

PERFORMANCE MONITORING AND EVALUATION SYSTEM

(PMES):

An Emerging Trend In Performance Management Systems

Author:

Chitrangda

Assistant professor

Lakshmibai College

University of Delhi

ABSTRACT

While India already has an impressive range of performance tools, their effectiveness have been limited by issues like routine implementation, fragmented institutional responsibilities, weak incentive system etc.

Considering these limitations, there have been demands from various entities including India's Second Administrative Reform Commission for performance management systems in Government. PMES was introduced in 2009 through the Prime Ministers Directive and is being implemented in a phased manner, starting with 59 participating departments (out of 84) in year one and gradually increasing the participants in the following years.

The research paper examines the performance management framework, particularly use of performance agreements in government in India. India's results-based performance management framework, also called the Performance Evaluation and Monitoring System (PMES) is relatively new system. The PMES requires federal government departments to execute a performance agreement known as Results Framework Document (RFD), which serves as a tool for measuring and comparing the actual with expected performance.

Keywords: Performance Management System, Performance Evaluation and Monitoring System, Results Framework Management System, Performance Agreement, Results Framework Document

Introduction

Government's performance directly influences the well being of human beings, especially the weaker sections, who have no alternative to public services. Common performance challenges faced by the government includes focusing on results that has meaning for stakeholders, improving results within resource constraints, encouraging public employees to provide better services, and ensuring public's trust in government. Performance management enables governments to address these challenges. Performance management is an ongoing, systematic approach for improving results through evidence-based decision making, ensuring continuous organizational learning and focusing on accountability for performance. The performance monitoring and evaluation system (PMES) introduced by Government of India (GoI) in 2009, for performance management, aims to measure performance of government departments in a fair, objective and comprehensive manner to create a results-oriented government.

Objectives of the study

- To understand the concept of Performance Monitoring And Evaluation System (PMES)
- To learn why PMES is better than the already existing performance management mechanisms
- To study how PMES has added value to the existing performance management system
- To learn about the three components of PMES
- To study the challenges to be faced by the Government of India while adapting PMES

Research methodology

This research paper is based on extensive literature review to understand the theoretical underpinnings, formal system design and actual functioning of the performance management frameworks in India. The data is collected from various websites and government project reports. All the data collected and analyzed is secondary in nature.

Existing performance management systems

Prior to a detail study of India's new performance management system an understanding of India's existing performance management mechanisms would help us appreciate the value added by the new system to the existing set up. India's existing performance management mechanisms are as follows:

1. Performance appraisal report: focuses on the performance of individual government officials
2. Outcome budget: aims to convert budget outlays into outcomes; for a given year it indicates physical targets of financial budget as also actual physical performance in two previous years.
3. Annual report: all ministries/departments are required to publish annual reports to inform stakeholders about their activities and achievements.
4. Performance audit: comptroller and auditor general (CAG) of India undertakes annual assessment of economy, efficiency and effectiveness of select public programs
5. Memorandum of understanding: negotiated performance agreement between government and the management of public enterprises specifying expectations and responsibilities of both parties
6. Citizen's charter: a written, voluntary declaration by service providers about service standards accessibility, transparency and accountability. More than 600 citizen charters have so far been issued.
7. Sevottam: a service quality model (IS 15700: 2005) to assess quality of service delivery based on nine "quality of compliance" criteria covering the three areas citizen charters, grievance redress, and service delivery capability.

Performance Monitoring and Evaluation System (PMES)

This is a system to both "evaluate" and "monitor" the performance of Government departments. It 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 to 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 the department, PMES also ensures fairness and high levels of motivation.

The *essence* of PMES is as follows:

At the beginning of each financial year, with the approval of the Minister concerned, each Department will prepare a Results-Framework Document (RFD) consisting of the priorities set out by the Ministry concerned, agenda as spelt out in the manifesto if any, President's Address, announcements/agenda as spelt out by the Government from time to time. The Minister In-charge will decide the inter-se priority among the departmental objectives. After six months, the achievements of each Ministry / Department will be reviewed by a Committee on Government Performance and the goals reset, taking into account the priorities at that point of time. This will enable to factor in unforeseen circumstances such as drought conditions, natural calamities or epidemics. At the end of the year, all Ministries/Departments will review and prepare a report listing the achievements of their ministry/department against the agreed results in the prescribed format. This report will be expected to be finalized by the 1st of May each year.

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

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 of government 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 approach 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.

Three components of PMES are:

- Performance Information System or Results Framework Management System (RFMS)
- Performance Agreements or Results Framework Documents (RFDs)
- Performance Incentives or Performance-related incentive system (PRIS)

The cornerstone of the PMES is the Results Framework Document (RFD) – essentially a performance agreement negotiated between the political head and the administrative head of a ministry/department. It encapsulates outcomes or results expected from the government department and incorporate operational autonomy required for attainment of policy goals. Other pillars of the PMES include a management information system called the RFMS and the PRIS to incentivize performance improvements in the State sector. These can be further explained as follows:

- **Performance Information System or Results Framework Management System (RFMS)**

RFMS is a management information system enabling online preparation of the performance agreements, archiving of performance information and generating information for monitoring and evaluation.

- **Performance evaluation system: Performance Agreements or Results Framework Documents (RFDs)**

Performance Agreements titled Results Framework Documents (RFDs) form the foundation of the new performance management system. It is a record of understanding between the Departmental Minister And Secretary of Ministry/ Department providing physical and verifiable details of the work to be done during a given financial year. Performance Agreements are prepared at the beginning of a year, reviewed in the middle of the year, and evaluated at the end of the year. Scores of individual departments are compiled and placed before the parliament.

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 six sections as listed 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 6: Outcome/Impact of activities of department/ministry

- **Performance related Incentive system (PRIS)**

The PRIS envisions performance-based cash payout to employees upon achievement of targets outlined in the department's performance agreements. To fund PRIS costs, all departments are required to earmark at least 15 percent of budgetary savings that may arise from successful implementation of performance agreements. "This assumption is rather simplistic. Finding budgetary savings in departments with regulatory functions is very difficult," says a Joint Secretary to Government of India, Department of Personnel & Training (DoPT).

Overview of Actions Taken

It was decided that to, initial implementation, 59 ministries/ departments out of a total of 84 will be covered under PMES. Today, around 80 ministries / departments and their Responsibility Centers are covered by the RFD policy. Actions taken by the Performance Management Division (PMD), Cabinet Secretariat, to implement the RFD policy can be categorized into three broad categories:

(a) System Design

PMD reviewed international best practices and designed Guidelines and Checklists for preparing Results Framework Document (RFD); created a Ad hoc Task Force of independent experts for reviewing the quality of RFDs.

(b) Capacity Building

PMD conducted around 40 intensive, hands-on training programs on RFD for around 3000 senior officers in collaboration with IIM Ahmedabad and the IAS Academy at Mussoorie; Prepared training materials and manuals.

(c) Implementation

Received RFDs approved by concerned ministers for four years (2009-2010, 2010-11, 2011-2012 and 2012-13); organized meetings of the independent Ad hoc Task Force experts with ministries/departments to review their respective RFDs; Ensured that the revised RFDs are consistent with the suggestions of independent experts; prepared results against achievements

for RFDs for 2009- 2010, 2010-11 and 2011-12. Developed a software in collaboration with National Informatics Centre, to automate monitoring and evaluation of performance based on RFDs. This software is called RFMS (Results Framework Management System).

Comparison of PMES with previous approaches of performance management

The key methodological differences between RFD and previous approaches to holding departments accountable are as follows:

- First, unlike in the past, the objectives and success indicators (key performance indicators) are prioritized in the RFD. Thus, it is not enough to say that 12 of 15 targets were achieved. Prioritization ensures that the three targets not achieved were not the most important ones for the department.
- Second, with RFD, the interpretation of deviations from targets is agreed ex ante. That is why RFDs have a five-point scale rather than a single target.
- Third, there is an independent vetting of the RFD at the beginning of the year by an independent nongovernment body of experts. They also review the results at the end of the year.
- Fourth, RFDs allow all departments to have a composite score between 0 and 100 percent. This has allowed the government to finally move toward implementation of the recommendation of the sixth pay commission regarding a performance-related incentive scheme.

Today around 80 departments and 800 Responsibility Centers (subordinate offices, attached offices, and autonomous organizations) under these departments are covered by the RFD policy. Though state governments are not so bound, 13 states have already adopted an RFD policy. That is, pretty much any organization drawing funds from the Consolidated Fund of India has to account for the results delivered in return for these funds.

Challenges faced:

There are, however, several challenges that the Indian experience has revealed with performance management.

- The first is that in a federal country, the vision of the central government is complicated by the fact that implementation of a policy or program is often dependent on the state government. Clearly, performance management in such countries is bound to be embroiled in structural issues of the governance structure. Hence, it may be necessary to set out guidelines for a policy for sub national governments to follow in terms of M&E, which will also depend on the extent and depth of decentralization and sub national autonomy. Mexico is a good case in point; it needed to change the Constitution to mandate states to move toward performance management and evaluation. This can lead to the creation of federal/state performance agreements, such as are starting to emerge in Australia, where there are large funding transfers between different levels of government.
- The second challenge is that there may be a lack of inter ministerial support at the central government level for achieving the results stated in the RFD. The Indian performance management system is beginning to address this challenge by piloting the concept of “team targets” and greater ex ante clarity regarding inter ministerial dependencies.
- The third challenge is the political will to use the full potential of performance management in India. The Prime Minister’s order clearly mandates the Performance Management Division in the Cabinet Secretariat to, at the end of the fiscal year, compare the achievements against the RFD targets in the Cabinet. Because of the sensitivities involved in a coalition government, this has not been done as mandated. Instead, the 2009–10 performance results were conveyed by the Cabinet Secretary to the secretaries of respective departments. Although this is a good start, it needs to go to its logical conclusion.
- The fourth challenge relates to enhancing alignment of RFD priorities and targets with those of the 12th Plan. Attempts have been made, but there is a lot of scope for improvement in this regard.

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- Fifth, the alignment between RFD and Annual Performance Appraisal Reports of senior officers is still not systematic. Some departments have adopted RFDs at division and branch levels, but as yet there is no requirement to do so.
 - Finally, unless RFD is linked to a strong incentive system, it will not be fully effective. Indeed, it may even deteriorate over time. These incentives can be pecuniary or non pecuniary, but they must matter.

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 (ARCII). In the words of Second Administrative Reform Commission (ARCII):

“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.

Conclusion

India’s performance monitoring and evaluation system (PMES) has succeeded in generating transparency in performance information of ministries and departments of government, especially that of senior management. It has provided reliable benchmarks to compare public agencies through accountable and transparent setting of performance targets. The RFD results are expected to enhance healthy competition among public agencies and thereby improve

performance and service delivery. While real changes can happen only in the medium to long term, continuing the initiative in the same spirit would be crucial.

Further, PMES looks capable of integrating the fragmented Monitoring and Evaluation (M&E) systems of the country. It has already succeeded in integrating departmental performance information system, evaluation system and incentive system. Gradual and systematic integration of M&E systems spread across the various institutions of the country would result in an effective, transparent and accountable set up. Implementation of the PMES at the state level would also be a significant step forward. Real change in service delivery would happen when all the states or at least the major ones sign up for PMES. Two states, Punjab and Maharashtra, have already expressed interest and Performance Management Division (PMD) is assisting them in the implementation process.

Over a period PMES is expected to form the basis to identify good performance and reward it, add value in bureaucratic reforms, encourage agencies to re-engineer their systems for better results, improve service delivery and strengthen citizen's trust in government.

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