

*Preliminary Draft:
For Discussion Only
(February 4, 2009)*

**GUIDELINES FOR DRAFTING
PERFORMANCE AGREEMENTS**



सत्यमेव जयते

**Cabinet Secretariat
Government of India**

TABLE OF CONTENTS

SECTION	TITLE	PAGE
1	Background	3
2	The Concept of Performance Agreement	3
3	Structure of Performance Agreements	4
4	How to Draft Section on Vision / Mission Statement?	6
5	How to Draft Section on Objectives?	8
6	How to Draft Section on Policies?	13
7	How to Draft Section on Programmes?	18
8	How to Draft Section on Projects /schemes?	23
9	How to Draft Section on Resource Requirement?.....	26
10	How to Draft section on Necessary Operational Autonomy?.....	27
11	Methodology for Performance Evaluation	28
12	Time Table for Implementation.....	32
ANNEX A	33

GUIDELINES FOR DRAFTING PERFORMANCE AGREEMENTS

1. Background

The 10th Report of the Second Administrative Reform Commission (ARC 2) entitled, “Refurbishing of Personnel Administration – Scaling New Heights” was released on November 8, 2008. It recommended that “Annual Performance Agreements should be signed between the Departmental Minister and the Secretary of the Ministry/heads of department, providing physical and verifiable details of the work to be done during financial year.”

After extensive review of the international experience and emerging best practices, ARC 2 concluded:

“Performance agreement is the most common accountability mechanism in most countries that have reformed their public administration systems. This has been done in many forms - from explicit contracts to less formal negotiated agreements to more generally applicable principles. At the core of such agreements are the objectives to be achieved, the resources provided to achieve them, the accountability and control measures, and the autonomy and flexibilities that the civil servants will be given.”

The Government of India has accepted this recommendation and is proposing these Guidelines for implementing it.

2. The Concept of Performance Agreement

A Performance Agreement is essentially a document that records the understanding between a Minister representing the people’s mandate, and the Secretary of a Department responsible for implementing this mandate. This document contains not only the agreed objectives, policies, programmes and projects (schemes)¹ but also success indicators and targets to measure progress in implementing them. To ensure the success of the Secretary in achieving the agreed objectives, and implementing agreed policies, programmes and projects, the Performance Agreement document also includes a commitment for required resources and necessary operational autonomy.

¹ Terms “projects” and “schemes” are treated as synonymous and will be used interchangeably.

3. Structure of Performance Agreement

A Performance Agreement Document consists of the following seven sections:

- i. Vision / Mission
- ii. Objectives
- iii. Policies
- iv. Programmes
- v. Projects
- vi. Required Resources
- vii. Necessary Operational Autonomy

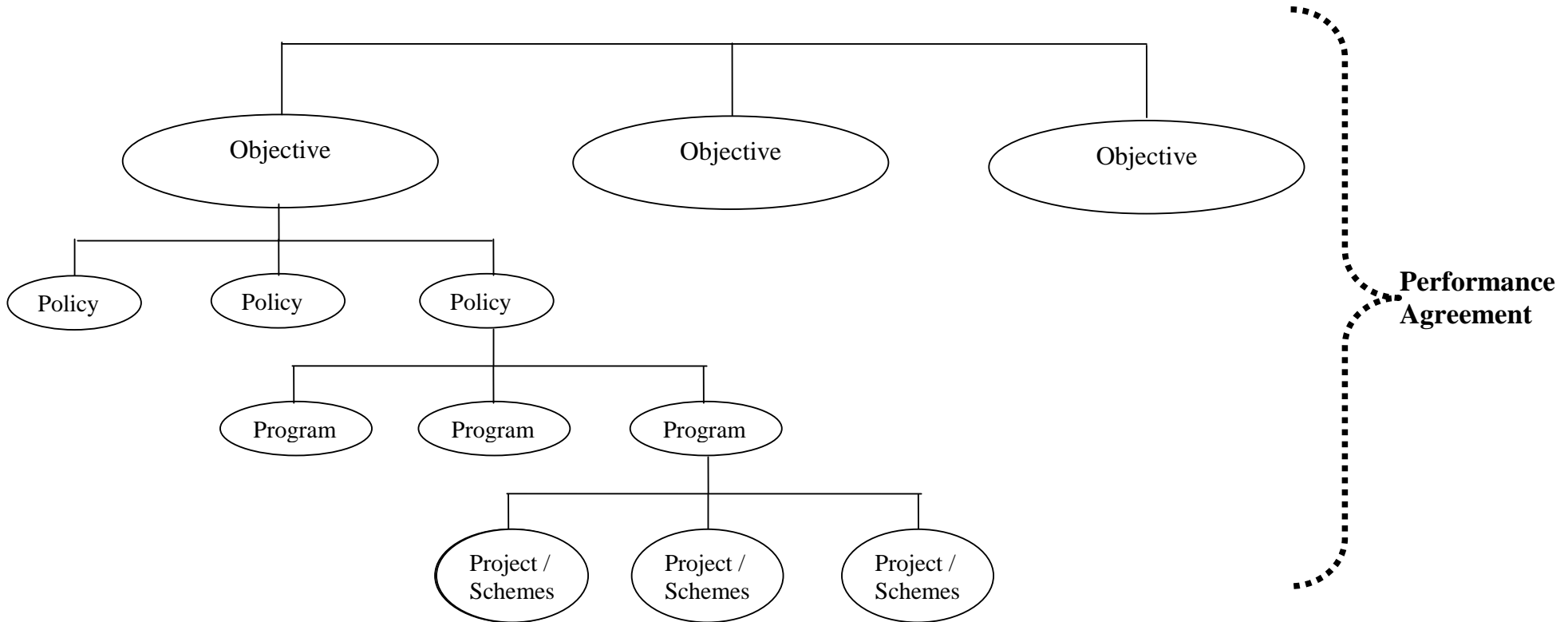
A Performance Agreement is simply an integrated and consistent set of actions (policies, programmes and projects) designed to achieve specific objectives by attaining certain targets over a specific period of time and within the available human, material and financial resources. The relationship between objectives, policies, programmes and projects is depicted graphically in Figures 1 and 2.

Figure 1: Relationship between, objectives, policies, programme and projects



In what follows, guidelines for drafting each of the above sections are provided.

Figure 2: Relationship between, objectives, policies, programme and projects



4. **How to Draft Section on Vision / Mission Statement?**

Creating a Vision and Mission for a department is a significant enterprise. Ideally, Vision and Mission should be a byproduct of a strategic planning exercise undertaken by the department. Both concepts are interrelated and much has been written about them in management literature. Here we will provide some working guidelines to write this section of the Performance Agreement.

A *Vision* is an idealized state for the department. It is the big picture of what the leadership wants the department to look like in the future.

The department's *Mission* is the nuts and bolts of the vision. Mission is the who, what and why of your department's existence.

Vision is a symbol, and a cause to which we want to bond the stakeholders, (mostly employees and sometime other stake-holders). As they say, the people work best, when they are working for a cause, than for a goal. Vision provides them that cause.

Vision is long-term statement and typically generic & grand. Therefore a vision statement does not change unless the department is dramatically restructured and is expected to undertake very different tasks in the future.

Vision should never carry the 'how' part of vision. For **example** 'To be the most admired brand in Aviation Industry' is a fine vision statement, which can be spoiled by extending it to 'To be the most admired brand in the Aviation Industry by providing world-class in-flight services'. The reason for not including 'how' is that 'how' may keep on changing with time.

Writing up a Vision statement is not difficult. The problem is to make employees engaged with it. Many a time, terms like vision, mission and strategy become more a subject of scorn than being looked up-to. This is primarily because leaders may not be able to make a connection between the vision/mission and people's every day work. Too often, employees see a gap between the vision, mission and their goals & priorities. Even if there is a valid/tactical reason for this mis-match, it is not explained. That is why, often it is better to not include the Vision statement in the first round of Performance Agreements. The leadership of the ministry (Minister and the Secretary) should consult a wide cross section and come up with a Vision that can be owned by the employees of the ministry/department.

Vision should be the horizon of 5-10 years. If it is less than that, it becomes tactical. If it is of a horizon of 20+ years (say), it becomes difficult for the strategy to relate to the vision.

Features of a good vision statement:

- Easy to read and understand.
- Compact and Crisp to leave something to people's imagination.
- Gives the destination and not the road-map.
- Is meaningful and not too open ended and far-fetched.
- Excite people and make them get goose-bumps.
- Provides a motivating force, even in hard times.
- Is perceived as achievable and at the same time is challenging and compelling, stretching us beyond what is comfortable.

The Entire process starting from Vision down to the business objectives, is highly iterative. The question is from where should we start. We strongly recommend that vision and mission statement should be made first without being colored by constraints, capabilities and environment. It is akin to the vision of several armed forces: 'Keeping the country Safe and Secure from external threats'. This vision is a non-negotiable and it drives the organization to find ways and means to achieve their vision, by overcoming constraints on capabilities and resources. Vision should be a stake in the ground, a position, a dream, which should be prudent, but should be non-negotiable barring few rare circumstances.

Mission follows the Vision:

The Entire process starting from Vision down to the departmental objectives is highly iterative. The question is from where we should start. We strongly recommend that mission should follow the vision. This is because the purpose of the organization could change to achieve their vision.

Ministry / Department's *mission* is the nuts and bolts of the vision. Mission is the who, what and why of your department's existence. The vision represents the big picture and the mission represents the necessary work.

Mission of the department is the purpose for which the department exists. It is in one way the road to achieve the vision.

5. How to Draft Section on Objectives?

Objectives listed in a Performance Agreement represent the developmental requirements to be achieved by the department in a particular sector by a selected set of policies and programmes over a specific period of time (short-medium-long). For example, objectives of the Ministry of Health & Family Welfare could include: (a) reducing the rate of infant mortality for children below five years; and (b) reducing the rate of maternity death by (30%) by the end of the development plan.

Objectives in a Performance Agreements could be of two types: (a) Outcome Objectives address ends to achieved, and (b) Process Objectives specify the means to achieve the objectives. As we shall see later in these guidelines, wherever possible, departments should focus on Outcome Objectives.²

Objectives should be directly related to attainment and support of the relevant national objectives stated in the 11th Five Year Plan, National Flagship Schemes, and relevant sector and departmental strategies.

Section B of a Performance Agreement should consist of Tables 1A and 1B. These tables are given on pages 12 and 13. In what follows, guidelines for drafting these tables are specified.

Objectives in the Performance Agreement should be ranked in a descending order of priority according to the degree of significance and specific weights should be attached to these objective.

For each objective, Ministry/Department must specify one or more success indicators or Key Performance Indicators (KPIs). A success indicator provides a means to evaluate progress in achieving the objective. Sometimes more than one success indicator may be required to tell the entire story.

Success indicators are important management tools for driving improvements in departmental performance. They should represent the main business of the organization and should also aid accountability. A good set of targets should help the parent ministry, department, and the general public judge how well the department is being run, and how well it is implementing the Five Year Plan objectives.

² Often a distinction is also made between “Goals” and “Objectives.” The former is supposed to be more general and latter more specific and measurable. The Vision and Mission statement are expected to capture the general direction and future expected outcomes for the department. Hence, these guidelines recommend only the inclusion of objectives in the Performance Agreement documents.

The setting of success indicators should form part of the wider business planning process in ministries and departments. Success indicators should be aligned, where appropriate, with the 11th Plan strategy and relevant sector strategies. Consultation throughout the organization – with delivery staff, in particular – should occur early in the success indicator setting process. Departments should also involve customers and other stakeholders. The overall set of success indicators should address issues of interest to their clients. It is therefore important to be as clear as possible about:

- who your stakeholders are
- what is important to them
- their needs – what do they want and expect?
- what drives a positive or negative client experience.

In designing success (performance) indicators, it is advisable to follow the SMART principle. Each success indicator should be:

- **Specific** so it's clear what it is that you are aiming to achieve;
- **Measurable** there should be a clear and transparent measure of success;
- **Achievable** the target should be stretching, and reflect the Ministry/Agency's ambitions for improved standards of public services. However, it must be achievable. Preferably it should be based on some evidence that demonstrates what is possible (e.g. benchmarking with similar organizations).
- **Relevant** the target should reflect what the organization is trying to achieve not simply what is easily measurable.
- **Timed** it should be clear when the target should be delivered by.

The next step is to choose a target for each success indicator. In setting targets Ministry/Department should consider the best mix of volume, quality, customer service, efficiency and financial performance targets given their business priorities. A good set of targets can balance the pursuit of improved service delivery with the need to provide value for money.

Targets are tools for driving performance improvements. Target levels should, therefore, contain an element of stretch and ambition. However, they must also be achievable. It is possible that targets for radical improvement may generate a

level of discomfort associated with change, but excessively demanding or unrealistic targets may have a longer-term demoralizing effect.

When setting target levels, you should use evidence and analytical support as far as possible. Past performance can often be used as a starting point, and will often be an appropriate indicator. Experience shows that an over-reliance on historical performance data leads to some agencies setting targets that lack the necessary ambition to drive forward significant change.

You will also need to take into account the current capacity of the department to deliver, the level of resources available, and any other issues that may drive improvements, such as changes in technology, organizational changes and the scope for improving business processes.

Cost effectiveness must be taken into account. For example, it may not represent good value for money to keep increasing the level of expected performance in an area where it is already considered high by customers. On occasions, it will be more appropriate to focus resources on improving performance in a different area.

There are, of course, risks involved in setting very challenging targets. No organization wants to be seen as failing its targets. However, consistently setting targets that are easily achievable will not help the organization to achieve the improvements in service delivery that it is likely to be judged on in the longer term - ultimately, an department be judged on the levels of service improvement it delivers, not the aggregate number of targets it meets.

To minimize the risk that targets are either set at levels that are not stretching or are too ambitious, they should be subject to some external challenge, for example, by involving organizations representing stakeholders and, where possible, be set by reference to external benchmarks.

Benchmarking is about sharing information, and comparing performance, practice and processes with other organizations. This has been an effective way for many organizations – public and private – to bring about significant improvements in performance by, for example, introducing recognized best practices.

The Performance Agreement document must include seven years of data (3 past years, current year, and 3 future years) for each target in the Performance Agreement. This data should be consistent with the data in the strategic plan for the department.

The principles for setting targets are the same for policies, programmes and projects. Hence, they will not be repeated under other sections.

It is expected that this exercise will be done at various levels in the Government department. Ideally, Secretary should sign Performance Agreements with various departmental head and heads of agencies under his ministry. While success indicators / KPIs at lower levels of administration will be, in general, different from those at the higher level, they will all be related. The success at lower levels should feed into and determine the success at the departmental level.

Table 1 A: Ministry / Department Objectives

Department Name:	
-------------------------	--

No.	Objective³	Weight

- **The sum total of weights for Objectives should be equal to 100**

³ The number of objectives should not be limited by the number of lines in the table.

Table 1 B: Success Indicators for Objective #

Department Name:	
Objective #	

No.	Success Indicators for Objective #	Weight	Target

1. Please fill one such table for each objective in Table 1A

6. How to Draft Section on Policies?

A policy is a set of guiding principles or rules intended to influence decisions and actions. It involves exercise of authoritative choice by governments among alternative paths and instruments.

Often, an objective has one or more policies associated with it. Objective represents the desired “end” and associated policies, programmes and projects represent the desired “means.” Classic examples of policies are: privatization policy, telecom policy, export policy, tax policy, etc. For example, policies associated with Objectives see Annex A.

Like the objectives, each policy should also be prioritized by attaching a weight to it. These weights should represent a ranking that is acceptable to policy makers. Weights reflect government’s relative priorities and there is no universal formula for deciding weights. Same policy can have different weight over time as government’s priorities change.

It is also possible that one policy may support several objectives. In that case, this policy should be placed under the objective where its contribution is the greatest. A note listing other objectives that are supported by the policy should be attached as a footnote.

For each policy we need to specify one or more success indicators. These success indicators must follow the **SMART** principle mentioned earlier. Another principle often used by professionals in choosing good success indicators is called the **CREAM** principle. It consists of a set of criteria to aid in developing indicators for a specific programme, project, or policy. According to this principle, success (performance) indicators should be **clear**, **relevant**, **economic**, **adequate**, and **monitorable**. CREAM amounts to an insurance policy, because the more precise and coherent the indicators, the better focused the measurement strategies will be.

- **C**lear Precise and unambiguous
- **R**elevant Appropriate to the subject at hand
- **E**conomic Available at a reasonable cost
- **A**dequate Provide a sufficient basis to assess performance
- **M**onitorable Amenable to independent validation

If any one of these five criteria are not met, effectiveness of success (performance) indicators will suffer and they will be less useful. Performance indicators should be as clear, direct, and unambiguous as possible.

Indicators may be qualitative or quantitative. In establishing results-based M&E systems, however, it is desirable to begin with a simple and quantitatively measurable system rather than inserting qualitatively measured indicators upfront.

Quantitative indicators should be reported in terms of a specific number (number, mean, or median) or percentage. “Percents can also be expressed in a variety of ways, e.g., percent that fell into a particular outcome category; percent that fell above or below some targeted value; and percent that fell into particular outcome intervals. Outcome indicators are often expressed as the number or percent (proportion or rate) of something. Programmes should consider including *both* forms. The number of successes (or failures) in itself does not indicate the rate of success (or failure). The percent by itself also does not indicate the size of the success. Assessing the significance of an outcome typically requires data on both number and percent. Qualitative indicators/targets imply qualitative assessments. Qualitative indicators provide insights into changes in institutional processes, attitudes, beliefs, motives and behaviors of individuals.

A qualitative indicator might measure perception, such as the level of empowerment that local government officials feel to adequately do their jobs. Qualitative indicators might also include a description of a behavior, such as the level of mastery of a newly learned skill. Although there is a role for qualitative data, it is more time consuming to collect, measure, and distill, especially in the early stages. Furthermore, qualitative indicators are harder to verify because they often involve subjective judgments about circumstances at a given time. Qualitative indicators should be used with caution. Public sector management is not just about documenting *perceptions* of progress. It is about obtaining objective information on *actual* progress that will aid managers in making more well-informed strategic decisions, aligning budgets, and managing resources. Actual progress matters because, ultimately, M&E systems will help to provide information back to decision makers and the government on what they can realistically expect to promise and accomplish. Stakeholders, for their part, will be most interested in actual outcomes, and will press to hold departmental Secretaries accountable for progress toward achieving the outcomes.

Performance indicators should be relevant to the desired outcome, and not affected by other issues tangential to the outcome. The economic cost of setting indicators should be considered. This means that indicators should be set with an understanding of the likely expense of collecting and analyzing the data. Indicators ought to be adequate. They should not be too indirect, too much of a proxy, or so abstract that assessing performance becomes complicated and problematic. Indicators should be monitorable, meaning that they can be

independently validated or verified, which is another argument in favor of starting with quantitative indicators as opposed to qualitative ones. Indicators should be reliable and valid to ensure that what is being measured at one time is what is also measured at a later time—and that what is measured is actually what is intended. Caution should also be exercised in setting indicators according to the ease with which data can be collected. Too often, departments base their selection of indicators on how readily available the data are, not how important the outcome indicator is in measuring the extent to which the outcomes sought are being achieved

Annex A contains examples of success indicators for policies associated with objective # 1 of the Mineral Resources Department.

Table 2 A: Policies for Objective #

Department Name:	
Objective #	

No.	Policy	Weight

2. A similar table needs to be filled for policies for all other objectives.

Table 2 B: Success Indicators for Policy #

Department Name:	
Objective #	
Policy #	

No.	Success Indicators for Policy #	Weight	Target

3. A similar table needs to be filled for all policies for each Objective

4. Please repeat Tables 2A & B for each objectives

7. How to Draft Section on Programmes?

A Programme is defined as a set of interrelated projects and activities of common nature designed to achieve specific policy goals and objectives. Each programme operationalizes the objectives and policies, e.g., Ministry of Health and Family Welfare’s “Hospitals Construction Programme” or Ministry of Water Resources’ Sewerage Programme. A programme can be divided into sub-programmes such as: Specialized Hospitals Construction Sub-programme within the overall Hospital Construction Programme.

This section of the Performance Agreement contains Tables 3a and 3B. The procedure for filling them is described below.

Some objectives and policies may be simple (non-complex) and require just direct set of actions by the department. Hence, not all objectives or policies need to have a programme. However, every programme must be part of a policy initiative and hence also related to a departmental objective. Following table gives an example of relations between a policy and corresponding programmes from health sector

Relationship between Policy and Programmes

Policy		Programme	
1	Reduce Child Mortality Rate in the Kingdom	1.1	Cholera Prevention Programme
		1.2	Pre-natal care Programme
		1.3	Post-natal care Programme
		1.4	Village Nurse Programme
		1.5	Polio Vaccination Programme
		1.6	Pediatric Wards in Primary Care Centers

Specific weights, success indicators and targets should be specified for each programme and associated sub-programmes.

It is also possible that one programme may support several policies. In that case, it should be placed under the policy where its contribution is the greatest. A note listing other policies that are supported by this programme should be attached as a footnote.

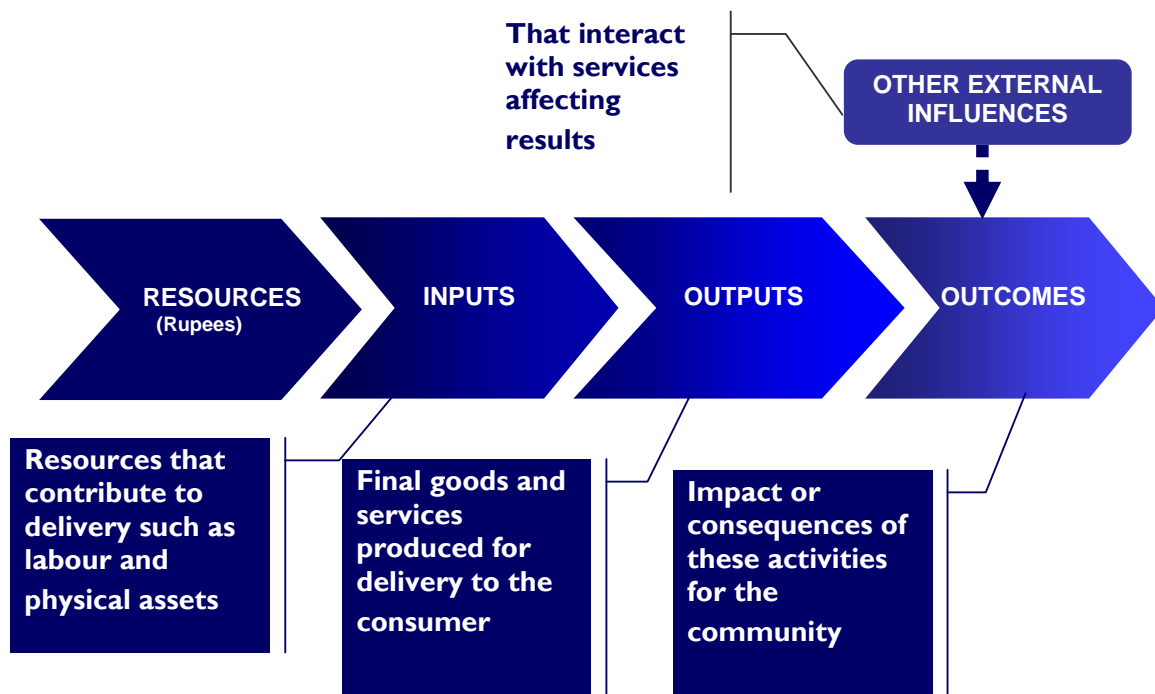
Inputs, Outputs and Outcomes

All programmes consist of inputs, outputs and outcomes:

- **Inputs** – These are the resources used to aid delivery, for example, labour, physical assets, IT systems etc.

- **Outputs** – These are the final products of the organization, such as the issue of licenses, number of appeals dealt with, etc.
- **Outcomes** – These are the final impacts and consequences of government activity. Ultimately, outcomes represent what is trying to be achieved. Examples include, longer life expectancy, improved air quality, better educated citizens etc.

Figure: Relationship between inputs, outputs and outcomes



To the extent possible, the focus of success indicators should be on outcomes. Focusing targets on outcomes reduces the risk of perverse incentives, sends a clear message about what the department is ultimately trying to achieve and may provide the department with greater flexibility over how they deliver services.

For some departments, outcome-focused targets may be inappropriate and impractical. For example, it may be too difficult to obtain the data necessary to track changes in the desired outcome and separate the department’s contribution from that of external influences. For such reasons agencies often do not use purely outcome-focused targets. It is often more appropriate to focus targets on the department’s outputs. But in targeting outputs, it will be important to take into account quality. In short, only if outcomes are influenced by too many exogenous factors, should the success indicators move to outputs. In general, focus on inputs is least desirable.

Following table gives an example of success indicators for programmes related to a policy.

Example of Success Indicators and Targets for Programmes
(Ministry of Health and Family Welfare)

	Programme associated with Policy # 1	Weight		Success Indicator	Unit	2010 Target
1.1	Cholera Prevention Programme	25		% Decrease in Cholera incidence	%	10
1.2	Pre-natal care Programme	20	10	Increase in % of families covered	%	20
			10	Level of satisfaction with the programme	%	85
1.3	Post-natal care Programme	18	10	Increase in % of families covered	%	20
			9	Level of satisfaction with the programme	%	85
1.4	Village Nurse Programme	15		% increase in villages covered	%	35
1.5	Polio Vaccination Programme	12		% of new born covered	%	100
1.6	Pediatric Wards in Primary Care Centers	10		% increase in primary care centers with pediatric wards	%	20
	Total Weight =	100				

Table 3 A: Programmes for Policy #

Department Name:	
Objective #	
Policy #	

No.	Programme	Weight

- **A similar table needs to be filled for Programmes for all other Policies.**

Table 3 B: Success Indicators for Programme #

Department Name:	
Objective #	
Policy #	
Programme #	

No.	Success Indicators for Programme #	Weight	Target

- **Similar table needs to be filled for all Programmes associated with this Policy.**
- **Similar table also needs to be filled for all other Programmes associated with other Policies.**

8. How to Draft Section on Projects Schemes?

A project (scheme) is a carefully defined set of activities that use resources (money, people, materials, energy, space, provisions, communication, quality, risk, etc.) to contribute to the programme objectives.

It represents an independent activity within a programme, or a sub-programme, such as construction of a specific hospital within the Hospital Construction Programme, or a specific activity such as training of employees.

This section of the Performance Agreement consists of Tables 4A and 4B.

Projects can be divided into two broad categories: construction projects and non-construction projects. In both cases, the emphasis should be on final results.

At a minimum, all construction projects must specify following success indicators:

1. Targets for cost (expenditure)
2. Targets for on time performance
3. Targets for quality
4. Targets for physical completion

For non-construction projects, it may be desirable to add other criteria. These criteria should be consistent with the SMART principle and the CREAM principle mentioned earlier in the manual.

It is also possible that one project may support several programmes. In that case, it should be placed under the programme where its contribution is the greatest. A note listing other policies that are supported by this project should be attached as a footnote.

Table 4 A: Projects / Schemes for Programme #

Department Name:	
Objective #	
Policy #	
Programme #	

No.	Project Description	Weight

- **A similar table needs to be filled for Projects (schemes) associated with all other Programmes.**

Table 4 B: Success Indicators for Project #

Department Name:	
Objective #	
Policy #	
Programme #	
Project / Scheme #	

Type (On-going / New)	Budget Code	Priority	Location	Time Required

No.	Success Indicators for Project / Scheme #	Weight	Target
1	Expenditures (in millions of Rupees)		
2	Physical Progress (%)		
3	Time Required (in months)		
4	Quality (%)		
5			
6			

- There are four programme defined success indicators which are mandatory. Agencies can choose more success indicators in addition to these
- A similar table needs to be filled for all Projects associated with this Programme.
- Repeat these tables for all other Projects associated with other Programmes and Policies.

9. How to Draft Section on Resource Requirement?

Performance Agreements are a complement to the current planning and budget system and not a substitute. Hence, no additional information is required for Performance Agreements.

However, to ensure better allocation and utilization of resources, it is important to summarize the resource requirement in this section. The resources requested should be consistent with the amounts approved by the Planning Commission and the Ministry of Finance.

10. How to Draft section on Necessary Operational Autonomy

It is now generally accepted that accountability and autonomy go hand in hand. In the past, many experts believed that there was a trade-off between accountability and autonomy. Hence, the debate on this topic was framed as autonomy versus accountability.

There are two distinct concepts of accountability involved in this debate (a) strategic autonomy – the freedom to set the direction of the department, and (b) operational autonomy – managerial freedom to achieve the objectives and targets. While the strategic autonomy is ultimately the prerogative of the government (Prime Minister and Cabinet Members), operational autonomy is an essential for the departmental secretaries to achieve the agreed objectives and targets in the Performance Agreement.

Hence, this section of the Performance Agreement must contain those additional operational flexibilities required to achieve the agreed objectives and targets.

This list must be modest and implications of lack of requested operational autonomy should be clearly spelled out.

This section should also contain an explicit understanding about the frequency of monitoring with respect to Performance Agreement. Ideally, a six monthly review should be sufficient. However, a quarterly review is also acceptable in the initial years of the PA implementation.

In this context, the difference between Monitoring and Evaluation should be clearly understood. “Evaluation” is defined as achievement against the agreed target. Since the targets in the Performance Agreement document are on an annual basis, the evaluation can (and should) only be done at the end of the year. However, to ensure that the department is on track for meeting the annual target, a more frequent review may be undertaken by the Minister or the Secretary. This intermediate review is called “Monitoring.” While evaluation is against the agreed targets, monitoring can be against a much larger number of sub-targets that are relevant for achieving the committed targets. Another way of looking at this distinction is to think of Evaluation as producing a report for the stakeholders while Monitoring produces a report for the management of the department.

11. Methodology for Performance Evaluation

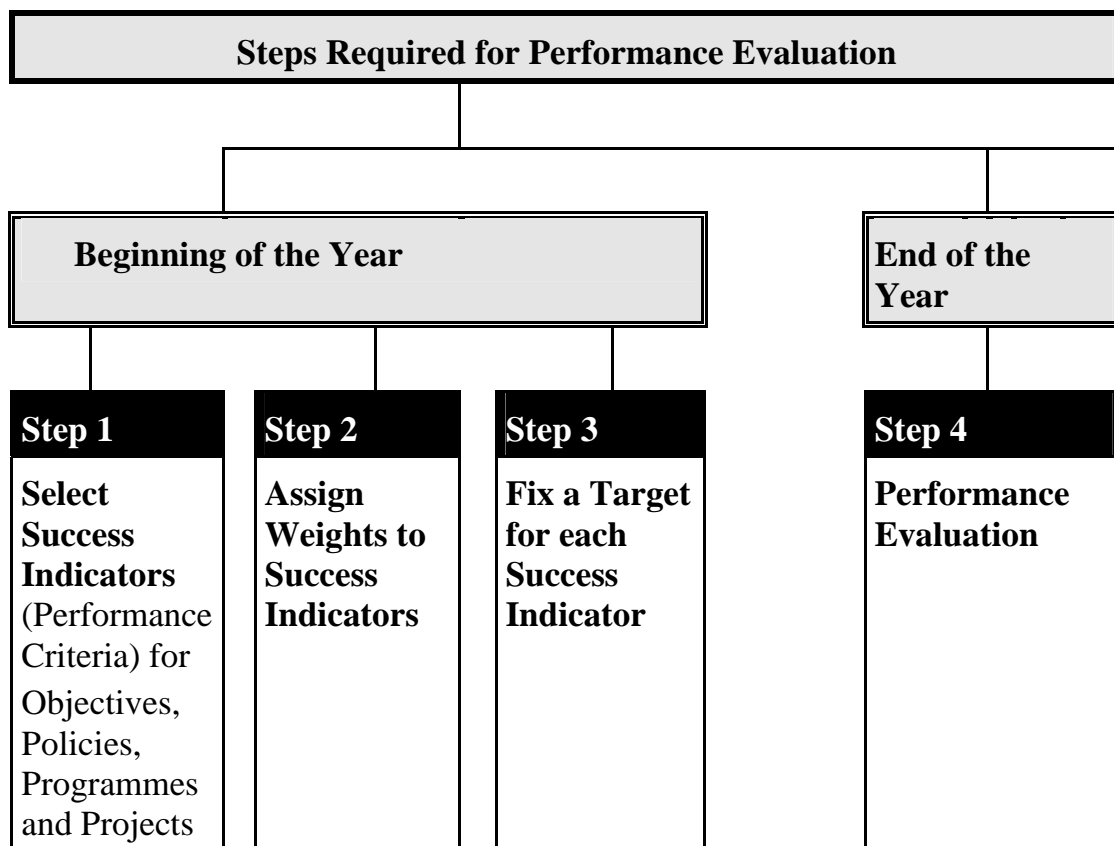
The core of Performance Agreement consists of four elements:

- i. Objectives
- ii. Policies
- iii. Programmes
- iv. Projects

While Vision, Mission and other sections are related and do impact performance, from nation's point of view achieving the department's objectives, by implementing various policies, programmes and projects is of paramount importance. Hence, the evaluation system is focused on measuring with respect to the commitments made in these four sections.

The methodology for evaluation consists of 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.

Step 1: Selection of Success Indicators (Performance Criteria)

Defining performance is the first step in any performance evaluation exercise. This is accomplished by selecting a set of success indicators for each of the four sections of the Performance Agreement. The performance of the department will be measured against these success indicators. In selecting these performance criteria, the principles of SMART and CREAM should be kept in mind.

Step 2: Selection of Weights for Success Indicators

In the second step we deal with criterion weight selection. Whenever there is more than one success indicator, we must decide what the relative priorities are so that the departmental management team can allocate its time more effectively in achieving those priorities. This is not an academic issue. Rather, by not specifying the priorities among the success 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 programmes or over time. This is a judgment 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: Fix Targets for Success Indicators

As mentioned earlier, targets are tools for driving performance improvements. Target levels should, therefore, contain an element of stretch and ambition. However, they must also be achievable. It is possible that targets for radical improvement may generate a level of discomfort associated with change, but excessively demanding or unrealistic targets may have a longer-term demoralizing effect.

At the end of the three steps, the performance matrix for each of the four sections would look like as follows. The matrix that follows is only illustrative. It shows a complete set of success indicators, weights and targets for just one objective for the Ministry of health and Family Welfare.

Objective	Success Indicators		Weight	Target
Continue to provide primary health care services and to upgrade their efficiency and make them more accessible.	1	% Increase in number of primary health care centers	.50	10
	2	% Increase in number of people with access to a primary health center within 20 KMs	.30	15
	3	Number of hospitals with ISO 9000 certification by December 31, 2009	.20	300

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 department, compare them with the targets, and determine the composite score for Objectives, Policies and Programmes, and Projects.

1	2		3	4	5	6	7
Objective	Success Indicators		Weight	Target	Achieved	Raw Achievement	Weighted Achievement
Continue to provide primary health care services and to upgrade their efficiency and make them more accessible.	1	% Increase in number of primary health care centers	.50	10	10	100%	50%
	2	% Increase in number of people with access to a primary health center within 20 KMs	.30	15	10	66%	19%
	3	Number of hospitals with ISO 9000 certification by December 31, 2009	.20	300	150	50%	10%
Composite Score for this Objective							79%

Columns 1-5 are self-explanatory. Column 6 (Raw Achievement) is obtained by dividing column 5 by column 4. Column 7 (Weighted Achievement) is obtained by multiplying Column 6 by column 3.

Finally, the composite score is calculated by adding up all the weighted achievements.

Legend:

Composite Score	Rating
100-91	Excellent
90-81	Very Good
80-75	Good
74-65	Fair
64-50	Poor

The composite score shows the degree to which the government department in question was able to meet its objective. The fact that it got a score of 79% in our hypothetical example implies that the department’s performance vis-à-vis this objective was rated as “good.”

This same procedure is used to arrive at the composite score for policies, programmes and projects. Then using a similar procedure a composite score for all four section is calculated.

Performance Agreement Section		Weight	Score	Weighted Score
1	Objectives	.25	70	17.5
2	Policies	.25	80	20.0
3	Programmes	.25	80	20.0
4	Projects	.25	90	22.5
Composite Score for the Performance Agreement				80

It should be noted that the weight of policies under a particular objective are given a combined weight equal to the same weight as that assigned to the objective.

If the achievement is less than 50% for any target, then it is assigned a value of zero. In other words, 50% is a defined minimum threshold for all targets.

In the above table above, the final Overall Composite Score for the Performance Agreement is 80 %. This would make the overall performance rating for this department equal to “Very Good.”

How to Interpret Composite Scores

The primary function of the composite score is to provide an effective link between managerial/departmental performance and incentives. The composite score shows the degree to which the government department 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 100 %. On the other hand, if it had done a miserable job on all fronts, it would have received a composite score of 0 %. The fact that it got a score of 80% in our hypothetical example implies that its performance is rated as “Very Good,” all things considered.

The second function of the composite score is to allow us to compare and rank the performance of all government departments signing Performance Agreements. While the commitments of all Performance-Agreement-signing departments 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. Thus this composite score provides the missing bottom line in the public sector.

12. Time Table for Implementation

1	Submission of Initial Draft	February 20, 2009
2	Review	February 20-March 20, 2009
3	Submission of the Final Draft	March 31, 2009

For further information and clarification send an email to:

performance@nic.in

Annex A

EXAMPLES OF HOW THE TABLES SHOULD BE FILLED

Example of Table 1 A

Objectives

Department Name:	Ministry of Health
-------------------------	---------------------------

No	Objectives	Weight
1	Continuing to provide primary health care services and to upgrade their efficiency and make them more accessible.	40
2	Improve health and reduce incidence of disease and rate of mortality.	30
3	Continue to provide, develop and upgrade efficiency of health manpower,.	30
	Total Weight =	100

- **This table has taken only three objectives to illustrate the concept.**

**Example of Table 1 B
Success Indicators for Objective # 1**

Department Name:	Ministry of Health and Family Welfare
Objective # 1	Continuing to provide primary health care services and to upgrade their efficiency and make them more accessible.

	Success Indicators for Objective # 1	Weight	Target
1	% Increase in number of primary health care centers	50	10
2	% Increase in number of people with access to a primary health center within 20 KMs	25	15
3	Achieve 85 % satisfaction level in patient surveys	25	by Dec 31, 2008
		100 %	

Example of Table 2 A

Department Name:	Ministry of Health and Family Welfare
Objective # 1	Continuing to provide primary health care services and to upgrade their efficiency and make them more accessible.

No	Policies	Weights
1	Continuing to establish and open primary health care centers in all provinces, governorates and centers to provide primary health services to the entire population while ensuring balanced distribution of such centers according to priority criteria that take into Consideration the elements of geographical location, population density and health conditions.	35
2	Continuing to provide primary health services, including the following activities:	
2.1	Enhancing health awareness at the levels of individual, family and society regarding the problems and risks that cause threats to health; developing methods of prevention and attempting to change the patterns of behavior which cause diseases.	25
2.2	Providing integrated maternity and child health care services.	25
2.3	Providing immunization against infectious diseases.	
2.4	Controlling communicable and infectious diseases and reducing their incidence.	15
		100

**Example of Table 2 B:
Success Indicators for Policy 1**

Department Name:	Ministry of Health and Family Welfare
Objective # 1	Continuing to provide primary health care services and to upgrade their efficiency and make them more accessible
Policy 1	Continuing to establish and open primary health care centers in all provinces, governorates and centers to provide primary health services to the entire population while ensuring balanced distribution of such centers according to priority criteria that take into Consideration the elements of geographical location, population density and health conditions.

No	Success Indicators	Weight	Target
1	Number of additional primary health care centers opened	60	250
2	Design a regional distribution plan for the additional primary health care centers	20	Approved by November 2010
3	% of additional primary health care centers opened as per the regional distribution plan.	20	95

**Example of Combining Table 1 A and 1 B
Objectives and Policies: Department of Mines**

	Objective	Weight		Success Indicator	Target
1	Increase investment opportunities in the mining sector and promote exploitation of mineral resources.	30	15	Increase in mining investment	10
			10	% increase in additional mining licenses issued	15
			5	% increase in exploited areas	15
2	Replace imported mining products with local products.	17		% increase in locally manufactured mining products	5
3	Develop operational mechanisms for managing mining investment and applying the mining code.	13	7	% of Action Plan Implemented	10
			6	Develop an action plan for implementing operational mechanisms	80
4	Follow-up existing mining investments within the legal framework and protect the environment against any negative effects of mining activities.	12	6	Average score of quality assessment by third party (1-5)	4
			4	Percentage of existing mining investments covered by annual environmental impact assessment studies	100
			2	Percentage of existing investments followed-up	100
5	Fencing mining activities, compounds and mining areas to protect them against trespassing and to demarcate reserved mining areas.	8		% of designated area fenced	20
6	Develop, train, and rehabilitate manpower.	8	6	% of the annual plan achieved	100
			2	Develop a human resource development plan	100

	Objective	Weight		Success Indicator	Target
7	Increase productive efficiency of technical support services.	7	3	% Increase in Client Satisfaction	
			2	Compliance rate with client service charters (%)	90
			2	Develop client service charters	100
8	Transfer and indigenize high-level technologies in mineral resources sector.	5		Percentage of high level technologies indigenized (Cumulative)	5
	Total Weight=	100			

Additional Example of Table 2 A
Objectives and Policies: Department of Mines

Objective		Policies	
1	Increase investment opportunities in the mining sector and promote exploitation of mineral resources.	1.1	Develop a mining investment service unit, and a site on the web
		1.2	Prepare technical, economic, and financial reports regarding mining investments; providing the investors with them , to encourage them to participate in mineral exploration and exploitation.
		1.3	Publish information reports about minerals available in the Kingdom, their locations, specifications, uses, and the latest information concerning mining investments, in both Arabic and English languages, and distribute them among local and foreign investors.
		1.4	Prepare technical maps of locations of mining investment opportunities in the Kingdom.
		1.5	Coordinate with related agencies to support and encourage the exploitation of metallic, industrial minerals , and construction materials for local industries , and export minerals .