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**Strategy for the Introduction of
Performance Management System :
Establishing a Performance Management
Strategy Governing for Results**

Session 2-3 : International Experiences in Performance Management
PRESENTERS

Establishing a Performance Management Strategy Governing for Results

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1. Introduction

A. Rationale For Performance Management

Government agencies can achieve several important benefits if they regularly (such as quarterly or monthly) track the performance of their programs. Program managers and other public officials need information on both the outputs (the physical products they produce, such as meters of road repaired and number of clients treated) and the outcomes (the effects the program has on their customers, generally, citizens) of their work. This is needed to help managers and other public officials identify problem areas, identify needed improvements, and later assess the results of the actions taken.

Principal benefits of implementing a performance management system are as follows:

- Performance information can be used to improve service quality and results. Over the long run, this is likely to be the most important benefit of performance management.
- Performance information can be used by program managers and other public officials to help them develop and justify their budgets.
- Performance information, particularly outcome information, can help motivate public employees to make improvements and can also make their jobs more interesting, especially if the outcome information (and not only workload information) is regularly made available and discussed with them.
- Performance information is also an important part of a government's accountability and transparency processes. Performance information adds accountability, not only for financial probity but also accountability for using public funds to accomplish important results.

Baltimore's CitiStat, U.S.A.

Over the last several years, the Mayor of Baltimore has adopted the "CitiStat" approach as a primary management tool for several of the city's agencies. Supervisors from different agencies appear before the mayor's cabinet every two weeks to discuss their agencies' performance data. A number of improvements were noticed very quickly.

In the first three-month period there was a 25 percent decrease in overtime in the Water and Waste Division.

During the regular meetings, department performance graphs are displayed for all to see, and trends of either good or bad performance are usually easy to see.

City officials note that there is no longer any stigma of having to visit and respond to questions from city leadership.

There are more opportunities for interagency collaboration and for identifying and sharing better practices.

Once it was decided to implement CitiStat it took three months to collect and analyze the performance information and make a presentation at the Mayor's office. Currently 14 agencies are involved in the CitiStat process. The first agency (solid waste collection) made its presentation on June 2000. Within four months seven agencies were included in the process—regularly reporting data to CitiStat and having bi-monthly meetings to use the information in improving service quality.

The mayor's office estimates a start-up cost of \$20,000 that mostly includes infrastructure and overhead cost and not staff salaries. Agencies can collect data with any software and in any format. However, they all use a similar format in reporting the information to the Mayor's office.

Despite these benefits few countries have implemented a comprehensive performance management system across most, if not all, all agencies at the national level. Some possible reasons are as follows. Implementing a performance management process will usually be quite new and perhaps strange and threatening to public employees. It requires some changes in approach, and some new data collection procedures (such as regular surveys of program customers). Making the transition is not easy and takes time. The results, however, over the long run are likely to be well worth the effort, especially in terms of improved services to the nation's citizens.

Performance management appears to be more prevalent in local government, where the connection between government agencies and citizens is closer and more easily seen. The City of Baltimore (Maryland in the United States), is a recent example of successful implementation of performance management—see the text box insert.

B. Categories of Performance Information

Exhibit 11 presents the categories of performance information that are relatively familiar to agency managers. Data on the amount of resources expended for particular programs (inputs), and the products and services that a program has completed (outputs), are regularly used by governments to track program expenditure and service provided. Results-based information (outcomes) is rarer, even though it is considerably more helpful in determining the results and accomplishments of the service. Finally, information that relates the amount of input to the amount of output or outcomes measures efficiency (or its reciprocal) productivity.

¹ All exhibits are placed at the end of the section in which they are cited.

C. Content of Report

This report provides recommendations for a multi-year strategy and specific steps for providing and using performance information to produce a truly citizen outcome-oriented government. It provides a framework for the introduction of a performance measurement/performance management system in governments throughout the world. The basic assumption is that the purpose of government is to support its citizens in achieving the highest quality of life for the funds that the government is spending.

Performance measurement/performance management systems basically serve two purposes: providing accountability and improving programs and services so as to make them more efficient and effective. The key question for accountability is: What are citizens getting for their money? The key question for improving services is: How can we make programs and services better?

Throughout this report the term “performance measurement” is used to cover measurement of both outputs and outcomes. However, the report focuses primarily on the need to measure and manage outcomes, the most neglected, and most important category of measurement. Outputs are important to measure since they provide basic information as to the government’s physical products. The relation of outputs to expenditures is much easier to assess than the relationship of outcomes to either outputs or expenditures. However, outputs tell little about the success of government programs and services in achieving results important to citizens.

“Performance management” occurs when managers use the information from the performance measurement process to help them manage and improve programs and services. Performance management, it can be argued, is the most important reason for performance measurement, even more important in the long run than use of performance measurement to make government accountable. Fortunately, a good performance measurement system can simultaneously provide information useful for both purposes: achieving accountability and improving services.

Government also involves elected officials. They play a major role, as will be discussed, in moving a government to performance measurement and performance management. They should be considered to be an integral part of Governing For Results—both by their support for the effort and by themselves using the information from the process.

This report does not discuss fiscal or financial planning. These, of course, are of major importance for successful governing but are beyond the scope of this paper.

Section II provides a sample of a time-phased set of actions needed for implementing a performance management process. Section III identifies the roles and responsibilities of the major participants, such as: (a) national offices such as an Office of planning and Budget and Management; (b) the line ministries and agencies; (c) the supporting ministries and agencies; and (d) the legislature. Section IV discusses a number of key elements relating to designing a performance management system. Section V discusses a number of important elements in implementing the design.

As of this time, many national governments have begun introducing some form of performance measurement. However, few appear to have made major progress in introducing performance management. Even these efforts have tended to focus on outputs and not on the results of those outputs. In addition, the focus in almost all national governments of which we are aware, has been to move as soon as possible, if not immediately, into performance budgeting.

Much less attention has been focused on helping managers use the information to improve their services to citizens. This, unfortunately, means that examples of good performance management practice by national governments are rare. We have, thus, had

to draw from the experiences of sub-national governments, such as local governments, where more active progress has been made. Overall, however, the reader needs to recognize that while “lip-service” on performance management have been present for years, the actual practice at any level of government, while growing considerably, is still rare.

Exhibit 1. Performance Information Definitions and Sample Indicators

- Inputs: Resources used to produce outputs and outcomes.
 - Number of full-time equivalent person-years were spent on the program
 - Program Expenditures
- Outputs: Products and services delivered.
 - Number of people served
 - Number of applications processed
 - Number of inspections made
- Outcomes: Results and accomplishments of the service provided.
 - Employment rate for persons that completed the program
 - Percent of youth graduating from high schools in schools supported by the program
 - Infant mortality rate in areas targeted by the program
- Efficiency and Productivity: The amount of input to the amount of output (or outcome). The ratio of the amount of input to the amount of output (or outcome) is labeled “efficiency.” The inverse, the ratio of the amount of output (or outcome) to the amount of input, is labeled “productivity.”
 - Cost per gallons of drinking water delivered to customers (output based)
 - Cost per number of roads that were improved from “poor” to “good” condition (outcome based)

Sources: Adapted from Harry P. Hatry Performance Measurement: Getting Results. 1999. Washington, D.C.: The Urban Institute; and Ritu Nayyar-Stone, Katharine Mark, Jacob Cowan, and Harry P. Hatry “Developing a Performance Management System for Local Governments: An Operational Guideline. Prepared for UN-HABITAT and the World Bank. June 2002.

2: TIME-PHASING OF BASIC STEPS IN IMPLEMENTING PERFORMANCE MANAGEMENT

This section provides a “model” schedule for the first three years of implementing a performance management process for a national government. A three-year period is likely to be required for initiating such a process. However, full implementation is likely to take many more years.

Countries such as Australia, Canada, Sweden, United Kingdom, and the United States have each taken a number of years including periodic shifts in direction of their processes. As noted at the beginning of this report, country initial efforts have focused on performance measurement, performance budgeting, and sometimes strategic planning. The use by agencies and their programs for improving services, and not merely for budget preparation and justification, appears to be rare and a much more recent development. (It is not clear to us that this has yet been accomplished in a comprehensive way.) Local governments, particularly a number in the United States have made more progress in using performance information for internal management uses, but this also has not happened overnight.

A. During the first year or so:

Step 1: Initial Implementation Steps—Establish an oversight committee, develop a multi-year plan, and identify the resources needed

Establish a government-wide Performance Measurement/Performance Management Steering Committee to provide comprehensive support, guidance, and advice on performance management and measurement efforts throughout the government. Agencies face many common issues implementing performance management successfully. Each agency should not have to “start from scratch.” Exhibit 2 provides suggestions on the committee’s composition. This will also help to build support for the performance management process. Each ministry and each agency might form a similar steering committee.

The Ministry of Planning and Budget in S. Korea is planning to establish a “Central Performance Measurement System Advisory Group” one at each ministry. Advisory groups are to consist of officials from the MPB and line ministries and private sector professionals.² High-level officials need to be fully supportive of this performance measurement/management-by-results approach—for it to be fully implemented and sustainable over time.

Develop a multi-year implementation plan for performance measurement/performance management (perhaps covering the next 3-5 years). The plan should identify which organizations should do what and by when (*for example identification of indicators, data collection, and analysis*). Exhibit 3 provides a sample three-year schedule that focuses on the “technical” steps for any single agency or program within the agency.

Estimate the start-up costs and subsequent on-going implementation costs for the performance management system. Seek funding for any significant added start-up costs. Over the long run, performance management is expected to become a basic part of the

² Kim, op. cit., page 8.

work of public managers and be routinely financed by regular operational funding. (Note: this step may need to be delayed until development of the data collection plan described in step 4 below.)

Step 2: Market Performance Management Among Employees

Market performance measurement/performance management among government employees. Disseminate the reasons for regular outcome monitoring throughout the government. Make it clear that this has high level and widespread support. Seek support from elected officials, the business community, and the general public.

A key “marketing” approach is for upper and middle level managers to require regular performance reports and to use them as an opportunity to hold program performance review meetings. If program outcomes are a major subject of those sessions, this will indicate to other government personnel that results are of key importance. This type of meeting is discussed in more detail in Step 12.

Step 3: Develop Guidance Materials and a Training Plan for Performance Management

Develop and disseminate guidance materials on performance measurement/performance management for use by both management and non-management personnel. Include definitions of key terms relating to performance measurement, such as "outcome," "result," "output," etc.—needed to avoid confusion in terminology among agencies and their programs. This includes developing a manual on performance measurement and on the constructive use of performance information (transforming performance measurement into performance management) for use by individual agencies and their programs.

Develop a plan for performance measurement/performance management training programs and technical assistance. Estimate who will need training (e.g., what levels and what functions) and when, and how many persons need to be included. Assign responsibility for this step.

The training on performance measurement might include information on:

What performance measurement is (focusing on measuring outcomes).

- How performance measurement can be used for managing performance.
- The types of data collection procedures (especially customer surveys, trained observer ratings, and use of agency records).

Trainers in practical outcome-based performance measurement are likely to be quite scarce. An option is to consider participants in the government's early performance measurement programs efforts as candidates for trainers, even if the training is for other programs or other agencies.

If the country has chosen to adopt a pilot approach to implementing performance management (see section IV), ask personnel who participated in successful early trials of outcome-based performance measurement systems to help with performance measurement training. When feasible, also ask those personnel to provide technical

assistance to other agencies in their performance measurement development efforts.

Step 4: Identify Current Data Availability and Develop a Data Collection Plan

Identify the current performance data available and the major performance data gaps in what performance information managers need. Ask agencies to identify performance indicators for which regular data are desirable for each of their major programs. The indicators should include both outputs (the amount of work accomplished) and outcomes (the quality and effects of the program's work on citizens). The indicators should include both those for which data are currently available and those for which data are not currently available but can be obtained in the future. (Many programs will probably not currently be systematically obtaining outcome data.) Customer surveys and "trained observer" procedures are both likely to be useful to many agencies for collecting outcome information for their performance measurement systems.

Request that each agency develop a data collection plan for the performance indicators, particularly the performance indicators for which data are not currently being collected. The data collection plan should: define thoroughly each performance indicator; identify how the data will be collected (the data collection procedure that is expected to use); the timing and frequency with which the data for each indicator will be collected and reported; who will be responsible for obtaining the data on each indicator, and any special resources needed for collecting the data.

Given the considerable potential usefulness of customer surveys for many agencies, the government should consider providing some national technical assistance in customer survey procedures to agencies and their programs. Any agency, and any program within an agency, that plans to use regular customer surveys will face a set of common issues.

Step 5: Develop a Process for Citizen Input

Develop and implement a process for the government and its individual programs for obtaining input from citizens on the quality and effects of the agencies' services. First, develop and implement a process for obtaining input from citizens for selecting the outcome indicators, such as through the use of focus groups or hearings). Second, consider using citizens to help with data collection, such as doing "trained observer" ratings of educational or health facilities, roads, or landfills in their city.

B. During the second and third years:

Step 6: Establish a Baseline and Set Targets for Improvements

First obtain data for performance indicators to establish a baseline. This is vital for future target setting by program managers. Such targets, of course, need to be related to the resources expected to be available to the program.

Begin holding regular (perhaps quarterly) performance reviews whereby a manager, at any level, meets with staff to discuss the findings and what needs to be improved and how -- shortly after the performance report for the latest reporting period has become available. In subsequent meetings assess the extent to which changes have led to desired improvements.

Step 7: Develop Procedures for Data Quality Control

Develop procedures for data quality control. Such offices as those of an Auditor General and any Agency Comptrollers might be encouraged to incorporate performance data collection procedure reviews in their work. The purpose here is to encourage, and ensure, that the outcome data are of satisfactory quality.

Step 8: Report Performance Information Regularly

After the performance measurement process has been underway for a year or so, ask each operating agency to develop annual reports for the public, ones that includes outcome information. Whenever possible, break out (disaggregate) outcome information to show outcomes for different customer groups. Some examples of candidate breakouts are income, age, gender, and location.

Involve citizens in group meetings to discuss the findings from the outcome reports. These meetings would include discussion of customer/citizen responsibilities in producing successful outcomes, as well as the role and improvement actions needed by government programs.

Step 9: Use Performance Information in Budget Submissions

Begin calling for agencies to provide performance information in budget submissions at the beginning of the second year of implementing a performance management strategy. This is an early use of performance information. The Government and its Budget Office can begin to request (and, at a later stage, require) outcome information from agencies as part of each agency's budget submissions. Budget-year targets for each performance indicator should also be requested for agencies for each program. The budget requested for each program is that expected to be needed to help produce the outcomes targets that the program proposes for the budget year for each of its performance indicators.

Budget reviews by the Budget Office and, internally, by the agencies themselves, should include reviews of past achievement of outcomes and reviews of the outcomes that agencies hope to achieve in the new budget year (with the resources requested by the programs).

If the government reviews outcomes as part of its review of agency budget proposals, this will be a major motivator to encourage agencies and their programs to obtain and use outcome information.

Step 10: Use Performance Information to Make Service Improvements

Improving Roads and Footbridges In Baldusku, Albania

In 1999, Baldusku—a rural commune consisting of 14 villages (average population of 400)—decided to prioritize the improvement and building of new roads and footbridges that connect the villages to the main road. They did the following:

- Developed outcome performance indicators. For example, (1) increase the percent that rate the condition of access roads as adequate or better from 37 percent to 45 percent, and (2) decrease the number of footbridges rated in bad or worse condition.
- Undertook a citizen survey to obtain a satisfaction rating on roads and footbridges in different zones of the commune. Survey results were distributed to all 14 villages via a newsletter.
- Launched a public awareness campaign for citizen contributions to the building of three footbridges.
- Obtained donor funding (World Bank, Soros, and International Organization for Migration) to purchase road and footbridge maintenance equipment.

Only by using performance information can each agency get the full benefit of implementing a performance management strategy at the national level. Governments initiating such a process often spend considerable time collecting data and then stop at reporting the performance information—the use of such information does not get sufficient attention. One approach is to develop and implement service improvement action plans. These focus attention on priority improvements by using performance indicators to establish improvement targets and then track progress towards those targets. This can be done towards the end of the first year after implementing a performance management system.

A service improvement action plan is usually developed and implemented through a working group created within the agency. This group can include senior management, technical, and line staff. Researchers or external experts (from the business or academic community) can also be members. The working group starts by assessing the critical issues facing their agency. It then selects outcomes and indicators, establishes baseline data, and sets improvement targets, develops and implements an action plan with clear roles and responsibilities to achieve the targets, and collects data again—in 3, 6, or 9 months—to identify the extent to which the desired improvements in service outcomes have occurred.

As shown in the text box insert, a municipality in Albania has used these action plans.

Step 11: Include Performance Measures in Contracts

Consider using "performance contracting" when contracting for important program services—whether to non-government organizations (NGOs), for-profit businesses, or other public agencies. Performance contracts include outcome indicators and outcome targets in the contracts. Thus, performance contracts identify what outcomes are required and how much outcomes are expected, rather than specifying in the contract

how to do the service. Performance contracts sometimes detail specific monetary rewards and/or penalties for particular levels of outcome. (For example, contracts for employment programs might pay the contractor a specified number of money for each client for whom a job was found.)

The use of performance information in contracts can be initiated after the agency and its program have sufficient performance data to establish performance targets for the contract.

Agencies should encourage government contractors to use outcome measurement procedures. Outcome data will help contractors regularly assess how successful their activities are and help them identify elements of their services that need improvement. Subsequently, the outcome information can help them assess the extent to which those improvement actions have been successful.

Step 12: Begin Annual Performance Reviews and Recognition Awards to Motivate Staff

Begin providing good-performance recognition rewards for agencies, or programs within agencies, for excellence in helping produce high outcomes. Such awards would reward agencies or programs that have achieved high levels of outcomes and those whose outcomes have improved significantly in the past year.

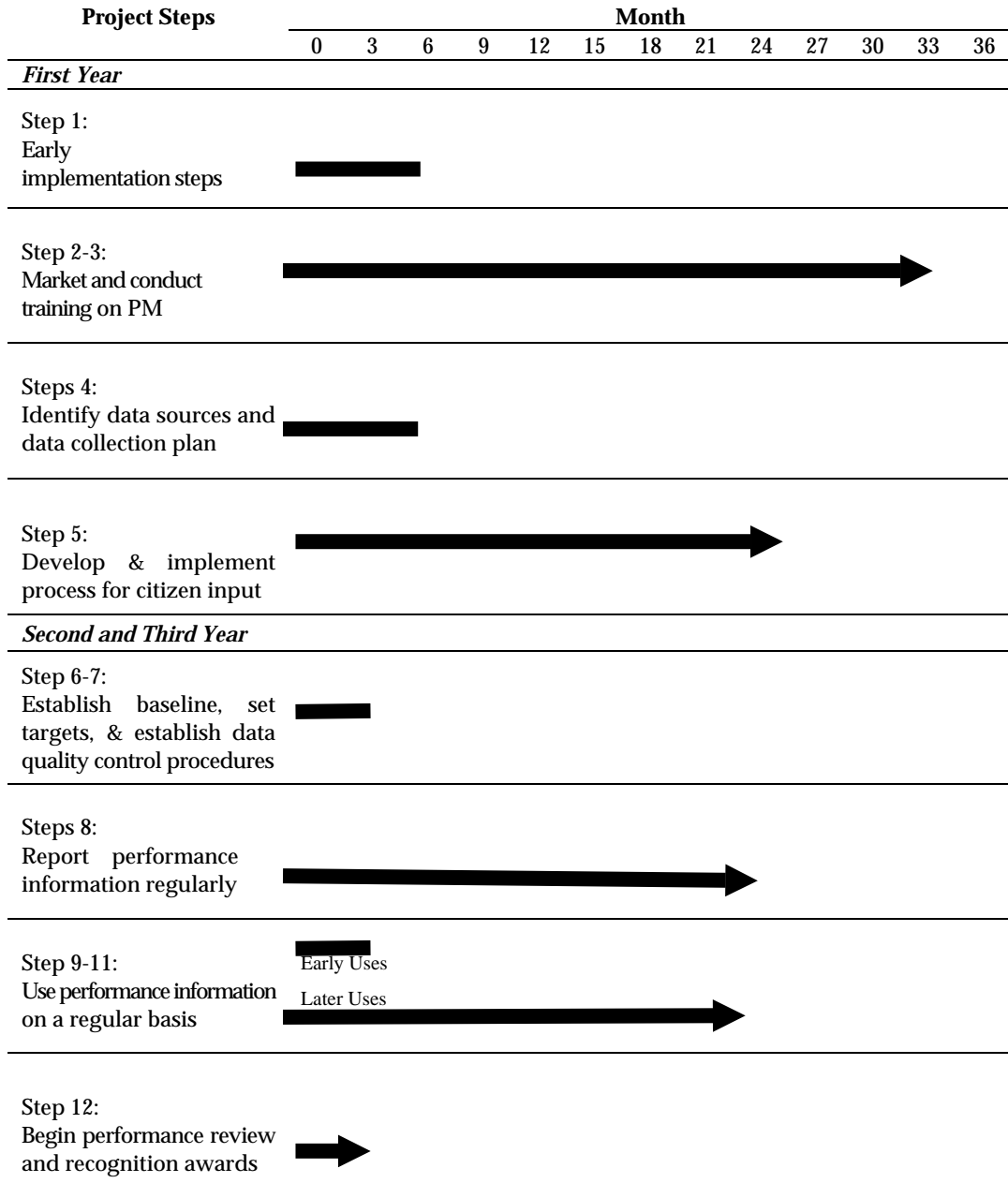
Begin including in annual performance reviews of program manager, and other key staff, a review of the most recent available findings on program outcomes. If the program has not yet implemented an outcome monitoring process, the performance reviews of the manager and key staff would include, as one of the elements being appraised, the extent to which they are making progress in implementing such a process.

Exhibit 2. Possible Composition of a National Oversight Steering Committee

The Steering Committee might include representatives from the following types of organizations:

- Budget Office, e.g., ministry of planning and budget
- Finance Office.
- National Planning office.
- Ministerial offices, perhaps up to three
- Operating agencies (at least three)
- Civil Service/Human Resource office.
- Office of the Auditor/Inspector General
- Outside expert

**Exhibit 3. Sample Performance Management System Schedule
For Each Program/Service—36 Month Schedule**



3. ROLES AND RESPONSIBILITIES

A. The Role of the National Oversight Office (Such as a Ministry of Planning and Budget) and its Relationship to the Line Ministries

Piloting Local Government Administrative Reform in the Philippines

Within the context of the Medium Term Philippine Development Plan 1999 to 2004, the national government has implemented the Local Development Administrative Measurement System (LDMAS). The LDMAS was developed in consultation with national and local government agencies, civil society groups, donors and academics and is organized around 11 key local government performance 'domains' (e.g., fiscal management, service delivery, land use, infrastructure, etc.). These domains are measured through 67 input, process, output and outcome indicators, and have been recently pilot tested in 6 municipalities with the following impact:

- Each of the six municipalities reported that the indicators provided administrators with important measures of performance that were previously not accessible.
- In the small GoA municipality, the indicators directed attention to poor fiscal performance of the city administration, leading to the initiation of a series of measures to improve the fiscal performance.

This is a key, if not the key, relationship needed to develop an effective performance management process. The national ministry should provide basic guidelines and ground rules for the overall process. At the same time, the challenge is to provide enough flexibility to the individual line ministries and their agencies to develop performance indicators, data collection systems, and report appropriate for their own needs. Providing common definitions of key performance measurement terms and basic performance reporting formats that all agencies need to use in reporting to the center is desirable—to avoid confusion and inconsistent reporting. See the Philippines example in the text box insert as a sample national government initiative.

The national office would call for ministries and their agencies to provide data on their major outputs, outcomes, and efficiency indicators. This would be a requirement in budget submissions. The national office probably would also call for reporting on these indicators at regular intervals throughout the year, such as quarterly. The latter is particularly important for moving from a purely performance measurement system to performance management. These regular reports provide a basis for program reviews, permitting more timely mid-course modifications throughout the year.

The national office should establish basic common reporting formats that it needs to review performance. For budget submissions, it might call for separate reports on each agency's performance indicators. Or— more commonly done—it might call for identifying the indicators and their values along with the funding information for each program. The national office might request that indicators be reported by category of indicator (such as whether the indicator measures an output, an intermediate outcome, an end outcome, or efficiency). The form might contain separate columns for reporting indicator values for some number of past years, columns for the budget-year

performance targets for each performance indicator. (The form might also call for reporting anticipated values for performance indicators for programs whose budgets are expected to produce products in years beyond the budget year. This appears to be rare in current performance budgeting systems, at least as a formal requirement.) The national office should also include requirements for agencies to provide explanations when the indicator values are considerably worse, or better, than the targets. See the Texas and Louisiana example in the text box insert.

**Requiring Explanatory Information:
Texas and Louisiana, US**

The states of Texas and Louisiana in the United States have required formal explanations for any performance indicator values that are not within either plus or minus five percent of the target that the agency had set for the performance indicator for the reporting period.

Both states require quarterly reporting on performance to the governor and legislature, and have established web-based reporting systems, so that agencies can easily enter their results every quarter. For example, see the Louisiana Performance Accountability System (LaPAS) at <http://www.state.la.us/opb/lapas/lapas.htm>

A key element for governments that have performance measurement systems is that providing the data is likely to be perceived by many managers as being threatening. This is not an unreasonable concern by managers. This fear can lead to various forms of non-cooperation, playing games with the numbers, reporting only on indicators that have had favorable values. The national office needs to take some steps to alleviate this problem. For example, by establishing a constructive rather than punitive framework in using performance information.

The national office would review the indicators provided to it by ministries and their programs to make sure they are sufficiently comprehensive and appropriate. When not satisfied, the office would work with the ministry and agency to work out a more satisfactory set of indicators. The national office also will be concerned about the quality of the data. Suggestions for alleviating this concern are discussed later in this report.

The national office also must be careful not to over-react to worse than expected performance figures. It should avoid automatically blaming agency or program management. Before acting, any reviewing office needs to first seek to determine the reason for the poor results. For example, weak outcomes may have occurred not because of any inherent problem with the program concept management but because of external factors (such as worsening economic conditions that hampered the ability of government employment programs to find jobs for unemployed workers).

Preferably the national office would act as a helper to line ministries and their agencies in developing their own performance management processes. This is likely to be a different perspective than is typical for national budget offices that consider their role as solely to review agency budgets to keep them as low as possible.

The government is likely to need a separate unit from the unit that examines budgets to develop the performance management guidance and provide assistance to agencies (such as the “management” part of an Office of Management and Budget). Each ministry and each operating agency will have its own special performance measurement problems. The use of an across-the-government oversight group, as discussed elsewhere in this report, can be used to help work out conflicts when they arise between agency flexibility and OMB needs for common reporting. It is likely highly desirable for the national ministry to select the terms for the various types of indicators, define them carefully, and provide examples. Unfortunately, considerable confusion has resulted in many governments because of lack of at least some attempt at standardization.

As noted in section II, implementation is likely to be eased considerably, and ministry and agency resistance reduced, if the government establishes a government-wide oversight group that involves ministries and agencies in guiding implementation.

Exhibit 4 summarizes the key responsibilities of the national oversight office.

B. Role of Ministries and Agencies³

The work of ministries and their agencies are, of course, essential to the successful implementation of a performance management system. Each Ministry will have to make a number of decisions specific to its own implementation of the system. These decisions are listed in Exhibit 5. Each decision is discussed below.

Who Will Take the Lead in Establishing Performance Management in the Ministry? Each minister will need to designate a senior person to lead in establishing a performance management system at the ministry. The day-to-day management and supervision of this system will usually not be feasible for the minister. If possible, the designated individual would be a non-political appointee, to assure continuity to the system even with a change in government. This person should have sufficient authority to make some key decisions on behalf of the minister. (Management and supervision of full-scale performance management within a ministry might require, perhaps, 40 percent of this person’s time over a one-to-two year period.)

Each ministry will likely find it very useful to establish a ministerial oversight committee of, say, 8-12 individuals to oversee development and implementation of performance management. In addition to the person appointed by the minister to guide this process, the committee might consist of:

- High-level officials of a few agencies within the ministry
- Representatives of the planning and budgeting office in the ministry
- Representatives of the ministry’s human resources office, such as the official in charge of training
- A leading expert in evaluation or performance measurement, whether inside or outside the ministry and government
- A representative from the national ministry of planning and budgeting (to

³ Some of the issues discussed in this section are drawn from: (1) Performance Measurement: Getting Results. By Harry P. Hatry. Washington, D.C. The Urban Institute, 1999 and (2) “Developing a Performance Management System for Local Governments: An Operational Guideline.” By Ritu Nayyar-Stone, Katharine Mark, Jacob Cowen, and Harry P. Hatry. The Urban Institute. Project No. 07330. June 2002.

- provide a broader perspective)
- A representative from the information technology office
- Possibly, one or two persons from outside the government who represent the sector that the ministry serves.

S. Korea, in addition to establishing a national performance measurement system advisory group, also is planning to establish a performance management advisory group in each ministry.⁴

Who Will Take the Lead in Establishing Performance Management in the Agencies? Each agency will need to identify personnel who will lead the agency's effort. The agency head will need to designate that individual. Probably the agency should also form an overall coordinating/oversight group consisting of representatives from a number of programs, if not all major programs, in the agency that would work together. The group would recommend agency strategies for such performance management elements as developing an overall schedule, training of staff, common reporting formats that supplement those required by the ministry, and obtaining resources where needed.

Who is Responsible for What? Clear responsibilities and timelines will need to be developed for each of the following:

- Developing an overall mission for the ministry and specific missions for the individual agencies and their individual programs.⁵
- Identifying the outcomes sought by each agency and each program, developing the specific performance indicators needed to track progress of each desired outcome, and who and how will targets be developed for each performance indicator.
- Prioritizing and defining the agencies and programs that will be the initial pilots adopting performance management—if the government decides to start with a pilot rather than full-scale adoption of performance management. (It is probably preferable to cover the entire ministry from the start, rather than specifying a few agencies as a pilot. This issue is discussed further in Section V.)

The overall mission for the ministry and its strategic/policy objectives are a major basis for agency goals, objectives, performance indicators and targets. Therefore, it is important that they are clear and specific enough to provide guidance to the agencies.

Who Will Select the Performance Indicators? Generally, the individual agency programs are asked to develop the set of performance indicators for the program. However, the ministry and agency need to determine what reviews will be made of the program's choices. (A national ministry, such as a ministry of

⁴ Kim, op. cit., page 8.

⁵ It is very difficult to define the word "program" very specifically. In general, a program is a group of government activities that has a particular mission and is sufficiently substantial to warrant being identified as a specific entity with its own budget. Each government needs to establish its own set of programs. Some examples of what might be separate programs are: road maintenance, road construction, communicable disease prevention (but the health agency might want to have separate programs aimed at particular diseases, such as AIDS-prevention), water pollution control, and foreign trade development.

planning and budget, should also later review the performance indicators, at least the key performance indicators that it believes it needs for its reviews and should be provided to elected officials.)

Programs tend to focus on outputs (and to a lesser extent, unit-cost), indicators over which they have most control, with little focus on outcome indicators. However, a key principle of performance management is that a major focus is to assess and attempt to improve outcomes important to citizens. Thus, upper-level reviews of the program's choices of performance indicators will almost certainly be needed to assure that the program includes an adequate balance of outcome, as well as output, indicators.

The identification of a clear set of clear mission/objectives and valid indicators that can assess results is a critical foundation for a performance management process. Shortcomings in these have led to many problems in implementing useful performance management.⁶

Will There be a Strategic Plan and When? The concept of strategic planning is excellent. It is highly desirable that each government agency periodically undertake an extensive examination of what its missions is, what the agency wants to accomplish in the future (its objectives), what the future is likely to look like, and what steps the agency needs to undertake to reach its future objectives.

However, it is not necessary to carry out a full blown strategic planning exercise in order to start implementing performance management. It likely would be better for the agency to focus initially on determining what the agency's mission is, what type of outcomes it seeks, and what outcome indicators should be tracked to assess progress in achieving those outcomes. It probably should wait until it has gained experience in performance measurement, after which each ministry may want to prepare strategic plan.⁷

Once a ministry has an established performance management system and a strategic plan, they will have very strong synergies / complement each other very well. For example:

- The mission statement, objectives, key outcome indicators included in the strategic plan can also be an integral part of the performance measurement system.
- The performance measurement system can be constructed to track the key outcome indicators for assessing progress towards the objectives included in the strategic plan—as well as providing other, more detailed, indicators needed for program reviews and to help in program improvement.
- The first year of the strategic plan should be the basis for establishing the budget for that year.

The strategic plan provides an appropriate opportunity to stress that service to customers is a key issue for the ministry, even for line staff. It can also serve as a public information document for the public. The main concern with strategic planning is the time and effort needed to develop a thorough and useful strategic plan. Many government organizations that have prepared strategic plans only prepare complete new plans every few years. They do, however, up date them perhaps every other year. If

⁶ This was noted by Gustafsson, op.cit., page 15 in describing the Swedish system. It appears to apply equally to most, if not all, the other major country efforts to date.

⁷ One form of strategic planning is "appraisal or situational analysis" (also known as a strength, weaknesses, opportunity, and threat analysis (SWOT)).

this is not done, plans can quickly become obsolete and irrelevant.

Probably the main value is not the strategic plan itself but rather the strategic planning exercise, forcing the government to think about and evaluate new strategies, new approaches, especially in the face of changing environmental and technological conditions. Many, if not most, strategic planning exercises, and the strategic plan that results, have fallen far short of being thorough examinations of the agency's mission, the future, and alternative strategies. This issue is discussed further in Section V.

Who Will be Trained, in What, and by Whom? Adoption of performance management requires adequate staff training to ensure they have the skills and understanding of performance measurement and ***performance management concepts and procedures***.

Several levels of training are required—for senior managers in the ministry headquarters, for managers and supervisors in individual line agencies, and for many, if not most, line and support staffs. It can be argued that every one in the government should have exposure to the concepts of citizen-focused services, a central concept of performance management. Probably the most efficient way is to first train senior managers at the ministry and agency level using external trainers and any training materials developed by the National Ministry of Planning and Budgeting (if this exists).

Following this, the ministerial staff should adjust the material so that it is specific to the ministry and its agencies. Training for managers and professional staff in the agencies might be provided initially by staff at the ministry. However, in the long run, such training should be considered to be the responsibility of each agency. Performance management should be considered to be just part of good management. At the beginning of training for line staff, a one-hour presentation by the Minister and head of the agency, indicating their support for performance management, can be very effective in clearly indicating that these high level officials take performance management seriously.

It is important that training is done not only at the start of the Performance Management Strategy, but also on an ongoing regular basis to reconfirm techniques and learn new approaches. Training will also be required for new staff joining the ministry. The content of the training is discussed in Section V.

What Resources are Needed and Available to Implement the Process? The ministry with its agencies and programs will need to consider what added financial costs and time will likely be needed. Then it will need to consider where that cost and time will come from. Some initial assistance preferably would come from the national ministry sponsoring the performance management effort, such as for initial training. Some might come from outside funding sources such as the multi-lateral banks and bi-lateral organizations.

Over the long run, however, the ministry and its agencies will need to be responsible for their own performance management efforts. Performance management should be considered to be just a part of good management. The potential costs of a performance management process are discussed further in Section V.

What Reporting Requirements Will Be Assigned? The ministry will want to specify reporting requirements for its agencies—and in a manner compatible with the requirements specified by the national budget ministry. The agencies will want to specify reporting requirements for its programs. Reporting requirements include:

- What types of performance information is to be reported;
- What explanatory information should be provided if actual performance levels

miss or considerably exceed, the targets for the performance indicators—and steps being planned or undertaken to correct the problem;

- In what formats;
- When they will be required.

While each agency and each program may choose to track a relatively large number of indicators for internal use, each will need to select a shorter list for “external” reporting.

In addition, the ministry and/or agencies, with their programs, need to develop guidelines for analysis of the performance data, especially outcome data. The raw data are rarely useful to managers and staff. Data on individual events need to be aggregated and then grouped in ways that can be really useful. For example, outcome data will usually be considerably more useful to managers if the performance data are grouped by such characteristics as the following:

- By demographic groups, such as: age group, gender, race/ethnicity, and income group
- By geographical areas, such as: regions, districts, and municipality
- By the particular office or facility providing the service (it is a basic principle of performance management that each manager should be provided performance data related to each manager's own area of responsibility).

A major use of such groupings of the outcome data is to provide benchmarks against which managers and others can assess progress. (Other benchmarks include comparisons to outcomes in other similar countries. This is already commonly done for a number of basic countrywide indicators, such as infant mortality rates. This requires that reasonably similar data are being collected.)

How Will Performance Information be Used in Preparing and Justifying Budgets? Budget preparation and justification is of major concern to ministries and their agencies and programs. Some budget instructions will come from the national budget ministry. In a performance management system, a major new budgeting element is performance budgeting—the inclusion and consideration of output and, particularly, outcome information as part of budget submissions.

However, each ministry and its agencies will likely want to determine the way budgets will be prepared and submitted in more detail than that included in the guidance provided to it by the national budget ministry. The ministry and agencies will want to select those performance indicators that are most appropriate for inclusion in budget submissions. Agencies and their programs will inevitably need for internal management purposes considerably more output and outcome information than is likely to be needed by the national budget ministry.

A major requirement in performance budgeting is to set targets for each reported performance indicator for the budget year. The ministry and its agencies will need to develop guidelines rules as to how these might be chosen. We note that choosing targets for outcome indicators is likely to be more of an art than a science. While often it will be possible to relate outputs to budget size, this is seldom, if ever, true for outcomes. Seldom, if ever, will formulas become available that permit precise forecasts of outcomes from budget size.

How Will Internal Performance Targets be Established? Setting performance targets for each output and outcome indicator at the beginning of each year, and then reviewing performance against those targets periodically throughout the year, are

basic elements of performance management. As noted above, establishing annual targets is usually required as part of budget submissions. However, for internal management purposes, it is good practice to also set targets for shorter reporting periods, such as for each quarter of the year or for each month. Following are some ideas for selecting targets:

- First, consider previous performance.
- Consider new internal developments such as new technologies likely to affect future performance.
- Consider external factors that can be expected in the future, such as population and economic changes
- Consider benchmarking against the best, such as the outcomes achieved by the program's best performing regional offices.
- If benchmarking against the best is considered too great a challenge, use the average performance of all units.
- Make sure the targets chosen are feasible, given the agency's budget and staffing plan for the year.
- Consider seasonal factors.

What Kind of Information Technology (IT) Support System will be Necessary? Computerized data-processing capability and skills in the ministry and agencies will make it much easier to collect and analyze performance information and in a timely manner. The extent of technical assistance from IT offices (whether coming from the national level of government and/or from the ministry) will likely be important to each program attempting to provide accurate and timely performance data on many performance indicators.

If possible, information on each agency can also be placed on the world-wide-web for easy accessibility and update.

What Kind of Incentives Will Be Used to Encourage Improved Performance? Performance data can be used to help motivate agencies, programs, and their staffs. A list of incentives that include performance as a major criterion, and have been used in the past by governments, is presented in Section IV.

The incentives available will likely be largely determined by national, not the line, ministries, especially monetary incentives. However, line ministries and their agencies will likely have some flexibility in their application. Ministries and their agencies are likely to have authority to decide for themselves whether to use non-monetary incentives. These include:

- Recognition awards, whether awarded are to be made to whole agencies, whole programs, teams of workers, or individuals.
- Regular program performance reviews, perhaps held with staff shortly after each performance report has been issued and disseminated to staff. At these sessions, staff would discuss where performance was very high and where performance was disappointing, discuss why, and suggest actions to improve performance in the future. Note that this motivational approach does not use awards to motivate. Rather, this approach motivates by establishing that management is taking performance information seriously and wants to use the information in a constructive way to improve public services. Regular performance reviews may be the most effective motivator, non-monetary or monetary! (Some large cities in the United States, especially New

York City and Baltimore, have begun using this approach in recent years with what appears to be considerable success.)

- Allocating discretionary funds to agencies (or to individual agency programs) for programs with high performance (such as providing extra resources for training, for other professional development opportunities, or for new equipment.

What is the Role of Performance Information in Contracting for Services? If an agency contracts or provides grants to other organizations for services to customers, it can include performance targets in the agreements, especially outcome targets, and then compare actual performance to those targets. This is called performance contracting. The agreements can also include specific rewards and penalties for meeting or exceeding targets and for failing to meet the targets. (One of the first uses for performance contracting has been in road construction where bonuses are provided for completing construction projects ahead of schedule and for reduced fees for missing the schedules completion dates. In recent years such contracts have been used for a wide variety of services, such as employment and adoption services).

An additional motivator for contractors to perform well is to include past performance history as a criterion for future awards. Outcome-based performance contracts will be made attractive for contractors, and reduce their resistance to them, by exchanging this greater accountability for more flexibility in how the work is performed.

Government agencies need to consider a number of important issues when using performance contracting:

- The agency needs to have capacity to establish such contracts so they are fair to both the public and the contractor.
- The agency needs to have the capacity to monitor contractors carefully to obtain the info it needs to determine the extent to which contractors have met their targets—and be able to judge the validity of claimed reasons outside their control preventing them from meeting their targets.
- Performance targets should be compatible with, and support, the performance indicators in the program's performance measurement system.
- The program will probably need to encourage, and help, contractors maintain their own performance measurement processes but require them to allow the program to undertake periodic quality control audits of the contractor's data systems.

What Will be the Role of Local Governments? Ministries and agencies that provide resources, or regulate, services provided by regional or local governments, need to consider what performance information they need for their oversight work. The ministries and agencies will need to work with those governments to determine the reporting requirements. This includes identifying what data on what performance indicators will be needed and the reporting timing. (Local governments are likely to find the performance data useful as well.)

What Will be the Role of Customers, Businesses, and Nongovernmental Organizations? These stakeholders are important role in at least three stages of implementing a performance management system. Here are some potential roles:

- They are important sources of ideas for determining what outcome indicators

the program should track. This information can be obtained by holding focus group meetings with customers, businesses, and NGOs.

- They can be important source of data for measuring outcomes. Reliable feedback can be obtained from citizens and businesses by sponsoring quality surveys.
- They are important potential customers for performance reports. They can become supporters of the activities of the ministry—if the reports focus on outcomes (and not outputs) and provide clear, understandable, information of interest to them.

Using Citizen Report Cards in Bangalore, India

In 1993 and 1994 the Public Affairs Center (an NGO), concerned about the deteriorating quality of public services, developed and implemented a citizen satisfaction survey that measured user perception on the quality, efficiency and adequacy of basic services extended by 12 municipal agencies. The results of the survey were translated into a quantitative measure of citizen satisfaction and presented in various media in the form of a 'report card.' The 1994 survey was followed up in 1999.

- Eight of the 12 agencies covered in the 1994 report card made attempts to respond to public dissatisfaction. The worst rated agency—the Bangalore Development Authority—reviewed its internal systems for service delivery, trained junior staff and began to co-host a forum for NGOs and public agencies to consult on solving high priority civic problems such as waste management.
- The report cards were also successful in generating political momentum for reforms. Popular local and regional media carried regular stories on the report card findings. Citizens have also been inspired to take initiative towards improving services and have subsequently engaged in the state-citizen Swabhimana partnership in Bangalore—a program to arrive at sustainable solutions to longstanding city-level problems. The Chief Minister of Karnataka has also established a Bangalore Agenda Task Force of prominent citizens to make recommendations for the improvement of basic services.

NGOs can also join together in identifying the principal interests of their constituents, and prepare report cards (see text box insert) to monitor the government's performance.

What Quality Control Procedures Will Be Used? When implementing performance measurement, ministries and their agencies and programs need to consider ways to ensure reasonable quality of the performance measurement information. Data quality may not become a major issue until the performance measurement information has begun to be used for high stakes purposes, such as in making major decisions. However, attention should be given to data quality from the beginning -- when important new and modified data collection procedures are being introduced. Data quality should also be a topic included in performance measurement and performance management training programs.

Periodic external, more independent, quality control reviews are highly desirable. Audits may include random checks of data at 2 or 3 randomly selected agencies. However, ultimately the responsibility for data quality belongs to the level where the data originates. Responsibility will usually reside with the individual programs in agencies. (An example of an exception, would be citizen surveys conducted by higher level organizations and seek performance info from multiple programs in the survey.)

When and in What Form Should Performance Information Be Shared With the Public? Depending on the agency (and type of service), performance information can be communicated to citizens on a quarterly, half-yearly, or annual basis. Reports should not focus only on agency missions and activities, but also on service quality and outcomes. Performance information is also most useful when adequately broken out into the following categories such as gender, income, age, education levels, and geographical location (rural or urban for example, or district/zone within a city). For external reporting—such as to the public—it is important to keep in mind the following:

- Be selective as to how many and which indicators are included. Ministries and agencies will internally track several more performance indicators than are reported to the public. However, when selecting indicators for external reporting, include the data on pre-selected performance indicators whether performance has been good or bad. This will help establish the credibility of the information.
- Make the reports easily understandable. As appropriate, use charts, graphs, and diagrams to supplement tables and descriptive information.
- Obtain feedback from the public about the usefulness and readability of the reports.
- If performance has been poor, consider attaching information identifying plans for improvement.

C. The Role of the Legislature

The legislature is both a major motivator for, and a major user of, performance information. Having legislation that requires the government to report performance information provides one basic building block for performance measurement and performance management.

Whether, and how, the legislature uses the performance information that it receives can also have significant effects on the success of a performance management system. Legislatures in some countries may have little real power so they cannot make much use of such information even if they had good relevant results-based information. In a parliamentary government the executive and legislative functions tend to blend together. Nevertheless, most of these same issues apply.

Whether or not the government has a parliamentary system, line agencies usually are reluctant and apprehensive about providing performance information to the legislature. And many legislators may not be interested in, or may not trust, the quantitative data provided by line agencies. Agencies may provide too much data on too many indicators, many of which may not be very important (usually being output, not outcome, data). For all of these reasons, thus far, use of performance information by legislatures to make policy or even appropriation decisions seems quite sparse. The lack of such use, while perhaps acceptable to the line agencies, also means that the legislature is not motivating the agencies to strengthen their performance measurement and performance management processes.

At some point, we expect that legislatures will become more interested in performance information, especially information which represents important outcomes for their citizens. Legislatures are likely to be interested, when good data on these become available to them, in such data as that on educational achievement, on indicators of health, on crime statistics, on measurements of air and water quality, on transportation safety indicators.

Exhibit 4. The Responsibilities of National Oversight Offices

1. Establish ground-rules and guidelines for required regular reports and for budget submissions (such as: definitions of required types of performance indicators; guidelines for presenting budget period targets for individual performance indicators; number of prior years for which data are to be reported, requirements for providing explanations for unexpected numbers; and the format for presenting this information).
2. Provide training to budget examiners in performance analysis.
3. Establish requirements, if any, for long range strategic planning (including the number of years to be covered and the content -- see Exhibit 7 for suggestions on content).
4. Provide support and at least some resources for initial agency training and technical assistance in performance measurement and performance budgeting.
5. Design incentives to agencies for performance measurement and performance management (with an emphasis during at least the initial years in non-monetary rewards for good performance, such as recognition awards for agencies and programs with sustained good outcomes).

Exhibit 5. Decisions at the Ministerial and Agency Levels

- Who will take the lead in establishing a performance management system in the ministry?
- Who will take the lead in establishing performance management in the agencies?
- Who is responsible for what (strategic missions and policy objectives; agency objectives, indicators and targets)?
- Who will select the performance indicators?
- Will there be a strategic plan and when?
- Who will be trained, in what, and by whom?
- What resources are needed and available to implement the process?
- What reporting requirements will be assigned?
- How will performance information be used in preparing and justifying budgets?
- How will internal performance targets be established?
- What kind of IT support system will be necessary?
- What kind of incentives will be used to encourage improved performance?
- What is the role of performance information in contracting for services?
- What will be the role of local governments?
- What will be the role of customers, businesses, and nongovernmental organizations in performance management?
- What quality control procedures will be used?
- When and in what form should performance information be shared with the public?

4. DESIGNING A PERFORMANCE MANAGEMENT SYSTEM

While designing a performance management system at the national level several issues should be addressed. These are discussed in some detail below.

A. Need For Cultural Change

Using Outcome Information to Identify Technical Assistance Needs, North Carolina, US

The North Carolina Women's and Children's Health Division reports on performance to all 100 county health directors. Outcomes are compared, and used to identify those that need most technical assistance (provided through regional consultants). Indicators include adolescent pregnancy rate and percent women with short birth interval.

The concepts of outcome management are quite straightforward and common sense. Nevertheless, outcome management does appear to require a shift in thinking for government employees. Government managers have traditionally focused on their budgets and expenditures—that is, inputs. When they think of their products, government managers have typically focused on the physical outputs they produce. This is understandable since this is what managers can most readily count and perceive as being their product. To switch to a focus on a customer/citizen orientation—that is outcomes—agencies need to change the way they think. Such an orientation means that public services need to focus much more on what good they can do for citizens, information much less currently available. The shift towards a performance-oriented culture requires the following:

- That staff adopt the values, beliefs, and behavior that enable the government to achieve its goals.
- That performance improvement becomes a way of life.
- That the various parts of the government begin to use the performance information to help them operate their agencies and programs (for example, by using regular program reviews and recognition awards to motivate employees and underpin the performance culture).

Another major barrier to altering public manager culture is managers' (legitimate) concern that "performance" information will be used against them. If the government emphasizes the use of performance information to make service improvements, to make the organizations into "learning organizations," this problem will be alleviated. See the text box insert of the use of performance information by North Carolina, US. Performance information can be used not only to identify problem areas, but also to provide appropriate commendations or rewards to staff for high performance in the face of adverse external factors. Problem areas can also be viewed as a signal for a need for greater training and/or technical assistance. This, rather than the punitive element of performance information, needs to be stressed to make managers less wary about collecting performance information.

Another, important, way to alleviate such concerns is to explicitly include in any performance management system the opportunity for agency and program managers to

provide explanations as to why particular performance levels have not met expectations. This can be quite important because of the many external factors over which managers have little or no control. They do not want to be blamed for poor performance if it occurred because of factors outside their control.

In some instances, national service providers may be monopolies and not face competition. They may be fully comfortable about their “outputs” and unwilling, or not see the need, to focus on outcomes. In this situation the Steering Committee could stress that (even though the agency does not need to worry about competition) performance information can help agencies use limited resources more efficiently, improve service delivery, and develop a better relationship with citizens.

B. Take Advantage of Existing Public Sector Strengths

National governments, of course, differ in many ways. They can have different cultures, different levels of resources, different degrees to which managers have authority to take various actions, different degrees to which staffs have had training or other background in analytical processes, different levels of IT capacity, different histories as to the collection of performance data, different degrees of “red tape” that reduce managers’ ability to implement performance measurement and use the performance information to make changes, and so on. In addition, agencies within a national government can also differ considerable in all these elements.

The features of performance management described throughout this report apply in general to all governments and agencies (and programs). However, the degree to which these elements can be accomplished, and when, can differ considerably. For example, some countries, some programs, will need considerably more time before they can obtain important outcome data. In such instance, these programs will need, at least initially, to use less sophisticated data collection procedures, with less detailed coverage, and less frequent data collection than are preferable. Manual data processing procedures may need to be used until adequate computer technology and the training to use it are obtained.

In some countries, or some agencies, managers may have little flexibility to use the data to change service procedures or even suggest such changes. This can significantly reduce the value of the information collected.

Some agencies in some countries already are collecting data of reasonable quality useful for performance reporting. For example, agencies may be collecting data on infant mortality, unemployment, incidence of various diseases, school dropouts, school attendance rates, etc. (Even if such data are being collected, countries may not be using this information for management purposes. Also, data collected are usually not broken out by age, gender, location, income, education, etc.—information likely to be especially useful for identifying needed improvements.)

To the extent that outcome data are being collected on a regular basis, countries can use this as a model for initiating performance management in the collecting agency and other agencies. A national government might start its performance management effort by identifying programs that already collect data that can be readily adapted to performance information. Similarly, some programs, some agencies, might have expertise in particular data collection procedures. For example, some agencies, and programs, might be undertaking at least periodic surveys of citizens. The persons knowledgeable about the procedures might be able to help other agencies, and programs, use surveys, say of their own customers, to obtain outcome information. (For example, if the National Statistics Offices already undertakes periodic national surveys of the population, the staff of these offices might be able to provide training or technical assistance to other

agencies, or might be able to undertake the survey work for the other agency.)

Other public sector strengths and skills that can be taken into consideration while designing a performance management system are:

- Accounting system. A good accounting system that can be flexible enough to provide cost accounting by program (as a primary basis for performance budgeting and measurement of program efficiency) would put that government far ahead for these components of performance management.
- Working relations across various departments and agencies.
- Business community. In countries in which the national government has good, constructive, relations with the business community, they might be able to provide—whether voluntarily or under contract—help in some of the techniques and procedures of performance measurement.

C. Incentives to Encourage Performance Management

A major issue in performance measurement and performance management is the need to encourage government personnel to take the effort seriously. A number of incentives can be used to help motivate public employees to focus on results and service quality that citizens receive. These include:

Non-Monetary Incentives

- Offering more flexibility to ministries, agencies, and their programs in exchange for achieving results. Managers might be given more control over procurements, personnel changes, or more flexibility in use of their funds—if, for example, they had met their performance targets for some previous number of reporting periods. This can have major appeal to agency and program officials.
- Providing recognition awards to programs or agencies that, for example, had met their performance targets for some previous number of reporting periods.
- Providing added opportunities for outside training
- Distributing the performance reports to program personnel so they are kept aware of the progress their programs are making.
- Calling for agencies and their programs to report the outcomes of their programs to the public.
- Holding regular program review meetings with program staff in which performance is a major topic. Such “How-Are-We-Doing?” sessions can be the most effective way to motivate public employees. They can demonstrate to staffs that management is taking the results-oriented approach very seriously. Such sessions would be held shortly after each regular performance report was prepared. At the meetings, the group would assess where the program’s results were good and where not so good. The group would attempt to identify why unexpectedly good or poor results had occurred and then come up with an action plan for improving future program results. If the group could not identify the reasons, the program might assign individuals to seek such reasons and report back on their findings. In later meetings, after changes had been made, the group would review the latest performance information to assess whether the changes had achieved the results expected.
- Including performance criteria as part of annual individual performance appraisals (if the government has such an annual performance appraisal process).

- Recognizing good performance in one part of the program by asking staff to provide technical assistance to another part of the program.

Monetary Rewards

- Providing monetary awards to programs or agencies that, for example, had met their performance targets for some previous number of reporting periods. The use of such additional funds would might be limited to such activities as special staff training, attending conferences, computer upgrades, and the like.
- Linking individual salary to performance. However, such attempts in the past have often back-fired, causing problems and resentment by those not receiving the added pay. This approach requires very careful design.
- Providing one-time bonuses to individuals or to teams who have achieved high levels of performance.

D. Use of Pilots or Complete Coverage

When starting up a performance measurement or performance management system, a government may choose to pilot the process in a few agencies and programs or call for coverage across all, or at least most agencies, especially the line agencies.

In our experience, across-the-board coverage is likely to be the better option. Pilots suggest that the government does not have a full commitment to performance management and represents only a half-hearted commitment to a performance oriented culture. Using a pilot process will also likely stretch out full government implementation for many years—and the momentum from the initial support may dissipate by the time the pilots are concluded. In addition, some agencies and programs not covered are likely to take the position that their programs are different, and more difficult, than those in the pilot. Thus, they will argue that the pilot was not helpful to them, even if the pilot has been successful.

The Government of Thailand in the mid 1990s experimented with pilots in three of its agencies, but without a wider level of support the initiative waned by the time the pilots were completed, even though the pilots appeared to be successful.

The United States in 1993 passed performance measurement/ performance budgeting/performance management legislation that was also agreeable to the executive branch—with reporting by all agencies to begin in fiscal year 1999. A three-year pilot effort was called for by the legislation, involving a small number of federal programs. Most other agencies and programs stood by and waited, probably expecting the new requirements to go away. The pilot effort appears to have delayed many agencies from taking the effort seriously until it became clear that the government was serious about the requirement. The pilot did have the advantage of providing time for getting across the basic concepts. However, the initial reports from most federal agencies were quite weak, probably because the non-pilot agencies and programs delayed full-scale effort.

Clearly, different agencies, and different programs within agencies, will have different levels of implementation success. It is very hard to tell in advance which agencies and which programs will readily take to performance management and develop more sound processes. Starting with wide coverage will at least get each agency moving towards performance management even though, as expected, wide differences in implementation quality occur.

One possibility that might be considered is—while starting with a government wide implementation—to select 3 or 4 agencies which whom to work intensively so as to accelerate the process. This can have several beneficial results: more quickly yield results in order to show other agencies the promise of the system;

reveal problems with the system that could then more swiftly be fixed; serve as a source for examples—and trainers—for the rest of the government.

A. Projects Versus Programs

Some governmental activities can be labeled projects. Projects have a fixed time period and, usually, a somewhat narrow focus (such as individual road or wastewater treatment construction projects). Many donor-funded activities fall into this category. But much of what government and its agencies do are continuing activities, such as maintaining roads, educating children, providing health care, regularly inspecting business and natural resources for environmental problems, etc.

Performance management is an important approach for both programs and projects.

B. Relation to In-Depth Program Evaluations

In-depth program evaluations can be very useful in providing evidence as to the success of a program and the factors that have contributed to the success or lack of success of the program. Outcome measurement by itself will seldom provide sufficient information as to the extent to which the program contributed to the outcomes or the factors that have affected the outcomes. The manager of any sports team, such as soccer, needs to know the running score, whether the team is winning or losing and by how much. This is information that is provided by an agency's performance measurement process. But the score does not tell why the team is winning or losing. To determine that, the manager, whether of a sports team or of a government program, needs to undertake more of an in-depth evaluation.

However, in-depth program evaluations require special resources and require considerable time and effort. Governments that have resources may want to introduce in-depth program evaluations from the start. In any case, few governments, and few ministries, will be able to undertake more than a very small number of such evaluations in any given year. Thus, only a small proportion of programs can be the subject of in-depth program evaluations in any year.

For governments with limited resources, or just getting into the area of "evaluation", it is probably better to learn to walk first before trying to run. That is, such governments and their agencies are likely to be much better off by focusing in on obtaining outcome information from a variety of their programs and services in their line agencies. Such regularly-collected outcome data will often be quite useful for later in-depth program evaluations. Most evaluations are done after the fact, and thus may depend on the extent to which outcome data were earlier available so that the current accomplishments can be compared to the outcomes before the program was initiated or in past time periods.

Over the long run, however, it is desirable that government ministries develop capacity to undertake in-depth program evaluations on a select number of particularly important programs. Exhibit 6 provides a set of criteria that a ministry might use to help it select which programs and services that will be the subject of an in-depth program evaluation in any particular year.

A good step is for each ministry annually to prepare a program evaluation plan, or at least update its most recent plan. Because such evaluations often will take more than one year, such plans might cover at least two, if not three years into the future. Ministries are likely to use outside contractors (such as universities or other non-profit organizations) to undertake at least some of these in-depth evaluations—so the ministry does not have to maintain, and pay for a continuing in-depth large-scale program

evaluation capability. However, even if the Ministry contracts out all its in-depth program evaluations, it will need to have staff to properly write and monitor these contracts.

Exhibit 6: Criteria for Selecting Issues for Program Evaluations

1. Can the results of the evaluation influence decisions about the program?

- Programs for which a decision regarding continuation, modification, or termination needs to be made are obvious candidates.
- Poor candidates are those about which decision makers have strong preconceptions of program value or for which there is considerable support by influential interest groups if these circumstances make it very unlikely that the program would be altered. In some cases, however, the program may be of such great importance to a community that government officials may proceed with the evaluation and be prepared to seek changes despite political risks.
- Can the evaluation be completed in time to be helpful to decision makers? Evaluations completed after public officials become committed to a decision are useless.

2. Can the evaluation be done?

- Are sufficient data obtainable on important effects of the program? Program evaluations can never cover all effects, but before an evaluation is begun it should be clear that it will be possible to gather meaningful data on significant aspects of the program. For example, the long-term impacts of job training, health, or education programs may not appear for many years. In most cases, governments are unable to wait this long. Nevertheless, *intermediate* results can often be made available and thus provide significant information for interim decisions.
- Can sufficient resources be obtained to meet the time schedule and technical requirements of the evaluation?
- Is the program actually in place, and is it being implemented as originally planned? If not, an evaluation may not be appropriate.
- Has the program been stable enough so that an evaluation will provide relevant information? A program that is constantly changing or is about to change in significant ways is not a good candidate for evaluation.

3. Is the program significant enough to merit evaluation?

- Programs that involve a large amount of government resources or that have important potential benefits or possible negative consequences to the public should be given higher priority. Thus, the likely cost of the evaluation should be compared to the possible decreased cost or improved effectiveness that may result.
- Is the program suspected of being marginal in its performance? If so, there may be opportunities for making major improvements or cost reductions. Relatively old programs that have not received an in-depth evaluation in a long time may fit this criterion.
- Is the program a new one whose potential benefits and costs are particularly

uncertain? The program should be reviewed after operating long enough to demonstrate its effectiveness. This probably means a minimum of six months to one year of operation for most programs, though even these time periods are often too short for evaluating long-term effects. New programs are often more open to alteration because they have not yet gained a strong constituency.

— Programs that are candidates for expansion are particularly suitable candidates for an evaluation.

Source: *Practical Program Evaluation For State And Local Governments: Second Edition*, Hatry, Harry P., Richard E. Winnie, and Donald M. Fisk, The Urban Institute Press, Washington, DC., pp. 86-87, 1981.

5. IMPLEMENTING A PERFORMANCE MANAGEMENT SYSTEM

This section discusses several issues that emerge and are relevant while implementing a performance management system.

A. Capacity Building—Training and Technical Assistance Needs

As noted above, despite the common-sense focus of outcome management, managers and professional staff throughout the government are likely to need a meaningful amount of training. This includes both training in how to undertake performance measurement (the technical side) and how to use the information obtained ("managerial" training).

Technical training. Managers and professional staffs within both national and line agencies (including those in administrative offices such as finance, procurement, and personnel offices) will need some degree of technical training. This includes exposure to such subjects as:

- The distinctions between indicators of inputs, outputs, efficiency, intermediate outcomes, and end outcomes -- including use of such tools as outcome sequence charts (logic models) and the use of focus groups to obtain information on how to identify appropriate performance indicators.
- Background in the concepts of analysis, with at least a basic understanding of basic measurement approaches and the use of data comparisons to help the programs assess how well the program is doing and the progress being made.
- Exposure to the basics of surveying program clients (likely to be a major source of data for many public programs) to maximize the likelihood that surveys will be valid and unbiased. (This training includes some exposure to sampling concepts to enable agencies to avoid the need and added costs for surveying large numbers of clients.)
- The elements, and applications, of "trained observer" approaches in which personnel are trained to make systematic ratings of physical conditions as a way to measure various aspects of service quality

Training in Using the Performance Data. Often badly overlooked in many, if not most, governments throughout the world is the lack of attention to training managers, especially on how they can use the performance information,

especially to help them make program improvements -- and not only using the performance measurement process to satisfy higher level requirements. This badly-neglected topic has meant that agency managers and ministry officials tend to look on performance measurement as primarily something to get done in order to satisfy some higher-level authority. The important need is to transition managers from performance measurement to performance management. This means training in such elements as the following, each of which can considerably increase the value of the data to managers and their staffs:

- The need to obtain and report performance data in sufficient detail to enable managers to identify and compare performance achieved for the various key client groups the program serves, such as client demographic characteristics (such as for various age, gender, income, and ethnicity groups).
- The need to obtain and report performance data in sufficient detail to enable managers to identify and compare performance achieved for key service characteristics (such as individual organizational units or regions and for different service delivery characteristics where different amounts and/or types of a service are delivered to client's).
- The need to obtain and report performance data on many specific service characteristics, which while they may not be of interest to higher-level officials, are important to citizens -- such as obtaining information on the timeliness, helpfulness, courteousness, and accessibility of the services.
- The need for regular and reasonably frequent collection and reporting of the performance data. Typically higher-level officials examine performance data on an annual basis, typically during the budget/appropriation process. However, annual reporting is not likely to be adequate for managerial purposes. Reporting performance data at least quarterly is likely to be desirable for managers and their staff to track what is happening. This added frequency will make it more feasible for managers to make mid-course corrections and then have the opportunity to determine in later quarters whether or not changes that were introduced have led to desired improvements in performance.
- The utility of regular managerial performance reviews with staff after each performance report has been issued. Such reviews can be used to identify where performance is on target and where not, to identify possible explanations for unusually good or unusually disappointing per levels; and to suggest ways to improve future performance (such as by identifying practices that have been particularly successful for some organization units or for some client groups that might be transferred to other units or other client groups).
- The need to undertake thorough searches for explanations for performance that is unexpectedly for or good. A search for explanations should be an explicit part of the performance management process. This topic is discussed in more detail in a later section.
- The need to have data that becomes available and is processed in a reasonably and timely way, such as within no more than one month after the end of a reporting period. Data that takes years, or even months, to obtain will lessen the ability of managers to react to that data and to make improvements.

The training, such as that described above, preferably will encompass all levels of

management and supervision. Professionals who are involved in some way in program and policy issues also are likely to need at least some training in performance measurement and its use. Provision also needs to be made, not only for initial training in the initial years of the introduction of the performance management process, but also for training for new managers and new professional staff, whether they come from inside or outside the government.

Such wide coverage, while highly desirable, will likely put a strain on the resources of a government and its ministries. Of course, not all the training needs to be done at once but rather over a period of years. Much training will come internally, through the on-the-job training of staff by persons who have had obtained some previous experience and knowledge in performance measurement and performance management issues. Some agencies in many countries will have staff that have experience in performance data collection, analysis, and reporting, such as staff in health education, and transportation agencies. These persons and their experience might be drawn upon for training and technical assistance.

One strategy, that has been used, is to use persons that have completed the training to help train others. Those persons might come from outside the agency or even outside the ministry. In the long run, providing adequate training is the responsibility of the agency itself. An agency can choose to use outside consultants or inside the government personnel, or some combination. As far as the cost of such training (and technical assistance), a good argument can be made that such training is just a basic part of management, and the costs should be borne by the agency itself.

B. Performance Information in the Budget/Appropriation Process: Performance Budgeting

In most countries the desire for information on performance by a legislative body or by a national office, such as an office of management and budget, has been the cause of the performance measurement activity. The usual reason for the high level interest is to use the performance information in the government's budgeting and appropriation process. Ultimately, it is assumed that budget decisions will be improved if they can be made at least partly on the basis of data on recent accomplishments of programs and program estimates of future performance if a budget of a particular size is approved. The key question for public officials in the budgeting/appropriation process is: What are we getting for the money that the government is spending?

Budgeting will become much more effective if the agencies and their programs provide performance data of reasonable quality.

What is not widely recognized is that budgeting requires estimating the future. Performance measurement (and program evaluation) is about measuring what has happened in the past. Measuring results is difficult. Projecting into the future, even one year into the future, with all the uncertainties and potential contributing factors is even more difficult. Thus, budgeting will always likely be as much of an art as a science. Estimates of how much particular physical output a particular amount of funds will produce in the way of outputs often can be estimated reasonably accurately. However, estimating the relationship between funding and outcomes is much more of a problem. Many external and internal factors can affect the outcomes, such as changes in the national economic situation, unusual weather conditions, international issues that arise, loss of key personnel, unexpected behavior of citizens relating to a particular service, etc.

The first need is for the government and its agencies to provide quality, timely, data on performance to provide a basis for forecast performance for the budget year and

beyond.

A second need in performance budgeting, is for agencies and their programs to be asked to provide targets as to the likely outcomes that will occur with the amount of funds requested. When funding levels are changed from those proposed, whether the changes are made by a national office or by the legislature, the agency needs to be given the opportunity to revise its targets accordingly. Target setting is even more of an art than other parts of the budget process. In the initial year, or two, in which an agency collects performance data for new indicators, targets should be considered as particularly questionable -- until the agency has gained experience with the data for those particular outcome indicators. Agencies should not be criticized for substantial differences from targets for such new performance indicators.

Another complication for national governments, one not often discussed, is that the funds for a particular budget year often produce outcomes in future years beyond the budget year. It takes time for funds to be expended and then for outcomes to be achieved. The outcomes from budgets from a particular budget year may not occur for one, two, or say three years after the funds have been appropriated. Preferably, this means that agencies are asked, as part of the formal budget process, to provide out-year estimates of out-year outcomes for those programs for which significant outcomes are expected to occur in later years. The authors of this report have seldom seen this done, at least not in a systematic way.

Timing Issues: Full scale performance budgeting cannot be done until agencies have a performance measurement process that provides performance data. However, governments just beginning to develop performance measurement systems can at least qualitatively address the question of what they are getting for the money. Programs and agencies preparing budgets but lacking performance data need to consider at least qualitatively the outcomes achievable from requested amounts. Similarly, those examining budget requests will need to seek qualitative information from requestors as to what outcomes they expect -- even if no data are available. This at least will begin to encourage agencies and their programs to begin thinking about, and giving consideration to, outcomes.

In the initial year, before any historical performance data are available, so that the agency has had little experience with the data, relating budget amounts to the performance indicators and target setting are not likely to be meaningful. The initially available past data might be reported, but any targets set for those performance indicators for the budget period probably should be considered to be questionable. After experience is gained with the data, the performance indicator targets estimated for the budget period, based on the budget amounts requested, will have a better basis.

Performance budgeting fully occurs when budget amounts are linked to outputs and outcomes. This may mean simply displaying the amount of output or outcomes expected for each budget program line. This is currently what is most often initially done by governments that are introducing some form of performance budgeting. However, real performance budgeting does not occur until agencies and their program use the performance information to help make and justify their budget choices.

A special problem arises for performance budgeting for governments that only use some form of line item budgeting. To be meaningful, linking performance to the budget requires that the government have program/service categories to which performance information can be related. Thus, this is a prerequisite for performance budgeting.

A caution: Governments and other stakeholders need to recognize that linking future outcomes to budget amounts will probably seldom, if ever, be precise. Too many outside factors can affect outcomes to enable agencies and their programs to have precise formulas that link funds to outcomes.

C. Long-Range/Strategic Planning

Here we discuss issues involved with program and policy planning that contains a major focus on results (and not only fiscal planning) beyond the budget year. These plans represent an opportunity for a government, agency, and/or program to review thoroughly what it is doing, how it went about it, and to identify what it should do in the future, including possible major changes. To do this properly can take considerable time and effort, including: making projections as to the nature and amount of the future demand for the government's service; predicting the environment in which the service will find itself; and analyzing various options as to what the government/agency/program should do.

A first issue is whether strategic plans need to precede the development of a performance measurement system. Performance monitoring does not appear to require a strategic plan. Agency and program mission statements and general statements of the agency's, and program's, objectives do need to be developed as a starting point for both purposes. It can be argued that strategic planning will be better done if it is based at least in part on the information coming from the performance measurement process. Sweden initially required agencies to critically review what they were doing, but for a variety of reasons has dropped this requirement.⁸ The United States requires five-year strategic plans with interim updates. However, the development of these strategic plans came after development of the initial performance measurement systems in the agencies.

Nevertheless, long-range, strategic plans that consider both costs and outcomes are conceptually quite desirable. The World Bank is encouraging developing "medium-term expenditure frameworks (MTEF)" with a time horizon of about three years into the future. (MTEFs have been prepared by many OECD countries. However, the primary focus of MTEF has been on fiscal and financial policy, without much attention to the role of information on policy and program outcomes for citizens.) The United States government requires each federal agency to develop strategic plans, covering five years into the future, and to periodically update them. Some planning can go out much further into the future, ten or twenty years. The World Bank and other funders have also encouraged multi-year Poverty Reduction Strategy Papers.

Any such long-term plan, regardless of whether it covers three, five, ten, or more years into the future should focus not only on funding needs but also on what results are expected and desired. (This vital element of long-range planning has often been neglected.) Long-range plans should identify the key outcomes, provide key outcome indicators for assessing progress, the latest data on those indicators, and provide targets as to what the plan expects to achieve if the plan is successfully executed. This provides the major basis for tracking progress against the plan.

Such plans can become obsolete quickly so governments, such as Sweden and the United States call for their reviews periodically, perhaps every other year, if not annually, to consider the latest developments. Strategic plans, if properly done, require considerable time and effort by public officials to develop the plan. Thus, it is not likely to be feasible to redo completely each year the plan. However, important changes and unexpected events can occur that might significantly alter either the expenditure flow or results expected. Thus, a government should probably at least review its plan on a regular basis, such as annually or every other year, and modify it as appropriate.

Long-range, strategic, planning is an opportunity for an agency to re-think what it is

⁸ Gustafsson, Allan, "Performance Management and Budgeting: a Case Study of Sweden, World Bank, Undated Working Paper.

doing. Full strategic planning would include such elements as those shown in Exhibit 7.

Typically, most such long-range, strategic, plans have neglected many of the elements listed in Exhibit 7. They often provide little indication that the planners have examined thoroughly future “environmental” characteristics (such as likely population and technology changes). Seldom do they appear to have examined in a systematic way alternative service delivery approaches to what they are currently doing. (Rather, the plans merely present what agencies have been doing in the past and extend the current process into the future.)

At which level or levels should long-range plans be prepared? Should each Ministry, each agency, each program, have its own long-range plan? And should the government as a whole have a go-wide strategic plan? Probably each ministry and each agency within ministries should have its own plans. Probably major agency programs should each have their own plans. Conceptually, a government-wide strategic plan is also an excellent idea. A problem is that such plans can become quite political and be revised every time there is a change in presidents and prime ministers. These plans, thus, can become “wish lists,” and “get-elected” statements than thoughtful reviews of what the government is about and what it should be aiming for in the future.

A key question is what are the purposes of long-range plans? Are they worth the time and effort? One purpose often claimed for plans is that they provide a vision for the future. As noted earlier, the planning process provides an opportunity for a government, ministry, agency, or major program to examine from a fresh perspective what it is supposed to be doing and how to do it. Such a plan, if it contains outcome targets for the future, also provides a basis for assessing the government’s progress over time in achieving those objectives. And the plan should provide key input into decision that need to be made in the next budget period.

To be of practical use, these plans should be linked to the organization's annual plans, such as its budget and business plan. Thus, the first year of the plan should provide a basis for the next budget plan.

D. Controlling Data Quality

Once performance data become available on a regular basis and become used for “high stakes” purposes, public officials and key outsiders will become very concerned about the quality, the accuracy or the performance data. Government organizations need to plan early how to maintain reasonable control and thus confidence in the data.

Inevitably, the primary responsibility for performance data quality will be that of the organizations responsible for collecting the data – and as a practical matter, this responsibility will usually need to reside with the ministries and their agencies. Even in those situations when an independent, outside, organization is conducting an in-depth program evaluation, the evaluation will likely require some data obtained by the agency itself rather than new data obtained by the evaluating organization.

Some outside quality checks will need to be established, with outside-the-agency review of at least a sample of performance indicators and performance data. The sources might include periodic reviews by:

- A ministerial office, such as its office responsible for management, performance, or budget oversight
- A ministerial or agency inspector general office, if these exist
- A national audit or inspector general’s office – perhaps located under the legislature or a completely independent office

The State Auditor's Office of the State of Texas in the United States is required by state legislation to review annually a sample of performance indicators in each major agency to assess the quality for the data collection procedure for the performance indicators. It has established a regular process for these reviews. The United States federal government has a somewhat looser approach. Agency inspector general's offices may undertake such reviews, but these are not formally required, nor does the U.S. General Accounting Office undertake such reviews as an on-going activity. The federal budget examiners who try to become familiar with the programs whose budgets they review conceptually are in a position to make some appraisals of the quality of the data that are provided to them. However, again this is not an officially-required activity.

Performance data quality control appears throughout the world to be an underdeveloped area. This is partly because the collection, reporting, and use of performance data, particularly data on program outcomes, is still a new activity form most governments and most agencies. A major problem is that agencies will be generating large amounts of performance data, making it infeasible to review more than a small portion of the data each year. A key ingredient for maintaining data quality may be data transparency. When agencies report and disseminated performance data widely, such as to the public, this is likely to place pressure on the reporting agencies to provide data that can pass open review.

D. Costs of Implementing and Maintaining Performance Management

The additional financial cost of performance management is likely to be surprisingly small. Most governments that have implemented a performance measurement process consider the process to be a basic part of operations and have expected agencies and their programs to absorb any cost without an added budget. To our knowledge no one has provided cost estimates, either in monetary units or even as to the amount of time, probably because of this. As discussed below, many factors will affect how much additional financial costs and staff time will be needed.

However, a small amount of added cost appears to be a wise investment—for such activities as startup training in performance measurement and performance management for managers and professional staff. Some legislatures have approved hiring of small numbers of executive branch agency analysis staff. The legislature of the state of Louisiana (in the United States) offered such funding support, but very few agencies asked for the added staff.

Probably, the major "cost" for implementing, and subsequently maintaining, performance management is the time of existing personnel. Some actual financial cost will be required, such as for outside training and technical assistance.

Most costs, financial and staff time, will likely occur during the start-up year or two. An important consideration is the likely need for individual ministries, agencies, and programs, to establish new, or modified data collection procedures (including data processing) for obtaining outcome data not previously available. Another need for at least some ministries and agencies will be the cost of a small number of added staff to oversee the performance measurement process, analyze the data, and provide reports of the findings. This, role, however, might be filled by existing staff, where appropriate staff are available, and other roles, such as detailed oversight of line-item information is diminished. For example, performance measurement has a citizen/customer focus. Many programs will likely need to survey their clients on a periodic basis to obtain outcome information. Many governments already undertake occasional national surveys; however, for performance measurement, considerably more survey work is likely to be needed—and on a regular, at least annual, basis. For some surveys, agency

personnel probably will be able to use their own current resources or those of the government office that does national survey work. However, if an outside contractor or university is needed to administer the survey, this can entail added financial cost.

As noted above, the key "cost" is most likely to be staff time. Substantial staff time is likely to be needed in the start-up phase of performance measurement and performance management—for such activities as training, selection of performance indicators, and data analysis. As noted above, most governments introducing performance measurement and performance management (such as Australia, Canada, New Zealand, United Kingdom, and United States) have required the cost of these activities to be absorbed by the agencies and their programs, as merely being part of basic operations. A key issue for less industrialized countries is whether they are willing to reduce other activities such as reducing their attention to line-item budgeting and instead asking staff to focus more on service outcomes.

Other cost issues relate to the current capacity of the government and its various agencies. To the extent that agencies already have analytical staff and technology, such as computers and copiers, effective and efficient implementation will be easier. Governments, and agencies, with more limited resources will need more assistance and have to settle for less, more selective, measurement and reporting.

Some ministry start-up costs should preferably be covered by the national ministry of planning and budgeting, as an incentive for ministry participation. Bilateral or multi-lateral funding organizations are also a source of funding for the start-up costs and initial training associated with developing and implementing performance management. Subsequent costs for the training of staff and on-going implementation can be considered the responsibility of individual ministries and their agencies and be funded from their own resources—as has been done by all the governments that we have examined.

Exhibit 7. Suggested Elements in a State's Strategic Planning Process

- Identification of the population served and outcomes sought by the agency
- Identification of specific outcome indicators by which progress will be measured
- Examination of the future environment within which the agency and its programs operate (such as demographic, economic, and social factors and trends)
- Identification of the latest available baseline values for each outcome indicator
- Examination of alternatives and practical options for achieving outcomes, including the current service delivery approach
- Analysis of each option's likely cost, feasibility, and effect on the outcomes, including estimates of the out-year values for each outcome indicator included in the plan
- A process for obtaining input from the legislature, agency customers, agency employees, and interest groups
- Selection of the strategic option to include in the plan.

Source: Adapted from "Making Results-Based state Government Work," Blaine Liner, et. al., The Urban Institute, Washington, D.C., 2001, page 8.

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