial incentives to promote cutting-edge breakthroughs in science and technology, such as Cancer Moonshot funding for the National Cancer Institute in the USA or the moonshot technologies the National Aeronautics and Space Administration regularly funds to make science fiction a reality. Every country has some variation of these programmes.

The outcome of these government innovation initiatives depends essentially on the effectiveness of the government machinery—that is, how well governments identify, design, fund and monitor such programmes. Unfortunately, many of these efforts fail because there is no management innovation culture 'in' the government. This leads to the often-heard plea by stakeholders of these innovation programmes: 'Doctor, heal thyself.' As such, this second category of innovation programmes is the focus of this article. What can governments do to improve innovation 'in' the way government is managed?

2. Innovation 'in' the government

There are again two broad categories of management innovation efforts 'in' governments around the world—innovation by *chance* and innovation by *design*. Overwhelming numbers of innovation initiatives within governments recognise, reward and promote innovation that happens by chance. The most common of these initiatives is typically called an Award for Innovation or some such, which usually involves entries being submitted, a panel of judges, shortlisting and a final list of winners. Having worked on both sides of the process, I can say with some confidence that 'subjectivity' is the least of its flaws. The essence of such awards is *ex-post* recognition of the fortuitous happenstance. I shall refrain from embarrassing individual countries here. However, as a case in point, we can look at the projects recognised under the United Nations Public Service Awards.[1]

3. How to promote innovation by design: Lessons from experience

So how do we create an innovation ecosystem within a government that promotes a culture of management innovation? Here are some pointers based on my experience.

First, we must recognise why innovation is more pervasive in the private sector than in government. Mainly, this is because there is a clear connection between innovation and the private sector's bottom line—profit. In government, there is usually no bottom line, hence the same motivation is simply non-existent. Therefore, creating a bottom line in government is a necessary condition for generating motivation to innovate (Trivedi, 2017). This does not mean governments must become profit-oriented—but they must at least become goal-oriented. Management innovations represent 'means' and are not an 'end' in and of themselves. If the ends are not clear, the focus on means is a waste of time.

Second, it is important to agree on the definition of innovation in government management. What gets measured, gets done. Otherwise, there is a tendency in government to claim every new change, however insignificant, as innovation. In my work with the Government of India, we defined innovation in government management as a significant and sustainable improvement in relation to (a) delivery of the same goods and services at less cost and in less time, (b) delivery of more goods and services and/or with better quality and (c) identification of new needs (hence provision of new goods and services). These three areas cover management process innovations, organisational innovations, product and services innovation and communications innovations in government. To qualify as innovation, however, we required the above-mentioned improvements to be above 20 per cent. Further, the change could not be a one-time improvement; it had to be permanent.

Third, we must always remember that Rome was not built in a day. An innovation ecosystem is a long-term project. It includes the idea management process, the buzz creation process, training and development and building stakeholder participation, among others. We divided the task of creating this innovation ecosystem into several distinct milestones. To start with, we asked government

1 http://workspace.unpan.org/sites/Internet/Documents/UNPAN97256.pdf

agencies to prepare an action plan on how they would create the innovation ecosystem. Then we started monitoring the achievement of these milestones on an annual basis.

Fourth, this is not a task that can be achieved by passing an executive order. A great deal of guidance, hand-holding and training is required. Most governments simply ask agencies to be innovative. This is not enough. The Performance Management Division (2014) provides an example of detailed guidelines prepared by us.

Fifth, creating an innovation ecosystem should not be yet another task separate from overall performance management. It should be organically embedded in the existing government performance management system. If creation of an innovation ecosystem is a stand-alone task for government agencies, either it will get ignored or, if it has powerful backers, it will suck all the oxygen from other important current priorities of the government.

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14

How to Improve the Quality of Government Management Systems

Lessons from Experience

How to Improve the Quality of Government Management Systems

Lessons from Experience

There is a widespread perception that government agencies produce poor-quality goods and services. There are two points to note in this regard. First, like most generalisations, this one has a large number of exceptions, some of them quite glaring. Indeed, in many instances, the quality of goods and services delivered by governments is far superior to that of those delivered by the private sector. Those of us who have struggled to get to a person to speak to in a large private sector organisation would appreciate this point.

Second, we must note the fundamental principle of quality in government: *it is not possible to deliver high-quality goods and services in a sustainable and sustained manner through a government agency that has poor-quality management systems*. To be sure, it is often possible to have a dysfunctional government agency deliver expected goods and services through sheer force of managerial personality and coercive persuasion. Often, agency heads in government have a limited tenure, and they are acutely aware that citizens and their political masters expect instant results. Managers, therefore, ignore the required long-term institutional development of their agency and focus on the delivery of good and services in the short run—until, of course, the public agency reaches breaking point. Only then does the focus shift to fixing the broken system. Some would argue this is what happened with the Veteran's Administration in the USA.

A typical government performance system focuses on closing the gap between promise and delivery. The hallmark of best practice is Management by Objective (Trivedi, 2018). The literature on New Public Management, for example, urges governments to stop micro-managing by specifying processes and procedures. Instead, they are advised to specify SMART targets (where S = specific, significant, stretching; **M** = measurable, meaningful, motivational; **A** = agreed-upon, attainable, achievable, acceptable, action-oriented; **R** = realistic, relevant, reasonable, rewarding, results-oriented; and **T** = time-based, time-bound, timely, tangible, trackable). This advice is focused on end results and assumes that what gets

Figure 14.1 ISO 9001 Certificate Awarded to Office of the Chief Minister, Gujarat

BUREAU VERITAS
Certification

Certification
Awarded to

CHIEF MINISTER'S OFFICE
GOVERNMENT OF GUJARAT

BLOCK NO. 1, NEW SACHIVALAY,
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Bureau Veritas Certification (India) Private Limited certify that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the standard detailed below

STANDARD

ISO 9001:2008

SCOPE OF SUPPLY

ADMINISTRATION AND OVERALL GOVERNANCE OF CHIEF MINISTER'S OFFICE

PERMITTED EXCLUSION(S)
7.3 – Design and development
7.4 – Purchasing
7.5.2 – Validation of processes for production and service provision
7.6 – Control of monitoring and measuring equipments

Original Approval Date: **02 January 2009**
Next Recertification Due Before: **03 October 2014**

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Certificate Number: **IND11.7732U**

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UKAS MANAGEMENT SYSTEMS
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R. K. SHARMA
Director

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measured gets done. Since, there is no mention of improving the quality of the systems that deliver the results, this tends to get ignored. Hence, it is important to include 'improving quality of management systems' as an explicit goal.

This leads to the next set of logical questions about the quality of government management systems—on what to measure, how to measure, when to measure and who should measure the quality of management systems in government. After reviewing international experience and examining various options, the Government of India decided to ask all 80 departments at the federal level to obtain ISO 9001 certification. Since then, this standard has been updated; the latest standard is referred to as ISO 9001:2015.

ISO 9001 **lays down** the quality requirements your management system must meet[1] but **does not dictate how** they should be met in any particular organisation. This leaves great scope and flexibility for implementation in different business sectors and business cultures, as well as in different national cultures.

Like the Baldrige Performance Excellence Program in the USA, India has its own quality management system, developed by the Bureau of Indian Standards. However, the government preferred to implement ISO 9001, as this is internationally recognised and is audited by highly reputable international companies. This gives the certification a great deal of credibility.

The USA government has also supported ISO 9001 implementation for a long time. In 1997, the General Services Administration's Office of Property Management—with a $1.5 billion budget at the time—claimed to be the first USA federal agency to become ISO 9000-certified. Both the National Aeronautics and Space Administration and the Department of Defence have cited ISO certification as an important means of improving quality and reducing the federal burden in quality system oversight. In October 2006, the US Federal Aviation Administration claimed bragging rights as the largest federal organisation to achieve certification (with national and international sites with nearly 6,500 employees).

The USA and Indian approaches differed in terms of degree of coverage and leadership. Unlike in the USA, in India all federal government agencies were required to get ISO 9001 certification. Further, this was led by the Cabinet Secretariat in the Prime Minister's Office. As evidence of high-level political commitment, please see the ISO 9001 certificate obtained by India's Prime Minister Modi when he was Chief Minister of Gujarat in India. The then-Prime Minister, Dr Manmohan Singh, also supported the ISO 9001 certification of all departments, starting with the certification of the Performance Management Division (PMD) under his direct charge (PMD, 2014).

1 www.iso.org/files/live/sites/isoorg/files/archive/pdf/en/pub100080.pdf

Figure 14.2 ISO 9001 Certificate Awarded to Performance Management Division, Cabinet Secretariat, Prime Minister's Office

BUREAU VERITAS
Certification

Performance Management Division
CABINET SECRETARIAT

Government of India
Janpath, New Delhi – 110 001, India.

Bureau Veritas Certification certify that the Management System of the above organization has been audited and found to be in accordance with the requirements of the management system standard detailed below

Standard

ISO 9001:2008

Scope of certification

Design, Implement and Improve the Performance Monitoring and Evaluation System (PMES) for Ministries/Departments of Government of India

Certification cycle start date: **10 July 2014**

Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on: **09 July 2017**

Original certification date: **10 July 2014**

Certificate No. IND14.6371N Version: 1 Revision date: **10 July 2014**

Certification Authority
Rahul NAYAK
General Manager, TECH – South Asia Region

NABCB
QM 003

Local office: 'Marwah Centre' 6th Floor, Krishanlal Marwah Marg, Opp. Ansa Industrial Estate, Off Saki Vihar Road, Andheri (East), Mumbai – 400 072, India.

Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organization. To check this certificate validity please call +91 22 6695 6300.

Lessons from experience:

1. *Aim high*. Government must decide on an internationally recognised set of quality standards and not develop standards to suit lower aspirations. Otherwise, such aspirations will become a self-fulfilling prophecy, and government departments will be stuck in a low-level equilibrium for quality systems.

2. *Preach what you practise.* As a nodal department for performance management. the prime minister asked the Performance Management Division (PMD) in Cabinet Secretariat to obtain ISO 9001 certification before asking other agencies to do so. This allowed PMD to have real experience and empathy and thus to give effective advice for implementation of this policy across other government departments.

3. *Eat the elephant one bite a time.* Implementing ISO 9001 in large departments can be overwhelming and distract from the department's real work. Hence, there is a need to do it in stages within the department, covering a few divisions or sections at a time. Prime Minister Modi when Chief Minister of Gujarat started with the ISO 9001 certification of his own office before asking others to do so.

4. *Make it an organic part of the system.* Embed the implementation of ISO 9001 certification in the overall performance management system. This should not come over and above performance goals but should be one of them. More importantly, monitor implementation of the action plan to cover the entire department.

5. *Ensure there is clear guidance.* Efforts have succeeded where the government has been given clear guidance. It is therefore necessary to prepare effective guidelines and training materials for government agencies and to help them recruit quality consultants.

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15

Risk Management in Government

Risk Management in Government

Risk management is an impressive-sounding term that many, if not most, officials do not fully understand. To be sure, all of us, including officials, do understand the dictionary definition of risk—the possibility of loss, injury or other adverse or unwelcome circumstance. However, ability to 'manage' this 'risk' systematically and scientifically remains a challenging concept. Most officials are, therefore, happy to leave 'risk management' to consultants while they are busy doing the 'real' work of the people.[1]

The same is true for most policy-makers in the higher echelons of decision-making. They understand the two words separately—'risk' and 'management'—but generally do not have a good grasp of the true significance of 'risk management' in the context of government, let alone have ideas on how to meaningfully operationalise it. To ensure they are not blamed for doing nothing on this subject, government policy-makers do what the private sector appears to do: issue guidance and even appoint chief risk officers.

Even academic writers on risk management in government simply borrow jargon from the business management literature (e.g. enterprise risk management),[2] applying it to the government context with only cosmetic changes. While there have been some good efforts in this regard (see Hardy, 2010), they often make presentations that deal with the topics covered in a typical business school course: risk definition, risk identification, risk assessment, risk mitigation and risk monitoring and reporting. Most gloss over the fundamental differences in these between government and the private sector.

Alas, there is indeed a very fundamental difference between risk management in the private sector and that in government. The very first business school class in risk management for the private sector begins with the following example to illustrate the concept of risk management.

In the above example, a chief executive of a private sector company is faced with two options for achieving the same objective: either investing more in in-house innovation efforts or buying a company that already has a similar technology. That

1 https://home.kpmg.com/us/en/home/insights/2017/02/risk-management-in-the-federal-government.html

2 See www.youtube.com/watch?v=voGyHN-tWMg

Table 15.1 Risk and Reward Choices

	Investment alternatives	
	Option 1	Option 2
	Innovation	Takeover
Investment	$100,000	$1,000,000,000
Risk probability	80%	1%
Probability of loss	**$80,000**	**$1,000,000**

is, the benefits of the two options are the same but the risk and, hence, the implied cost implications are different for both options. The 'risk' is defined as the product of 'exposure' ('magnitude' or 'impact') and the probability of its occurrence.

Which of the two options would (should) the chief executive of the company choose? The unambiguous answer for a profit-maximising private sector chief executive is option 1. This is considered Finance 101.

A private sector company can compare a range of risks faced in various stages of its supply chain and manage these because it has a yardstick called 'profit'. Every aspect of risk management is defined and implemented around this simple criterion. The operating rules are simple. First, any risk mitigation action that increases profit (or minimises losses) is desirable. Even reputational risk is monetised and dealt with accordingly. Second, risks are prioritised based on their potential impact on profit. This seemingly common sense-based approach to risk management crumbles when we begin to apply it to government.

The main reason for this difficulty in undertaking effective risk management in government lies in the fact that a government agency or department does not have a well-defined bottom line (Trivedi, 2017a). Thus, while a government department can certainly assess risk for each of its individual programmes and projects, it cannot aggregate the risks across the organisation. Of course, as I have argued in an earlier column (ibid.), bottom line does not imply 'profit.' Clearly, governments do the most important things for their society but they still must provide clarity on their bottom line. This is an entirely fixable problem and many governments around the world have done so successfully (Trivedi, 2017b).

This absence of an explicit bottom line is a fatal flaw (Trivedi, 2017c) not only for risk management but also for overall management of a government agency. In the absence of this fundamental requirement for a clear bottom line for effective risk management, undertaking risk management is at best illusory and more often paralysing.

In economics, there is a theory of second best[3] that argues that, when one or more necessary conditions cannot be fulfilled, the next-best solution will invariably involve changing other conditions. The most common example of this theory is as follows. We have known since Adam Smith wrote *The Wealth of Nations* in 1776 that free markets work best if we have large numbers of buyers and sellers and they have perfect information about prices and quality of goods and services. Imagine if there was only one seller and the information about their service was imperfect. Will having a completely free unregulated market under these circumstances still be a good option for society? Some would look at the recent Facebook imbroglio and say 'no'.

Similarly, according to the theory of second best, undertaking risk management in the absence of a methodology for aggregating risks across a government organisation and in the absence of a clearly defined bottom line may lead to perverse consequences. For example, if officials look at a project and find that it has identifiable risks, they may decide to shelve it for the time being. This would not happen if the officials knew the relative priorities of all projects and were also aware that the overall impact of the project risk would be miniscule on the bottom line of the agency. In the absence of this kind of analysis, too much insistence on risk management may lead to paralysis in all the key links in the agency's supply chain. Thus, the bottom line is that the absence of a bottom line in government is the biggest risk we need to manage. All other risks flow from this mother of all risks. Or, to put it another way, risk management is a means to an end and not an end in and of itself. If the end goal (the bottom line) for a government department is not clear, risk management could be a waste of time, if not worse.

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3 https://en.wikipedia.org/wiki/Theory_of_the_second_best

16

Performance-Informed Pay in Government

Lessons from Experience

Performance-Informed Pay in Government

Lessons from Experience

Known variously as pay-for-performance, performance-related incentives and so on, schemes such as these all have the following features in common: the incentives represent a variable part of the recipient's pay; they are awarded each year; the amount is related to performance; they apply to individuals and teams; and they exclude any automatic pay increases and various types of allowances.

We begin by listing areas relating to performance-informed pay where there seems to be a greater agreement among students of government.

1. Areas of agreement

First, there is consensus that incentives matter in government just like they matter in all walks of life. However, incentives need not always be financial. In fact, non-financial incentives can and have been equally effective in public institutions. As with any generalisation, there are exceptions, and some people are indeed driven by their own commitment. Individual human beings are the building block of an institution. Institutions, public or private, are therefore ultimately shaped and driven by humans (at least thus far). Humans, as Freud established, instinctively seek pleasure and avoid pain, through the so-called 'pleasure principle', known as *Lustprinzip* in German.

Second, to improve the performance of any organisation, we need a multidimensional effort. Management experts believe that the following three systems are necessary to improve the performance of any organisation: a performance information system, a performance evaluation system and a performance incentive system.

A *performance information system* ensures that appropriate information, in a useful format, is available in a timely manner to stakeholders. A *performance evaluation system* is meant to convert, distil and arrange this information in a format that allows stakeholders to assess the true effectiveness/contribution of the organisation. Finally, no matter how sophisticated the information system and how accurate the evaluation system, the performance of any organisation can improve in a sustainable manner only if it has a meaningful *performance incentive system*. This links the performance of the organisation to the welfare of its employees. This allows the employees to achieve organisational objectives in their own self-interest.

These three sub-systems are as relevant for the public sector as they are for the private sector. In the public sector, they are equally important for government departments and state-owned enterprises or public enterprises. While a truly effective government performance management system must include all three sub-systems, most countries tend to focus on only one or two of them and then lament that their system does not work.

Third, there is a widespread perception that performance incentive schemes in government have not worked well. Let us look at the USA and India. Pay-for-performance was tried by both the Carter and the Reagan administrations and subsequently abandoned (Adler, 2013). The 1978 Civil Service Reform Act created the Office of Personnel Management with a mandate for 'merit pay', but this was not implemented well and, where it was put in place, it created a backlash among citizens. In 1984, the Reagan administration introduced the Performance Management and Recognition System but this lasted only till 1991.

In India, the Seventh Central Pay Commission recommended the 'introduction of performance-related pay for all categories of central government employees' in a report to the Government of India in 2015. In making this recommendation, it merely reiterated and reinforced recommendations made by previous Pay Commissions, in 1987, 1997 and 2008. In each case, the government of the day approved the performance-related incentive scheme but failed to implement it. Thus, successive governments in India have supported the idea that holding governments accountable for delivering on promises and incentivising government employees appropriately is a fundamental requirement of good governance but have failed to implement a pay-for-performance scheme (Trivedi, 2018).

Similarly, Organisation for Economic Co-operation and Development (OECD) and UK government studies have also found that pay-for-performance schemes have not quite met expectations (OECD, 2005; The Work Foundation, 2014). The real question is why.

2. The crux of the problem

Any performance-related incentive scheme has two main parts. One part measures the performance of the entity (organisation, team, individual) and the second links this performance to financial incentives. The main problem bedevilling pay-for-performance schemes relates to the measurement of organisational performance. In the private sector, there is a bottom line for this—usually profit or profitability. In the government, since there is no clear, measurable bottom line, most of these schemes are related to partial indicators (individual performance, performance of a sub-unit, some desirable activity, etc.). Thus, while such schemes create positive incentives for improving these sub-indicators, overall organisational performance often remains unaffected. It is akin to incentivising rearranging the chairs on Titanic.

3. Way forward: Lessons for the future

First, governments must begin by linking pay-for-performance to overall performance of the organisation. This requires creating a bottom line in the government using the methodology discussed in one of my earlier columns (Trivedi, 2017).

Second, the average of the performance score for individuals in an organisation cannot be more than that for the organisation. For example, if the organisation gets a score of 80, then, while one individual can get a score of 100, another has to get a score of 60 to make the average score equal to 80. If this is not the case, then we will find ourselves in the familiar government territory of everyone getting an excellent rating but the organisation being rated only 60.

Finally, if you want to make this a fool-proof scheme, you should link performance bonuses to cost savings. Thus, government employees get paid only if they perform well and save costs, making this pay-for-performance scheme self-paying. This is what has been agreed in India.[1]

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1 https://drive.google.com/open?id=1_AW-yexZT6a1u2cECzYcvQTAMrLZZgst

17

Implementing Big, Bold Goals

A Strategy for Achieving the SDGs

Implementing Big, Bold Goals

A Strategy for Achieving the SDGs

In September 2015, the UN adopted a set of 17 goals to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. How will countries go about implementing them? This column outlines a path I proposed at a UN-sponsored meeting in Switzerland in April 2017. It deals with the imperative of converting the SDG vision into action and highlights the conspicuous absence of an implementation mechanism in the SDG discussions. It goes on to summarise lessons learnt from successful implementation of government policies and programmes in a diverse set of countries, based on my own experience in applying these principles to improving the implementation of policies and programmes. Finally, it proposes a step-by-step plan for ensuring effective implementation of commitments made by countries when signing onto the SDGs.

By most accounts, the scale and scope of the UN Sustainable Development Goals (SDGs) is awe-inspiring. A global agreement on this ambitious development agenda is an impressive achievement in and of itself and an important first step towards realising the lofty vision.

The Sustainable Development Agenda proposes bold and transformative steps that are urgently needed to shift the world onto a sustainable and resilient path. The 17 SDGs and 169 targets that have been adopted by the community of nations demonstrate the scale and ambition of this new universal development agenda.[1] This agenda is indeed a plan of action for people, planet and prosperity.

In what follows, however, I argue that, unfortunately, the debate on the SDGs seems to be stuck on this first step of vision creation, with an implicit assumption that the challenge of putting this agenda in place is not intellectually rewarding and somehow the great ideas embodied in SDGs will self-implement. I hope to fill an important gap in the literature and offer a practical, actionable and proven methodology for the translating SDG vision into realty.[2]

1 https://sustainabledevelopment.un.org/?menu=1300

2 These ideas were first presented by me at a High-level Event, held during the 2016 United Nations Evaluation Group's Evaluation Week, titled 'Evaluation Fit for the 2030 Agenda for Sustainable Development: No One Left Behind' on 26 April 2016, in Geneva, Switzerland.

1. The implementation challenge

A review of the literature shows that, while a lot of discussion and commentary on the SDGs deals with the content of the agenda, almost no attention has been given to the implementation aspects of this agenda. To be sure, the word 'implement' occurs around 76 times in the outcome document of the UN Summit for the adoption of the post-2015 development agenda.[3] Yet there is no clear path for implementing the SDG agenda in member countries. To illustrate the general nature of advice on implementation, the following is a representative list of general statements in the outcome document (emphasis mine):

- All countries and all stakeholders, acting in collaborative partnership, will *implement* this plan.
- We are determined to mobilise the means required to *implement* this Agenda through a revitalised Global Partnership for Sustainable Development.
- We commit ourselves to working tirelessly for the full *implementation* of this Agenda by 2030.
- We reaffirm our commitment to international law and emphasize that the Agenda is to be *implemented* in a manner that is consistent with the rights and obligations of states under international law.
- All of us will work to *implement* the Agenda within our own countries and at the regional and global levels, taking into account different national realities, capacities and levels of development and respecting national policies and priorities.

The extensive literature on the SDGs seems to discuss every conceivable aspect other than practical implementation by individual countries. Some papers continue to discuss the desirability of these goals, long after the prolonged debate on this topic has been settled and the outcome document adopted.

Then there are studies that acknowledge the importance of appropriate measurement and put forward a critique of the proposed targets for measuring the SDGs.

Some papers come close to discussing implementation issues. None of them, however, comes close to offering any actionable and operational advice. Later in this chapter, I propose to begin filling this glaring gap in the existing literature regarding implementation aspects of the SDGs. I offer a practical proposal based on the widespread success of performance management techniques in developed and developing countries.

3 www.un.org/pga/wp-content/uploads/sites/3/2015/08/120815_outcome-document-of-Summit-for-adoption-of-the-post-2015-development-agenda.pdf

2. From vision to implementation: A framework for action based on key lessons of international experience

While the SDGs may represent a new vision for the global community, the challenge of implementing desirable ideas is an old one. Most management experts now agree that good ideas and good intentions do not self-implement. Experience has also shown that it is not enough merely to have good people or well-meaning policy-makers.

The literature on New Public Management (NPM) offers following insights on improving implementation of public policies.[4] In general:

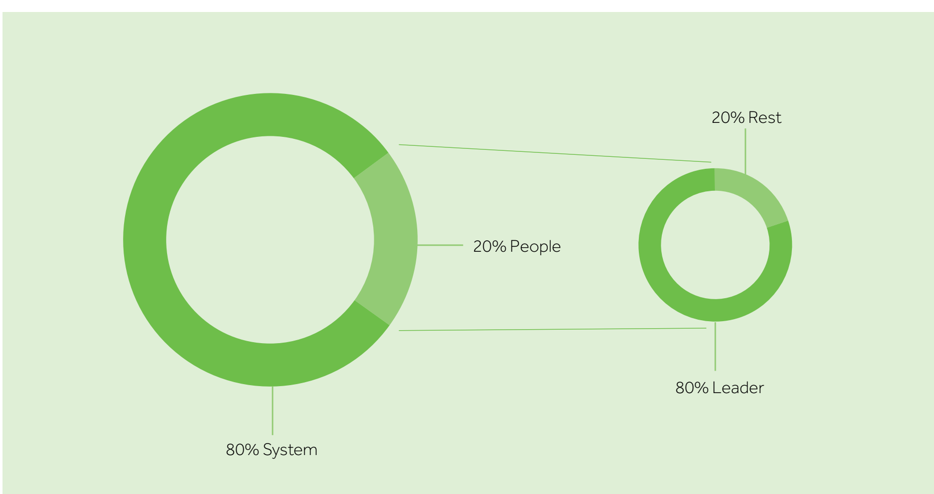
3. What are the determinants of effective implementation?

As Figure 1 shows, 80 per cent of effectiveness and of implementation depends on the quality of performance management systems and 20 per cent on the quality of people working within the system. This 80:20 principle is attributed to management guru Peter Drucker.

Within the people category, 80 per cent of the impact on implementation is attributable to the quality of leadership responsible for performance management.

For effective implementation, therefore, all one needs is a 'good' performance management system and 'good' leadership. Indeed, creating a good performance management system for effective implementation of public policies, programmes

Figure 17.1 Determinants of implementation effectiveness



4 https://en.wikipedia.org/wiki/New_public_management

and projects is one of the main responsibilities of the nation's leadership. They need not only to create an effective performance management system but also to nurture it to ensure its growth and development.

4. Accountability for implementation trickles down in an organisation

Experience shows that accountability for implementation 'trickles down' and never 'trickles up'. Thus, an effective performance management system must begin by holding the top echelons of government hierarchy accountable for implementation and results.

5. Effective implementation requires a multidimensional approach

To improve the performance of any organisation we need a multidimensional effort. Experts believe the following four systems are necessary for improving the performance of any organisation: a performance information system, a performance monitoring system, an evaluation system and a performance incentive system.

- A performance information system ensures that appropriate information, in a useful format, is available in a timely manner to stakeholders.
- A performance monitoring system allows the responsible managers in the organisation to manage their journey towards the desired results. Hence, a monitoring system is a complement to an evaluation system.
- A performance evaluation system is meant to convert, distil and arrange this information in a format that allows stakeholders to assess the true effectiveness of the organisation.

Finally, no matter how sophisticated the information system, how accurate the evaluation system and how robust the monitoring system, the performance of any organisation can improve in a sustainable manner only if it has a performance incentive system.

- A performance incentive system links the performance of the organisation to the welfare of its employees.

That is, performance or lack thereof must have consequences for people to care about improving it. A well-designed incentive system allows employees to achieve organisational objectives in their own self-interest.

6. Performance agreements are an effective tool for improving implementation

After extensive review of the NPM literature, the Second Administrative Reform Commission set up by the Government of India argued that Performance Agreements were the most common accountability mechanism in most countries that had 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 civil servants will be given.

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 New Zealand 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.

Similar policies are being used in most Organisation for Economic Co-operation and Development (OECD) countries. The other leading examples of this policy come from the USA. The US Congress passed a law in 1993 called the Government Performance and Results Act (GPRA). Section 4 of this law[5] requires each agency of the US Government to prepare an Annual Performance Plan, very similar to Performance Agreements used elsewhere. In the UK, this policy is called the Public Service Agreement. In developing countries, the best examples come from India, Bhutan, Malaysia and Kenya.

5 https://www.congress.gov/bill/103rd-congress/senate-bill/20/text

7. How can countries make and document progress towards multinational SDGs?

The SDGs build on the progress made under their predecessors, the Millennium Development Goals (MDGs).[6] Just like under the MDGs, eventually the UN will have to monitor progress made with respect to the SDGs. While the UN has published an aggregate regional progress report,[7] each country is expected to produce its own such report. After all, what gets measured, gets done!

While comparative progress reports have motivated policy-makers in developing countries to action, lack of cogent, coherent guidance on implementation strategies for the MDGs was one of the main reasons for uneven progress made by various countries. If these countries have to do better on the SDGs, they need to apply lessons about effective implementation from now significant international experience in this regard.

Since countries have agreed to implement the SDGs, the real issue is how to do so. The following three actions provide the necessary steps to convert the SDG vision into reality.

Step 1: Develop a national strategy for implementing the SDGs

Policy-makers have to integrate the SDGs into their national strategic plans. All 17 SDGs and the policies to achieve them should be prioritised along the following three dimensions:

1. *Level of priority:* Policies, programmes and projects should be classified on the basis of their potential impact on the achievement of the 17 SDGs. The following three categories can be used for this purpose: HIGH, MEDIUM and LOW. The basic message is that it is not wise to worry about low-priority recommendations at the cost of high-priority policies.
2. *Degree of influence:* Governments do not have the same degree of influence on all areas of public policy. In some areas, all actions are within the scope of their powers. In others, they can play only a facilitating role. Again, the following three-way classification can be used here: HIGH, MEDIUM and LOW. High-category includes those areas of public policy that are fully under the control of the government. Medium and low imply lesser degree of influence.
3. *Sequencing of policies:* This is as important as the policy itself. For example, it is advisable to allow competition and privatisation only after implementing a transparent and effective regulatory framework. Also, it is advisable not to attempt everything at the same time. Sequencing of various actions and programmes is needed to get the best results in the shortest possible time.

6 www.un.org/millenniumgoals/
7 www.un.org/millenniumgoals/news.shtml

Table 17.1 Matrix to prioritise and act on the SDGs at the country level

		Priority level				
		HIGH	MEDIUM	LOW		
Degree of Influence	HIGH	1	10	19	SHORT TERM	Sequencing
		2	11	20	MEDIUM TERM	
		3	12	21	LONG TERM	
	MEDIUM	4	13	22	SHORT TERM	
		5	14	23	MEDIUM TERM	
		6	15	24	LONG TERM	
	LOW	7	16	25	SHORT TERM	
		8	17	26	MEDIUM TERM	
		9	18	27	LONG TERM	

When these three dimensions are put together, the result is the matrix shown in Figure 2. This matrix is three-dimensional and thus the total number of cells is 27 (= 3 x 3 x 3). Each cell in the matrix has three attributes. For example, Cell # 1 represents high priority, a high degree of influence and a need to implement it in the short term.

In most cases, the classification is a matter of judgement on the part of experts and policy-makers. It is not written in stone. Rather, this prioritisation is indicative of the collective experience as understood by national policy-makers at the time of writing the SDG implementation strategy. This matrix is, in essence, a signalling device for those charged with implementing this strategy.

All policies to achieve SDGs should be prioritised using this matrix. This classification, in turn, makes it possible to identify the core strategic policies.

Step 2: Align departmental strategies with national priorities for SDG implementation

Once the national SDG Implementation Strategy (SIS) is in place, then government departments should formulate a departmental SIS. Each department/agency has to ask what they can do to help implement the national SIS. They have to undertake a similar exercise as that undertaken at the national level.

Departmental SIS should be aligned with national priorities for SDG implementation. They should be integrated with other departmental priorities and a comprehensive view of the departmental mandate should be taken. Again, much inspiration can be drawn from Section 3 of the GPRA,[8] which outlines succinctly

8 www.gpo.gov/fdsys/pkg/PLAW-111publ352/pdf/PLAW-111publ352.pdf

Table 17.2 Illustrative example of contents of implementation agreements

RELATIVE PRIORITIES	STRATEGIC GOALS	Government Agency A	Government Agency B	Government Agency C
50%	SDG 1	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	SDG 2	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	SDG 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	SDG ...	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	SDG 17	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
50 %	Other goals of government department	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	Other goals of government department	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	∑ =	Implementation Agreement Content	Implementation agreement content	Implementation agreement content

how each agency of the US government is required to develop four-year strategic plans. This is not an optional exercise and is a necessary condition for creating annual operating plans.

As I argued in Chapter 1, most performance measurement efforts in government are partial. They tend to focus on a project, a policy or a few select government departments. Experience suggests this piecemeal approach hardly ever succeeds. Thus, governments must ensure the national SDG implementation strategy is an integral part of the overall departmental strategy.

Step 3: Use implementation agreements

The concept of an implementation agreement is straightforward. It is, in effect, a Performance Agreement between a principal and an agent. It is proposed that each government department will enter into an implementation agreement with the head of government. In this agreement, each department will specify the goals and objectives that they wish to achieve during the fiscal year. They will also specify any specific assistance they need from the government during the relevant period to achieve their objectives. These implementation agreements will include performance indicators and target levels expected from the concerned government department.

It is proposed that each agency will assign a weight of at least 50 per cent to targets that address their respective responsibilities for implementing elements of the 17 SDGs.

Government departments will be able to assign 50 per cent of the weight to other strategic goals relevant to their departments. Figure 3 gives an illustration of the relative priorities in designing the contents of these implementation agreements. Against each strategic goal, government agencies will be asked to provide specific policies, programmes, projects and activities.

I do not want to go into all the details of designing these implementation agreements. However, it is proposed that they be designed based on the relevant international experience and best practice.

The performance of each government agency will be measured against the targets for the various commitments made in the implementation agreements. It is proposed that these results be published as part of the annual progress report on the implementation of the departmental strategy.

The proposed concept of implementation agreements is a new and improved version of Performance Plans/Performance Agreements under the US GPRA of 1993. If the UN is serious about implementing the SDGs, it must also insist that its member countries convert this grand vision into 'effective' plans. The proposed concept of *implementation agreements* is one such effective instrument supported by evidence from a diverse set of countries.

A

Appendix

Commonwealth Governance and Accountability Toolkits

Commonwealth Governance and Accountability Toolkits

Each of the following toolkits is based on international best practice in general and best practice in Commonwealth counties in particular.

Table A1.List of Commonwealth Governance and Accountability Toolkits

	Toolkit	Main objective and brief description
1.	**Civil and Criminal Justice Reform Toolkits**	The Commonwealth Office of Civil and Criminal Justice Reform supports Commonwealth countries in delivering access to justice and sustainable development through the creation of fair and effective national laws. The Office makes available good legislation practice from across the Commonwealth through model laws, standards, templates, legal insight and legal networks. It delivers technical assistance to member countries based on these resources.
2.	**Performance Management and Accountability Toolkit**	This converts the strategic objective of a government into demonstrable and quantifiable results. It creates Performance Agreements and Public Service Agreements that hold each government agency accountable for results.
3.	**Monitoring and Evaluation Toolkits**	'Evaluation' deals with the final results and 'monitoring' with the journey towards those results. This toolkit helps policy-makers ensure government departments and agencies are on track towards achieving results.
4.	**Strategy Development and Implementation Toolkit**	Most governments have a clear idea where they want to go. They are elected because the electorate shares their vision. However, there are several paths to the final destination, articulated as a vision. This toolkit helps governments convert their vision into viable, practical and quantifiable (measurable) strategies.
	SDG Implementation Toolkit	The Commonwealth has developed a related toolkit to ensure integration of the SDGs into national development strategies and clear accountabilities for implementation

	Toolkit	Main objective and brief description
5.	**Risk Management Toolkit**	Risk is the effect of uncertainty on the potential to achieve objectives. This toolkit provides governments with a systematic process to provide information on possible undesirable consequences through quantification of the probabilities and expected impacts for identified risks.
6.	**Citizen/Client Charter (CCC) Toolkit**	Research has shown that achieving results is a necessary but not sufficient condition for improving government perception. To improve perceptions of a government's performance, it is important to improve the interface between citizens and government departments. This toolkit operationalises best practice in this area and makes it easy for any government to implement CCC.
7.	**Public Grievance Redress and Management Toolkit**	This toolkit is an essential element of a strategy to improve the quality of the government interface with citizens and clients. While it is linked to it, it scope is larger and covers all sorts of grievances citizens have.
8.	**Toolkit for implementing ISO 9001 in Government Departments**	ISO 9001 is a quality management system that can assure leaders that the internal processes in the government are well documented and are being reviewed and improved continuously. This toolkit allows governments to implement ISO 9001 without spending a huge amount of money on consultants.
9.	**Toolkit for Implementing Performance-Related Incentive Scheme (PRIS) in Government**	Holding governments accountable for delivering on promises and incentivising government employees appropriately is a fundamental requirement of good governance. This requirement can be met through a performance-related incentive scheme. This toolkit captures the essence of designing an effective PRIS.
10.	**E-Government Toolkits**	This toolkit captures the state-of-the-art performance management systems that use 4G platforms to deliver government services. This includes a toolkit for e-office and various mobile applications in government.
11.	**Toolkit for Creating an Innovation Ecosystem**	Innovation is defined as the implementation of a significant change in the way the government operates or in the products and services it provides. This toolkit provides guidance to departments/ministries for preparing an Innovation Action Plan for encouraging innovation in their respective ministries/departments.

	Toolkit	Main objective and brief description
12.	**Knowledge Management Toolkit**	One of the most valuable resource for government is the explicit and implicit knowledge within the government. Yet this asset (factor of production) is least used by most governments. Today, however, modern governments are judged by the quality of their knowledge management systems.
13.	**Corruption Mitigation Toolkit**	A breakdown of ethics in government leads to corruption. This toolkit deals with corruption within government departments in a practical and realistic manner. Like other toolkits, they are all an integral part of any effective governance and accountability strategy.
14	**Debt Data Quality and Assessment Methodology (Debt-DQAM) Toolkit**	Debt-DQAM is a comprehensive system used to assess the quality of data recorded in debt management systems through a set of standardised performance indicators. It covers the components of debt instruments over their entire life cycle. It thus offers a structured approach to data validation that ultimately enhances the quality of debt reporting.
15	**Debt Management Tools**	This toolkit provides tools that can be used by governments to undertake portfolio reviews, an activity critical to determine the opportunities for debt portfolio improvement, identifying potential risks in the portfolio and taking corrective action. Generating key debt ratios, financial indicators for evaluating different borrowing offers to assess the implications of future borrowing and determine long-term debt sustainability
16	**Debt Restructuring Toolkit**	This is a tool used by governments to implement any debt restructuring and reorganisation of their debt portfolio as agreed with their counterparties. The tool includes the methodology for implementing Paris Club restructuring arrangements.
17	**Debt Reporting Toolkit**	This is a collection of debt reporting templates based on internationally recognised debt compilation and dissemination standards. The templates are used by governments to report to international organisations like the World Bank, the International Monetary Fund, etc.
18	**Interactive Graphical Dashboard Toolkit**	This is a business intelligence toolkit designed to support debt managers' decision-making.

	Toolkit	Main objective and brief description
19	**Toolkit for Mitigating Domestic Violence**	This is a tool to be used as a guide/checklist in the decision-making process on appropriate levels of intervention for victims of domestic violence.
20	**Toolkit for Assessment of the Economic Costs of Violence Against Women and Girls Toolkit**	This toolkit provides a comprehensive framework to estimate economic costs of violence against women and girls for micro-meso level or for a 'typical' case of violence.
21	**Commonwealth Toolkit for Advancing Development through Sport**	This is a toolkit/guide for governments and stakeholders seeking to strengthen the contribution of sport to development and peace work. Part 1 provides evidence-based analysis of the potential contribution of sport to development objectives. Part 2 provides a practical framework for analysis, planning and monitoring of sport in development and peace work.
22	**Toolkit for Improving National Policies and Strategies for Strengthening Sport for Development and Peace**	Sport for Development and Peace brings the power of sport to solving some of the most difficult challenges of humankind, such as realisation of the Millennium Development Goals. This collection of papers showcases innovative approaches and examples of effective Sport for Development and Peace policies and strategies.
23	**Toolkit for Enhancing the Contribution of Sport to the 2030 Agenda for Sustainable Development**	This toolkit/guide builds on the work of previous Commonwealth publications analysing the role of sport in achieving sustainable development. Aimed at governmental policy-makers and other stakeholders, it provides evidenced and balanced policy options supporting the effective contribution of sport towards six prioritised SDGs.
24	**Sport for Development and Peace Youth Advocacy Toolkit**	This toolkit provides the necessary skills to make the case for the use of sport to drive meaningful and sustainable change in your community. It can be used to amplify your voice as you champion the power of young people and the power of sport.

	Toolkit	Main objective and brief description
25	**Toolkit for Protecting the Integrity of Sport**	This Policy Guidance to Commonwealth Governments on Protecting the Integrity of Sport is the result of the Commonwealth Advisory Body on Sport work in response to this request, supported by the Secretariat. It is intended to support member governments to take practical steps within their own countries to protect the integrity of sport. The Guidance includes simple principles under each area, which, if adopted, should provide each minister with a basic framework for focusing their government's efforts.
26	**Commonwealth Education Policy Framework Toolkit**	This framework offers a series of thinking tools for considering what makes sense in specific national contexts. The document is supported by guidelines on systems capacity, governance, partnerships and financing, that can assist in the education policy-making process. It presents a view of how a Commonwealth perspective, embedded in Commonwealth values and supported by Commonwealth collaboration, can enrich other international and national policy processes.
27	**Toolkit for Developing a Curriculum Framework for Enabling the SDGs**	This framework will serve as a guide for countries to review or develop their national curriculum and ensure education is integral to any strategy to create a resilient generation to advocate for action and the attainment of the SDGs in a holistic and integrated manner.
28	**Toolkit for Developing a Standards Framework for Teachers and School Leaders**	The main purpose of this framework is to guide countries in defining the basic requirements related to knowledge, pedagogical skills and personal attributes that teachers and school leaders must demonstrate in order to achieve the objectives of education.
29	**Toolkit for Strengthening the Health System and Enhancing Health Security**	This toolkit provides a comprehensive and practical resource for policy-makers and planners responsible for strengthening regional, subnational, national and global health protection as part of an overall health system.

	Toolkit	Main objective and brief description
30	**Youth-Led Accountability for the SDGs: A Guide to National Action**	This toolkit looks at how youth-led accountability can be implemented and operationalised across the Commonwealth context. For a full methodology, a theoretical framework of this report and recommendations focused on action at the global level, please see the 'Follow-Up and Review: How to Scale Up Ambition on Youth-Led Accountability for SDGs' report in full.
31	**Policy Guide on Youth Entrepreneurship**	In response to the challenges of high youth unemployment, this toolkit facilitates the development of youth entrepreneurship. It is designed to support countries to develop effective policies that will unleash the potential of youth entrepreneurship. While it is primarily intended as a resource tool for use by policy-makers, the guide is also relevant for decision-makers in intergovernmental and international organisations as well as non-governmental organisations and development agencies involved in youth entrepreneurship.
32	**Commonwealth Youth Development Index: National and Regional Toolkit**	This toolkit provides an opportunity for building local, national or regional youth development indexes, which can be enriched with additional relevant and available subnational data. It is a statistical and normative guide for national statistical offices, civil society and independent researchers to provide key conceptual and definitional guidelines based on a common framework.
33	**Youth Mainstreaming in Development Planning: Transforming Young Lives**	This toolkit supports youth mainstreaming initiatives and fill a noted gap in the sector on this topic. It comes in three parts, Part I: Concepts and Discussions, which facilitates preplanning dialogue and discussion, Part 2: Implementation, which provides practical guidance and tools for implementation, including short case studies, and Part 3: Full Case Studies, which provides more detailed examples of youth mainstreaming within sectors. Besides this, the tools and discussions put forward a vision, and stimulate us to examine our own views and practices around justice, equality and participation, and bringing young people, along with other marginalised social cohorts, to the forefront in development planning.

	Toolkit	Main objective and brief description
34	**Establishing a Professional Youth Workers Association—A 12 Step Guide and More**	This toolkit is based on Brian Belton's own work in youth work practice and academia, inputs from youth work stakeholders in Commonwealth Asia member countries gathered through Youth Work Country Consultations and inputs from other stakeholders in the youth services. The objectives of this toolkit is to support the emergence of democratic, responsive Professional Youth Workers' Associations that could drive the professionalising process across the Commonwealth, as well as to ensure effective, rights-based youth service delivery in member countries.
35.	**Climate Change Legal Toolkit**	This toolkit provides best practice guidance on climate adaption and mitigation law and its application. This is a partnership project between the Commonwealth, the United Nations Framework Convention on Climate Change and the United Nations Environment Programme. It aims to provide a definitive global resource on climate change law across member countries.
36.	**Surveillance, Monitoring and Technical Capacity-Building Toolkit**	The main aim of this toolkit is to improve access to data and surveillance tools for Commonwealth countries most at risk from climate change and increase technical capacity for successful end user uptake across these nations. Many of the nations least responsible for climate change, but most at risk from it, are operating in reduced data environments. This programme will produce an online Platform Toolkit, which will assist countries to access more data.
37.	**Climate Resilience and Building Back Better**	A toolkit on climate resilience and building back better following extreme weather events. This toolkit will particularly capture and codify best practice on disaster risk relief, infrastructure resilience and emergency response.

	Toolkit	Main objective and brief description
38.	**Tertiary Global Citizenship Education Module Toolkit**	This module and accompanying instructor training toolkit developed by the Education Team under the Faith in the Commonwealth project enables tertiary education institutions in the Commonwealth to offer a two-week intensive or spread across a longer period (e.g. one day a week for ten weeks) Global Citizenship Education module. The toolkit offers the flexibility to allow for learning materials, content, discussions, exercises, etc. to be adaptable to the local context in a given country/region.
39.	**Youth Training of Trainers Toolkit**	Adapting the youth peer educators' approach to empower their peers to act as responsible global citizens, under the Faith in the Commonwealth project, the Education Team has developed Youth Training of Trainers toolkit to translate global citizenship education into youth-led action. The toolkit equips young leaders with the capacity and tools to share their knowledge with other young people and engage community leaders to integrate global citizenship thinking and strengthen their peace-building work, particularly with a focus on facilitating positive dialogue and social cohesion.
40.	**Technical and Vocational Education and Training (TVET) Self-Assessment Toolkit**	The TVET toolkit provides a means for users to explore in detail six identified features of an effective TVET system: governance; employer engagement; occupational standards; qualifications framework; quality institutions; and delivery and assessment. The toolkit is accompanied by a participants' manual, facilitator guide and short video clips. Through a facilitated workshop format, participants using these resources will have the opportunity to assess how their TVET systems perform against the six features and allocated nominal rankings against each of them.
41.	**Toolkit for Design and Drafting of National Ocean Policy**	The purpose here is to provide guidance in the design and drafting of national ocean policies. The toolkit seeks to distil generalities likely relevant for member countries considering drafting a national ocean policy. The ordering of elements is meant to support the flow of the policy, but, like the elements themselves, is advisory only, and can be modified to suit the particular circumstances of the member country.

	Toolkit	Main objective and brief description
42.	**Toolkit for Drafting Laws for Sponsorship of Deep Sea Mining in Areas beyond National Jurisdiction**	(Pending) A 'model' ISA sponsorship law, to be presented at the ISA Council meeting in July 2018.

The Commonwealth

Governments are complex, multi-layered organisations and, not surprisingly, government effectiveness and efficiency have many dimensions. However, the diversity that exists among nations and their governments tends to obscure three key facts. First, many of the problems involved in managing government are a result of a few underlying causes. Second, the underlying causes of poor government performance are similar in nature across a diverse set of countries. Third, countries have successfully dealt with these (few) underlying causes using remarkably similar approaches. Viewed in this light, the challenge of government performance management appears more manageable.

Written succinctly in non-technical language, this book is meant to help government leaders identify the underlying causes of poor government performance and then apply proven strategies to fix these. The book cautions Government leaders against the natural temptation to cure the symptoms - this approach represents a temporary solution at best, and the list of symptoms can be too large to fix. Fixing underlying causes, on the other hand provides a more sustainable long-term solution.

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