

*(Preliminary Draft:
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Program Agreements in Malaysia:
Instrument for Enhancing Government Performance and Accountability

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Program Agreements in Malaysia:

Instrument for Enhancing Government Performance and Accountability

EXECUTIVE SUMMARY

In 1990 Malaysia introduced “Program Agreements” in the government agencies as part of an effort to re-invent the concept of budgeting and change its focus from an input-based annual activity to a performance-based exercise. The new system was modestly termed as the “Modified Budgeting System (MBS).” However the modifications made to the existing system were anything but modest. In one sweep, the new system brought Malaysia at par with best practice in public sector management.

The concept of Program Agreement is straightforward. It is an annual contractual agreement between implementing agencies and Treasury’s Budget Division and it outlines the inputs, outputs and impact of a particular program or activity. The performance of the implementing agency is evaluated at the end of each fiscal year against the targets for output and impact. If the performance of the agency is beyond the acceptable variance range specified in the Program Agreement, the agency is obliged to prepare an “Exception Report” to explain the variance.

The strength of the program agreements derives from the fact that they are part of an integrated system of public management in Malaysia. They are intertwined with the budgeting system in the Treasury and the planning system in the Economic Planning Unit. Performance agreements have to be viewed as part of a package of reforms such as the drive for quality and client satisfaction in the government. The former is sought to be implemented by requiring all government agencies to obtain ISO 9000 certification and the latter by requiring all government agencies to develop Client Charters.

Malaysian program agreements are consistent with similar efforts in a large number of OECD countries. The attempt in all reforming bureaucracies is to make the managers manage and also let the managers manage. That is, while holding managers accountable for management (and results), the successful reformed systems ensure that the managers have enough flexibility to deliver the results. Thus, program agreements in Malaysia have adopted a generalized approach to budget management. The government departments are given expenditure targets and asked to specify programs and activities consistent with Malaysia’s Vision 2020. They are also given flexibility to shift spending between certain items as long as they are within the overall limit set by the expenditure target. This innovation in public management has moved the focus from monitoring line items in the budget to monitoring performance indicators and results.

At a technical level, student of performance agreements can point to some structural weaknesses in the way these performance agreements are designed. Yet, they have succeeded because of the so called audit effect—agents shape up their behavior even when the system is not perfect because they believe that the system is monitoring their performance. Because agents believe, it becomes a self-fulfilling prophecy in the short run. However, for long-run sustainability it is important to rectify these technical flaws in the design of performance agreements. In comparison to similar efforts by other countries, program agreements in Malaysia are ahead of the US attempts and behind the effort in New Zealand.

Program Agreements in Malaysia: Instruments for Enhancing Government Performance and Accountability

In 1990 Malaysia introduced “Program Agreements” in the government agencies as part of an effort to re-invent the concept of budgeting and change its focus from an input-based annual activity to a performance-based exercise. The new system was modestly termed as the “Modified Budgeting System (MBS).” However, as we shall see in this paper, the modifications made to the existing system were anything but modest.

1. KEY DISTINGUISHING FEATURES OF MBS: AN OVERVIEW

In one sweep, the new system brought Malaysia at par with best practice in public sector management. While the details of the system are mentioned in later sections, it is worth noting at the outset the following key features of the MBS:

A. Program Agreement as the Corner Stone of the MBS

The concept of Program Agreement is straightforward. It is an annual contractual agreement between implementing agencies and Treasury’s Budget Division and it outlines the inputs, outputs and impact of a particular program or activity (see Annex I for a sample of a Performance Agreement). The performance of the implementing agency is evaluated at the end of each fiscal year against the targets for output and impact. If the performance of the agency is beyond the acceptable variance levels specified in the Program Agreement, the agency is obliged to prepare an “Exception Report” to explain the variance.

Program agreements are variously known as “Performance Agreements,” “Results Agreement,” “Performance Contracts,” “Framework Agreements,” “Commitment for Results,” etc. They represent the culmination of a long tradition of the central role of evaluation in public policy.¹ Whether from theory or from practice, the message is the same: What gets measured gets done. In large institutions, public and private, things are counted, and whatever is counted, counts.

Typically, public agencies are either not clear about their goals or are aiming at the wrong goals. The lack of clarity of goals can be attributed to the fact that most public agencies have to deal with multiple principals who have multiple (and often conflicting) objectives. This leads to a fuzziness in the agencies’ perception of what is expected from them. The simple act of defining performance measures is enlightening for many public organizations. When they have to define the outcomes they want and appropriate benchmarks to measure those outcomes, this confusion is brought into the open. People begin to ask the right questions, to redefine the problem they are trying to solve, and to diagnose that problem anew.

¹ For example, see: Carter (1983), Wholey (1983), Picciotto and Weisner (1998), Popovich (1998), Sarji (1996) and Gore (1993).

The theoretical case for performance evaluation in government agencies is supported by the positive results that have accrued whenever an evaluation system has been implemented in the government. As the following example shows, this is true regardless of the level at which it is implemented.

During New York City's fiscal crisis in the 1970s, an independent foundation developed a method, called *Scorecard*, to measure the cleanliness of streets. It then sent out volunteers every month to rate each of 6,000 streets. The sanitation department had always focused on inputs: How many trucks were assigned to each district? How many men were needed on each truck? Now it began to look at the Scorecard information, which rated outcomes: How clean was each street? Using this information, it reassigned its street cleaners and began to reward crews that made the greatest improvements. By 1986, the percentage of streets rated "filthy" had declined from 43 to 4 percent. Nearly 75 percent were rated "acceptably clean."²

B. Ex-Ante Expenditure Targets

The Expenditure Targets (ET) are set through a combination of top-down and bottoms-up process. At the beginning of the budget cycle, the Treasury provides each ministry with budgetary allocation in the form of a numerical target known as ET for the operating budget for the existing policies. This gives a clear signal regarding government's fiscal policy position and increases financial discipline by forcing ministries to decide on their priorities and trade-offs within the overall budget constraint. It avoids the perverse consequences of the usual poker game under the traditional budgeting system, in which ministries ask for an amount much greater than their real need, and thus force the treasury to slash these request in a more or less arbitrary manner. This has the unintended perverse effect of the treasury ending up implicitly deciding the trade-offs and priorities for the ministries.

C. Generalized Approach to Expenditure Control

MBS represents a more generalized approach to expenditure control which provides for stricter aggregate controls while reducing, eliminating or rationalizing detailed controls. This approach has in fact resulted not only in significant savings to the Malaysian Treasury, but also significant reduction in red-tape and consequent time wasted in giving specific approvals. On the other hand, it has given greater incentives and opportunity for managers to seek and implement a resource mix that will improve program performance.

D. Decentralized Management Philosophy

MBS is based on the following management principles:

- Managers nearest to where the results are produced should be given as much autonomy and authority as practicable; and
- Autonomy/Authority must match Accountability.

² For more examples and details, see: World Development Report 2004.

Figure shows the direction of trade-offs. The upper levels of management have to delegate authority and greater operational autonomy to the lower levels in the hierarchy in order to demand greater accountability for results and expect improved performance.

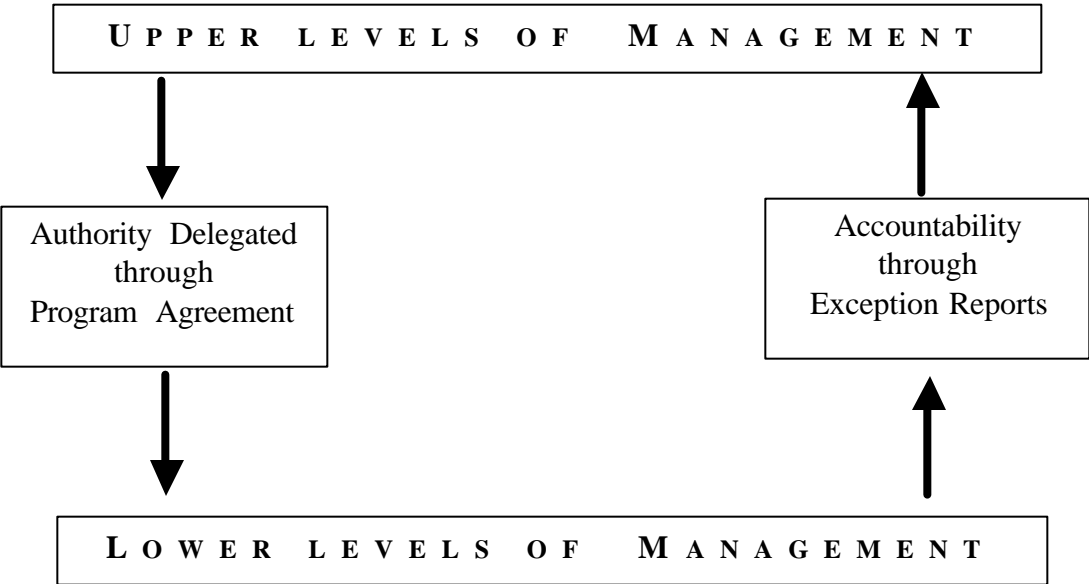


Figure 1: Program Agreements—Accountability for Autonomy

2. PROGRAM AGREEMENTS AND THE MBS PROCESS

To fully understand the MBS, it is important to understand that its effectiveness derives from the fact that it is linked closely to the planning process in Malaysia. In fact, the budgeting system and the planning system are mutually reinforcing. This is perhaps the key to the success of both systems.

Malaysia’s unprecedented growth and dramatic reduction in poverty should make all developing countries take notice of their systems. Malaysia is the only developing country that declared that it wants to be a developed country and is on track to becoming one. It has done this with long spells of surplus budgets and a good record of plan implementation. In fact, it managed to have a soft landing during the East Asian Crisis because of the flexibility and breathing space provided by these prudent policies and sound public management systems.

The agency responsible for preparing plans since 1961 is called the Economic Planning Unit (EPU) and it reports directly to the Prime Minister.³ EPU prepares long term plans called Outline Perspective Plans (OPPs) and medium term Five Year Development Plans. Currently

³ Prior to 1961, planning was done by the Treasury.

Malaysia is operating under the Third Outline Perspective Plan (OPP3) covering the period 2001-2010. This OPP3 marks the second phase of Malaysia’s journey to realize Vision 2020. In 1991, the Malaysian Prime Minister enunciated Malaysia’s desire to become a developed country by 2020. The EPU was given the challenge to devise a strategy to convert this vision into reality.

Since 1961, EPU has prepared eight five year plans and three perspective plans. The perspective plans specify the overarching social, political and economic goals which have to be achieved to make Malaysia a fully developed country by 2020. Five year plans specify the medium term policies required to realize the vision expressed in the long term perspective plans. The priority given to various strategic goals depends on the specific circumstance prevailing in the country at a particular time. Figure 2 illustrates the relationship between various plans and the Vision 2020 in Malaysia.

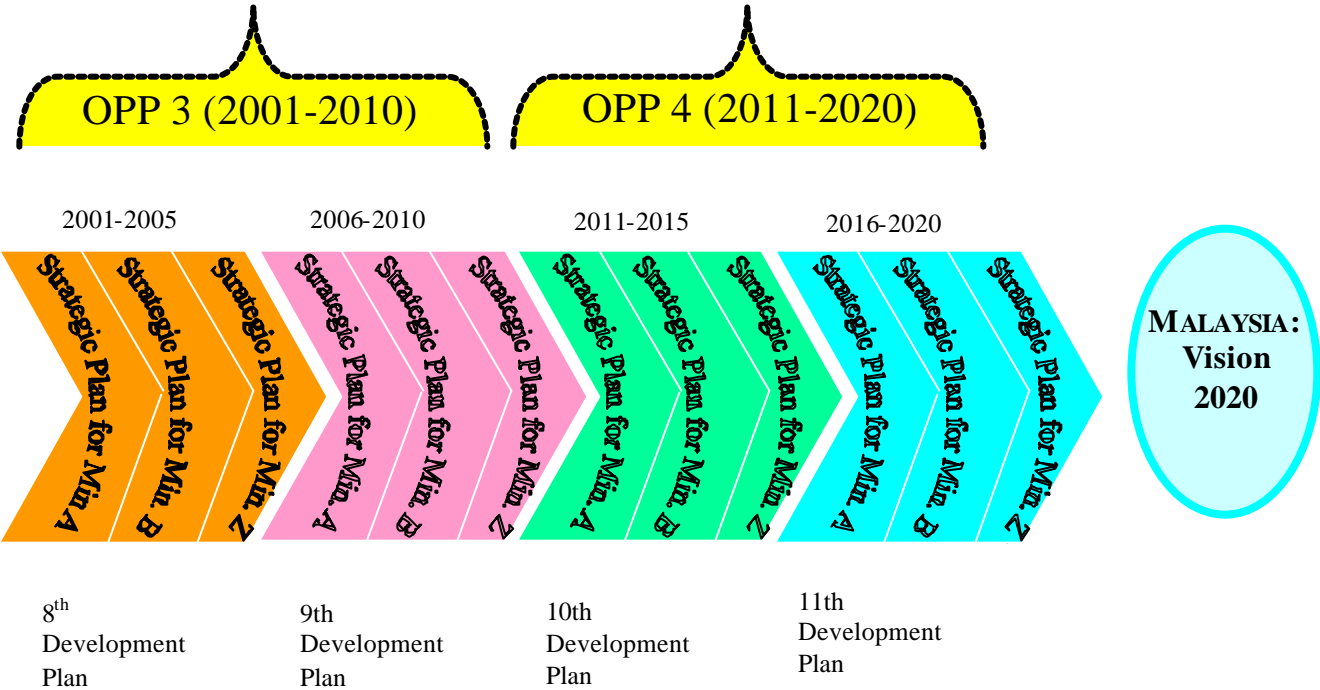


Figure 2: Relationship between Vision 2020 and Plans

Many countries make plans but few transform them into reality. The MBS played a key role in making this conversion possible in Malaysia. Within MBS, program agreements provided the necessary foundation for the success. This relationship between planning and budgeting becomes clear when we look at the various steps in the annual planning and budgeting cycle:

- Step 1:**
Call for proposals for projects and program to be executed during the next Five Year Plan

Before the start of the next five year plan, Economic Planning Unit compiles the list of projects and programs received from various ministries and determines the demand side for the resources. The ministries and agencies send proposals before knowing the exact size of the total envelope but base it on the past trends and changing national priorities.

Step 2:

Determine the Overall Resource Envelope for the Plan Period

The Economic Planning Unit (Macroeconomics Division) works out the resource availability (for development projects and associated recurrent expenditure) during the forthcoming Plan period. This estimate does not include recurrent expenditure for on-going projects and has to be consistent with the relevant Perspective Plan and Vision 2020. EPU uses iterative macroeconomic modeling to determine the resource envelope for the Plan.

Step 3:

Determine Sectoral Allocations for the Plan Period

The Economic Planning Unit (Sectoral Division) allocates the resources among various sectors by looking at future needs and past performance of the sectors. The plan allocation for development expenditures and associated programs/projects, once approved, become sacrosanct and are expected to be funded unless there is a shortage of predicted revenues. There is no explicit ranking of programs and projects at this stage. The concerned parties, though, do have an implicit idea of the relative importance of the projects.

Step 4:

Announcement of Expenditure Targets

A Budget Call Circular is issued at this point. It outlines past trends, future projections and Expenditure Targets for each ministry. It acts as a guidance document for drafting Program Agreements and also contains “Threshold” limits for respective ministries. All new budgetary proposals arising out of new policy initiatives must exceed this threshold limit to be considered by the budget committee at the Treasury. If the threshold limit is RM 50,000 and the cost of the proposal is RM 150,000, then the agency will get 100,000 from the Treasury and will have to fund RM 50,000 from its savings. The rationale behind this concept is to provide incentives to agencies for finding ways to effect savings and encourage them to make only serious proposals. That is, agencies have to put their money where their mouth is.

Expenditure Targets include recurrent expenditure for new policies and projects in addition to the recurrent expenditure for planned projects and development expenditure approved earlier.

Step 5:

Preparation of Budget Proposals

This step involves internal discussions and decisions within each ministry. Sub-Expenditure Targets are decided and each ministry sends a Call circular internally asking various units to submit proposals.

Each ministry also decides on its Long-term Strategic Plan. This includes Long-term, Medium – Term and Short-term targets. Malaysia has moved to a multi year budgetary framework and thus each ministry is required to submit annual targets for two years. Ministries look at the following in developing their budget requirements:

- Continuation of existing policies. These include all programs and activities that have been approved by the Treasury and the Cabinet and are currently under implementation.
- New Policy initiatives for the year that involve new programs and activities, new posts, new areas of maintenance, new training programs, etc.
- One-offs that are a non-recurring expenditure. Examples would include expenditure items such as shifting of the office, office renovation, asset purchase, etc. However, new policies and one-offs can not be aggregated to attain the threshold level.
- Savings proposals for the year. These are existing policies that are proposed to be discontinued, reduced or replaced. This could be either because the policy has achieved its objective or is no longer appropriate. If the saving proposal is from the agency, it is allowed to use the savings until the limit of the threshold mentioned in Step 4. Thus if the savings is RM 30,000, the agency can use the money for the threshold requirement for the new proposal. In our example, it was RM 50,000. However, if the savings is equal to RM 80,000, the agency can use only RM 50,000 and has to return RM 30,000 to the Treasury.

Incidentally, if the savings proposal is made by the Treasury during the review, agency loses all the proposed savings for that year as well as in the future. Thus, agencies are incentivized to reveal savings opportunities on their own.

Step 6: **Preparation of Program Agreements**

This step starts with a review of the previous Program Agreement for which data is available. In view of the past performance and future requirements (as per the strategic plan for the agency), new activities are added or saving proposals made for the proposed Program Agreement for the next fiscal year. That is, ministries put their budget proposal in the form of a Program Agreement. As we shall see later, the focus in presenting Program Agreements is on what value can the nation expect for requested budgetary support (see Annex I for a sample performance agreement).

Step 7:
Review of the Program Agreements by MOF

The review of performance agreements involves both the budget officers from MOF and sectoral experts from EPU. They look for consistency of the proposals in the Program Agreement with the Plan and emerging national priorities. They examine and approve new proposals, savings proposals and one-offs.

Step 8
Review of the Budget (Program Agreements) by the Cabinet

Each member of the Cabinet examines all Performance Agreements to ensure that there is cross-sectoral consistency among policies. These comments and proposed changes are forwarded to respective agencies with instructions to incorporate proposed modifications.

Step 9:
Approval by the Parliament

The Performance Agreement Documents are presented to the Parliament as part of the budgetary papers for approval and information.

Step 10:
Final submission of Program Agreements to the MOF

Once the budget is approved, final signed copies are submitted to MOF for follow-up and monitoring.

3. APPRAISAL OF PROGRAM AGREEMENTS IN MALAYSIA

A. Strengths

Most informed observers agree that the Malaysian system of public sector management is at the forefront of such systems worldwide. As already mentioned, the budgeting system is acknowledged to be at par with best practice in OECD. Program Agreements are an integral part of the budgetary system and are also examples of good practice. In what follows, reasons for this well-deserved reputation are summarized.

- (i) There is no magic involved in creating an effective performance improvement system. Governments that are truly concerned about better performance (i.e. enhanced economy, efficiency, effectiveness and service quality) are always in search for systemic incentives for improving performance. Many governments have found that creating such incentives implies a shift in performance management framework from “administration model” to “management model” and from “bureaucracies” to market-oriented systems.”

Malaysia decided that if it was to be a developed country, it had to re-orient its public administration and make it consistent with best practice in OECD countries. The policy

makers were convinced that an inefficient public sector can not be an effective partner for the private sector. Thus upgrading management of public sector was a necessary condition to promote effective public-private partnerships.

As can be seen in Figure 3, Malaysia moved from having a traditional system for public management to the top of the league of reforming countries.⁴

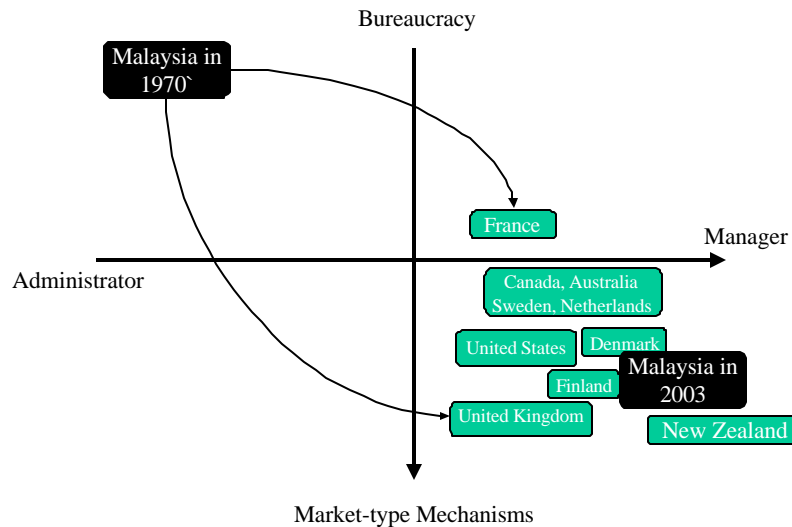


Figure 3: Trends in Public Sector Management in Malaysia

The two dimensions used for classifying public sector reforms in various countries are defined as follows:

- From Administrator Model to Management Model:** The management model represents an internal culture of making managers manage, as opposed to the administrator model which values compliance to rigid pre-determined rules and regulations. The shift to the management model in Malaysia represents an attempt to empower managers. It requires them to take greater responsibility and gives them greater operational freedom while holding them accountable for results. Malaysia has implemented many techniques that are generally used to achieve this transformation in public sector systems and culture. These techniques include: mandatory strategic planning by government agencies, explicit target setting, devolved resource management, performance monitoring and reporting, and regular evaluations using benchmarked data.

⁴ Based on case studies of ten countries conducted by Public Management Service of OECD. See OECD (1997).

- **From Bureaucratic Model to Market Model:** The market model represents greater use of market type mechanisms, as opposed to the bureaucratic model, which operates country's public services as a monopoly provider. The aim of such reforms is to let the managers manage on terms similar to their private sector counterparts. To promote performance orientation, countries have used a range of techniques such as: competitive tendering and contracting out, cost recovery, accrual accounting, privatization and performance contracts. Malaysia has made effective use of all these techniques.

As can be seen from Figure 3, few OECD countries are ahead of Malaysia in terms of these reforms. There will be more details on the comparison with other countries in later sections of this paper.

- (ii) Malaysians succeeded in implementing an integrated system of performance management in the government. They succeeded because they did not focus on one aspect of performance while ignoring others. As happens so often in many attempts at civil service reforms, attention to one aspect of the system, say, wage and salary reforms, results in transient and illusionary gains. Such partial efforts create the famous waterbed effect—water is squeezed from one end and accumulates at the other end. Malaysia used several systems in tandem to ensure that a multi-dimensional approach was put in place to deal with a multi-faceted problem. In addition to having a well defined link between development budget (core responsibility of EPU) and the operational budget (core responsibility of Treasury), systems dealing directly with quality of government services and procedures were introduced in parallel.

The key systems that are worth mentioning are the requirement for ISO 9000 certification from all government agencies in Malaysia. This was done to insure that results were being achieved along with the development of sound internal procedures for doing business. The ISO 9000 certification has forced government agencies to undertake business process re-engineering and document all internal procedures. This certification will ensure that there is continuity in business and performance is sustainable.

Together with this procedural innovation, Malaysia has devised its own variety of Citizen's Charters. In these Client Charters, government agencies are required to explicitly outline the level of service an ordinary citizen can expect from the agency. Agencies that do a good job of meeting their commitments to public service are given a "Quality Mark" by the Prime Minister. These initiatives to fight public sector inefficiency will remind some people about the debates of yesteryears about the appropriate development strategy to fight poverty. There were those who argued for the "trickle down" effect while others argued for a direct attack on poverty. System wide initiatives like MBS and Program Agreements bring long term benefits in terms of increased efficiency. However, it takes sometime for the efficiency to trickle down to all levels in the government. Whereas, Client Charters and Quality Mark initiatives represent a direct attack on public sector inefficiency at the grass-roots level.

In addition, Malaysia set up an Implementation Coordination Unit directly under the Prime Minister's office. This unit has devised an advanced system of monitoring project implementation. The latest version of this system is called Project Monitoring System II. It is an internet based system for real time monitoring and follow-up of implementation of government funded projects.

Finally, MAMPU (Malaysian Administrative Modernization and Management Unit) was asked to examine and suggest remedies for existing administrative bottlenecks and outdated business procedures and practices. Consequently, MAMPU has issued a series of circulars directing government departments to reform and adopt modern business practices.

Thus, taken together, there was massive attack on public sector inefficiency from all sides.

- (iii) The new system corrected several weaknesses of the Program Performance Budgeting System (PPBS). From 1957 till 1968, Malaysia had a traditional budgeting system. When PPBS was introduced in 1969, it represented a great leap forward. It was supposed to have re-oriented budgeting exercise towards performance and results. Government departments were asked to identify programs and activities and undertake performance evaluation. In spite of the progress made, there remained major weaknesses in the implementation of the program. For example, the focus in PPBS continued to be on line items and not on the achievements of objectives, outputs and impacts of the program and activities. The approach in preparation of the budget under PPBS used to be primarily "bottom up" rather than top down. Thus, a large number of proposals submitted by individual agencies added up to be substantially more than the available resources. However, it has to be noted that it was the introduction of PPBS in 1969 that laid the foundation for the introduction of MBS in 1969.

Malaysian have always shown great appreciation for an effective financial management system. Thus, they have constantly improved their budgeting and performance system in light of international experience. In 1969 PPBS represented state-of-the-art and in 1989 MBS incorporated the key elements of the contemporary international best practice. In fact, this desire to constantly upgrade key management systems in government has led them to recently adopt a two year budget framework.

B. Weaknesses

The achievements of Malaysia in this area are so impressive that it is hard to find the heart to point weaknesses. But as believers and supporters of the system, it is necessary to highlight the weakness and point ways to make a good system even better. The key areas for further scrutiny and improvement can be summarized as follows:

- (i) Lack of prioritization of programs and activities: Program Agreements do not include a prioritization of programs and activities. For example, if a ministry has several programs,

they are all considered equally important. This is inconsistent with the strategic approach of the MBS and the Program Agreements. The essence of strategy is selectivity and prioritization. In solving a problem (or in addressing a particular need of citizens) not all solutions are equally effective. Therefore, it is entirely possible that at the end of the year, a ministry may have performed flawlessly in less important areas and failed in important areas. The current system under MBS does not distinguish between various exception reports. Exception report in one area is as important as an exception report in another area. In fact, an unintended perverse consequence of this flaw is to let the budget officer exercise subjective discretion at the end of the year.

To correct this flaw, students of performance agreements would like to see explicit priorities for the various functions mentioned under maintenance of the Federal Roads agreed on an ex-ante basis (Annex I). Even if the subtasks are equally important, it is useful to give them equal weights explicitly.

Table 1: Illustrative Prioritization of Functions

FUNCTIONS	WEIGHTS
i) Normal Maintenance	50
a. Patching road holes	20
b. Grass cutting	5
c. Cleaning drains and bridges	10
d. Regarding of earth roads	5
e. Painting road lines	10
ii) Scheduled Maintenance	30
a. Road Resurfacing	15
b. Road Widening	10
c. Road Shoulder Resurfacing	5
iii) Specific Maintenance	20
a. New technology for pavement	5
b. Road Gardens	2
c. Ferry Maintenance	7
d. Emergency Maintenance	6

This method of prioritization provides explicit guidance to the implementers about the relative priorities of the various tasks. This is not only fair but also essential for a scientific performance evaluation. Attaching explicit weights to various performance criteria sends a clear signal to managers about the priorities of the policy makers.

- (ii) Lack of sensitivity to deviations in target values: Program Agreements in Malaysia specify a “Tolerable Variance Range.” However, experience in designing such system

suggests that this type of specification is too rigid. For example, let us assume that a public official subject to the Program Agreement in ANNEX I realized that he or she was going to miss the target for length of roads patched (in KMs) by more than the tolerable variance range of 1 KM. The current design of the Program Agreement does not distinguish a shortfall of 10% from the range versus a shortfall of 30%. Both will generate an exception report. There is no further penalty associated with the magnitude of the shortfall. It is similar to treating a loss of 100RM equal in importance to a loss of 1000,000 RM.

In addition, students of Performance Agreements would suggest that these documents should specify an explicit range of variation. Table 2 gives an illustration for one of the indicator in the Program Agreement at ANNEX I.

Table 2: An Example of a More Refined Performance Scale

Criterion	Unit	Weight	Criterion Values				
			5	4	3	2	1
			Excellent	Very Good	Good	Fair	poor
Length of the road patched	KM	15	2480	2400	2347	2000	1950

The above range of criteria values provides incentive to managers to ensure that they do their best to achieve a value as close to the target as possible. It also provides incentives to exceed the target.

- (iii) Incomplete coverage of performance areas: Program Agreements in Malaysia cover only those areas for which funding is required from the Treasury. Thus, there is a great danger that the performance of areas that do not require government funding may get overlooked.
- (iv) Difficult to get an overview of the agency performance: The Program Agreement documents are very bulky and detailed. There is no attempt made to create an index that can give a summary view of the relative performance of various agencies.

Annex III contains a methodology that includes the features mentioned above (relative weights and a scale to measure deviations from the targets) as well a way to calculate a weighted index of performance. Malaysia needs to give serious consideration to adopting relevant elements of this methodology.

Some may question the need to change the methodology. They may argue that there is no need to fix the methodology as it appears to be yielding desired results. Unfortunately, experience suggests that in the short run most systems for performance enhancement are likely to yield good results because of the so called phenomenon of “audit effect.” This effect represents the change in behavior of an agent whenever a principal introduces a new system to monitor agent’s behavior. The agent in the short run does not want to take chances, thus responds in a desirable manner. As the weaknesses of the system become clear, the agent starts to shirk effort. Thus, even a flawed system can yield desirable results in the short run. Experienced policy makers are aware of this phenomenon and thus use this window of opportunity provided by the audit effect to improve the system and keep the agent motivated to perform.

4. BENCHMARKING PROGRAM AGREEMENTS IN MALAYSIA: INTERNATIONAL COMPARISONS

The Malaysian program agreements are clearly ahead of similar attempts in the developing countries. When comparing to OECD countries, it would be fair to rank the Malaysian attempt somewhere between similar efforts in US and New Zealand. To illustrate this point, the next two sections argue that, on balance, Malaysian attempt is ahead of similar attempts in US but behind those in New Zealand.

A. Comparison with Performance Agreements in the US Government

Background:

Performance Agreements in the US government are intended to be a written agreement between the president of the United States and various cabinet department secretaries. This document describes the mutual responsibilities of the two parties to the agreement. The following paragraph from the introduction to various performance agreements⁵ signed by the president with a select group of departmental secretaries succinctly describes the concept.

“The American people deserve a government that works better and costs less. The departments and agencies of the federal government hold vital keys to improving performance and to restoring the faith of the American people in their government. Many changes will need to take place for this broad goal to be realized. The purpose of performance agreements with senior officials is to establish clarity and consensus about the priorities for departmental management. They are intended to improve the management of the

⁵ Annex IV gives the 1994 Performance Agreement between President Bill Clinton and the Secretary of the Interior, Mr. Bruce Babbitt.

Executive Branch and are not intended to create any legally enforceable rights. From these agreements should flow the program management priorities of the departments. These agreements represent a beginning, a basis of continuous improvement as we reinvent our government to meet the needs and expectations of the American people.”

The origins of this policy lie in the pioneering Government Performance and Results Act of 1993 (GPRA). This act requires that at least ten federal agencies launch three-year pilot projects, beginning in fiscal 1994, to develop measures of progress. Each pilot project was to develop annual performance plans that specified measurable goals. The agencies were to produce annual reports showing how they were doing on those measures. At least five pilots would also test so called managerial flexibility waivers — which exempt them from some administrative regulations — to help them perform even better. In exchange for greater flexibility, these agencies were to set higher performance targets. This is exactly the process of measured deregulation (we agree to deregulate you if you agree to be held accountable) that must be the basis of an empowered and accountable government.

GPRA requires that, after learning from the pilot programs, all federal agencies must develop five-year strategic plans linked to measurable outcomes. By 1999, every agency was expected to craft detailed annual performance plans — that is, plans that describe what they intend to *achieve*, not plans that detail how many pencils they will buy or how many people they will hire. The agencies will have to report their successes and failures in meeting those goals; however, GPRA allows the Office of Management and Budget (OMB) to exempt very small agencies from these requirements

Comparisons and Contrasts

The basic concept behind the two approaches in Malaysia and US is very similar. Yet, there are important difference. As is clear from the sample Performance Agreement from the US (enclosed in Annex IV), the attempt in the US government was to hold the very top responsible for the outcomes of the departments activities. Unlike, the Malaysian case, the performance agreements in the US are at a much higher level of strategic responsibility. They involve signature not only from the secretary of the department signing the performance agreement, but also signatures of other secretaries as well. Thus, there is an attempt to create a shared understanding (and collective responsibility) of the mission, goals and objectives of each government department. This high-level clarity is essential to guide the functionaries at lower levels in the government.

Unlike Malaysia, the details of the performance agreements for sub units is left to the individual secretary and is not included in the documents submitted to the President of the US. Thus, the performance agreements in the US are not as detailed (or cluttered) as is the case in Malaysia.

The US performance agreements are also very comprehensive. They are clearly meant to focus on the entire set of mandated activities of respective departments. Malaysian instruments, as mentioned earlier, focus on the items that require funding from the treasury.

The power of Malaysian system derives from the fact that there is a close linkage between performance targets and the budget allocation. Ultimately, without the appropriate backing of mandates with resources, performance targets remain an illusive dream. Malaysian system also scores over the US in terms of its sustainability. There is always a risk in holding the every top accountable. If they do not perform, it is embarrassing to take action against them. In some sense it may even reflect on the President. Thus, when the going got tough in the US, the enthusiasm for rigorous evaluation of achievements against the performance targets waned. Perhaps, the US system was well ahead of its time and hence Malaysians get a higher score in having a practical and workable system in place.

Finally, it is worth noting that both systems suffer from the technical flaws mentioned above in section 3 (b). Thus, those countries attempting to design a similar system should keep these flaws in mind.

B. Comparison with New Zealand's System of Performance Management

Background:

New Zealand is the first country that comes to mind whenever reference is made to performance evaluation of core government activities. It has become the most celebrated benchmark for judging reforms to improve performance in core government administration. Not only are the reforms in New Zealand impressive for their scope and depth of coverage, they are also notable for the boldness and swiftness with which they were executed.

Performance evaluation of core administration is only one aspect of the overall reform of government machinery in New Zealand. However, it is one of the reform's most important elements and has provided the necessary impetus for all other aspects. It is easy to see why this is the case. The ultimate goal of the reform was to improve performance in core government administration. To achieve this, it was necessary to define the term *performance* and devise a system to determine whether performance was improving or deteriorating.

The motivation for reform can be traced to two main sources. First, the new Labor government that came to power after nine years realized that the existing government machinery and the managerial system would be slow to respond to new policy priorities. Second, the enormous improvements in efficiency and quality of service that resulted from the transformation of commercial activities of the government departments following the enactment of State-Owned Enterprise Act in 1986 led advisors to search for a framework that would bring analogous incentives for efficiency to the activities of other government entities and departments.

Before turning to a description of performance agreements in New Zealand reforms, it is useful to note the prevailing problems of the core government administration at the time reforms were introduced. These problems are wonderfully transcendental; they exist in most

governmental systems around the world. For sure, these problems existed in Malaysia. Examples of these problems include:

- The objectives of government departments were not clearly specified.
- The respective responsibilities of politicians and civil servants were confused, so that lines of accountability and responsibility were never clear. There were few sanctions for poor performance. The system was designed for micro-management and control of inputs rather than performance in the production of effective public services.
- The control systems administered by central agencies curtailed freedom to manage effectively, leading to poor central decision making about matters that could have been managed more efficiently in a decentralized way. These control systems generally destroyed incentive to perform.
- The structures of the government departments lacked focus and grouped functions in ways that undermined performance. Information was suppressed, and cross-subsidies between different activities were concealed—in some cases deliberately, but in most simply as a consequence of the system. There were conflicts of interest—for example, departments giving advice about the regulation of activities in which they were directly involved—and this lack of focus in structures weakened incentives to perform effectively.
- Accounting systems did not measure total resource use and thus created incentives for poor resource use.
- Ministers made detailed decisions about the internal management of departments for which they did not have adequate knowledge and suitable incentives.

While these problems can be found in almost any conventional bureaucracy in the world, the response of the reformers in New Zealand was radically different from the traditional approaches to civil service reform. At the core, the new system focused on increasing accountability and autonomy by using various types of performance contracts for evaluating the performance of the heads of the government departments (known as Chief Executives).

Chief executive's performance in New Zealand is evaluated with reference to three instruments. Figure 4 depicts the relationship between the three instruments. These instruments are part of an integrated system of accountability. The Employment Contract includes a commitment for drawing up an annual Performance Agreement which, in turn, includes that year's Purchase Agreement. In what follows, each instrument is described in detail.

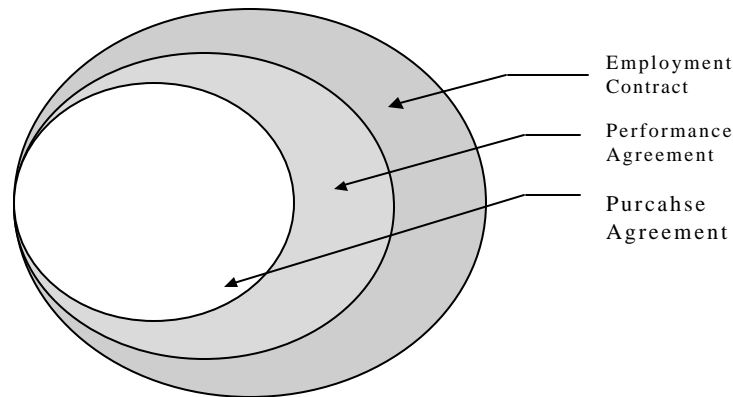


Figure 4: Instruments for Evaluating Government Performance in New Zealand

a. Employment Contract

Employment Contract is for five years with a possibility of extension based on performance. It also enumerates the possibility of receiving performance bonuses for performance above expectations, or of being criticized or dismissed for performance below expectations. As a condition of employment, chief executives are required to sign an annual Performance Agreement against which the State Services Commissioner evaluates their performance.

The contract of employment of the chief executive is a formal legal contract subject to normal provisions of New Zealand’s labor and contract laws. The essential principles underlying these laws are concerned with equity and due process.

b. Performance Agreement

Each chief executive is required to complete an annual performance agreement with his/her responsible minister. The purpose of the performance agreement is to assist the chief executive to achieve the responsible minister’s and Government’s objectives by defining what the minister expects from the chief executive. It provides a basis for specification and the appraisal of chief executives performance in terms of the Key Result Areas (KRAs).

c. Purchase Agreement

The annual purchase agreement between the minister and the chief executive sets out the outputs to be delivered by the department or government agency. The purpose of this agreement is to allow the minister to:

- determine which outputs to purchase;
- agree to appropriate cost, quantity and quality standards for desired outputs;
- make comparisons with other providers where possible;
- hold provider accountable for delivery of the specified output.

In addition to the outputs that will be purchased by the minister, the document sets out the terms and conditions surrounding the purchase, such as procedures for monitoring, amending and reporting.

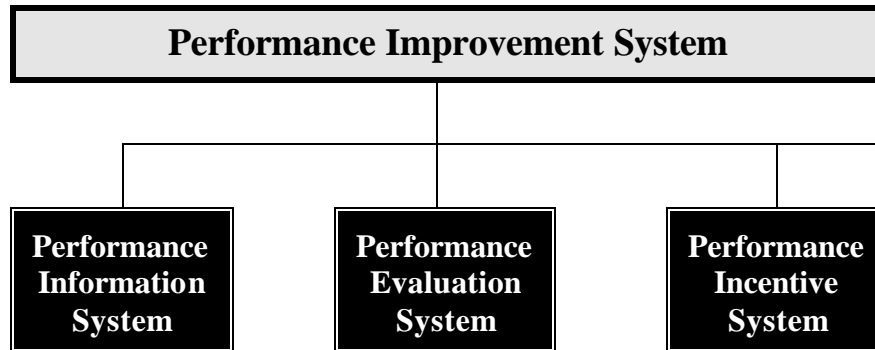


Figure 5: Elements of a Performance Improvement System

Comparisons and Contrasts with Malaysia:

Compared to the Malaysian system, the public management system New Zealand is wider in scope and much more rigorous in its application. The Malaysian program agreements are, first and foremost, an accessory to the budgetary system. Thus, the scope of program agreements in Malaysia is determined by the requirements of an effective budgetary system. Malaysians use other systems (e.g., ISO 9000 certification for government agencies, client charters, MAMPU circulars, etc.) to ensure overall performance management. New Zealand, on the other hand, uses the contractual approach for managing almost all aspects of public sector activities.

International experience suggests that performance improvement in government requires reform of the following three interrelated sub-systems:

- a.. **Performance Information System:** Without proper information regarding the activities of the government agencies, it is impossible to even begin to evaluate performance, much less improve performance. However, an adequate performance information system does not imply collection of huge amounts of data. A thoughtfully designed information system allows evaluators timely access to necessary information in an appropriate format. Often, a properly designed system reduces the data overload on agencies. When evaluators are not sure about what matters most, they tend to collect as much information as they can to insure against the risk of not having the necessary data when required.

- b. Performance Evaluation System:** Once an evaluator has the necessary information, it is possible to design an effective evaluation system. Availability of data, however, does not automatically guarantee a sound evaluation system.
- c. Performance Incentive System:** Civil servants and bureaucrats, like most other people, respond to incentives. No matter how sophisticated an information and evaluation system you may design, if you do not link the evaluation to the welfare of the agency managers, you cannot expect to improve performance. It is not necessary for the incentives to be monetary, but it is necessary to have incentives.

The reforms in New Zealand emphasized all three sub-systems. Whereas, in Malaysia the emphasis was more on the performance evaluation and information systems related to budgets. The incentive systems were relatively underemphasized in Malaysia. Of course, the reform of the evaluation systems and the information systems had an indirect and desirable effect on the incentive structures. However, it is important to tackle the issue of incentives explicitly.

5. KEY LESSONS OF EXPERIENCE FOR OTHER COUNTRIES

The lessons from Malaysia can be divided into two categories. The first category includes those lessons that are common to all public policies in all countries. These “Meta Lessons” are lessons of “lessons of experience.” A review of sections on lessons of experience from a wide range of countries dealing with an equally diverse range of public policy issues suggests that certain lessons are repeated with predictable frequency. These lessons can be called meta lessons of experience.

Relevant Meta Lessons :

- (i) Existence of solid and sustained political commitment is essential for success. The credit has to go to the longevity of current Prime Minister’s tenure and his undivided attention to financial affairs. Even today, Prime Minister of Malaysia has kept the Finance portfolio with him. This has several advantages in the Malaysian context. First, the opposition to reforms means opposition to Prime Minister and hence decreases the chances of the opposition prevailing to reverse them. Second, the exceptions reports in theory go to the Prime Minister and thus program agreements are taken much more seriously. The incentive effect of this arrangement compensates for the lack of an explicit incentive system. Finally, Prime Minister’s involvement has allowed the government to develop and effectively implement other complementary reforms (ISO 9000 Certification, Client Charters, etc.). The fact that the Economic Planning Unit (EPU) is also under the Prime Minister’s Office has made it easier to coordinate between planning and finance. In many countries the rivalry between finance and planning paralyzes and otherwise sound system on paper.

- (ii) It is essential to adapt new concepts to suit the local conditions. Malaysia never copied any system blindly. They adapted the key features of various successful models to suit their unique local conditions. The system was therefore well understood and matched the level of sophistication in the government. The choice of the term MBS was also a very wise one. It emphasized continuity and downplayed the change.
- (iii) Success of implementation efforts for most reforms depends on the concomitant training effort. Huge emphasis was placed on training and development in Malaysia. There was a concerted effort to train people in the use of MBS. It was done jointly by the Treasury and a public administration academy known as INTAN.
- (iv) Gradual implementation of major reforms improves the chances of their success. The new system in Malaysia was introduced gradually. MBS was pilot tested in three ministries in 1990 (Ministry of Health, Ministry of Works and the Ministry of Social Welfare). In 1994 all federal ministries and departments implemented MBS and program agreements. The Federal Statutory and Quasi Government agencies followed suit in 1996.

Other Specific Lessons:

- (v) It is not necessary to have perfect performance agreement documents to get the desired impact. This is a specific example of the classic meta lesson: best should not be allowed to become the enemy of the better. As mentioned earlier, the introduction of a performance agreement system (albeit imperfect), has a salutary effect on performance. This is known as the audit effect in the principal-agent literature. Thus, it is not worth waiting to perfect a performance management system. In fact, improvement of the system should be a continuous process. Truly successful systems try to overhaul themselves automatically and with regularity.
- (vi) Performance improvement requires a multi-dimensional effort. It is not possible to improve performance in government by focusing on any one system. The search for a magic bullet is not very rewarding. Malaysians have tried to tackle public sector efficiency from different angles. They have introduced several complementary systems to ensure that inefficiency does not travel from one part of the system to the other—the water bed effect.
- (vii) It is important to focus on improving all three sub-systems of a performance improvement system—performance information system, performance evaluation system and performance incentive system. Malaysian case also shows that there are various ways of achieving the same result. In New Zealand an explicit incentive system was put in place via the employment contracts for the department heads. In Malaysia, the same effect was perhaps achieved by placing the Finance Ministry under the Prime Minister. Even when the Finance Ministry was not under the Prime Minister, latter was extremely engaged in the affairs of the Finance Ministry.

- (viii) Accountability for results works only when it is accompanied by increased autonomy. The traditional systems in developing countries tend to focus on accountability for procedures. This is not a guarantee that results will be forthcoming. Even if the government changes its focus to toward accountability for results, it has to have the courage to grant appropriate autonomy to the managers. The generalized approach to expenditure control was a key element for the success of the MBS and program agreements.

6. CONCLUDING COMMENTS

All things considered, program agreements in Malaysia represent a good example of a practical way to bring in accountability for results in the government. The discussion in the paper is summarized in Table 3. Key aspects of the policy are evaluated on a 5-point scale where “1” represents poor performance and “5” represents excellent performance. The composite score of 4.15 represents an extremely good overall score for the performance agreement policy.

Table 3: Summary Evaluation of the Program Agreements in Malaysia

Criterion	Weight	Achievement on 1-5 Scale (Raw Score)	Weighted Score
(i) Consistency with international best practice			
a. Information system	.10	3.5	.35
b. Evaluation system	.30	4.0	1.20
c. Incentive system	.10	3.5	.35
(ii) Scope of the policy	.10	3.0	.30
(iii) Linkages (and consistency) with other public policies	.20	5.0	1.00
(iv) Implementation strategy			
a. Sequencing, length of gestation period, etc.	.05	4.5	.225
b. Explicit and implicit political support	.10	5.0	.50
(v) Training Strategy	.05	4.5	.225
Total =	1.00		
COMPOSITE SCORE=			4.15

(Note: 5 = Excellent; 1= Poor)

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**Program Agreement for
Road Maintenance Service
Ministry of Public Works**

(Operating Budget Estimates for 1998)

OPERATING EXPENDITURE PROGRAM AGREEMENT 1998
MINISTRY OF PUBLIC WORKS

- 1. **EXPENDITURE PURPOSE** : B52
- 2. **AGENCY** : Ministry of Public Works
- 3. **PROGRAM** : Roads and Bridges
- 4. **ACTIVITY** : Maintenance Service
- 5. **CODE** : 020400

6. **SOURCE OF AUTHORITY**

- a. P.U. A)203- "Ministers Duties Act 1969" that is the Federal Government Ministers Order 1995 dated 1 June 1995 about Ministers duties as a result of a Cabinet Reshuffle and government Organization effective 8th May 1995.
- b. Public Service Department letter Ref: JPA(S)253/2/22-11 Kit 11(70) dated 7th September 1993 which contains the decision on the Reorganization Of The Ministry Of Public Works and

7. **OBJECTIVE**

To ensure that the Federal Roads and Bridges are constantly maintained at its original standard so that it remains in safe condition, is comfortable to use and is of light quality.

8. **POLICY/NEEDS ANALYSIS**

- (i) **Needs / Problems that need to be overcome/
Scope of the Problem**

The total length of roads in the country has increased from 8,000 km in 1985 to 13,910 km at the end of 1996. This asset needs to be looked after and maintained to obtain its maximum benefit.

In addition to this the maintenance service is also responsible for the upkeep of 4,5000 bridges and also offer advice to the States with regard to federal contributions for state roads that now total 46,457 km.

This network of roads needs maintained in order to extend its life span whose pavement is designed for an average usage of 7 years. The costs involved in repair as a result of damage is significantly more than the normal maintenance

a) **Safety**

- (i) Road accidents due to poor road conditions can be reduced.
- (ii) Occurrence of embankment collapse, collapse of bridges and road erosion can be reduced.

b) **Comfortable**

Comfort of the road users can be increased.

c) **High Quality**

Roads of high quality can reduce the vehicle operations cost and indirectly aid the transportation industry of the country to effective and efficient.

State and District Public Works Departments are give the responsibility to maintain the State roads except the roads under the jurisdiction of the Local Authorities. Because of this the Roads Division needs to be responsible over the Federal Roads functioning as a coordinating center for

Collection and examination of data about slope and about slope and pavement and system analysis could aid in maintenance works. The system user now such as PAMS, CHASM, MEHMS, and SMZ could be used as planning tools.

- a. Laws related to road and road transport not only needs to be reviewed but as well needs to be changed in line with changing times.
- b. To give feed back to the Design Unit and the Project Management Unit of the Road Division as a report or through meetings.

ii) Short -term

- c. Normal Maintenance-Work needs to be done on the roads and bridges throughout the year based on the current need. Examples of normal maintenance is grass cutting, catching up holes, repair of road signs, etc.
- d. Scheduled Maintenance-Works needs to be done on road sections α bridges following scheduled frequency Example: Road Resurfacing, Bridge painting etc.

iii) Budget Year

Based on the limited financial resources, this Unit needs to ensure that its implementation strategies is conducted effectively and optimally where emphasis would be given to road safety and comfort to the road users. For the year 1998 this Unit has determined that the allocations would be distributed based on the following priorities.

- a) Maintenance and Slope Repair
- b) Maintenance of road pavements
- c) Normal Maintenance
- d) Resurfacing of road shoulders
- e) Other maintenance

9. CLIENTS

i) Direct Clients

Roads Users

ii) Indirect Clients

Ministry of Works

10. FUNCTIONS

(A) Maintenance Of Federal Roads

To give maintenance services to federal roads totaling 13,910 km, 4,500 bridges and 3 ferries in the year 1998 through the following activities:

i) Normal Maintenance

- f. Patching road holes
- g. Grass cutting
- h. Cleaning drains and bridges
- i. Regarding of earth roads
- j. Painting road lines

ii) Scheduled Maintenance

- d. Road Resurfacing
- e. Road Widening
- f. Road Shoulder Resurfacing

iii) Specific Maintenance

- e. New technology for pavement
- f. Road Gardens
- g. Ferry Maintenance
- h. Emergency Maintenance

(B) Road Management System

- (i) **To maintains roads, information and specific data and as such its activities are as follows:**

- a. Plants/Vehicles
- b. Small Equipment
- c. Weighing Stations

- (ii) **Road Data Collection**

- a. Road vehicles data for PAM
- b. Road Inventory
- c. Slope Inspection Inventory

(iii) Management of Federal Roads Act 1959 and Road Transport Act 1987

Administer permit applications for movement of heavy Vehicles. Gazetting of closed or change in road status. Determine maintenance policies in accordance with the Acts.

11 **RESOURCES**
(Refer to Appendix ABM-2A (KJ))

12. **OUTPUT SPECIFICATIONS:**
(Refer to Appendix ABM-2B(KJ))

RESOURCES

A. Expenditure / Allocation According To General Objects

	Allocation 1996	Actual Expenditure 1996	Agree- able Variance	Agreed Allocation	Agree- able Variance	Estimate Expenditure 1998	Agree- able Variance
	RM	RM	%	RM	%	RM	%
Emolument	1,458,500	1,398,397	5	1,031,800	5	946,768	5
Services and Supplies	218,201,200	214,604,372	10	310,166,700	10	328,595,000	5
Asset	3,507,300	2,669,940	10	350,000	10	2,980,000	5
Transfer payments	0			0		0	
Other Expenditure	45,000	24,066	5	45,000	5	25,000	5
Total Allocation/Expenditure	223,212,000	218,696,775		311,593,500	5	25,000	5
Net Expenditure	223,212,000	218,269,775		311,593,500		332,546,768	
Expenditure /Allocation According to Functions							
1 . Federal Road Maintenance	219,704,700	216,026,835		311,243,500	20	329,566,768	5
2. Road Management Systems	3,507,300	2,669,940		350,000	10	2,980,000	5
Total Expenditure	223,212,000	218,696,775		311,593,500		332,546,768	

B. Establishment According To Service Categories

Service Category	Previous Year 1996		Current Year 1997		Number For New Year (Estimated) 1998 (New Posts)
	Approved Posts	Post Actually Filled	Approved Posts	Post Actually Filled	
Higher Management Group	0	0	0	0	0
Management and Professional Group	7(6)	3(6)	6(7)	5(7)	0
Supporting Group	28(3)	21(3)	29(3)	22(3)	0
Total	36(9)	24(9)	35(10)	27(10)	0

**Federal Road and Bridges Maintenance Activity 1998
OUTPUT SPECIFICATION ABM-2B (KJ)**

Performance Indicators	Last Year 1996			Current Year 1997		New Year 1998	
	Agreed	Achieved	Tolerable Variance Range	Proposal	Tolerable Variance Range	Proposal	Tolerable Variance Range
FUNCTION A							
MAINTENANCE OF FEDERAL ROADS							
1) NORMAL MAINTENANCE							
a) Patch up holes on the road							
1. Length of road patched (km)	3,745	3,792	1	3,743		2,347	
2. Km of roads patched following stipulated conditions	100	100	5	1001	5	100	5
3. % km of roads patched following stipulated time	100	100	5	100	5	100	5
4. Cost per km of patched road	12,505	12,029		13,048		13,654	
(b) Grass Cutting							
1. Length km of grass area cut	37,027	37,077	0	36,848		37,348	
2. Km of grass area which is cut following stipulated standards	100	100		100	5	100	5
3. Km of grass area which is cut following stipulated time	100	100	5	100	5	100	5
4. Cost per km of grass area cut	739	729		719		735	

Performance Indicators	Last Year 1996			Current Year 1997		New Year 1998	
	Agreed	Achieved	Tolerable Variance Range	Proposal	Tolerable Variance Range	Proposal	Tolerable Variance Range
c) Paint Road Lines							
1. Length (km) of road lines painted	1,300	1,300	0	1,044		1,512	
2. % km of roads patched following set standard	100	100	5	1001	5	100	5
3. % km of roads patched following set time	100	100	5	100	5	100	5
4. Cost per km of roads painted	5,389	4,783		4,006		5,906	
(d) Road/Shoulder Upgrade							
1. Length km of road/shoulder upgraded	290	280	-3	741		828	
2. % km of road/shoulder upgraded following the set standard	100	100		100	5	100	5
3. % km of road/shoulder upgraded following the set time	100	100	5	100	5	100	5
4. Cost per km of road/shoulder upgraded	5,905	6,005		6,117		7,420	

Performance Indicators	Last Year 1996			Current Year 1997		New Year 1998	
	Agreed	Achieved	Tolerable Variance Range	Proposal	Tolerable Variance Range	Proposal	Tolerable Variance Range
(e) Clearing Drains and Bridges							
1. Number drains and bridges cleared	1,366	1,362	0	1,538		1,700	
2. % km number of drains and bridges cleared following set standards	100	100	5	1001	5	100	5
3. % km number of drains and bridges cleared following the set time	100	100	5	100	5	100	5
4. Cost of clearing a sq. ft. of drain or bridge	3,008	2,932		3,426		3,480	

Performance Indicators	Last Year 1996			Current Year 1997		New Year 1998	
	Agreed	Achieved	Tolerable Variance Range	Proposal	Tolerable Variance Range	Proposal	Tolerable Variance Range
ii) SCHEDULED MAINTENANCE							
(a) Road resurfacing							
1. Length of road which is resurfaced	345	355	3	285		319	
2. % km of road resurfaced following set standards	100	100	5	1001	5	100	5
3. % km of road resurfaced following set time	100	100	5	100	5	100	5
4. Cost per km of resurfaced road	130,789	117,764		114,475		117,906	
(b) Road Widening							
1. Length km of road widened	20	20	0	39		41	
2. % km of road widened according to the set time	100	100		100	5	100	5
3. % km of road widened according to the set time	100	100	5	100	5	100	5
4. Cost per km of widening road	108,788	105,388		122,650		133,533	

Performance Indicators	Last Year 1996			Current Year 1997		New Year 1998	
	Agreed	Achieved	Tolerable Variance Range	Proposal	Tolerable Variance Range	Proposal	Tolerable Variance Range
iii) SPECIFIC							
MAINTENANCE							
(a) Use of new Technology							
1. No. of works using new technology	4	3	-25	1		1	
2. %no. of works using new technology standards	100	100	5	1001	5	100	5
3. % of no. of works using new technology following the set time	100	100	5	100	5	100	5
4. Cost per no. of new technology	755,850	753,750		135,000		138,500	

13. IMPACT INDICATOR

Impact Indicator	Actual Achieved Previous Year 1996	Current Year's Achievement 1997	Estimate For New Year 1998
(i) Decline in the rate of complaints from road users.	NA	NA	NA
(ii) Percentage of roads below the Pavement Condition Index of <2.5	75%	75%	77%
(iii) Decline in the rate of road accidents as a road conditions.	9.8%	9.7%	9.6%

14. EVALUATION PLAN:

- i) Name of Program/Activity : Maintenance Service
- ii) Year When The Program/ : 1989
- iii) Year When Last Evaluation Was Done : Evaluation according to MBS not conducted as yet
- iv) Next Evaluation Year : 2005
- v) Issues To Be Evaluated :
 - a. To create a system to measure the complaints level of road users
- vi) Methodology :
 - a. Conduct survey/ interviews with roadusers.
 - b. To intensify the information set up for road maintenance such as PAMPS.
 - c. Conduct examination and prepare road inventories, bridges and road equipment.

**HEAD OF DIVISION OF ROAD MAINTENANCE
PUBLIC WORKS DEPARTMENT,
MINISTRY OF PUBLIC WORKS
DATE**

**CONTROLLING OFFICER
MINISTRY OF PUBLIC WORKS
MALAYSIA
DATE**

Program Agreements and the MBS Process

Program Agreements and the MBS Process

Steps	Description	Timing	Actions	Primary Responsibility	Others Responsible
Step 1	Call for proposals for projects and program during the next Five Year Plan	Before the Five Year Plan Period	<ul style="list-style-type: none"> Economic Planning Unit compiles the list of projects and programs received from various ministries and determines the demand side for the resources. The ministries and agencies send proposals before knowing the exact size of the total envelope but base it on the past trends and changing national priorities. 	Economic Planning Unit (Sectoral Division)	Other ministries and government agencies (Technical Working Groups are set up within each ministry for this purpose)
Step 2	Determine the Overall Resource Envelope for the Plan Period	Before the Five Year Plan Period	<ul style="list-style-type: none"> Economic Planning Unit (Macroeconomics Division) works out the resource availability (for development and associated recurrent expenditure) during the Plan period. This estimate does not include recurrent expenditure for on-going projects. This estimate has to be consistent with the Perspective Plan and Vision 2020 It uses iterative macroeconomic modeling to determine the resource envelope for the Plan 	Economic Planning Unit (Macroeconomics Division)	Ministry of Finance (Budget Division)
Step 3	Determine Sectoral Allocations for the	Before the Five Year Plan	<ul style="list-style-type: none"> Economic Planning Unit (Sectoral Division) allocates the resources 	Economic Planning Unit	Other ministries and

Steps	Description	Timing	Actions	Primary Responsibility	Others Responsible
	Plan Period	Period	<p>among various sectors.</p> <ul style="list-style-type: none"> • It looks at future needs and previous performance of the sectors • The plan allocation for development expenditures and associated programs/projects, once approved, become sacrosanct and are expected to be funded unless there is a shortage of predicted revenues. • There is no explicit ranking of programs and projects at this stage. The concerned parties, though, do have an implicit idea of the relative importance of the projects. 	(Sectoral Division)	government agencies
Step 4	Announcement of Expenditure Targets	January of each year	<ul style="list-style-type: none"> • Budget Call Circular issued. They: outline past trends, future projections and Expenditure Targets • It acts as a guidance document for drafting Program Agreements and also contains “Thresh hold Limits.” • Expenditure Targets contain recurrent expenditure for new policies and projects in addition to the recurrent expenditure for planned projects and development expenditure are already approved 	Ministry of Finance (Budget Division)	

Steps	Description	Timing	Actions	Primary Responsibility	Others Responsible
Step 5	Preparation of Budget Proposals	January – June of each year	<ul style="list-style-type: none"> • This step involves internal discussions and decisions within each ministry. • Sub-Expenditure Targets are decided and each ministry sends a Call circular internally • Each ministry decides on its Long-term Strategic Plan) • This includes Long-term, Medium –Term and Short-term (annual for 2 years) targets. • Ministries look at the following in developing their budget requirements: <ul style="list-style-type: none"> ○ Continuation of existing policies ○ New Policy initiatives for the year ○ One-offs ○ Savings proposals 	Various Sectoral Ministries	Ministry of Finance provides guidance and training
Step 6	Preparation of Program Agreements	March-June Of each year	<ul style="list-style-type: none"> • Review of Performance Agreement for which data is available • Addition of new activities in the Performance Agreement • Ministries put their budget proposal in the form of a Program Agreement. • The focus in presenting Program Agreements is on what value can 		

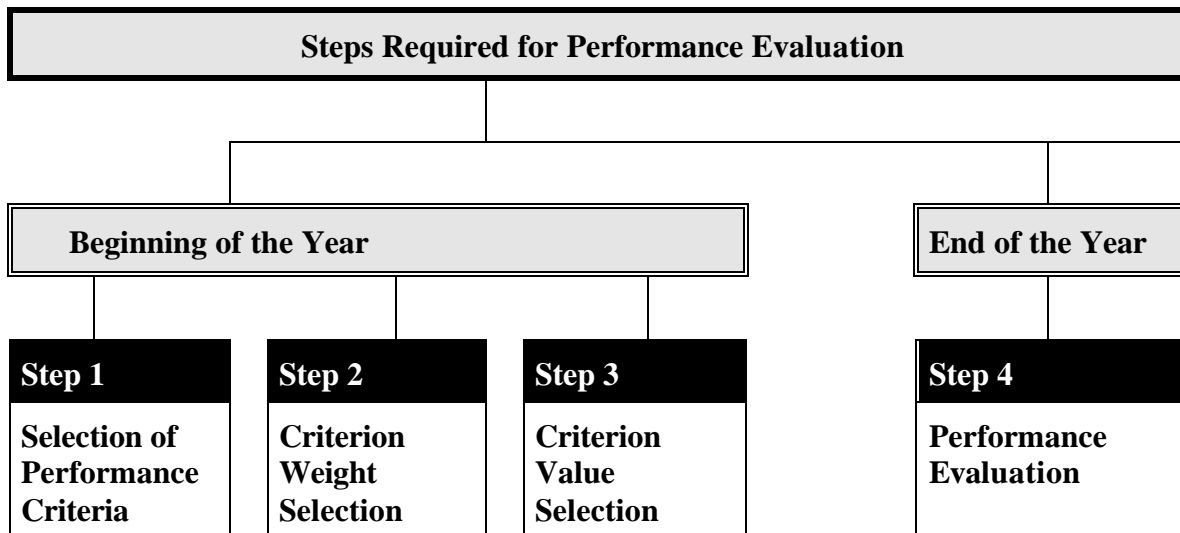
Steps	Description	Timing	Actions	Primary Responsibility	Others Responsible
			the nation expect for requested budgetary support.		
Step 7	Review of the Program Agreements by MOF	June-July of each year	<ul style="list-style-type: none"> • The review involves both the budget officers from MOF and sectoral experts from EPU • They look for consistency of the proposal with the Plan and emerging national priorities • They examine and approve new proposals, savings proposals and and one-offs. 	Ministry of Finance (Budget Division)	<ul style="list-style-type: none"> • Economic Planning Unit • Concerned Sectoral Ministries
Step 8	Review of the Budget (Program Agreements by the Cabinet)	August-September of each year	Review by individual ministers	Individual Ministries	
Step 9	Approval by the Parliament	September-October of each year	Debate No comparison Review by each member of Parliament and Select Committees Two books merged perf. and finance.	Members of Parliament	
Step 10	Final submission of Program Agreements to the MOF				

**Suggested Performance Evaluation Methodology for
Malaysian Program Agreements**

**Suggested Performance Evaluation Methodology for
Malaysian Program Agreements**

The proposed methodology for performance evaluation involves four key steps. First three steps are taken at the beginning of the year and the last is taken at the end of the year. Figure 1 describes these steps.

Figure 1: Steps for Performance Evaluation



Each step is a necessary condition for an objective performance evaluation exercise. The language used to describe these steps may and, indeed, does differ from country to country, yet the spirit of each step as described in the following sections has to be present to enable a meaningful performance evaluation.

Step 1: Selection of Performance Criteria

Defining performance is the first step in any performance evaluation exercise. This is accomplished by selecting a set of criteria against which performance will be measured. The following basic principles should guide the selection of these performance criteria:

- Performance criteria should reflect the objectives of the agency.
- They should be simple and monitorable.
- They should be “fair” to the manager and “fair” to the country.
- There should not be too many criteria in a Performance Agreement.

Step 2: Criterion Weight Selection

In the second step we deal with criterion weight selection. Whenever there is more than one indicator, we must decide what the relative priorities are so that the agency management can allocate its time more effectively in achieving those priorities. This is not an academic issue. Rather, by not specifying the priorities among the indicators we run the risk of either being unable to evaluate performance at the end of the year or appearing to be subjective in performance evaluation. In either case, the effectiveness of *the Performance Agreement* is greatly diminished.

Specification of weights is essentially a “normative” exercise. There is no rule or law that mandates a particular weight for a particular criterion either across programs or over time. This is a judgement that the two parties will have to make and agree to. As part of its fiduciary obligation, it is the prerogative of the government to reserve the ultimate right to determine these weights.

Step 3: Criterion Value Selection

The third step in the performance evaluation system relates to criterion value selection — that is, the level of performance expected with respect to different indicators. To understand this step we need to distinguish between “criterion” and “criterion value.” We know that miles per gallon is a criterion to measure the efficiency of all types of motor vehicles (e.g., cars, scooters, trucks). However, a performance level of 10 miles per gallon may be excellent for a truck but terrible for a scooter. This value, 10 miles per gallon, is the criterion value — value that distinguishes various levels of performance. There are many ways of incorporating criterion values into the *Performance Agreement*. One way is to have a 5-point scale, where:

- 5 = Excellent
- 4 = Very Good
- 3 = Good
- 2 = Fair
- 1 = Poor

Table 1 represents a typical 5-point scale for a criterion:

Table 1: Example of a 5-point Scale Depicting Criteria Values

Criterion	Units	Criterion Values				
		5	4	3	2	1
		Excellent	Very Good	Good	Fair	Poor
Number of Children Immunized	Thousand	400	385	350	300	250

Step 4: Performance Evaluation at the End of the Year

The fourth and final step is taken at the end of the year, when we look at the achievements of the government agency, compare them with the criterion values, and determine the composite score. For example, suppose we take the 5-point scale depicted in Table 1.

At the end of the year, we compare this scale with the actual achievements. If the management has successfully immunized 385,000 children they earn a score of 4. If they have achieved an immunization level of 350,000 children, they earn a score of 3. If their achievement is in between these two levels, then their score is between 4 and 3. This is how we calculate the score (called the Raw Score) for all the indicators included in the *Performance Agreement*. Once we have done that, we take a weighted average of all these raw scores and arrive at a composite score. The value of the composite score will also lie between “5” and “1.”

The *composite score* is a key concept in the Performance Agreement exercise. It measures the ability of the managers of government agencies to meet their commitments. It also allows us to link the incentive scheme to the managerial performance in an objective and “fair” manner. In addition, it allows us to compare and rank various government agencies according to their respective composite scores at the end of the year. While the commitments of the managers may be different—for example, the commitments of government agencies under the Ministry of Education are likely to be different from those of government agencies under the Ministry of Health—through the Performance Agreement exercise we are able to compare their ability to meet their respective commitments.

In the Performance Agreement system the review meeting at the end of the year is important to adjust the criterion values for factors that were genuinely unanticipated by both parties to the Performance Agreement (i.e., factors that could not have been predicted by either party, such as natural disasters, wars, etc). This is essential to keep the system “fair” and prevent managers from losing their motivation.

HOW TO CALCULATE THE COMPOSITE SCORE

Since the **Composite Score** is the heart of the Performance Agreement exercise, it is essential to have a clear understanding of how it is calculated. In this section we illustrate the calculation of the composite score with the help of a hypothetical example.

A Hypothetical Example

Imagine that at the beginning of the year a government agency, such as the Ministry of Health, signed a Performance Agreement containing the targets given in Table 2:

Table 2: Hypothetical Performance Agreement Signed at the Beginning of the Year

Criterion	Units	Weight	Criterion Values				
			5 Excellent	4 Very Good	3 Good	2 Fair	1 Poor
1. Number of Children Immunized	Thousand	.50	400	385	350	300	250
2. Increase in level of Hygiene Awareness	%	.30	80	70	65	60	55
3. Construction of Rural Medical Facility	Months	.20	6	8	9	10	12

At the end of the year the achievements of this program were as follows:

- i) Number of Children Immunized 385 K
- ii) Increase in Level of Hygiene Awareness 75 %
- iii) Construction of Rural Medical Facility 5 months

How would you evaluate the performance of this program? The answer to this question is summarized in Table 3.

Table 3: Calculation of Composite Performance Score at the End of the Year

Criterion	Units	Weight	Achievement	Raw Score	Weighted Score
1. Number of Children Immunized	Thousand	.50	385	4	2
2. Increase in level of Hygiene Awareness	%	.30	75 %	4.5	1.35
3. Construction of Rural Medical Facility	months	0.2	5	5	1
COMPOSITE SCORE					4.35

Calculation of the Raw Score

In this step we have to calculate where the program achievement falls on a scale of 1 to 5. For example, for “Number of Children Immunized” the Raw Score is exactly 4 because it corresponds to point number 4 on the 5-point scale mentioned in Table 1. However, for criterion 2 “Increase in Level of Hygiene Awareness,” the Raw Score is between 5 and 4. Since the achievement of 75 percent with respect to this criterion is exactly halfway between the two points, the Raw Score for the criterion “Increase in Level of Hygiene Awareness” is 4.50. The Raw Score must be calculated by interpolation when the achievement is in between points on the 5-point scale.

The calculation of the Raw Score for “Construction of Rural Medical Facility” raises interesting issues. The target for excellence for this criterion was six months, whereas the project was completed in five months. Should we give a Raw Score of 5 or more than 5 for such performance? It is possible to find supporters for both positions. Those who argue for giving a score of 5 usually base their contention on the fact that the Performance Agreement system does not provide for a score of more than 5. The other side responds by saying that not giving a score of greater than 5 under these circumstances would be unfair to high performers since the system would fail to recognize their special efforts.

It turns out that those arguing for giving a score exactly equal to 5 are correct, although for the wrong reason. To understand why, we have to ask what are the possible reasons for this discrepancy between the target of six months for Project Implementation and an achievement of five months. There are three main reasons why this might happen.

First, it is possible that both parties to the Performance Agreement had genuinely failed to anticipate the future correctly and made an honest mistake. For example, based on past experience, both parties may have assumed that it would take a certain amount of time, say one month, to procure a particular item from a third party. Fortunately, this time the third party delivered the required item almost instantaneously because they happened to have it in stock. Therefore, the resultant good performance was a windfall gain, and the program cannot claim credit for it. In other words, the initial assumption was wrong, and it would be improper or unfair to the country to reward such mistakes.

This is analogous to truly unanticipated events that can hamper performance. Take the example of a government agency being affected by a serious accident. No one can predict acts of nature or Divine interventions. Therefore, it would be unfair to blame the managers of government agencies for such an eventuality. The correct course of action for the program affected by such unforeseen events is to bring them to the notice of the government at the end of the year.

In addition, it is worth pointing out at this juncture that for certain indicators exceeding the target is not necessarily desirable. For example, if the Performance Agreement target for the provision of additional hospital beds is 4000 in the case of a government agency in the health sector, it is not clear that it is desirable from a national point of view for this program to provide 6000 beds in the absence of excess demand for additional beds. Likewise, in the case of project implementation, it is often reasonable to say that finishing the project much ahead of the scheduled date may be undesirable if the matching end-use facility and systems are not available.

Once we have the raw scores for all three criteria, the next step is to multiply the raw scores by the respective weights for the three criteria and get the weighted raw scores as shown in the last column of Table.3. The sum total of this column gives us the Composite Score of 4.35.

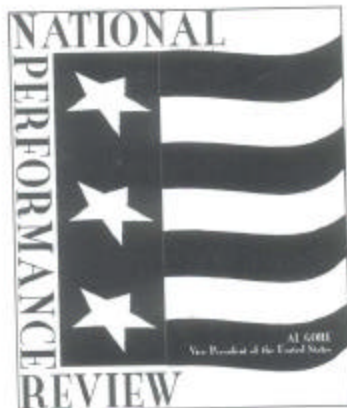
How to Interpret Composite Scores

The primary function of the composite score is to provide an effective link between managerial performance and incentives. The composite score shows the degree to which the government agency in question was able to meet its commitments. If it had met all its commitments in the Performance Agreement, it would have received a composite score of 5. On the other hand, if it had done a miserable job on all fronts, it would have received a composite score of 1. The fact that it got a score of 4.35 in our hypothetical example implies that its performance was close to “excellent,” all things considered.

The second function of the composite score is to allow us to compare and rank the performance of all government agencies signing Performance Agreements. While the commitments of all Performance-Agreement-signing programs are different and one-to-one comparisons of their commitments cannot be made, the “ability” to meet these commitments is certainly comparable. For example, while it is meaningless to compare individual criteria of different ministries, their composite scores can still be compared.

**Example of a
Performance Agreement in the US**

PERFORMANCE AGREEMENTS



between

The President of the United States

William Jefferson Clinton

and

The Secretary of The Interior

Bruce Babbitt

I. Introduction

The American people deserve a government that works better and costs less. The departments and agencies of the federal government hold vital keys to improving performance and to restoring the faith of the American people in their government. Many changes will need to take place for this broad goal to be realized. The purpose of performance agreements with senior officials is to establish clarity and consensus about the priorities for departmental management. They are intended to improve the management of the Executive Branch and are not intended to and do not create any legally enforceable rights. From these agreements should flow the program and management priorities of the departments. These agreements represent a beginning, a basis for continuous improvement as we reinvent our government to meet the needs and expectations of the American people.

II. The Department of The Interior

This Agreement reflects the major objectives developed by the Secretary for the Department of the Interior to achieve over the next several years as well as specific performance measures to be accomplished in Fiscal Year 1994. It also describes areas of specific support the Administration intends to provide for the accomplishment of these objectives.

The Secretary undertakes to accomplish the following at the Department of the Interior:

Establish The National Biological Survey

The Secretary is committed to establishing a new organization within the Department that will serve as an important nation-wide repository for biological data for government customers and the public, and that will provide an integrated natural resources scientific database including a national status and trends survey. This information will be used to develop sound natural resources management and development decisions.

Reform Land Management at the Department of The Interior

The Secretary is committed to reforming rangeland programs administered have the Bureau of Land Management in order to restore and improve the ecological condition of the rangeland, to manage for biodiversity, forage production and sustainable ecosystems: and to establish a fair and equitable grazing fees for private use of public lands. The Secretary is compared to implementing a comprehensive reform of mining activities on public lands in order to eliminate land patent giveaways, charge a fair royalty for public minerals and provide strong environmental protection for public lands.

Reinvent the Bureau of Reclamation

The Secretary is committed to transforming the Bureau of Reclamation from a civil works agency into the leading water management agency that is cost-effective in serving its customers.

Strengthen the Commitment of the National Park System to Employees and the American Public

The Secretary is committed to improving the morale and working conditions of employees in the National Park Service. The Secretary is committed to resolving tile professional discrepancies between full time and seasonal temporary employees and enhancing professional development opportunities for Park Rangers and other Park Service employees.

The Secretary is also committed to the entrepreneurial management of the national parks through improved fee applications and collections and contract negotiations. Creative use of private funds to mitigate the problems of employee housing is an important goal of the Secretary

Act as a Partner with Indian Tribes

The Secretary will demonstrate this Administration's commitment to fulfillment of the federal Indian Trust responsibility and the creation of a mutually respectful, beneficial government to government partnership by achieving progress necessary to accomplish national Indian self-determination objectives and address the concerns of Congress.

Make the Endangered Species Act Work

The Secretary, is committed to reforming the administration and implementation of the Endangered Species Act to minimize conflicts, maximize flexibility for conflict resolution, and conserve our Nation's ecosystems for future generations.

Champion Collaboration and Performance at the Department of The Interior

The Secretary will champion the Administration's commitment to a government that works better by demonstrating creative patterns of collaboration, organization and communication with other employees, other agencies, and citizens.

With the leadership of the Secretary. the Department of the Interior will develop one of the best appraisal processes among federal agencies for its Senior Executive Service managers, measuring progress on three common departmental elements: increased cross organizational cooperation and action, increased employee diversity, and improved matching of decision-making level to decision needed

III. **Measurement of Performance**

To measure progress against the above objectives, the Secretary is committed to accomplishing specific measurable results. Specific measures for Fiscal Year 1994 are described in Annex A.

To maintain focus and a sense of urgency and to have a real impact *on* performance, there will be periodic reviews of progress. discussion of difficulties encountered and agreement on appropriate actions. These reviews will be held between the President and/or his designees and Department officials and. with greater frequency, within the Department. Any specific reporting requirements will be developed jointly with the Department,

IV. **Administration Support**

In order to accomplish the above described objectives and measures during Fiscal Year 1994. it is the Administration's objective to provide the Department of the Interior with the following specific support:

- Support for passage of authorizing legislation to establish the National Biological Survey.
- The Office of Management and Budget will provide generic clearances for customer surveys within two weeks of submission of requests by the Department of the Interior.
- Lead responsibility for mining law reform to the Department of the Interior to work with ail affected federal agencies. In addition. the White House will establish a mechanism to provide effective liaison with the Department during mine legislation conference proceedings.


V. **Miscellaneous**

This Agreement is intended only to improve the internal management of the Executive Branch and is not intended to and does not create any right, benefit, trust or responsibility, substantive or procedural, enforceable at law or equity by a party against the United States, its agencies, its officers, or any person.


VI. Term of Agreement

This Agreement will remain in effect until modified. It is expected that it will be updated at least annually to reflect significant changes in budget, policy, personnel or other factors that may affect the accomplishment of objectives.

This agreement represents our joint commitment to a Department of the Interior that works better and costs less and fulfills our sacred trust to the American people.



Bruce Babbitt
Secretary of The Interior



William J. Clinton
President of the United States

Attachment: A-annex A: Performance Measures. Fiscal Year 1994

Annex: Performance Measures, Fiscal Year 1994

During Fiscal Year 1994 (FY 1994), performance will be measured by the successful accomplishment of the following specific measures:

1. ESTABLISH THE NATIONAL BIOLOGICAL SURVEY

- a. The Secretary commits that the National Biological Survey will be a functioning organization as soon as FY 1994 appropriations become available. The National Biological Survey will maximize its programmatic work and minimize its administrative structures as it draws upon existing resources across the Department.
- b. The Secretary will delegate to the Director of the National Biological Survey responsibility for expanding the current Department research program to include projects related to populations and ecosystems. The Secretary will publish clear research priorities for the National Biological Survey by the end of FY 1994. Those priorities will reflect the recommendations of users, communicated through surveys and other forms of customer response.
- c. The National Biological Survey will develop an implementation plan by the end of FY 1994 to integrate the Department's biological database systems with other relevant federal and state databases.
- d. By the end of FY 1994, the National Biological Survey will publish a generally accepted definition of natural resource status and trends that will provide information needed by the Nation to help avert endangered species crises and to aid in wise management and development decisions.
- e. The National Biological Survey will provide information on populations and ecosystems to those government agencies, states and other entities that rely on biological data to administer programs and will work with such agency customers to insure that their needs can be met.

2. REFORM LAND MANAGEMENT AT THE DEPARTMENT OF THE INTERIOR

- a. Subject to outcomes of the Conference Committee, the Secretary will take final action on the administrative proposal that as first announced in August 1993 to improve management of rangeland ecosystems and provide for more effective administration of livestock grazing on public lands.
- b. In early 1994, the Department will publish a draft Notice of Proposed Rulemaking for public comment and a draft Environmental Impact Statement regarding rangeland reform. The Secretary is committed to implementing changes in the grazing fee formula that will be used to set fees for grazing on federal lands. The Secretary also will eliminate the existing Grazing Advisory Boards and District Advisory Councils and replace these with new Resource Advisory Councils that can better represent the many constituencies

concerned with public lands and respond to the needs of rangeland managers within specific geographical areas.

- c. The Department will develop an experimental set of outcome measures for successful changes in grazing management. Development of these measures will involve the Resource Advisory Board members. These will be included in the final Administrative Proposal to be published by the end of FY 1994.
- d. The Secretary will commit significant personal time and appropriate staff resources during FY 1994 to insure passage of mining law reform legislation, under the principles that have been enunciated by the Administration.

3. REINVENT THE BUREAU OF RECLAMATION

- a. A policy directive will be published in early FY 1994 that will articulate a new mission and structure for a streamlined Bureau of Reclamation. This mission will commit the Department to shift its emphasis from large civil works to water and environmental management.
- b. In conjunction with Executive Order No. 12862, pertaining to customer service, the Bureau of Reclamation will strengthen relationships with the environmental community, water users and other customers during its transformation. In FY 1994, the Bureau will experiment with customer opinion surveys to measure the level of service expected and received.

4. STRENGTHEN THE COMMITMENT OF THE NATIONAL PARK SERVICE TO EMPLOYEES AND THE AMERICAN PUBLIC

- a. The Secretary will make significant progress in FY 1994 to develop a mechanism to provide seasonal and temporary employees greater benefits in line commensurate with the contribution they have made to the National Park Service. In addition, the Secretary will propose a plan to transfer eligible seasonal and part-time employees to Full Time Equivalents.
- b. The Secretary, will delegate to the Director of the National Park Service responsibility to Finalize me Ranger Futures concept and initiate comparable employee career development activities for other Park Service employees by the end of FY 1994.
- c. The Secretary will prepare legislation to eliminate prohibitions that restrict the collection of entrance fees at national parks. and to raise entrance fees in those parks where fees are current charged. in addition. concession reform will commence with new negotiations of current contracts early in FY 1994.

- d. A portion of increased fee revenues will be used to complete infrastructure improvement projects. The National Park Service will develop by the end of FY 1994 ongoing visitor opinion surveys to assess satisfaction with park services and facilities.
- e. The problems of inadequate employee housing will be addressed during FY 1994 with a major Department initiative to fund needed housing improvements through private sector partnerships

5. ACT AS A PARTNER WITH INDIAN TRIBES

- a. In order to assist the tribes in better preparing themselves to compete and prosper in the 21st century, the Department will develop mechanisms to support the renewed federal/tribal partnership envisioned as the Administration develops its Indian policy position. To carry out this commitment, the Secretary will Finalize and implement regulations pursuant to Pub.L. No. 93-638 as soon as possible in FY 1994 and will continue expansion of the self governance initiative.
- b. The Secretary will emphasize continued consultations with the tribes and Congress to develop an appropriate vehicle for the management of Indian trust funds including alternatives other than operations within the Bureau of Indian Affairs.
- c. Through the reauthorization process for the Indian Education Act in 1994, the Department will develop a sound legislative plan for education of all Indian children in concert with the tribes, Indian parents, Congress, the Department of Education and other federal agencies which have funding and responsibility for Indian Education, and other concerned organizations and individuals.

6. MAKE THE ENDANGERED SPECIEES ACT WORK

- a. The Secretary will initiate key administrative reforms to the Endangered Species Act of 1973, as amended, by issuing four policy directives before the end of FY 1994:
 - 1) A directive that provides a definition of species for listing purposes.
 - 2) A directive that establishes standards for evaluating and accepting proposals to list species as threatened and endangered.
 - 3) A directive that streamlines the Habitat Conservation Planning process.
 - 4) A directive that stresses the need to conserve candidate species and the ecosystem in which they occur before further declines occur.
- b. The Secretary will delegate to the Director of the Fish and Wildlife Service, in consultation with the Assistant Secretary for Indian Affairs, the responsibility for expanding and clarifying the role of states and tribal governments in implementing tile Endangered species Act of 1973, as amended.

- c. The Secretary also commits to developing a departmental strategy to reauthorize the Endangered Species Act. The Department of the Interior will provide leadership in developing the Clinton Administration strategy to reauthorize the Endangered Species Act.
- d. The Department will provide leadership with the White House to promulgate an Executive Order by, February 1, 1994, that will direct Federal agencies to use their authorities to promote conservation of listed species.
- e. The Secretary of Interior commits to timely action on individual species including a section 4(d) rule for the northern Spotted Owl by March 1, 1994 (subject to the alternative timetables dictated by the completion of the FEMAT "Option 9" FEIS); a section 4(d) rule for the California Gnatcatcher by February 1, 1994; and an expedited processing of the Travis County, Texas, incidentals take permit upon receipt of a completed permit application from Travis County.
- f. Interior will measure its commitment to avoiding impasses through an analysis of the outcomes of the Northwest Summit and the California Gnatcatcher.

7. CHAMPION COLLABORATION AND PERFORMANCE AT THE DEPARTMENT OF THE INTERIOR

- a. In carrying out the performance commitments of this agreement, Interior managers and employees will work across traditional organizational boundaries, whether internal or external. All implementing plans will establish working groups with cross-bureau and cross-agency membership, common goals and common measures of success.
- b. The Secretary will delegate to the Deputy Assistant Secretary for Human Resources the responsibility for initiating in FY 1994 measures of accomplishment: including exit interviews with employees; analysis of appraisal data; and use of baseline employee opinion research.
- c. The Department of the Interior's Minerals Management Service will conduct pilot opinion research with employees and external customers in FY 1994. The research will identify areas for future change.
- d. In FY 1994, The Department of the Interior will sponsor a pilot project pursuant to the Government Performance and Results Act of 1993 to develop and test results-based performance measures for a single departmental function carried out across at least four bureaus.

8. MISCELLANEOUS

The Performance Measures set forth herein are intended only, to improve the internal management of the Executive Branch and are not intended to and do not create any right,

benefit, trust or responsibility, substantive or procedural, enforceable at law or equity by a party against the United States, its agencies, its officers, or any person.