

# CSME Government Performance Management Framework (GPMF).

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## **CSME Government Performance Management Framework (GPMF).**

There has been much discourse again over the last six to eight weeks on the issue of Government performance and the concept of performance budgeting has resurfaced. Some have recommended, the Accrual Budgeting approach, which is outlined in a previous 2004 International Monetary Fund (IMF) Article IV consultation document on Jamaica, others, have referred the matter to the area of zero based budgeting, however, this type of budgeting, although, theoretically ideal, practically, Jamaica and other Lower Middle Income (LMI) countries in the Caribbean Single Market And Economy (CSME) are not equipped for this and it would create serious political instability in the region as most from time to time operate on a **Political Business Cycle(PBS)**.This speaks to the old Static Competitive Political Model(SCPM) as opposed to the Dynamic Competitive Political Model(DCPM), under which zero-based budgeting would operate optimally.

### **CSME First steps**

Many CSME countries have completed the first step of this process by moving away from the traditional emphasis on managers' stewardship of public resources and on compliance within strict detailed appropriations. This usually involves implementing some form of program management and budgeting, along ministry of finance (MOF) lines, where there is greater emphasis on achieving efficient and effective outputs and outcomes. In this process, measures of performance have tended to play a key role as a basis for introducing initiatives such as strategic planning,

performance agreements for selected services, remuneration bonuses based on performance, and external evaluation of agency programs.

### **OECD vs. CSME Approach**

In examining the literature, drawing on the experience within the OECD group of countries, there are evidently different channels whereby performance measurement has exerted a positive influence on public expenditure management.

1. In budget preparation, the wider use and availability of performance data has strengthened the hands of the ministry of finance in challenging the budget proposals of line ministries.
2. Budget execution has been strengthened generally by allowing comparisons between poor and good performers and allowing both external as well as peer pressure to stimulate reforms in service delivery. This has been made more formal by introducing contractual agreements for service managers with explicit performance targets.
3. In Australia and New Zealand, there has been a more formal linking of performance measures with budget allocations, while in most other OECD countries these linkages are more indirect.

### **CSME Performance Budgeting Risks**

While it might be tempting for CSME countries to press forward to adopt a full-blown performance management framework, such as that implemented by countries like Australia and New Zealand, there are evident risks in the move. **Such a change in orientation is only possible once managers have had adequate experience in refining the definition of**

**programs and their objectives, and on this basis developing a comprehensive system of performance measurement.**

The latter is usually lacking in CSME market economies, but at the same time is recognized as critical to the successful implementation of a performance budgeting and management system. The literature reviewed argues that to develop a comprehensive performance measurement system requires:

1. First clearly defining how to measure "performance";
2. Secondly, overcoming a number of technical issues in the design and use of measures of that "performance";
3. Thirdly, making performance information relevant for resource allocation decisions, i.e., establishing a performance management system.

**CSME Performance Budgeting And Cure**

CSME country traditional budget systems focus on inputs, the amount of resources actually used (usually expressed as the amount of funds or the number of employee-years), or both. The key concept is economy, or the aggregate control of input costs at the margin.

In output-focused budget systems, inputs are related to an agency's output to produce indicators of efficiency or productivity.

In outcome-focused budget systems, an agency's outputs are related to the achievement of its ultimate goals producing indicators of effectiveness.

In such systems, often costs are compared with the final outcomes attained to give measures of cost effectiveness, or sometimes-termed value-for-money indicators.

Further drawing on the review of literature in this area in performance budgeting, there are a number of ways that spending can fail to meet expected performance, and it is important to differentiate the source of this performance failure in order to specify the cure:

1. Technically inefficient: arising from resources not being employed in the technically best way to produce a given output or service level.
2. Economically inefficient: arising from resources not being employed in the most economically efficient way, so that a higher return in the form of a higher provision of service can be obtained without increasing costs by switching spending between resources.
3. Technically ineffective: expenditures are not effective in the sense that although resources are allocated efficiently (both in a technical and economic sense) to provide a certain service, the service itself does not satisfy the objectives it was designed to meet.
4. Economically ineffective: expenditures can be efficient (in the sense that resources are allocated to produce the maximum output of a certain service at least cost), and effective (in the sense that the output has the desired outcome), but overall effectiveness in the use of public resources could be increased by cutting some expenditures and reallocating the resources to other services, i.e., becoming more allocatively effective.

## **CSME Framework For Performance Measurement**

This debate tends to be at two levels in the CSME:

1. Firstly, there are the evident practical measurement problems. Often, outcomes are difficult to measure directly (e.g., greater national security) or they are complex, for example, in the case where there are interlinkages between a number of different programs and subprograms.
2. Secondly, at a higher level, there is controversy over accountability—what should managers be held accountable for? On practical grounds, output is generally what the agency can exert control over, but the ultimate outcome is often determined by external factors, usually of an unpredictable nature. Also, observed outcomes can be interpreted in different ways. Rather than what the agency's program itself achieved, outcomes can be interpreted as the consequence of what the program did, so that outcomes can be considered as including side effects, whether intended or not.

Diamond (2005) suggests the following framework, which could be useful to CSME countries:

### **Desirable Properties of Outputs**

1. Should be a good or service provided to individuals/organizations external to the agency.
2. Should be able to be clearly identified and described.
3. Should be for final use and not for an internal process or intermediate output.
4. Should contribute to achievement of planned outcomes.

5. Should be under the control (directly or indirectly) of the agency.
6. Should be able to generate information on attributes of performance—price, quantity, and quality.
7. Should generate information that is a basis for performance comparisons over time or with other actual or potential providers.

Example: policy advice

Output: briefs or submissions prepared

Quantity: number

Quality: satisfaction of minister and his staff; other assurance tests

To use the U.K. acronym, in their selection these targets should be SMART: Specific, Measurable, Achievable, Relevant, and Timed. It has been found, however, that as there has been a shift in focus from outputs to outcomes, the technical problems of measurement have increased, and it has had to be admitted that setting targets for some outcomes is inherently difficult

### **Desirable Properties of Outcomes**

1. Should adequately reflect the government's objectives and priorities.
2. Should be indicated by the impact on the community.
3. Should be differentiated from the agency's strategies to which they contribute.
4. Should clearly identify target groups, if so focused.
5. Should be achievable in the specified time frame.
6. Should be possible to monitor and assess the achievement of the outcome.
7. Should be possible to identify the causal link between agency's output and the outcome.



8. • Should have clarity in definition and description to be easily reported externally.

Example: Ensuring street children have access to appropriate accommodation. Made more precise by including a target: 90 percent of street children have access to appropriate accommodation within 24 hours. Operationalized by clearly identified target group, definition of “appropriate housing,” and causal link between agency action, such as assistance through a subsidy.

While it is undeniable that performance measurement is a key tool in the process of improving the delivery of public services, this should not be viewed as an end in itself, but part of a wider public sector reform and modernization process. Performance measurement has become so popular it has tended to lead the reform process rather than be seen as an integral part of a wider performance management reform. While many benefits flow from the mere act of trying to measure performance, to be fully effective performance measurement must be integrated into a performance management system. Failure to recognize this, and to move from performance measurement to performance management, gives rise to some concerns and public sector dysfunction in the short run.

### **CSME Six (6) Step approach**

Step 1: Improve definition of programs and their objectives.

Step 2: Provide a stronger link between budgeting inputs and program outcomes

Step 3: Make performance information relevant

Step 4: Present performance information on a consistent basis

Step 5: Provide incentives for managers to use performance information

Step 6: Develop a system to monitor program management

### **Assessing Performance Of The CSME Budget System**

1. A clear ex ante specification of the performance expected of each agency head;
2. Agreed ex ante arrangements for the collection of all the information required to assess performance;
3. Incentives and sanctions to encourage agency heads to act in the government's interests;
4. A clear performance assessment process involving ex post reporting of actual performance against the initial specification; and
5. Devolution of decision-making authority to give agency heads the degree of managerial autonomy they need to achieve the tasks assigned to them.

Clearly, before introducing a performance management framework in the CSME there should be some assurance that this will rest on a solid basis of public expenditure management (PEM). The question arises, therefore, of how to judge whether a PEM system is robust enough to accommodate the previously discussed changes required by performance-oriented budget management. In turn this requires an assessment of the overall performance of the PEM system.

### **Conclusion**

It will take time for CSME countries to introduce a comprehensive system of performance management. The ultimate objective must be to put in

place a system to match costs with activities, to measure performance of these activities, to develop standards of performance, and compare costs and performance levels with agreed standards. The challenge of this approach in the CSME is to link performance information to the budget process and the allocation of resources.

CSME experience has shown that until this connection occurs, performance is seen merely as a regular reporting requirement, but not directly relevant to day-to-day management and budgeting.