Performance Management in Government

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Introduction

Far-reaching changes in the global economy have made it imperative for the governments all over the world to improve the quality of their governance structures. The Government of India has also introduced the New Public Management[1] concepts in public administration with emphasis on 'results' or 'performance' to improve the efficiency and effectiveness of public services.

2. The Government of India has developed monitoring and evaluation systems for its development programs, supported by a well planned institutional framework. It also has a performance appraisal mechanism for its civil servants. However, it is time to move from measurement of input usage for programs and appraisal of process compliance to assessment of outcomes and impacts through a well designed system of 'performance management'.

Performance Management: The Concepts

3. Performance management is a broad concept that involves understanding and acting on the performance issues at each level of organization, from individuals, teams and departments to the organization itself. These issues include leadership, decision making, motivation, encouraging innovation and risk taking among others.

4. Performance management in government is the managerial activity necessary to promote well-performing policy management and service delivery[2]. A definition

[1] New Public Management (NPM) refers to a series of themes relating to reforming the organization and procedures of the public sector to make it more competitive and efficient in resource use and service delivery (See Hood, CC, *The "New Public Management" in the 1980s: Variations On A Theme*, published by *Accounting, Organisations and Society,* Vol. 20, No. 2/3, pp. 93-109, 1995).

[2] Dr. Bobby Mackie, *Organizational Performance Management in a Government Context: A Literature Review*, (www.scotland.gov.uk/socialresearch, a Government of Scotland website, August 2008)

of performance management given by the Second Administrative Reforms Commission is as follows[3].

"*Performance management is the systematic process by which the organization involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of organizational mission and goals*".

Performance Management System

5. The term 'Performance Management' is often confused with 'Performance Measurement'. The following definitions will help in distinguishing between these concepts.

- 'Performance' refers to the ability of the government to acquire resources and put these to efficient (input-output relationship) and effective (output-outcome relationship) use to achieve the desired outcomes and impacts.

- 'Performance measurement' tracks processes (such as compliance to formal rules), results (such as use of inputs, outputs produced or policy goals achieved) or more complex ratios (such as efficiency, productivity, effectiveness or cost effectiveness)[4]. It also involves the design of balanced and well calibrated key performance indicators, supported by a good Management Information System.

- 'Performance management' is a broad system of defining and measuring performance, besides developing incentives for individuals and organizations. It touches the processes of planning, implementing, reviewing, evaluating and reporting to gauge the impact of policies and programmes. It promotes growth and learning, and recognizes that capacity building and improvement in individual performance leads to better achievement of organizational goals.

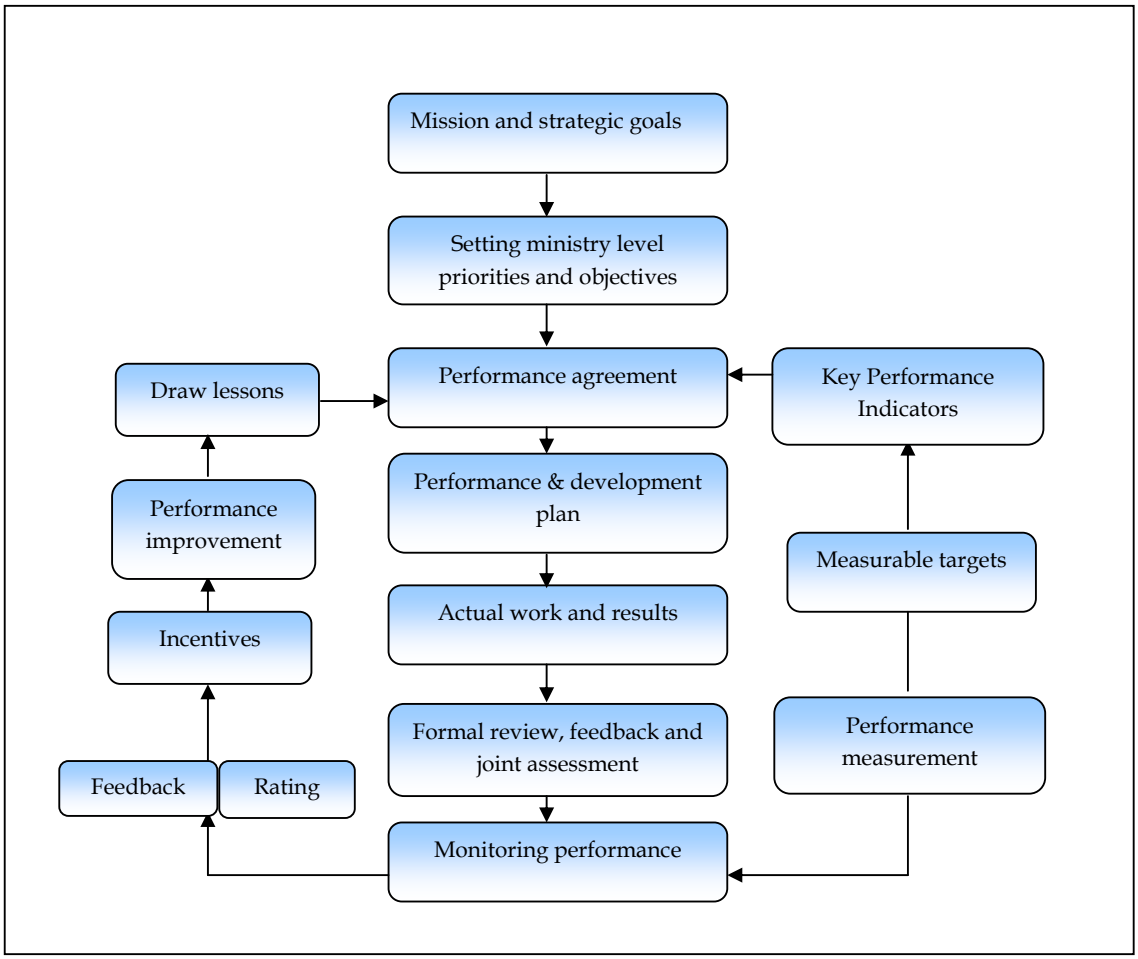
6. Performance management requires a performance information system that can be audited and related to financial management and policy cycles. Its elements include planning, monitoring, capacity building, performance rating and a system of rewarding good performance[5]. These elements of a comprehensively designed performance management system are given in the following figure as an adaptation from the tenth report of the Second Administrative Reforms Commission.

[3] *Refurbishing Of Personnel Administration: Scaling New Heights,* Tenth Report Of Second Administrative Reforms Commission-2005 (Government of India, 2008)

[4] Ketelaar, A., N. Manning and E. Turkisch, *Performance-based Arrangements for Senior Civil Servants OECD and other Country Experiences*, OECD Working Papers on Public Governance (OECD Publishing, 2007/5)

[5] Michael Armstrong & Angela Baron, *Performance Management: The New Realities* (Jaico Publishing House, New Delhi, 2002)

Figure 1: Performance Management System



(Source: Adapted from Second Administrative Reforms Commission's Tenth Report, 2008)

Approaches to Performance Management in Government: International Models

7. This section looks at different approaches to performance management in government in a few select countries.

a. Public Service Agreements (United Kingdom): Public Service Agreements (PSAs) outline the objectives for the agency or department regarding the services to be delivered as agreed between the department and the Prime Minister's Delivery Unit. PSAs set out targets for achieving the strategic objectives for a medium time frame of three years.

b. Strategic Plans (United States of America and South Africa): The strategic plan approach for performance management is prevalent in South Africa and United States. In South Africa, the departmental objectives are captured in

three years strategic plans, which are then converted into operational work plans and performance agreements. Strategic plans in the USA are developed for five years outlining the policy and operational objectives.

c. Pluri-Annual Planning Programme (Brazil): This divides all governmental objectives into about 400 programmes, each of which has its own programme manager who is a senior civil servant accountable for the results. The targets of the program become the performance agreement for the civil servant.

d. Balanced Score Card (New Zealand & Australia): These countries have adopted the Balanced Score Card approach, which is a set of measures that are directly linked to the organization's strategy. The score card allows managers to evaluate financial performance, customer knowledge, internal business processes, and learning and growth.

e. Performance Contracts (Kenya): Similar to PSAs, these are also agreements between the government and public agency, setting targets, besides developing charters to communicate the service standards. There are incentives for achieving the targets.

Overview of Existing Performance Management System in India

8. **Historical Context**

The Second Administrative Reforms Commission says the following on the conventional performance management system in government[6]:

"*Traditionally governance structures in India are characterized by rule-based approaches. The focus of the civil services in India is on process-regulation. With such focus on processes, systems in government are oriented towards input usage – how much resources, staff and facilities that are deployed in a scheme, program or project and whether such deployment is in accordance with rules and regulations. The main performance measure thus is the amount of money spent; and the success of the schemes, programs and projects is therefore generally evaluated in terms of the inputs consumed.*"

9. Thus the conventional performance management system in India focuses on the input-output aspects, rather than the measurement of impacts or outcomes of policies and programs.

[6] *Refurbishing Of Personnel Administration: Scaling New Heights*, Tenth Report Of Second Administrative Reforms Commission-2005 (Government of India, 2008)

Performance Management at individual level

10. While analyzing the management of performance at individual level, it is important to understand that the current systems in government only 'appraise' and not really 'manage' performance. The measurement of performance is based on the ACR (Annual Confidential Report) system. While it is a well entrenched system, it has several gaps that limit its utility as an effective performance appraisal tool. Effectiveness and credibility of the ACR system that is based on the philosophy of control and secrecy has been questioned and viewed negatively[7].

11. The Second Administrative Reforms Commission has identified the deficiencies in the system of appraisal of civil servants in India (other than the All India Services). Some of the gaps in the present system can be listed as follows:

a. It lacks in quantification of targets and evaluation against achievement of targets.
b. The ACR system does not give scope for a two way consultative process and there is a lack of clarity about performance standards.
c. Performance appraisal becomes meaningless in cases where the job fit is ignored while posting an officer, and where there are frequent transfers.
d. The quality is seriously affected when reporting officers write ACRs of a large number of employees, some of whom they may not even personally recognize.
e. Since the present system shares only an adverse grading, a civil servant remains unaware about how he/she is rated in his/her work. Hence there is no incentive for good performance.
f. Many reporting officers pay little attention to distinguish between good and average workers. So, most Government officials end up getting very good/outstanding grading which is considered "good for promotion" and there is no motivation for real performers.
g. The system of deciding on representations against adverse entries takes so long that reporting officers avoid giving an adverse entry. Often, for want of evidence against an employee, the reporting officer is in a defensive position and thus unable to justify the adverse remarks. In fact it will not be inappropriate to say that we rarely punish and never reward in the present system.
h. Due to a plurality of cadre controlling authorities, members of different Services working in the same Ministry may be appraised using different formats, which is irrational.

12. The current practice is to appraise the 'individual' rather than his/her 'performance', making the assessment almost personality oriented and not function related. In the absence of a mechanism to link the individual performance with the organizational goals and achievements, the appraisals are reduced to a narrow focus in the larger context of performance management.

[7] Prof. Biju Varkkey, *Report on Formulating the Concept, Principles and Parameters for Performance-Related Incentives in Government*, a consultancy report for Sixth Central Pay Commission, Government of India (Indian Institute of Management-Ahmedabad, July 2007)

Systemic issues in individual performance management

13. In addition to the inability of ACRs to act as an effective performance management mechanism, there are certain systemic issues which seriously affect the ability of civil servants to be good performers. Some of these issues are discussed below:

a. *Absence of enabling conditions*: While speaking about performance of civil servants, we need to consider the limitations of the environment they operate in. The performance of an individual in a given position is determined by his/her individual attributes as well as factors like an encouraging and result-oriented institutional environment. In the Indian set up, civil servants at all levels are hamstrung by lack of flexibility in program design, frequent transfers, lack of choice in formation of teams and budgetary limitations etc.

b. *Risk aversion among civil servants:* Civil Servants are answerable to a number of agencies and institutions of the country. Some of these agencies like the CAG, statutory commissions etc. are entrusted with the task of finding gaps in the system and they tend to focus on form and procedure, and perceived lapses or excesses of the executive. This, in turn, has compounded the problem of risk aversion and demoralization among civil servants[8]. L.K. Jha Commission had also concluded, "*What we have in our system is essentially accountability for error and wrong doing, and not for non-achievement or inefficiency.*"

c. *Cross cutting nature of operations:* The functions of the government and the nature of its developmental tasks are multidimensional involving a large number of agencies in the process of decision-making. This leads to blurring of the organizational and individual accountability as the departments can pass the blame for inaction on others by claiming that they had no sole control over the decision-making process. Line departments also face the problem of obtaining finance clearance at every stage of their work.

d. *Disjointed setup for performance management:* We cannot ignore the fact that individual performance collectively contributes to the organizational performance and the performance of the organization in turn contributes to the performance of programs/ projects implemented by the organization. But, currently there are no robust mechanisms in place to assess the individual's performance in the context of the performance of an institution or program.

[8] Dr. Prajapati Trivedi, *Improving Government Performance: What Gets Measured, Gets Done*, Economic & Political Weekly, Vol. XXIX, No.35, August 1995

Towards a comprehensive Performance Management System

14. The need to shift from ACR based approach to a more progressive Performance Management System suited to the requirements of modern government has been felt at all levels. The initiatives of the government in this regard include the introduction of a modified PA system for AIS officers, formulating the Public Service Bill 2007, the Sixth pay Commission report on 'Performance Related Incentives' in government departments and constitution of the Second Administrative Reforms Commission which focused on 'Refurbishing The Personnel Administration'. The major recommendations on these issues are given below.

15. **Modified Performance Appraisal (PA) system:** Recognizing the importance of shifting from ACR to more progressive Performance Management System, the Government of India has modified the appraisal system for All India Service Officers in accordance with the recommendations of the Surinder Nath Committee (2002) with the following salient features:

- It has a transparent approach as the appraisal report is disclosed to the officer appraised.
- It suggests an interactive method of evaluation involving both the appraising officer and the appraisee in fixing realistic professional targets and work plan for the year.
- It has job Specific performance appraisal formats specifically linked to the individual tasks as well as the organizational goals.

Though the focus still continues to be on ratings and evaluation rather than on comprehensive performance management, the progressive aspects of the new system need to be recognized and extended to other Central Services and organizations.

16. **Public Services Bill 2007:** Government has taken a step forward towards introduction of a performance management system by making a provision in the proposed Public Services Bill that the government shall establish a Performance Management System for Public Service employees within twelve months from coming into force of this Act. It would lay emphasis on setting targets and priorities in line with government's plans and available resources, and preparation and periodical review of performance indicators of each employee.

17. **Proposal for Performance Related Incentives (PRIs):** IIM Ahmedabad has conducted a series of studies for the Sixth Central Pay Commission on the feasibility of introducing Performance Related Incentives (PRIs) in government. A model that would link the employee performance to tangible rewards through a pay structure having both fixed and variable components has been suggested. The study recommends implementation of the model including the provision of an annual bonus

of up to 20% to employees whose achievements exceed certain targets. The Department of Science and Technology (DST) has already initiated the implementation of this model by suggesting a performance-related incentive scheme for research organizations on a voluntary basis.

Second Administrative Reforms Commission on Performance Management System

18. The Commission has made detailed recommendations for expanding the scope of the present performance appraisal system of government employees to a comprehensive performance management system, which would link individual contributions to the strategic objectives of the organization. Annual performance agreements have also been prescribed between departmental ministers and secretaries for providing verifiable details of the work to be done.

Recommendations of the Second Administrative Reforms Commission

19. The salient features of the recommendations made by the Commission are as follows:

- Appraisal formats of civil servants need to be more specifically linked to the tasks assigned to them and the goals of their organization. The appraisal format prescribed for civil servants should have three sections namely; (i) a generic section that meets the requirements of a particular Service, (ii) another section based on the goals and requirements of the department in which the employee is working, and (iii) a final section that captures the specific targets relating to the post that the officer holds.
- The system should not only provide the means of reviewing past performance, but also find ways of future development of the individual's potential in line with the organization's strategic plan.
- A performance review mechanism constituting two reviews at 14 and 20 years of service should be introduced to ensure accountability and further continuance in service after 20 years should depend on the outcome of the performance reviews.

Performance management at organization and agency level

20. At organizational level, performance management in government is to be seen at the level of individual ministries, departments and public enterprises. Most of the evaluation is still being done on how the programmes or schemes are implemented and an organizational review is not contemplated. Similarly, there is no mechanism of assessing the achievements of an organization as organically linked with the performance of its staff at various levels.

21. **Ministries and departments at Central and State level :** Presently the performance management of the ministries and departments both at the centre and in the states is being done using conventional tools like periodic reviews, annual reports, budgetary exercises including performance budgets and the recently introduced outcome budget. In addition, special studies are also commissioned from time to time. The two major performance management mechanisms for the ministries and departments are *project related appraisals* and *Action Plans.* However the performance is usually evaluated in terms of the implementation of projects and schemes rather than assessing the organization itself. Some of these tools are described below.

a. Performance budgeting: It is a technique of presenting the budget of the Ministry in terms of functions, programmes, and activities. It also provides an indicator of the relationship between estimated inputs and expected outputs. There is a need to strengthen this mechanism by linking the budget allocations and expenditure needs of the ministries to the targets set out in the performance budget.

b. Action Plans: Following the recommendation of LK Jha Commission on Economic Administration Reforms (1982), the Action Plans have become an integral part of the functioning of all departments. These plans list all the tasks that a department plans to perform during the year with precise, quantifiable and measurable targets. Action plans have limited utility in performance management as there are no criteria to evaluate performance vis-à-vis targets.

c. Performance Audit: This is conducted by the CAG and the report is tabled in the parliament. However this mechanism also has a limitation as it does not happen on a systematic and continuous basis for all government institutions. These audits, however, have a lot of value as the NREGA audit brought out certain lapses in implementation of the programme prompting the Rural Development Ministry to push forward reforms in this regard.

22. **Memorandum of Understanding (MoU) in Public enterprises:**

This is a major instrument of performance management in public enterprises. It is essentially a negotiated performance agreement between government and the management of the public enterprises. It specifies the expectations and responsibilities of both the parties and once the MoU is signed, the government is expected not to interfere in the day to day operations of the enterprises. This system improves accountability and enhances autonomy. The first set of MoUs was signed in 1987-88 based on the French system which only pointed out whether a particular target was met or not. Later MoUs by the government shifted to the 'Signalling

system' which assigns weights to targets to derive composite scores based on the performance of the enterprise on a number of parameters.

23. **Some observations from the MoU arrangement in PSEs[9]**

- More than three-fourths of public enterprises assessed fall in the category of excellent or very good and none was categorized as poor except in 1990-91.
- One view is that some enterprises may be showing profits in the short-run by sacrificing long term interests like investment in R&D.
- There is limited evidence of improvement in the enterprise-government interface.
- Efforts have not been made to drill down the accountability into the organization by encouraging the management to enter into similar agreements with workers.

24. Despite its limitations, the MoU system is gaining strength with its introduction in the subsidiaries of public enterprises. There are plans to implement the system in the states as well. Based on the Ashok Chandra Committee report, the Department of Public Enterprises (DPE) is also planning to make amendments in the existing MoU structure and introduce new concepts like the standard deviation method, while benchmarking the performance.

25. In order to ensure that the MoU system succeeds, it is important that certain essential conditions are met. These include the following[10]:

- **High level political commitment:** MoU system reduces the power of technical ministries and provokes resistance, which can be overcome only with strong signals from the highest levels in the government.

- **Coordination:** There should be good coordination among the designers, implementers and policy makers, so that a consensus is generated on key issues.

- **Institutional support:** While the planning commission monitors the performance of PSEs in terms of project implementation, there is no dedicated institution to monitor the contracts. The monitoring agency should be able to demand information and make binding recommendations.

- **Incentives:** Incentives or sanctions linked to results ought to be made part of the MoU system. While the system exists in few PSEs, most others stay clear of such arrangement fearing backlash from employees.

[9] Ali Farazmand, Handbook of Comparative and Development Public Administration (CRC Press, 2001)
[10] Prajapati Trivedi (ed.), *Memorandum of Understanding: An Approach to Improving Public Enterprise Performance* (New Delhi: International Management Publishers, 1990)

Performance management systems at program or project level

26. India has an elaborate institutional set up for monitoring and evaluation of programs and projects for various kinds of government schemes. The following section looks at this institutional framework and the established mechanisms for performance management.

Institutional Setup for performance management of programs and projects

27. At the Union level, the performance management system in India can be seen as having five sub-systems. These consist of, (a) institutions under the Planning Commission, (b) institutions of the Ministry of Statistics and Program Implementation, (c) institutions that are part of the financial monitoring and control system, (d) institutions such as National Informatics Centre that are responsible for the electronic storage, transmission and processing of data and (e) government's research and academic institutions that conduct impact studies, among other types of research.

28. The central system of monitoring in India mainly involves the Planning Commission and Ministry of Statistics & Program Implementation, whereas in the states, there are state planning departments and state evaluation organizations.

a. **Planning Commission:** The Planning Commission has several divisions including the Program Outcome and Response Monitoring Division to monitor the programmes.

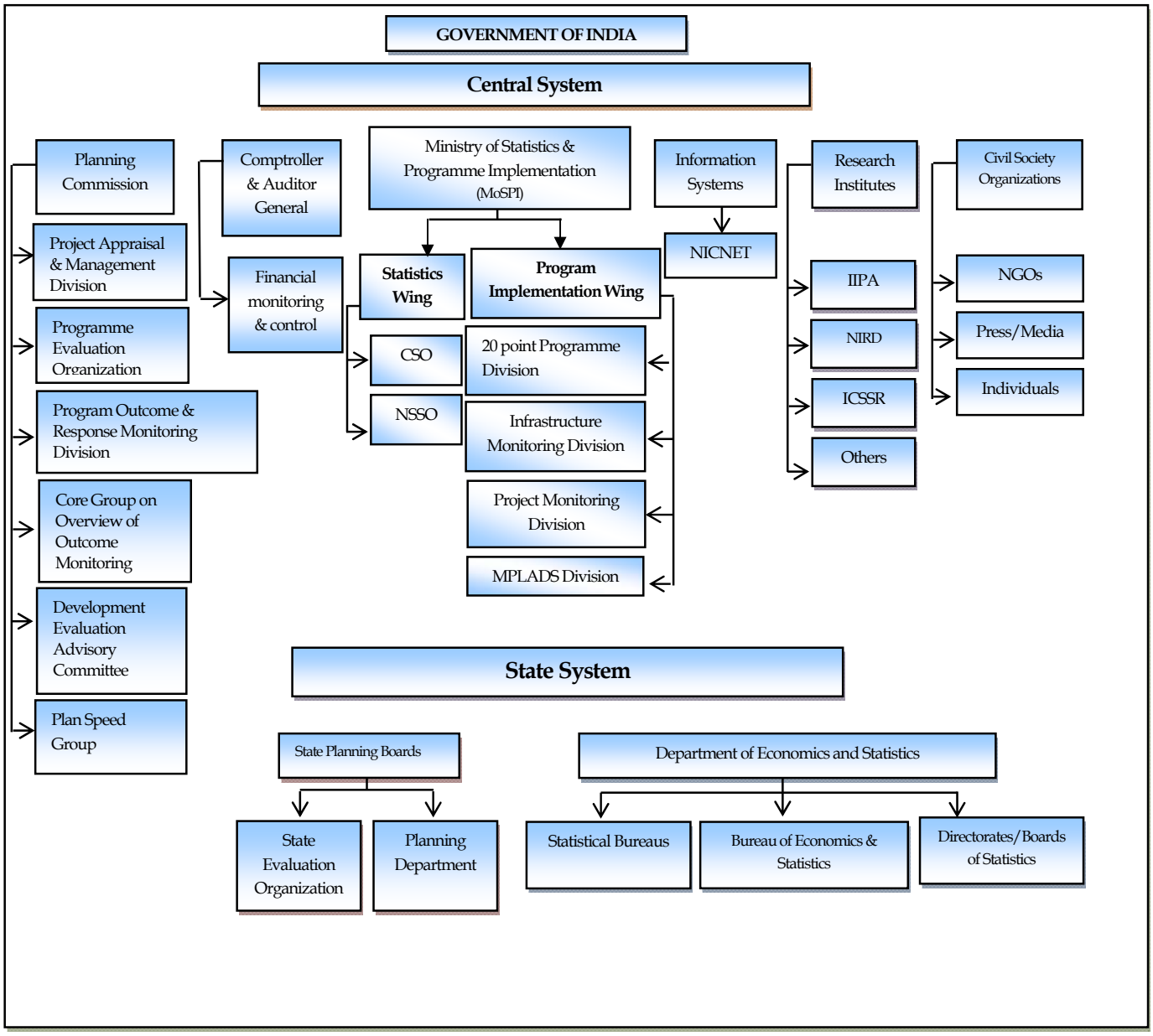
b. **Ministry of Statistics & Program Implementation (MoSPI):** This Ministry operates through two wings, dealing with statistics and program implementation. The statistics wing comprises of the Central Statistical Organization (CSO) and National Sample Survey Organization (NSSO). While the CSO is mainly responsible for coordination, standard setting and training, the NSSO conducts large-scale statistical surveys. The Program implementation wing consists of 20-point Programme Division, MPLADS division etc.

   A similar setup exists in the states in the form of State Evaluation Office (SEO) which evaluates the state level schemes and reports the findings to the State Planning Department and implementing agencies.

c. **Audit and Accounts:** There is a strong set of institutions which monitor the management of public finance and accounts. The Comptroller and Auditor General (CAG) conducts audit of the government's financial performance to ensure that the central and state governments follow the norms of public spending. Audit has an important role in performance management.

The existing institutional set up for M&E at the central and state level is illustrated in Figure 2.

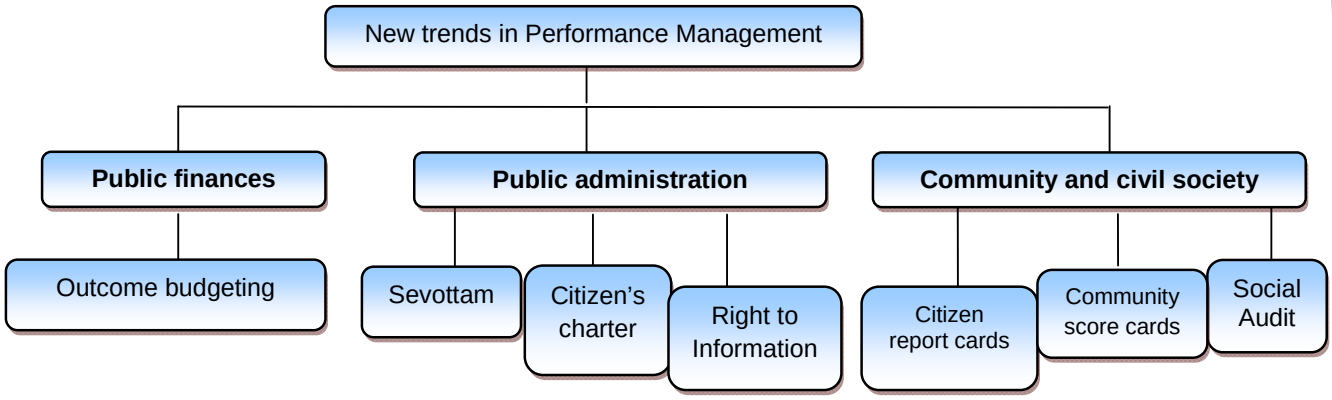
Figure 2



New trends in Indian Performance Management Scenario

29. While the conventional performance management systems in government have earned the dubious distinction of being closed and centralized with a focus on procedures, processes and inputs, there are certain new developments in the public management scenario in the areas of Public Finance, Public Administration and government interface with the community and civil society. These are shown in Figure 3 and the following section looks at some of the related initiatives that have a bearing on the practice of performance management.

Figure 3



Public Finances

30. **Outcome budgeting**: India took an important step towards outcome budgeting in 2005-06 with a note of caution in the budget speech that outlays do not necessarily mean outcomes and that the people of the country are concerned with outcomes. Outcome budget, as a performance management tool, helps in better service delivery, decision-making, evaluating programme performance and results. It is a progress card on what various ministries and departments have done with the outlays announced in the annual budget.

Public Administration

31. **Citizen's Charter:** Citizen's Charter is a declaration by the agency or department providing public service to specify the standards of service delivery and avenues for redressing grievances. About 107 Citizen Charters have been formulated by the ministries and departments at the Center and State levels and about 629 Charters have been introduced by other public organizations. *The Citizen's Charter is*

an important tool to improve the quality of services, address the needs of citizens' rights and set clear standards of performance.[11]

32. **Sevottam:** The Department of Administrative Reforms and Public Grievances has introduced a model for benchmarking 'Excellence in Public Service Delivery (Sevottam)'. This is a framework for organizations to assess and improve the quality of service delivery for the citizens. It guides government departments to identify the services to be delivered to set service norms, align delivery capability with expectations of citizens, gauge the quality of service delivery through an objective assessment and to improve quality using interventions like business process redesign and information technology. 'Sevottam' is currently under implementation in ten central ministries and departments with large public interface.

33. **Right to Information (RTI) Act:** Through this recently enacted Act, citizens of India have access to information under the control of public authorities with the objective of promoting transparency and accountability in these organizations. The influence of this Act as a new paradigm in accountability is very significant in improving performance.

Civil Society initiatives in performance management in government

34. While the focus of this paper is on the performance management mechanisms in government, it is worthwhile to look at a few path-breaking accountability tools initiated by the civil society movement which can be helpful in improving performance management.

35. **Citizen's Report Card (CRC):** These report cards are surveys that solicit user feedback on the performance of public services to enhance public accountability. These scores reflect the performance of public service providers based on citizen feedback. The CRC has a good potential to evolve as a tool to support performance management system.

36. **Community Score Card (CSC):** It is a community based monitoring tool that is a hybrid of the techniques of social audit and citizen report cards (CRC). This is an instrument to extract social and public accountability and responsiveness from service providers. As the citizens are empowered to provide immediate feedback to service provider, it facilitates community monitoring and performance evaluation of services, projects and even government agencies.

37. **Social Audit:** Social audit is a mandatory process of transparency whereby records are placed by government officials or elected representatives for public

[11] HP Shiva Shankar, Faculty (Public Administration), *Citizen's Charters: An Empirical Study*, published by Administrative Training Institute, Lalitha Mahal Road, Mysore (Government. of Karnataka)

scrutiny. Whereas the 73rd and 74th amendments to the Constitution have created a large space for democratic decentralization, social audits are mandated in the programmes under NREGA and NRHM.

Summary

Key issues and challenges in performance management

38. This paper has analyzed the existing performance management scenario in government and has looked at the emerging trends. While benchmarking the existing systems with the basic theoretical foundations of performance management and international practices, we have identified certain key concerns and issues in performance management system in government.

Table 1: Key issues in Performance Management in Government

Issues at individual level	• Absence of quantification of targets and evaluation against achievement of targets • Unclear performance standards • Neglect of job fit in appointments, and frequent transfers • Lack of mechanism to motivate for good performance • Absence of appropriate punishment/reward mechanisms • Absence of clear linkages between individual, organizational and program performance
Issues at Ministry/ department level	• Funds granted to ministries are never linked with progress of work or the targets set out in the performance budget • Lack of clarity regarding purpose and objectives of Action Plans • Inability to measure performance in the absence of appropriate indicators
Issues at Public enterprise level	• Most PSEs rated excellent or good despite declining performance • Tendency of PSEs to show profits in the short-run by sacrificing long term interests • Lack of scope for true negotiation • No mechanisms to enable the movement of accountability to lower levels
Issues at program/ project level	• Focus on inputs and process compliance neglects the outcomes and impacts • Lack of measurable indicators • Dichotomy between plans and budgets

Summary of available recommendations on performance management

39. This section looks at the major contemporary recommendations on various aspects of performance management in India as given in Table 2. An analysis of these recommendations is expected to give insights for charting the future course of action.

Table 2: Available Recommendations

Source	Recommendations on performance management
Public Services Bill 2007	• Setting targets and priorities in line with government's plans and available resources • Preparation and periodical review of performance indicators of each employee with well-defined principles for achievement.
Second Administrative Reform Commission	• Expanding the present system to a comprehensive performance management system • Individual contributions should be linked to the strategic objectives of the organization • Annual performance agreements to be signed between the Minister and the Secretary/Heads of Departments, providing physical and verifiable details of the work to be done during a financial year • The proposed Central Public Services Authority may be the third party to monitor performance
Sixth Central Pay Commission	• PRI (Performance Related Increments) should be introduced as an extra incentive on top of the total compensation package • PRI should be implemented at all levels, individually or for groups, such that the incentive structures of lower-level and higher-level employees are not in contradiction. • PRI should be implemented based on multi-dimensional assessment of performance including public/ stakeholder service delivery. • PRI should be paid out of the funds generated by the ministries/ organizations through their own resources so that the system is budget neutral.

Points for discussion

40. A critical analysis of the existing performance management arrangements in the government throws up the following key issues for discussion.

a. **Absence of an appropriate HRM system:** Effective utilization of the available human resources is important and the governments cannot remain blind to the absence of a strategy for HR management to leverage the skills and knowledge of their workforce. The key concerns that need to be addressed in this regard are discussed here.

- *Dissatisfaction:* Employees by and large have a feeling that most of the matters related to them like recruitment, professional trainings, postings, transfers, seniority lists, promotions and retirements are processed in a tardy manner and with considerable delay. This leads to employee dissatisfaction and affects the morale.

- *Job fit:* An equally important requirement within government is in identifying the right person for the right job. Though this identification

process is constrained by departmental structures, it will still be possible to a reasonable extent to identify the right person for the given requirements of a job.

- *Employee information management system*: For choosing the right person for the right job, the details of qualifications, experience and skill set of all employees need to be available in the form of a consolidated database capturing the relevant particulars including the capacity profile and training needs of the employees.

- *Grievance Redressal mechanism*: Not much attention has been paid to the setting up of an effective internal grievance redress mechanism, which the government personnel can use to register their grievances and get a satisfactory response in a time bound manner.

b. **Addressing systemic issues:** Certain questions and systemic issues would arise while revamping the performance management systems. These questions are posed below.

- How to evaluate the performance of an individual who operates under the institutional constraints of lack of flexibility in program design, frequent transfers, lack of choice in formation of teams and budgetary limitations?

- How to evaluate the performance of an individual who performs multiple tasks as part of different programmes/ projects and may also report to different authorities?

- How to evaluate performance when different departments/organizations work together for a single programme?

- How to distinguish between the personal and institutional determinants of an individual's performance and give appropriate weightage to each in assessing the overall individual performance?

- How to disaggregate program level objectives into departmental/ institutional level objectives and then to break them down to tasks at the level of an individual.

c. **Roles and responsibilities of the Central Public Services Authority (CPSA):** In the wake of concerns outlined about performance agreements, the role of the CPSA, the proposed third party to oversee the performance agreement according to Public Services Bill, 2007 assumes significance. Due consideration should go into the legal status of such a body to ensure that it upholds the true spirit of the proposed performance agreement.

d. **MoU based performance management system:** It is a moot point whether the MoU system as practiced now in the PSEs requires improvement. Here are some reflections on how to adopt this system for the government departments and Ministries.

- *Introduction of performance agreements at individual and institutional level:* The need for introduction of annual performance agreements in government is evident from the recommendations of the Second ARC as well as the international examples of successful initiatives.
- *Verifiable indicators*: Performance agreements require the expected results to be expressed in terms of verifiable input and output based indicators, which need to be evolved through serious deliberations.
- *Third party assessment*: Once the agreements are signed, the performance of the Secretary/ Head of the Department needs to be assessed by a third party, say, the Central Public Services Authority, with reference to the annual performance agreement. New concepts like 'Balanced Score Cards' or '360 Degree Feedback' may also be considered for introduction.
- *Dissemination:* Mechanisms for dissemination of the details of the annual performance agreements and the results of the assessment by the third party need to be put in place.
- *Incentive system*: It is important to create an appropriate incentive system for rewarding good performance and punishing the non-performers. The system suggested by the Sixth Pay Commission based on the studies[12] by IIM Ahmedabad can be integrated with performance agreements or a provision of performance linked bonuses can also be considered.
- *Clarifying accountability*: The new accountability mechanisms will be effective only if they have legal validity. An issue for debate is whether the proposed draft Public Services Law, 2007 could have a provision for the Secretaries/ heads of departments to sign performance agreements.

e. **Building in accountability tools in program design:** A highlight of the implementation of National Rural Health Mission and National Rural Employment Guarantee Scheme has been the trend of integrating accountability tools into the program design. Similar exercise needs to be undertaken in case of other important programmes as well.

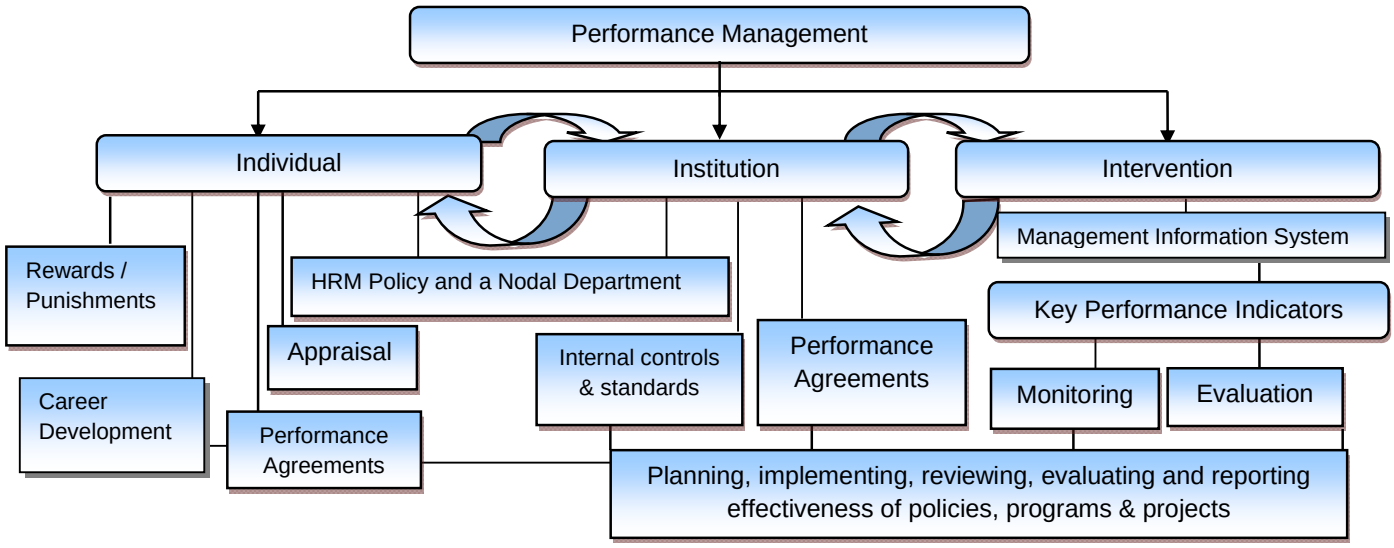
f. **Mechanism to act on feedback:** While a number of institutions gather information on performance, there is no central mechanism to generate useful feedback from this information. A nodal department dealing with Human Resource Management may be required both at the Centre and state levels to deal with performance management issues.

[12] Prof Biju Varkkey, *Report on Formulating the Concept, Principles and Parameters for Performance-Related Incentives in Government*, a consultancy report for Sixth Central Pay Commission, Government of India (Indian Institute of Management-Ahmedabad, July 2007)

g. **Need for concurrent evaluation:** Concurrent evaluation is an internal control process. In the Indian context, the responsibility for such evaluation lies primarily with the executive and one of the tools to do so is internal audit. There is a need to develop and standardize these control processes besides insisting on evaluations that are more frequent than annual assessments.

h. **Need for an integrated approach in performance management**: In order to move towards an integrated performance management system, it is important to ensure that the performance of individuals and institutions are interlinked. A framework is suggested for this in Figure 4. It has individuals, institutions and a set of monitoring and evaluation interventions at the core. The goals set for institutions are further drilled down to define individual performance targets with appropriate performance indicators. These efforts need to be backed by a strong Management Information System and Human Resource Management policy with a nodal department to do that.

Figure 4: The 3-I framework for performance management in government



41. **Conclusion**

There is a strong need for a robust performance management system to be introduced in the government covering all organizations and different levels of functionaries. Time has also come to look at a paradigm shift in ensuring accountability by introducing concepts like service agreements and bringing in the tools of social accountability to involve the citizen also in appraising the performance. The alignment between individual performance and organizational

goal is also of utmost importance by introducing an appropriate set of performance indicators.

Measuring performance is useful only when it translates into action. Performance management tools by themselves do not create sustained high performance. It is important to create an environment conducive for effective and efficient performance with a system of rewards and punishment, besides building capacity at all levels of government to get results.

Abbreviations

ACR	-	Annual Confidential Report
AIS	-	All India Services
ARC	-	Administrative Reforms Commission
CAG	-	Comptroller & Audit General of India
CEGC	-	Central Employment Guarantee Council
CHC	-	Community Health Centre
CPSA	-	Central Public Services Authority
CRC	-	Citizen's Report Card
CSC	-	Community Score Card
CSO	-	Central Statistical Organization
DPC	-	District Programme Coordinator
DPE	-	Department of Public Enterprises
DST	-	Department of Science & Technology
GP	-	Gram Panchayat
HRM	-	Human Resource Management
ICSSR	-	Indian Council of Social Science Research
IIM	-	Indian Institute of Management
IIPA	-	Indian Institute of Public Administration
MIS	-	Management Information System
MPLADS	-	Member of Parliament Local Area Development Scheme
MoSPI	-	Ministry of Statistics & Programme Implementation
MoU	-	Memorandum of Understanding
NGO	-	Non-Governmental Organisation
NIC	-	National Informatics Centre
NIRD	-	National Institute of Rural Development
NREGA	-	National Rural Employment Guarantee Act
NRHM	-	National Rural Health Mission
NSSO	-	National Sample Survey Organization
PA	-	Performance Appraisal
PEO	-	Programme Evaluation Officer
PMS	-	Performance Management System
PRI	-	Performance Related Incentives
PSA	-	Public Service Agreements
PSE	-	Public Sector Enterprises
PSU	-	Public Sector Undertakings
RTI	-	Right to Information
SEO	-	State Evaluation Officer
SEGC	-	State Employment Guarantee Council