

COMMENTARY

The rise and fall of India's Government performance management system

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In 2014, the Performance Monitoring and Evaluation System (PMES) covered 80 departments in the Government of India and 800 Responsibility Centers (subordinate offices, attached offices, and autonomous bodies) under these departments. Seventeen states of the Indian Union, cutting across political lines, were at various stages of implementing PMES, and it was hailed by many of India's SAARC neighbors—Bhutan, Bangladesh, Sri Lanka, and Pakistan.

Today, however, India has no formal system for government performance management and all performance reviews are done in the office of the Prime Minister in the old-fashioned way. The focus is not on the whole of department performance but only on projects within departments that are closer to Prime Minister's heart. The story of the spectacular rise of performance management from 2009 until 2014 and its subsequent speedy demise offers valuable lessons for future reformers in democracies.

Outside observers often marvel at the Indian Government. It is run by a bureaucracy that is often rated to be the worst in Asia. Yet India has a highly competitive civil service recruitment system and regularly recruits the *crème de la crème* of the available pool through a rigorous screening process. Today, around 1 million people apply for civil service exams at the federal level and only about 400 of them make it to the top services. Having taught the recent recruits recently, I can affirm that they are indeed as good as they come anywhere in the world. Thus, there is a consensus that Indian bureaucracy represents a classic case of good people caught in a bad system.

Indian policy makers have been painfully aware of this dilemma for a very long time. Many Indian prime ministers have lamented poor implementation of their great ideas and blamed the failures on ineffective government machinery. A number of committees and commissions have been set up over time to find a solution to this problem. Many of these commissions and committees were headed by civil servants, and their recommendations were themselves left to be implemented by those very people they were meant to reform. Consequently, most of these recommendations have gathered dust.

In 2008 two landmark developments finally made a difference. The Second Administrative Reform Commission, a high-level commission headed by a chairman with the rank of a Cabinet Minister, submitted its 10th report to the Government of India in November 2008. It argued strongly for the introduction of a Performance Management System for government departments in general, and performance agreements in particular. The report found that performance agreements were "the most common accountability mechanism in most countries that have reformed their public administration systems." The Sixth Central Pay Commission also submitted a report in 2008 that strongly urged the Government of India to introduce a Performance-Related Incentive Scheme for government employees. Pay Commissions, usually headed by a retired Supreme Court Justice, are set up every 8–10 years by the Government of India to solicit advice on changes in salary structure of its government employees.

The government of Prime Minister Dr. Manmohan Singh, returning to power after the election of May 2009, made a commitment to implement these recommendations. In the opening session of the Parliament in June 2009, the Singh government declared that within 100 days the government would “establish mechanisms for performance monitoring and performance evaluation in government on a regular basis.” Three months later, the Prime Minister issued an order to implement “Performance Monitoring and Evaluation System (PMES) for Government Departments.”

The Government of India created a new department within the Cabinet Secretariat called the Performance Management Division (PMD) to implement these recommendations. The Prime Minister invited me to move from the World Bank to head PMD as India’s first Secretary for Performance Management. Lateral entry at the highest level of the Indian bureaucracy remains a rare phenomenon. I fit the bill as an outsider but not a rank outsider. In 1992–1994, I had served as Economic Adviser in the Government of India. This completed the celestial alignment required for any successful reform in the Indian context. A Prime Minister with strong political will to implement accountability for results, a Cabinet Secretary, who is the head of the civil service and first among equals, with similar convictions and clarity of purpose to manage the whole of government, and a Secretary for Performance Management (a technocrat) to work on the details.

Before launching changes, we diagnosed what was wrong with the existing approach to performance management in 2009. What were these details? First, our diagnosis of the prevailing situation revealed that Indian civil servants actually faced an excessive amount of performance monitoring. Many institutions within the Indian governmental system felt that they had a right to supervise a government department. This long list included Parliament, the Comptroller and Auditor General (CAG), the Controller General of Accounts, the Planning Commission, the Finance Ministry, investigative agencies, and the media. This might not seem to be a problem; after all, listed companies have thousands of shareholders. The difference is that while all the shareholders of a listed company have roughly the same goal for the company, stakeholders of a government department have multiple objectives that are often conflicting. This had led to fragmented institutional responsibility for performance management.

Second, we discovered that several important government initiatives had divided responsibilities for implementation, with the result that accountability for results was diluted. For example, e-governance initiatives were being led by the Department of Electronics and Information Technology, the Department of Administrative Reforms and Public Grievances, the National Informatics Center, as well as individual ministries.

Third, existing performance management tools suffered from selective coverage and time lags in reporting. For example, the performance audit reports of the CAG were restricted to a small group of schemes and institutions (only 14 such reports were laid before the Parliament in 2008) and were published with a substantial time lag. By the time these reports were produced, both management and the issues facing the institutions had changed. The reports of enquiry commissions and special committees set up to examine performance of government departments, schemes, and programs suffered from similar limitations.

Fourth, existing performance evaluation systems in government suffered from two fatal flaws. The lack of prioritization of goals, objectives, and tasks meant that no meaningful assessment could be made at the end of the year. For example, simply claiming that 12 out of 15 targets have been met tells us very little. It is possible that the 3 targets that were not met were the central part of the department’s core mandate. Similarly, most, if not all, performance evaluation systems in the government were using a single-point target to measure performance. This made 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 15,000 miles and the achievement is only 14,500 miles? In the absence of an ex ante agreement, one can reasonably reach many different conclusions.

TABLE 1 RFD results for 4 years

	2009–2010	2010–2011	2011–2012	2012–2013
Mean score	89.4	85.2	82.35	76.11
No. of depts. above mean	37 (63%)	39 (63%)	38(57%)	39 (57%)
Excellent	23 (39%)	11 (18%)	5(7%)	4 (6%)
Very good	19 (32%)	26 (42%)	25(37%)	19 (28%)
Good	11 (19%)	12 (19%)	19(28%)	18 (26%)
Fair	1 (2%)	8 (13%)	11(17%)	12 (18%)
Poor	5 (8%)	5 (8%)	6(11%)	15 (22%)

We realized that the most competent and well-intentioned civil servant could not have survived in the dysfunctional system that existed in the Government of India in 2009. It confirmed our belief that it was the system that needed to be fixed and not the people.

Our task was made easier because the Second Administrative Commission had already recommended a system based on “performance agreements” to deal with these dysfunctionalities. Performance Agreements were a cornerstone of the New Public Management model, and were first tried in New Zealand in 1980s and in the United States in 1990s under its Reinventing Government initiative and the Government Performance and Results Act of 1993. A 2007 OECD report, “Performance-based Arrangements for Senior Civil Servants OECD and other Country Experiences,” succinctly documented experiments with agency performance agreements in many countries.

After reviewing the design and implementation issues of past attempts, we designed a new and improved version of the performance agreement model. Prime Minister Singh preferred to call them Results-Framework Documents (RFDs). They overcame the flaws that had limited the effectiveness of performance agreements in other countries by introducing an explicit prioritization of objectives and an ex ante agreement on how to judge deviations from the targets. These two innovations allowed the Indian Government to calculate a composite score for each department at the end of the year. A score of 100% implied that all commitments were met. Thus, for the first time in India we had a bottom line for the government departments. This also allowed and engendered benchmark competition among departments—which research tells us is the source of true efficiency improvements. It also gave us a measure of performance to which the performance incentives could be tied.

To ensure RFD targets were not manipulated, three quality assurance mechanisms were put in place. First, all RFDs had to be put on the web. Second, a nongovernment body of former secretaries, distinguished academicians, and private sector experts was charged by the Cabinet Secretary to vet RFDs at the beginning of the year as well as results at the end of the year. Finally, the Ministry of Finance was tasked to make sure that targets in RFDs were compatible with budgetary targets. After some initial teething troubles, the RFD system stabilized by 2011–2012, as Table 1 shows.

By 2014, much had been achieved in putting in place a solid government performance management system—but much more was needed to be done. A Performance-Related Incentive Scheme for government departments based on the composite score was approved in principle but not implemented, as the Prime Minister was distracted with the political fights over various scandals gripping his government. The Prime Minister’s order had mandated that the RFDs and results at the end of the year should be placed in the public domain. While RFDs were placed on every department’s website, the results were only conveyed to each Secretary of the relevant department by a letter from the Cabinet Secretary. This was done because some of the departments were headed by members belonging to parties whose support was critical for the survival of the government in the Parliament. Meanwhile,

appointments and reassignment of Secretaries were not seen to be related to their performance scores. That is, a good system was not being used to its fullest potential.

We therefore pinned our hopes on the election of the government led by Prime Minister Narendra Modi that was elected in May 2014. Modi's election manifesto had promised that "the administration and its members will be made truly accountable to their tasks as well as the people through [a] rigorous evaluation process" and that "good performance will be rewarded; [while] non-performers will be given opportunities and training support to improve."

Alas, the opposite has happened since then. The RFD system has been repealed without being replaced and we are back to the pre-2008 situation. Some may even argue the situation is even worse as there is extreme centralization of power in the Prime Minister's office and the performance now lies in the eyes of the beholder.

The new government of Prime Minister Modi never formally declared that it is closing the RFD system. It simply stopped asking the departments to prepare RFDs (performance agreements). Indeed, the government went on to appoint three more Secretaries for Performance Management as my successors. The system was, however, allowed to atrophy and no formal answer about the status of the RFD system was either given in the Parliament in response to questions on the topic or was forthcoming under India's Right to Information (RTI) act. Thus, we can only speculate why the RFD system came to an abrupt end.

First, it is possible that the review of the working of the RFD system in the past 4 years by the incoming Modi government revealed a story that did not match their election rhetoric. Modi had portrayed the outgoing government of Singh as weak on governance and could not, therefore, acknowledge the existence of a rigorous system of performance monitoring and evaluation of government departments. After all, it had promised to do in its election manifesto what was already being done.

Second, the review of actual results for the performance of individual government departments perhaps revealed that "reality" of performance was better than the "perception." It is fair to say that Manmohan Singh lost elections because he could not "talk the walk." The performance data revealed that on average government departments were achieving 80% of the targets assigned to them via performance agreement (RFDs). By contrast, the opinion polls at the time revealed that the electorate rated the government performance at around only 40%. Thus, continuing the RFD system would have revealed facts that went against the main narrative on which the government of Modi came to power.

Third, it is possible that the new government found that the performance results for the past 4 years based on the departments' ability to meet agreed commitments did not meet their preconceived biases.

Fourth, a system based on ex ante agreements and objective evaluation of performance at the end of the year reduces discretion and was perhaps seen as inimical to the personalized style of management preferred by the incoming Prime Minister.

And fifth, I have yet to come across any workplace where performance evaluation is welcomed by staff. Senior career civil servants did feel the pressure to perform and were waiting to sow seeds of doubt in the minds of incoming administration. Performance management is a leadership issue and not a popular issue.

There are several key lessons of my experience that may be relevant for policy makers working on a similar system in their own countries.

We succeeded beyond our wildest expectations in terms of the scope and coverage of the performance management policy because we emphasized simplicity over complexity. We defined performance management as simply the ability of the department to deliver what it had promised.

It is my strong conviction that unless you can reduce the performance measurement to a score, it will remain difficult to grasp and hence difficult to sustain over time. For the performance score to be

meaningful, however, performance management must be based on ex ante commitments and must cover all aspects of departmental operations.

Performance management is best implemented as a big-bang effort. Pilots in performance management do not survive because those departments chosen as pilots feel they are being singled out for political reasons.

Finally, the single biggest mistake of the outgoing government was to not enshrine the RFD policy in a law. A similar policy for accountability of state-owned enterprises in India was embedded in a law in 1991 and it has survived changes in government.

BIOGRAPHY

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