

Recent Trends in

# Performance Management Systems

in the Public Sector in Asia



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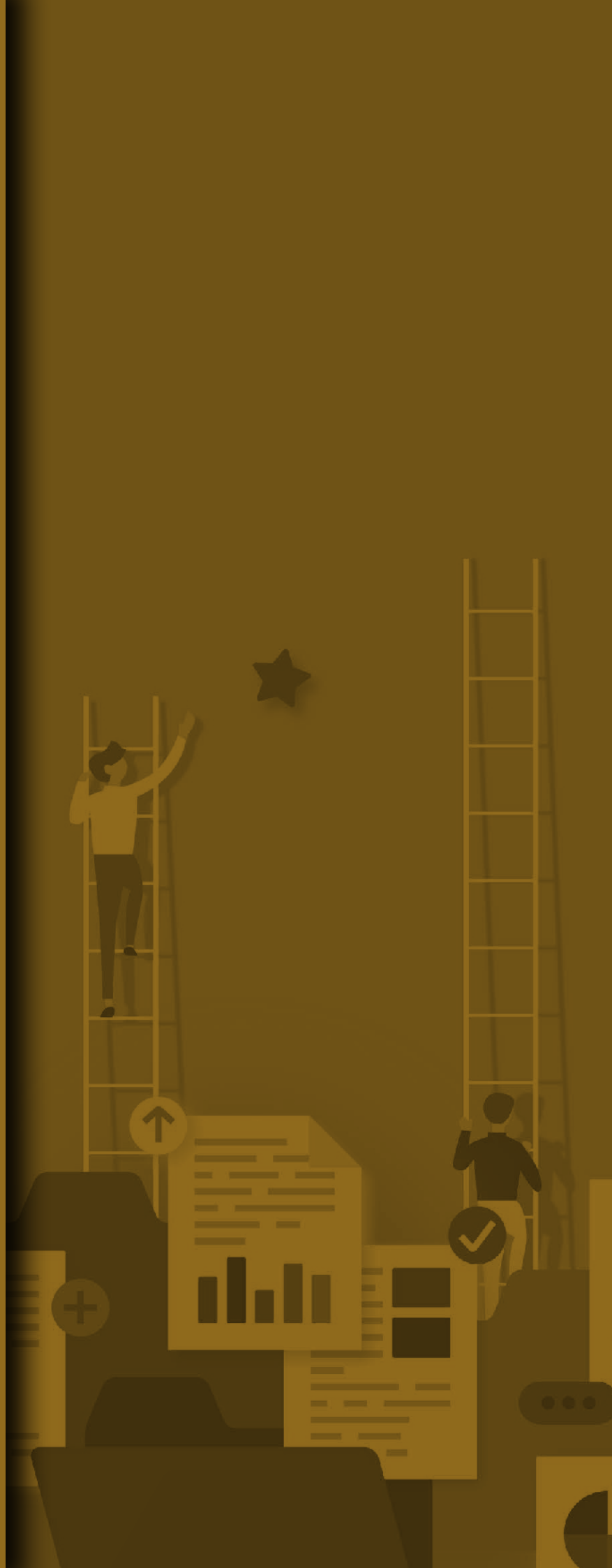
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# RECENT TRENDS IN PERFORMANCE MANAGEMENT SYSTEMS IN THE PUBLIC SECTOR IN ASIA

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Dr. Noore Alam Siddiquee served as the chief expert and volume editor.

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# FOREWORD

Public-sector organizations face unprecedented pressure to improve service quality while adhering to accountability, transparency, and productivity standards. This is why the era of good governance and new public management triggered institutional and policy changes to transform government and improve its performance. Although it is not a new concept, performance management in the public sector has lately assumed added significance with its emphasis on measurable performance not only at individual employee level but also for teams, programs, processes, and organizations. This research report on *Recent Trends in Performance Management Systems in the Public Sector in Asia* emphasizes performance to create and sustain a healthy, effective, result-oriented culture in public-sector organizations in APO member economies.

Many APO members have introduced performance management systems covering individual employee to organizational levels. In simple terms, performance management is a process of identifying, measuring, and enhancing the performance of individuals and teams in an organization. It refers to an ongoing process of goal setting, measuring, monitoring, and reporting of program or organizational accomplishments to meet predetermined goals. This involves agreeing on performance levels and measuring progress in meeting them using performance data to improve future performance.

While there are notable variations among countries in terms of the nature and range of reforms introduced and levels of their implementation, some broad trends can be discerned such as: precise measurement of performance as a core element of recent reform initiatives; performance contracts; the focus of reforms; performance culture extended to other areas of public service including budgeting and financial management; and the use of specific management tools that take a comprehensive view of performance within government. The case studies highlighted in this report show a clear trend toward growing interest in and efforts to improve public-sector performance management tools and strategies.

The APO extends sincere gratitude to Chief Expert Professor Noore Alam Siddiquee, Nazarbayev University, Kazakhstan, and the national experts from Bangladesh, the Republic of China, India, IR Iran, Malaysia, Pakistan, the Philippines, Sri Lanka, and Turkiye who conducted the research and contributed to this publication. Performance culture cannot be instilled and built overnight. It requires a continuous process of learning and adaptation based on evolving socioeconomic, technological, political, and policy contexts. Equally critical is the sustained commitment and support from both political and administrative leadership, which play a major role in institutionalizing performance management in the public sector.

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# OVERVIEW

## Introduction

Performance management is high on the agenda of modern governments, as reflected in policy announcements made by them and public-sector reform initiatives undertaken and implemented during the past decades. Although as a concept and practice, performance management is nothing new, it has especially gained much prominence since the rise and spread of the New Public Management (NPM) in the 1980s. The NPM has quickly assumed a global character, largely due to strong advocacy and unwavering support from leading international organizations, scholars, and think tanks. It requires agencies to track and measure their goals, targets, and achievements. It also demands that public managers focus on ‘performance’ and not on ‘process;’ develop explicit measures of performance; and place greater emphasis on output control. As a result, the public sector has seen a proliferation of performance measures to assess agentic/governmental performance. Public sector has also seen much more extensive reforms aimed at enhancing performance than before. Yet the record of performance management in various contexts has remained far from satisfactory, and, at times, challenging in many ways. This chapter provides a conceptual overview of performance management focusing on what, why, how, and other related questions about performance management.

## Understanding Performance Management

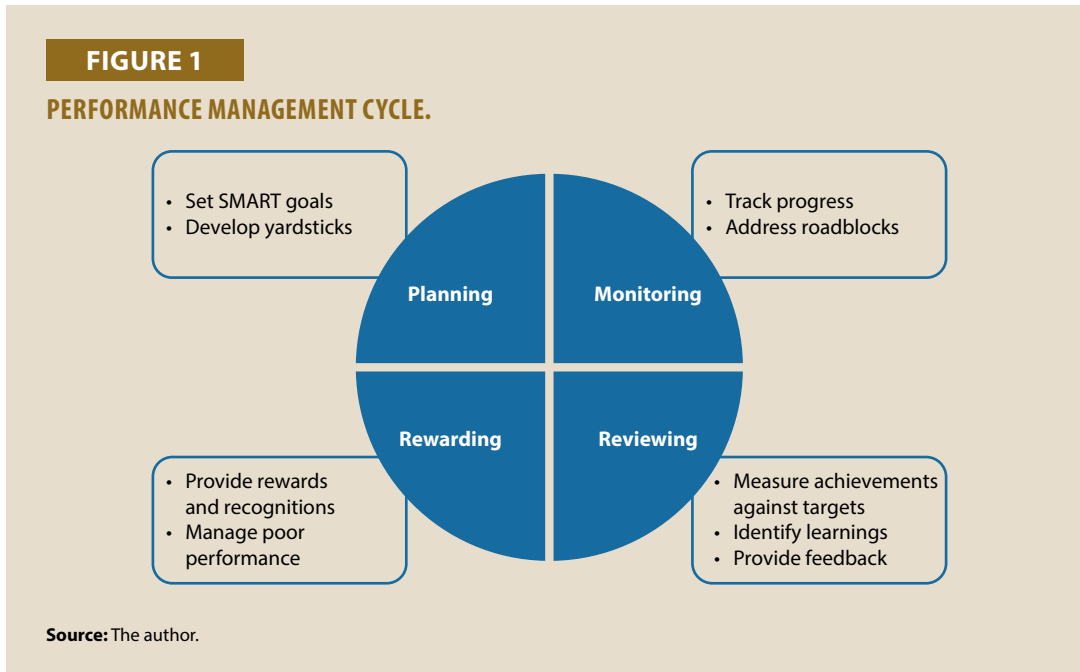
Raising or improving performance has been one of the important goals of modern governments. Performance is defined to mean results and accomplishments, i.e., both the output and outcome dimensions of an organization, program, or policy. There is a general belief that the public sector suffers from ‘performance deficits’ and that this can be overcome by measuring and managing performance. Such belief, together with societal demands for high performance, has driven numerous administrative reorganizations to making performance management a key motivational and central feature of governmental reforms across the globe.

Simply put, performance management is a process of identifying, measuring, and enhancing performance of individuals and teams in an organization. It refers to an ongoing process of goal setting, measuring, monitoring, and reporting of programmatic/organizational accomplishments toward predetermined goals. In other words, it involves agreeing upon performance levels and measuring progress toward them, using performance data to improve performance.

A simplified model of performance management is presented in Figure 1. The entire process of performance management consists of a variety of tasks including,

- (1) planning and goal setting about performance in terms of results (outputs, outcomes, and effectiveness);
- (2) defining levels of performance in measurable terms (performance targets, service quality, and standards) and developing key performance indicators (KPIs) to measure performance;

- (3) collecting performance information and determining the extent to which targets have been achieved;
- (4) accounting and reporting of results for holding managers accountable for performance; and
- (5) making decisions on resource allocation, program design, and rewards, based on performance information.



Viewed in a broad sense, performance management comprises two main facets: performance measurement and management of performance. While the former is the act of measuring performance, the latter relates to actions where performance information is used to improve performance. In other words, performance measurement is the activity of tracking performance against targets and identifying opportunities for improvement. On the other hand, performance management signifies actions deemed necessary to enhance performance in future.

Put differently, performance management is all about ‘acting upon performance information’ [1]. Since performance management involves some form of recording and reporting, performance indicators are the key. A performance indicator is a measure or yardstick chosen to represent the actual performance. Indicators signal the extent to which the agencies are achieving their desired levels of performance. Indicators can have information that is quantitative, qualitative, or a combination of both.

Performance management must be distinguished from performance evaluation. Evaluation is a one-off exercise, while performance management involves a continuous cycle of monitoring and reporting of performance against certain set targets, goals, and objectives. It emphasizes not only the measurement against agreed objectives, but also shifts the focus of assessment away from just an annual activity to an ongoing process. It is a process by which an organization assesses whether it is efficient and effective in achieving its goals. Thus, it connotes a system of performance information, evaluation, monitoring, and performance reporting.

## Why Performance Management?

Performance management is extremely popular. It plays a critical role in the public sector. It serves as an important tool for enhancing and strengthening governmental performance. In fact, there are multiple reasons why performance management is emphasized and undertaken in the public sector. Some of them are discussed below:

First, it helps assess if a program or agency is doing what it is supposed to do. It provides data on performance as well as efficiency and effectiveness of an agency's service delivery and operations. Such data, in turn, helps bolster accountability and transparency in matters of what the public agency has been provided with (inputs) and what it has achieved eventually in terms of outputs, impacts, and outcomes.

Second, performance management and associated measurements play a vital role in improving performance. They help relevant parties not only evaluate and learn but also improve performance. Transparency created through measurement of performance may indicate where an organization excels and where it is weak and performing poorly, so that remedial measures can be initiated.

Third, it often serves as a basis for rewarding and recognizing public officials. A performance management system makes explicit the contributions that employees are required to make toward an organization's goals and objectives. Such specifications are often combined with a set of incentives and sanctions devised to ensure that public officials perform well in their respective roles and positions. Accordingly, those demonstrating high performance are rewarded, while those with poor performance are either penalized or given additional support/resources and training, as deemed appropriate.

## Paradoxes and Pitfalls of Performance Management

Despite its rising popularity, performance management is not without detractors and controversies. Critics question the value of performance management in the public sector, and also raise concerns about the dangers of managing and measuring performance. Some of their concerns relate to the operational aspect of performance management in the public sector, while others are about the unintended consequences of performance management on staff behavior and motivation.

A key concern with managing performance in the public-sector environment is 'measurability.' Measuring performance in the public sector is challenging due to its multipurpose and multifaceted nature on one hand and the absence of a single overriding goal on the other hand. This is compounded further by the fact that managers in the public sector operate within a political context with different objectives, obligations, and accountabilities than those in the private sector.

The critics of performance management argue that the push for performance may result in some perverse effects. This may prompt managers to set low targets deliberately. This is done to ensure that targets can be achieved without much difficulty. Norman and Gregory [2] warn that where budgets are linked to performance, managers tend to use softer, proxy, or harder-to-measure indicators that would show how well the agency is performing. Other pitfalls include the ratchet effect (disincentive to perform above a set target level); the threshold effect (tendency to hit but not exceed the target); and output distortion (doing only what counts and is measured) [3]. All this defeats the ultimate goal of performance management and measurement.

The measurement system itself suffers from inherent limitations. Although the proponents of performance management often remind that ‘what gets measured gets done,’ the downside of such a logic is that what is difficult to measure will fail to receive due attention. This is significant in the public sector as many aspects in public policy and governance are complex and intangible in nature, which cannot be reduced to numerical figures for quantification.

Finally, performance management serves as a recipe for manipulation, gaming, and cheating. Confronted with performance targets and pressures, people in organizations may change their behaviors in ways that are likely to see targets being met but are counterproductive for the ultimate goals of a program. In seeking to meet their targets, social/health workers may try to serve easy-to-serve clients and avoid difficult and complex cases. Schools may ‘teach for the test’ rather than imparting wider knowledge. Other distorting behaviors include cheating by simply making up results. When performance measures are tied to funding, there is a strong incentive for public-sector managers to report selectively and manipulate performance data/results to present the best possible picture [4].

The Australian experience with the National Assessment Program Literacy and Numeracy (NAPLAN) shows how measurement can create performance paradoxes. The annual assessment system has produced a range of undesirable behaviors including ‘teaching for test.’ Teachers were found helping children in examinations; and amending and manipulating test results to hide poor performance [5]. Similarly, in the UK, the school league table system had encouraged teachers to help their students and push examination marks closer to crucial thresholds. Hospitals were found to deliberately misreporting waiting list information [3, 6].

In short, performance management and quantitative measures are prone to producing a series of paradoxes and undesirable effects. In effect, these are some of the challenges of performance management in the public sector. These challenges must not be seen as excuses for abandoning performance management altogether. Instead, these are the caveats that prompt anyone interested in performance management to be mindful of its potential limitations and pitfalls.

## Pathways, Models, and Strategies

Performance management in the public sector has a long history. Florence Nightingale’s drive to persuade public hospitals in London to publish mortality statistics back in 1861 and the first Hoover Commission’s advocacy for the shifting of budget attention from inputs toward functions, activity costs, and accomplishments were among the early milestones of performance management in the public sector. The Planning, Programming Budgeting System (PPBS) of the 1960s, whereby departmental budgets were framed in terms of programs and strategies rather than line items and other developments including Management by Objectives (MBO) and Zero Based Budgeting (ZBB) were all precursors to the present-day performance management in the public sector. However, it must be noted that despite its long history within the public sector, performance management did not become a full movement until the advent of the NPM paradigm. Otherwise known as results-based management, the NPM has popularized performance management by putting it at its core and by proposing strategies and tools for managing performance. A notable aspect of the NPM is that it has influenced governments to adopt and adapt market-inspired performance measurement systems to assess performance and productivity within public institutions. This is how many private-sector developments and innovations found their way into the public sector. Perhaps one of the most significant among them was the Balanced Scorecard

(BSC) approach, which represented a new approach to performance management and measurement. As opposed to traditional focus on narrow financial measures, the BSC assesses organizational performance from four high-level perspectives, namely, financial, customer, innovation/growth, and internal process toward having a complete and comprehensive picture about performance. It was during this time that the public sector saw an increased number of programs, projects, and frameworks being implemented toward improving and managing performance. Table 1 summarizes some of the popular models and pathways of performance management in the public sector.

TABLE 1

**PERFORMANCE MANAGEMENT: PATHWAYS, MODELS, AND STRATEGIES.**

Pathway/strategy	Description
Standard setting	Clarifying performance in terms of quality, quantity, and establishing metrics and measurement criteria
Performance based pay	Public-sector payment system that links pay with performance, viewing it as a tool to foster meritocracy and high performance in the area of public service
Performance budgeting	The budget process that presents information on what agencies have done/ expect to do in terms of outputs and outcomes with a given level of funds provided. It is a form of budgeting that relates funds allocated to measurable performance/results.
Quality management	A series of initiatives including total quality management (TQM); quality control circles (QCC); and ISO certification that seek to instill and cultivate quality culture in public service and improve overall performance
Benchmarking	A quality management initiative that demands public agencies to identify best practices in their respective fields and improve their own performance through learning and adapting
Balanced Scorecard	A management tool that provides stakeholders with a comprehensive measure of how the organization is performing in terms of its strategic goals by focusing on both financial and nonfinancial measures
Citizens' Charter	A movement toward customer orientation in government performance where an agency publicly makes a set of clear commitments to its clients on the quality and efficiency of service delivery and their rights and entitlements
Performance contracts	Performance contracts between levels of government and between government and private providers containing details of expected quality and quantity of services to be delivered and the indicators that help measure them
Performance audit; also known as the value for money (VfM) audit	As opposed to traditional compliance audit, VfM audit focuses on efficiency and effectiveness of management of public funds
Performance Management & Delivery Unit	Creation of a powerful unit within the Prime Minister's Office tasked with the responsibility of catalyzing the fast and visible improvements in specific areas of governmental performance, as was done in the UK and Malaysia

**Source:** The author.

Governments in the Asian region have followed the global wave of performance management by initiating and implementing reforms in various areas of public service. One major focus area of such reforms is the civil service with wider implications for performance management. While there are unique local approaches, it is not uncommon to find that performance management

reforms include some of those popular internationally, as listed in Table 1. The timing and nature of reform models, techniques, and pathways may vary widely, including major drives and levels of implementation, but a common thread in all these cases is the desire to better manage and improve performance. Given this, public managers in these countries now find themselves more aggressively engaged in some form of performance management and measurement than before. In the process, significant experiences and lessons have been gained that are worth sharing. The country cases in this volume document performance management experiences and learnings in selected countries in Asia.

This chapter is intended to serve as a framework for the national experts in the design and development of their reports on performance management in their respective jurisdictions. To ensure consistency and uniformity, each of the country reports is expected to include, but not limited to

- (1) a brief overview of the political and administrative context;
- (2) historical background of performance management;
- (3) performance management reform processes and initiatives;
- (4) the current approaches to performance management, including
  - drivers and motivations;
  - key features of the approach;
  - roles and responsibilities of key agencies in managing performance;
  - KPIs and measurements involved; and
  - best practices, if any.
- (5) assessment and analysis comprising progress, impacts, and lessons;
- (6) implementation experience including challenges and limitations; and
- (7) recommendations and conclusion.

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# BANGLADESH

## Introduction

Performance management is not a new concept. It has evolved significantly in over a century, since its initiation by WD Scott during World War I till modern holistic approaches. The 1950s marked the formalization of appraisals, which transitioned from personality-based to goal-focused assessments by the 1960s. Criticism in the 1970s prompted a shift toward holistic performance management and engagement-centered practices over the next two decades.

In recent years, organizations have shifted from traditional hierarchies to more egalitarian work environments, influencing the adoption of 360-degree feedback systems. This methodology gathers feedback from various sources when evaluating employee performance.

This system is a crucial management practice across organizations. It involves evaluating and improving individual, departmental, and organizational performances against specific goals. In the public sector, it is vital for good governance, optimizing resource allocation, and ensuring accountability and transparency. In Bangladesh, effective public-sector performance management is integral to economic development and quality of citizens' lives, by promoting better service delivery, transparency, accountability, and resource efficiency.

Its primary goal is to enhance the quality and efficiency of public services, thereby ensuring effective resource usage and accountability to citizens. Training government employees in performance management is essential for fostering innovation and best practices. By implementing a comprehensive performance management system (PMS), government agencies in Bangladesh can strive to achieve their objectives and provide better services to citizens.

## Methods of Assessment

The study was conducted based on literature review of official documents of public sectors in Bangladesh related to planning, policy, institutional capacity, performance measurement, and performance management in various contexts. Related research papers, journals, published articles, newspapers, thesis papers, books, websites, etc. were also reviewed for getting a comprehensive picture. Based on the framework of performance management cycle, the study includes the analysis of ongoing processes of goalsetting, measuring, monitoring, and reporting of programmatic and organizational accomplishments toward predetermined goals; and efficiency and effectiveness of service delivery and operations of the public sector in Bangladesh. The study also includes the pathways, models, and strategies for performance management in Bangladesh. Finally, all data and information are triangulated and summarized to prepare the report.

## The Political and Administrative Context

**Political context of performance management:** Governance, policies, and power dynamics significantly influence the interaction between performance management and politics. Government

entities, policymakers, and decisionmakers are affected by institutional performance measurement, but they are also influential in shaping it. This connection encompasses several critical aspects, e.g., policy alignment, resource allocation, accountability, transparency, public perception, and evolution.

Performance management serves as a tool for political leaders of the ruling party to align public services with their policy objectives. They use specific indicators that reflect their priorities, such as improving healthcare or employment rates, for compelling government organizations to develop plans to achieve these goals. Resource allocation decisions are closely tied with performance management, as political leaders allocate budgets based on a program's success and use performance data to justify funding decisions in line with their objectives.

By employing precise metrics and benchmarks, performance management promotes openness, transparency, and accountability, thereby enhancing public trust in governance. Moreover, performance outcomes influence an organization's public perception, with positive results bolstering reputations and negative results drawing criticism. Consequently, leaders can strategically use performance management to improve their standing.

Lastly, the role of performance management in politics evolves with changes in leadership and societal trends, necessitating adjustments to frameworks, metrics, and priorities to align with new policy agendas.

**Administrative context of performance management:** Performance management in the administrative context focuses on evaluating, assessing, and improving individual and group performance through efficient procedures and methods. It is crucial for ensuring operational effectiveness, employee growth, and organizational success.

The success of any organization hinges on its performance over a defined period, tracked through predetermined performance indicators. Targets must align with the budget allocated for the year. In order to expedite the public service and its efficiency, the Government of Bangladesh (GoB) formed Public Administration Reform Commission (PARC) in the year 1997 [1]. The Annual Performance Agreement (APA) system was introduced for all government offices, promoting result-oriented activities, institutional transparency, accountability, resource utilization, and efficiency enhancement.

Government organizations define their strategic objectives (SOs) for performance improvement during APA document preparation. These SOs include office-specific goals and mandatory strategic objectives (MSOs) set by the Cabinet Division to enhance governance, service delivery, and financial management. MSOs encompass activities like e-filing promotion, National Integrity Strategy implementation, and more.

Performance management in an administrative setting entails coordinating team goals with those of the organization, while promoting clear communication and setting performance standards [2]. Supervisors offer regular feedback and coaching, conduct formal evaluations, and reward outstanding achievements. Emphasis is on development and addressing training needs, while corrective actions are taken when performance falls short. Data analysis informs decisions, and ongoing assessments ensure alignment with objectives and changing conditions. Essentially, administrative performance management drives effective communication, evaluation, and enhancement of organizational performance.

## **Historical Background of Performance Management**

Performance management's history began with the Industrial Revolution, necessitating efficiency improvements. Early methods like time and motion studies enhanced task performance. The 20<sup>th</sup> century saw scientific management's focus on measurement and process improvement, led by pioneers like Frederick Winslow Taylor. Humanistic techniques emphasized employee involvement and motivation. Today, performance management remains vital, encompassing tactics such as regular feedback and formal appraisals. It has evolved from emphasis on assessments and industrial productivity to modern, holistic, and technology-driven techniques.

In the early 1900s, performance appraisals began informally and evolved into formal systems in the 1950s, albeit facing criticism due to personality-based assessments. The 1960s emphasized self-appraisals and goal-oriented evaluations. The 1970s revealed flaws in subjective appraisals, thereby leading to psychometrics and rating scales. The period from 1980s to early 2000s marked holistic measures, including introduction of metrics such as self-awareness and teamwork [3].

Overall, the evolution of performance management reflects a shift toward more employee-centered, continuous, and holistic practices, reflecting changing workplace dynamics [3]. Performance management systems with 360-degree feedback have gained widespread adoption; encouraged employee performance; and fostered a supportive environment for professional growth. Human resource (HR) software is used to streamline performance evaluations, promoting employee growth while saving time.

Over the past decades, performance management has adapted to market competitiveness and efficiency demands. Its global adoption includes countries like the USA, the UK, Malaysia, and the Republic of Korea, influenced by policies such as those of the British Labor Party in the 1990s.

The roots of Bangladesh's performance management date back to the British colonial era. In 1834, a system for evaluating civil servants was introduced, discouraging seniority-based promotions. During the Pakistan period, the Annual Confidential Report (ACR) was adopted, which was later rolled out with minor modifications in Bangladesh in 1974, covering the public sector. In addition, a procedure continued for enacting open performance-based Annual Performance Report (APR) for getting better performance information about civil servants [4].

To boost productivity and public service delivery, Bangladesh implemented the Government Performance Management System (GPMS), based on suggestions from the National Integrity Policy of 2012 and the Public Administration Reforms Report of 2000. Initiated by the Cabinet Division in 2014, the program fosters policy discussion and public service quality through implementation agreements (IAs) between ministries and the Cabinet Division. APAs, signed by ministries and divisions, promote accountability and alignment with development priorities, highlighting the GPMS. Ten ministries are engaged with the Cabinet Division in evaluating officials' performance under GPMS [5].

Prime Minister Sheikh Hasina's initiatives have fueled the development of Bangladesh's GPMS to enhance efficiency and transparency in the public sector. Key performance indicators (KPIs) were introduced for the Power Division, while the result-based management (RBM) system and the APA were established to support effective performance. The Governance Innovation Unit (GIU) facilitated the APA system, requiring agreements between departments and ministries.

Currently, core public sectors are integrating outcome-oriented processes like total quality management (TQM) and KPIs to improve service delivery, signifying a significant shift in how government agencies are measured and improved. Aligning ministries with the government's development goals and elevating public service standards are key objectives of the APA. A legislation governing the APA and expanding its scope to include specific employees could further institutionalize its impact.

## **Performance Management Reform Processes and Initiatives**

Performance management as a tool has become increasingly essential as organizations compete for excellence. It serves as a driver of organizational performance, encouraging specific outcomes by influencing employee behavior. Performance management systems have been employed for years to achieve these objectives.

Performance management reform processes involve organizations, governments, and institutions updating and enhancing their approaches to evaluating and managing employee performance. These initiatives align practices with evolving workforce and organizational needs, while addressing existing system deficiencies. Reforms include thorough system evaluation, stakeholder engagement, and specific goal alignment. Technology updates enhance efficiency, while feedback and communication channels promote continuous improvement. Objective evaluations rely on performance data and employee development plans. Reforms emphasize employee-centered approach, manager development, and coordinated rewards. Pilot programs, iterative adjustments, and change management techniques ensure a smooth transition to the reformed process.

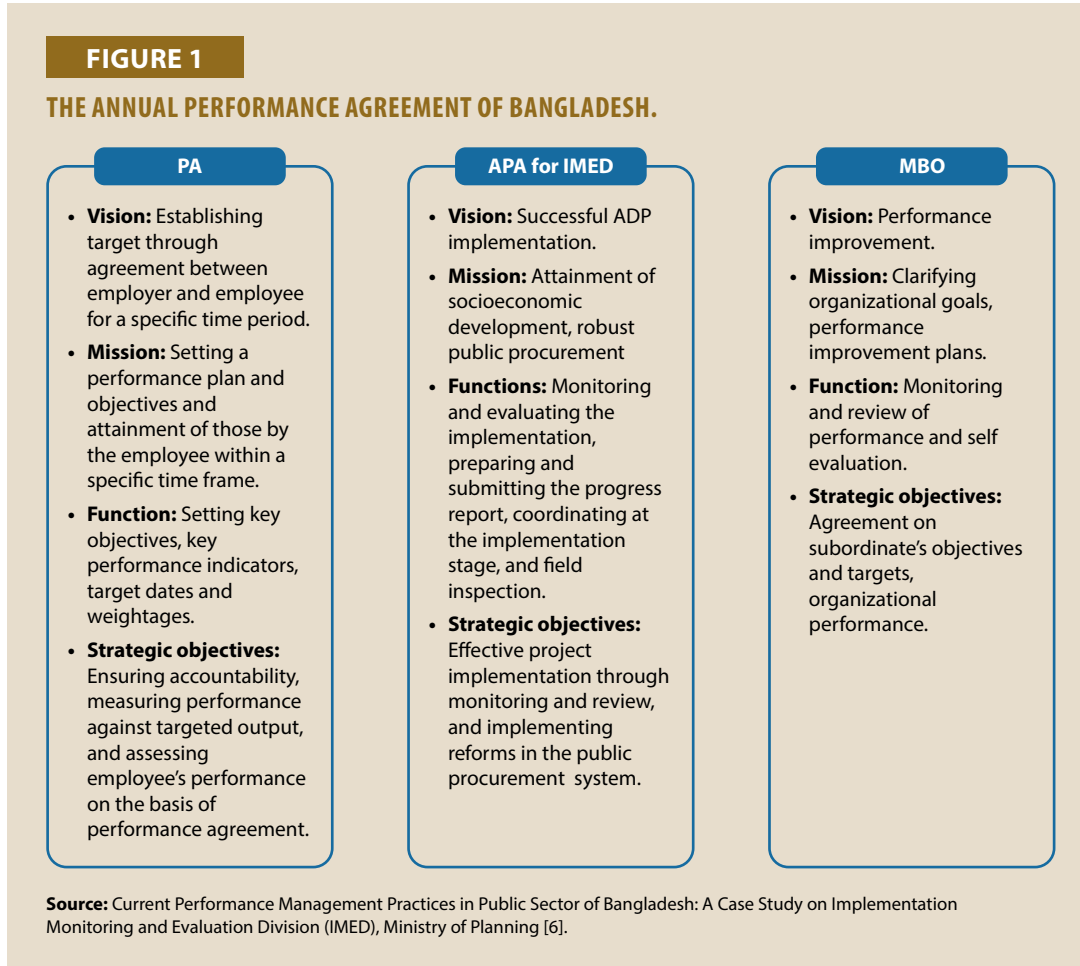
### **Government Performance Management System in Bangladesh**

As noted earlier, the GoB initiated the GPMS to enhance productivity and service delivery in the public sector. The GPMS is designed to improve the effectiveness of public policies and service delivery in south Asian countries. Its primary focus is on achieving results that benefit communities, build public confidence, and foster performance-based organizational cultures [5].

The GPMS employs a result-based management approach, holding agencies accountable at outcome and output levels, while allowing flexibility at the input level. It aims to decentralize by granting local governments greater implementation flexibility, with central agencies focusing on policy, planning, monitoring, and evaluation. The system leverages financial, human, and material resources to make government operations more efficient and accountable. APAs have been established with ten ministries/divisions to evaluate civil servants' yearly performance and ensure accountability [5]. Ministries align their visions, missions, and goals with government's priorities, long-term plans, and budget allocations. These agreements facilitate intensive monitoring, enhance efficiency, and expedite policy implementation. They also foster transparency, accountability, and dynamism within organizations, thereby boosting the responsibility and efficiency of officials.

The existing ACR system, inherited from the Pakistan Civil Service, has subjective elements that can lead to arbitrary evaluations. Hence, the introduction of a PMS is essential. The PMS incorporates the performance based evaluation system (PBES), which ensures objective assessment and is integral to HR management. Bangladesh Bank has already successfully implemented this system. The government has taken steps to introduce the PMS in the public sector to ensure transparency, accountability, resource utilization, and institutional efficiency. To implement the PMS government-wide, APAs are established between the Cabinet Division as the

first party and all other ministries and divisions as second parties. The Prime Minister’s Office (PMO) has led this initiative by signing performance contracts with organizations under its purview. This comprehensive approach aims to transform public sector management, align it with modern performance standards, and ultimately improve public service delivery in Bangladesh [14].



The main purposes of initiating the APA are:

- moving the focus of the ministry from process orientation to result orientation, and
- providing an objective and fair basis to evaluate the overall performance of the ministry/division at the end of the year.

The APA is essentially a record of understanding between a minister and the ministry/division secretary, outlining key results for the financial year. Management by objectives (MBO) emphasizes measurable goals established collaboratively by managers and subordinates, facilitating strategy development and activity integration in organizations (see Figure 1).

**Policy Initiatives Introduced during COVID-19**

Table 1 lists some key aspects of performance management in Bangladesh during the COVID-19 pandemic.

**TABLE 1**

**INITIATIVES INTRODUCED AT VARIOUS LEVELS DURING COVID-19 IN BANGLADESH.**

Levels	Key aspects	Descriptions
<b>National level</b>	Epidemiological data monitoring	The government and health authorities closely monitored and analyzed epidemiological data, such as the number of cases, hospitalizations, and deaths, to assess the impact of the virus and adjust strategies accordingly.
	Coordination and communication	The national government coordinated efforts across different agencies and communicated regularly with the public to provide updates and guidelines. The performance of these coordination and communication efforts was critical in managing the crisis.
	Vaccination tracking	The government implemented a vaccination tracking system to monitor the progress of the vaccination campaign and ensure an efficient distribution of vaccines.
	Resource allocation and utilization	At the national level, performance management also included evaluating the allocation and utilization of resources, including medical supplies and equipment.
<b>Organizational level</b>	Workforce productivity and safety	Organizations, both in the public and private sectors, implemented performance management systems to monitor the productivity of remote workers and the safety measures in place within the workplace.
	Employee health and well-being	Many organizations introduced health and well-being programs to support the physical and mental health of their employees during the pandemic.
	Supply chain and inventory management	Performance management at the organizational level involved evaluating and optimizing supply chain operations, ensuring the availability of essential goods, and minimizing disruptions.
<b>Policy level</b>	Policy effectiveness	The government evaluated the effectiveness of policies such as lockdowns, travel restrictions, and public health measures to determine their impact on controlling the spread of the virus and protecting public health.
	Feedback mechanisms	Policies and measures were adapted based on feedback and data-driven insights. Performance management systems at the policy level played a role in collecting and analyzing feedback from various stakeholders.
	Economic support programs	Policies related to economic support were evaluated for their effectiveness in providing relief to businesses and individuals affected by the pandemic.
<b>Government initiatives</b>	Monitoring and evaluation units	Some government initiatives included the establishment of dedicated units for monitoring and evaluating the performance of COVID-19 response efforts.
	Data reporting and dashboards	Data reporting and dashboards were used to provide real-time updates on the pandemic's status and the effectiveness of response measures.
	Performance-based funding	In some cases, performance-based funding mechanisms were used to allocate resources based on the effectiveness of response efforts.

Performance management at all levels during the COVID-19 pandemic in Bangladesh was essential for adapting strategies, allocating resources, and ensuring the efficient delivery of healthcare services and support to the population. It helped in making data-driven decisions and continuously improving the response to the crisis.

### Performance Management of SDGs

Bangladesh's SDG performance management is vital for tracking its 17 UN-defined SDG goals. The nation recognizes the need to align its policies and actions with these global goals, while tailoring them to address local challenges. This involves ensuring robust data collection, setting clear and realistic targets, and engaging diverse stakeholders for holistic progress. Regular reporting fosters transparency and public involvement.

Embedding SDGs into national plans and budgets ensures that resources align with the SDG framework. Mechanisms for accountability and regular reviews identify areas requiring improvement. Disaggregated data by gender, age, income, and other demographics highlight disparities in goal achievement. Capacity-building for data-related tasks is essential for officials, organizations, and data experts.

Partnerships with the private sector, academia, and NGOs encourage innovations to accelerate the SDG progress. Bangladesh has made strides in reducing poverty, improving healthcare and education, and addressing gender inequality. Yet, challenges persist in climate resilience, infrastructure, and equitable opportunities.

In summary, Bangladesh's SDG performance management involves aligning global goals with local priorities, collecting data, setting clear targets, engaging stakeholders, promoting transparency, embedding SDGs into national plans, ensuring accountability, disaggregating data, building capacity, and fostering partnerships. While the progress is evident in some areas, challenges persist in others.

### Current Approaches to Performance Management

In Bangladesh, traditional performance management systems included yearly or semi-annual evaluations where employees were rated against set benchmarks and received feedback from supervisors, focusing on personal goals and job-specific skills. However, this approach faced challenges related to subjectivity, misalignment with organizational objectives, and infrequent feedback.

Recently, Bangladesh has embraced modern performance management methods in line with global trends. In the public sector/organizations, some approaches have been adopted. They are:

- **Continuous and participatory feedback:** Several enterprises in Bangladesh are adopting continuous and participatory feedback systems. These involve ongoing discussions between employees and supervisors to address performance issues, skill development, and issue resolution. Feedback comes from various sources, including colleagues, subordinates, and clients, for a more comprehensive evaluation of employee performance and behavior, aiming for a holistic appraisal.
- **Goal establishment and alignment:** Organizations are placing more focus on setting goals to ensure that individual efforts are in line with the overall goals of their business.



Employees can better understand their contributions to the success of the organization with the help of this approach.

- **Employee development plans:** The importance of emphasizing staff development is growing to focus on employees' growth and building a skilled workforce.
- **Technology and digital platforms:** The adoption of technology and digital platforms for performance management is on the rise. These platforms often facilitate goal tracking, feedback exchange, and performance analytics, leading to more efficient and data-driven processes.
- **Employee engagement:** Engaging employees in the performance management process through self-assessment, self-directed goalsetting, and ongoing dialogs is gaining importance. This approach empowers employees to take ownership of their performance and career development.
- **Recognition and rewards:** Organizations are focusing on linking recognition and rewards to make performance systems more effective.

These approaches are very effective and important parts of the widely accepted and implemented performance management tool, APA, in public sectors of Bangladesh. The APA is made between the Secretary, Implementation Monitoring and Evaluation Division (IMED), representing the Minister, Ministry of Planning, GoB, and the Cabinet Secretary, Cabinet Division, representing the Prime Minister, GoB [4, 6].

### Drivers and Motivators

Performance management in Bangladesh, like globally, aims to enhance organizational effectiveness and align personal goals with the organization's objectives. Globalization has reshaped strategies to meet an interconnected world's demands. In Bangladesh's competitive business landscape, effective performance management identifies top talent, aligns efforts with overarching goals, and fosters dedication and productivity. It uncovers skill gaps and guides improvements. Data-driven approaches enhance talent management and resource allocation. The rise of remote working, accelerated by COVID-19, emphasizes virtual communication, goal monitoring, and remote assessments. These strategies respond to organizational goals, employee engagement, competition, cultural values, and continuous improvement, thus shaping a dynamic PMS in Bangladesh's evolving global context.

### Key Features of the Current Approach:

Bangladesh's public sector performance management has adapted to changing economic and global needs. It utilizes various models, such as the performance agreement, the MBO (partially), and the Logic Model. While details may differ among agencies, key features of the current approach include:

- (1) **Outcome-based focus:** Current performance management approaches emphasize outcomes. They also focus on the quality of the result. Also, they ensure proper utilization of public money through the Public Procurement System Reform. TQM ensures quality outcomes [6].
- (2) **Strategic alignment:** Agencies align objectives with national development goals using a participatory approach for effectiveness.

- (3) **Performance appraisal and evaluation:** Regular performance appraisals and evaluations are conducted to assess individual and organizational performance. This process involves setting performance targets, monitoring progress, and providing feedback to employees. Also, for monitoring and implementation of ongoing projects, there is a mechanism for providing advice to implement ministries/divisions/agencies, evaluating completed projects, and preparation of reports [6].
- (4) **Key performance indicators (KPIs):** Well-defined indicators track progress and guide decision-making across various dimensions.
- (5) **360-degree feedback:** Some agencies employ a comprehensive feedback system involving supervisors, peers, and subordinates to offer a holistic view of performance [7].
- (6) **Performance improvement plans (PIPs):** These plans outline specific actions for improvement when performance falls below expectations, guiding employees to enhance their performance.
- (7) **Training and development initiatives:** These are linked to performance, identifying training needs and designing targeted programs for skill enhancement, aligning with HR development.
- (8) **Merit-based rewards and recognition:** Recognizing high performers through monetary or nonmonetary rewards fosters a culture of excellence.
- (9) **Technology integration:** There is an increasing use of digital platforms to automate data collection, track progress, and generate performance reports.
- (10) **Transparency and accountability:** The emphasis is on making performance data and evaluations accessible to stakeholders to ensure transparency in decision-making and employee accountability.
- (11) **Continuous feedback:** The trend is toward ongoing feedback sessions between supervisors and employees and facilitating adjustments and performance discussions beyond annual reviews. Meetings may be held weekly, fortnightly, or monthly for performance reviews.

### **Roles and Responsibilities of Agencies in Designing and Managing Performance**

In organizational performance management, different departments have unique roles like setting standards, monitoring progress, offering feedback, and adjusting for better performance. Common roles include:

- **HR department:** The HR department plays an important role in designing and managing performance. To do so, the HR department has the role of doing performance appraisal and evaluation. Based on the evaluation plan, it suggests or provides the necessary training for skill development. Also, it plays a vital role in setting goals for an organization.
- **Managers and supervisors:** They are responsible for performance feedback, performance improvement plans, and goals alignment.

- **Top leadership and executives:** They are responsible for setting strategic direction to achieve the goals and for resource allocation to support performance initiatives.
- **Quality assurance and compliance teams:** They are responsible for establishing quality standards and performance metrics as well as for monitoring and auditing performance data.
- **Technology and IT department:** This department is responsible for data security and management and maintaining the performance measurement system.
- **Employee engagement and communication teams:** This group plays its role in open communication channels for discussing performance expectations, progress, and feedback. It also develops programs to recognize and reward high-performing employees, fostering a positive work environment.
- **Finance and budgeting department:** This department is responsible for budget allocation and management, along with financial performance analysis.

In Bangladesh, ministries are responsible for implementing performance appraisal systems (PAS) to enhance public service efficiency. The PAS optimizes individual and organizational capabilities by aligning employer and employee expectations regarding duties, costs, benefits, and job satisfaction. To achieve this, agencies should harmonize expectations, perform job evaluations, and create fair remuneration packages, as advised by a senior director. This strategy promotes efficiency, job satisfaction, and fairness, thus fostering optimal public service delivery [7].

### KPIs and Measurements Involved

The measurements of performance are to assess the progress toward achieving predetermined goals. To evaluate the goals considering performance expectations, two tools are being used in the public sector in Bangladesh. These tools are: setting of MBOs and KPIs [8].

MBOs encompass performance improvement plans, objective revisions, agreement on subordinates' goals, organizational structure design, goal clarification, performance review, monitoring, and self-evaluation.

KPIs in the public sector gauge efficiency and impact across various dimensions, such as service delivery, financial management, citizen satisfaction, infrastructure development, education, healthcare, public safety, transparency, and environmental sustainability. They include service accessibility, response times, budget execution, revenue collection, citizen feedback, literacy rates, school enrollment, student performance, healthcare access, immunization coverage, maternal-child health, crime rates, emergency response, public procurement transparency, and environmental compliance. These measurements ensure accountability, transparency, and quality public services to meet diverse population needs.

### Best Practices

While every context is unique, there are common best practices that can enhance performance management in Bangladesh's public sector. Here are some potential best practices:

- **Alignment with national goals:** Ensure alignment with long-term national development plans for unified focus.

- **Stakeholder engagement:** Involve diverse stakeholders in design, implementation, and evaluation for program effectiveness.
- **Robust data collection:** Establish reliable data mechanisms for credible decision-making.
- **Regular monitoring:** Implement systematic performance data reporting for insights.
- **Technology utilization:** Leverage technology for streamlined processes and efficiency.
- **Outcome measurement:** Emphasize societal impact over outputs.
- **Performance-based budgeting:** Link budgets to outcomes for efficient resource allocation.
- **Capacity building:** Enhance officials' skills in performance management.
- **Continuous improvement:** Foster a culture of learning from successes and failures.
- **Transparency and accountability:** Make data accessible and hold agencies responsible.
- **Recognition and rewards:** Incentivize high performance in achieving targets.
- **Learning from best practices:** Adapt international best practices for local innovation.
- **Evaluation and review:** Periodically assess and adjust performance initiatives.
- **Political will and leadership:** Strong leadership is crucial for implementation and sustainability.

It is important to note that the adoption of these best practices should be tailored to the specific challenges and opportunities present in the Bangladeshi context. A collaborative and adaptive approach to performance management can contribute to more efficient, accountable, and impactful governance in the country.

### **Implementation Experience**

The implementation of performance management in the public sector of Bangladesh has experienced a mix of challenges and progress. The government of Bangladesh has been making efforts to enhance public service delivery and improve governance through various initiatives, including performance management systems. However, there have been both successes and obstacles in the implementation process.

### **Assessment and Analysis**

Bangladesh has made significant strides in implementing performance management in its public sector, driven by policy frameworks, digitalization, and citizen engagement. The government's commitment to e-governance has improved service delivery and transparency, facilitating performance measurement and management. Local government entities have embraced performance-based systems to enhance local service provisioning and encourage citizen involvement. Capacity-building initiatives have equipped public officials with a deeper

understanding of performance management concepts. Broader public-sector reforms have advanced efficiency, effectiveness, and service quality, while outcome-based budgeting aligns resource allocation with results.

The implementation of performance management initiatives in Bangladesh's public sector has yielded impactful outcomes, including enhanced accountability, responsibility, and transparency among government officials. Digitalization has reduced corruption opportunities through improved service delivery. Notable improvements in service delivery have occurred in areas with robust monitoring and evaluation systems. Streamlined resource allocation has increased efficiency, and citizen engagement has thrived with feedback mechanisms.

The experience of implementing performance management in Bangladesh's public sector has illuminated several vital lessons. These lessons highlight the importance of a holistic approach encompassing policy, capacity building, technology, and stakeholder engagement. Strategies to manage resistance to change and educate stakeholders are vital. Data quality is crucial, requiring precision, reliability, and consistency. High-level political support and commitment are necessary. Tailor-made solutions are essential to address specific sectoral, departmental, and regional needs. Involving diverse stakeholders, including citizens, at design and implementation stages, enhances effectiveness and credibility. Capacity-building initiatives are crucial to equip officials with the necessary skills for successful performance management.

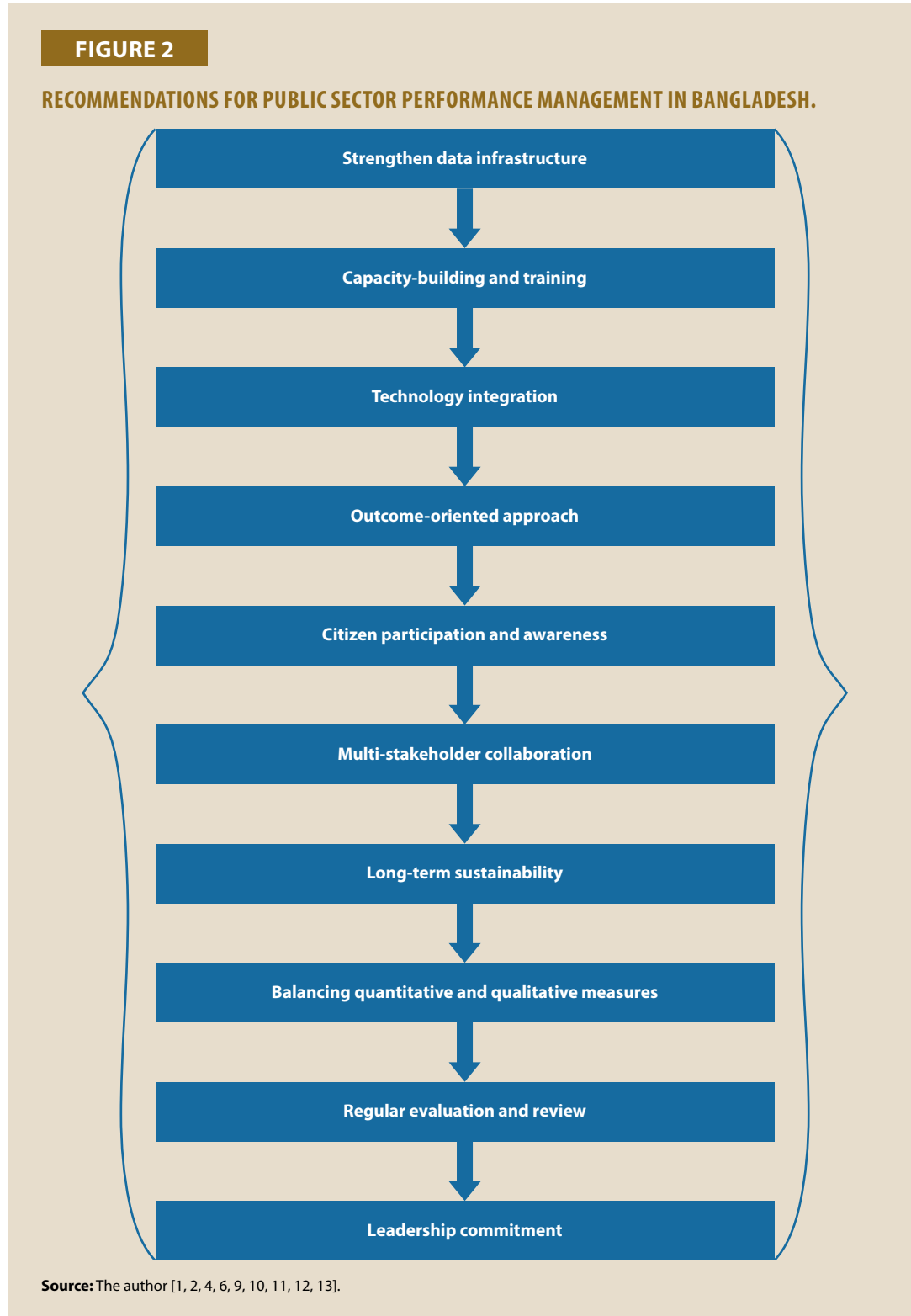
## Challenges and Limitations

The implementation of performance management in Bangladesh's public sector has encountered several significant challenges. Limited opportunities for training and capacity-building for public servants in performance management concepts and techniques have hindered effective execution. The introduction of a new PMS often faces resistance from within the bureaucracy, stemming from concerns about increased workloads, perceived unfairness, and unfamiliarity with new processes. The challenge of ensuring reliable and accurate data collection for performance measurement has persisted, leading to potential inaccuracies in assessments and decision-making. Political influence has been an obstacle, with political interference impacting the application of performance management and potentially affecting decisions based on merit and impartiality. The inertia of ingrained bureaucratic processes and practices has proven to be a barrier, impeding the adoption of new performance-based approaches. Moreover, limited financial and technical resources have constrained the establishment of essential infrastructure for robust data collection, analysis, and reporting, thereby further complicating the implementation process.

A study reveals that public service organizations exhibit limited involvement of human resource management (HRM), including a lack of interest in subordinates' work (72%) amounting to a significant leader-member-exchange gap of 28%, thereby potentially impacting organizational success and future leadership development. The study also indicates that employee performance feedback (56.7%) and compensation (50.2%) were average, with supervisors showing limited concern for employees' personal lives (49%) and career growth (65%). Conventional performance management tools like the ACR form are employed, though they appear insufficient and could be complemented by more effective alternatives like the 360-feedback system and the balanced scorecard tool [7].

## Recommendations and Conclusions

In conclusion, while performance management has made significant strides in Bangladesh’s public sector, there is still room for improvement. To enhance the effectiveness of performance management initiatives and achieve sustainable development goals, the following recommendations are proposed (also see Figure 2):



**Strengthen data infrastructure:** Invest in standardized data collection processes, ensuring data quality through validation.

**Capacity building and training:** Provide comprehensive programs for government officials, focusing on performance indicator development and data analysis.

**Technology integration:** Embrace technology for real-time monitoring, citizen engagement, and transparency.

**Outcome-oriented approach:** Focus on broader societal changes, developing multidimensional indicators.

**Citizen participation and awareness:** Involve citizens in design and monitoring and raise public awareness.

**Multi-stakeholder collaboration:** Foster collaboration among government, civil society, private sector, and international partners.

**Long-term sustainability:** Embed performance management in government processes for continuity.

**Balanced measures:** Consider both quantitative and qualitative indicators for a comprehensive view.

**Regular evaluation and review:** Establish a system for periodic evaluation and adaptation.

**Leadership commitment:** Emphasize strong leadership commitment for transparent, accountable, and efficient governance.

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# THE ROC

## The Political and Administrative Context

The political structure of the Republic of China (ROC), established after the *Kuomintang* (KMT) or Chinese Nationalist Party retreated to the island of Taiwan in 1949, bears a strong resemblance to PR China's political system. The 1947 Constitution, which consists of five branches, includes the Executive, Legislative, Judicial, Control, and Examination Yuans and embodies a "quasi-Leninist" spirit, was transplanted from PR China to the ROC. It includes an Examination Yuan, signifying a link to the historical "mandarin" system of elite rule. However, with the advent of democratization in the late 1980s, this "soft authoritarian" regime was compelled to initiate a series of reforms to the traditional governing apparatus due to an ongoing pressure. Among the reform efforts during 1991–2005, seven constitutional amendments were passed, resulting in a 12-item amendment. Subsequently, after the first party turnover in 2000, the second party turnover in 2008, and the third party turnover in 2016, the ROC government became a consolidated democracy according to Huntington's "two-party turnover principle." On the other hand, the administrative reform of the government apparatus is a never-ending effort since the KMT reestablished the government in the ROC. In this chapter, an overview of the ROC's performance management system will be presented. Also, in a more concise fashion, the past reform efforts, key configurations of the system, and finally the notable challenges of the system will be discussed for the sake of sharing experiences and making comparisons with other chapters in this publication.

## Historical Background of Performance Management

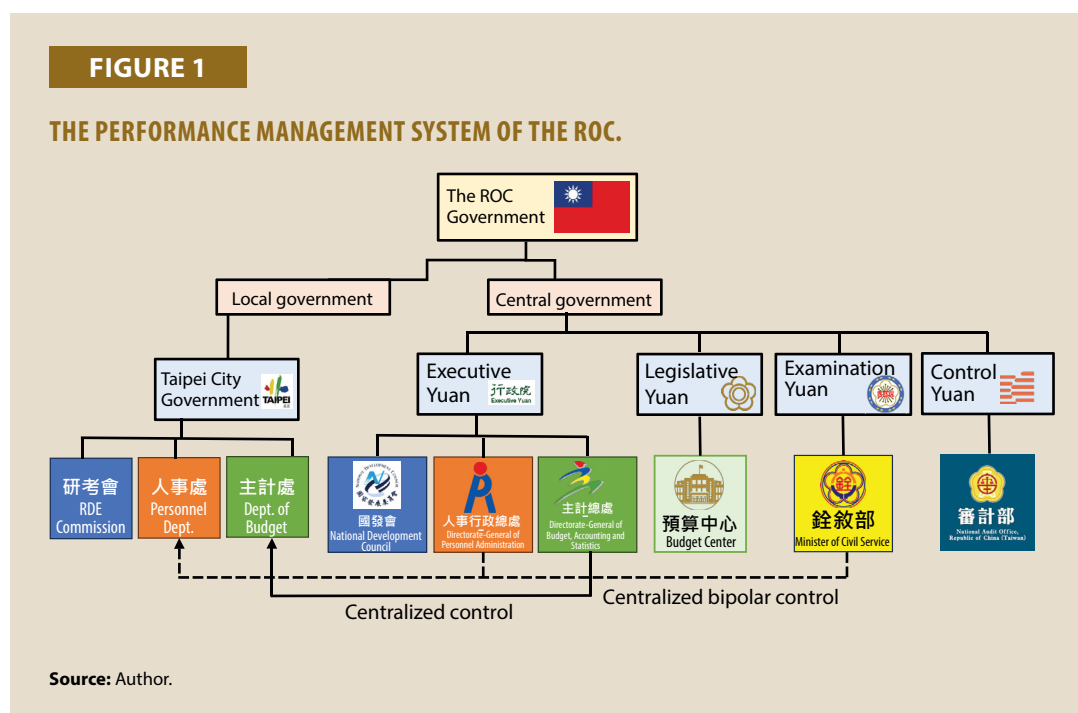
Performance of the government system matters because it shapes the trust between the citizen and the government. Especially, after democratization, the ROC government's legitimacy has been based on periodical elections, which is like examining the "report card" of the government's performance through a "referendum" every four years. However, the performance management system of the ROC is mostly inherited from the period of the authoritarian era even during and after the democratization. For example, the public policy and agency performance evaluation system was established as early as 1964. The system is called "administration in three," where planning, executing, and evaluating are the essential three steps for implementing public policies effectively [16]. Since 2002, the Research, Development and Evaluation Commission (RDEC) has had a function similar to implementing the US Government Performance and Results Act (GPRA), which emerged after the global New Public Management Movement.

The RDEC has incorporated performance evaluation into its medium-term plan. The plan is divided along two major axes: "agency performance management" and "individual project management." This division is to take the agencies under the Executive Yuan as the main body and set different key performance indicators (KPIs) and measurement standards for each agency, conducive to the adjustment of subsequent policy planning, policy implementation, and budget allocation. The Executive Yuan has fully implemented and promoted the agency performance evaluation system with the program management system installed since 2002 [3].

## Performance Management Reform Processes and Initiatives

After the democratization in the late 1980s, three important administrative reform efforts have aimed at improving government performance. First, the elimination of Taiwan Provincial Government in 1998 was to change the level of the government from 4 to 3. Second, government reorganization effort during 1998–2023 was the most ambitious move to reinvent the central government in the history of the ROC governance [4]. Between 2010 and 2012, the Legislative Yuan passed five critical acts of reorganization to realize these efforts. They are: Organizational Act of the Executive Yuan; Act for Adjustment of Functions and Organizations of the Executive Yuan; Basic Code Governing Central Administrative Agencies Organizations; Act Governing the Total Number of Personnel Headcounts of Central Government Agencies; and Non-Departmental Public Bodies Act. The aim of these efforts has been to make the central government leaner, more flexible, and effective. The most obvious achievement was to reduce the number of ministries in the Executive Yuan from 37 to 29 [7]. Lastly, the public personnels pension reform during 2016–18 tried to improve the sustainability of the public personnel pension fund and to equalize the pension system across different categories of social groups. All these reform efforts have contributed to the performance of the ROC government. Other administrative reform efforts are still going on. For example, for catching up the rapid development of digital technologies, the central government established the Ministry of Digital Affairs (MODA) in August 2022 [15]. In the following section, we will depict the essential parts of the ROC’s public-sector performance system, which is designed to work with the unique five-branch Constitution since 1947.

## Current Configuration of the ROC’s PMS



There are five essential parts of the ROC’s public sector performance management system (PMS). Both in central and local governments, the five essential apparatuses are responsible for collecting, processing, analyzing, producing, and revealing the information about government’s

performance reality (see Figure 1). Their roles and responsibilities in designing and managing performance are following:

- (1) **Reviewing agency and program performance:** These roles are performed by the central government's National Development Council and the local government's RDE Commission (this paper uses the City of Taipei as a representative example). The essential works of these internal agencies include doing ex-ante implementations and ex-post evaluations for the central as well as the local governments.
- (2) **Reviewing public personnel performance:** This is a centralized bipolar control system at the level of the central government, with the Directorate-general of Personnel Administration in the Executive Yuan being responsible for implementing managerial affairs. The Minister of Civil Service in the Examination Yuan is responsible for regulatory affairs of personnel issues. At the local level, each government has its personnel department that follows the managerial and regulatory orders from the central government.
- (3) **Reviewing public spending performance:** This is also a centralized control system at the level of the central government, with the Directorate-general of Budget, Accounting and Statistics being responsible for internal control on government money affairs. At the local level, every government agency has its department of budget, accounting, and statistics, which follows the rules set by the central government to manage daily operations on money spending.
- (4) **Reviewing public budget performance:** The Budget Center of the Legislative Yuan is a constitutional check-and-balance apparatus to oversee government performance through examining, cutting, passing, and interrogating the performance of the central government's budgeting activities.
- (5) **Auditing:** The National Auding Office of the Control Yuan is responsible for supervising the implementation of government budgets, reviewing financial revenues and expenditures, examining and approving final accounts, inspecting property and financial illegal or disloyal behaviors, assessing financial performance, and determining financial responsibilities.

The formation of this complex PMS is either constitutional from the beginning or has gradually emerged from reform needs. For example, items (2), (4), and (5) listed above have originated from the design of the five-branch constitution.

First, the Legislative Yuan responsibility for public budget performance is common to all countries that adopted the separation of power principle. However, the Examination Yuan in (2) and the Control Yuan in (5) are unique designs by the ROC's founding father Dr. Sun Yat-sen [17]. Second, in the context of the Examination Yuan, it may be noted that the performance of public personnel is the special feature of ancient China's Mandarin System. As a result, Dr. Sun designed an independent branch of government to manage the regulation of the public personnel's performance system. Third, the independent branch of the Control Yuan is another special design originating from the Ombudsman Office in the ancient Chinese system. It is believed that government performance should be closely monitored by a separate group of the Mandarin system. As a result, Dr. Sun utilized the idea to create an independent branch of the central government to do auditing and other monitoring works as in the Western countries. Finally, items (1) and (3) are performance

management apparatuses to do the internal management works of monitoring and controlling both policy implementation and money utilization by the administrations of the governments. All these separated but interconnected sections of the ROC's PMS are to produce the performance that is expected by the people whose daily lives are heavily influenced by government activities.

## Key Reflections on Reform Cases of the Current System

After discussing the above five essential parts of the ROC's PMS, this chapter will reflect on the system and discuss several reform efforts from the past. First of all, the drivers and motivators of the evolution and the reforms in the PMS in the ROC are path dependent. During the authoritarian era, the system established was mainly for internal control of organizational efficiency and effectiveness. Because of the five-branch Constitution, the monitoring apparatus was divided into different branches. However, since the democratization in the late 1980s, the legitimacy of the government has been based on periodical elections [12]. As a result, the performance system has both internal and external controls collaborating with multiple layers of performance monitoring lines through budgetary, personnel, policy, and agency approaches.

Second, concerning the KPIs and measurements involved in the system, the reforms in personnel's performance management are pertinent. According to the law, the year-end performance appraisal of civil servants is based on four aspects: work, conduct, knowledge, and talent. Among them, work accounts for 65% of the performance appraisal score; conduct accounts for 15%; and knowledge and talent account for 10% each. The final ratings are A, B, C, and D. However, the process of conducting performance appraisals is usually handled by supervisors, who need to maintain an appropriate distance to ensure that they can avoid emotional constraints when conducting performance appraisals and leave more room for fairness and impartiality. Because the supervisors do not want to be the "bad guys," the A-level ratings were nearly 90% which were rendering the system useless. As a result, in the year 2000, an administrative order was issued to regulate the system by limiting the percentage of public servants having annual performance appraisal of A to 75%.

This regulation has been implemented for more than 20 years now, and various public institutions have formulated many internal rules to comply with the regulation. In the latest reform effort (in early 2024), the Ministry of Civil Service drafted an Amendment to the Civil Servant Performance Appraisal Act, adjusting the four grades of A, B, C, and D to "outstanding," "excellent," five grades of "good," "to be improved," and "eliminate." The rate was adjusted from the upper limit of grade A (75%) to the upper limit of excellent (5%) and the upper limit of excellent and above, including outstanding (15%). The main reason was that 75% of the current civil servants were classified as "A" and received a one-month bonus. This was not enough to encourage civil servants to pursue excellence [1].

Third, one of the best practices in the ROC's PMS interestingly comes from the local government [14]. In fact, the experience is not that a sustainable new performance system has been established but that "sandboxing" activities for future reforms in the ROC's PMS have been carried out. The implementation of the strategy map as a performance management tool by the Taipei City Government during Mayor Ko Wen-je's tenure (2014–22) was for the first time in the ROC, with pros and cons. Several lessons were learned. The first lesson was that the public sector was different. The strategy map provided a clear framework that allowed the city government to translate its goals and strategies into specific action plans. However, there are differences in the

application of strategy maps between public and private sectors. The powers and responsibilities of the public sector are dispersed, requiring constant communication and coordination with other agencies. In contrast, private enterprises spend less time and resources on external negotiations.

The second lesson was that the lack of strategic planning talent in city government agencies has been a major challenge. The ROC faces a serious shortage of talent, especially in terms of mid-level technical personnel. This poses difficulties in the implementation of the strategy map and the PMS. The third lesson is that there is no connection between the strategy map and civil service's performance appraisal. An important issue is that this reform is not connected with the performance appraisal system for civil servants. If the appraisal system does not reflect the implementation of the strategy map, employees may lack motivation to achieve strategic goals [6]. Therefore, it is crucial to effectively integrate the strategy map with the appraisal system. In summary, despite these challenges, the strategy map remains a useful tool that can help the Taipei City Government manage its performance more effectively and achieve its strategic goals.

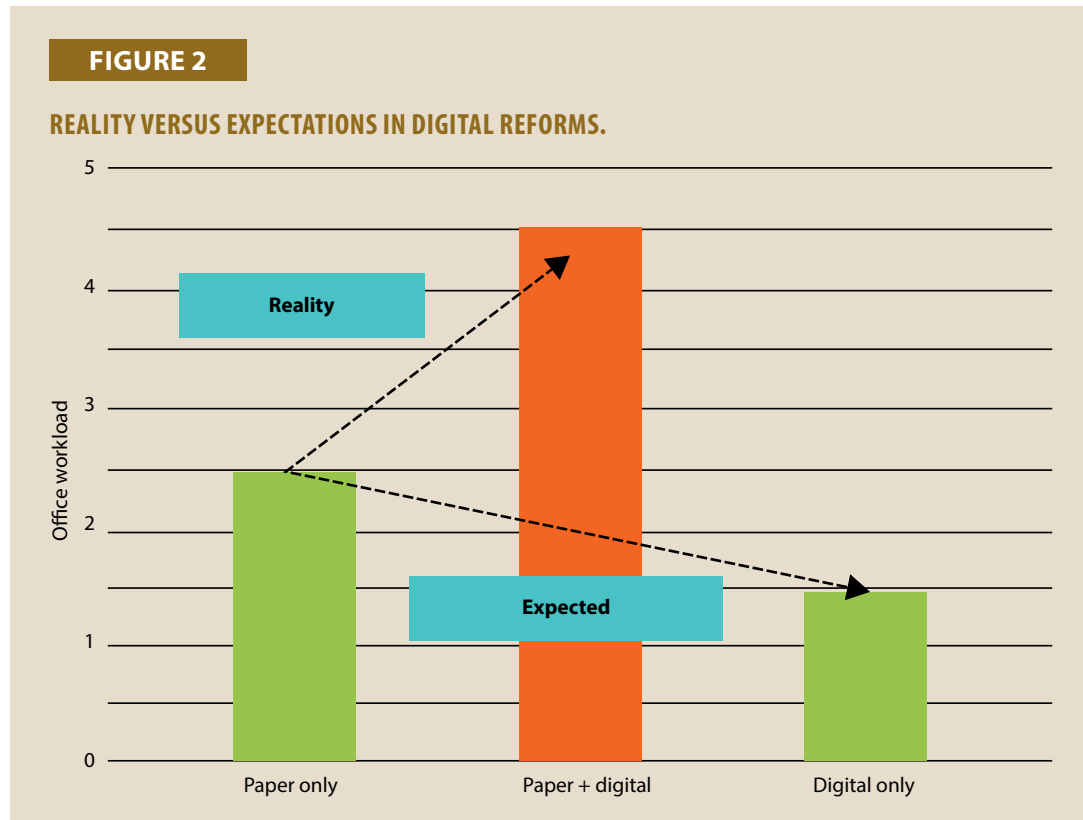
Fourth, concerning the implementation experience of the system, there is a very interesting case of democratizing reform of the auditing process to make it more responsive and transparent to the citizenry by the National Audit Office in the Control Yuan. In recent years, the audit agency has aligned with international trends, focusing on major government policies and strengthening the performance auditing work of economy, efficiency, and effectiveness. To make the auditing work more closely related to the key directions of government policies that the public cares about, we actively promote "participatory auditing," hoping to effectively hold the government accountable through citizen participation and improve the efficiency of public governance [5]. The auditing personnel hope that all parties will continue to affirm their support for the audit office and will not hesitate to correct it and work together with the audit agents to create good governance in the government.

Depending on the interaction mode between the audit agency and citizens, it can be divided into one-way and two-way relationships. The one-way relationship refers to the audit agency actively providing information to citizens, while the two-way relationship refers to the audit agency consulting the citizens, including consulting experts, scholars, and citizen groups, using the "Public Policy Network Participation Platform—Participatory Audit Special Area" set up by the National Development Commission to openly solicit public opinions, and collect public feedback at any time through "Audit Suggestions," "National Supervision" mailbox, and reporting mailbox set up on its website [2]. However, the actual number of online participants is rare. It is due to the "professional asymmetry" problem in which laymen cannot comprehend and finish reading the complicated auditing report posted online.

Lastly, assessing the progress of the system, while coping with the internet era to grasp the chance of improving the quality and efficiency of its operation through utilizing digital tools, is a very important part of the reform. A good illustration of this is an example from the reform experience with digitalizing a performance management operation in the central government. In 2003, the NDC (then, RDEC) of the Executive Yuan, built the "Executive Yuan Government Project Management Information Network" system GPMnet, which enabled various performance management processes to be completed on the internet [8]. After the organizational reform of the Executive Yuan in 2012, GPMnet2.0 was developed separately to ensure that the business of each agency could be seamlessly connected after the organizational reform; make the public governance more transparent; and implement the spirit of performance management accountability by

disclosing project and management information. In recent years, the system has been upgraded to GPMnet 3.0. However, the transformation from “paper only” to “digital only” reform is never complete. As a result, as shown in Figure 2, we can understand that the system is, in fact, operating in a “paper + digital” mode, where the total administrative cost of the system is larger than both the “paper only” and “digital only” systems. This example tells us that the reform of the government PMS must pay attention to the tolerance of organizational members for the cost–benefit ratio generated by the reform. In an era of rapid development of digital technology, the reform thinking of technological optimism will actually make the reform of government PMS more difficult [9].

## Challenges and Conclusions



In its early days, the ROC government had constructed a complex administrative control system under the framework of an authoritarian system and a five-branch constitution. After the democratization in the late 1980s, in order to meet the need for electoral responsiveness, it promoted a PMS in 2001, aiming to improve government efficiency, effectiveness, and responsibility. However, after more than two decades of its implementation, the effectiveness of the PMS still faces many challenges and problems, which can provide reference for other countries. We discuss the following three aspects:

- (1) **The connection between personal performance appraisal and policy or group performance:** Individual performance appraisal is an important part of the PMS, but how to connect individual performance appraisal with policies or group performance is a difficult problem to solve. On one hand, if individual performance appraisals place too much emphasis on policy or group performance, it may result in unclear attribution of individual responsibilities or ignoring individual efforts and contributions [13]. On

the other hand, if individual performance appraisal places too much emphasis on individual abilities or performance, it may cause personal interests to take precedence over policy or group goals or neglect the individual collaboration and interaction with others. Therefore, to design a performance evaluation mechanism that can balance the relationship between individuals and policies or groups is an issue that needs to be addressed urgently.

- (2) **The connection issue between the central and local government PMSs:** There are differences in the division of powers and responsibilities, resource allocation, and goal setting between the central and local governments. These differences may affect the implementation and evaluation of the PMS [11]. On one hand, if the central government intervenes or unifies the performance management of local governments too much, it may ignore the characteristics and needs of local governments or weaken the autonomy and innovations of local governments. On the other hand, if the central government's performance management of local governments is too loose or decentralized, it may result in inconsistent goals between the central and local governments or a lack of effective supervision and coordination mechanisms. Therefore, to establish a PMS that can take into account collaboration and competition, support and supervision, and integration and differentiation between the central and local governments is an issue worth exploring.
- (3) **Problems with sharing and application of performance information across agencies in the big-data era:** The emergence of big-data tools has brought rich and diverse information sources and analysis methods that can help improve a government's decision-making quality and service standards. However, how to effectively integrate, share, and utilize cross-organizational performance information is still a difficult and important issue [10]. On one hand, if there is a lack of information exchange or cooperation across agencies, it may cause problems such as duplication, omission, and inconsistency of information, or affect the overall effectiveness and efficiency of the government. On the other hand, if there is excessive reliance on or compliance with information across agencies, issues such as quality, credibility, and applicability of the information may get ignored, or the flexibility and innovation of the government may be affected. Therefore, to establish a set of principles that can ensure the security, privacy, openness, and transparency of information and effectively collect, analyze, and apply cross-organizational performance information is an urgent need that needs to be addressed.

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# INDIA

## Executive Summary

Three decades after the reforms were initiated, India still witnesses a strong and vibrant public sector coexisting alongside a heterogeneous set of private players. Since the early nineties, several reforms have been initiated to improve the performance of PSUs in India. These include improving focus on financial targets through better market orientation and higher competitiveness as well as improving sustainability and governance performance. The performance management systems (PMSs) implemented at the PSUs were the backbone of these reform initiatives. These systems mainly comprised the memorandum of understanding (MoU), which was a negotiated document of targets signed by a PSU and its corresponding administrative ministry. The key performance indicators (KPIs) mentioned in the MoU were then delegated to all employees in the organization through a balanced scorecard (BSC). The targets' oversight and achievement were done through the Performance Evaluation Division in the Department of Public Enterprises, Government of India (GoI). Additional monitoring was done through the Securities and Exchange Board of India (SEBI), along with the Comptroller and Auditor General (CAG) of India. This chapter summarizes the overall history of the PMS implemented in Indian PSUs as well as the benefits, challenges, and lessons learnt in the implementation process. In the end, a few recommendations on the way forward are also provided.

## Introduction

In India, PSUs or state-owned enterprises (SOEs) operate within a unique political and administrative context characterized by a mix of socialist principles, economic liberalization, and a complex bureaucratic framework. India's PSUs have their roots in the socialist economic policies pursued after gaining independence in 1947. At that time, the government played a dominant role in key sectors of the economy, creating numerous public-sector enterprises. Today, PSUs in India operate across various sectors, such as banking, energy, manufacturing, transportation, and telecommunications. Some of these enterprises are among the largest and most influential in the country, like the State Bank of India and the Indian Oil Corporation. As highlighted by studies [1, 2, 3], despite all the problems associated with state ownership, PSUs are here to stay and will not disappear any time soon. Irrespective of their size, political considerations often influence the functioning of PSUs in India. Appointments to key positions within these enterprises, especially in higher management, are often politically motivated, leading to challenges in professional management. To make matters worse, PSUs in India often face bureaucratic red tape and the resulting inefficiencies. Decision-making processes can be slow and cumbersome due to multiple government oversights and regulation layers. Due to political influence, many PSUs continue to serve social welfare goals, offering subsidized services in sectors like healthcare, education, and transportation. This can place financial burdens on these enterprises and complicate their operations. Government ownership also brings with it increased accountability. PSUs in India are subject to parliamentary and public scrutiny. Political and administrative circles often debate their financial performance and operational efficiency.

Over the years, various governments have attempted to reform PSUs to improve their efficiency and accountability. Initiatives like disinvestment, mergers, and performance-based incentives have been undertaken to make these enterprises more competitive. In the early 1990s, India initiated economic liberalization and globalization reforms. While this process led to the privatization of some PSUs, many continue to exist. The government's role since then has shifted from having direct involvement in the economy to being a regulator and facilitator. The reform process has also given birth to organizations with mixed ownership. Some PSUs in India operate in partnership with private entities or foreign investors. This mixed ownership model can create challenges in balancing the interests of various stakeholders. With the opening up of the Indian economy, PSUs face increasing competition from private companies and international players. This has compelled some of them to adapt and modernize their operations.

In summary, PSUs in India operate in a complex and evolving political and administrative environment. While economic liberalization has led to changes in their roles and functions, political influence, bureaucratic challenges, and the need to balance social welfare objectives with financial sustainability continue to shape their operations. The ongoing reform efforts aim to enhance their efficiency and competitiveness in the global market while addressing these contextual complexities. In spite of these challenges, Indian PSUs continue to play a central role in the country's economy. In this context, it is essential to document the existing PMSs in use at Indian PSUs.

This chapter has used the preferred reporting items for systematic reviews and meta-analysis (PRISMA) framework [4, 5] to undertake a systematic literature review on PMSs in Indian PSUs. The chapter is structured as follows: after a brief description of the Indian context and the methodology section, it brings out the historical development of the PMS in India, as well as the current aspects of the PMS used at PSUs in the country. The aim is to provide future researchers with an overview of the PMS used in PSUs in an emerging market context. The chapter ends with a discussion of the challenges, limitations, and recommendations for implementing PMS in other contexts.

## The Indian Context

### Public Sector in India

PSUs have played a key role in Indian economy since the country's independence by providing industrial growth and fulfilling social responsibilities such as implementing the government's flagship programs and providing last-mile connectivity and public utilities even in the hinterlands. The PSUs also generate employment opportunities and act as a vital extension of the central government in implementing critical infrastructure and development projects. The PSUs play an important role in the growth of the Indian economy. Apart from their direct contribution to the economic output of the country, the products and services offered by PSUs help in creating a significant downstream impact in the form of generating MSME growth opportunities, creating direct/indirect employment, driving the government's strategic agenda, contributing to the central exchequer, promoting technological progress and innovation, etc.

In the Indian corporate landscape, the PSUs, besides certain statutory corporations, are those government companies wherein the central government holds more than 50% equity. Most PSUs were set up after independence when the private sector was neither forthcoming nor had the capacity for large capital-intensive enterprises. India had only five PSUs in 1951, but by 1969, the number had grown to 84. The number of PSUs further trebled to 260 by FY2011–12 and increased to 389 by FY2021–22.

The total paid-up capital of all PSUs in India was INR3.69 trillion and the total financial investments in all PSUs was INR22.81 trillion, as of 31 March 2022. Among the cognate groups, financial services accounted for 53.65% of the outstanding financial investments, followed by power generation at 15.01%, petroleum (refinery and marketing) at 6.19%, and power transmission at 5.88%. The top five PSUs having the highest financial investments were the Indian Railway Finance Corporation Ltd, Power Finance Corporation Ltd, Rural Electrification Corporation Ltd, National Thermal Power Corporation Ltd, and the Power Grid Corporation of India. The capital employed by all PSUs was INR35.21 trillion, while the total gross revenue from the operations of all the PSUs during FY2021–22 was INR31.95 trillion. Three cognate groups, petroleum (refinery and marketing), trading and marketing, and power generation, together contributed 69.08% to the gross revenue. The top five PSUs having the highest revenue during FY2021–22 were Indian Oil Corporation Ltd, Bharat Petroleum Corporation Ltd, Hindustan Petroleum Corporation Ltd, Food Corporation of India and National Thermal Power Corporation Ltd. The overall net profit of operating PSUs during FY2021–22 was INR2.49 trillion. The contribution of all PSUs to the central exchequer by way of excise duty, customs duty, goods and services Tax, corporate tax, interest on central government loans, dividends, and other duties and taxes stood at INR5.07 trillion in FY2021–22. The foreign exchange earnings of operating PSUs through the export of goods and services stood at INR1.50 trillion in FY2021–22. The PSUs' total expenditure on corporate social responsibility stood at INR46 billion in FY2021–22 [6].

The MoU system was developed to make the PSUs accountable to the central government. The apex body for managing the MoU system is a high powered committee (HPC), which also determines the policy guidelines. The Cabinet Secretary heads the HPC, which comprises the following members: CEO, National Institution for Transforming India (NITI) Aayog; Finance Secretary; Secretary (Expenditure); Secretary (Statistics and Programme Implementation), Chairman (Public Enterprises Selection Board); Chief Economic Advisor (Economic Affairs); and Secretary (DPE). Thereafter, the Inter-Ministerial Committee (IMC) finalizes the sectoral template/ PSU wise MoU parameters. The purpose of sectoral templates is to select and identify the parameters and weights relevant to the core business activities in that sector and/or the PSUs. The IMC also sets the requisite performance levels against each parameter, so decided, as benchmarked targets. The IMC comprises a Secretary (DPE) as Chairman; representatives of the Chief Economic Advisor (Department of Economic Affairs), the Department of Expenditure, MoSPI, and NITI Aayog; and the Secretary/representative of the Administrative Ministry as a special invitee, and any other expert coopted on a need basis.

The MoU is a negotiated agreement between the administrative ministry/department and the management of the respective PSUs. Under this, PSUs undertake to achieve targets set in the MoU normally at the beginning of the year. At the time of the evaluation, the performance of a PSU on selected parameters is compared with the determined targets. The parameters included in the MoU process are market-oriented, reflecting the shareholders' interest in terms of growth in revenue, EBITDA margin, return on net worth, return on capital employed, asset turnover ratio, and market capitalization. Adequate weightage is also given to production-linked parameters pertaining to the CPSE's core operations. All the parameters are quantifiable and verifiable from the documents in the public domain. Besides, certain government priorities/programs, such as procurement from MSEs, CSR, etc., have also been included for compliance by PSUs, the non-compliance of which would result in the deduction of marks. The revised MoU framework also provides benchmarking based on growth and emerging sector trends, the ministry's vision for the sector, and peer performance.

Based on the performance in the MoU scores, the Indian PSUs are categorized into four schedules, Schedule A, Schedule B, Schedule C, and Schedule D, based on quantitative and qualitative parameters. The pay scales of chief executives and full-time functional directors of CPSEs depend on this categorization. As of 31 March 2022, 69 PSUs were categorized in Schedule A; 69 in Schedule B; 44 in Schedule C; and 5 in Schedule D. Apart from this categorization, PSUs were also awarded the Ratna status, i.e., Maharatna, Navratna, or Miniratna, based on their financial performance and operations, which delegated greater autonomy to these CPSEs in financial and administrative matters. The Maharatna status provided the greatest devolution of autonomy, followed by Navratna and Miniratna. As of March 2022, 11 CPSEs were classified as Maharatna, 13 as Navratna, 61 as Miniratna Category I, and 12 as Miniratna Category II.

### Pro-market Reforms

The last two decades have witnessed a range of policy reforms related to the public sector in particular and Indian industry in general. These reforms, and their perceived effects, have been extensively discussed in the business press and professional journals. Based on new institutional theoretical arguments, a neoliberal model of smaller government, improvement in corporate governance, establishment of rule of law, was aggressively exported to emerging and transition economies through international financial institutions like the World Bank and the IMF [7, 8, 9, 10]. The main focus of the reform process in India was on increasing foreign investments, simplifying entry procedures, technology adoption, regulating monopolies, and managing the public sector through disinvestments and privatizations [11, 12]. As suggested by Dahiya and Rathee [13], the governance paradigm has also improved considerably in the last two decades. A number of regulatory changes and institutions to support the governance mechanisms have been created over the last two decades in India<sup>1</sup>. Simultaneously, a number of independent institutional initiatives have also been taken from time to time, to develop and promote a code for corporate governance to be adopted and followed by Indian companies<sup>2</sup>. Also, a reform process for public sector undertakings was started in the 1980s, which forced the PSUs to become more market oriented and search for alternate sources of financing. This placed them on a level playing field with private firms by removing barriers to entry, subsidies, and special privileges.

In general, these pro-market reforms have served to increase the competitive pressures acting on domestic firms. It is commonly inferred that pro-market reforms have a direct effect on improving the institutional environment through measures such as “better accounting standards, better legal protection of minority shareholders, better law enforcement, more intense product market competition, a high level of diffusion of the press, and a high rate of tax compliance” [14]. These measures help reduce the information asymmetry between the principals and agents through better disclosure norms. Moreover, as the product market competition heats up due to the reduction in barriers to entry, shareholders are forced to increase contractual incentives to shore up employee

<sup>1</sup> While the detailed statutory framework of corporate governance in India has been defined primarily by the Companies Act of 1956, the provisions contained therein have been further supplemented by the SEBI Act of 1992, which protects the interests of shareholders and promotes and regulates the securities markets; and the SICA Act of 1985 which deals with the financial reorganization, including bankruptcy procedures, of distressed companies. Another significant development has been the establishment of the Competition Commission of India (CCI) in 2003, replacing the MRTP Act 1969, to promote and sustain competition and protect the interests of consumers. Apart from these institutions, the Gol set up the Serious Fraud Investigation Office (SFIO) in July 2003 to investigate corporate frauds of a serious and complex nature and in partnership with the CII; the Institute of Company Secretaries of India (ICSI); and the Institute of Chartered Accountants of India (ICAI). The Gol, in 2005, also set up the National Foundation for Corporate Governance (NFCG) with the goal of promoting better corporate governance practices. The Prevention of Money Laundering Act, 2002 (PMLA) was also enacted in 2005. The Department of Company Affairs has not only been making necessary changes in the Companies Act of 1956, but has also introduced an updated Companies Bill 2012 to keep pace with global standards of corporate governance.

<sup>2</sup> Prominent among these are Kumar Mangalam Birla Committee; Naresh Chandra Committee; Narayana Murthy Committee; CII's Naresh Chandra Task Force on Corporate Governance Committee; Corporate Governance Voluntary Guidelines; and ICSI's Adi Godrej committee on corporate governance.

efforts in improving product quality, reducing costs [15], and engaging cash in productive activities [16]. The improvement in legal protection also makes it difficult for the concentrated owner to expropriate private benefits, thereby reducing secondary agency problems.

It has been suggested that pro-market reforms can also reduce the primary agency problems. As argued by Cuervo-Cazurra and Dau [17], “pro-market reforms help reduce the agency costs of monitoring and restraining managerial misbehavior by improving the functioning of [labor, capital, and product] markets, resulting in profitability improvements.” As the labor market improves, through an increase in the supply of trained manpower, managers are compelled to focus on their firm’s profitability in an effort to secure their positions [18, 19, 20]. Similarly, improvements in the capital market, along with the strengthening of regulatory agencies and independent institutional initiatives to develop and promote a code of corporate governance, make it increasingly difficult for managers to indulge in discretionary behavior as they face the risk of low equity valuations, high cost of debt, and even possible takeovers [13, 21, 22].

## Methodology

This chapter was written based on secondary research and a systematic literature review. A search strategy was adopted using the Scopus database to systematically search the relevant literature. The search terms used were ‘performance management systems in India,’ ‘performance management systems in Indian PSUs,’ and ‘performance management systems in Indian SOEs’ to identify the relevant journal articles in the Scopus database. The selection criteria were based on the PRISMA statement [4, 5]. The search mainly focused on mapping the existing literature on PMS in Indian PSUs.

All searches spanned from the database inception till January 2023 and included journal articles published in English only. The study was based only on original research articles published in peer-reviewed journals as well as reports and studies published by the GoI. To maintain the quality of the review, all duplications were thoroughly checked. The abstracts of the articles were checked deeply for analysis and further shortlisting of the relevant articles to ensure the quality and relevance of the academic literature included in the review process. A careful evaluation of each research paper was carried out later.

## Performance Management in India

The historical background of performance management of PSUs in India can be divided into several key phases. In the pre-Independence era (before 1947), i.e., during the British colonial rule, the Indian economy was primarily agrarian, with limited industrialization. The few industries that existed were mainly privately owned and operated. Post the Independence, in 1947, India adopted a socialist economic model. The government played a dominant role in the economy and began establishing public-sector enterprises to drive industrialization. PSUs were seen as instruments of social and economic development. Performance management at this time was driven through five-year plans developed, executed, and monitored by the Planning Commission of India. The First Five-Year Plan (1951–56) marked the beginning of planned economic development, with PSUs playing a crucial role. The Industrial Policy Resolutions of 1948 and 1956 outlined the public sector’s role in industries deemed strategically important. During this period, the focus was on capacity creation, and PSUs were not always held strictly accountable for profitability or efficiency.



However, by the 1980s, as powerful political stakeholders and other rent-seekers entrenched themselves, the performance of PSUs started deteriorating, and they failed to generate profits. This, coupled with the growth in public spending throughout the 1980s, precipitated a macroeconomic crisis, as there was a significant rise in foreign borrowing to fund the budget deficit. Moreover, successive oil shocks and the Gulf War, which stopped remittances from Indian workers in the Gulf, led to a balance of payment crisis. The magnitude of the balance of payment and fiscal crises forced Indian policymakers to rethink their position on PSUs. A need was felt to reform the Indian PSUs, and accordingly, the Arjun Sengupta Committee (1984) was set up, which provided its recommendations on the policies related to PSUs in India. This rethink was shaped in no small measure by international financial institutions like the World Bank and the IMF, which prescribed a neoliberal policy package of deregulation, liberalization, and privatization often referred to as ‘pro-market reforms’ or as the ‘Washington Consensus.’ It was argued by Western scholars [23] that due to the double agency problem [24] and political interference [25], the performance of PSUs would always be inferior. Hence, it was imperative to reform or privatize them to increase the economy’s overall efficiency. As a result, with time, the Washington Consensus came to be associated with a fundamentalist reliance on the market and an overwhelming emphasis on privatization, which was seen as the primary tool to increase efficiency. As criticism for these neoliberal dogmatic policy conditionalities increased [26], the Washington Consensus was replaced by Stiglitz’s proposal for a post-Washington Consensus [27, 28], which was based on the idea that market imperfections due to information asymmetries could justify state intervention.

India faced a severe economic crisis in 1991, leading to a shift in economic policy. The government initiated economic liberalization and globalization reforms. The pro-market reform package initiated in 1991 had three distinct components: (1) fiscal stabilization to check the growing fiscal deficit without impacting expenditure in basic social and infrastructure sectors; (2) Liberalization of the economy to unleash competitive pressures from private enterprise<sup>3</sup>; and (3) integration with the global economy by removing controls on foreign trade and adjusting tariffs<sup>4</sup>. The first component can be considered part of stabilization policies, while the latter two are part of structural reform policies [29]. The role of PSUs was re-evaluated, and there was an emphasis on improving their performance and competitiveness. The disinvestment policy was introduced<sup>5</sup>, allowing the government to reduce its ownership in select PSUs and introduce private participation<sup>6</sup>. The emphasis shifted from capacity creation to efficiency, profitability, and global competitiveness. Various performance management initiatives were introduced in PSUs during the decade of 1990s. The BSC and KPIs were adopted to measure and evaluate PSU performance. The Navratna and Mini Ratna schemes were launched to grant

<sup>3</sup> The New Industrial Policy Statement of June 1991 reduced the number of industries reserved for PSUs from 17 to eight. Moreover, 42 industries were de-licensed to introduce private competition in them. Two more industries were added to the list in 1993. Not only new units, but even those having an investment of INR2.5 crore in fixed assets, were exempted from licensing. However, in 18 strategic industries, the industrial licensing system was retained. The investment ceiling for small industries was also removed. Apart from this, location restrictions were also removed. The pre-entry scrutiny of investment decisions of MRTP companies was also abolished.

<sup>4</sup> To attract foreign direct investment (FDI), equity up to 51% was allowed in 48 industries, while 100% equity was allowed in Special Economic Zones under automatic route. This apart, foreign equity investment of up to 40% was freely allowed. Procedures for the transfer of technology were simplified. Import licensing on all intermediate and capital goods was abolished to liberalize trade. Moreover, a systematic reduction in import tariff rates was undertaken by reducing the number of tariff bands and reducing the top tariff rate to 85% in 1993–94 and 50% in 1995–96. The peak customs duty was decreased from 80% in 1991 to 35% in 1997. There was a phased elimination of quantitative restrictions on imports.

<sup>5</sup> This was the era of coalition governments and witnessed the first-generation reforms. Faced with a balance of payment crisis, the government, led by the then Prime Minister Chandrasekhar, announced the disinvestment policy in the interim budget speech of 1991–92. In the need to raise funds for the exchequer, the government intended to sell up to 20% of selected firms to public sector institutional investors, focusing on introducing market discipline in the PSUs.

<sup>6</sup> The Gol set up the Rangarajan committee to study the feasibility of disinvestment of some of the PSUs in 1993. Thereafter, the Gol began disinvesting its stake in some of the PSUs; and from 1992 to 1996, the target set was INR19,500 crores. Out of that, a total INR12,022 crore was realized.

greater autonomy and financial powers to high-performing PSUs<sup>7</sup>. Corporate governance guidelines were implemented to enhance transparency and accountability. The non-performing PSUs were subjected to some bankruptcy laws for the first time when they were referred to the Board for Industrial Finance and Reconstruction (BIFR).

In the first decade of this century, the government continued its efforts to improve PSU performance. Initiatives like the Public Enterprise Survey and the MoU were implemented to monitor and incentivize PSUs. Several industries were further delicensed and liberalized to increase competitive pressures<sup>8</sup>. The government created a disinvestment ministry apart from the disinvestment commission to further pressure the non-performing PSUs<sup>9</sup>. At the commission's and the ministry's recommendation, strategic disinvestment and mergers of PSUs were pursued to rationalize the PSU portfolio. To improve governance in PSUs, in 2007, the government issued guidelines on corporate governance of PSUs. These guidelines exceeded the SEBI guidelines and covered issues like board composition, audit committee, remuneration committee, subsidiaries, disclosures, code of conduct and ethics, risk management, and reporting. They aimed to improve transparency and trust among stakeholders working with the PSUs. The MoU system was another major milestone in the reform process. It was a mutually negotiated agreement between the management of the PSUs and the government. Under this agreement, the PSU would promise to achieve certain targets set at the beginning of the financial year. Even though the MoU system has been in effect since 1991, it got a new fillip, when, based on the recommendations of the National Council of Applied Economic Research, a new evaluation system was started in 2005. This system provided equal weights to financial and non-financial parameters. By this time, the MoU system came into its own and was extended to cover all PSUs. The MoU system was primarily aimed at increasing the autonomy and accountability of the management.

From 2010 onward, the roles and performances of PSUs continued to evolve in response to changing economic and geopolitical dynamics. The government emphasized innovation, technology adoption, and sustainability in PSU operations. The government also issued comprehensive guidelines on corporate social responsibility in 2010 for PSUs. These guidelines were mandatory in nature. The Atmanirbhar Bharat (self-reliant India) policy, introduced in 2020, aimed to enhance

<sup>7</sup> Later, in 1997, the government of Prime Minister Deve Gowda, with a view to providing greater autonomy, divided the PSUs into three categories: Navratna, Miniratna-I, and Miniratna-II. This provided the much-needed operational freedom to the PSUs and introduced board-driven decision-making.

<sup>8</sup> The National Democratic Alliance regime (NDA) was in power at the center during this period. As part of industrial policy reforms, seven more sectors were de-licensed in 1998, and one sector each was de-licensed from 2003 to 2006. The FDI limits were raised in the print media (up to 74%); defense sector (up to 26%); private banking sector (up to 74%); oil exploration (up to 100%); petroleum product marketing (up to 100%); petroleum product pipelines (up to 100%); natural gas and LNG pipelines (up to 100%); and printing of scientific and technical magazines, periodicals and journals (up to 100%). The FDI ceiling in the telecom sector in certain services was increased from 49% to 74%. Further, equity participation of up to 24% of the total shareholding in small-scale units by other industrial undertakings (including foreign firms) was also allowed. This removed capital constraints faced by domestic firms and encouraged them to modernize. During this period, the government also adopted a policy of de-reservation and pruned the list of items reserved for the small-scale industries sector gradually from 821 items at the end of March 1999 to 506 items as of 6 April 2005. Further, under the framework provided by the Competition Act 2002, the Competition Commission of India was set up in 2003 to prevent monopolistic business practices from having an adverse impact on market competition.

<sup>9</sup> The Disinvestment Commission, which was set up in 1996 to lay out a planned roadmap of disinvestment, submitted twelve reports during this period. It distinguished PSUs in core and non-core sectors. In the core sector, it advised selling equity up to 49%, while in the noncore sector, it advised selling equity up to 74%. Out of the total 58 cases that were recommended to the commission, it advised selling equity to private parties in 37 cases and offering shares to the public in five cases, while four cases were recommended to be closed or sold off. No change was recommended for the remaining 12 cases. In the budget speech of 1999–2000, the word 'privatization' was used for the first time. It reduced the number of strategic industries to four and talked of outright transfer of ownership in the nonstrategic sectors. In 1999, the government created a separate ministry for disinvestment. During the period 1998–2004, government stakes in as many as 28 companies were sold by varying degrees. In some cases, it was a strategic sale in which management control was genuinely transferred to a private partner. In some other cases, a major stake was offloaded, but the government retained the ownership control. In other cases, it was a pure slump sale, while in a minority of cases, it was pure disinvestment. This privatization policy reached a virtual standstill when the strategic sale in HPCL, BPCL and NALCO was challenged in court. Since these organizations were created or nationalized by acts of Parliament, only a resolution passed on the floor of the Parliament could allow its divestiture. This judgement put serious questions about the legality of a number of previous sales, and the government went slow on subsequent sales.



the competitiveness of PSUs in strategic sectors. As such, the performance management framework for PSUs remains a subject of ongoing reform and adaptation. Throughout the history, the performance management of PSUs in India has transformed from a focus on capacity creation and public welfare to an emphasis on efficiency, profitability, and global competitiveness. This evolution reflects India's changing economic and policy landscape over the decades.

### Components and Key Features of Current PMS

The key components and features of the current performance management framework in use at various PSUs in India include the following:

- **Memorandum of understanding (MoU):** The MoU system is a critical component of the performance management framework for PSUs. PSUs sign MoUs with their respective administrative ministries or departments, outlining specific targets and performance parameters for the fiscal years. These MoUs serve as performance contracts and align PSUs' goals with government objectives.
  - **Key performance indicators (KPIs):** PSUs typically establish a set of KPIs to measure their performance in various areas, such as financial performance, operational efficiency, and social objectives. These KPIs are specific, measurable, achievable, relevant, and time-bound (SMART). The KPIs form the basis of the MoUs signed between the PSUs and the ministries.
- **Balanced scorecard (BSC):** Many PSUs also use the BSC approach, which assesses performance across multiple dimensions, including financial, customer, internal processes, and learning and growth. The BSC is used to further delegate the MoU targets among the individual employees of the company.
  - **Financial targets:** Financial performance is a central focus, with PSUs aiming to achieve their revenue and profit targets. Profitability is crucial for resource generation and sustainability. In recent years, as many PSU stocks have been listed on the capital markets, the cumulative shareholder return has been added as a financial target for the top management teams in many PSUs.
  - **Corporate governance:** Robust corporate governance practices are encouraged to enhance transparency and accountability. These include measures to prevent corruption and promote ethical behavior. Also included are provisions for corporate social responsibility. These stakeholder-centric targets are part of the customer perspective in the BSC.
  - **Technological advancements:** Embracing technology and digital transformation is seen as a means to enhance efficiency and competitiveness. Investments in automation, IT infrastructure, and Industry 4.0 technologies are a common thrust area in the PSUs. These targets form a part of the internal-process perspective of the BSC.
  - **Human resource development:** Talent management and employee development are vital components. Training programs, skill development initiatives, and succession planning are often implemented to ensure a skilled and motivated workforce. These targets form part of the learning and growth perspective in the BSC.

Governments worldwide have adopted the BSC approach for managing the performance of business units and agencies under their control. Besides, the new public management (NPM) policies in vogue since the early 1990s have also put public-sector organizations worldwide under pressure to demonstrate effective performance management and be more accountable and transparent [30, 31]. As such, there is a shift from bureaucracy to a more responsive management style [32]. Consequently, the BSC approach has been implemented in multiple Indian PSUs to create synergy among organizational goals, performance measurement, and outcome management. The inclination toward adoption of BSC is seen as a recent trend among PSUs like Bharat Heavy Electrical Limited, Steel Authority of India Limited, Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, and Hindustan Petroleum Corporation Limited. The PSUs move to BSC mainly because of government guidelines from the Department of Public Enterprises (DPE) [33].

The focus of a public-sector organization is very different from that of a private-sector company, with the major difference being that private organizations are profit-driven, whereas public organizations are mission-driven [34]. Several studies have documented the implementation of the BSC in Indian PSUs [35]. Researchers have found that public-sector organizations use task-based SMART goals and BSC-based KRAs linked to performance-related pay systems. They have observed a significant impact of the above systems on performance management in such organizations [35]. They have also observed an efficient application of the BSC, which had a positive association between the organization's overall objectives and performance on all four parameters [36].

#### Drivers and Motivators of Current PMS

The major drivers and motivators for implementing the substantial PMSs in India include:

- **Economic efficiency:** Efficient operation and profitability are key drivers. Improved financial performance allows PSUs to contribute to the national exchequer, reduce the burden on the government, and fund future growth.
- **Competitiveness:** PSUs operate in increasingly competitive markets. To survive and thrive, they must compete with their private-sector counterparts, necessitating a focus on efficiency, innovation, and customer satisfaction.
- **Resource generation:** Healthy profits and cash flows enable PSUs to fund their expansion plans and reduce dependence on government subsidies or budgetary support.
- **Sustainability:** PSUs are encouraged to adopt sustainable business practices, including environmental responsibility, to meet global standards and address environmental concerns.
- **Public welfare:** Many PSUs continue to play a role in delivering essential public services, such as healthcare, education, and infrastructure. Ensuring the quality and accessibility of these services remains a key motivation.
- **Government policy objectives:** The government often uses PSUs to implement specific policy objectives, such as promoting domestic manufacturing, boosting exports, or achieving energy security.

- **Globalization:** In an era of globalization, some PSUs are motivated to expand their international presence and compete in the global market.
- **Accountability and transparency:** A focus on accountability and transparency is driven by the need to ensure that public funds are used efficiently, and that PSUs operate in the nation's best interests.
- **Political and public scrutiny:** PSUs are subject to political and public scrutiny. Their performance and contributions to national development are closely monitored and influence government decisions.

### Roles and Responsibilities of Key Stakeholders in Current PMS

The design and implementation of the PMS in PSUs in India involve various agencies and entities, each with specific roles and responsibilities. Table 1 provides an overview of the key stakeholders designing and implementing the PMS in Indian PSUs, and their roles and responsibilities.

**TABLE 1**

#### STAKEHOLDERS DESIGNING AND IMPLEMENTING THE PMS IN INDIAN PSUs, AND THEIR ROLES AND RESPONSIBILITIES.

	Role	Responsibilities
Administrative ministries/ departments	Administrative ministries or departments responsible for overseeing specific sectors or industries play a central role in designing and implementing the PMS for PSUs in their respective domains.	<p>Defining sector-specific goals and objectives.</p> <p>Negotiating and signing MoUs with individual PSUs, setting performance targets, and providing policy guidance.</p> <p>Monitoring the performance of PSUs under their jurisdiction and taking corrective actions when necessary.</p> <p>Allocating financial resources and ensuring budgetary support for PSUs.</p>
Public sector enterprises (PSUs)	The PSUs themselves are responsible for implementing the PMS and achieving the defined performance targets.	<p>Developing strategies and business plans aligned with MoU objectives.</p> <p>Establishing KPIs and performance benchmarks.</p> <p>Regularly reporting on their performance to the administrative ministries and other relevant authorities.</p> <p>Implementing initiatives to improve efficiency, productivity, and financial performance.</p>

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	Role	Responsibilities
Performance evaluation division (PED)	PED, functioning under the Department of Public Enterprises (DPE), Government of India, is responsible for overseeing and facilitating the PMS across PSUs.	<p>Developing standardized formats for MoUs and performance reports.</p> <p>Assisting ministries in designing MoUs and targets.</p> <p>Monitoring PSU performance and conducting annual evaluations.</p> <p>Providing recommendations and guidance to PSUs for performance improvement.</p>
Central government	The central government, primarily through the Ministry of Finance and the NITI Aayog, plays a crucial role in shaping and overseeing the PMS in PSUs.	<p>Setting broad economic and policy objectives that guide PSU performance.</p> <p>Determining the overall approach to economic liberalization and disinvestment.</p> <p>Approving strategic disinvestment decisions, mergers, or closures of PSUs.</p> <p>Allocating budgetary support and financial resources to PSUs as required.</p>
Comptroller and auditor general of India (CAG)	The CAG is responsible for auditing the financial and performance aspects of PSUs to ensure transparency and accountability.	<p>Conducting financial audits of PSUs to ensure compliance with accounting standards and statutory regulations.</p> <p>Assessing the efficiency and effectiveness of PSU operations.</p> <p>Reporting findings and recommendations to the Parliament for scrutiny.</p>
Securities and exchange board of India (SEBI)	The SEBI regulates PSUs listed on stock exchanges to ensure transparency and protect the interests of shareholders.	<p>Enforcing corporate governance norms and disclosure requirements.</p> <p>Monitoring compliance with listing agreements.</p> <p>Investigating irregularities and ensuring fair market practices.</p>
External stakeholders (investors, shareholders, and the public)	External stakeholders play an indirect but influential role in the PMS.	<p>Monitoring PSU performance through financial reports and disclosures.</p> <p>Exercising shareholder rights to influence PSU governance.</p> <p>Advocating for transparency and accountability in PSU operations.</p>

Source: <https://dpe.gov.in/>

The interplay of these agencies and entities is essential for designing, implementing, and overseeing the PMS in Indian PSUs. Their collaborative efforts aim to balance the need for public welfare, economic efficiency, and accountability while ensuring that PSUs contribute effectively to national development objectives. It is important to note that the roles and responsibilities of these entities evolve over time, reflecting changes in government policies and economic conditions.

### KPIs and their Measurement in Current PMS

The specific KPIs and measurements used in the PMSs of PSUs in India can vary depending on the sector and the objectives of each PSU. However, some certain common KPIs and measurements are often employed across various PSUs. Table 2 lists some of the KPIs and measurements commonly used:

TABLE 2		
LIST OF COMMON KPIS AND THEIR MEASUREMENT ACROSS INDIAN PSUs.		
KRA	KPI	Measurement
Financial performance	Profitability	Net profit margin, return on equity, return on assets, and earnings before interest and taxes.
	Revenue growth	Year-on-year revenue growth rate.
	Cost management	Cost-to-revenue ratio, cost control measures, and cost reduction initiatives.
	Budget compliance	Adherence to budgeted expenses and revenue targets.
Operational efficiency	Capacity utilization	Percentage of production or service capacity utilized.
	Production output	Total units produced or services rendered.
	Inventory turnover	How quickly inventory is sold or used.
	Asset utilization	Efficient use of assets measured by asset turnover ratio.
Customer satisfaction	Customer feedback	Surveys and feedback mechanisms to gauge customer satisfaction.
	Service quality	Metrics related to service delivery, response times, and complaint resolution.
Employee performance and engagement	Workforce productivity	Revenue per employee, output per employee, or similar measures.
	Employee satisfaction	Employee surveys, turnover rates, and retention statistics.
	Training and development	Investment in employee skill development and training programs.
Health, safety, and environment (HSE) compliance	Safety incidents	Number of safety incidents, accidents, and near misses.
	Environmental compliance	Adherence to environmental regulations and emissions reduction targets.
Innovation and technology adoption	Research and development (R&D) investment	Investment in R&D activities.
	Technology upgrades	Adoption of new technologies, automation, and digitalization.

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KRA	KPI	Measurement
<b>Compliance and regulatory adherence</b>	Regulatory compliance	Adherence to industry-specific regulations and standards.
	Ethical practices	Compliance with corporate governance and ethical standards.
<b>Social responsibility and sustainability</b>	Corporate social responsibility (CSR)	Impact of CSR initiatives on communities and stakeholders.
	Environmental sustainability	Reduction in carbon footprint, waste reduction, and sustainable practices.
<b>Financial health</b>	Debt management	Debt-to-equity ratio, interest coverage ratio, and debt reduction strategies.
	Cash flow management	Operating cash flow, cash reserves, and liquidity ratios.
<b>Government objectives and policy alignment</b>	Alignment with government policies	Demonstrated contribution to government policy objectives, such as Make in India or Clean India.
<b>Market share and competitiveness</b>	Market share	Percentage of market share within the industry.
	Competitive benchmarking	Comparison with industry peers in terms of performance metrics.
<b>Digitalization and IT metrics</b>	IT investment	Investment in IT infrastructure and digital transformation.
	IT security and data protection	Measures to protect sensitive data and cybersecurity.
<b>Public accountability and transparency</b>	Disclosure and reporting	Transparency in financial reporting and disclosures.
	Compliance with corporate governance standards	Adherence to corporate governance norms.

Source: <https://dpe.gov.in/>

These KPIs and measurements help PSUs in India assess their performance across various dimensions, including financial, operational, customer satisfaction, employee engagement, and social responsibility. The specific KPIs chosen by each PSU depend on its industry, objectives, and strategies; and are typically outlined in the MOU signed with the administrative ministry or department. The choice of KPIs also reflects the balance between financial sustainability, public welfare, and alignment with government policies.

## Discussion and Conclusion

### Assessment of Current PMS

The impact of the PMS implemented within the PSUs in India has been far-reaching and consequential. It has contributed to the economic growth of the nation. PSUs continue to contribute significantly to India's economic growth by generating revenue, creating jobs, and supporting various sectors such as infrastructure, energy, and manufacturing. The push toward continuous improvements envisioned in the PMSs has improved the global competitiveness of the PSUs. Some

PSUs have become competitive in the global market, enhancing India's position as a global player in select industries [37].

The PMSs described above have aligned PSU goals with those of the government goals. They have also enabled alignment of the objectives of PSUs with government policies and priorities. The MoUs signed between administrative ministries and PSUs help ensure that PSU goals align with national development goals. The PSUs' overall corporate governance and accountability have improved due to the current PMSs in vogue. Enhancing corporate governance practices has led to increased transparency and accountability in PSUs. Consequently, compliance with governance norms has improved [38].

This has led to an overall improvement in the financial performance of the PSUs. Many PSUs have shown improved financial performance, with increased profitability and reduced dependence on government subsidies. This indicates that the focus on financial sustainability is yielding results. The PMSs have also led to efficiency enhancements in the PSUs. Several PSUs have improved operational efficiency, asset utilization, and cost management. This has helped them become more competitive in the market. As a direct consequence of the PMSs, the PSUs have been forced to invest in technological advancements. Investments in technology and digitalization have enabled some PSUs to adapt to the changing business environment while improving productivity and efficiency [39].

This has also helped in resource generation for the central government in India. Improved financial performance has reduced the burden on the government, freeing up resources for other developmental activities. Higher economic activities by the PSUs have contributed directly to the exchequer through higher tax realizations. Many PSUs have also supported the government by paying dividends, which has been made possible by bringing the financial focus back into these firms. The dividends and taxes paid by profitable PSUs contribute to government revenues, which can be used for public welfare programs. Apart from the indirect social impact that PSUs are having through higher government spending in welfare activities, they have been mandated to increase their direct spending in corporate social responsibility (CSR) programs. Consequently, PSUs involved in sectors like healthcare, education, and infrastructure have a substantial social impact by providing essential services and infrastructure to the public [40].

Valuable lessons have also been learned during the rollout of the PMS in the PSUs over the last few decades in India. First, while providing autonomy has definitely helped in improving the agility and morale at the PSUs, balancing autonomy with accountability is crucial. While granting autonomy to high-performing PSUs, there must be mechanisms to ensure accountability, transparency, and ethical conduct. Furthermore, considering the fast-changing external environment, the PMS should be adaptable to changing economic and technological environments. Continuous improvement and flexibility in setting targets are essential [41].

Second, PSUs are less inclined toward technology adoption as they are risk averse (such adoption involves organizational change). However, the rapid adoption of technology is critical for improving efficiency. Hence, PSUs must be nudged toward investing in technology and ensuring cybersecurity to remain competitive. One way to manage risk and bring about organizational change is through employee development. Employee skill development, training, and engagement are essential for long-term success. Thus, human resource management should be prioritized in the PMS [42].

Finally, although PSUs, in general, have a higher level of environmental responsibility, they are sometimes reluctant to make additional capital expenditures in that direction. To overcome this challenge, PSUs should be made to incorporate sustainable practices to meet environmental regulations and address societal concerns about climate change and pollution. Similarly, stakeholder engagement must be prioritized since they often come across as aloof and nonresponsive. Engaging with various stakeholders, including employees, customers, and investors, is vital for understanding their needs and expectations. In this regard, improving transparency in reporting and disclosures helps build stakeholder trust. Thus, regular, timely and accurate reporting is crucial and must be encouraged through PMSs [43].

In conclusion, implementing PMSs in Indian PSUs has progressed considerably over the last few decades, resulting in improved financial performance, efficiency, and alignment with government objectives. However, there are ongoing challenges, such as balancing autonomy and accountability, adapting to technological changes, and addressing environmental and social responsibilities. Lessons learned emphasize the importance of adaptability, employee development, and stakeholder engagement in the pursuit of sustainable and accountable performance. The evolution of these systems will continue to be influenced by changing economic, technological, and policy landscapes.

### **Challenges and Limitations**

The current PMSs used in India's PSUs face several challenges and limitations. While these systems have evolved to promote efficiency, transparency, and accountability, they also encounter various obstacles. The primary among them is bureaucratic inertia. PSUs in India often grapple with bureaucratic red tape and slow decision-making processes, which can hinder agility and responsiveness to changing market conditions. While some high-performing PSUs have been granted autonomy, many continue to face bureaucratic controls that constrain their decision-making abilities. This bureaucratic inertia can impede the implementation of performance improvement initiatives and innovation. Similarly, limited autonomy can hinder innovation and agility [41].

Next is the problem of political interference. Political considerations often influence appointments, resource allocation, and decision-making within PSUs. This can result in a lack of professional management and a focus on short-term political objectives rather than long-term performance. It can undermine the autonomy and effectiveness of PSUs. Due to political interference, many PSUs are expected to fulfil social obligations, such as providing affordable services in sectors like healthcare and education. These obligations can strain their financial performance. Meeting social obligations can lead to financial losses and inefficiencies [44].

Many PSUs face financial constraints, especially in sectors with high capital requirements. This limits their ability to invest in technology, modernization, and talent development. Resource limitations can hinder competitiveness and growth. For instance, some PSUs operate with outdated infrastructure and technologies, which makes competing with more modern private sector players difficult. Outdated infrastructure can limit efficiency and innovation. The resource constraint also means that attracting and retaining top talent can be challenging for PSUs, especially compared to their private sector counterparts. A lack of skilled and motivated employees can hamper efficiency and innovation. To make matters worse, PSUs face competition from both domestic private sector companies and international players in a globalized market. Global competition can make it challenging to maintain market share and profitability.



Despite these challenges and limitations, efforts are ongoing to reform and improve the PMSs for Indian PSUs. Lessons learned from past experiences and commitment to transparency, accountability, and efficiency drive these efforts to enhance the competitiveness and sustainability of PSUs in India.

### Recommendations

Designing effective PMSs for future use in India's PSUs requires a careful consideration of various factors. Since these are public organizations, in future, the involvement of key stakeholders such as employees, customers, investors, and local communities should be encouraged in designing and reviewing performance measures. Moreover, it has to be ensured that appointments to leadership positions within PSUs are based on merit, expertise, and professional qualifications rather than political considerations.

Most importantly, although the MoU system generates a huge amount of data every year, a proper analysis of the data should be institutionalized. Thus, the recommendation is to establish a regular review mechanism to assess the effectiveness of the PMS and make necessary improvements. This will encourage PSUs to benchmark their performance against industry peers and adopt best practices to drive continuous improvement. This will also enable the customization of the MoUs for the next financial year based on peer performance.

Designing an effective PMS for PSUs requires a holistic approach that considers the unique characteristics of each PSU while promoting efficiency, transparency, and public welfare. Continuous learning and adaptation based on evolving economic, technological, and policy contexts are essential for success.

While the BSC is an effective PMS that is being implemented in Indian PSUs, care must be taken to align the organizations toward changes in the external environment. This is critical as the BSC parameters focus extensively on internal factors at the cost of the external environment. Thus, it is vital to integrate a proper risk-analysis framework in the PMS so that the organization is aware and agile to the changes required in the external environment. The choice of indicators in the BSC is neither standardized nor validated. Consequently, there is a risk of sandbagging, i.e., underpromising and overdelivering, by the managers. A central agency must oversee the temporal dimensions of various metrics to avoid this risk. Moreover, executives working in PSUs are not accustomed to delegation of authority or a bottoms-up approach where they are responsible for their targets. Effective training and cultural changes are required alongside implementing the BSC-based PMS in these organizations.

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# IR IRAN

## The Political and Administrative Context

The Islamic Republic of Iran (IR Iran) has a unique administrative and political structure. It is a theocratic republic with a combination of democratic elements and clerical influence. The country operates under a complex system of power sharing between elected officials and religious authorities. The political structure of IR Iran comprises three main branches: the executive, legislative, and judicial. At the top of the pyramid is the Supreme Leader, who holds significant power and is responsible for overseeing the country's overall direction. The Supreme Leader is selected by the Assembly of Experts and is the highest-ranking religious and political authority in the nation. The executive branch is headed by the President, who is elected by popular vote for a four-year term. The President is responsible for the day-to-day administration of the country, including the appointment of ministers and implementation of policies. The legislative branch consists of the Islamic Consultative Assembly, commonly known as the Parliament or the Majlis. Its members are elected by the people and serve four-year terms. The Parliament is responsible for passing legislation, approving budgets, and overseeing the actions of the government. The judiciary in IR Iran is independent and separate from the other branches. The Supreme Leader directly appoints the head of the judiciary, who serves as the highest judicial authority in the country. The judicial system is based on Islamic law and includes both religious courts, such as Sharia courts, and civil courts.

In addition to these branches, IR Iran has various religious and advisory bodies that play a role in the country's political structure. The Guardian Council, appointed by the Supreme Leader, supervises elections, approves candidates for political office, and ensures that the laws align with Islamic principles and the Constitution of IR Iran. The Expediency Discernment Council mediates between the Parliament and the Guardian Council in matters of legislation and policy. Administratively, IR Iran is divided into 32 provinces, each with its own governor appointed by the President. These provinces are further divided into counties, districts, and municipalities. The local government authorities have limited autonomy and are responsible for implementing policies and providing services at the local level. It is important to note that IR Iran's administrative and political structure is influenced by its unique blend of Islamic principles and democratic institutions. The interaction between religious authorities and elected officials shapes the decision-making process and governance in the country [1, 2].

## Historical Background of Performance Management

The history of performance evaluation in IR Iran dates back to the late seventh century Hijri when Khwaja Rashiduddin Fazlullah introduced evaluation in a classical form during his tenure as the Mongol Ministry. In 1970, a decision was made that government organizations should undergo continuous evaluation, leading to the establishment of the "Center for Evaluation of Government Organizations" in the Prime Minister's Office. This center was tasked with evaluating the Ministry of Development and Housing, Land Reforms, Rural Cooperation, and Water and Electricity. In 1972, the Plan and Budget Organization was assigned the task of evaluating the efficiency and

performance of the country's executive bodies, reporting directly to the prime minister. The Plan and Budget Organization conducted performance evaluations of ministries and government organizations until 1973, at which point the responsibility was transferred to the Public Administration and Recruitment Organization. In 1980, the evaluation of performance for executive bodies was practically halted, focusing instead on the evaluation of individual employees. In 1997, the subject of performance evaluation evolved into an office within the Country's Administrative and Employment Affairs Organization, named the Management Performance Evaluation Office. Following the merger of the Country's Administrative and Employment Affairs Organization and the Plan and Budget Organization in 2000, the monitoring and evaluation of executive bodies' performance were delegated to the Country's Management and Planning Organization. However, with the dissolution of the Country's Management and Planning Organization in 2007, the responsibility for performance evaluation shifted to the Vice President of Management Development and Human Capital [3]. In 2013, the Country's Management and Planning Organization was reinstated through the merging of the two Vice Presidents of Planning and Strategic Supervision and Management Development and Human Capital. In 2016, the Country's Management and Planning Organization was once again divided into two entities: Plan and Budget Organization and Public Administration and Recruitment Organization. Currently, the evaluation of the performance of all executive bodies is conducted by the Public Administration and Recruitment Organization [2, 4].

### Performance Management Reform Processes and Initiatives

Based on the author's firsthand experiences within IR Iran's public sector performance management system (PMS), we can observe the following noteworthy initiatives:

- (1) **Legal and institutional framework:** The regulations concerning performance evaluation have undergone review, and a new set of guidelines for assessing managers is currently being formulated and communicated.
- (2) **Strategic planning and goal setting:** Assessment criteria are now aligned with the national perspective and long-term goals.
- (3) **Performance measurement and indicators:** The majority of performance indicators have been refined, and new key performance indicators (KPIs) are defined for government agencies and ministries to measure their success in achieving goals.
- (4) **Data collection and reporting systems:** The software for performance evaluation has been updated, facilitating quicker and easier recording of information and reporting.
- (5) **Capacity building and training:** Training programs, designed by the Public Administration and Recruitment Organization, aim to enhance the skills and knowledge of government officials involved in the evaluation process. These programs cover areas such as performance reporting and evaluation methodologies.
- (6) **Transparency:** Communication strategies have been improved, thereby making performance data accessible to the public.
- (7) **Continuous improvement and feedback mechanisms:** Feedback loops are established between the Public Administration and Recruitment Organization and public organizations,

allowing for iterative refinement of policies and programs based on performance data. Regular reviews and evaluations help identify areas for improvement.

## Current Approaches to Performance Management

The performance management model for the country's executive institutions in IR Iran consists of two dimensions:

**Specific dimension:** It includes specialized metrics which are used to measure the performance of executive bodies. These indicators are derived from their primary missions and play a crucial role in all stages of their operations, including planning, execution, evaluation, and improvement.

The primary missions are derived from various sources, including general policies, national development plans, annual budget laws, the charter of each organization, the specialized priorities attached to the head of the public organizations' decree, international indicators relevant to each organization, etc.

**General dimension:** The general dimension encompasses the evaluation of all executive institutions in the country based on a set of comprehensive and common indicators. These indicators are derived from the following ten highly significant programs that provide a framework for assessing and improving the functioning of these institutions:

- **Program One:** Engineering the Role and Structure of the Government;
- **Program Two:** Development of E-Government and Administrative Digitization;
- **Program Three:** Public Services in a Competitive Environment;
- **Program Four:** Human Capital Management;
- **Program Five:** Improvement in Management Systems and Technologies;
- **Program Six:** Development of Organizational Culture;
- **Program Seven:** Safeguarding Citizens' Rights in the Administrative System;
- **Program Eight:** Enhancing Responsiveness, Transparency, and Anti-Corruption Measures in the Administrative System;
- **Program Nine:** Management of Efficiency in the Administrative and Executive System of the Country; and
- **Program Ten:** Monitoring and Evaluation.

The performance evaluation report of each national institution is presented through the Public Administration and Recruitment Organization to the relevant organization (for the development of improvement projects) as well as to the President and the Parliament (for use in subsequent planning and legislation) [2, 4, 5].

However, the performance evaluation system in IR Iran is done in two groups: organizational and individual, as discussed next.

### **Organizational Performance Evaluation System in IR Iran**

In accordance with Articles 81 and 82 of the Civil Service Management Law (2007) and its executive regulations, executive bodies in IR Iran are tasked with establishing a PMS and regularly reporting on their performance to the Country's Public Administration and Recruitment Organization. By the end of each year, specifically by December, long-term strategic plans and annual operational goals must be formulated. Subsequently, operational activities and projects are proposed, with implementation extending until 20 April of the following year. The quality of government organizations' performance is assessed at the Shahid Rajaei festival.

The performance evaluation unfolds in four stages and ten stages, commencing each January with the Public Administration and Recruitment Organization issuing general and specific indicators along with their implementation plans. In March and April, self-evaluation takes place at both provincial and national levels. Initial expertise of the reports is conducted by experts at national executive bodies, and the finalized documents are then forwarded to the Public Administration and Recruitment Organization for the initial evaluation.

In July, preliminary results are disclosed to the organizations, allowing them about 10 days to review and enhance their reports. Additionally, the Public Administration and Recruitment Organization conducts field visits to measure certain indicators. By August, the evaluation process concludes; and in September, the Shahid Rajai festival is conducted to honor organizations with the highest rankings by awarding plaques of appreciation. In October, executive bodies gain access to detailed information and are mandated to compile improvement plans for indicators with lower scores.

### **Individual Performance Evaluation in IR Iran**

In terms of evaluating employee performance, goals are communicated to them at the onset of each year, and their performance is assessed at the end of the year. Throughout the year, their relevant managers keep a close eye on their performance, monitoring it regularly.

For example, the process of evaluating employees' performance in the Ministry of Energy is shown in Figure 2.

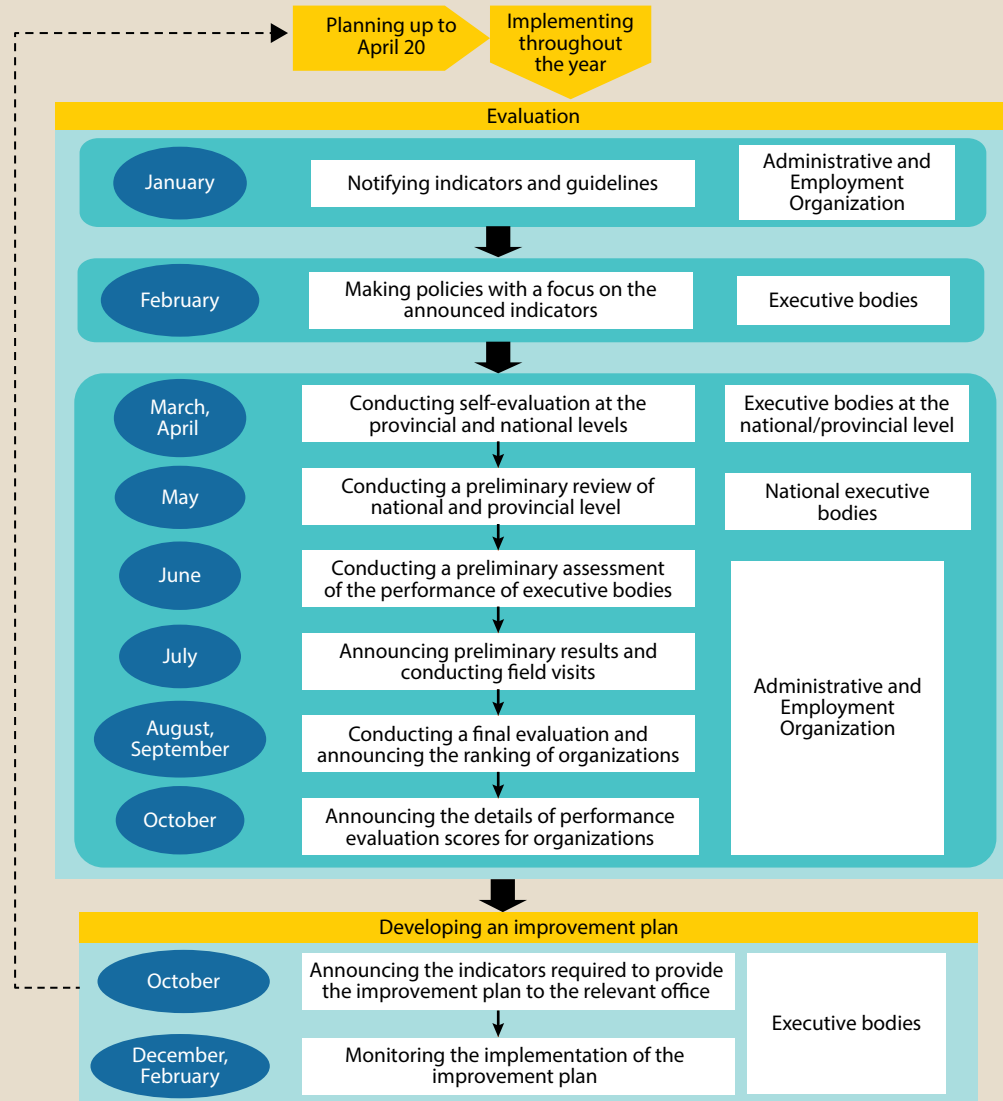
### **Drivers and Motivators**

In the Iranian public sector evaluation system, several key motivators drive the ongoing effort to assess and improve organizational performance. At the forefront is a focus on strategic planning and goal attainment, which propels the evaluation process, ensuring that organizational activities are directed toward achieving long-term national objectives. Moreover, there is a strong emphasis on improving the quality of services delivered to the public, with the evaluation system serving as a tool to identify areas for enhancement. The motivation extends to building public satisfaction and trust by demonstrating the government's dedication to effective service delivery. The system also encourages continuous improvement, investing in employee development, fostering innovation and technology adoption, and offering recognition and awards to incentivize excellence in organizational performance. These combined motivators contribute to a dynamic and effective public sector evaluation framework in IR Iran, fostering organizational growth and better meeting the needs of citizens [6].



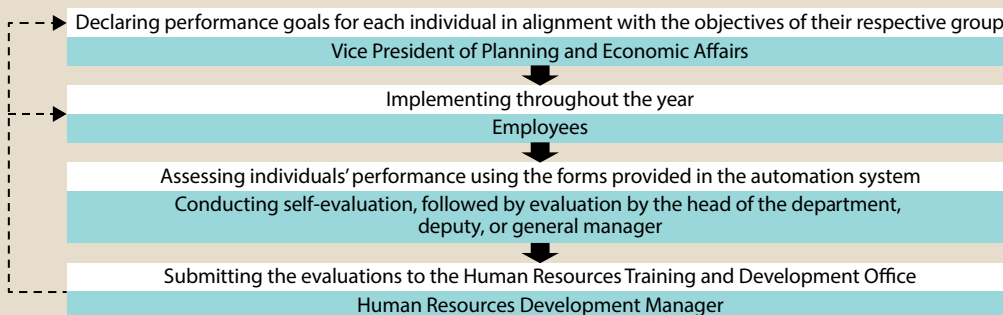
**FIGURE 1**

**THE ORGANIZATIONAL PERFORMANCE MANAGEMENT PROCESS OF EXECUTIVE BODIES.**



**FIGURE 2**

**THE PROCESS OF EVALUATING THE PERFORMANCE OF EMPLOYEES IN THE MINISTRY OF ENERGY.**



### Key Features of the Current Approach

The current approach in the Iranian public sector evaluation system is characterized by several key features:

- (1) **Multidimensional evaluation:** The system adopts a multidimensional approach, encompassing both organizational and individual performance evaluations. This comprehensive assessment considers various aspects of public sector entities, including their strategic alignment, efficiency, service quality, and overall impact.
- (2) **Legally mandated process:** The evaluation system is anchored in legal frameworks, specifically Articles 81 and 82 of the Civil Service Management Law and its executive regulations. This legal foundation provides a structured and standardized framework for the evaluation process, ensuring consistency and fairness.
- (3) **Annual planning and reporting:** Public sector organizations engage in annual strategic planning, setting long-term goals and operational targets. This planning culminates in regular reporting to the Country's Public Administration and Recruitment Organization, creating a cyclical process of assessment, improvement, and goalsetting.
- (4) **Stages and steps:** The evaluation process unfolds in distinct stages and steps. It commences with the notification of indicators and their implementation plans, followed by self-evaluation at provincial and national levels. Expertise is applied in the evaluation process, with final documents submitted to the Public Administration and Recruitment Organization for review.
- (5) **Periodic Shahid Rajaei festival:** The quality of government organizations' performance is celebrated and evaluated at the annual Shahid Rajaei festival. This event serves as a platform for acknowledging and awarding organizations that excel in their performance, thereby fostering healthy competition and recognition within the public sector.
- (6) **Feedback and improvement opportunities:** The system incorporates feedback loops, allowing organizations to receive preliminary results and engage in a review process. This iterative approach provides opportunities for organizations to enhance their reports and compile improvement plans for areas with lower scores.
- (7) **Field visits and quality measurement:** The Public Administration and Recruitment Organization conducts field visits to measure specific indicators, ensuring a more thorough and accurate assessment. This on-the-ground evaluation contributes to a more nuanced understanding of organizational performance.
- (8) **Emphasis on transparency and anti-corruption measures:** Transparency and anti-corruption measures are integrated into the evaluation system. The emphasis on openness ensures that the public is informed about government activities, and measures are in place to combat corruption within the administrative system.
- (9) **Incentives for excellence:** The evaluation system incorporates incentives, particularly in the form of awards presented at the Shahid Rajaei festival. This recognition serves to motivate organizations to strive for excellence in their performance.

- (10) **Improvement planning:** Following the completion of the evaluation in August, executive bodies are granted access to detailed information and are mandated to compile improvement plans for indicators with lower scores. This facilitates a structured approach to organizational enhancement.

### Roles and Responsibilities of Agencies in Designing and Managing Performance

The following agencies collectively form a structured system for designing and managing performance evaluation in IR Iran, ensuring a comprehensive and collaborative approach to assessing and enhancing the effectiveness of public sector organizations.

- (1) **Public Administration and Recruitment Organization:** The Public Administration and Recruitment Organization is the key policymaker of the performance evaluation system in IR Iran's public sector. Its main responsibilities are shown in Table 1.

**TABLE 1**

#### ROLES AND RESPONSIBILITIES OF THE PUBLIC ADMINISTRATION AND RECRUITMENT ORGANIZATION.

Role	Responsibilities
Designing and managing the performance evaluation system for the public sector.	Formulating the overall framework and guidelines for performance evaluation.
	Notifying general and specific indicators along with their implementation plans.
	Conducting initial evaluations of reports submitted by public sector organizations.
	Coordinating the Shahid Rajaei festival and presenting awards based on performance rankings.
	Overseeing the overall process and ensuring legal compliance.

- (2) **Executive bodies (government organizations):** As shown in Table 2, the responsibility for implementing the PMS in the public sector lies with the executive bodies, whose performance is evaluated on a yearly basis.

**TABLE 2**

#### ROLES AND RESPONSIBILITIES OF EXECUTIVE BODIES.

Role	Responsibilities
Implementing and participating in the performance evaluation process	Establishing and maintaining a PMS within their organizations.
	Developing and implementing long-term strategic plans and annual operational goals.
	Proposing operational activities and projects for the upcoming year.
	Conducting self-evaluations at provincial and national levels.
	Compiling improvement plans for indicators with lower scores.

- (3) **Specialized agencies and experts:** Specialized agencies such as the State Welfare Organization of the IR Iran, the Presidential Public Communication Centre, the National Productivity Organization, the Ministry of Economic Affairs and Finance, and the Department of Environment of IR Iran contribute to the expertise and thoroughness of the evaluation process. The evaluation of certain specific indicators is also outsourced to external experts (see Table 3).

**TABLE 3**

**ROLES AND RESPONSIBILITIES OF SPECIALIZED AGENCIES AND EXPERTS.**

Role	Responsibilities
Participating in the performance evaluation process	Evaluating the performance of executive bodies in relation to specific indicators. Providing feedback and guidelines. Offering recommendations to improve the performance of public organizations..

(4) **Shahid Rajaei Festival Organizing Committee:** This committee oversees the organization of the Shahid Rajaei festival, a key event in the performance evaluation system. The detailed responsibilities of the committee are shown in Table 4.

**TABLE 4**

**ROLES AND RESPONSIBILITIES OF THE SHAHID RAJAEI FESTIVAL ORGANIZING COMMITTEE.**

Role	Responsibilities
Policy making for the Shahid Rajaei festival	Coordinating the festival logistics and activities. Facilitating the announcement of preliminary results and the presentation of awards. Ensuring the festival serves as a platform for recognizing and celebrating outstanding organizational performance.

(5) **Government officials and employees:** Government employees and officials play a critical role as the primary implementers of performance management policies within government agencies. It is their responsibility to ensure the effective execution and achievement of the intended goals set forth by these policies (see Table 5).

**TABLE 5**

**ROLES AND RESPONSIBILITIES OF GOVERNMENT OFFICIALS AND EMPLOYEES.**

Role	Responsibilities
Active participants in the evaluation process	Contributing to the development and implementation of organizational plans and goals. Participating in self-evaluation processes. Engaging in the improvement planning phase to address identified weaknesses.

**KPIs and Measurements Involved**

As noted earlier, performance indicators in the public sector of IR Iran are categorized in two groups: general and specific. The general KPIs and measurements are shown in Table 6.

**TABLE 6**

**GENERAL INDICATORS OF SHAHID RAJAEI FESTIVAL.**

KRA	KPI	Measurements
<b>People's satisfaction</b>	<b>Satisfaction with the service</b>	Participation of public organizations in measuring people's satisfaction
		People's satisfaction with organization's services

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KRA	KPI	Measurements
<b>People's satisfaction</b>	<b>Satisfaction with the service</b>	Implementation of facilities prescribed by the Youthful Population and Protection of the Family law for employees
	<b>Responsiveness</b>	Direct communication with people
		Addressing and responding to public demands
		Appropriate and timely response to requests and inquiries on the PGSB and GSB platforms
<b>Notifying and explanation</b>	Explanation of achievements and persuasion of public opinion	
<b>Excellence and productivity</b>	<b>Productivity improvement</b>	Progress in implementing approved programs to improve organizational productivity
		Optimization of consumption patterns in the organization (green management)
		Utilization of government assets for productive purposes
	<b>Organizational improvement and transformation</b>	Promotion and engagement of non-governmental sector in performing tasks
		Activation of the Management Development Steering Council
		Focus on performance improvement
		Promotion of organizational culture
		Optimization of organizational structure
	<b>Ease of access to services</b>	Standardization of service delivery instructions
		Improvement of service delivery processes
		Electronification of services provided by the executive body
		Providing services through the National Smart Government Services Window
		Quality and speed in issuing permits through the National Permits Gateway
	<b>Automation</b>	Intelligent automation of administrative correspondence
		Providing the necessary data and statistical information for establishing data governance
		Ensuring timely loading of accurate administrative and financial information for employees
Registering spatial data layers in the Spatial Data Infrastructure (SDI)		
<b>Equity</b>	<b>Meritocracy</b>	Employment of individuals based on a fair mechanism
		Considering job requirements in the appointment of human resources
		Appointment of managers based on competence

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KRA	KPI	Measurements
Equity	Fair compensation system	Fair distribution of salaries and benefits
		Full payment of retirement benefits for retirees
	Improving administrative integrity and fighting against corruption	Combating Corruption
		Identification and management of conflicts of interest at the organizational level
		The efficiency and effectiveness of the Administrative Offenses Council
	Transparency	Public transparency of the organization (transparent government)
		Timely response and provision of necessary information in the Open access and research dissemination system
		Registering the organization's budget performance data in the SANA system
		Timely and accurate presentation of financial statements
		Establishment of financial discipline in the payment of salaries and employee benefits
Income identification		
Transparency of government-owned company accounts		

Source: Reproduced with permission from The Public Administration and Recruitment Organization [7].

The specific KPIs and measurements can vary depending on the objectives of each public organization. Table 7 lists the KPIs and measurements commonly used in the Ministry of Energy.

**TABLE 7**  
**SPECIFIC INDICATORS OF THE MINISTRY OF ENERGY.**

KPI	Measurement
Electricity production	Amount of electrical energy production
	Energy efficiency in the power grid
	Increase in power generation capacity through renewable and clean electricity
	CO2 equivalent generation of power stations to electricity production
	Increase in nominal production capacity of thermal power plants
	Production readiness rate of thermal power plants
	Completion and utilization of hydroelectric plants
Electricity distribution	Newly allocated capacity to new subscribers
	Reduction in downtime per subscriber
	Losses in the distribution network
	Amount of saved energy
	Installation of smart meters - Faham plan

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KPI	Measurement
<b>Electricity transfer</b>	Increase in the length of transmission and super distribution network lines
	Increase in the capacity of transmission and super distribution stations
	Stability of transmission and super distribution network
<b>Water resources management</b>	Volume of reservoirs in dams (border and non-border)
	Construction and water supply of main irrigation and drainage networks (border and non-border)
	Securing the water rights of Lake Urmia
	Revitalization of the balance of groundwater resources
<b>Drinking water supply and distribution</b>	Population covered by urban water networks
	Increasing seawater desalination capacity for drinking purposes (construction of desalination plants)
	Microbiological sample desirability
	Desirability of chlorine test samples
	Non-revenue water in urban and rural areas
<b>Managing wastewater networks</b>	Number of villages supplied with water in Jihad Water Supply project
	Volume of discharged wastewater
	Population covered by urban sewage networks
	Design and implementation of sanitation projects in priority villages
	Compliance of wastewater quality with existing standards

**Source:** Reproduced with permission from Inspection and Performance Management Office of the Ministry of Energy [8].

### Best Practices

The establishment of a PMS in government organizations is legally mandated based on Chapter 11 and articles 81, 82, and 83 of the Public Service Management Law, as well as articles 217 and 219 of the Fifth Development Plan Law. This highlights the significance of a robust PMS in the administrative system of IR Iran [9].

In optimizing performance management in the Iranian context, it is imperative to establish transparent objectives and expectations. This involves the clear delineation of organizational goals and individual objectives to ensure that employees possess a comprehensive understanding of their roles and responsibilities. Regular performance reviews are a crucial component, necessitating consistent evaluations to gauge employee progress and furnish constructive feedback on both strengths and areas requiring improvement. Moreover, fostering employee involvement in goalsetting is vital for heightened engagement, emphasizing open communication between evaluators and evaluatees.

Simultaneously, a strategic focus on training and development is pivotal, with a commitment to identifying opportunities for employee growth and providing targeted training programs to enhance their skills and capabilities. Recognitions and rewards serve as motivational tools, with a specific emphasis on acknowledging high performers. Cultivating a culture of continuous feedback throughout the year facilitates ongoing communication between employees and management.

Additionally, implementing performance improvement plans tailored to public organizations in need of enhancement involves outlining clear steps for improvement and providing requisite support. A data-driven approach utilizing metrics to measure performance and analyze trends facilitates informed decision-making, while aligning individual goals with organizational objectives and linking performance management to the broader government strategy ensures strategic coherence. Finally, technology integration is essential, utilizing tools for goal tracking, feedback, and performance analytics to streamline and enhance performance management processes [10].

### Assessment and Analysis of Progress, Impacts, and Lessons

Performance evaluation in IR Iran has a significant role within the nation's organizational framework with a rich history [11]. This system plays a crucial role in achieving the objectives set by IR Iran by promoting a cohesive approach among executive bodies. It involves aligning activities with overarching goals, reflecting a commitment to achieving optimal organizational performance [4]. The performance evaluation system in IR Iran extends beyond external assessments and encompasses evaluations of internal and specialized performances across various sectors. The system emphasizes the use of key indicators and quantitative results to assess performance, thus highlighting the pursuit of excellence in diverse industries [12].

However, studies have identified certain shortcomings within the public sector performance management in IR Iran. According to one study, several major issues have been identified, including a lack of commitment from senior management, cultural problems, insufficient priority given to performance management, and a lack of alignment of interests. In order to address these problems, there are potential solutions that can be implemented. These solutions include adapting indicators to specific domains, empowering relevant stakeholders, and improving administrative mechanisms [13]. According to Latifi and Ashne [14], there are several issues in evaluating the performance of public sector organizations in IR Iran, including an overemphasis on short-term results, the inability to compare with similar organizations, a narrow focus on specific evaluation indicators while neglecting other important aspects, and a disregard for long-term planning. Yaghoubi [15] categorizes the significant deficiencies of the PMS in the public sector into two main categories: lack of specialized knowledge, and executive and logistical failures. Specialized knowledge issues stem from inadequate collaboration with experts, neglecting updates to technical skills, and a lack of international cooperation. Additionally, executive failures, often resulting from hardware problems, can have a notable impact on the efficiency and effectiveness of the system. Ghanizadeh, et al [4] findings indicate that these shortcomings primarily impact multiple areas within an organization, including leadership, communication, and motivation. They highlight the importance of senior management's commitment, cultural alignment, a shared understanding, and long-term planning as crucial factors for addressing and improving the issues. In their work, Seidi and Sohrabi [16] thoroughly investigate the underlying causes for the inadequate implementation of the PMS in IR Iran. They shed light on the consequential issues and challenges that arise as a result, including the following:

- (1) **Lack of precision in formulating indicators:** The authors highlight the need for precise and well-defined indicators to accurately assess performance and identify areas for improvement.
- (2) **Managers' lack of genuine interest and participation in the programs:** Seidi and Sohrabi emphasize the importance of active involvement and genuine commitment from managers to ensure the effective execution of performance management initiatives.



- (3) **Differences among individuals responsible for performance evaluation:** The authors address the challenges associated with varying perspectives and criteria used by different individuals involved in the evaluation process. This can lead to inconsistent assessments and hinder effective performance management.
- (4) **Lack of accurate and reliable data collection:** Seidi and Sohrabi emphasize the significance of accurate and reliable data in the PMS. They point out the negative consequences of inadequate data collection methods, as it may result in flawed evaluations and hinder organizational improvement.
- (5) **Imposition of indicators and performance evaluation methods:** The authors discuss the detrimental effects of imposing indicators and evaluation methods without considering the unique characteristics and requirements of the organization. This can undermine the effectiveness and relevance of the PMS.
- (6) **Lack of differentiation between key success indicators and performance evaluation indicators:** Seidi and Sohrabi underscore the importance of distinguishing between the indicators that reflect the overall success of the organization and those used specifically for performance evaluation. Failing to make this distinction can lead to a misalignment between organizational goals and individual performance assessments.
- (7) **Absence of a common language among members of the performance evaluation team:** The authors highlight the need for a shared language and understanding among members of the performance evaluation team. This is crucial for consistent evaluations and effective communication throughout the performance management process.
- (8) **Missing behavioral aspects of individuals related to the indicators:** Seidi and Sohrabi emphasize the significance of considering the behavioral aspects of individuals in relation to the indicators used in performance evaluation. They point out that overlooking these behavioral aspects can lead to incomplete assessments and hinder overall organizational performance.
- (9) **Minimal impact of performance evaluation results on organizational performance:** The authors discuss the limited influence that performance evaluation results often have on organizational performance. They address the need for the PMS to yield tangible improvements and drive positive changes within the organization.
- (10) **Use of inappropriate methods in implementing progressive performance evaluation:** Seidi and Sohrabi discuss the potential drawbacks of utilizing inappropriate methods in implementing progressive performance evaluation. They emphasize the importance of using methods that align with the organization's goals and accurately capture the performance of employees over time.

Based on the author's experiences in the Ministry of Energy over about 8 years, other challenges in the performance management of the public sector in IR Iran can be observed. These challenges include:

- (1) **Temporal challenges:** The lengthy 10-month evaluation process poses a significant temporal challenge, reducing the immediacy of feedback and hindering timely organizational improvements.

- (2) **Cycle incompleteness and coordination issues:** Concerns arise from the incomplete nature of the performance management cycle, where the output of evaluations is not effectively utilized for future planning. The isolation of performance planning, implementation, and evaluation processes highlights coordination challenges within the organizational structure.
- (3) **Human resource and implementation challenges:** Critical issues include a shortage of human resources, a lack of motivation among employees, and the absence of specific mechanisms for implementing certain performance indicators. Insufficient workforce can impede the system's optimal functioning, while a lack of employee motivation hinders active participation in the implementation process, which is crucial for achieving desired outcomes. Additionally, the absence of clear mechanisms for indicator implementation poses a risk of confusion and inefficiency in integrating performance indicators into daily organizational operations.
- (4) **Operational and structural hurdles:** Challenges encompass unrealistic indicator proposals and insufficient internet infrastructure for indicator education. Operational difficulties include symbolic actions, a lack of user-friendly evaluation software, unresponsive system support, and exclusive evaluators.
- (5) **Administrative and organizational deficiencies:** Transparency issues within the government's performance evaluation model, as well as a lack of knowledge among implementers about indicators and goals, contribute to administrative challenges. Organizational deficiencies include insufficient motivation and inadequate funding for implementation.

Addressing these issues is crucial for enhancing the effectiveness and efficiency of public sector organizations.

## Recommendations and Conclusion

It is evident that performance evaluation plays a significant role in the organizational framework of IR Iran. The system aims to foster a cohesive approach among executive bodies and ensure that activities are aligned with overarching goals, thereby demonstrating a commitment to achieving optimal organizational performance. However, there are several shortcomings and challenges within IR Iran's public sector PMS. These issues include a lack of commitment from senior management, cultural problems, insufficient priority given to performance management, and a misalignment of interests. Furthermore, other challenges observed in public sector performance management in IR Iran include temporal challenges, incomplete evaluation cycles, coordination issues, human resource challenges, operational and structural hurdles, and administrative and organizational deficiencies. These challenges encompass problems such as lengthy evaluation processes, ineffective utilization of evaluation outputs, shortage of human resources, lack of employee motivation, and administrative transparency issues.

Drawing from the identified challenges, several recommendations are proposed to enhance the PMS of executive bodies in IR Iran [4, 16, 17]:

- (1) **Improve commitment from senior management:** It is crucial for senior management to demonstrate genuine commitment to performance management. This can be achieved

through active participation in programs, setting clear expectations, and providing support for the system. Leaders should prioritize performance management and align it with organizational goals.

- (2) **Enhance cultural alignment:** Cultural problems have been identified as a significant issue in the PMS. Efforts should be made to establish a common understanding and mutual agreement on the importance of performance evaluation. Cultural alignment can be achieved through education, training, and open communications between managers and system users.
- (3) **Prioritize long-term planning:** Overemphasis on short-term results and a lack of long-term planning pose challenges. To address this, organizations should place greater emphasis on setting long-term goals and incorporating them into the performance evaluation process. This will ensure sustainable and meaningful improvements.
- (4) **Develop specialized knowledge:** Specific problems, such as insufficient collaboration with experts and neglecting updates to technical skills, need to be addressed. Organizations should invest in developing specialized knowledge and expertise in performance management through training programs, workshops, and partnerships with external experts.
- (5) **Improve coordination and utilization of evaluation outputs:** Concerns have been raised about the incomplete nature of the performance management cycle and limited utilization of evaluation outputs for future planning. Organizations should establish a coordinated approach that integrates performance planning, implementation, and evaluation processes. This will ensure that evaluation results are effectively utilized for organizational improvements and decision-making.
- (6) **Enhance data collection and reliability:** Accurate and reliable data collection is essential for a robust PMS. Organizations should invest in developing mechanisms for accurate data collection and establish systems that ensure data reliability. This will enable organizations to make informed decisions based on reliable performance information.
- (7) **Promote transparency and knowledge:** Administrative and organizational deficiencies, such as transparency issues and lack of knowledge, should be addressed. Efforts should be made to promote transparency in the PMS and improve knowledge about indicators and goals among relevant stakeholders.
- (8) **Align outcomes of performance evaluation with job satisfaction:** It is important to align the outcomes of performance evaluation with the job satisfaction of individuals, units, and the organization as a whole. Failures and successes should be shared across the organization, and suitable incentives or punishments should be considered for individuals.

In conclusion, to enhance the PMS in the public sector of IR Iran, it is crucial to address the identified challenges and implement the recommended solutions. By doing so, organizations can pave the way for improved organizational performance, effective decision-making, and sustainable growth.

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# MALAYSIA

## Executive Summary

This comprehensive exploration of Malaysia's evolving performance management landscape within the public sector unveils a dynamic tapestry of governance, where democratic principles seamlessly intertwine with constitutional monarchy. Tracing the historical roots from the competency-based Malaysia Civil Service Remuneration System to the contemporary MyPerformance system, this publication highlights Malaysia's commitment to transparency, efficiency, and accountability. The MyPerformance system's implementation signifies a transformative shift, leveraging technology and international best practices to propel Malaysia toward a modernized, employee-centric governance paradigm. Amidst the successes, challenges such as ensuring equitable access and addressing resistance to change emerge, prompting pragmatic recommendations for future optimization. This chapter not only serves as a chronicle of Malaysia's journey but also offers valuable insights for governments globally, emphasizing the importance of adaptability, inclusivity, and continuous improvement in enhancing public-sector performance management practices.

## The Blend of Democracy and Monarchy in Malaysia's Governance

The introduction of the MyPerformance system by Malaysian Public Service Department or Jabatan Perkhidmatan Awam (JPA) on 1 January 2024 represents a significant advancement in performance management within the public sector in Malaysia. This innovative system aims to overhaul the existing performance evaluation frameworks, transitioning from the protocols established by Service Circular No. 4 of 2002 and Service Circular No. 2 of 2009, toward a more integrated and functional approach tailored to enhance talent management and national productivity in the public service [1].

MyPerformance is poised to empower departments through function-based performance management and the implementation of performance-based rewards. By replacing the Annual Work Target Form or Sasaran Kerja Tahunan (SKT) with the Main Work Target or Sasaran Kerja Utama (SKU), it aligns performance outcomes directly with the Performance Evaluation Report or Laporan Penilaian Prestasi Tahunan (LNPT). This streamlines the assessment process and reinforces the importance of skill, creativity, and innovation among public service employees. This system underscores the Malaysian government's commitment to fostering a competitive and capable public sector workforce, emphasizing continuous self-improvement and knowledge mastery as key drivers of effective public service delivery.

Additionally, Malaysia's efforts in enhancing public sector performance extend beyond human resource management to encompass critical areas such as land administration. The transformation of land administration services in Malaysia underscores the role of secure land rights and efficient land management in promoting economic growth, environmental sustainability, and social cohesion. These initiatives are fundamental to achieving good governance and are aligned with international development goals, reflecting Malaysia's strategic approach to public sector management and service delivery [2].

## Evolution of Performance Management in Malaysia's Public Sector

The evolution of performance management in Malaysia's public sector is a testament to the country's ongoing efforts to enhance efficiency, transparency, and accountability within its civil service. The journey began in earnest with the introduction of the Malaysia Civil Service Remuneration System in 2002, which aimed to foster a culture of continuous learning and improvement among civil servants. This system, established through Circular Bilangan 4 Tahun 2002, emphasized the importance of developing competencies that aligned with the dynamic needs of public service, including knowledge acquisition, skill development, creativity, and innovation.

Following this, Circular Bilangan 2 Tahun 2009 further refined the performance management framework by emphasizing core values such as innovation and creativity in performance assessment. This circular was part of a broader strategy to improve public service efficiency and enhance customer satisfaction, while showcasing the government's commitment to evolving its performance management practices for meeting contemporary challenges. The MyPerformance system, set to replace previous systems in 2024, reflects the latest phase in this evolutionary process. It underscores a shift toward more flexible and department-specific performance management methodologies, incorporating performance-based rewards to encourage and recognize individual and team contributions toward organizational goals. This system is designed to provide departments with greater autonomy in managing human resources, aiming to optimize performance and contribute to national productivity.

### MyPerformance System: A Paradigm Shift

At the heart of the MyPerformance system lies a commitment to enhancing performance evaluation. By emphasizing individual contributions and aligning them with organizational goals, the system fosters a culture where excellence and accountability are paramount. It moves away from generic assessment methods and instead adopts a nuanced approach that acknowledges the unique contributions of each employee. Transparency stands as a cornerstone of the MyPerformance initiative. A transparent framework for evaluation not only clarifies the criteria for employee advancement and recognition but also cultivates a sense of trust between the management and the staff. This transparency is crucial for demystifying the path to career progression within the public sector, thereby encouraging a more engaged and motivated workforce.

Moreover, the system's inherent flexibility allows departments to tailor evaluation criteria to their specific operational needs. This bespoke approach ensures that performance assessments are both relevant and directly linked to the distinct objectives of various departments, enhancing the overall effectiveness of the public sector. The MyPerformance system also places a significant emphasis on linking performance to rewards and recognizing individual achievements. This strategy is instrumental in boosting employee morale and motivation. Furthermore, it highlights the importance of continuous learning and professional development, underlining the government's investment in its human capital.

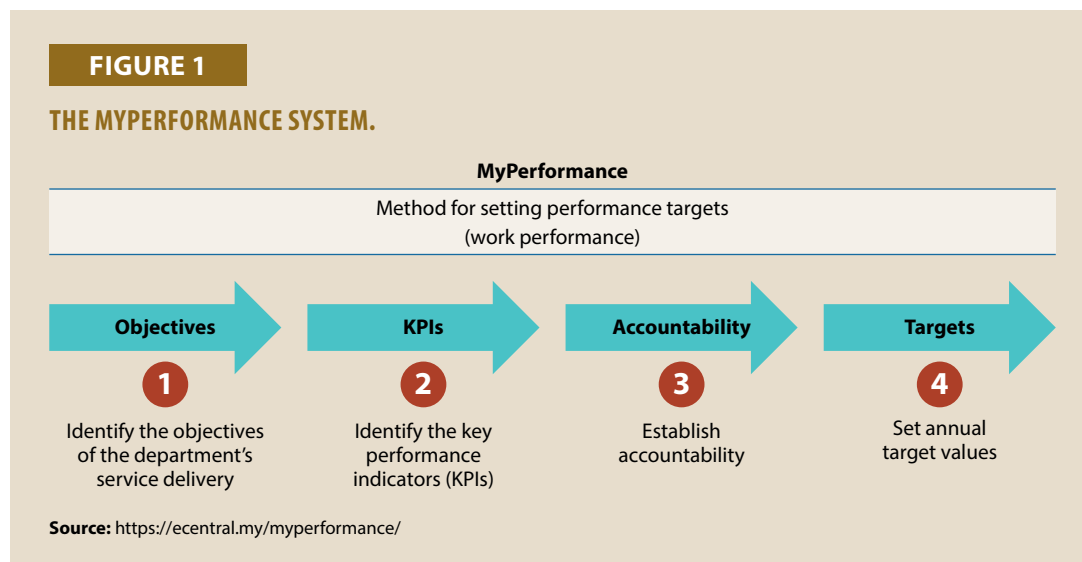
### Implementation Challenges

Despite its promising prospects, the implementation of the MyPerformance system is not devoid of challenges. Transitioning to this new framework requires a substantial adaptation effort from both employees and managers. The potential resistance to change underscores the need for extensive training and support to facilitate a smooth transition. Resource allocation is another critical consideration. The development, implementation, and maintenance of a comprehensive performance management system (PMS) demand significant investments in technology and personnel training. Ensuring the availability of these resources is pivotal for the system's successful deployment.



Subjectivity in performance evaluations presents a potential challenge. The system’s effectiveness hinges on the impartiality and fairness of evaluators. Any perception of bias could undermine the credibility of the evaluation process, emphasizing the importance of maintaining objective assessment standards. Additionally, there is a risk that an excessive focus on quantitative metrics may overlook the qualitative aspects of performance. Qualities such as teamwork, creativity, and leadership are crucial for organizational success but are often difficult to quantify. Balancing these qualitative factors with quantitative metrics is essential for a holistic evaluation of employee performance [3].

The historical context of Malaysia’s civil service, tracing back to the 1700s, provides a deeper understanding of the institutional legacy and the transformative efforts undertaken post-independence in 1957. The civil service has evolved from the Malayan Public Service under the British East India Company to the modern-day structure that supports the federal and state governments, as well as local administrations. Central agencies play a crucial role in this architecture, coordinating policy formulation, economic planning, and the implementation of development programs. Critiques and reforms have been part of this journey, with discussions around the bureaucracy’s size, the civil service’s ethnic composition, and calls for further reforms to ensure a more inclusive and representative bureaucracy. These discussions highlight the complex interplay between governance, public administration, and national unity.



The MyPerformance system represents a significant step forward in the evolution of performance management within Malaysia’s public sector. By fostering a culture of accountability, transparency, and continuous improvement, it aims to enhance the efficiency and effectiveness of public service delivery. However, the successful implementation of this system requires addressing the associated challenges head-on, ensuring that the benefits fully materialize. As Malaysia embarks on this ambitious initiative, the insights garnered could serve as valuable lessons for other nations aspiring to reform their public sector performance management practices.

### Performance Management Reform Processes and Initiatives

A pivotal juncture in the trajectory of performance management reform in Malaysia’s public sector was marked by the conceptualization and implementation of the MyPerformance system [4]. This innovative system was meticulously crafted to contemporize and streamline the performance



management process, infusing it with modern methodologies and digital tools. With the goal of enhancing efficiency, transparency, and effectiveness, the MyPerformance system introduced online platforms, standardized templates, and well-defined guidelines to expedite the assessment of civil servants' performance.

These principles not only underscored the system's intrinsic values but also aligned it with international best practices in performance management. The embrace of impartiality aimed to ensure fairness in evaluations, mitigating biases and promoting an equitable assessment of employees' contributions [5]. In which, central to the MyPerformance framework were the guiding principles of impartiality, transparency, objectivity, and pertinence [6]. Transparency was upheld to enhance openness, allowing both civil servants and evaluators to comprehend the evaluation criteria and processes. Objectivity, a cornerstone of performance management, sought to establish a rigorous and unbiased evaluation system that acknowledged performance realities accurately. Pertinence ensured that the evaluation criteria aligned with the unique demands and responsibilities of each role, thereby enhancing the relevance and applicability of the assessment framework.

As these performance management reform initiatives gained momentum, they coalesced into a comprehensive and systematic framework. Notably, the introduction of the Performance and Career Development Conversation (CDC) emerged as a standout feature in this context [7]. Recognized as a best practice, the CDC initiative placed emphasis on fostering regular, purposeful interactions between supervisors and employees. By cultivating an environment of continuous feedback and growth, CDCs provided a structured avenue for identifying individual strengths, addressing areas for enhancement, and establishing performance goals that harmonized with broader organizational objectives, as exemplified in Table 1. This proactive approach to dialog facilitated a deeper understanding of employees' developmental needs and aspirations, thereby culminating in tailored strategies to nurture professional growth.

**TABLE 1**

**EXEMPLARY PRACTICES AND ROLES IN IMPLEMENTING CAREER DEVELOPMENT CONVERSATIONS.**

Role	Exemplary practices
<b>Department head (1)</b>	(a) Champion change to ensure successful CDC implementation among all department employees.
	(b) Conduct awareness and training programs, especially for new employees and those recently promoted.
	(c) Develop internal guidelines as needed.
	(d) Manage employee performance issues.
<b>HR development panel (2)</b>	(a) Ensure proposed employee development plans recorded in HRMIS or designated online systems are appropriately acted upon.
	(b) Examine employee CDC records for investigation or decision-making purposes.
<b>HR Executive (3)</b>	(a) Assist the Department Head in disseminating information or promotions to explain the importance of CDC.
	(b) Analyze and report proposed intervention or development programs recorded in HRMIS or designated online systems.
	(c) Obtain employee CDC records for investigation or to assist the HR Development Panel's decisions.

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Role	Exemplary practices
<b>First appraiser (4)</b>	(a) Clearly define goals, objectives, or expectations for Professional Year Development (PYD), whether in performance or career aspects.
	(b) Provide timely and consistent feedback on performance and career development.
	(c) Implement or follow up on any actions resulting from CDC implementation.
	(d) Document CDC outcomes, particularly if elements of dissatisfaction or complaints by PYD are present.
	(e) Address PYD performance issues.
<b>Appraisee (PYD) (5)</b>	(a) Clearly understand goals, objectives, or expectations set by first appraiser or second appraiser in performance or career aspects.
	(b) Receive timely and continuous feedback from first appraiser or second appraiser regarding performance and career development.
	(c) Implement or follow up on any actions resulting from CDC implementation.
	(d) Document CDC outcomes, especially in cases of dissatisfaction or complaints.

In line with the latest developments, it is important to note that the MyPerformance system has continued to evolve in response to changing administrative needs and technological advancements.

Regular updates and refinements have been made to ensure the system’s currency, user-friendliness, and effectiveness. Moreover, the ongoing integration of data analytics and performance metrics into the MyPerformance system has further enhanced its capacity to generate insights for evidence-based decision-making.

An exemplar of the MyPerformance system’s application is evident in the government’s recent initiative to integrate real-time data analytics. This empowers administrators to gauge individual and departmental performances swiftly, allowing for data-driven decision-making and policy adjustments. In the Ministry of Health, the MyPerformance system’s recent update integrates health service metrics, enabling effective monitoring of patient care quality, hospitals’ efficiency, and resource allocation. This approach enhances accountability through transparent data-driven insights while refining service delivery by identifying areas for improvement. For example, tracking patient outcomes and wait times allows officials to make informed decisions, thereby ensuring better patient experiences and optimal resource utilization. This signifies Malaysia’s commitment to using technology for continuous enhancement of public sector services [8].

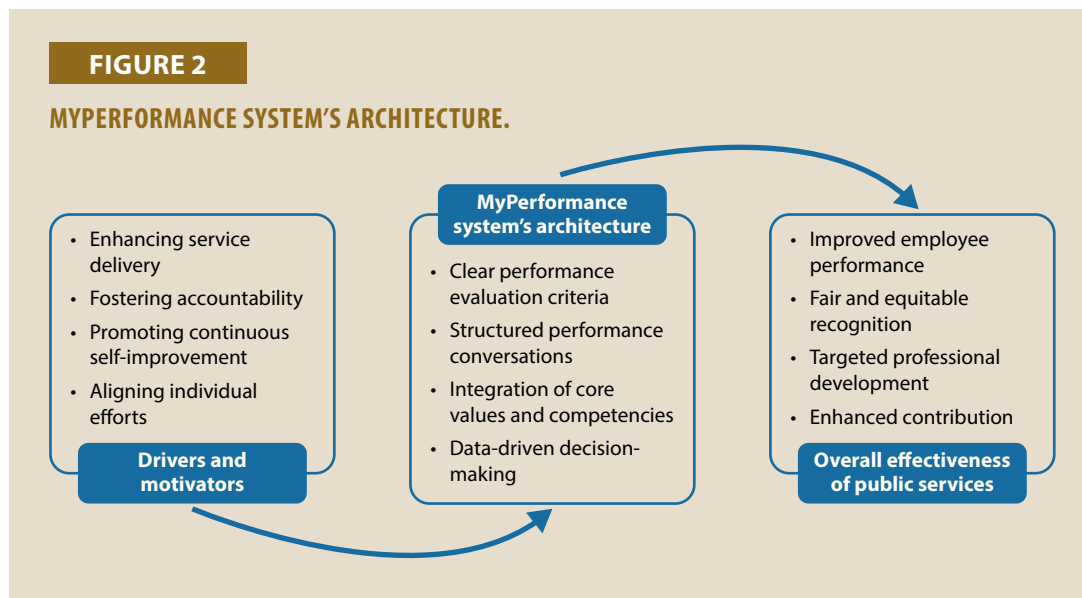
This evolution underlines Malaysia’s commitment to efficient, transparent, and employee-focused governance. These advancements illustrate Malaysia’s journey toward modernizing public sector performance management through technology, strategic dialog, and international best practices, ultimately fostering a culture of continuous improvement and accountability [9]. This discussion underscores the profound impact of the MyPerformance system within the larger context of performance management reform. By embracing technological innovation, international best practices, and strategic dialog, Malaysia’s public sector has propelled its performance management practices toward greater efficiency, transparency, and employee development, making strides in fostering a culture of continuous improvement and accountable governance.

## Current Approaches to Performance Management

The present performance management approach within Malaysia's public sector, specifically encapsulated in the MyPerformance system, is meticulously designed to uphold the principles of fairness, transparency, objectivity, relevance, and efficiency. Rooted in the commitment to enhance service delivery, foster accountability, and elevate the overall performance of government agencies, this contemporary approach stands as a significant milestone in the evolution of Malaysia's public administration.

### Drivers and Motivators

Central to the present performance management approach, as expounded within MyPerformance, is the intrinsic desire to cultivate an exceptional public sector that not only delivers outcomes effectively but also upholds principles of fairness and equality. The fundamental drive is to recognize and incentivize competence, thereby nurturing a culture of perpetual self-enhancement. This approach ardently endeavors to synchronize individual contributions with national aspirations, ultimately heightening the efficacy of public services. To illustrate this concept, let us formulate a flowchart that visually encapsulates how these drivers and motivations materialize within the MyPerformance system's framework (see Figure 2).



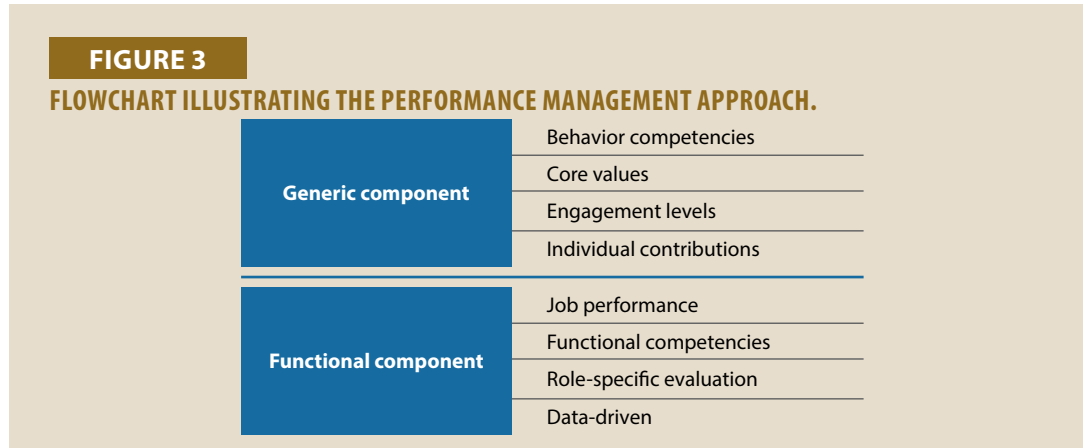
The visual representation in Figure 2 serves as a guiding blueprint for conceiving and executing the MyPerformance system. Within its architecture, encompassing facets such as performance assessment benchmarks, structured dialogs, infusion of values and competencies, and data-informed decision-making, the latent drivers and motivations are translated into concrete operational practices. In practice, consider a tangible scenario involving a government servant within Malaysia. Here, the MyPerformance system emerges as a practical application of these drivers and motivations. The system's design hinges upon evaluating employee performance, fostering transparent conversations, integrating core values and skills, and making informed decisions rooted in data. By doing so, the motivations to excel in public service while ensuring fairness are realized through a structured mechanism that aligns individual efforts with national goals.

This application ensures that government servants' contributions are valued and rewarded, while also nurturing a continuous drive for improvement. Ultimately, the MyPerformance system within

Malaysia’s public sector serves as a prime example of how abstract drivers and motivations can be translated into a pragmatic framework that advances both individual and national objectives.

**Key Features of the Current Approach**

The MyPerformance outlines the key features of the current performance management approach, which are illustrated in the flowchart



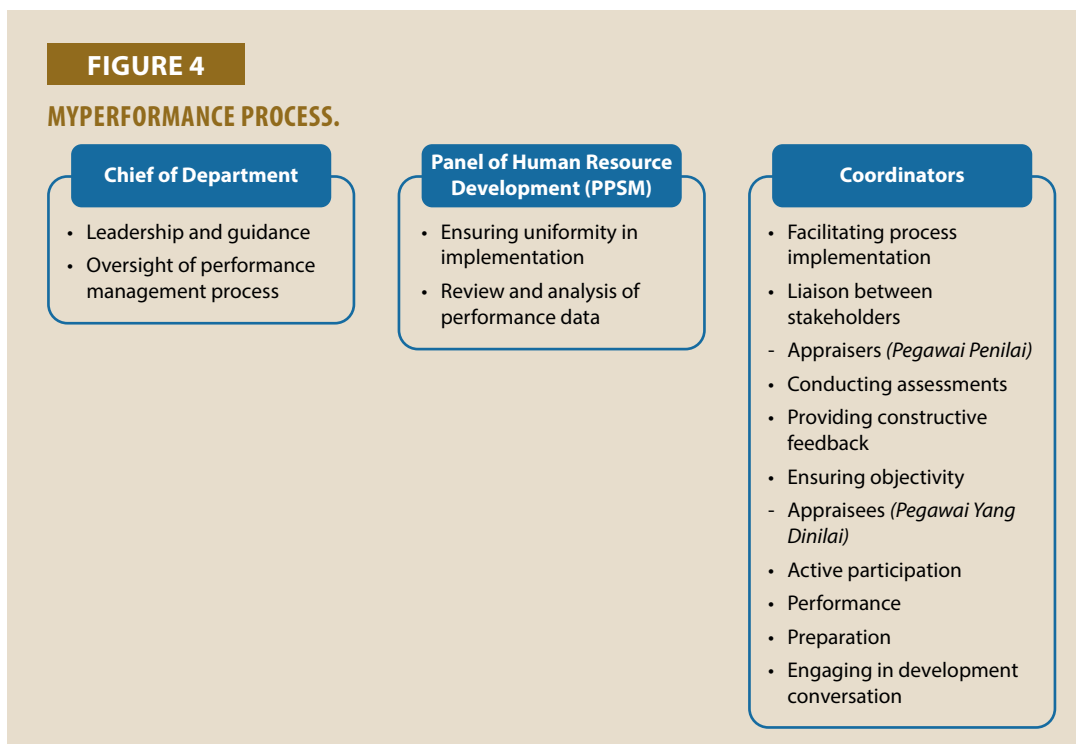
As illustrated in Figure 3, the MyPerformance system is composed of two essential components: the generic component and the functional component. The generic component encompasses the evaluation of behavior competencies, core values, engagement levels, and individual contributions. These elements contribute to a holistic assessment of an employee’s overall professional conduct and commitment to the organization’s values.

The functional component, on the other hand, focuses on evaluating job performance and functional competencies that are directly linked with the specifics of the role. This ensures that employees are assessed based on their ability to carry out their assigned tasks effectively and in alignment with the requirements of their positions. Together, these components form a comprehensive framework within the MyPerformance system, enabling a balanced and thorough evaluation of employees’ contributions and capabilities.

**Roles and Responsibilities of Agencies**

The MyPerformance framework delineates the distinct roles and responsibilities held by different stakeholders within the performance management process, forming a cohesive and comprehensive approach. The subsequent flowchart in Figure 4 visually outlines the interactions between these roles and their collective contribution to the overarching process.

The visual representation in Figure 4 elucidates how various roles within the performance management process interact synergistically to bolster the entire approach. At the helm, the chief of the department shoulders a leadership role, offering invaluable guidance and overarching supervision. The Panel of Human Resource Development (PPSM) emerges as a vital entity, ensuring uniformity across assessments and delving into performance metrics for comprehensive analysis. Coordinators play a pivotal role in facilitating smooth progression, serving as intermediaries among the stakeholders. At the heart of this process lie the appraisers (Pegawai Penilai) and appraisees (Pegawai Yang Dinilai), engaging in a constructive exchange of assessments, feedback, and developmental dialogs. This symbiotic interaction fosters a sense of accountability

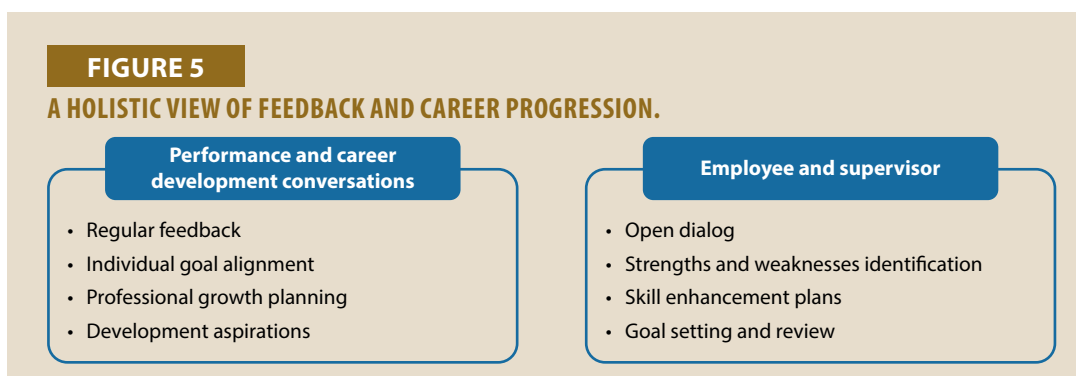


and objectivity that is vital for ensuring the integrity of the assessment process. By encouraging open and transparent conversations between the appraisers and appraisees, the framework not only measures performance but also promotes growth and professional development.

This multi-tiered collaboration forms the bedrock of a robust and well-rounded performance management process, ensuring fairness, comprehensiveness, and alignment with organizational goals. When implemented within a real-case scenario in Malaysia's ministry, the MyPerformance framework empowers stakeholders to contribute meaningfully, thereby fostering a culture of continual improvement and excellence.

### Best Practices

An exemplar of best practice is the integration of Performance and Career Development Conversations (CDC) as a platform for continuous feedback and career progression (see Figure 5). This not only facilitates early feedback but also aligns individual goals with organizational objectives, fostering a holistic approach to performance enhancement and serving as a platform for continuous feedback and career progression:



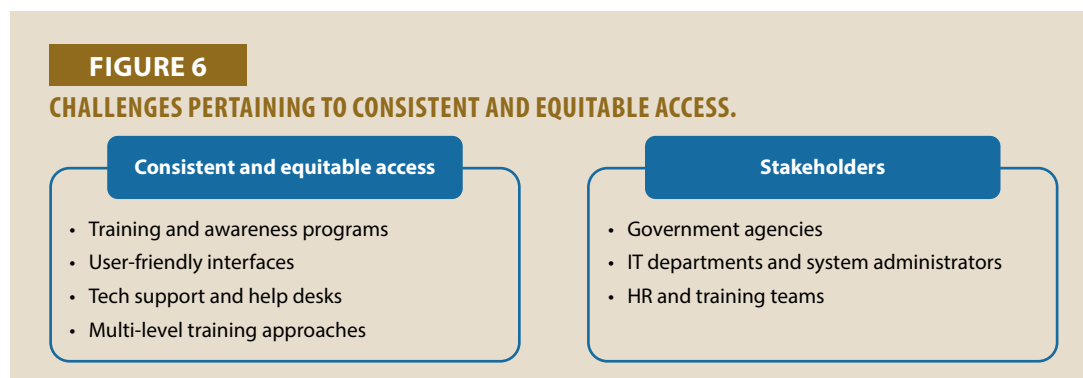
This underscores the best practice of integrating CDC, which provides a dedicated platform for ongoing feedback and career progression. During these conversations, employees and supervisors engage in open dialogs, discussing strengths, weaknesses, and skill enhancement plans. These discussions also involve setting and reviewing goals that align with both individual aspirations and organizational objectives. This practice not only ensures regular feedback and personal growth but also contributes to a holistic approach to performance enhancement.

In Malaysia, the concept of CDC is effectively applied in government linked companies (GLCs), which are state-owned enterprises crucial to the economy. For instance, Telekom Malaysia Berhad (TM), a major telecommunications GLC, has adopted CDCs to align employee goals with company strategies, thereby boosting performance and growth. TM’s approach involves CDCs between employees and supervisors occurring twice a year. These conversations enable open discussions about performance and career aspirations. The aim is to ensure that each employee’s goals match the company’s larger objectives, contributing to the organization’s mission.

By using CDCs, TM has seen positive outcomes. Employees feel more engaged as they receive feedback and have their voices heard. The company’s performance has improved as individual goals align with the company’s plans. Additionally, TM has managed to keep talented employees by providing clear career paths and investing in their development. The approach is flexible and adaptable to changes in the business environment. In conclusion, TM’s use of performance and career development conversations demonstrates how this practice can enhance performance, foster growth, and align with organizational goals. This case study shows how such conversations can be tailored to the needs of Malaysian government entities to create a culture of continuous improvement and development.

**Implementation Experience**

While the implementation of the MyPerformance system has been transformative, certain challenges emerged during the process. One key challenge revolved around ensuring consistent and equitable access to the system across all levels of the public sector. It is essential to address these challenges to fully leverage the potential of the system. Figure 6 illustrates how challenges related to consistent and equitable access are addressed to fully leverage the potential of the system:



**Assessment and Analysis: Progress, Impacts, and Lessons**

The implementation of the MyPerformance system within Malaysia’s public sector stands as a critical step toward refining performance management practices. This initiative is poised to usher in a new era of enhanced efficiency, accountability, and transparency across various government

departments. Drawing upon insights from the system's rollout and the broader context of performance management in Malaysia, this expanded analysis delves into the progress, impacts, and lessons learned from the MyPerformance system's deployment.

**Progress and implementation effectiveness:** Since its announcement, the MyPerformance system has been on a trajectory toward transforming how public sector performance is assessed and managed. A two-year familiarization period was established to ease the transition, highlighting a commitment to ensuring that both management and professional groups are adequately prepared for the shift to a new evaluation framework. This period of adaptation underscores the proactive steps taken by the JPA to mitigate implementation challenges and facilitate a smooth integration of the new system into existing workflows.

**Impacts on performance and accountability:** The introduction of MyPerformance has had a notable impact on performance and accountability within the public sector. By establishing clear SKUs and fostering continuous dialog through CDC, the system has significantly contributed to enhancing role clarity and aligning individual efforts with broader organizational objectives. This shift toward a more dynamic and interactive evaluation process has been instrumental in promoting a culture of continuous feedback and improvement, thereby elevating standards of performance and accountability across the board.

**Lessons learnt and future enhancements:** The deployment of MyPerformance has brought to light several critical lessons and areas for future enhancement. Technical challenges and access barriers have emerged as significant hurdles, necessitating ongoing efforts to improve system usability and ensure equitable access for all users. Furthermore, the experience has highlighted the importance of balancing quantitative evaluation metrics with qualitative assessments to capture a more holistic view of employee performance [8].

Additionally, the experience of Performance Management and Delivery Unit (PEMANDU) in implementing the National Transformation Program (NTP) offers valuable insights into the effectiveness of performance management initiatives in Malaysia. PEMANDU's success in driving significant improvements across various sectors, from reducing crime rates to enhancing rural development and public service delivery, underscores the potential of targeted performance management strategies to effect substantive change. The use of KPIs and the Big Fast Results method, in particular, has demonstrated the power of a focused and measured approach to performance improvement [10].

To conclude, the MyPerformance system represents a pivotal development in Malaysia's ongoing efforts to enhance public sector performance management. The progress made thus far, coupled with the tangible impacts on performance and accountability, offers a promising outlook for the future of public service delivery in Malaysia. However, the lessons learnt during the initial phases of implementation underscore the need for continuous improvement and adaptation. As Malaysia moves forward, addressing the identified challenges and leveraging the insights gained from both MyPerformance and past initiatives like PEMANDU will be crucial to achieving the ultimate goal of a more efficient, accountable, and transparent public sector.

### **Integration of Technology in Public Sector Management**

The digitization efforts through MyPerformance signify a significant shift toward leveraging technology to enhance efficiency and accountability in public sector performance management.



Similar initiatives globally have demonstrated that integrating technology can streamline processes, improve data accuracy, and facilitate real-time feedback [11, 12]. However, challenges such as digital literacy, infrastructure readiness, and cybersecurity concerns must be addressed to fully harness the benefits of technology in public administration.

**The role of strategic planning:** The strategic planning underlying the MyPerformance system's rollout is indicative of Malaysia's commitment to improving public sector performance through meticulous preparation and stakeholder engagement. Literature on change management emphasizes the importance of strategic planning in ensuring the successful implementation of new systems within organizations [13]. The experiences from other countries suggest that involving stakeholders at all levels in the planning process can significantly enhance the buy-in and facilitate smoother transitions [14].

**Impact on organizational culture:** The introduction of MyPerformance is likely to have profound effects on the organizational culture within Malaysia's public sector. By prioritizing performance, accountability, and continuous improvement, the system encourages a shift toward a more results-oriented and transparent work environment. Research has shown that organizational culture plays a pivotal role in the success of performance management systems (PMSs). Cultures that support innovation, learning, and openness are more conducive to positive outcomes [15].

**Sustainability and continuous improvement:** For MyPerformance to sustain its positive impacts and continue to evolve, ongoing evaluation and adaptation are essential. These include regularly assessing the system's effectiveness, gathering feedback from users, and making iterative improvements based on empirical evidence and best practices. The sustainability of such initiatives also hinges on continuous investment in training, support, and technology upgrades to meet the changing needs of the public sector and its workforce [16, 17].

The implementation of the MyPerformance system in Malaysia's public sector marks a significant step toward modernizing performance management practices. While the progress and impacts observed thus far are promising, the journey toward fully realizing the system's potential is ongoing. Addressing technological, strategic, and cultural challenges will be crucial to ensure that the system not only achieves its initial objectives but also adapts and thrives in the face of future challenges.

The successful implementation of the MyPerformance system within Malaysia's public sector involves multiple stakeholders, each playing a crucial role in various segments of the initiative. Expanding on the roles of specific agencies, ministries, and stakeholders not only highlights the collaborative effort required but also sheds light on the broader implications of the system's adoption [18].

### Key Agencies and Stakeholders

**Public Service Department (JPA):** As the primary agency behind MyPerformance, JPA is responsible for the system's development, implementation, and oversight. JPA's role involves coordinating training programs, ensuring system readiness, and addressing technical challenges that arise during implementation.

**Ministry of Finance (MOF):** Given the financial implications of implementing a new performance management system, the MOF plays a critical role in allocating resources, funding, and budgeting to support the MyPerformance initiative. The ministry's involvement ensures that the program is financially sustainable and aligns with the government's fiscal policies.



**Malaysian Administrative Modernisation and Management Planning Unit (MAMPU):** The MAMPU is crucial for the digital aspects of MyPerformance, particularly in facilitating the system's integration with existing government IT infrastructure. The MAMPU's expertise in digital transformation can help address the technical barriers associated with the system's rollout.

**Ministry of Human Resources:** This ministry can contribute to the MyPerformance system by aligning national human resource policies with the new performance management practices. Its involvement can ensure that the system adheres to best practices in HR management and employee welfare.

**Government transformation program (GTP) agencies:** Agencies involved in the GTP can leverage their experience in public sector transformation to support the implementation of MyPerformance. Their insights into successful reform strategies can inform the rollout and adoption of the system across various government departments.

The adoption of MyPerformance carries several implications for Malaysia's public sector, each connected to the roles played by the involved agencies and stakeholders:

**Enhanced interagency collaboration:** The involvement of multiple agencies necessitates a higher level of inter-agency collaboration, which can lead to more integrated government services and a unified approach to performance management. Research on public administration often highlights the importance of inter-agency collaboration for effective governance. Studies such as those by Malaysia HR Forum [1] in the work on collaborative public management provide a foundational basis for understanding how and why agencies collaborate and the benefits thereof.

**Increased fiscal responsibility:** The MOF's involvement ensures that the implementation of MyPerformance is conducted within the constraints of the national budget, promoting fiscal responsibility and efficient use of resources. Fiscal responsibility in public sector projects can be supported by budgeting and finance literature, such as the principles outlined in "Public Budgeting Systems" by Lee et al [19] that discusses the impact of budgetary practices on government projects and initiatives.

**Digital transformation:** MAMPU's role in supporting the digital aspects of MyPerformance signifies a move toward greater digitalization within the public sector, potentially leading to improved service delivery and operational efficiency. The role of digital transformation in enhancing service delivery and operational efficiency can be supported by works like "Digital Government: Technology and Public Sector Performance" by West [20], which examines the implications of digital technologies on government operations.

**Alignment with national HR policies:** The Ministry of Human Resources' engagement ensures that the MyPerformance system is in harmony with national HR policies, promoting a consistent and fair approach to employee performance management across the government. The importance of aligning specific initiatives with broader national HR policies can be explored through strategic human resource management literature. A reference point could be "Strategic Human Resource Management" by Cameron and Quinn [21], which discusses how HR strategies integrate with organizational goals.

**Learning and adaptation from past reforms:** Drawing on the experiences of agencies involved in the GTP, the implementation of MyPerformance can benefit from lessons learned during previous

public-sector reforms, thereby increasing the chances of successful adoption and meaningful impact. Insights into learning from past reforms can be drawn from the field of organizational learning and change management. “Diagnosing and Changing Organizational Culture” [22] offers a perspective on how organizations assess their cultures and implement changes based on past experiences.

The collaborative effort of these agencies and stakeholders underscores the multifaceted approach required to implement and sustain the MyPerformance system effectively. By leveraging the strengths and expertise of each party, Malaysia’s public sector can anticipate a transformation in performance management that is both impactful and aligned with the country’s broader objectives for public service excellence.

## **Challenges and Limitations**

In examining the implementation of the MyPerformance system within Malaysia’s public sector, it becomes apparent that while the system harbors the potential to significantly enhance the efficiency, transparency, and accountability of performance management, it is not without its challenges. This section delves into the critical challenges and limitations encountered during the deployment of the MyPerformance system, drawing upon real-world examples to highlight the impact of these issues and suggesting potential strategies for their mitigation.

### **Equitable Access and Digital Divide**

A significant hurdle in the implementation of the MyPerformance system is ensuring equitable access across all levels of the public sector. The digital divide, characterized by disparities in digital literacy and access to technology, poses a formidable challenge, which is particularly evident in the contrasting technological landscapes of urban and rural Malaysia. For instance, the Malaysian Digital Economy Corporation (MDEC) has reported significant gaps in digital infrastructure and literacy among these areas [23]. Such disparities hinder the effective utilization of the MyPerformance system by public-sector employees in less developed regions, thereby impacting their professional growth and the fairness of performance evaluations. The digital divide underscores the necessity for targeted interventions aimed at enhancing digital literacy and infrastructure toward fostering a more inclusive environment for the MyPerformance system.

### **Resistance to Change**

Another pervasive challenge is the resistance to change encountered with the introduction of the MyPerformance system. Documented instances across various sectors, such as the National Health Service (NHS) in the UK, demonstrate that the adoption of digital systems can be met with skepticism and reluctance, primarily due to unfamiliarity and apprehension of increased workload. In Malaysia, similar resistance may be attributed to a lack of understanding of the system’s benefits and apprehensions about transitioning from traditional methods. This resistance hampers the system’s implementation and effectiveness, highlighting the importance of comprehensive training, effective communication, and stakeholder engagement in facilitating a smooth transition to digital performance management systems.

### **Adaptation to Complex Roles**

The diverse spectrum of roles within Malaysia’s public sector further complicates the implementation of the MyPerformance system. The system’s architecture may struggle to accommodate the intricacies and unique demands of various job positions, from administrative roles to specialized technical functions. This lack of adaptability can lead to dissatisfaction among employees who feel

their contributions and challenges are not accurately recognized or evaluated within the system. To address this, the MyPerformance system must incorporate a degree of flexibility, allowing for customization to suit different roles and functions. Engaging directly with employees to gather feedback and refine the system accordingly is crucial in ensuring its relevance and effectiveness across the broad spectrum of public service roles.

The challenges faced by the MyPerformance system in Malaysia's public sector, ranging from equitable access and resistance to change, to adaptation to complex roles, highlight the multifaceted nature of implementing a comprehensive performance management system. To overcome these challenges, a concerted effort involving the enhancement of digital infrastructure, comprehensive change management strategies, and customization of the system to accommodate diverse job functions is essential. By addressing these issues, the MyPerformance system can more effectively fulfill its intended purpose, thus contributing to a public sector that is not only more efficient and transparent but also more equitable and responsive to the needs of its employees.

## Recommendations and Conclusion

The MyPerformance system represents a significant advancement in the approach to performance management within Malaysia's public sector. With its focus on fairness, transparency, objectivity, and continuous improvement, the system is poised to enhance the civil service's efficiency and effectiveness. By leveraging its comprehensive features and online platform, the MyPerformance system seeks to empower employees and departments, promoting a culture of engagement, accountability, and continuous learning. However, for the MyPerformance system to fully realize its potential and overcome existing challenges, several recommendations are offered:

### Accessibility Enhancement

**Strategic approach:** To enhance accessibility, the MyPerformance system should adopt a multi-channel delivery approach. This includes the development of a mobile application and offline capabilities, ensuring that employees without constant internet access can still participate. For instance, similar to India's Digital India initiative, which focuses on increasing digital inclusivity, Malaysia can prioritize improving internet infrastructure in rural areas and providing affordable or subsidized access to digital devices for public-sector employees.

**Implementation:** Pilot projects in select departments or regions with varying levels of digital infrastructure can help identify specific challenges and solutions before a full-scale rollout. Additionally, partnerships with tech companies could facilitate the development of low-bandwidth versions of the MyPerformance system, ensuring functionality across different technology levels.

### Training and Awareness

**Strategic approach:** Implement a tiered training program that caters to different levels of digital literacy among employees. This could include online tutorials, interactive webinars, and face-to-face workshops. Drawing inspiration from Singapore's SkillsFuture initiative, Malaysia could offer digital skills courses specifically designed for public sector employees, emphasizing the practical use of the MyPerformance system in their daily work.

**Implementation:** Establish a network of MyPerformance champions within each department, who are well-versed in the system and can provide peer support. This approach fosters a sense of ownership and encourages a culture of help and collaboration among employees.

### Consistent Implementation

**Strategic approach:** Develop a centralized framework for the MyPerformance system's implementation, which includes standardized performance indicators applicable across departments while allowing for role-specific adaptations. This mirrors the approach taken by the Australian Public Service Commission, which provides a common framework for performance management that departments can customize as needed.

**Implementation:** Regular interdepartmental meetings should be conducted to share best practices and challenges, facilitating a consistent implementation approach. Furthermore, leveraging project management software can help track the system's deployment across different departments, ensuring adherence to the standardized framework.

### Feedback Mechanisms

**Strategic approach:** Integrate a robust, user-friendly feedback mechanism within the MyPerformance system, allowing for anonymous submissions to encourage honest and constructive feedback. This could be modeled after the UK's Civil Service's "People Survey," which gathers feedback on various aspects of working in the public service, including the effectiveness of performance management processes.

**Implementation:** Use data analytics tools to analyze feedback trends and identify areas for improvement. Regularly publishing feedback summaries and actions taken in response can demonstrate commitment to continuous improvement and transparency.

### Engagement and Participation

**Strategic approach:** Implement a comprehensive engagement strategy that includes regular, transparent communication about the goals, benefits, and successes of the MyPerformance system. Encouraging a participatory approach in the system's ongoing development can increase buy-in. For example, the Finnish public sector's co-creation workshops for digital services development offer a model for involving users in the design and refinement process.

**Implementation:** Establish regular forums, both online and in-person, where employees can share their experiences, suggest improvements, and learn from each other. Recognizing and rewarding departments or individuals who exemplify effective use of the MyPerformance system can also motivate participation and engagement.

As the public sector continues to evolve, the MyPerformance system stands as a transformative tool, signaling Malaysia's commitment to harnessing the potential of its human resources. By offering a platform for transparent, objective, and competency-based performance assessments, the system not only encourages employees to enhance their skills but also contributes significantly to the efficiency and effectiveness of public service delivery. Through the implementation of the recommended strategies, the MyPerformance system can better navigate the challenges it faces, optimizing its impact and paving the way for a more dynamic and effective public sector in Malaysia.

### Research Implications

The exploration of Malaysia's MyPerformance system offers valuable insights for future research on public-sector performance management. This study lays the groundwork for investigating the long-term impacts of the system, analyzing its influence on organizational culture, employee

development, and overall service quality. As this system will be implemented in 2024, it may need further research to delve into the efficacy of recommendations proposed here, for providing a comprehensive understanding of how these measures contribute to sustained improvements in the public sector's performance management practices.

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# PAKISTAN

## Political and Administrative Context of Pakistan

Pakistan's history as an independent nation began on 14 August 1947, following the partition of the Indian subcontinent. This momentous event marked the end of British colonial rule and the birth of Pakistan as an independent State.

Pakistan is a federal parliamentary republic, and administratively consists of four federating units/provinces (Baluchistan, Khyber Pakhtunkhwa, Punjab, and Sindh); two autonomous territories (Azad Jammu and Kashmir, and Gilgit-Baltistan); and one federal territory (Islamabad Capital Territory). Each province has its assembly and government, and they are administratively further divided into divisions and districts. The government is composed of three branches: executive, legislature, and judiciary. The Federal Legislature consists of the National Assembly and the Senate. The Prime Minister (PM) heads the executive branch, with the power vested in the Federal Cabinet that works along with the Parliament. The Federal Cabinet includes the PM secretariat, the cabinet division, and the establishment division. The latter two divisions report directly to the PM's Office, while the organizations working under the ministries report to their respective portfolio ministries, which in turn report to the PM's Office. The organizations working under ministries are divided into various categories depending on their legal and functional status, such as attached departments, autonomous bodies, and state companies [1].

Provinces, territories, and local governments comprise the administrative structure, with resource distribution managed through the National Finance Commission (NFC). The 1973 Constitution outlines principles of governance, fundamental rights, and power distribution between federal and provincial governments. Over time, amendments in the Constitution reflect Pakistan's evolving needs and political landscape. Despite challenges, the 1973 Constitution remains the central legal framework for governance.

## Historical Background of Performance Management

Pakistan's performance management history is intricately intertwined with the country's political and administrative context. Pakistan's early years grappled with formidable challenges, including a shortage of trained human resources and a fragile economic foundation. However, under the leadership of Quaid-i-Azam Muhammad Ali Jinnah, the founder of Pakistan, the nation adeptly tackled the issues.

The historical context of Pakistan's political and administrative history is crucial in shedding light on the nuances of its performance management landscape. Pakistan's history of performance management can be divided into the following distinct eras:

- (1) Pakistan's early years were characterized by the private sector's dominance and efforts to consolidate the public sector. Institutions inherited from the British colonial rule, including the military, the civil service, and the judiciary, faced challenges adapting to democratic



aspirations [2]. Limited legislative oversight led to concentration of power in civil and military services, thereby hindering democratic growth [3]. Industrialization efforts in the 1960s, focusing on sectors like insurance and banking, marked the beginning of a new economic landscape [4]. Reforms, such as the Munir-Kiyani Report in 1954 and the Cornelius Pay Services and Reform Commission in 1962, laid the groundwork for performance management changes.

- (2) The 1970s marked a significant era in Pakistan's history of performance management, defined by a radical shift toward nationalization and the subsequent dominance of the public sector. The era brought about a fundamental transformation in Pakistan's economic policy and governance. This shift toward public sector dominance was exemplified by the government's decision to implement a comprehensive nationalization policy aimed at expanding the role of the public sector in the country's economy [4, 5]. Further, the Administrative Reforms Committee in 1973 brought about fundamental changes, abolishing key posts in the Civil Service of Pakistan and introducing unified service structures accommodating various occupational groups [6].
- (3) The era spanning the 1980s and 1990s represented a pivotal period characterized by significant governance reforms and a strategic shift toward liberalization, deregulation, and privatization, setting the stage for a transformed public sector. This reform period was driven by the desire to modernize the public sector, which had undergone significant disruptions during the nationalization policies of the 1970s. The Industrial Policy Statement in 1984 aimed to balance the public and private sectors, emphasizing a mixed and market-oriented economic model [7]. Privatization, regulatory bodies, and public-private partnerships were introduced to reduce the government size, promote efficiency, and alter its role. Despite these objectives, challenges emerged due to political transitions and military interventions. In the 1990s, an effort was made to improve efficiency by privatizing public services. This endeavor led to the creation of independent bodies and agencies, catalyzing a transformation of traditional hierarchical public structures into network-based governance models in various sectors [8].
- (4) The post-2000 period marked a phase of extensive privatization and comprehensive public sector reforms [9]. The legal framework protected private enterprise, and privatization efforts evolved through distinct phases. The 18th Constitutional Amendment in 2010 reduced the President's powers, granting more autonomy to provinces. Performance management reforms included the abolition of the executive magistracy and replacing the Police Act of 1861 with the Police Order of 2002. After its establishment in 2006, the National Commission for Government Reforms (NCGR) was assigned to assess and provide suggestions on enhancing the efficiency of the government, its institutions, and infrastructure to address the social, economic, and political challenges confronting Pakistan in the 21st century [10]. The successive civilian government took several civil service reform initiatives. The Ministry of Planning, Development, and Reform expanded its role, incorporating comprehensive reforms, including introducing a performance management system (PMS) and formulating performance contracts for key ministries in 2015 [11]. Subsequently, two task forces, "Civil Service Reform" and "Government Restructuring and Austerity," were established in 2018 to enhance efficiency and align public service with emerging needs [12].



## Performance Management Reform Processes and Initiatives

Performance management, characterized as a management style, revolves around setting and achieving goals through a comprehensive planning-and-control cycle. It encompasses a range of activities, tools, and mechanisms designed to measure and evaluate results for continual performance improvement. This management approach involves establishing and attaining goals within a planned delivery cycle, moving beyond focusing on government performance inputs (human and non-human resources) to concentrating on the outcomes and ultimate benefits for citizens. Both output and outcome orientation are integral to the planning and implementation of projects. The practice includes designing and implementing activities, tools, and feedback mechanisms to continually measure progress toward targets and offer timely information on obstacles to achieving set objectives [13].

Over the past two decades, performance management in the public sector has gained widespread recognition as a strategy for enhancing government efficiency and effectiveness in delivering services to citizens. During this period, public sector organizations have increasingly adopted management practices from the private sector. The compelling argument of achieving more with fewer resources and inspiring New Public Management (NPM) reforms introduced the imperative for explicit standards and performance measures [14].

The historical trajectory of Pakistan's performance management and public service reforms is intricately woven into the country's evolving political landscape, administrative priorities, and governance structures. These reforms and initiatives have played a pivotal role in shaping the governance paradigms of the nation. In recent years, Pakistan has embarked on comprehensive reforms to modernize various governance and public service sectors. These reform initiatives signify the government's commitment to enhancing efficiency, transparency, and effectiveness in its operations. These reforms cover various areas vital to the country's development and stability, from economic restructuring to regulatory adjustments. This discussion will delve into some of these critical reform processes that are shaping Pakistan's future.

The public sector reforms/initiatives have been studied qualitatively using document analysis tools. The primary data sources include government publications, mainly annual plans published by the Ministry of Planning, Development, and Special Initiative (MoPD&SI). These documents are publicly available on the ministry's official website. Annual plans provide not only the details about government initiatives but also performance reviews of the previous years. Other documents, such as task force and commission reports, were also consulted. After systematically examining these materials, the study has grouped governance reforms to enhance public sector performance into the following clusters.

### Modernizing Government: Embracing Reforms and Innovation

The Government of Pakistan (GoP) acknowledges institutional reform and the modernization of the public sector as integral components of its development and growth framework. In collaboration with the UNDP, the MoPDS&SI initiated the Reforms and Innovation project to realize the public sector's vision of enhancing efficiency, effectiveness, transparency, and accountability through institutional change and robust performance management. This initiative involves various governance reforms and innovative measures for federal government organizations [15].

To facilitate, promote, and implement innovations and reforms in the public sector, an institutional reform group was established. Additionally, a performance management delivery unit (PMDU) was instituted in the PM's Office to monitor the performance of public sector institutions [16]. The

significance of training evaluation reports (TERs) in performance evaluation reports (PERs) of government servants increased from 15% to 35% [15, 17]. The initiation of the first-ever citizen satisfaction survey on public service quality, coupled with the formulation and execution of performance contracts for ministries and divisions further exemplifies Pakistan's commitment to a holistic approach to high-performance governance. Performance contracts based on individual and organizational key performance indicators (KPIs) of ministries and divisions were prepared and executed [18].

Apart from the above-mentioned project, the government has embarked on groundbreaking reforms in the justice sector, exemplified by the Capacity Enhancement of Legal Wings and Central Law Officers project. This initiative includes the implementation of a case assignment and monitoring system and a knowledge management system [19]. Aligned with the overarching goal of fostering good governance and institutional efficiency, the Law and Justice Commission of Pakistan, in collaboration with the National Judicial Policy Making Committee (NJPMC) and the National Judicial Automation Committee (NJAC), has introduced the National Judicial Automation Unit (NJAU). This centralized unit automates judicial processes, introducing efficiency, transparency, and accountability. These initiatives underscore Pakistan's commitment to cultivating a more effective and accessible justice system.

In parallel, Pakistan's Federal Board of Revenue (FBR) has spearheaded initiatives to stimulate economic growth and streamline taxation processes. These endeavors target enhancements in service delivery, resource mobilization, tax-to-GDP ratio, and overall public sector management efficiency. Noteworthy establishments such as the Integrity and Performance Management Unit (IPMU) and Performance Management Cell (PMC) have been instituted to address corruption-related complaints and assess performance [20]. The progress in enhancing Pakistan's financial management aligns closely with public sector performance management principles. The passage of the Public Financial Management (PFM) Act 2019 by the Parliament has triggered comprehensive actions to ensure the effective implementation of the law [20, 21].

### **Civil Service Reforms: Building a High-performance Public Service**

A robust and impartial civil service is the cornerstone of effective governance in any nation. Countries needing an organized civil service system often face a relative disadvantage when implementing their policies and programs. Pakistan has undergone significant structural changes within its civil service, with major reforms introduced in 1973 and after 2000.

The Devolution Plan 2000, prepared by the National Reconstruction Bureau (NRB) and enshrined in the Local Government Ordinances of 2001 and the police reforms incorporated in the Police Ordinance of 2002 as well as subsequent amendments, marked substantial reforms in Pakistan. These changes, the most extensive since 1973, eliminated key administrative positions such as Commissioner, Deputy Commissioner, and Assistant Commissioner. The powers traditionally held by these officers were transferred to elected Nazims at the district, tehsil, and union levels. Additionally, the executive magisterial powers previously held by the Deputy Commissioner were revoked, shifting administrative reporting relationships to the District Nazim [17].

The NCGR was established in 2006 to assess and suggest public sector reforms and revamp civil services in Pakistan. The Commission, following two years of deliberations, generated a comprehensive report in 2008 that encompasses the restructuring of the government (at both federal and provincial levels); the reinforcement of district governments; the reorganization of civil services; and the overhaul of human resource management policies and practices as well as

the reengineering of business processes [10]. The aim was to enhance efficiency and effectiveness in the public sector [22]. In restructuring the civil services in Pakistan, there would be four main service categories: all Pakistan, federal, provincial, and district. A key recommendation is to implement a quantifiable PMS to replace the current system. This new system will prioritize officers based on their seniority, assigning weights to various factors for promotion. The PERs will carry the most significant weight at 70%, followed by TERs at 15%, and evaluation by the Central Selection Board (CSB) at another 15%. This approach aims to introduce a more objective and measurable criterion for evaluating and promoting officers within the organization [17].

The Ministry of Planning, Development, and Reform introduced the performance management system in Pakistan, notably the formulation of Performance Contracts for key ministries in 2015<sup>1</sup>. Subsequently, two task forces, namely “Civil Service Reform” and “Government Restructuring and Austerity,” were established in 2018. At the federal level, these task forces have formulated recommendations covering areas such as induction, training, security of tenure, selection processes for chief executives of autonomous bodies, promotion criteria revision, rules for forced retirement, revitalization of the Secretaries Committee, performance contracting, E-governance roadmap, public financial management, delegation of financial powers, and the reorganization of 441 federal government organizational entities [12, 20, 21].

In its 17 September 2019 meeting, the Cabinet endorsed the recommendations of the Task Force on Civil Service Reforms, which included implementing performance contracts between the PM and each minister, outlining specific goals. Officers’ performance within a ministry would align with these contracts. These agreements would outline major goals for the year and mutually agreed-upon KPIs. Subsequently, these indicators would serve as the basis for evaluating the performance of each ministry. Performance evaluation would be based on agreed-upon objectives, with measurable indicators determining goal achievement. The evaluation distribution includes 20% outstanding, 30% very good, 30% good, 10% average, and 10% below average. Outstanding performers receive double the annual merit increase, while those below average receive none. In government housing allocation, priority will be given to the top 20% [17].

Prioritizing comprehensive civil service reforms is essential for ensuring economic security and rule-based governance in the nation.

## Current Approaches to Performance Management

In Pakistan, the contemporary governance landscape is undergoing a transformative shift, marked by the adoption of innovative approaches to performance management. Some of the popular approaches to performance management introduced in the public sector are listed in Table 1:

**TABLE 1**

**PERFORMANCE MANAGEMENT APPROACHES.**

Approaches	Description
Performance evaluation reports	Traditional annual confidential reports (ACRs) are now transformed into PERs. These reports aid in selections for training, appointments/transfers, promotions, confirmations, or screening of government officials [23].

(Continued on next page)

<sup>1</sup> For details, see section, “Performance Contracting with Ministries in Pakistan.”

(Continued from the previous page)

Approaches	Description
Performance-based budgeting	In June 2021, the Ministry of Finance introduced a three-year medium-term performance-based budget to enhance budgeting effectiveness, improve accountability, optimize resource allocation, and align financial planning with strategic objectives [24].
Citizens Client Charter	The federal government introduced the Citizen Client Charter, initially implemented in the ICT to ensure an accountable, responsive, accessible, efficient, and effective public service [25].
Performance contracts	Performance contracts in Pakistan involve a systematic process, where ministries, under the guidance of ministers and secretaries, outline initiatives with specific objectives, as endorsed by the PM, serving as a roadmap for institutional evaluation [26]. Performance contracting was transformed into the strategic roadmap (SR) with a more focused governance approach [27].
Performance audit	The Auditor General of Pakistan (AGP), a constitutional body, is responsible for conducting an audit of the expenditures and receipts of the GoP. Performance auditing aims to promote economical, effective, and efficient governance and contribute to accountability and transparency in the public sector. Performance audit reports of government entities are presented to the Parliament [28].
Performance Management & Delivery Unit (PMDU)	The PM's PMDU was established in 2013 to promote citizen-centric and participatory governance. It provides robust nationwide complaints and grievance redressal mechanisms [16].
Performance-based remuneration	Performance-based Remuneration Committee was constituted to devise recommendations for incentivizing the civil service and emphasize incorporating organization-specific KPIs in PERs [29].
Project Monitoring & Evaluation System (PMES)	Monitoring and evaluation are conducted based on the concept of results-based management. This powerful public management tool, PMES, tracks progress, informs stakeholders, enhances accountability, and justifies budget requests within the broader government systems and policies framework. A web-based PMES software has been made functional in ministries [30,31].

**Source:** The author's compilation.

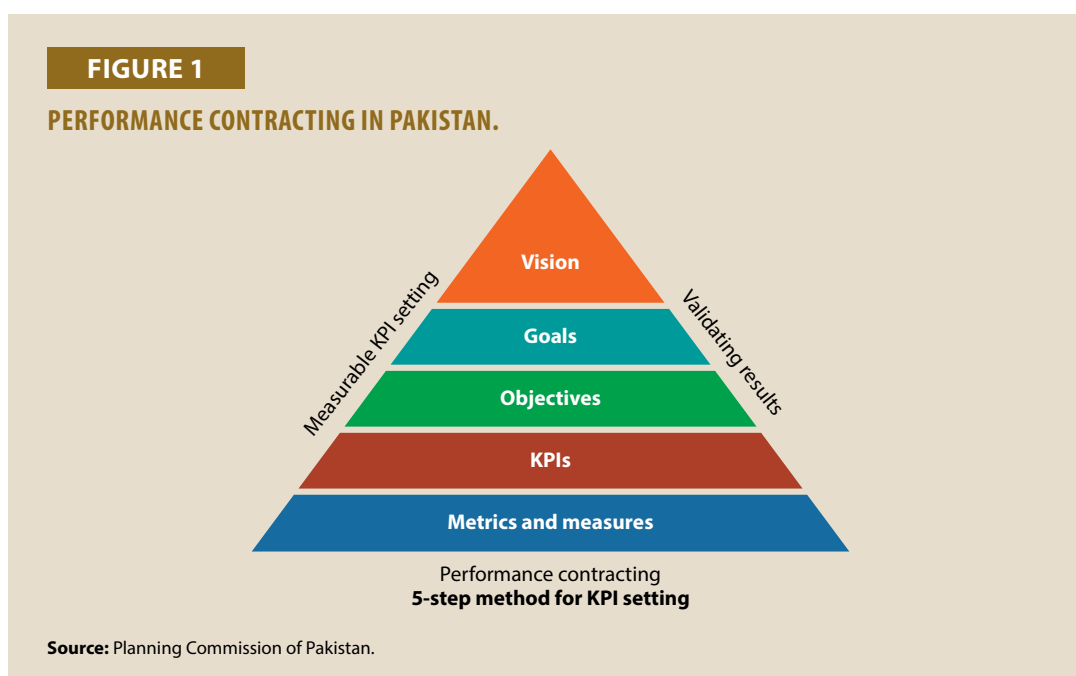
The most significant and novel performance management component is the performance contracts/agreements with the ministries. Performance contracting is a key tool in public sector reform [32]. It includes various managerial tools used to establish responsibilities and expectations among entities to achieve mutually agreed-upon outcomes [33]. In addition, it creates performance standards or measurable objectives that a government expects public officials or the management of public/state-owned agencies, ministries, or departments to achieve within a specific timeframe. Afterwards, performance can be evaluated based on these benchmarks or objectives [34].

Performance contracting aligns the goals of public service institutions with the government's objectives, thereby promoting effective performance management within the government. Additionally, it fosters performance evaluation by focusing on results-oriented approaches rather than strict adherence to bureaucratic rules and regulations [35]. It encourages the adoption of innovative management, surveillance, and control methods; and provides public service managers with operational and

managerial autonomy. It can potentially improve the effectiveness and efficiency of the public sector while ensuring accountability in the use of public funds [32]. Furthermore, it is seen as a way to improve public budgeting, streamline reporting, modernize public management, and enhance the efficiency of resource utilization and service delivery [36]. Performance contracting is known by different names in different countries, such as performance contracts, contract plans, contract de programme, letter of agreement, performance agreements (PAs), and memorandum of understanding [37].

### Performance Contracting with Ministries in Pakistan

To strengthen the performance of individual ministries, a pilot program involving ten ministries commenced in June 2014, led by the MoPD&SI in collaboration with the UNDP [27]. This initiative was part of the UNDP’s project “Reforms and Innovation in Government for High Performance,” aiming to enhance governance reforms, efficiency, effectiveness, transparency, and accountability in the public sector. Focused on achieving efficiency, effectiveness, and service quality results, the performance contracting outlined objectives at the start of the financial year, with specific performance thresholds tied to budgetary allocations. It assigned accountability, enhanced transparency, and provided a measurable basis for performance assessment (see Figure 1) [11].



Subsequently, performance contracting went through changes during successive governments. The UNDP refined the model into Performance Agreements (PAs), and it was piloted in 11 ministries in 2019. Based on feedback, the Establishment Division developed the final version of the PA tool in 2020 and implemented it across all 41 federal ministries.

Performance contracting in Pakistan was instituted with a straightforward process comprising three stages. In the first stage, ministries and divisions formulated their performance agreements and set targets, fostering internal evaluation for transparency and accountability. The second stage entailed a presentation of these agreements to a peer review committee (PRC) consisting of key government institutions for thorough review before final clearance by the PM’s Office. In the third stage, quarterly reviews of a ministry’s performance against the agreements occur, with a summary shared with the PM [38].

Involving 41 ministries, the initiatives were closely monitored, tracking 6,000 targets and over 1,700 inter-ministerial dependencies. The two-year agreement, extending until June 2023, aimed to elevate institutional performance and catalyze governance transformation in Pakistan [26, 39, 40].

The new coalition government in March 2022 adopted a modified approach by contextualizing certain aspects and principles of PAs in the form of a strategic roadmap (SR). The primary objective was to guide the country from an economic emergency, while focusing on organizing the federal government to fulfill commitments in two key areas: economic stabilization and energy security. Consequently, the number of participating ministries was reduced from 41 federal ministries to eight ministries specifically tasked with responsibilities related to the identified areas of economy and energy (including revenue mobilization, expenditures, exports, investments, power, petroleum, privatization, and social protection) [27].

Unlike the straightforward procedure of PAs, where each ministry outlines specific initiatives and objectives, the SR introduced a more focused and thematic approach. Under this new paradigm, selected ministries were organized into seven thematic areas, signifying a shift from a ministry-centric governance model to a thematic-centric one (see Table 2). While PAs emphasized evaluating institutional effectiveness by completing specified initiatives, the SR aligned ministries with overarching thematic priorities [41]. This transformation reflected an evolution in governance strategies, emphasizing a more targeted, cohesive, and goal-oriented approach to public sector performance management.

**TABLE 2**  
**THE STRATEGIC ROADMAP MODEL.**

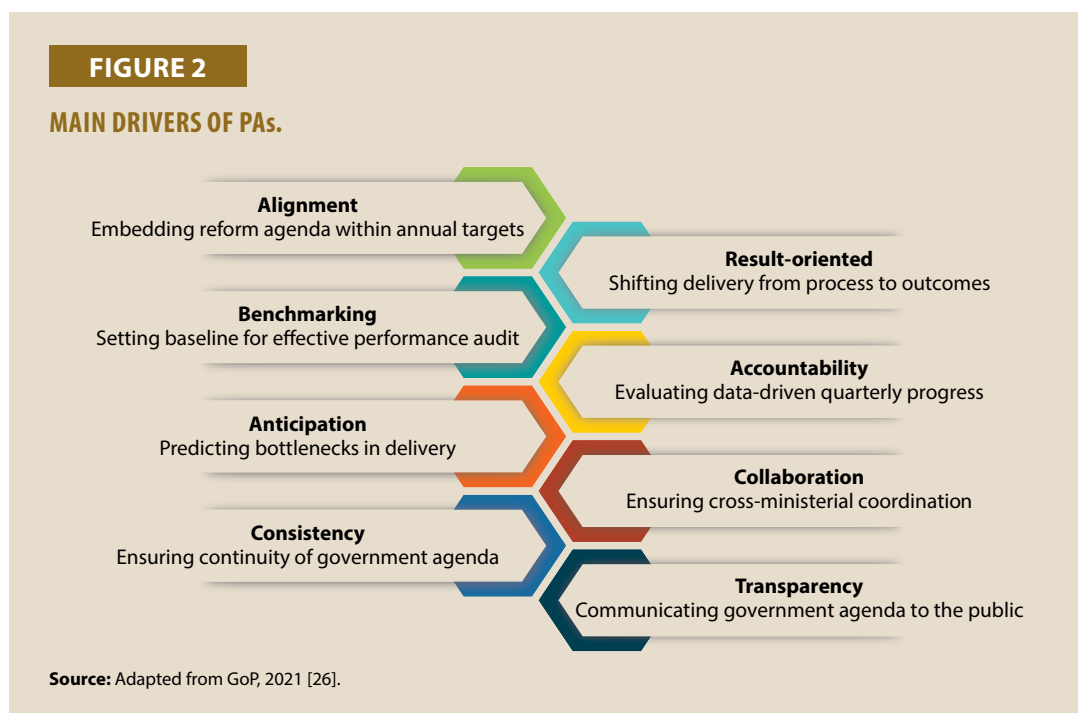
Thematic area	Focal ministry/division
Fiscal stabilization, including austerity measures and control of inflation	Finance Division
Revenue enhancement	FBR (Revenue) Finance Division (Non-Tax Revenue)
SOE reforms and privatization	Finance Division & Privatisation Division
Export enhancement	Commerce Division, Ministry of National Food Security & Research, Ministry of Industries & Production, Ministry of IT & Telecom
Foreign direct investment (FDI) promotion	Board of Revenue & Ministry of Foreign Affairs
Power and gas sector reforms	Ministries of Petroleum, Power & Water Resources
Social protection for the vulnerable stakeholders	Poverty Alleviation & Social Safety Division

The analysis of performance contracts/agreements and their transformation into a strategic roadmap has been conducted by integrating information obtained through document analysis and key informant interviews.

*Drivers and Motivators*

The adoption of performance contracting in Pakistan is propelled by key drivers and motivators such as transparency, alignment, consistency, coordination, accountability, anticipation, benchmarking, and outcomes. These principles aim to embed reform agendas within annual targets, shift delivery from processes to outcomes, set baselines for effective performance audits, evaluate

data-driven quarterly progress, ensure cross-ministerial coordination, communicate the government’s agenda transparently to the public, predict bottlenecks in delivery, and benchmark success against predefined standards (see Figure 2).



Performance contracting is a strategic tool to address the highlighted issues and drive positive changes in public sector performance management.

In conclusion, the PA and its variant, the SR, underscore a commitment to advancing governance, accountability, and efficiency in the public sector. Performance agreements emphasize clear priorities, transparent evaluation, continuous improvement, and robust accountability mechanisms. On the other hand, the SR, driven by the imperative of economic stabilization and energy security, introduces flexibility and agility into governance processes. The SR simplifies performance management and decision-making, ensuring a focused approach to high-impact initiatives. Together, these approaches reflect a dynamic strategy aimed at steering the government toward improved outcomes while adapting to the evolving challenges and priorities faced by the nation.

#### KPIs and Measurements Involved

The PAs aim to achieve the following objectives: (1) set annual priorities aligning with the governmental priorities; (2) entrust the ministry with complete responsibility for implementing and delivering results following these annual priorities; and (3) establish an impartial and objective framework for assessing the ministry’s overall performance at the end of a fiscal year.

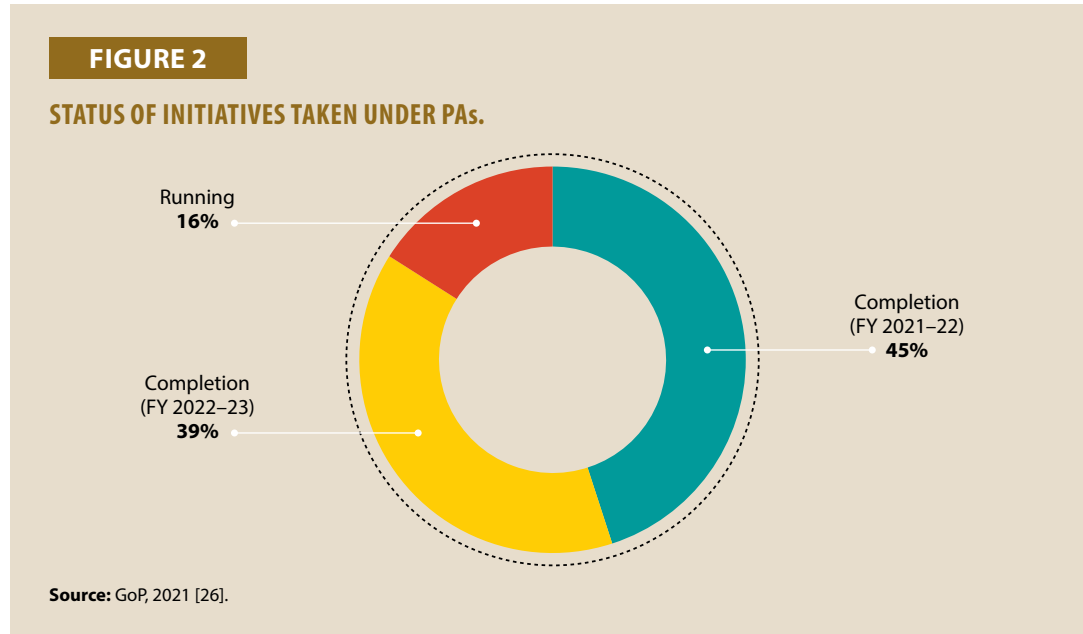
The PAs represent a critical accountability mechanism for introducing a performance-based culture at all levels of the government. Each selected ministry is given a particular rating based on the quarterly progress tracking.

In PAs, the ministries’ targets are primarily based on four categories of initiatives, including administrative and internal financial matters; critical initiatives under the Public Sector



Development Programme (PSDP); and key policy/reform initiatives. The ministries are required to furnish the status of their targets in their performance reports, including completed and partially completed targets, as well as initiated and pending targets [38].

Among 1,090 initiatives of 41 ministries spanning over two years of the agreement, 426 were to be completed by the FY2021–22 and 488 were to be completed by the FY2022–23, while 176 are running initiatives supplementing the overall delivery of ministries across the two years and beyond.



Roles and Responsibilities of Agencies in Designing and Managing Performance

In the context of PAs in Pakistan, the roles and responsibilities are likely distributed among various government agencies and bodies. These are outlined in Table 3.

**TABLE 3**  
**ROLES AND RESPONSIBILITIES OF STAKEHOLDERS OF PAs.**

Stakeholders	Roles	Responsibilities
Ministries and departments	Designing initiatives	Identify and design specific initiatives aligned with objectives and government priorities. Initiatives are finalized and signed off by the PM and the concerned minister, thus setting the agenda for the ministry.
	Setting targets	Establish measurable targets and objectives for each initiative, forming the basis of the performance contracts.
PRC	Analysis and review	Analyze and review work plans and initiatives proposed by different ministries.
	Rationalization	Rationalize and improve initiatives and targets, ensuring coherence and alignment with broader government goals.
PMO	Approval and oversight	Approve final performance contracts, provide high-level oversight and ensure alignment with the government’s agenda.

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Stakeholders	Roles	Responsibilities
National Information Technology Board (NITB)	Technology support	Support the development of an online portal for real-time updates, facilitating ministries and divisions in tracking and reporting progress.
Federal Cabinet	Endorsement and decision-making	Endorse the overall system and consider it adequate for tracking progress and facilitating interministerial matters.
Establishment Division/SAPM on Establishment	Implementation and coordination	Play a role in coordinating the implementation of the PMS, including running pilot programs and stress-testing content and processes.
Ministers and secretaries	Execution and monitoring	Execute initiatives within their respective ministries. Monitor progress, assess performance, and address challenges.
Public sector organizations	Execution of initiatives	Various public sector organizations directly implement and execute outlined plans depending on the nature of initiatives.

**Source:** Adapted from the GoP, 2021 [26].

It is important to note that the specific roles and responsibilities can vary based on the governance structure, policies, and the nature of initiatives outlined in the PAs.

The roles and responsibilities align with the micro, meso, and macro levels of governance. At the micro level, individuals within ministries and departments design initiatives, set targets, and execute plans, while monitoring progress and assessing performance. The meso level involves entities like the PRC responsible for reviewing, coordinating, and implementing initiatives based on their objectives. At the macro level, the PMO, NITB, Federal Cabinet, and Establishment Division are crucial in providing approvals, oversights, and coordination at the highest levels of governance. This multi-level approach ensures a comprehensive and coordinated implementation mechanism.

In the SR context, key stakeholders’ roles and responsibilities have undergone adjustments to align with the evolving governance framework. The focus has shifted to seven government priority areas under economic stabilization and energy security, with eight focal ministries tasked with coordinating with allied ministries and departments (see Table 2). Moreover, the decision-making process has also witnessed a shift, focusing on the increased involvement of the Special Assistant to the PM (SAPM) instead of the PRC. The SAPM now analyzes, reviews, and rationalizes work plans and initiatives proposed by different ministries, thus ensuring coherence and alignment with broader government goals. The PMO is crucial in providing approval and high-level oversight and ensuring alignment with the government’s agenda.

### Assessment and Analysis

The proactive approach taken by the government demonstrates a commitment to improving governance and service delivery. The public release of PAs adds a layer of transparency and accountability, allowing citizens to track the state’s performance. The emphasis on goal documentation is a positive step toward performance management, but challenges in ensuring performance-based accountability and linking sanctions or rewards to defined objectives remain [42]. Ongoing assessment and adaptation of strategies will be crucial for optimizing the impact of PAs or SR on Pakistan’s governance.

### SWOT Analysis of Performance Agreements in Pakistan

This SWOT analysis provides a comprehensive overview of the internal strengths and weaknesses and external opportunities and threats associated with implementing PAs in Pakistan.

Several strengths and weaknesses shape the landscape of PAs in Pakistan. The proactive governance exhibited through the implementation of PAs stands out as a strength, showcasing the government’s commitment to enhancing overall governance and service delivery. Transparency is another notable strength, as the public release of PAs fosters openness, enabling citizens to scrutinize and evaluate the government’s performance. Establishing coordination mechanisms, exemplified by initiatives like the PRC and the NITB online portal, indicates progress in fostering collaboration for effective governance.

However, challenges in accountability persist, with uncertainties surrounding the effective use of measured performance for accountability and a need for more explicit linkages between sanctions or rewards and defined objectives. Interorganizational management, especially the absence of well-defined strategies for collaboration between ministries and associated bodies, emerges as a potential weakness. Additionally, while emphasis is placed on goal documentation, strategic steps in achieving performance-based accountability need to be addressed more. PAs’ broader scope may create the space for political considerations in establishing new ministries or accommodating political partners.

Opportunities abound in this context, including the potential for enhanced citizen engagement through the public release of PAs, providing a platform for increased public participation in governance. Continuous improvement is another opportunity, as ongoing assessments and adaptive strategies can enhance performance agreement implementation. Capacity building within ministries and organizations represents a further opportunity, offering the potential for improved goal development and implementation capabilities.

However, several threats loom on the horizon. Resistance from autonomous bodies poses a significant challenge, potentially impeding the successful execution of PAs. Incomplete interministerial cooperation, particularly the failure to actively involve key actors from organizations in the PRC, may lead to resentment and hinder effective collaboration. Additionally, the absence of clear linkages between performance objectives and organizational sanctions or rewards threatens to diminish the overall effectiveness of the PA framework. The most significant threat that has always been posed to governance reforms pertains to political shifts and aligned strategic goals and policy priorities.

**TABLE 4**

#### SWOT ANALYSIS OF PAs.

Strengths	Weaknesses
Proactive governance	Accountability challenges
Transparency	Interorganizational management
Coordination mechanism	Limited focus on performance-based accountability
Opportunities	Threats
Enhanced citizen engagement	Resistance from autonomous bodies
Continuous improvement	Incomplete interministerial cooperation
Capacity building	Limited strategic linkages
	Political instability

The SR exhibits notable strengths in its focused approach, concentrating efforts on the pivotal sectors of economy and energy. This targeted strategy allows for a clear and directed initiative, emphasizing high-impact projects that directly benefit citizens. Its flexibility and adaptability allow experimentation and adjustments in response to changing circumstances. Regular monitoring through frequent reporting facilitates a close examination of progress for timely responses.

However, there are identifiable weaknesses. The roadmap’s narrow focus on specific sectors may overlook the contributions of other critical areas to overall governance and development, such as the emerging issue of climate change. The absence of a formal scoring mechanism limits the ability to assess quantitatively and rank ministries’ performances, while the lack of public ranking and bonuses may affect motivation and recognition.

Opportunities arise in the adaptability to changing priorities, allowing quick adjustments in response to evolving government needs. Enhanced citizen engagement is fostered through the public release of the roadmap, providing a platform for increased public participation in governance. Learning from ongoing assessments and adaptive strategies contributes to continual enhancement.

Despite these strengths and opportunities, the roadmap faces threats. Government priorities or leadership changes may threaten its continuity and sustainability. The absence of a comprehensive scoring mechanism limits the ability to evaluate its success, potentially impacting its overall effectiveness. Resistance from ministries accustomed to previous frameworks and potential implementation hurdles may pose challenges to its successful execution.

**TABLE 5**  
**SWOT ANALYSIS OF STRATEGIC ROADMAP.**

<b>Strengths</b>		<b>Weaknesses</b>	
Focused approach		Limited scope	
High-impact initiatives		Lack of scoring mechanism	
Flexibility and adaptability		No public ranking or bonus	
Regular monitoring			
<b>Opportunities</b>		<b>Threats</b>	
Adaptability to changing priorities		Political shifts	
Public engagement		Limited comprehensive evaluation	
Learning from experience		Potential resistance	

While both PAs and the SR share performance management principles, they differ operationally. The SWOT analyses in Table 5 highlight distinct characteristics. PAs excel in proactive governance and transparency, with established coordination mechanisms like the PRC. Challenges in accountability and interorganizational management indicate areas for improvement. On the other hand, the SR offers a focused and sector-specific approach. Its flexibility enhances dynamic performance management. However, the absence of a formal scoring mechanism and potential resistance from autonomous bodies pose threats. The roadmap’s limited scope may overlook contributions from other critical areas. Unlike PAs, it does not emphasize public ranking and bonuses for top performers.

## Conclusion

Pakistan's journey in performance management reflects a dynamic interplay between historical context, political transitions, and evolving governance paradigms. The nation has witnessed distinct eras marked by shifts in economic policies, governance structures, and public sector reforms. The comprehensive analysis of Pakistan's performance management initiatives reveals a commitment to enhancing efficiency, transparency, and effectiveness in governance. From historical shifts in economic policies to contemporary adoption of innovative performance management approaches, the trajectory underscores the continuous evolution of governance mechanisms.

The historical background sets the stage for an in-depth exploration of performance management reforms in various sectors. The reforms encompass the justice sector, tax administration, public financial management, government innovation, law and order, and civil services. These initiatives demonstrate a holistic approach to governance, addressing diverse aspects crucial for sustainable development and effective public service delivery.

The introduction of best performance management approaches, such as performance evaluation reports of officials, citizens' charters, performance-based budgeting, performance-based remuneration, and performance contracting/strategic roadmap, signifies the will of the subsequent governments to modernize the public sector. The emphasis on performance contracts with ministries represents a novel and proactive tool for aligning government objectives with institutional goals. This approach, rooted in global best practices, introduces measurable benchmarks and objectives, fostering a results-oriented culture. Adopting technology, such as online portals for real-time updates, enhances transparency and accountability. Its transformation into the SR signifies a more contextualized and focused governance approach.

However, the lack of a clear accountability framework, limited interorganizational coordination, and uncertainties in linking performance to rewards or sanctions need attention. The transition from PAs to SR introduces new challenges, such as political instability and inconsistencies in governance initiatives. However, at the same time, it signifies that governance is an evolutionary process.

## Recommendations

These recommendations offer strategic insights to optimize governance structures and drive continuous improvement in Pakistan's performance management:

- (1) **Establish a permanent reforms body:** Address the gap in continuity by creating a dedicated and permanent bureaucratic entity responsible for overseeing and driving reform initiatives. This entity should operate independently of political transitions, ensuring that reform efforts persist and are not subject to funding and operational disruptions.
- (2) **Transparency and inclusiveness:** Ensure transparency and inclusivity in the reform process to garner support from the existing government while maintaining adaptability to be acceptable to future administrations. This approach will enhance political buy-in and make reform efforts resilient across political transitions.
- (3) **Acknowledge and build upon previous work:** Recognize and leverage the contributions of hardworking professionals and public servants by incorporating past reform

recommendations into new initiatives. Implement, monitor, and evaluate previously suggested reforms to avoid redundancy and ensure that the lessons learned from prior experiences inform the design and execution of future reforms. This approach encourages a continuum of improvements rather than a cycle of reinventing solutions.

The above recommendations aim to address the identified gaps in ownership, political alignment, and continuity within the reform process, fostering a more sustainable and effective governance framework. Below are more specific reform recommendations on performance contracting in Pakistan:

- (1) **Strengthen interministerial collaboration:** The government should invest in detailed strategies for seamless collaboration between ministries and allied bodies. Improving coordination is crucial for the holistic success of performance management initiatives. Instead of SAPM, establish a collaborative body akin to the PRC to facilitate coordination and knowledge-sharing among ministries. A collective problem-solving culture to address challenges spanning multiple sectors should be promoted.
- (2) **Clarify linkages and accountability mechanisms:** The government should define linkages between performance objectives and sanctions or rewards, ensuring that measured performance is directly tied to accountability. Develop an explicit framework that aligns outcomes with accountability measures for ministries. Further, the KPIs in PERs are aligned with the performance contracting; subsequently, performance-based remuneration measures may be adopted to ensure a robust system of rewards and punishments. Further enhancing budgeting effectiveness and alignment with policy priorities, performance-based budgeting initiative may be aligned with performance contracting. A well-defined system will motivate achieving performance goals and ensure accountability.
- (3) **Prioritize continuous capacity-building programs:** Prioritize these programs for officials and ministries to enhance their goal development and implementation capabilities. Regularly measure and update the policy analytical capacity of officials, aligning that with organizational capacities for sustained improvement.
- (4) **Promote public engagement and communication:** Strengthen communication strategies to enhance public awareness of governance initiatives. Provide a platform for increased public participation under the citizen-centric governance approach, fostering transparency and accountability.
- (5) **Foster adaptive governance mechanisms:** Explore opportunities to introduce flexibility in implementing initiatives, as institutional adaptive governance mechanisms will allow for real-time adjustments based on changing circumstances.

These integrated policy recommendations aim to create a dynamic and responsive governance framework that builds upon the strengths of PAs while embracing the flexibility and focus introduced by the SR.

In conclusion, Pakistan's commitment to performance management is evident in its historical journey and contemporary initiatives. By addressing challenges and capitalizing on opportunities,

Pakistan can further optimize its governance structures, enhance public service delivery, and contribute to sustainable development.

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# THE PHILIPPINES

## Introduction

Performance management is a deep-rooted strategy to improve public sector productivity. It is widely held that the early productivity movement in the public sector emanated from a very basic concern to eliminate corruption and improve government performance. Performance management offered a process to promote goal alignment, increase the likelihood of spotting unproductive activities, quantify the efficiency and effectiveness of public activities, and obtain performance information for decision-making.

In the Philippines, performance management is extensively used to ensure achievement of desired outcomes and strengthen accountability of the public sector. The state issues laws and policies to hold the public sector accountable for their performance. Several performance management and evaluation systems existed in the past, but the performance of the public sector was adjudged mediocre. The results-based performance management system (PMS) instituted a decade ago has quietly arrested mediocrity and transformed the performance culture in the public sector toward results that matter to the ordinary citizens. Performance measurement has also shifted from the traditional accounting of inputs to measurement of outputs, program outcomes, and impact of public policies. Although there have been some gains, there is still work to be done to advance and futureproof the system.

## Political and Administrative Context

The Philippine political and administrative structure has built-in mechanism for performance checks. The Philippines is a vibrant democratic state and a republic with a presidential form of government. The power of the state is divided among three branches, namely, executive, legislative, and judiciary. The executive branch is headed by the President and the Vice President who are directly elected, with fixed six-year terms in the office. The President appoints the heads of the line departments, who comprise the Cabinet. The legislative branch, which has the power to make, alter, and rescind laws, consists of two chambers: the Senate comprising 24 senators with terms of six years and the House of Representatives formed of 316 district and party-list representatives with terms of three years. The judicial branch, comprising the Supreme Court headed by the Chief of Justice and the lower courts, has the power to resolve controversies involving rights that are legally demandable and enforceable [1].

The separation of powers enables a check and balance for the government. Being the implementer of public policies and programs, it is the executive branch that appears to be stronger in the eyes of the public. There are 25 departments (equivalent to ministries) with 126 attached agencies and 32 executive offices under the executive branch [2]. About 157 government-owned and controlled corporations (GOCC) [3]; 114 state universities and colleges (SUC) [2]; and over 500 water districts also belong to the public sector.

Governance is decentralized. For administrative purposes, the country is subdivided into 17 regions, including the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). Within

the context of regionalized government structure, national agencies maintain regional and field offices, except those whose functions were already devolved. At the subregional level, power resides with the local government comprising 82 provinces, which are further subdivided into 148 cities and 1,486 municipalities. The lowest political unit is the barangay, which are around 42,027 in total [4].

Since 1991, local governments have been given greater fiscal and administrative autonomy, and more recently, a significant increase in the share of internal revenue. However, the national government remains a major provider of public services. In order to accelerate economic and social transformation, public spending is substantially increasing. For instance, for fiscal year 2024, the Philippine Congress appropriated PHP5.767 trillion national budget, which is equivalent to 21.8% of the projected gross domestic product, a big proportion of which is allocated to personal services. Given the substantial resources at the disposal of the public sector, the Filipino people expect no less than the highest level of performance and public accountability. All in all, there are about 1,973,300 career and non-career civil servants [5]. Considering its size and scope, managing the performance of the Philippine public sector proves to be daunting and complex.

## Historical Background of Performance Management

A fundamental principle embodied in the Philippine Constitution is that public office is a public trust. It goes without saying that individuals who hold public office are accountable to the people. Accountability demands answerability of public officials for their decisions, actions, performance, as well as the results of public activities. The level of accountability can be categorized into five domains: policy, program, performance, process, legal, and probity [6]. Accordingly, policy accountability belongs to elected officials, i.e., the President, Vice-President, Congress, local chief executives, and councils. Program accountability resides with high-level officials, i.e., department secretaries and heads of agencies, who are answerable for the achievement of program outcomes and effectiveness. Performance accountability means responsibility for efficiency and economy in the execution of public programs, which belong to the implementing agencies and their delivery units that are normally headed by career service executives. Process accountability refers to the adequacy of procedures to implement and produce outputs, which is the responsibility of work units, i.e., the civil service. Probity and legal accountability mean compliance with laws, regulations, and established ethical standards, which is an obligation of everyone holding a public office.

With this purpose in mind, Philippine laws have instituted mechanisms to hold the public sector accountable for its performance. The Philippine Administrative Code mandates the heads of agencies to formulate an objective- and evidence-based system of measuring and evaluating the performance and submit annual accomplishment reports to the President of the Philippines for the purpose of monitoring efficiency and effectiveness and verifying the attainment of established goals. Performance evaluation encompasses qualitative and quantitative measures of performance and analysis of both the financial position and the results of operations, including standards and actual costs per unit of work [7]. The Local Government Code requires local government units to account their performance with respect to aspects such as socioeconomic, political, and peace and order through periodic reports to higher-level governments and their oversight departments [8]. The GOCC Governance Act mandates a reporting-and-evaluation system that requires periodic disclosure and review of operations as well as management of government-owned and controlled corporations, including their assets, revenues, expenditures, and other resources [9].

### Performance Management of the Public Sector and Its Organizations

Government agencies readily comply by submitting annual performance and financial reports to oversight bodies and by undergoing external audits periodically. The Department of Budget and Management (DBM) sees to it that budget allocation is linked with performance via performance budgeting. It has implemented many reforms in expenditure and management such as the use of a home-grown Organizational Performance Indicators Framework (OPIF) and the Program Expenditure Classification (PREXC) as will be discussed in the succeeding section of this chapter. At the macro level, macroeconomic indicators are used as the basis for setting up targets for governmental outcomes. Sectoral targets in the form of ‘results matrix’ are reflected in the development plans; and accomplishments are published through the socioeconomic reports prepared by the National Economic and Development Authority (NEDA), the country’s central planning agency. Moreover, all public-sector organizations are subjected to annual financial and performance monitoring and review by the Commission on Audit (COA), a constitutional body established for the purpose; and audit reports are made available to the general public.

The public sector has employed various tools and approaches to manage performance. Between the period 1980s to 1990s, management paradigms such as management by objectives, use of key performance indicators (KPIs), and performance contracting found extensive use at the organizational level. From the late 1990s to 2000s, the performance excellence framework patterned after the Malcolm Baldrige National Quality Award in the USA, use of balanced scorecard, and client surveys were brought into the public sector to provide a more comprehensive dimension to organizational management and performance measures. External evaluations and public opinion surveys conducted by independent outfits also became popular instruments to scrutinize public-sector performance. With the proliferation of performance management instruments and requirements, a presidential directive was issued in 2011 to harmonize the performance reporting, monitoring, and evaluation systems in the government and use them as bases for performance incentives of government employees.

Meanwhile, the GOCCs, while subject to the same accountability requirements, had a freer hand on the performance management approach they opted to employ. The development of a common performance management and evaluation system for government-owned or controlled corporations requiring, among other things, a negotiated performance agreement, is fairly recent, in line with the GOCC Governance Act legislated in 2010. A matching performance evaluation system was also put in place for heads and board of directors of government-owned or controlled corporations.

At the subnational level, a local governance performance management system was used by the Department of the Interior and Local Government (DILG) to assess the performance and determine the state of development of local government units using governance and development indicators. This system progressed from a simple Seal of Good Housekeeping tied to a Performance Challenge Fund in the 2010s to a recognition-based program called the Seal of Good Local Governance, which was instituted in 2019 with the enactment of Republic Act No. 1192.

### Individual Performance Evaluation

The Philippine Administrative Code likewise mandated the Civil Service Commission (CSC), the country’s central personnel agency, to establish a performance evaluation system based on the principle of performance-based security of tenure for the first and second levels of the entire career

service<sup>1</sup> [7]. Meanwhile, the Career Executive Service Board was given the task to set up a performance evaluation system for the third level of the career service [10].

The Civil Service Commission afforded autonomy to agencies to establish their respective performance evaluation system to improve individual performance and efficiency. The performance of individuals was appraised based on job performance or the actual accomplishment of outputs and job-related employee behavior. The guideline also encouraged appropriate recognitions for the contribution of individuals to the effectiveness and efficiency of their organizations through the Employee Suggestions and Incentives Awards System, which was later upgraded into the Program on Awards and Incentives for Service Excellence, a performance-based incentive awarded to employees who demonstrated exemplary behavior and innovative ideas [11, 12]. Enhancements were made to the system through the creation of performance evaluation review committee tasked to review employee performance targets and performance standards, determine the final ratings of employees, and oversee the implementation of the performance evaluation system [13]. A major change in performance evaluation was made by the Civil Service Commission in the mid-2000s with the introduction of the Performance Management System-Office Performance Evaluation System (PMS-OPES), and the development of the Strategic Performance Management System (SPMS) as will be discussed in succeeding section of this chapter.

The Career Executive Service Performance Evaluation System (CESPES) for the third level of the career service was developed in 1978. This performance evaluation system undertaken by the Career Executive Service Board gives credit and encouragement or remedial action for the performance of career service executives. Administrative Order No. 204 issued in 1990 provided the policy direction on the design and implementation of a performance contract system that served as the basis for the evaluation and appraisal of public officials occupying third-level positions [14].

## Performance Management Reform Processes and Initiatives

Even if the systems were in place, evaluators of public expenditure observed that performance management in the public sector was far from adequate. For instance, it was contended that while the Administrative Code emphasized the alignment of the national budget with the national development plans, the previous medium-term development plans were perceived as having limited value in terms of the government's sectoral plans and programs and not fully informed by resource constraints [15]. Moreover, government budgeting focused more on inputs such as personnel salaries, cost of equipment, and other resources, as well as on year-on-year incremental adjustments to existing budget allocations for programs, projects, and activities without consideration of the actual performance and results [15, 16]. Budget decisions were mainly anchored on the inputs needed to deliver public services and less on the efficiency and desired impact of programs, projects, and activities on the general public [17]. Thus, public funds were spread too thinly among programs, projects, and activities, which inevitably resulted in inefficient use of resources and made it difficult to see the real picture of government-wide performance and measure the impact of government programs [16, 17].

Learning from the performance movements in advance countries, the performance focus of the public sector gradually shifted from the traditional performance budgeting and accounting of inputs to the so-called second generation of performance budgeting that is oriented toward outputs and outcomes. Public expenditure reforms were introduced to promote results-based management and to achieve

<sup>1</sup> There are three levels in the career service. The first and second levels cover the professionals and supervisory positions. The third level refers to the career service executives and equivalent positions.

fiscal discipline, allocative efficiency, and operational efficiency in the public sector. As used in the public sector, fiscal discipline means “living within the means or resources available to the government.” Allocative efficiency is about “spending money on the right things or right priorities” while operational efficiency implies “obtaining the best value for the money or resources available” [17].

**Results-based Management Framework**

The planning, budgeting, and implementation of programs, as well as performance monitoring, evaluation, and reporting in the Philippine public sector is guided by a results-based management framework.

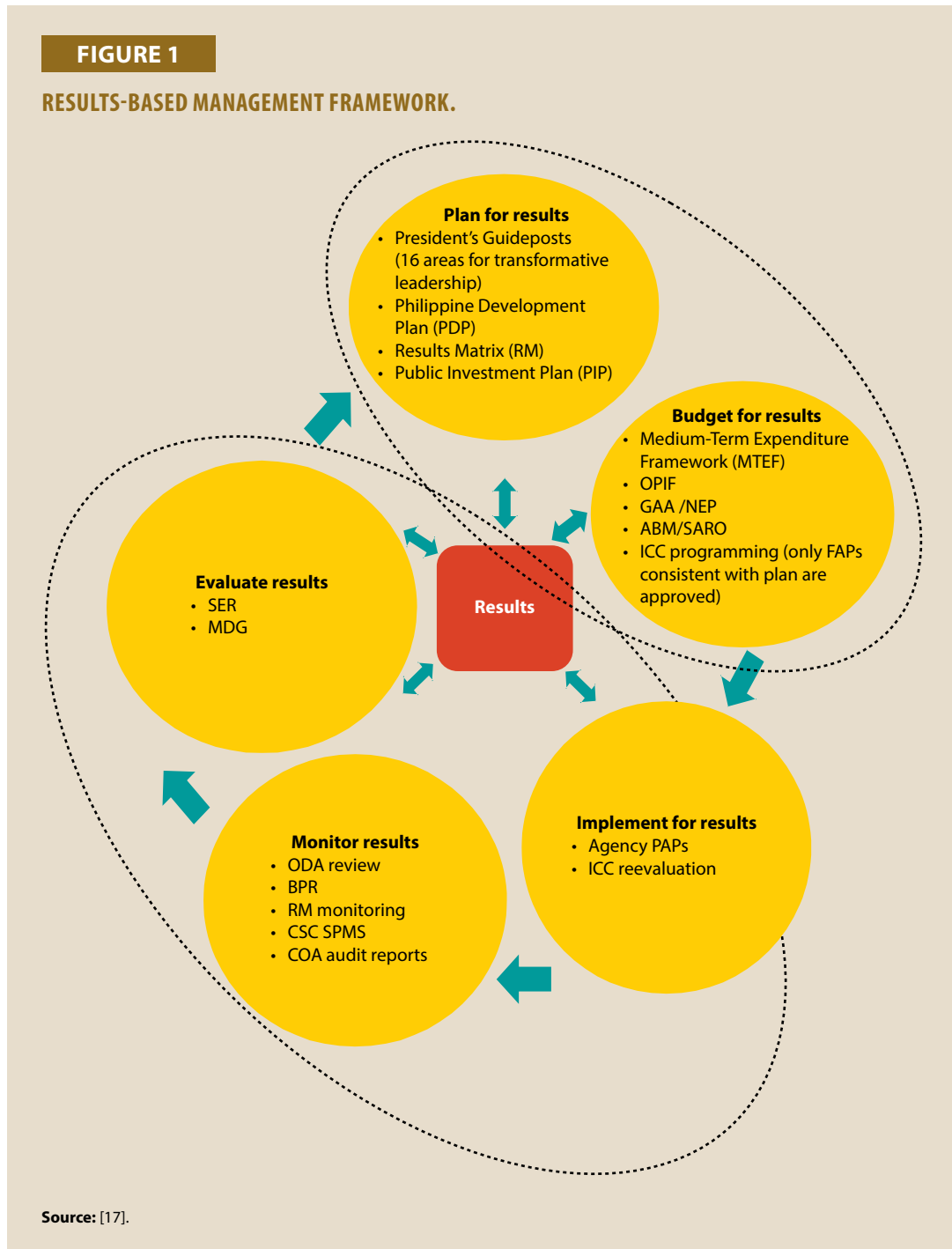


Figure 1 shows how the results-based management framework supports planning for results, budgeting for results, implementation for results, monitoring for results, and evaluation for results in the public sector. In formulating their plans, agencies are guided by the President's priorities; the Philippine Development Plan (PDP) and its Results Matrix (RM); and the Public Investment Plan (PIP). Major programs are identified and reviewed for their efficiency and effectiveness in supporting sectoral outcomes. The Medium-term Expenditure Framework (MTEF), a three-year rolling expenditure projection, supports budget formulation by linking the investment programming process with the annual budget call. In submitting budgets, agencies must show that the proposed programs and projects and corresponding budget estimates are aligned with their major final outputs/programs<sup>2</sup> and priorities of the government. Approved budgets are contained in the National Expenditure Program (NEP), which is presented to the Congress to secure spending authority.

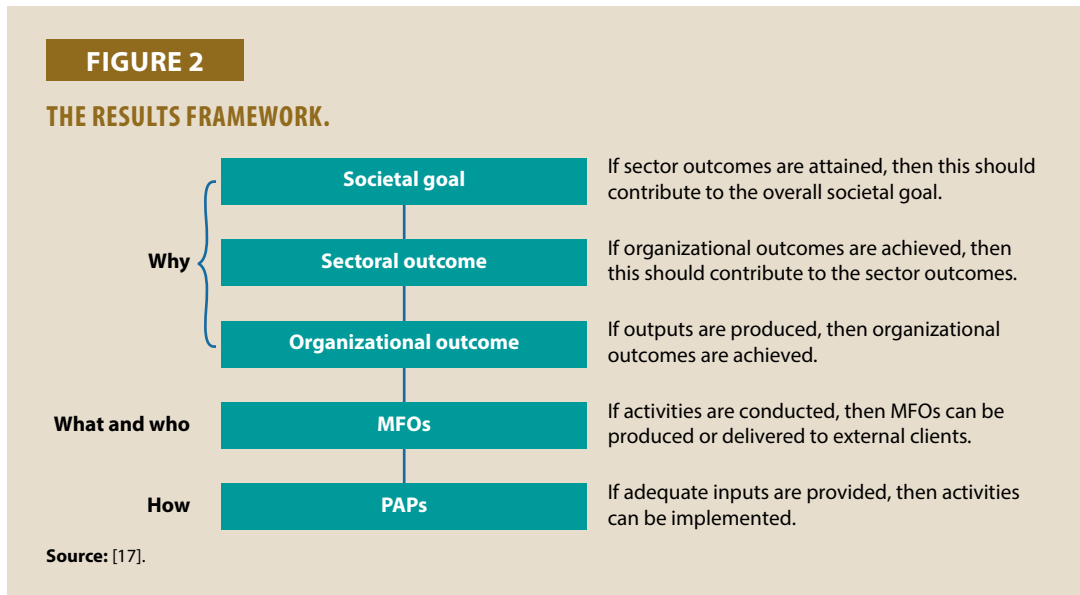
Once the General Appropriations Act (GAA) is passed, the budget is released to the agencies who are responsible for the execution of programs, projects, and activities to attain desired results. Results are monitored and evaluated using several review instruments. The Department of Budget and Management, for instance, conducts the Agency Performance Review, focusing on the performance of the agency in delivering programs by analyzing financial and physical performance data captured from financial accountability reports submitted to the DBM on a quarterly basis. At year-end, all financial and physical performance data are consolidated as a report to the President and Congress. Oversight agencies have their own monitoring and evaluation systems to track results. For instance, the NEDA monitors macroeconomic indicators and sectoral targets indicated in the Results Matrix. The Civil Service Commission monitors the compliance on the SPMS to assess individual performance. The Commission on Audit conducts financial and performance audit of agencies [17].

#### **Organizational Performance Indicators Framework**

A key pillar of the public expenditure management reform is the OPIF, a homegrown approach based on the experiences of other countries that have adopted results-based budgeting. The OPIF was formally introduced in 2000 through the budget preparation process. The OPIF sought to focus government budgeting on outputs and outcomes by linking public expenditures to measurable performance commitments and actual performance. At the national government level, the OPIF sought to strengthen alignment of all public activities to the sectoral outcomes and societal goals identified in the Philippine Development Plan and administration priorities. At the department level, the OPIF sought to shift the emphasis from mere implementation of funded activities to outputs that ought to be delivered to the public. At the delivery unit level, the OPIF sought to reorient and make managers accountable for developing plans and strategies to deliver outputs in the most cost-effective manner. At the individual level, the OPIF aimed to impress upon the employees how their activities and tasks contributed to the attainment of expected outputs and outcomes [16, 17].

The idea of OPIF began in 1998 but its implementation spanned administrations. In the initial phase, agencies were directed to determine their MFOs; organizational outcomes or short-to-medium-term benefits as a result of their MFOs; the sectoral outcomes or longer-term benefits of their programs; and ultimately, the impact to the society and the corresponding indicators to measure performance and inform their clients and the general public on what to expect in terms of output quantity, quality, timeliness, and cost [17]. The results chain as used in the OPIF is illustrated

<sup>2</sup> Note that the government has shifted from monitoring major final output to monitoring programs outcomes, hence focusing on PREXC indicators, in the preparation of the 2018 National Expenditure Program.



in Figure 2. The use of OPIF was piloted in 2007 with the publication of the OPIF Book of Outputs a year prior. In 2009, the OPIF was expanded to cover all the remaining national agencies [16]. The rollout of OPIF in 2009, however, was not without shortfalls and constraints. At that time, the MFO-based performance information and targets of agencies were not well-designed. Often, they were still based on inputs from agencies and had limited coverage outside of the agencies’ usual operations and other sources of funds. Organizational outcomes needed well-defined performance indicators and targets [17].

Further reforms were instituted in 2010s to transform the National Budget as the financial blueprint of the country’s development and to raise accountability, transparency, and citizen engagement in the process. In 2011, the MFOs and performance indicators, including the restructuring of the programs, projects, and activities were revisited and the application of the MTEF was intensified. Agencies were directed to use the Results Matrix of the Philippine Development Plan and recalibrate their OPIF-based budgets to ensure clear alignment of their activities with the MFOs and their mandates [16].

**Performance-informed Budgeting**

Performance-informed Budgeting was introduced in 2014 to integrate performance information, previously the OPIF Book of Outputs, into the National Expenditure Program. Performance-informed Budgeting was another paradigm shift for the public sector, as the budget allocation of agencies was now explicitly indicated side by side with their performance targets and commitments in terms of outputs and outcomes. Relatedly, transparency and citizen engagement were embedded in the budget process through the Transparency Seal, which required agencies to publish their budgets, performance targets, and accountability reports online, and the budget partnership agreements between agencies and the civil society [18]. To further enhance fiscal transparency and performance management, outcome-based performance-informed budgeting was adopted, in which the organizational outcome indicators were included and stipulated in the agency budget [16].

PREXC was introduced to further clarify how the line items of the programs, projects, and activities directly related to the achievement of MFOs. With the PREXC approach, agency budgets were restructured, replacing MFOs with programs and subsequently, subsuming and classifying all



related activities and projects under a set of major agency programs. The PREXC approach offered a clearer link between budgeting and planning through better articulation of how the government's strategies and investments led to the fulfillment of sectoral outcomes and broader societal goals. The PREXC was first tried in six national government agencies in 2014 before all agencies were directed to use it in preparing their budgets for the fiscal year 2018 [16].

To sharpen the result focus of the public sector, the NEDA and the DBM issued a joint circular in 2015 that prescribed the national evaluation policy framework, which would govern the evaluation of public programs and gather evidence whether policies, programs, and projects were achieving the intended results or not. In 2016, the DBM issued the policy framework for results-based monitoring, evaluation and reporting in order to strengthen, streamline, and standardize the system to support policy and program improvement, expenditure management, and decision-making. A bill to establish the national evaluation policy is pending with the Philippine Congress.

### **Strategic Performance Management**

Individual performance evaluation systems in the Philippine public sector have undergone several iterations and reforms, from the implementation of a performance rating scheme for all civil servants anchored on an accountability-based approach in the 1960s to a more comprehensive evaluation system for objectively measuring employee performance in 1993 and the multisource rating scheme in 1999 [19].

By mid-2000s, the Philippine bureaucracy shifted from the multisource rating scheme to performance management to heighten employee accountability [19, 20]. In 2007, a major change in performance evaluation was made with the introduction of the PMS-OPES. A unique component of the PMS-OPES was the use of points system known as the Output Reference Table to measure the collective performance of individuals within an operating unit. The PMS-OPES was rolled out in 2007–08 but its implementation was short-lived. Despite the good intentions to quantitatively measure performance, the PMS-OPES was perceived to be tedious and laborious.

This led the Civil Service Commission to conceive the SPMS. The SPMS was envisioned to strengthen the culture of performance and accountability within the public sector and address the gaps and weaknesses of the previous performance management and appraisal systems. This new appraisal system endeavored to tighten the link between employee performance with organizational performance and enhance the performance orientation of the compensation system. Performance commitments were set at the office, unit, and individual levels. The SPMS was officially introduced to the civil service in 2012 and implemented in the entire public sector by 2015 [21]. The CESPES for third level officials was also aligned with the SPMS.

### **Other Reform Initiatives**

Other reforms were advocated and instituted to push public performance toward excellence. Republic Act No. 9013 institutionalizing the Philippine Quality Award (PQA) was passed in 2001 to promote standards in organizational performance comparable with those of leading businesses abroad; have a national system for assessing quality and productivity performance; and recognize organizations including those who excelled in quality management and overall organizational performance. The application of the PQA performance excellence framework was voluntary. The use of balanced scorecard was also promoted through the installation and institutionalization of a balanced scorecard-based performance governance system in six selected agencies in 2009. A number of public organizations, especially GOCCs, embraced the Performance Governance

System. However, it was not adopted government-wide due to concerns of oversight agencies on consistency and suitability for the public sector. Several reforms targeted performance improvement of GOCCs, state universities and colleges, local government units, and local water districts in line with results-based performance management.

## Current Approach to Performance Management

What exists today as the unified framework to manage performance across the Philippine public sector is the Results-based Performance Management System (RBPMS) that is linked to the Performance-based Incentives System (PBIS). Introduced in 2011 and 2012, respectively, these performance management systems remain in effect under three government administrations. Naturally, there were system updates and enhancements to align with administrative thrusts and priorities.

### Drivers and Motivators

The current approach to performance management was a product of high-level discussions among government agencies with oversight functions. While putting in place a results-based planning, budgeting, and implementation of programs, it was observed that performance monitoring was somewhat fragmented; and reporting varied across departments, offices, and agencies due to various government agencies with oversight functions that monitored and evaluated the performance of government agencies. Further, deficiencies and duplications were noted in the performance monitoring systems and processes, which resulted in redundant data, reports in different formats, delayed submission, and inaccurate results, among others.

The key questions were: Which systems should be combined, linked, discontinued, or remain separate? How can the different reports, systems, and processes be integrated within a unified framework, thus ensuring that agencies are not overloaded? How can we ensure that data is shared across oversight agencies, without redundancy? How can we ensure that the data received is useful and can be evaluated while concurrently meeting the needs of the various oversight agencies?

Adding to these were concerns on the appropriateness of performance management frameworks adopted by agencies, the quality of performance indicators, misalignment of goals, sandbagging of targets, the practice of generous or inflated evaluation, and giving out of across-the-board incentives regardless of performance. At that time, there was also a clamor for salary increase since the compensation in the government was viewed uncompetitive.

Recognizing that performance monitoring, evaluation, information and reporting are essential components of an effective and efficient performance management system, the government issued Administrative Order No. 25 in 2011 to harmonize the existing performance monitoring and reporting requirements and establish a unified and integrated RBPMS across all agencies within the executive branch. It also incorporated a common set performance scorecard for creating accurate, accessible, and up-to-date government-wide, sectoral, and organizational performance information. The underlying objective was to coordinate the efforts of government agencies mandated to exercise broad oversight of public sector performance relative to the national agenda, their mandates, commitments, and targets as well as to ensure that the data requirements of the oversight agencies were met by the reports submitted by them. An Inter-Agency Task Force chaired by the DBM and co-chaired by the Office of the President, with the Development Academy of the Philippines as the secretariat and technical resource institution, was created through the same policy issuance [22].

As provided in Administrative Order No. 25, the RBPMS is to be used as basis for determining entitlement to performance-based allowances, incentives, or compensation of personnel in view of the transparency it will afford through the agency scorecard. Correspondingly, in 2012, the government issued Executive Order No. 80 to establish and implement a PBIS to motivate higher performance and greater accountability in the public sector and ensure the accomplishment of commitments and targets in support of the national leadership's priorities and the country's development plan. The Inter-Agency Task Force under Administrative Order No. 25 was also tasked to formulate the guidelines and to provide assistance in the identification of indicators and targets as well as implementation of a validation system for agency reports and accomplishments [23].

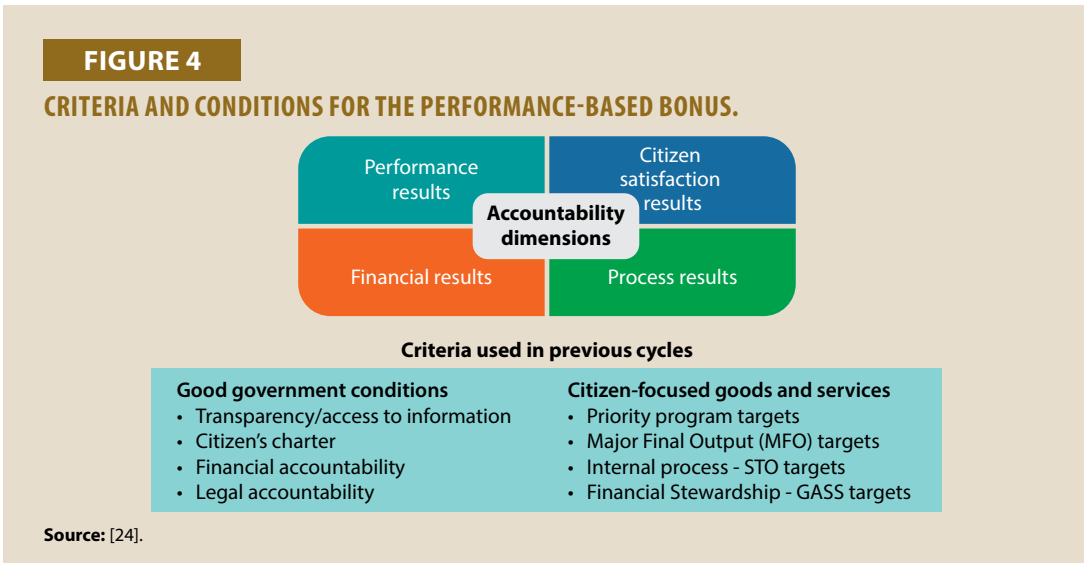
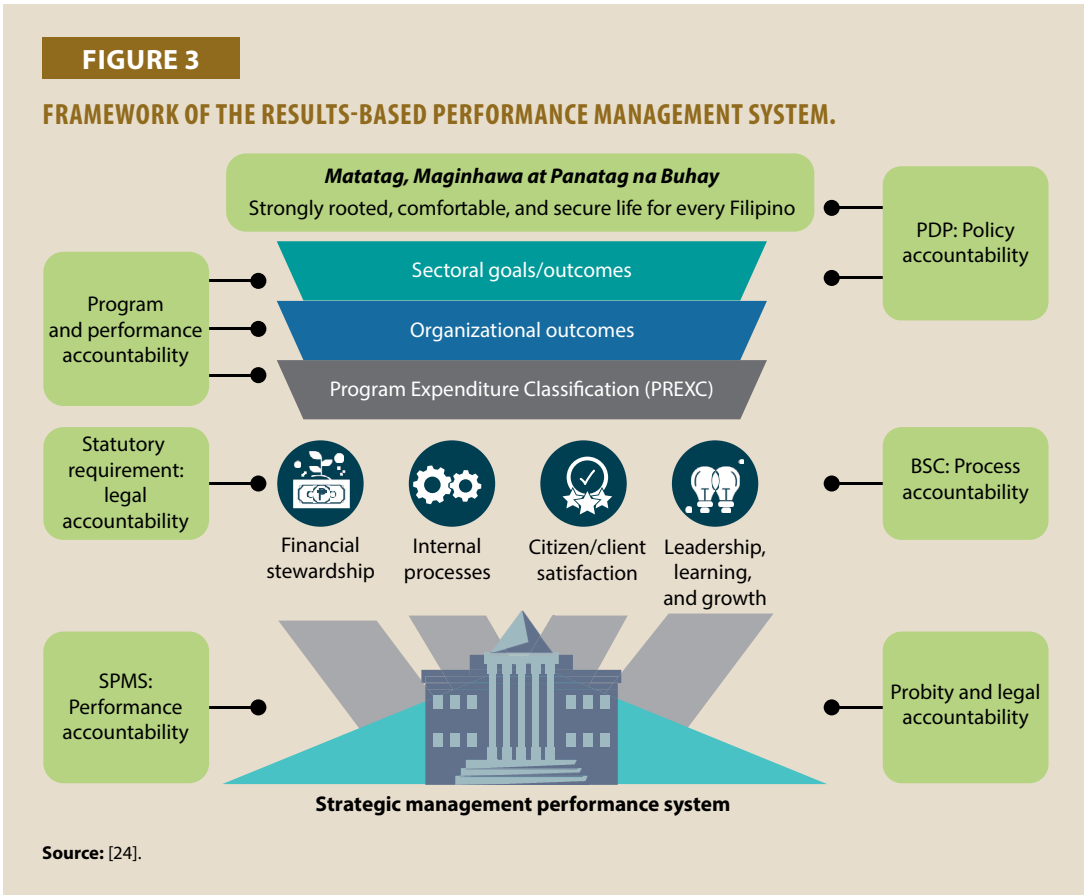
### **Key Features of the Current Approach**

Considering their relatively mature stage, the Results Matrix, which embodies the government's performance commitments, and the OPIF, which explicates the results chain, served as the underlying frameworks in putting together the RBPMS. The harmonization emphasized good governance in key agency functions and heightened focus on citizen-oriented outputs and results that mattered to citizens. Relevant accountability concepts and management models were incorporated in the system.

The RBPMS strengthened agency accountability with the use of strategic performance indicators and a common set of performance scorecard among government agencies. The balanced scorecard complemented the framework by introducing a process to develop performance scorecards from perspectives of citizens and clients, financial stewardship, internal process, leadership, learning and growth. Further, the RBPMS also made explicit the levels of accountability for results, i.e., policy accountability at the highest level of the government for sectoral and societal outcomes; program accountability at the level of department heads for program outcomes that would contribute to desired sectoral outcomes; performance accountability at the level of delivery units and individuals for efficient and effective delivery of the MFOs/programs in the form of citizen-centric public services; process accountability of the operating and supporting units for adequacy of processes and resources to attain high productivity and ensure quality service delivery; and probity and legal accountability. The SPMS and the CESPES were embedded in the system. Figure 3 illustrates the harmonized framework that is fully adopted in the Executive Department.

The key feature of the RBPMS is the accompanying PBIS. The harmonized RBPMS was used as basis for determining entitlement to performance-based allowances, incentives, or compensation of government personnel. The PBIS consists of an across-the-board incentive or the Productivity Enhancement Incentive (PEI) to recognize everyone's contribution to the achievement of government's commitment for the year and a top-up or performance-based bonus (PBB) given to groups and individuals in accordance with their contribution to the accomplishment of the agency's targets.

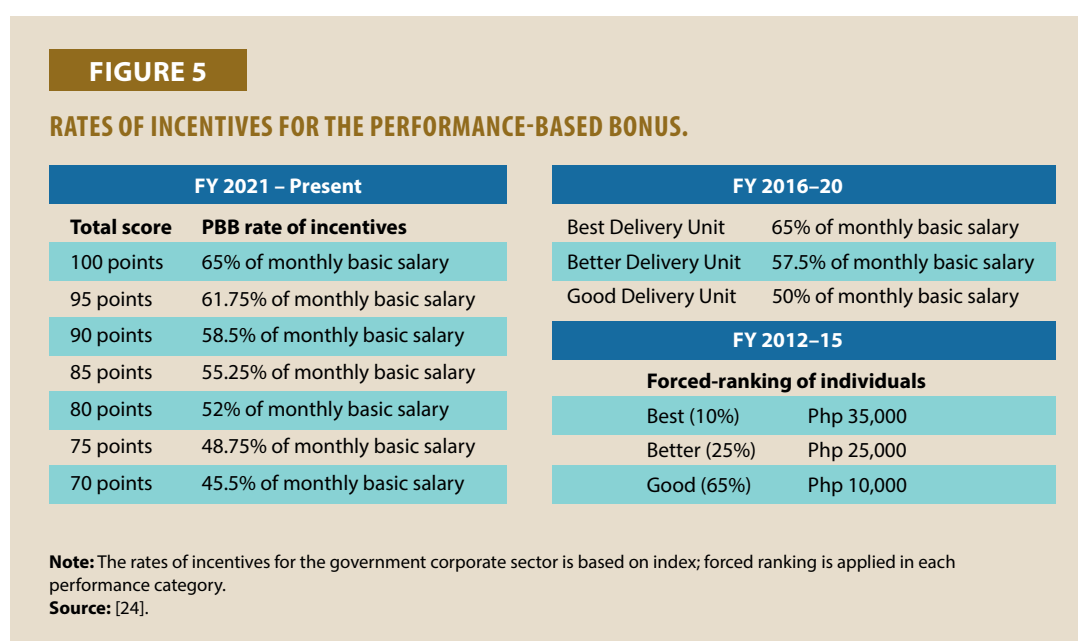
The PBB was designed as a progressive multi-level incentive scheme to recognize and reward good performance of groups and individuals. The PBB aimed to nurture team spirit toward effective execution of operational plans while inspiring peak performers by tightening performance monitoring and appraisal systems and rationalizing the distribution of incentives across performance categories of groups and individuals. This fostered a recompensing climate for agencies to achieve organizational goals and targets. The criteria and conditions to be eligible for performance-based incentives were all based on the elements and performance dimensions of the RBPMS. To be entitled for the PBB, the agency must achieve their MFO/program targets as declared in the OPIF Book of Outputs (now



the commitments in the General Appropriations Act) and the priority program targets agreed with the President. Also, they must satisfy the good governance conditions and requirements under the performance drivers of the RBPMS, e.g., the Transparency Seal, Citizens' Charter, ISO-certification of the Quality Management System, budget utilization, transparency of procurement, action on audit observations, and public access to information. These requirements were maintained in succeeding years while agencies were complying with additional conditions, thus raising observance of good governance practices across the public sector. The criteria and conditions are now categorized into

the four dimensions of accountability, namely, performance results, financial results, process results, and citizen satisfaction results as shown in Figure 4.

Another unique feature of the PBB was the system of ranking delivery units and personnel according to their performance. In the beginning, delivery units were categorized into best bureau, better bureau, and good bureau. Within the delivery units, the individuals were also ranked as best performer, better performer, and good performer. The rates of incentives were calibrated according to performance categories; so, expectedly, the higher performing units and individuals received higher amounts (see Figure 5 for the PBB rates of incentives). After a few cycles, the government did away with the forced ranking of individuals, and once the rates of incentives were indexed to the salaries, the forced ranking of delivery units was no longer used.



### Roles and Responsibilities of Agencies in Designing and Managing Performance

Oversight and implementing agencies have specific roles and responsibilities in designing and managing performance as shown Figure 6. The Office of the Executive Secretary exercises oversight of all agencies under the executive branch. The National Economic and Development Authority monitors and evaluates the sectoral and societal goals. The DBM negotiates the outputs and outcomes to be delivered by agencies and monitors and evaluates the performance of agencies. Other agencies provide oversight on the operations and performance of specific sectors. The performance of agencies is also closely scrutinized by the Philippine Congress, especially during the annual budget deliberation.

The coordinated efforts to monitor and evaluate performance transpire through the Inter-Agency Task Force. The validating agencies evaluate the performances, and the results are forwarded to the Inter-Agency Task Force for consolidated assessment and determination of eligibility to incentives as shown in Figure 7. Through this horizontal coordination, oversight agencies are able to share data and see the overall performance of agencies in particular and the public sector in general. Through the transparency mechanism, which mandates the posting of agency targets, budgets, and performance scorecards, the public is informed and the tendency of agencies to report only their accomplishments and not their failures is held in check.

**FIGURE 6**

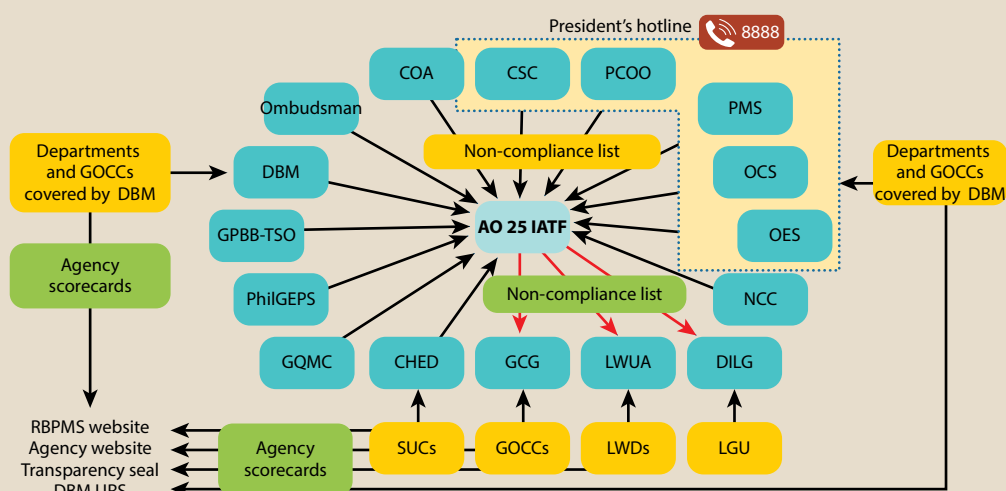
**ROLES AND RESPONSIBILITIES OF AGENCIES IN DESIGNING AND MANAGING PERFORMANCE.**

Agency	Roles and Responsibilities
Office of the Executive Secretary	Oversight of the Executive Departments and Heads of Agencies
National Economic and Development Authority	Formulation of Philippine Development Plan, monitors and evaluates sectoral and societal goals, undertakes efficiency and effectiveness reviews.
Department of Budget and Management	Prepares national expenditure program; negotiates the outputs and outcomes to be delivered by agencies; oversees government procurement, monitors and evaluates agency performance.
Department of Finance	Supervises revenue operations and management of public finance.
Department of Interior and Local Government	Supervises the performance of local government units; disciplines errant local officials.
Governance Commission for GOCCs	Supervises performance of government-owned and controlled corporations; negotiates performance contracts of the GOCCs.
Commission on Higher Education	Supervises performance of state universities and colleges.
Local Water Utilities Administration	Supervises the performance of local water districts.
Civil Service Commission	Manages personal performance evaluation (first and second levels)
Career Executive Service Board	Manages the performance evaluation of career executives (third level)
Commission on Audit	Monitors the reporting of agency performance, conducts financial and performance audit.
Implementing Agencies	Develops the strategies and programs, sets performance targets, provides performance reports, uses results of performance evaluation for continuous improvement.
AO 25 Inter-Agency Task Force – Technical Secretariat (Development Academy of the Philippines)	Assesses and validates the agency accomplishments as well as eligibility to performance – based incentives.

Source: Expanded list based on [17].

**FIGURE 7**

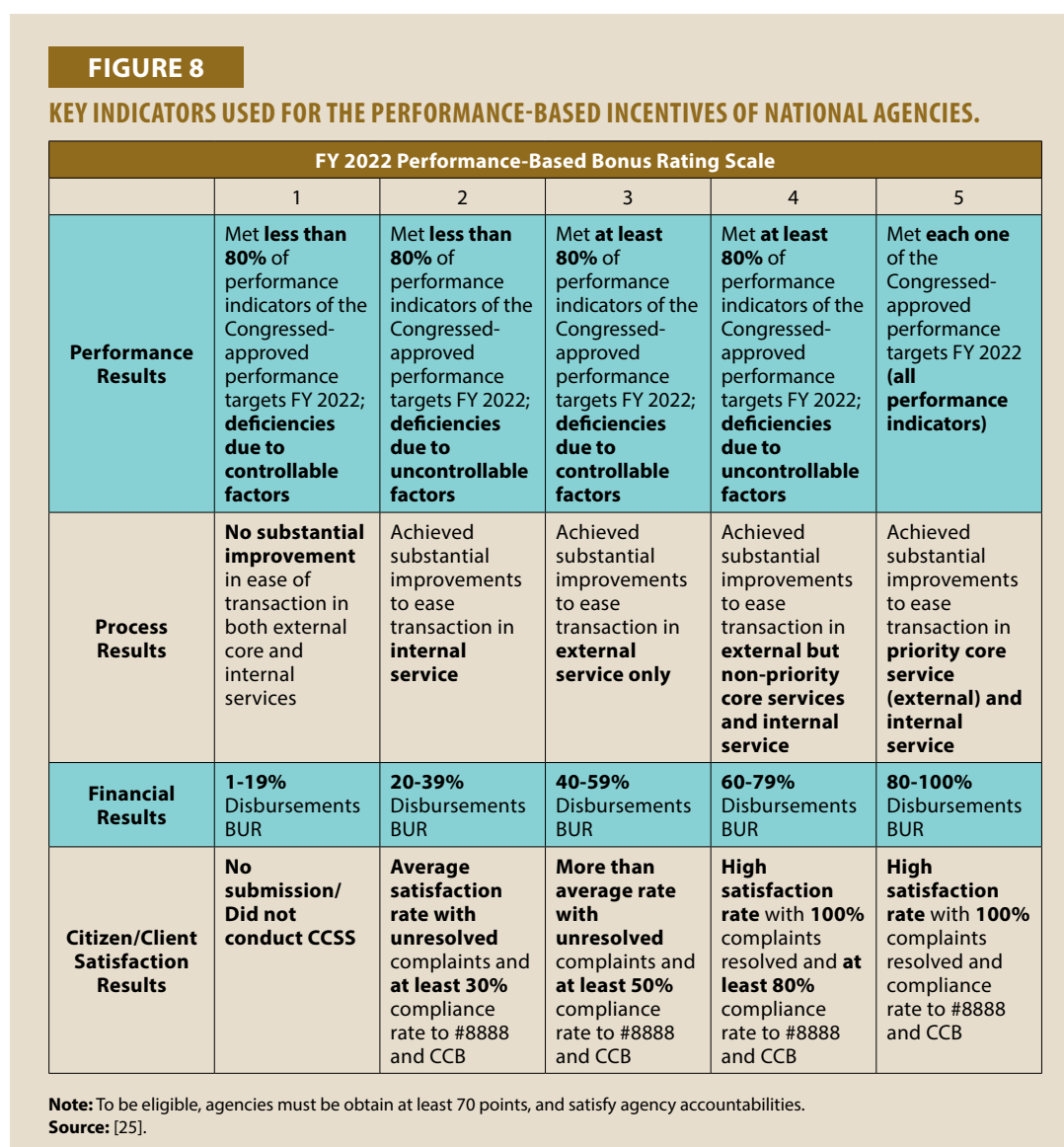
**THE HARMONIZED PERFORMANCE REPORTING, MONITORING, AND EVALUATION.**



Source: [24].

### KPIs and Measurements Involved

With the Results Matrix and the OPIF/PREXC in place, KPIs of the public sector are established at various levels. The Results Matrix shows the macro- and sector-level indicators with year-on-year and end-of-plan targets, which the government seeks to attain for each outcome reflected according to the chapters. Under OPIF, agencies specify the performance indicators for their outputs in terms of the quantity, quality, timeliness, and cost that the public can expect; the outcomes; and long-term impacts of their programs. With the PREXC approach, agencies are directed to select three strategic indicators for each measurable output and outcome and get the biggest share of the budget [16]. These, along with good governance conditions or management accountabilities, are used as targets to be eligible to the PBB. Under the PBB, there are four dimensions of accountability: (1) performance results, which refer to the accomplishment of Congress-approved performance targets as committed in the Performance Informed Budget; (2) process results or the achievement in ease of doing business/ease of transaction with the agency; (3) financial results or the actual spending of budget allotment or budget utilization rate; and (4) citizen/client satisfaction results, which refer to compliance and resolution of complaints. Figure 8 shows the most recent PBB criteria and conditions for national agencies.





The state universities and colleges adopted a common set of performance indicators, given that they implement similar higher education programs and services in particular jurisdictions. The KPIs of the GOCCs cover five perspectives: relevance or socioeconomic impact; financial; stakeholder; internal process; and learning and growth. The grant of PBB is based on at least 90% of their performance scorecard and satisfaction of good governance and conditions specific to GOCCs. As to the local government units, the KPIs under the Seal of Good Local Governance consist of outcome-based parameters of governance areas, namely, financial administration, disaster preparedness, social protection, health, education, business competitiveness, peace and order, environment, tourism, and youth development. To be eligible for performance incentives, a simpler set of criteria was adopted, including good financial housekeeping, Citizen's Charter, compliance with audit findings, and use of the SPMS for performance evaluation.

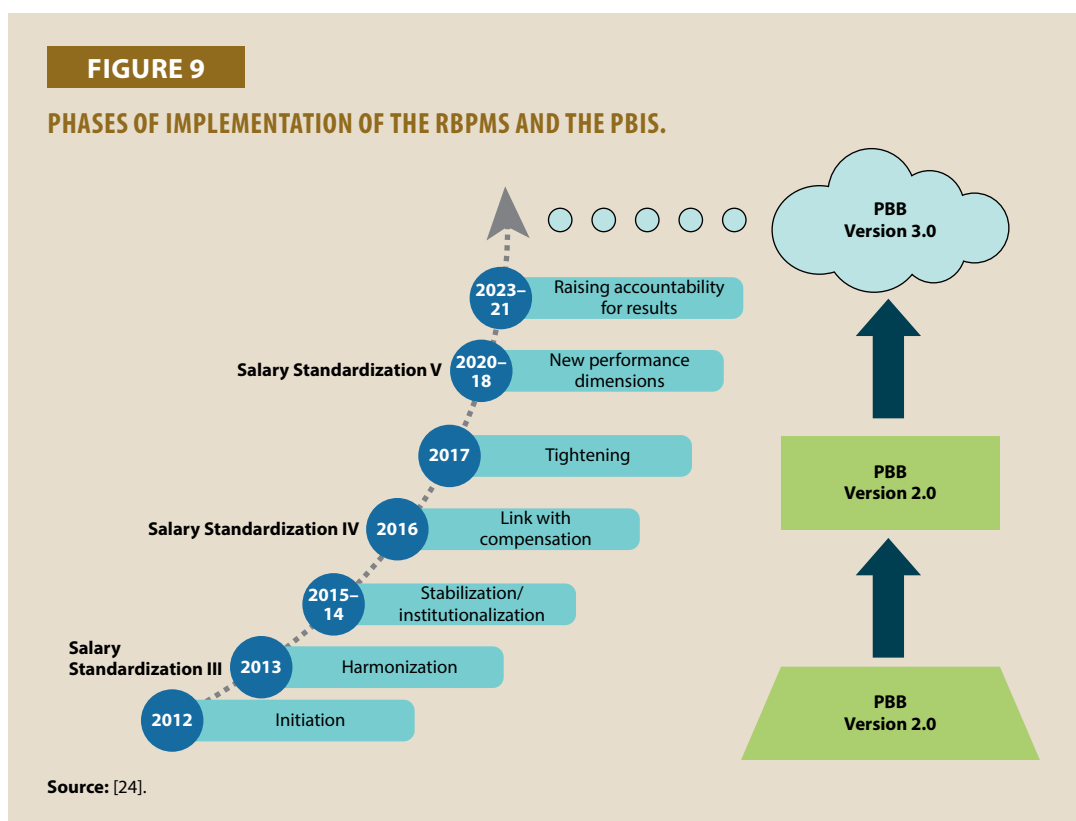
### **Best Practices**

Like the OPIF, the RBPMS and the PBIS are homespun systems suited to the context and requirements of the Philippine public sector. The key features of the RBPMS and the PBIS are: whole-of-government, unified system, common set of performance indicators, good governance conditions as pre-qualifier, forced ranking, incentives linked to performance rating, rates of incentives indexed to salary, transparent performance scorecard, isolation of nonperformers, and the flexibility given to heads of agencies to suit the PBB to the operations in terms of determining the performance indicators to be used and the appropriate delivery units to be rewarded. These provide clues to practical approaches that others can benchmark and tailor-fit to their unique situations. What is most notable is that these systems were instrumental in quietly reforming performance mindsets in the public sector. At the level of agencies, there are islands of good management practices that emanated from these reforms, e.g., strategic planning, performance negotiation, common definition of performance indicators, assigning ownership of performance indicators, cascading of targets, accountability monitoring, establishment of composite performance management team, posting of individual performance ranking, and use of performance information.

### **Implementation Experience**

At the onset, the implementation of the RBPMS and the PBIS was conceived to progress in the phases of initiation, harmonization, stabilization, and institutionalization. Although there were concerns that the foundations of the reform such as a robust set of performance indicators and revised performance evaluation system were not yet ready, the PBB was initiated on a voluntary basis in 2012. During the harmonization phase, the RBPMS was already in place and agencies were able to submit an improved set of performance targets and indicators. The SPMS prescribed by the Civil Service Commission was also completed. A pilot experience was used to identify the needed improvements in the next cycle. In the stabilization phase, there was already alignment of agency targets to its smallest operational units. In the institutionalization phase, the systems had been fully developed and adopted in the whole of public sector, including the local governments. As part of the continued reform, the PBB was linked to compensation. The assessment was also tightened through one-time validation. Matured conditions were applied and criteria and performance reports refined to heighten accountability for results, simplified assessment, and scoring system. The next reform eyes the inclusion of nonmonetary incentives and 'belting' of the rates of incentives to narrow the difference between the highest and the lowest salary grades.





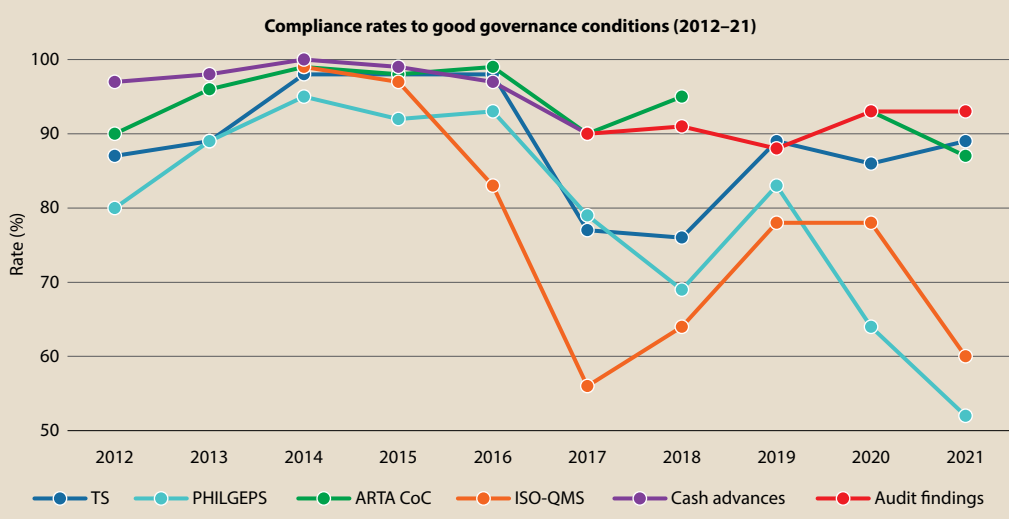
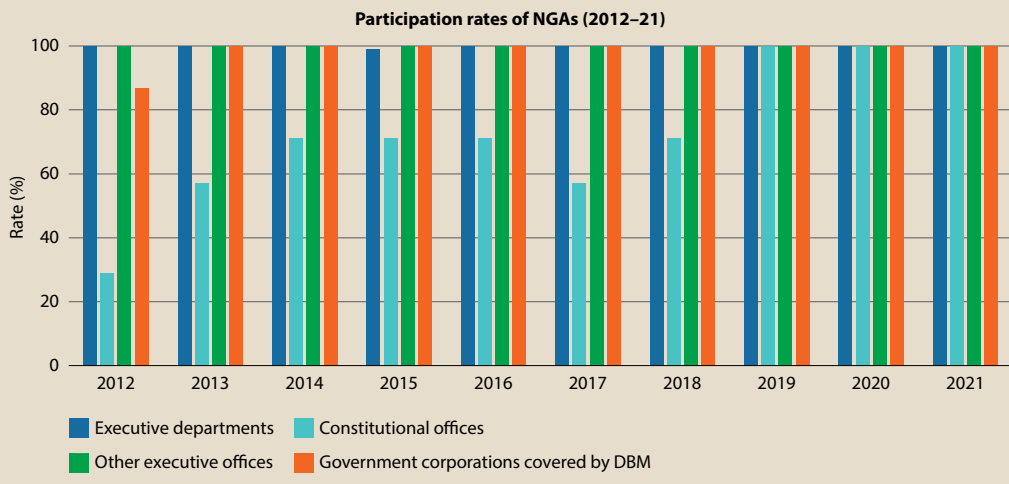
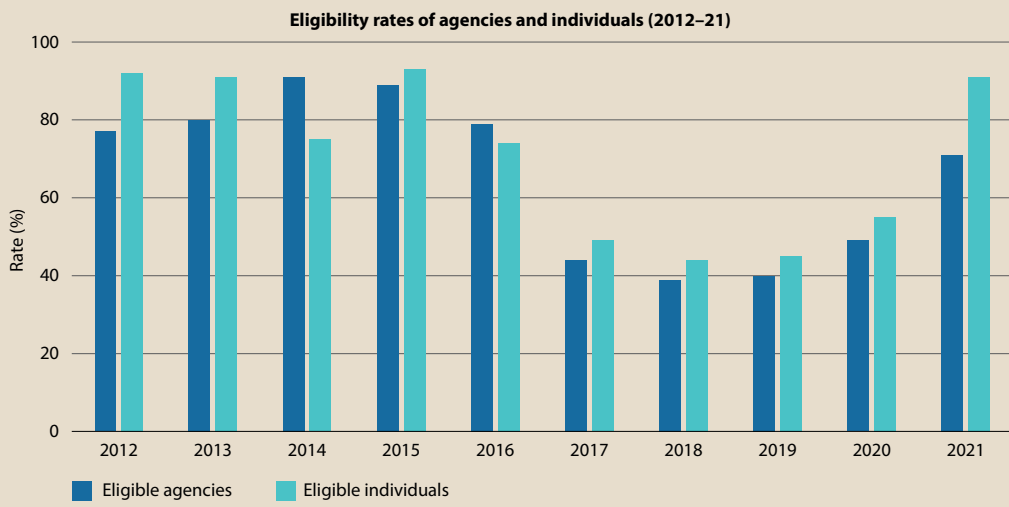
## Assessment and Analysis

In the span of a decade, the RBPMS and the PBB achieved significant milestones. First, there has been a high participation of government agencies. Since performance bonus is not an entitlement, participation in the PBB scheme is voluntary. However, on record, 100% of national agencies participate in the PBB, which is taken to mean that the RBPMS framework is well in place in the departments and agencies. Likely attributable to fiscal affordability, the participation of other sectors in the PBB is lower than that of national agencies (around 70% for GOCCs, 30% for LGUs, and 25% for local water districts), yet still encouraging. Unlike earlier, when information about the actual performance of agencies was not available, the performing agencies are now highlighted, and their accomplishments are within targets. Moreover, incentives are only granted to delivery units and individuals that contributed to the accomplishment of the agency's targets.

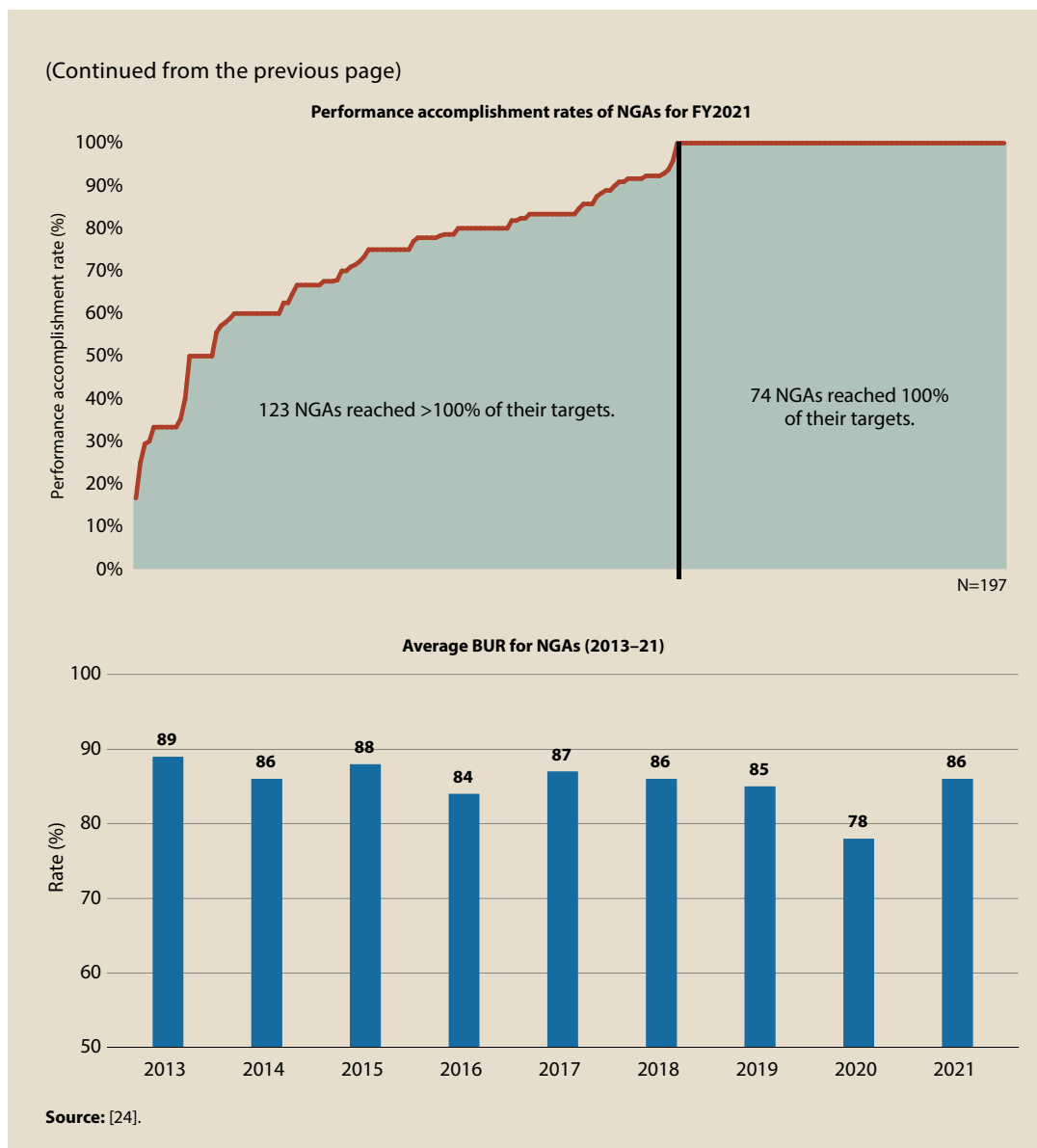
Remarkable improvements were also realized in agencies' compliance with good governance requirements such as the Transparency Seal, Citizen's Charter, Statement of Assets and Liabilities, transparency of procurement, timely liquidation of cash advances, compliance to audit findings, budget utilization, continuing certification of quality management system, and ease of transaction and doing business with government. On the part of government employees, the PBB has ushered a new performance culture. Based on a quick survey conducted by the AO 25 Secretariat in 2014–15 among PBB focal persons, the feedback was that they now have clear objectives and measurable performance targets, closer coordination between delivery units, an easier and rational process of monitoring programs, and an accurate reporting and evaluation system. The PBB has reminded employees of their responsibility to the public and performance now has a sense of accountability.

These claims were validated by external parties. The World Bank study which surveyed 4,500 government employees from eight departments from 2013 to 2014 showed that the PBB is starting

**FIGURE 10**  
**SOME RESULTS OF RBPMs AND PBB IMPLEMENTATION.**



(Continued on next page)



to have positive effect on the performance of government employees as evidenced by their positive perception of the PBB on an array of human resource management dimensions [26]. Among others, the study found that the support for the PBB is strong across all departments, bureaus, and units. The PBB has fostered improvements in management practices, better teamwork, better performance target setting and monitoring, and trusts within units. However, there was a perception that the PBB lacked transparency in the individual rating process.

The evaluation study conducted by the Philippine Institute for Development Studies (PIDS) in 2020 concluded that the PBB scheme was said to have improved the public sector’s performance at individual, team, and agency/department levels. The PBB was viewed as an important trigger to continuously improve government services and comply with the statutory requirements, and a way of recognizing and incentivizing high performers within an agency. Majority of the survey respondents agreed that the PBB measured actual performance and productivity of individual employees as well those of their units or bureaus. Around half of the respondents strongly agreed that fulfilling good governance conditions helped improve their agency’s efficiency in terms of

service delivery. For the perceived effects of the PBB on agency performance, more than half of the respondents strongly agreed that their agencies had become more focused on results that mattered to their clients, the goals of their agencies had become clearer and more aligned, and there had been positive changes within their departments or units [27].

While the effects of PBB are generally perceived as positive, issues were raised in terms of its design and implementation. One, there were reported incidences of dysfunctional behaviors among government employees, including allegations that some were gaming the incentives. The frequent changes in requirements over the years also made the compliance difficult for many agencies. The distribution of incentives was also perceived to be unfair, given that the incentive was now based on the monthly salaries of qualified employees. Lamentably, there was relatively low-level awareness of the respondents on the institutional objectives of the PBB and its linkage with RBPMS [27]. The findings of these studies are used by the government in further refining the performance management system.

### Challenges and Limitations

The implementation of the RBPMS and the PBB faced several challenges. First and foremost was the resistance to change especially with regard to the new performance incentive scheme since, among others. The grant of other incentives and bonuses was suspended and/or discontinued until further review of the overall compensation. There was contention from performance experts that the foundations such as a robust performance indicators system and strategic performance evaluation system were not yet in place, hence, the PBB may be bound for failure. Since the reform was championed by no less than the President, it had to be done, and resistance was managed through voluntary participation in the beginning and a government-wide communication campaign. Gradual adjustments in the criteria and conditions were also made along the way.

The second challenge was the cascading of targets. Given that the Results Matrix and the OPIF look at the macro and organizational performance and that delivery units are most responsible in producing the MFOs, the difficulty lied in cascading performance targets down to the individuals. The process for this was only made available when the SPMS was completed and rolled out. Over time, agencies were able to raise the quality of their performance indicators and targets. For some agencies, coming up with more strategic performance indicators is still a work in progress.

The third challenge was the crowding of criteria and conditions due to inclusion of oversight requirements in the targets of agencies, e.g., financial reporting, filing of SALN, ISO-QMS certification, freedom-of-information requirements, procurement plans, compliance with audit findings, etc. According to oversight agencies, the PBB has increased compliance with statutory requirements and served as mechanism for agencies to be mindful of reporting requirements. However, agencies claim that complying with these statutory requirements tended to put more focus on paperwork instead of putting efforts on their main responsibilities.

Fourth, the very thorough validation process done by oversight agencies and the appeals, affected the timely release of incentives. In consideration of the so-called due process and potential impact on the compensation of government employees, a system of appeals was provided, and agencies were given a second chance to provide justification for deficiencies. This had trade-offs since payment of incentives were consequently withheld until appeals were fully resolved.

Fifth, the forced ranking of delivery units and individuals apparently became a “disincentive” for teamwork, and thus was eventually discontinued. The standard rates of incentives were perceived to be generous at the lower level but not recompensating for higher positions. In order to compensate for greater accountability, the current rate of incentives was indexed to salaries. However, due to a wider pay gap, the incentive is perceived to be biased in favor of those in higher positions.

Sixth, despite the penalty provisions, the tendency to “game” the system remained, even though the feedback was isolated and mostly anecdotal. The digitization and use of objectively verifiable criteria and conditions are attempts to foolproof and safeguard the integrity of the system.

Finally, managing the transition during the change in administrations was a challenge. Notwithstanding, the RBPMS and the PBB continued. While this performance management system was originally intended for national agencies, its application eventually extended to local water districts and local government units.

## Recommendations and Conclusion

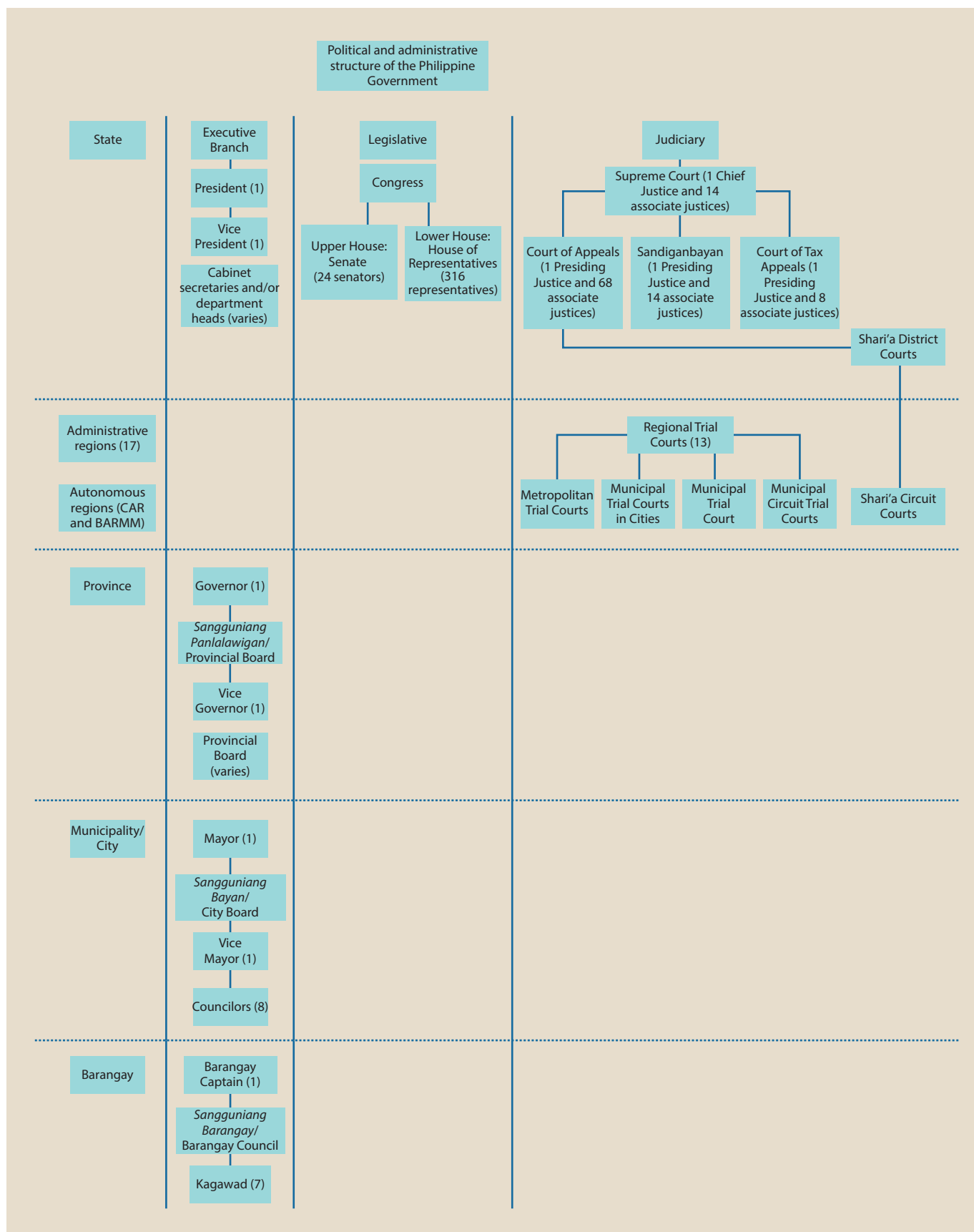
Albeit there have been some gains, there is still work to be done to advance and future-proof the current PMS. The following recommendations may be considered:

- simplify the criteria and the scoring system;
- continue graduating the ‘mature’ requirements as eligibility conditions;
- heighten the accountability and discretion of agencies in qualifying delivery units and individuals for incentives;
- review the rates of incentives vis-à-vis the policy on performance-based compensation;
- assist the lagging agencies and use the result of performance evaluation for capability development;
- digitalize the assessment and validation process; and
- introduce performance-based nonmonetary incentives to recognize high performers.

A study is underway to redesign the current system that would bring public-sector performance at a higher level.

In conclusion, the experience of the Philippine public sector shows that performance culture cannot be changed overnight. Reforming performance management requires champions to institute the system, along with persistent and coordinated efforts for continuous improvements. There are foundational and preconditions for an effective performance management such as a good set of performance indicators and an effective process of negotiating targets. The citizens should be the arbiter when resolving the different perspectives on performance management. At the end of the day, it is incentives that matter.

Annexure



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# SRI LANKA

## Brief Note on the Political and Administrative Context

Sri Lanka, an island country located in South Asia, is a Democratic Socialist Republic, governed by a semi-presidential system. Like many other democracies, the Sri Lankan Government has three pillars: the executive, the legislative, and judiciary.

The executive is represented by the President, the head of state, who is directly elected for a five-year time period and is responsible to the Parliament for the exercise of duties under the country's constitution and laws. The legislative is represented by the 225 members of the Parliament. Of these, 196 members are democratically elected while the remaining 29 members are elected by proportional representation, for five years. The judiciary is responsible for the administration of justice in Sri Lanka and consists of the Supreme Court; the Court of Appeal; the high courts; and the district, magistrates' and primary courts.

The National Audit Office is a non-ministerial government department in Sri Lanka, which is responsible for auditing public organizations [1]. The Auditor General through the Auditor General's Department provides an independent review of the performance and accountability of the public-sector institutions and reports to the Parliament. The Auditor General's Department aims to meet the needs and expectations of the Parliament, the executive, and its clients; and to add value to public-sector performance and accountability [2].

The Parliament has full control of public finance, and the annual reports of public enterprises should be submitted to the Parliament within the given time and framework, in order to review the institutional performances of members of parliament. The Parliamentary Committee on Public Enterprises (COPE) is empowered to review the annual accounts and performance of public entities [3]. Citizens have the opportunity to submit petitions to the Parliament regarding the misuse of public funds and assets, lack of transparency, etc. of public entities, and the committee formulated for this task has the right to investigate the entities. Appropriate actions are taken regarding the government organizations.

Since public-sector organizations function with the money of the people, political parties and committees pay strict attention to maintain good governance in public-sector organizations.

The administrative structure in Sri Lanka has five levels, namely, national, provincial, district, divisional, and village levels, which function under a strong centralized system [15], as detailed below (see Table 1).

As given in Table 1, districts are included in a province and further subdivided into divisional secretariats. The villages are organized into grama *niladhari* divisions.

The government entities in Sri Lanka are categorized under three groups: national-level organizations, provincial-level organizations, and organizations that come under the purview of local authorities.

TABLE 1

## ADMINISTRATIVE STRUCTURE IN SRI LANKA.

Administrative level	Number
Provinces	09
Districts	25
Divisional Secretariats	335
Grama Niladhari Divisions	14,020
Villages	36,822

**Source:** Department of Census and statistics.

The ministries and affiliated institutions are at the national level. The provincial councils comprise the intermediate level, as established in the year 1987 by the 13th amendment to the constitution of Sri Lanka. The political, administrative, and fiscal responsibilities are executed in order to carry out the functions assigned to the provinces [4]. The Chief Secretary is the head of the government servants; and the ministries, departments, and affiliated institutions are established to execute functions toward the people in each province.

Local authorities too could be divided into three categories, namely, municipal councils, urban councils, and *pradeshiya sabhas*. There are 24 municipal councils, 41 urban councils, and 276 *pradeshiya sabhas*, respectively in the country. The collection of taxes is the main function of local authorities, and they are also responsible for public health, utility services, roads, etc.

The majority of government organizations have created a planning units or planning cells within their entities in order to measure the results of their development activities executed throughout the year. The units are headed by Director General (Planning) or Director (Planning) with supportive staff. The performance of development activities is measured on a monthly or a quarterly basis. This is a compulsory task carried out by all heads of institutions.

The Ministry of Finance, Economic Stabilization and National Policies has a right to review the financial performance of each and every public institution, and maximum effort has been made with clear guidance in this regard. Also, large- and mega-scale development programs and projects are reviewed by Department of Project Management & Monitoring, which comes under the purview of Ministry of Finance, Economic Stabilization and National Policies. The Department of National Planning, which is functional under the same ministry, plays a vital role in measuring the appraisals of projects that need to be implemented utilizing local/foreign funds.

## Historical Background of Performance Management

In the past two to three decades, significant budgetary resources have been deployed to accelerate development, reduce poverty, ensure equality, and improve living standards and quality of life of the people. Therefore, there was a need to strengthen the planning, monitoring, and evaluation system to focus on outcomes and impacts beyond the traditional outputs [5].

During the mid-1990s, the concept of Managing for Development Results (MfDR) was introduced by the government to measure the institutional performance of the public sector [5]. This was a good management approach that helped deliver efficient and effective results. The government

expanded the application of MfDR principles to national, sectoral, agency, and project levels [6]. The implementation leadership of this process was given to the Ministry of Plan Implementation, the Ministry of Finance and Planning, and the President’s House. Since this was a very comprehensive exercise, four ministries, i.e., the Ministry of Health, the Ministry of Education, the Ministry of Agriculture, and the Ministry of Highways were selected to carry out a pilot project, after which, it was expanded from the central level to the peripheral level by 2009. The concept was applied to 31 institutions in the country in the beginning [5].

The MfDR process involved defining trust areas; setting goals, key performance indicators (KPIs), and targets; reporting of results against the targets; facilitating the management to take timely corrective actions, etc. [5]. This strategy was adopted by all institutions at national, provincial, and local government levels; and special trainings were arranged for disseminating the knowledge around the concept introduced by the Government of Sri Lanka.

The 13th amendment to the constitution in year 1987 paved a path to establish the Finance Commission in Sri Lanka, which had the power and the authority to supervise the institutions coming under the purview of Provincial Councils. The annual budgetary allocations of development activities are directed by the Ministry of Finance to the Finance Commission, and from there, to the institutions in the provincial councils. An Agency Results Framework (ARF) for a three-year period is to be prepared by each institution belonging to the provincial council for receiving budgetary allocations from the Treasury.

## **Performance Management Reform Processes and Initiatives**

The public sector in Sri Lanka plays a vital role in delivering services in an efficient and effective manner to the nation. Each government organization conducts monthly or quarterly review meetings with the participation of all stakeholders to measure the performance of each program, project, or activity that is approved for a particular year.

The Government of Sri Lanka has observed the need for improving this process; and action was taken to initiate the new Organizational Results Framework (ORF) for each ministry and its affiliated institutions in the public sector. The Department of Project Management and Monitoring, which comes under the purview of Ministry of Finance, Economic Stabilization and National Policies, took the initiative to implement this task and held preliminary discussions with the participation of the relevant stakeholders. This task was initiated as per the cabinet paper submitted to the Parliament on 28 February 2023 by the Minister of Finance, Economic Stabilization and National Policies.

The format of the ORF consists of the vision and mission statements of the organization, trust areas, results statement, KPIs, baseline data for 2022, targets for the period 2023–27, data source, means of verification, data frequency, instrumentation, and responsibility. Both output and outcome indicators are measured via this process and high attention is paid to the results. The completed ORF will be submitted to the Parliament and performance will be measured in future by committees appointed by the Parliament. This will be implemented in the public sector in near future.

## **Current Approaches to Performance Management**

In Sri Lanka, various methods and techniques have been executed to measure the performance of the public sector, as follows:

### Submission of Annual Performance Report to the Parliament

At present, it is observed that public sector in Sri Lanka employs around 1.2 million people. Every public organization should submit the Annual Performance Report to the Parliament, covering operational performance and financial status [7]. In the other words, the annual report should reflect the performance of the organization.

Submission of annual report is a mandatory requirement under the following legislations [7]:

- (1) Under the Finance Act No. 38 of 1971, section 14 says that accounts and reports are to be laid before the Parliament.
- (2) Public enterprises guidelines for good governance mentions that the draft annual report is to be rendered to the Auditor General.
- (3) Provision of National Audit Act No. 19 of 2018 highlights that financial statements are required in accordance with the Sri Lanka Accounting Standards.

Therefore, an annual report contains the overall scope of an entity, including the analysis of its financial and physical performances during a particular year. [7]

When this organizational report is submitted to the Parliament, it is reviewed by committee members. On the basis of the annual report and the reports submitted by Auditor General's Department, government officials may be summoned to the Parliamentary Committee on Public Enterprises (COPE), whenever necessary, for further investigations.

The content of the Annual Performance Report includes

- (1) the institutional profile (vision, mission, objectives, functions, organizational structure, divisions and institutions under the entity, and details of foreign funded projects);
- (2) the progress and future outlook including special achievements, challenges, and targets;
- (3) overall financial performance;
- (4) institutional KPIs;
- (5) performance on achieving sustainable development goals (SDGs);
- (6) information on human resources; and
- (7) compliance report.

### Performance Measurement through the Performance Plan Presented by Secretaries to the Ministries

In Sri Lanka, the secretary is the head of the ministry and is responsible to the Secretary to the President. All secretaries of the ministries should submit annual performance plan based on KPIs applicable to their ministries, at the beginning of a year.

The performance plan consists of

- (1) specific commitments;
- (2) expected output;
- (3) indicator and unit; and
- (4) expected cumulative progress by quarter.

The progress should be submitted to the Secretary to the President at the end of each quarter for the performance to be measured. This system was implemented in the year 2023.

#### **Performance Measurement via National Competitions**

Public organizations have an opportunity to submit their Annual Performance Reports for a competition jointly organized by the Association of Public Finance Accounts and the Association of Chartered Accountants of Sri Lanka. Separate criteria are prepared by the organizing committee against which the public accounts and other applicable facts related to the performance of the organizations are measured. The Department of Prisons was given the Gold Award in the departmental category for Annual Performance Report and Accounts in the year 2022.

The National Productivity Secretariat, which comes under the purview of the Ministry of Labour and Foreign Employment, conducts National Productivity Awards once in two years. Once the applications are called, the organizations/institutions related to public, education, service, manufacturing, and community sectors, have an opportunity to apply for the competition. Separate criteria are prepared under seven components such as leadership, internal and external customers, planning and strategies, human resources, process, information and knowledge management, and results. First, the organizations face the desktop evaluation process, after which, the organizational performances are measured and reviewed physically by a team of experts. An awards ceremony is held for the winning organizations to motivate the officers as well as to create a productivity culture in the country with the ultimate goal of providing an optimum service to the nation.

#### **Managing for Development Results**

Since the mid-1990s, the concept of managing for development results (MfDR) has been adopted gradually [10]. MfDR is a change management process that emphasizes a shift in focus from inputs, activities, and outputs to outcomes and impacts. It promotes the concept of accountability for results [10].

The government of Sri Lanka is committed to promoting the application of MfDR principles at national, sectoral, agency, and project levels at the planning, implementation, and post-implementation stages [10]. As a result, line ministries are required to justify their budgets with well-defined output/outcome indicators. This system is still being processed by the majority of public organizations, and high attention has been placed on the concept.

The institutionalization of MfDR includes a management cycle of setting directions, planning, implementation, delivering, and reviewing the results [10]. Therefore, the organizations that are managing the results must:

- (1) have a clear vision of what they want to achieve;
- (2) have a vision and mission while planning the work;
- (3) deliver what they planned with timeliness, quality, and quantity within the budget;
- (4) track the progress by monitoring, measuring, and evaluating; and
- (5) learn from successes and failures to make continuous improvement.

### Strategy of Action for MfDR

The MfDR approach encourages ministries, departments, and other government entities to understand the results chain and establish logical linkages between planned inputs, expected activities, outputs, and envisaged outcomes based on the “Theory of Chain” [5].

The key steps to operationalize MfDR are as follows [5]:

- (1) **Articulating and agreeing on objectives:** Identifying clear and measurable objectives, aided by the results chain model, involves preparation of vision and mission statement, trust areas, and goals.
- (2) **Selecting indicators:** Output- and outcome-based KPIs are identified to measure progress toward each objective.
- (3) **Setting targets:** The main aspect of the process is the setting of explicit medium-term targets for each indicator.
- (4) **Monitoring performance:** This involves developing a performance monitoring system to regularly collect data on actual results.
- (5) **Analyzing and reporting:** The process also involves reviewing, analyzing, and reporting actual results as against the targets.
- (6) **Performance reporting and feedback:** The information received through MfDR can be used for internal management accountability, decision making processes, measuring performances, etc.

### Citizen's Charter

A citizen's charter is a written commitment made by a public institution in the deliverance of its services to the citizens of the country, recognizing that citizens have a right to receive such services from a public institution [17]. The Citizen's Charter was officially launched in Sri Lanka in 2008 through the Ministry of Public Administration and Home Affairs [16]. The main purpose of this implementation was to develop a more transparent and service receiver-oriented administrative culture in the country [16].

The Citizen's Charter displays in public, the services provided by a public institution, along with the time taken to deliver each service [17]. The citizen has the right to question if the services are not provided as per the information given in the Citizen's Charter.

The Citizen's Charter covers the vision and mission statements; details of tasks delivered by the organization; the maximum time taken to fulfill a task, and the main responsible officer for a given task. Therefore, the Citizen's Charter creates a strong bridge between bureaucrats and the general public in achieving the customer-centric service model [16].

### **Integrated Treasury Management Information System**

The Ministry of Finance, Economic Stabilization and National Policies in Sri Lanka has developed a valuable performance system known as the Integrated Treasury Management Information System (ITMIS), to improve fiscal management in the country [8]. It helps provide a comprehensive reporting and analysis framework in order to support effective planning and monitoring of government finances.

The ITMIS covers the following key functions:

- budget management;
- impress release;
- receipts management;
- payment management;
- payroll management;
- debt management;
- cash management;
- general ledger;
- fiscal reporting;
- internal audit management;
- cadre information management;
- court case tracking management; and
- asset management.

The intrinsic benefits of ITMIS are following [8]:

- (1) Move to 'paperless' dependent processes: Examples include introduction of e-forms, e-registers, and automated workflows.
- (2) Enhanced reporting capabilities: On-demand financial reports have been created for trial balance, fiscal balance information, and fixed assets and cadre information.



The ITMIS provides valuable key benefits to the society, such as, improving the timeliness, accuracy, and integrity of reporting on the fiscal performance of the government; expanding an integrated system for fiscal operation management; increasing internal control to prevent and detect potential financial leakages; interfacing with other government agencies, etc. [8]. Therefore, this system tends to enhance easy access to optimize financial and operational performance in the country.

### Roles and Responsibilities of Agencies in Designing and Managing Performance

All public officers in Sri Lanka are expected to extend their full support to achieve the organizational goals. All government agencies receive public funds from the treasury for their annual expenses and are required to ensure that they utilize funds in an efficient, transparent, and accountable manner. The performance of organizations should not only reflect in their financial status, but also be a factor of their well-organized human resources and development activities.

Therefore, roles and responsibilities of agencies can be summarized in Table 2.

Table 2: Roles and responsibilities of agencies.

Responsible officer	Role
<b>Coordinator/ subject officer of the organization</b>	Collecting and analyzing data
	Preparation of reports
	Maintaining good relationship with stakeholders
	Receiving feedback from stakeholders
	Coordinating progress review meetings on a monthly, quarterly, and/or annual basis
<b>Sectional Head of the organization</b>	Preparation of short-term, medium-term, and long-term plans
	Reviewing and analyzing performance
	Ensuring completion of the assigned tasks
	Conducting assessments
	Supervising the staff
	Providing facilities whenever required
	Decision-making whenever required
<b>Head of the organization</b>	Leadership and guidance
	Evaluating programs, projects, and activities
	Measuring oversight performance of the entity
	Ensuring maximum productive results for the nation

The ‘planning unit’ has been established in most of the government organizations to measure the results of their development activities.

### KPIs and Measurement Involved

KPIs play a vital role in performance management. In other words, performance cannot be measured without them. A KPI is a measurable and a statistical component that leads to a graphical scenario

for the expected results. The measurements cannot proceed without KPIs, which provide a clear picture of the performances.

The most important fact is that KPIs need to be identified very clearly. If not, an ultimate result cannot be achieved as per the expectations. KPIs are specific and measurable and are used to assess the performance of public-sector organizations. KPIs are essential to review progress as well as to measure efficiency, accountability, and transparency.

There are two types of indicators regarding performance, namely, output indicators and outcome indicators. The majority of organizations are willing to focus on output indicators since they are easily accessed. For example, when a training program is conducted, ‘the number of trainees attended’ could be an output indicator and it can be easily reported. But when ‘the percentage of trainees who used the knowledge of productivity concepts’ is identified, then the broad picture can be visualized and a productive decision could be taken to enhance the performance in the organization. It is observed that KPIs may vary as per the goals and scope of the organizations in the public sector.

If there is a need to enhance the performance in organizations, well-defined KPIs are required.

**TABLE 3**  
**MEASUREMENT OF KPIS FOR PROCESS IMPROVEMENT.**

Indicator	Measurement
<b>Output indicator</b>	No. of processes selected
	No. of processes developed (total)
	No. of processes developed to increase external customer satisfaction
	No. of processes developed to increase internal customer satisfaction
	No. of officials who increased their knowledge and skills related to process improvement
<b>Outcome indicator</b>	No. of processes that reduced the cycle time of the overall process
	% of standardized processes
	% of processes selected for best practices

**Best Practices**

The Registrar General Department comes under the purview of the Ministry of Public Administration, Home affairs, Provincial Councils and Local Government, established for the purpose of registration of legal documents relevant to births, marriages, deaths, and properties [18]. For the registration of documents, there are seven regional in-charge Deputy Registrar General’s Offices, 14 District Assistant Registrar General’s Offices, four Central Record Rooms, and 335 Additional District Registrar’s Offices in the country [18].

The Registrar General Department has modernized its functions via technology with a view to develop the quality of its services and provide people-friendly and efficient services [18]. Its e-MBD facility offers a one-day service for issuing birth, marriage, and death certificates

online. it also creates internationally reputed birth certificates bearing the signature of the Registrar General [18].

The registrations are done by the birth, marriage, and death registrars who are appointed for each registrar division under 335 divisional secretariats situated across the island. Copies of certificates are issued by the same office.

If a certificate is in the database, then its certified copy can be obtained from any divisional secretariat office located near to the citizen. Copies of certificates from 1 January 1960 till date could be obtained from the system. The required applications are available on the website of the registrar division of any divisional secretariat office in the country [18].

### Implementation Experience

#### Process Improvement for the Public Sector

The National Productivity Secretariat in Sri Lanka initiated a path to improve processes in the public sector island-wide under the guidance and leadership of Ministry of Labour and Foreign Employment, in latter part of the year 2023. The processes that need to be developed under this program are carried out using the technique known as Selection, Measurement, Analyzing, Implementing, and Standardizing (SMAIS).

Productivity development officers attached to the divisional secretariats were trained before the implementation, with one process from one government organization selected in 2023, as per instructions from the higher authority of the National Productivity Secretariat.

The objectives of this program are:

- (1) to develop public trust in public organizations through transparency and efficiency;
- (2) to increase and optimize the use of human and physical resources;
- (3) foster a culture of continuous improvement and innovation within the public sector; and
- (4) create a strong public sector in the island for national development.

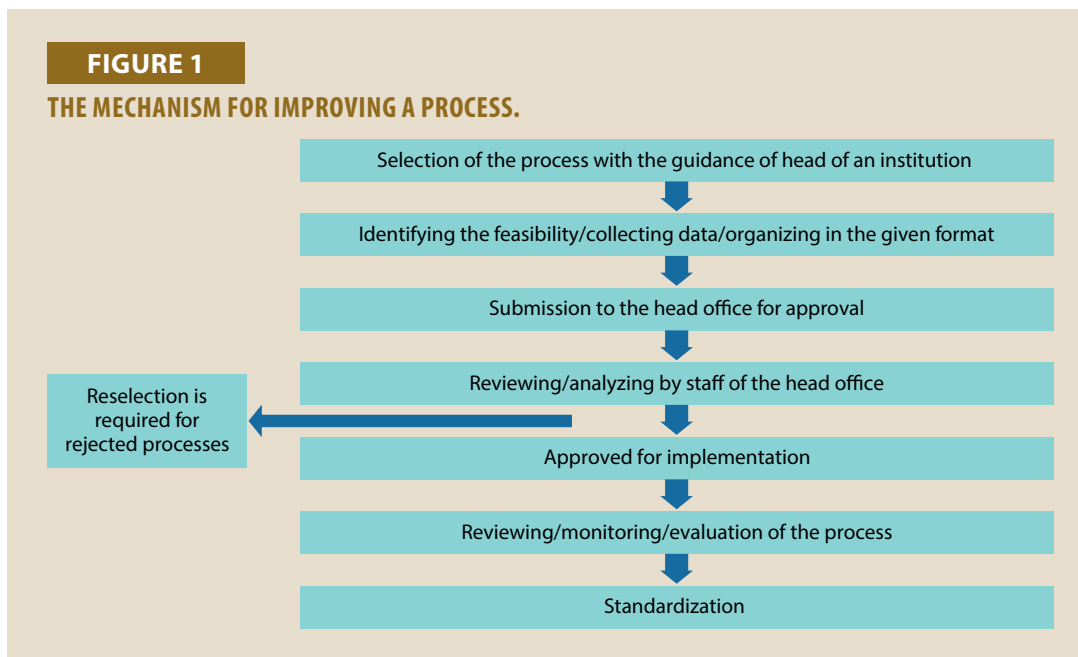
The matters highlighted in the training were:

- (1) the difference between a system and a process;
- (2) the real meaning of process and types of processes, i.e., core processes, support processes, and management processes;
- (3) the SMAIS technique for improvement;
- (4) process flow and swim lane diagram;
- (5) types of results to be achieved; and
- (6) sustainability of the improved process.

The SMAIS technique is detailed in Table 4.

**TABLE 4**  
**THE SMAIS TECHNIQUE.**

Method	Procedure
<b>Selection</b>	The importance of selection of the process needs to be identified.
<b>Measurement</b>	Data, statistics, tools, formats, pre-requirements, ordinances, legal framework, etc. should be measured.
	The process flow and the Swim Lane Diagram of the process should be developed.
<b>Analyze</b>	Management waste analysis, contribution of the front office/one-stop services, technology, transparency, service channel, bottleneck, etc. need to be identified.
<b>Implementation</b>	Implementation is done using the ECRS method as follows:
	E: eliminating steps
	C: combining steps
	R: rearranging steps
<b>Standardization</b>	S: simplifying steps
	Action is taken to standardize suitable processes.
	Setting and reporting of standards is done.
	Preparation of manuals and sharing of best practices are included.



Implementation of Development Programs, Projects, and Activities

The development programs and projects are executed annually in public-sector organizations as follows;

- The programs/projects that are conducted using public funds should be included in the annual action plan with particular vote details and sent for approval.

- Once the plan is approved, the project proposal needs to be prepared and approved. If the project is funded under the special grant, then the project proposal needs to be submitted to the Department of National Planning for approval.
- The project proposal consists of the introduction, overall objective and specific objectives, beneficiaries, KPIs, input, output, outcome, impact, risks, details of activities, time frame, budget details, stakeholders, sustainability, etc.
- An implementation process could be commenced once the approval is received from higher authorities. While implementation is carried out, the monitoring phase is also implemented, chaired by the head of the institution and with the participation of relevant government officials.
- If any changes are to be done while the project is being implemented, permissions are granted for those changes.
- Monitoring and evaluation are carried out in order to make the program/project a success.

### **Assessment And Analysis : Progress, Impacts, and Lessons**

As government organizations receive annual allocations for recurrent and capital expenditures from the treasury in Sri Lanka, all government agents are strictly advised to utilize the public funds in the most efficient and effective manner for delivering productive and qualitative services to the nation.

The National Productivity Secretariat measures monthly progress as per the KPIs in order to ensure the results of the utilized public funds, based on the concept of the MfDr .

The recent development history of Sri Lanka provides ample evidence for implementation of innovative, mega-scale, multipurpose infrastructure projects as well as unique social development programs that generated sustainable benefits for citizens [9]. Even though the achievements in the early stages of the development process were sustainable, validated evidence is not available for factors behind the success or failure of at least a few landmark projects and programs for reference and utilization in planning, designing, and implementation of development initiatives in future [9].

Therefore, the National Evaluation Policy (NEP) of Sri Lanka was approved by the Cabinet of Ministers in June 2018 with a directive to prepare a strategic framework for the implementation of the Policy [9]. The purpose of the NEP is to create a conducive environment to achieve national development goals through improved policymaking, planning, budgeting, monitoring, and implementation of development interventions [9].

The following goals of the NEP clearly indicate the key areas of performance that need to be achieved gradually (during the course of implementation of the NEP) for accomplishing the purpose of the policy and thereby creating a better environment for sustainable development:

- (1) enhance evidence-based decision-making and planning;
- (2) ensure relevance, efficiency, and effectiveness in resource utilization and sustainability of development results;

- (3) ensure transparency and accountability at all levels of results delivery;
- (4) promote best practices and lessons learned while minimizing failure and negative impacts of policies, projects, and programs; and
- (5) create an evaluation culture in the country.

The MfDR approach adopted in Sri Lanka is a whole-of-government approach covering national, sectoral, institutional, and project levels. It is not just viewed as a technical tool but as a comprehensive way of thinking to achieve outcomes and impacts [5]. The dissemination of evaluation reports must be improved under the MfDR approach, along with strong feedback arrangements among the functions of planning, policy formulation, project appraisal, and resource allocation.[10]

### **Weaknesses and Limitations**

- At present, Sri Lanka does not apply individual performance-based evaluation. Public-sector experts have emphasized on the importance of introducing a new system in order to create high-demand workforce in the public sector [14].
- Performance management relies on accurate and reliable data and helps to build up assessment and decision-making. The validity and quality of data can lead to unfair assessments and misinformed decisions. Therefore, every government entity should take action to increase the quality of available data.
- Resistance to change within the public sector is a barrier to improve performance management. The bureaucratic and entrenched interests could be the reasons that prevent the adoption of new and more effective approaches.

### **Recommendations and Conclusion**

- Performance is a tool that needs to be used in every government organization. The performance cannot be measured without results and therefore every government organization should pay attention to develop and implement a results-based framework.
- A strong monitoring and evaluation mechanism related to performance management should be formulated in every government organization. The relevant procedures should be reviewed in order to gain high standard of results as well as to get the assurance of conducting the activities as per the expected and agreed upon manner.
- Still, some organizations have paid attention to develop output-based organizations. Already, the government has taken action to establish standards for being answerable to the Parliament. Strategic plan, roadmap, sectoral plans, etc. should be available in the organizations; and necessary actions should be taken as per the schedules.
- When a particular project or program is completed within a given time period, it must be evaluated to examine whether the project or program has achieved the expected results.

- In conclusion, enhancing performance management in public-sector entities in Sri Lanka creates a path to drive socioeconomic development, improve service delivery, and strengthen the governance. It is observed that strong bonds and collaborative efforts need to be strengthened between government institutions, private partnership, and the civil society for enhancing efficient and effective service delivery in the public sector of Sri Lanka.

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# TURKIYE

## The Political and Administrative Context

Turkiye is among the largest economies of the world, ranking 11th in terms of the GDP purchasing power parity (constant 2017 international dollar) and 19th in terms of the GDP (current USD) [1]. Turkiye is a member of the G20 and the OECD and is highly interconnected with the rest of the world, thanks to its geopolitical location across Asia, Europe, and Middle East regions.

Turkiye has a population of around 85 million and the median age of its population is 33.1 years, which is lower than most of its trading partners. In 2021, the share of its working age population was 67.9% and the employment rate was 45.2%. Despite the severe challenges posed by the pandemic and the political conflicts in its neighborhood, the Turkish economy has sustained a positive economic growth.

The current political and administrative system of Turkiye is the Presidency Governance System which took effect with the constitutional legislation in 2017. The first presidential government was in charge during the 2018–23 period. Following the 2023 elections, the second presidential government was selected for the 2023–28 period.

Presidential Governance System, unlike the Parliamentary System, has been designed to create a faster and more effective management approach. The executive body has been strengthened to better ensure the effectiveness and efficiency of the system.

Earlier, in the Parliamentary System, the President had only representative executive power while the Prime Minister was the acting head of the executive power. In the Presidential Governance System, the prime ministry was abandoned and the President became the sole head of executive power. He was also given certain legislative powers, such as the power of Presidential Decree on issues related with executive bodies as well as certain judicial powers, such as the power of assigning some members of the supreme courts [2].

The Presidential Governance System is supported on the basis of avoiding some disruptions and crises arising from Turkiye's former administrative system such as the disagreement between the President and the Prime Minister, the extensive judicial power blocking the actions of executive power, and three military coups and an unsuccessful coup attempt in the last seven decades of Turkiye. However, it is also criticized by opposition parties for giving extensive power to the President without enough legislative or judicial checks. However, under the current setting, both the Parliament and the President have the authority to abolish each other. Indeed, the coup attempt in 2016 has been a major cause for the society to adopt the Presidential Governance System that assigns more power to the selected President.

The Presidential Governance System transformed the structure of central government administrations radically. Both Prime Ministry and Council of Ministers were abolished and their authorities were assigned to the President. The number of line ministries decreased to 17 and the former Ministry of

Development was reorganized as the Presidency of Strategy and Budget. In addition, offices affiliated to the Presidency, along with the strategy and policy boards have been established; and affiliated public institutions and organizations operating under the Presidency have been reorganized and included in the organizational structure of the Presidency. Local administrations, however, have preserved their former organizational structure with no significant changes [3].

## Historical Background of Performance Management

In Turkiye, the concept of ‘performance auditing’ was first mentioned in the Law No. 3460 dated 1938 on Administration and Supervision of State Economic Enterprises (SEEs). It was emphasized that SEEs would be audited whether they carried out their operations efficiently and rationally or not. Then followed some efforts emphasizing the effectiveness, the economy, and the efficiency of public services. These efforts included the Central Government Research Project (MEHTAP) dated 1966; the report named Reorganization of the Administrations: Principles and Suggestions dated 1971; and the Public Administration Research Project (KAYA) Report dated 1991.

An important step contributing to the increase in the qualifications of civil servants was centralizing the public personnel recruitment examinations highlighting the principles of impartiality, equality, efficiency, and merit for public recruitments and defining the promotion criteria of public personnel in 1999.

With the seventh (1996–2000); eighth (2001–05); and ninth (2007–13) five-year development plans, the importance of performance management was emphasized and wage justice in public services, recruitment of the required number of qualified personnel, a citizen-oriented management approach; and efficiency, effectiveness, accountability, quality, transparency, participation, flexibility, and speed of public services were highlighted.

With the amendment made in the Law No. 832 on the Court of Accounts in 1996, a provision was introduced that the Court of Accounts was authorized to examine to what extent the public administrations subject to its audit used their resources efficiently, effectively, and economically. In addition, with Article 68 of the Public Financial Management and Control Law No. 5018 adopted in 2003, the post-expenditure external audit of the Court of Accounts in public administrations, accountability responsibility of public administrations, and the performance evaluation of Court of Accounts on whether public resources were used economically, effectively, and efficiently, were regulated. Furthermore, with the Municipality Law No. 5393, the Metropolitan Municipality Law No. 5216, and the Special Provincial Administration Law No. 5302, issues such as strategic plans, performance criteria for public personnel and operations, quality standards, internal-external audits, and financial and performance auditing were mentioned.

Performance-based budgeting studies in Turkiye were started with the Continuous Quality Improvement and Restructuring of the Public Budgeting System Project in 2001, conducted by the Ministry of Finance in six pilot institutions. These efforts were followed by the legislation of the Public Financial Management and Control Law No. 5018 adopted in 2003 as a cornerstone reform of public sector performance management in Turkiye. With this law, performance-based budgeting was targeted to use public resources efficiently, effectively, and economically in line with the objectives of accountability, fiscal discipline, and transparency.

With the Law No. 5018, it was aimed to monitor the developments in the performance of institutions in their budget practices and to convey information to the relevant units. Novelties such as the

obligation to prepare a strategic plan, the transition to performance-based budgeting based on this plan, and financial transparency were introduced. Article 63 of the law introduced the principle of internal auditing within institutions. With this principle, it is foreseen that auditors will guide the resources to manage them according to the principles of economy, effectiveness, and efficiency.

Four main objectives of public fiscal management and performance management regulated with Law No. 5018 are:

- (1) establishing targets and allocating resources for government activities;
- (2) establishing authorities to carry out the activities;
- (3) reporting that the activities are carried out appropriately; and
- (4) rewarding according to the resulting performance.

Accountability, strategic planning, and performance-based budgeting concepts were put on the agenda of the Turkish public management with this law. These provisions are explained below [4].

**Accountability:** This principle is arranged to cover all stages of managerial processes. Political responsibility and managerial technical responsibility are laid out in a hierarchy. The obligation and the responsibility of delegation of authority, and providing information between the citizen, the legislative body, and the executive body, form the processes. With this responsibility, it is also ensured that the performance is audited.

**Strategic planning:** According to Law No. 5018, the use of public resources is based on strategic planning and performance-based budgeting. With strategic planning, public institutions create a vision and set targets for the future. The public institution pays attention to the use of resources by identifying its strengths and weaknesses through analysis. The strategic plan increases the awareness and the level of responsibility of the institution toward citizens who receive public services, thereby contributing to the participatory management approach. Thus, while preparing the strategic plan, the expectations and the needs of citizens are considered.

**Performance-based budgeting:** Performance-based budgeting helps strengthen the government's capacity to meet budgetary demands, with increased awareness and information among the decision makers on the consequences of performance outcomes.

Performance-based budgeting, introduced with Law No. 5018, is based on a triple basis: preparing annual programs based on and in consistence with medium- and long-term plans; preparing an annual performance program; and preparing a performance-based report. On this basis, it is aimed to increase the performance and quality of the public services by strengthening the communication between the budget makers and the citizens, thereby ensuring transparency and accountability. In addition, with this law, the performance of the government is presented to the public through annual performance reports.

Law No. 5018 is an important reform with its special emphasis on performance as well as focus on the budget dimension of the performance management process. The expression in the law regarding effective and efficient use of public resources is a very comprehensive expression that also covers

the responsibilities of public personnel. In Article 9 of the law, it is emphasized that measurement evaluation will be made with predetermined performance indicators and that measurable targets will be determined by public institutions. The change in the managerial mentality envisaged by the Law No. 5018 is clearly seen in the fact that the activity reports to be prepared at the end of each term require the investigation of the relationship between the performance of the administration, its targets, and its budget as a process. Law No. 5018, which foresees goals such as efficiency, effectiveness, and economy in the institutional sense and envisages making the measurements by associating them with the budget, however, did not foresee an individual performance audit mechanism and a wage-performance relationship for public personnel.

With the Law No. 6111 enacted in 2011, the provisions regarding the registry scores regulated in the Law No. 657 for civil servants were repealed and the practice of filling in the registry score reports for civil servants ended. Despite not being extensive, registry score reporting was a mechanism for managers to evaluate the performance of civil servants. The evaluation made according to the registry was based on the evaluation of the public personnel by the supervisor and the registry score, but no connection was established between the salary and the registry score. One of the important points in the studies carried out for an “efficient and effective public administration” has been the idea of measuring how efficient the public personnel are and determining wages according to their performance. Also, in Türkiye, the idea of evaluating public personnel according to this new approach has come to the fore, but only some fragmented institutional practices have been present. There has been no extensive and systematic approach establishing wage–performance linkage for civil servants.

## **Performance Management Reform Processes and Initiatives**

Throughout the historical evolution of public-sector performance management legislations in Türkiye presented in the preceding section, some notable reform processes and initiatives were present [5]. In this section, we will provide some brief information about these attempts.

### **Cadre-based Contracted Public Staff Application**

The practice of cadre-based contracted public personnel started in 1986 with the introduction of special provisions regarding wages in the organization laws of the Prime Ministry and its subsidiaries, without being bound by the wages assigned by Civil Servants Law. Later, it became widespread in the Prime Ministry Central Organization and some line ministries.

The base-ceiling wage range of the cadre-based contracted personnel, which was previously determined by the decision of the Council of Ministers, is now determined by the decision of the President (since the transition to the Presidential Governance System). “Providing incentive bonuses according to the performance,” which is seen in the practice of cadre-based contracted personnel, is more than a tool to increase productivity. It is emerging as a tool that uses measurement systems that include many criteria open to subjectivity in each applying institution (e.g., the capacity to organize work, and attention and commitment to tasks) and provides wage differentiation compared with other public institutions. Managers who do not want to disturb the peace in the business environment often display an unfair, ‘impartial,’ and far from objective attitude, in which all personnel are evaluated on average and the same amount of incentive bonus is given to them [6].

### **Production Incentive Premium of Ministry of Agriculture and Forestry**

With the amendment made in the 3rd article of the Law No. 969 on Granting Revolving Funds to Central and Provincial Institutions of the Ministry of Agriculture and Rural Affairs (currently

Ministry of Agriculture and Forestry) in 2005, maximum 80% of the profit obtained from the revolving fund income can be paid as incentive premium to the personnel who contributed to the profit in proportion to their contribution, not exceeding twice the annual gross amount of the minimum wage per person. The production incentive premium application is subject to the criticism that, in time, it has turned into a routine fixed additional income like the additional incentive payments in some other institutions and has no direct performance raising effect [6].

### **Performance-based Wage Application of Ministry of Health**

In 2004, the Ministry of Health started to implement a performance-based wage system based on a management approach that envisages rewarding employees in proportion to their successes. The performance-based supplementary payment system implemented by the ministry considers various parameters related with personnel performance to determine the additional payment to be made to them from the revolving fund income. The parameters are:

- task;
- title;
- performance;
- contribution to the service;
- working conditions and duration;
- examinations carried out;
- self-employment status;
- numbers of surgery, anesthesia;
- working status in risky and special sections; and
- interventional procedures.

The ministry started the application of performance-based wage payment as a pilot application in ten hospitals in 2003 to keep the motivation of healthcare service personnel high and to provide a qualified and efficient healthcare service. In 2004, the system has been expanded throughout the country, including primary healthcare institutions.

The individual performance measurement method has undergone several changes according to the practices and results observed in the field and has almost taken the form of a mathematical model. On the other hand, various criteria including meeting certain hospital infrastructure, patients having the right to choose a physician, meeting certain international health quality standards, fulfilling patient satisfaction, and alignment with the defined targets of the ministry, have been added to the performance calculation method over time, under the “institutional performance” head. In this context, as mentioned above, the performance system is an application that aims to increase individual productivity by rewarding the personnel as well as help the relevant health unit produce services according to the principles of efficiency, economy, and effectiveness.

Within the framework of the performance practices carried out by the ministry, significant progress has been made in terms of improving the health provisioning system in line with the expectations of patients, improving the working conditions and opportunities for the personnel, making improvements to solve the problems previously complained about, providing high-quality services, and increasing the performance of health institutions. However, solving the problems that arise over time, especially due to score-oriented behaviors still stands as an improvement area [7–9].

### Performance Measurement in Municipalities

The Performance Measurement in Municipalities (BEPER) Project, which was launched by the Ministry of Interior Affairs in 2002, aimed to establish a model that would make comparisons across municipalities from different perspectives by establishing a monitoring and development system for increasing the quality of goods and services offered by municipalities, being accountable, and providing an efficient and transparent local government.

With the BEPER Project, performance criteria for municipalities were determined by surveying more than 300 questions under the following three basic indicator groups concerning municipal services:

**Service indicators:** These included computerization rate, population connected to the water network, number of administrative personnel per 1,000 people, daily water consumption per person, municipal police, zoning, and fire services.

**Infrastructure indicators:** These covered road length utilized per person, green area per person, solid waste disposal factor, and waste-water collection rate.

**Financial indicators:** These comprised budget realization status, realized final account expenditure per person, budget appropriation per person, and internal revenue generation capacity.

The BEPER Project dealt with the overall performance of municipalities and service units but did not focus on individual/group performance or sub-service unit performance. However, establishing the performance management culture and choosing the right framework supported the performance management learning process in local governments [10, 11].

### Individual Performance Measurement of Governors and District Governors Research

The Individual Performance Measurement of Governors and District Governors Research (MIAPER) project, initiated by the Ministry of Interior Affairs in 2006, aimed to determine separate performance criteria for governors and district governors. In all, 81 provincial governors, 850 district governors, and deputy governors and legal affairs managers were included in the research. With the analysis of the MIAPER survey results and on-site visits, a draft of individual performance criteria, scores, and 360-degree evaluators for governors and district governors were determined.

The 360-degree evaluation method involves the evaluation of governors themselves and the people around them who have a public service relationship with them, including the evaluation of their supervisors, officers, and representatives of people outside the organization. They were also asked to evaluate themselves.

At the end of the MIAPER Project, a total of 100 criteria in the performance evaluation criteria pool were determined. Performance points and percentages for these criteria were developed for the governor, deputy governor, district governors, and legal affairs managers; and separate forms were prepared for each of the 360-degree evaluators.

As a result of the MIAPER Project, the following conclusions and recommendations were broadly reached:

- It is possible to determine both institutional and individual performance to the extent that countable and measurable concrete criteria can be determined.
- To decrease subjectivity of the measurement, it is necessary to determine as much of countable task and job criteria as possible.
- Performance evaluation should be done once or twice a year.
- A performance evaluation implementation guide should be prepared on how to do the application.
- Evaluation criteria and scores for all civil authorities should be clear and transparent.
- Performance evaluation results should also be given to the person evaluated.
- Both evaluation criteria and 360-degree evaluators should be developed according to the time and changing conditions.

The comprehensive suggestions above, brought as a result of the MIAPER Project, have not yet been put into practice comprehensively. The need to determine the performance of the local administrators as per the objective criteria still continues [12, 13].

#### **Performance in the Turkiye 2023 Education Vision of Ministry of National Education**

There are important references to performance management in the “Happy Children, Strong Turkiye 2023 Education Vision” published by the Ministry of National Education in 2018. Some notable targets stated in this document are listed below:

- Learning analytics tools will be developed to provide more effective feedback and to implement a performance-oriented learning and training process.
- A “Teaching Profession Law” and the implementation of reward-punishment mechanisms will be introduced.
- With the “Artificial Intelligence Strategy of the Ministry of National Education,” a common database as well as artificial intelligence-based processes and functions based on the database will be developed.
- A “School profile” application is to be determined according to certain parameters; and sub-components in terms of physical conditions, human resources, finance, and school-society relations will be implemented.



The vision document is currently being implemented by the Ministry of National Education. The Teaching Profession Law was enacted in 2022. Also, with the fastening effect of the COVID-19 pandemics, the Online Learning Analytics Platform (EBA) was further developed by including remote learning materials [14].

## Current Approaches to Performance Management

While there is no direct reference to public sector performance management in the Eleventh Development Plan (2019–23), some basic objectives related to performance management have been declared under the good governance section of the plan [15], to:

- establish accountability in public administration, to strengthen participation, to ensure equal and fair treatment in providing public services, and to increase transparency;
- increase the efficiency of implementation of strategic management in public sector and to implement the understanding of accountability in all stages of the management cycle;
- equip local administrations with an inclusive, financially viable, transparent, and accountable structure whereby they can offer efficient, fast, and high-quality services, and thus maximize the level of citizen satisfaction;
- create a more efficient civil service system that provides high-quality service to the society that is capable of adapting to changing conditions; and
- transfer public services to the electronic environment through modernization and process improvements and to increase service delivery and usage through an e-government gateway.

Several performance management-related activities conducted within the first period of the new Presidency Governance System (2018–23) are also listed below [16–25]:

- The Ministry of Development has been organized as the Presidency of Strategy and Budget with responsibility for monitoring the strategic plans and performance evaluation of public administrations.
- Within the scope of updating the second version of the Strategic Planning Guide for Public Administrations, the process of exchanging views on the Guidelines and guideline drafts prepared in a differentiated manner for central administrations, universities, and SEEs has been completed. Also, these documents have been published and made available to public administrations. In addition, a set of performance indicators has been prepared in cooperation with Higher Education Council (YÖK) and universities to be used in strategic planning studies at state universities.
- Within the scope of the transition to the Presidential Governance System, the State Personnel Presidency was abolished with the Decree No. 703. In the new system, the duties of the abolished State Personnel Presidency are carried out by the Ministry of Family, Labor and Social Services, the Presidency of Strategy and Budget, and the Presidency Human Resources Office.



- Infrastructural works for collecting the required data for the consolidated public personnel registration system within a single database have been completed, providing data about the current situation of public employees such as cadres, overseas education, and employment of the disabled personnel.
- Following the Eleventh Development Plan to take effect, the Institutional Responsibilities Table regarding the aims, targets, and policies within the Plan was prepared and the level of directing the strategic plans of the public administrations toward the priorities addressed in the Development Plan was strengthened.
- Strategic Planning Guide for Municipalities was published in 2019.
- Arrangements were made for the preparation of 2020 performance programs of central public administrations and universities in accordance with the program budgeting approach.
- Following the Local Administrations General Elections held on 31 March 2019, a total of 396 strategic plans covering the period 2020–24 were prepared by the municipalities with populations of 50,000 and above and special provincial administrations. As of 2020, these plans were put into effect through annual performance programs and monitored through annual reports.
- Studies were carried out for the amendments to be made in the Public Financial Management and Control Law No. 5018 for the preparation of the 2021 Central Government Budget with the program budgeting approach. In addition, updates were carried out in the guides on strategic management within the scope of program budget compliance.
- With the COVID-19 pandemics, many public administrations switched to a remote working system, and meetings and transactions were carried out through online applications. In this context, flexible working methods such as remote working and rotating work force began to be applied in public administrations.
- With the amendments made in the Law No. 5018 with the Law No. 7254 dated 16 October 2020, the transition process to the program budgeting was completed and the regulations for the preparation of performance programs by public administrations in accordance with the program budgeting principal gained a legal basis.
- Strategic plans are prepared in public administrations within the scope of the central government, social security institutions, SEEs, special provincial administrations, and municipalities with populations of 50,000 or more. Strategic plans are implemented through performance programs and monitored through annual reports.
- Documents on strategic management prepared by public administrations are archived and shared with the public on the public strategic management website (<http://www.sp.gov.tr>).
- The Presidential Communication Center (CIMER), which is used as an effective tool to convey the problems experienced by citizens and the issues related to public services, is aimed to have a structure where opinions on public policies can be shared in accordance

with the principle of participatory management, as well as be a reference center established for requests and complaints.

- The Remote Education Gate Platform, which was developed in 2022 with the aim of acquiring the competencies required by the digital age through advanced technological tools, was put into service for all public institutions. With the Career Gate-Public Recruitment Platform, an innovative and merit-based system integrated into the e-Government Gateway and a system in which recruitment processes in the public sector can be monitored instantly and transparently has been implemented.
- As of September 2022, 6,801 services of 901 public administrations could be accessed through the e-Government Gateway. Overall, 3,731 services could be accessed through the mobile applications of the e-Government Gateway. As of the same period, 60.7 million registered citizens could benefit from these services.

Examining the plan objectives and recent activities show that the focus of the new approach is on further improving the strategic plan implementations and efficient implementation of program budgeting. Further, with the help of digital technologies, there have been improvements in the speed of providing public services and consolidation of public sector databases. However, the needs of increasing efficiency and effectiveness in the provisioning of services in the public sector, increasing the satisfaction level of public employees, strengthening the capacity of public institutions in human resources management, and diversifying the trainings for personnel maintain their importance. The need to review all processes related to public personnel management, such as recruitment, promotion, discipline, the reward system of public personnel, and balancing personnel distribution, should still be considered in the agenda.

### **Assessment and Analysis**

Until the 1980s in Türkiye, it was thought that the problems related to measurement and management of institutional and individual success in the public sector could be solved by policies such as legislative changes, improvement of inspection processes, administrative reorganization, and standardization of inspection forms. Especially after the 1990s, it was understood that institutional success and accountability could not be achieved solely with legal and procedural regulations. With the effects of international auditing standards, European Union norms and changing public administration understanding, the need for a more comprehensive approach to the auditing problem came to the fore.

In 2003, strategic planning, performance management and performance-based budgeting practices were tested with pilot projects carried out in different public institutions. In the same year, the Public Financial Management and Control Law No. 5018, which constitutes the legal basis of performance management in the public sector, entered into force. The new financial management system envisaged by Law No. 5018 is based on interrelated strategic planning, performance program preparation, and accountability with the annual report.

Public institutions and organizations that are subject to Law No. 5018 are subject to performance audits within the scope of internal and external audit activities. Whether the resources are managed in the relevant public administration according to the principles of economy, effectiveness, and efficiency is evaluated by internal auditors in the internal audit units directly reporting to the top

manager. Performance auditing is carried out as an external audit activity on public administrations by means of audit reports containing the results of regularity and performance audits carried out by the Court of Accounts. Performance management processes used at the central government level are also implemented in local governments (excluding villages and village unions) in Turkiye. Performance auditing of municipalities and special provincial administrations has been accepted in addition to legal compliance and financial auditing.

Despite a basic performance management system connected to the strategic planning approach being implemented for public administrations there is still considerable room for improvement on some fronts as listed below [26]:

- Few of the performance indicators used in central government organizations are result oriented. On the other hand, the rate of using performance indicators at the municipal level remains low [27, 28].
- Despite the significant progress made in recent years, the relationship between strategic plans, performance programs, and the budget could still not become fully established [27, 29].
- There are problems in the preparation of annual activity reports, which are of key importance in ensuring performance evaluation, transparency, and accountability in public administrations [30].
- The internal audit activities tied to the senior manager of the administrations may adversely affect the performance of internal auditors. There is resistance and prejudice against internal auditing in institutions, and there is a need to regulate the separation of duties between the inspection boards and internal audit units [31].
- The use of performance information obtained from strategic plans, performance programs, and annual reports remains weak, and there is no adequate sanction mechanism in return for poor performance [32].
- Except for some individual institutional practices, there is no effective individual performance evaluation system for those working in the public sector [5].
- Despite all the efforts intensified in recent years, there are still some inconsistencies between strategic plans and performance programs [15].
- There is no serious effort and policy action to sign performance-based contracts with public administrators [26].

## Challenges and Limitations

Some apparent challenges and limitations faced in Turkiye in improving the public sector performance management implementations are listed below:

- Since it is not possible to price public goods and services as in the private sector, there are difficulties in measuring and evaluating inputs and outputs in the public sector [33].

- Public administrators use the concepts of efficiency and economy instead of the more complex concept of effectiveness which lead managers to undesirable behaviors [33, 34].
- Since performance results in public administration may affect employees, public officers may tend to deflect performance findings in the direction of their interests [34].
- Politicians may deviate from the efficiency principle in the public goods and services expenditures by considering political concerns regarding interest groups [4].
- The fact that bureaucrats are away from a competitive environment may prevent the public work from being done properly [4].

## Recommendations and Conclusions

Performance management has become the dominant public management approach all over the world in the last four decades. The Turkish public administration was introduced to performance management by international organizations and prominent national public institutions through reports, guidelines, and legal regulations. Since the transition process has been rapid, leaving no room for internalization, problems have arisen in the definition, consistent use, and interpretation of existing concepts in the field of performance evaluation and audit [35].

The focus of the concurrent approach is on further improving the strategic plan implementations and efficient implementation of program budgeting. However, the needs of increasing efficiency and effectiveness in the provision of services in the public sector, increasing the satisfaction level of public employees, strengthening the capacity of public institutions in human resources management, and diversifying the trainings for personnel maintain their importance.

While concentrated efforts to improve institutional public sector performance are present, except for some fragmented institutional practices, there is no effective individual performance evaluation system for those working in the public sector. Also, no plan to develop and apply a general individual performance system that also includes rewards and punishments based on salaries, is on the agenda.

There is a need to review all processes related to public personnel management, such as recruitment, promotion, discipline, and reward system of public personnel, and to ensure that there is a balance in personnel distribution. It is recommended to consider this as a complementary approach to the current strategic planning-based institutional performance approach.

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# CONCLUDING OBSERVATIONS AND POLICY IMPLICATIONS

The recent years have seen a growing interest in performance management. This is reflected in the public sector reform programs that have increasingly focused on performance management and measurement. Primarily driven by the New Public Management (NPM) movement that has dominated the theory and practice of public sector management over the past decades, performance management has become a hallmark of contemporary reform initiatives in the public sector. Widely seen as a way to modernize the public sector and improve its operational efficiency and performance as well as accountability to various stakeholders, performance management has enjoyed a rising popularity in both policy circles and the academic and professional community. This has led to the development of numerous tools and strategies and innovative approaches and frameworks that help better manage and measure performance. Although it was initially a movement in the West and much of the literature focuses on the experiences in the OECD countries, gradually performance management has become a global trend. Faced with growing pressures to improve performance and service delivery, governments in the Asia–Pacific region have embraced performance management by introducing changes to operations and management of the public sector.

What are the major trends in performance management reform in the region? What is the current state of implementation of such reform initiatives? How much have they changed the practice in the public sector? What can the scholars and practitioners learn from the Asian experience? The country cases included in this volume answer these questions by providing an overview of the major reform programs and their implementation status, along with the challenges and impacts.

This chapter provides a summary of the study highlighting the major trends and developments in Asia. It also comments on implementation challenges and suggests policy implications toward consolidating reform initiatives, tackling current challenges, and making them work.

## Reform Trends and Developments

As elsewhere around the world, public management in Asia has increasingly become performance focused. While there are notable variations between nations in terms of the nature and range of reforms introduced and the levels of their implementation, it is possible to identify some broad trends:

First, across the region a new performance culture is gaining ground, with precise measurement of performance as a core element of recent reform initiatives. While performance management is nothing new in the region, there is something qualitatively different about the recent initiatives. These developments point to a shift toward a more measurable performance and tools being employed in this regard. Despite different focuses and emphases, recent reforms share the use of performance indicators, often referred to as key performance indicators (KPIs). Countries in the region, with rare exceptions, now use varying number of KPIs to monitor and measure critical aspects of the public sector performance at various levels. They seek to measure efficiency,



economy, output, and impacts/outcomes of governmental programs and agencies. For example, KPIs used in case of India's PSUs measure their operational efficiency, financial performance, and roles in fulfilling societal objectives. KPIs in the IR Iran's Public Administration and Recruitment Organization seek to measure productivity, customer access and satisfaction, responsiveness, transparency, and equity, among others. Likewise, KPIs used in other countries in the region capture the dimensions of efficiency, effectiveness, quality, citizen satisfaction, and in some cases, environmental sustainability.

Second, performance contracts are increasingly used in Asia as an important element of performance management in the public sector. Inspired by contemporary trends, a number of Asian countries have introduced performance contracts as a major tool for managing and improving public sector performance. These contracts include details of the agreed goals in terms of quality and quantity of services to be delivered as well as the indicators to be used to measure if and how these were provided by an agency. The contracts also serve as an instrument for steering interactions between various levels of the government, besides helping enforce accountability of public officials or managers to political leadership. They also represent a novel way of aligning governmental objectives with institutional goals. The memorandum of understanding (MoU) signed by public enterprises in India with their respective ministries and departments are essentially performance contracts, which specify yearly performance targets and yardsticks to be used for measurement. Likewise, the annual performance agreements (APAs) between a minister and the ministry secretary in Bangladesh and the performance contract between the Prime Minister and the minister of a ministry in Pakistan outline the major objectives, key results, and deliverables for a given financial year together with measurement indicators. In Pakistan, it underwent a transformation into the 'strategic roadmap,' which focused on key thematic areas. Despite adhering to similar performance management principles, performance contracts and strategic roadmap are diverse operationally.

Third, alongside the drive for managing performance at the agency and/or program level, performance management at the individual level has also been a focus of reforms. Several Asian countries have seen reforms designed to manage and measure performance of public employees at various levels. In the process, they have replaced the traditional subjective method of performance evaluation with more objective and quantifiable measures of performance aligned with modern performance assessment tools and strategies. In Pakistan and Bangladesh, the age-old annual confidential reports (ACR) system has now been replaced with performance evaluation reports (PER) and APA, respectively. In the Republic of China, individual civil servants' performance is rated from A to D where much emphasis is placed on the work dimension (65%). The other aspects of performance assessment include conduct, knowledge, and talent of the official involved. In a few other cases, work is well underway to implement performance-based pay and bonus system intended to bolster motivation, productivity, and performance at the individual level.

Fourth, the performance culture has been extended to other areas of public service, including public budgeting and financial management. As performance budgeting has become a popular means for improving public financial management, a number of countries including Malaysia, Pakistan, and Turkiye have adopted what is known as performance budgeting. The Philippines' performance-informed budgeting is another example of performance/results-based budgeting. It represents a major improvement in public financial management: an agency's budget has to make the performance targets as well as output and outcomes explicit, which allows an assessment of whether the spending has produced the levels of output and outcome measured in precise terms. A

further development in this area is the adoption of performance audit at various levels. In a number of countries, the public sector at both central and local levels has seen growing use of performance audit, in addition to legal and financial audits.

Fifth, an important feature of performance management in the region is the use of specific management tools that take a comprehensive view of performance within the government. Sri Lanka has introduced an integrated treasury management information system (ITMIS) that provides a comprehensive reporting and evaluation framework supporting effective planning and monitoring of government finance. The Philippines is experimenting with what is known as the results-based performance management system (RBPMS). This is a unified and detailed approach, which seeks to ensure accountability for results by combining policy accountability (at the highest level for sectoral outcomes); program accountability for program outcomes (at the department level); and performance accountability (at the unit/delivery level) for efficient and effective delivery of services and programs. This, together with the performance-based incentive system and a system of performance reporting, provides a potentially useful framework for driving and improving performance in the public sector. Similarly, Malaysia's new MyPerformance system represents a shift toward data-driven and efficient performance management. This seeks to address the limitations and shortcomings of the pre-existing performance management and at the same time help promote the principles of efficiency, fairness, and transparency in performance management.

### **Reform Progress and Challenges**

The country cases reviewed in this volume show a clear trend: there is a growing interest in and drive for improving the public sector by leveraging modern performance management tools and strategies. The adoption of global best practices including measurable benchmarks, KPIs, performance evaluation reports, citizens' charters, performance contracts, and performance-based budgeting reflects a commitment on part of the leadership for enhancing efficiency, institutional performance, and service delivery, thereby making governments accountable. In some cases (e.g., the Philippines and India), this shift has been accompanied by an increasing emphasis on strategic planning and management, including the implementation of the sophisticated balanced scorecard approach. There are also instances where governments have introduced performance-based pay by linking rewards with performance, in an attempt to foster a culture of high performance and productivity in the public service. Performance-based pay in the Ministry of Health in Türkiye, performance-based remuneration scheme in Pakistan, and performance-based pay and bonus system in the Philippines are cases in point. Also, there are instances in Asia where some agencies now employ a comprehensive feedback system called 360-degree appraisal, which involves supervisors, peers, subordinates, and external stakeholders in an attempt to gain a holistic view of performance. Since many of these schemes are at an early stage of development or implementation, any assessment on their impact must await until these are fully rolled out and they reach some maturity.

The country cases reviewed show varying levels of performance management reform and implementation. Viewed from an overall perspective, the countries in the region are on a right trajectory and many of them are going through a period of evolution. While some of them have made noticeable progress with the implementations producing visible impacts and results, others are still at early stages, grappling with the intricacies of contemporary performance management mechanisms and complex bureaucratic and other practical challenges. The country cases reveal that daunting challenges remain in performance management and measurement. In many cases,

effective implementation of performance management has faced multiple challenges, some of which are unique to specific contexts while others are more generic in nature. These include bureaucratic resistance and/or inertia, inadequate capacity and skills, and insufficient support from senior leadership. They also include problems of interdepartmental coordination, outdated systems, and inadequate knowledge and understanding at appropriate levels. In many cases, effectiveness of performance management has been hampered due to lack of clear accountability frameworks, over-emphasis on short-term results and neglect of other important elements of performance, and the absence of accurate and reliable data, not to talk about political interference.

## Policy Implications and Recommendations

In view of the current state of performance management and the barriers and associated challenges in the Asia region, this study highlights the importance of the following as major policy implications:

- **Prioritizing capacity building, training, and education:** New systems and mechanisms of performance management demand significant managerial investment in the way of improving staff capacity and skills in information collection, usage, and reporting at various levels. This could be done through regular programs of education and training to equip them with necessary knowledge and skills in the field.
- **Fostering stakeholder engagement to ensure ownership and sustainability of the reform initiatives:** It is critical that key stakeholders such as employees, investors of PSUs, and citizens and users of the public services are involved in the design and review of performance measures.
- **Supporting effective implementation:** Often reform programs fail due to poor implementation and the challenges and barriers encountered along the way. A powerful, and dedicated structure along the lines of the UK Prime Minister's Delivery Unit (PMDU) responsible for overseeing the reform process can help ensure that reform programs receive sufficient high-level support and funding and are not subject to operational disruptions. Malaysia's now-defunct Performance Management & Delivery Unit (PEMANDU) created in 2010 and Pakistan's PMDU established in 2013 within the Prime Minister's Office are other examples that offer valuable lessons for other countries.
- **Promoting meritocracy in the public service:** Performance management can hardly be effective without merit-based civil service. A merit-based system creates positive motivation among the staff driving them to strive for high performance. Therefore, it is important to foster meritocracy in the public service where public employment, career progression, and all other rewards and incentives are based on fair assessment of performance.
- **Strengthening interdepartmental and interagency coordination and collaboration:** Seamless coordination between government agencies and departments is crucial for an effective performance management. This also calls for a collective problem-solving approach for addressing the challenges involving multiple agencies or actors.
- **Strengthening accountability by establishing linkages between performance goals, rewards, and sanctions:** A major part of this is about having clarity in terms of rewards and sanctions associated with good and poor performance. A well-defined system can help

clarify this, together with channels of accountability, and motivate individuals and teams to meet performance targets.

Finally, a performance culture cannot be instilled and built overnight. It requires a continuous process of learning and adaptation based on evolving social, economic, technological, political, and policy contexts. Equally critical is a sustained commitment and support from the leadership (both political and administrative), which plays a major part in institutionalizing performance management in the public sector.

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