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Performance Monitoring and Evaluation System(PMES) for Government Departments

In her address to both Houses of the Parliament on June 4, 2009, the President of India said the Government will initiate steps within the next hundred days to “Establish mechanisms for performance monitoring and performance evaluation in government on a regular basis.” Pursuant to this announcement, the Prime Minister approved the outline of the Performance Monitoring and Evaluation System (PMES) for Government Departments on September 11, 2009. As of January 1, 2010, all 59 ministries and departments covered under Phase I of implementation had finalized their Results-Framework Document (RFD) for the last quarter of 2009-2010.

This paper discusses the origins, development, and experience of implementing this remarkable policy. It is divided into following seven sections. First section describes the Performance Monitoring and Evaluation System (PMES); section two explains the working of this system; section three examines the rationale for its introduction; section four reviews the international experience in this area; section five lists the progress made in implementing this policy; section six highlights the key challenges facing this policy; and section seven looks ahead at next steps required to complete the performance management revolution.

1. Performance Monitoring and Evaluation System(PMES)

This is a system to both “evaluate” and “monitor” the performance of Government departments. *Evaluation* involves comparing the actual achievements of a department against the annual targets. In doing so, an evaluation exercise judges the ability of the department to deliver results on a scale

ranging from *excellent* to *poor*. *Monitoring* involves keeping a tab on the progress made by departments towards their annual targets.

PMES takes a comprehensive view of departmental performance by measuring performance of all schemes and projects (iconic and non-iconic) and all relevant aspects of expected departmental deliverables such as: financial, physical, quantitative, qualitative, static efficiency (short run) and dynamic efficiency (long run).

As a result of this comprehensive evaluation of all aspects relevant to citizen's welfare, this system provides a unified and single view of departmental performance.

By focusing on areas that are within the control of department, PMES also ensures fairness and high levels of motivation.

2. Working of the PMES

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

- A. Beginning of the Year (by April 1): Design of Results-Framework Document
 - B. During the Year (after six months – Oct. 1): Monitor progress against agreed targets
 - C. End of the year (March 31): Evaluate performance against agreed targets
- A. Beginning of the Year (by April 1): Design of Results-Framework Document

At the beginning of each financial year, with the approval of the Minister concerned, each department prepares a Results-Framework Document (RFD) consisting of the priorities set out by the Minister concerned, agenda as spelt out in the party manifesto if any, President's Address, announcements/agenda as spelt out by the Government from time to time. The Minister in-charge decides the *interse* priority among the departmental objectives.

To achieve results commensurate with the priorities listed in the Results-Framework document, the Minister incharge

approves the proposed activities and schemes for the ministry/department. The Ministers incharge also approves the corresponding success indicators (Key Result Areas – KRAs or Key Performance Indicators – KPIs) and time bound targets to measure progress in achieving these objectives.

The Results-Framework Document (RFD) prepared by each department seeks to address three basic questions:

- i. What are department's main objectives for the year?
- ii. What actions are proposed to achieve these objectives?
- iii. How to determine progress made in implementing these actions?

The RFD document consists of five sections depicted in the figure given below:

- Section 1 Ministry's Vision, Mission, Objectives and Functions.
- Section 2 *Inter se* priorities among key objectives, success indicators and targets.
- Section 3 Trend values of the success indicators.
- Section 4 Description and definition of success indicators and proposed measurement methodology.
- Section 5 Specific performance requirements from other departments that are critical for delivering agreed results.

Section 1:Ministry's Vision, Mission, Objectives and Functions

This section provides the context and the background for the Results-Framework Document. Creating a Vision and Mission for a department is a significant enterprise. Ideally, Vision and Mission should be a byproduct of a strategic planning exercise undertaken by the department. Both concepts are interrelated and much has been written about them in management literature.

Section 2 : Interse priorities among key objectives, success indicators and targets.

The heart of the Section 2 of the RFD document consists

of Table 1. In what follows we describe each column of this Table.

Column 1 : Select Key Departmental Objectives

From the list of all objectives, departments are expected to select those key objectives that would be the focus for the current RFD. It is important to be selective and focus on the most important and relevant objectives only.

Table 1: Format of the Results-Framework Document (RFD)

Column 1	Column 2	Column 3	Column 4		Column 5	Column 6				
Objective	Weight	Actions	Success Indicator	Unit	Weight	Target / Criteria Value				
						Exce-llent	Very Good	Good	Fair	Poor
						100%	90%	80%	70%	60%
Objective 1		Action 1								
		Action 2								
		Action 3								
Objective 2		Action 1								
		Action 2								
		Action 3								
Objective 3		Action 1								
		Action 2								
		Action 3								

Column 2 : Assign Relative Weights to Objectives

Objectives in the RFD should be ranked in a descending order of priority according to the degree of significance, and specific weights should be attached to these objectives. The Minister incharge will decide the *inter se* priorities among departmental objectives and all weights must add to 100.

Column 3 : Specify Means (Actions) for Achieving Departmental Objectives

For each objective, the department must specify the required policies, programmes, schemes and projects. These have to be approved by the concerned Minister. Often, an objective has one or more policies associated with it. An objective represents the desired “end” and associated policies, programmes and projects represent the desired “means.” The latter are listed as “actions” under each objective.

Column 4 : Specify Success Indicators

For each of the “action” specified in Column 3, the department must specify one or more “success indicators.” They are also known as “Key Performance Indicators (KPIs)” or “Key Result Areas (KRAs)” A success indicator provides a means to evaluate progress in achieving the policy, programme, scheme and project. Sometimes more than one success indicator may be required to tell the entire story.

Column 5 : Assign relative Weights to Success Indicators

If we have more than one action associated with an objective, each action should have one or more success indicators to measure progress in implementing these actions. In this case we will need to split the weight for the objective among various success indicators associated with the objective.

Column 6 : Specify Targets for Success Indicators

The next step for the concerned departments is to choose a target for each success indicator. Targets are tools for driving performance improvements. Target levels, therefore, contain an element of stretch and ambition. The targets are presented as a five-point scale as follows:

Excellent	Very Good	Good	Fair	Poor
100%	90%	80%	70%	60%

It is expected that budgetary targets would be placed at 90% (Very Good). For any performance below 60%, the department would get a score of 0%.

Section 3 : Trend values of the success indicators

For every success indicator and the corresponding target, RFD must provide actual values for the past two years and also projected values for two years in the future.

Table 2: Trend Value for Success Indicators

Objective	Actions	Success Indicator	Unit	Actual Value for FY 07/08	Actual Value for FY 08/09	Target Value for FY 09/10	Projected Value for FY 10/11	Projected Value for FY 11/12
Objective 1		Action 1						
		Action 2						
		Action 3						
Objective 2		Action 1						
		Action 2						
		Action 3						
Objective 3		Action 1						
		Action 2						
		Action 3						

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

RFD must contain a section giving detailed definitions of various success indicators and the proposed measurement methodology. Wherever possible, the rationale for using the proposed success indicators may be provided.

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

This section should contain expectations from other departments that impact on the department's performance. These expectations should be mentioned in quantifiable, specific, and measurable terms.

Once the RFD has been prepared and approved by the concerned Minister it is sent to A High Power Committee

(HPC) on Government Performance. This HPC ensures coordination and consistency among departments.

Government has also set up an independent group of non-governmental experts to provide feedback to departments on their RFDs. This group consists of academicians, former secretaries to Government of India, and domain experts. The existence of this group ensures that professional independent feedback is available to departments.

B. During the Year (after six months – Oct. 1): Monitor progress against targets

After six months, the Results-Framework Documents (RFD) as well as the achievements of each Ministry/Department against the performance goals laid down, may have to be reviewed and the goals reset, taking into account the priorities at that point of time. This enables Government to factor in unforeseen circumstances such as drought conditions, natural calamities or epidemics.

C. End of the year (March 31): Evaluate performance against agreed targets

At the end of the year, we look at the achievements of the government department, compare them with the targets, and determine the composite score. Table 3 provides an example from the health sector. For simplicity, we have taken on one objective to illustrate the evaluation methodology.

The Raw Score for Achievement in Column 6 of Table 3 is obtained by comparing the achievement with the agreed target values. For example, the achievement for first success indicator (% increase in primary health care centers) is 15 %. This achievement is between 80 % (Good) and 70 % (Fair) and hence the “Raw Score is” 75%.

The Weighted Raw Score for Achievement in Column 6 is obtained by multiplying the Raw Score with the relative weights. Thus for the first success indicator, the Weighted Raw Score is obtained by multiplying 75% by .50. This gives us a weighted score of 37.5%. Finally, the Composite Score is calculated by adding up all the weighted Raw Scores for

achievements. In Table 3, the Composite Score is calculated to be 84.5.

The composite score shows the degree to which the government department in question was able to meet its objective. The fact that it got a score of 84.5 % in our hypothetical example implies that the department's performance vis-à-vis this objective was rated as "Very Good."

The methodology outlined above is transcendental in its application. Various Government departments will have a diverse set of objectives and corresponding success indicators. Yet, at the end of the year every department will be able to compute its Composite Score for the past year. This Composite Score will reflect the degree to which the department was able to achieve the promised results.

Departmental Rating	Value of Composite Score
Excellent =	100% - 96%
Very Good =	95% - 86%
Good =	85 - 76%
Fair =	75% - 66%
Poor =	65% and below

3. Rationale for the System

The current systems for accountability for results in Government suffer from several limitations. PMES has examined these limitations and is designed to overcome these limitations. Examples of these limitations follow:

- a) There is fragmentation of institutional responsibility for performance management. Departments are required to report to multiple principals who often have multiple objectives that are not always consistent with each other. A department could be reporting to the Department of Programme Implementation on important programmes and projects, Department of Public Enterprises on the performance of PSUs under it, Department of Expenditure on performance in relation to Outcome Budgets, Planning Commission on plan targets; CAG regarding the

Table 3: Example of Performance Evaluation at the End of the Year

Column 1	Column 2		Column 3		Column 4	Column 5					Column 6		
Objective	Action		Criteria / Success Indicators	Unit	Weight	Target / Criteria Values					Achieve- ment	Raw Score	Weigh- t Score
						Excellent	Very Good	Good	Fair	Poor			
						100%	90%	80%	70%	60%			
Better Rural Health	Improve Access to Primary Health Care	1	% Increase in number of primary health care centers	%	.50	30	25	20	10	5	15	75%	37.5%
		2	% Increase in number of people with access to a primary health center within 20 KMs	%	.30	20	18	16	14	12	18	90%	27%
		3	Number of hospitals with ISO 9000 certification by December 31, 2009	%	.20	500	450	400	300	250	600	100%	20%
Composite Score =84.5%													

procedures, processes, and even performance; Cabinet Secretariat on cross cutting issues and issues of national importance; Minister in-charge on his priorities; Standing Committee of the Parliament on its annual report and other political issues; etc.

- b) Similarly, several important initiatives have fractured responsibilities for implementation and hence accountability for results is diluted. For example, E-Government initiatives are being lead by the Department of Information Technology, Department of Administrative Reforms and Public Grievances, NIC, as well as individual ministries.
- c) Some of the systems are selective in their coverage and report on performance with a significant time-lag. The comprehensive Performance Audit reports of the CAG are restricted to a small group of schemes and institutions (only 14 such reports were laid before the parliament in 2008) and come out with a substantial lag. Often, by the time these reports are produced both, the management and the issues facing the institutions change.

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

- d) Most performance management systems are conceptually flawed. As mentioned earlier, an effective performance evaluation system is at the heart of an effective performance management system. Typically, performance evaluation systems in India suffer from two major conceptual flaws. First they list a large number of targets that are not prioritized. Hence, at the end of the year it is difficult to ascertain performance. For example, simply claiming that 14 out of 20 targets were met is not enough. It is possible that the four targets that were not met were in the areas that are the most important areas of the department's core mandate.

Similarly, most performance evaluation systems in the Government use single point targets rather than a scale.

This is the second major conceptual flaw and it makes it difficult to judge deviations from the agreed target. For example, how are we to judge the performance of the department if the target for rural roads for a particular year is 15000 KMs and the achievement is 14500 KMs?

In the absence of explicit weights attached to each target and a specific scale of deviations, it is impossible to do a proper evaluation.

4. International Experience

a. Similar policies used widely in developed and developing countries

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

In the words of Second Administrative Reform Commission (ARC II):

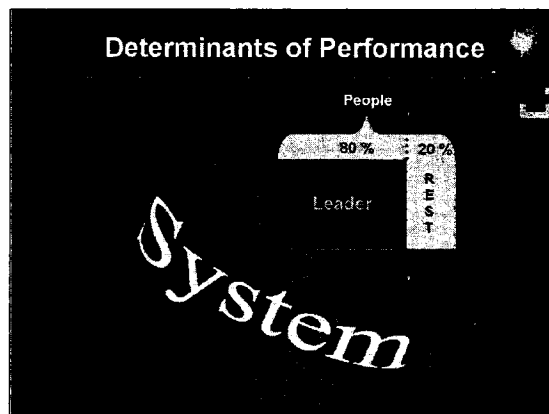
– *“Performance agreement is the most common accountability mechanism in most countries that have reformed their public administration systems.”*

– *“At the core of such agreements are the objectives to be achieved, the resources provided to achieve them, the accountability and control measures, and the autonomy and flexibilities that the civil servants will be given.”*

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

b. Importance of Management Systems

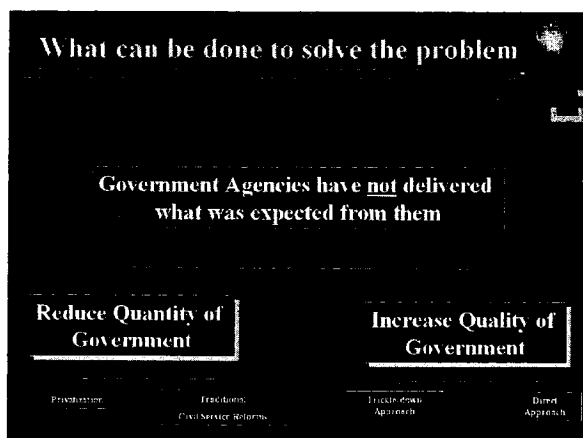
As depicted in the figure below, all management experts agree that around 80% of the performance of any organization depends on the quality of the systems used. That is why the



focus of PMES is on improving management control systems within the Government.

c. Shift in Focus from “Reducing Quantity of Government” to “Increasing Quality of Government”

Figure below depicts a distinct world-wide trend in managing government performance. In response to perceived dissatisfaction with performance of government agencies, governments around the world have taken certain steps. These steps can be divided into two broad categories: (a)

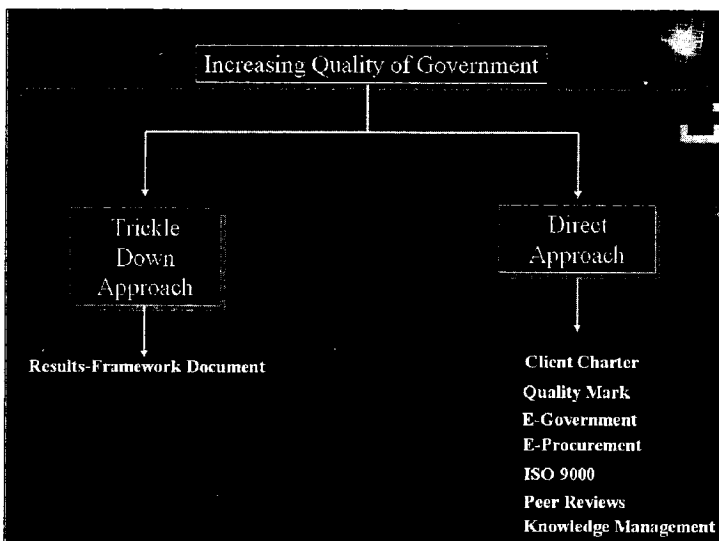


reduction in quantity of government, and (b) increase in quality of government. Over time most governments have reduced their focus on reducing the quantity and increased their focus on improving the quality of government. The former is represented by traditional methods of government

reform such as golden handshakes, cutting the size of government departments, outright sale of public assets through privatization.

The policies undertaken by various governments to increase the quality of government can be further classified into two broad approaches: (a) Trickle-down approach, and (b) Direct Approach.

PMES falls under trickle down approaches as it holds the top accountable and the accountability for results eventually trickles down to the lowest echelons of management. It creates a sustainable environment for implementing all reforms. The generic name of PMES is performance Agreement. These approaches have a sustainable impact on all aspects of performance in the long run. The Direct approach, on the other hand, consists of many instruments of performance management that have a direct impact on some aspect of performance. Thus these approaches are complementary and not substitutes for each other. In fact, PMES makes use of these direct approaches by making citizens' charter and grievance redressal systems a mandatory requirement for all government departments in their RFDs.



5. What has been the progress in implementation?

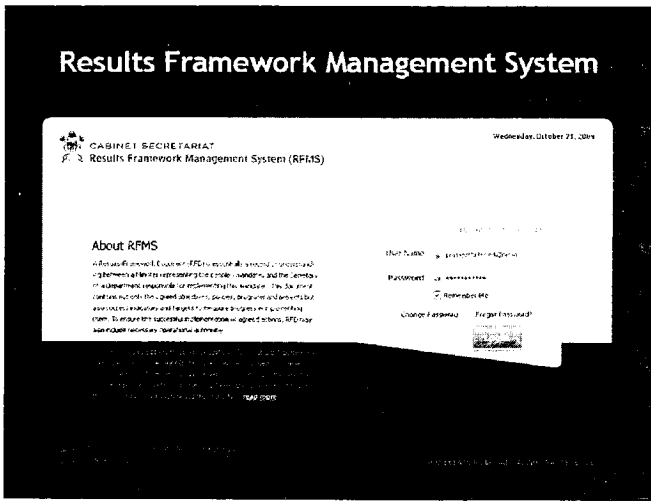
It was decided that in Phase I of implementation 59 ministries / departments out of a total of 84 will be covered as a pilot under PMES. Actions taken to implement pilot RFDs for January 1 – March 31, 2010, can be categorized into three broad categories:

- (a) **System Design** : Reviewed international best practices and designed Guidelines and Checklists for preparing Results Framework Document (RFD); Created a Task Force of non-Government experts for reviewing the quality of RFDs.
- (b) **Capacity Building** : Conducted 13 intensive, hands-on training programs in collaboration with IIM Ahmedabad on RFD for around 500 senior officers of GOI; Prepared training materials and manuals
- (c) **Implementation** : Received RFDs approved by concerned ministers; Organized meetings of the independent Task Force experts with 59 ministries / departments to provide feedback on their respective RFDs; Ensured that the revised RFDs are consistent with the suggestions of independent experts; Developed a software to automate monitoring and evaluation of performance based on RFDs.

All 59 ministries and departments have finalized their Results-Framework Document (RFD) for the last quarter of 2009-2010. This 100 % compliance in implementing the PMES was achieved as a result of intensive capacity building exercise and enthusiastic cooperation from all ministries and departments.

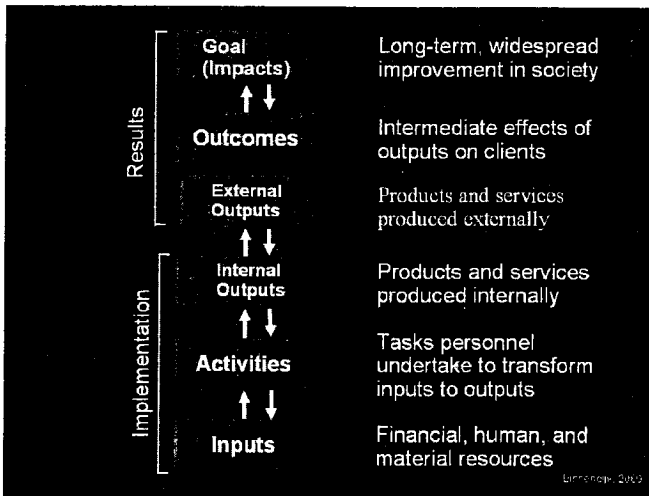
Use of Computer and E-Governance

Cabinet Secretariat has developed, in collaboration with NIC, powerful software to allow all transactions related to implementation of RFD to be carried on-line. This has already led to use of less paper and it is expected to eventually lead to a paperless environment for implementing RFDs. It is already being used by all departments on a pilot basis. From next year we will make a full transition to this system. The following figure presents a screen shot of the system.



6. Key Challenges

The following figure gives the typical results chain.



The following table analyzing the RFDs prepared by the 59 departments / ministries summarizes the quality of documents produced. From this table it is clear that the focus of most departments is on process-oriented indicators focusing on the lower end of the results chain. Therefore, one key challenge is to move the department up on this chain:

Average Number of Objectives per RFD	7.65
Average Number of Success Indicators per Objective	4.00
% of process-oriented Success Indicators	62.92 %
% of outcome-oriented Success Indicators	37.08 %
% of Success Indicators Dealing with Quality Aspects of Results	12.54 %
% of Success Indicators Dealing with Stakeholders	16.58 %
Planning Commission Procedures as a Constraint on Performance	41.87 %
Ministry of Finance Procedures as a Constraint on Performance	47.89 %

7. Next Steps

First round of pilot RFDs for the last quarter of 2009-2010 have been prepared and put on departmental websites. Second round of RFD (2010-2011) begins from March 5, 2010. For the performance management revolution to be complete, following key reforms have to be also completed in a time-bound fashion.

a. Implement Performance –Related Incentives recommended by 4th, 5th and 6th Pay Commissions

The Sixth Pay Commission was set up by the Government of India on October 5, 2006, and it submitted its report on March 24, 2008. These recommendations were considered by the Government and a decision was taken to accept them (with some modifications) as a package on August 29, 2008.

These recommendations can be broadly divided into two categories: (a) level and structure of benefits; and (b) performance related incentives. The former have since been implemented whereas the latter have not been implemented as yet.

Payment of incentives based on performance is not a new concept. The earlier two Pay Commissions i.e. Fourth and Fifth Pay Commissions had also commented on the issue of rewarding performance. The Fourth Central Pay Commission had recommended variable increments for rewarding better performances. The Fifth Central Pay Commission had

recommended the scheme of performance related increments for all Central Government employees where an extra increment was to be paid to the exceptionally meritorious performers with the under-performers being denied even the regular/normal increment.

Given the central role that incentives play in improving performance of employees in public and private sectors, it is a matter of urgency to implement a performance related incentive scheme. The proposed scheme is intended to be budget neutral. The Cabinet Secretariat is working towards this goal.

b. Reform of the Performance Appraisal Report (PAR)

There seems to be widespread dissatisfaction with the working of the PAR system at all levels in the Government. There is a perception that the attempts to quantify and bring objectivity have not been successful. Most officers expect to get a perfect score of 10 and usually get it. Thus, creating a situation where every individual officer is rated excellent yet the performance of the department as a whole is not considered anywhere close to being excellent.

Even though the current PAR system is barely three years old, it is clear that it is also not achieving all its stated goals. The "General Guidelines for Filling up the Form" state:

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

Contrary to expectations, the primary purpose of the PAR exercise seems to have become an instrument to judge officers. It is not seen to be playing any role in the development or training of officers. Thus urgent reform of PAR is also required and the Cabinet Secretariat is working towards it.