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OUTCOMES-FOCUSED BUDGETING --- CASE STUDIES

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OUTCOMES-FOCUSED BUDGETING -- CASE STUDIES

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AUSTRALIA'S OUTCOMES AND OUTPUTS FRAMEWORK

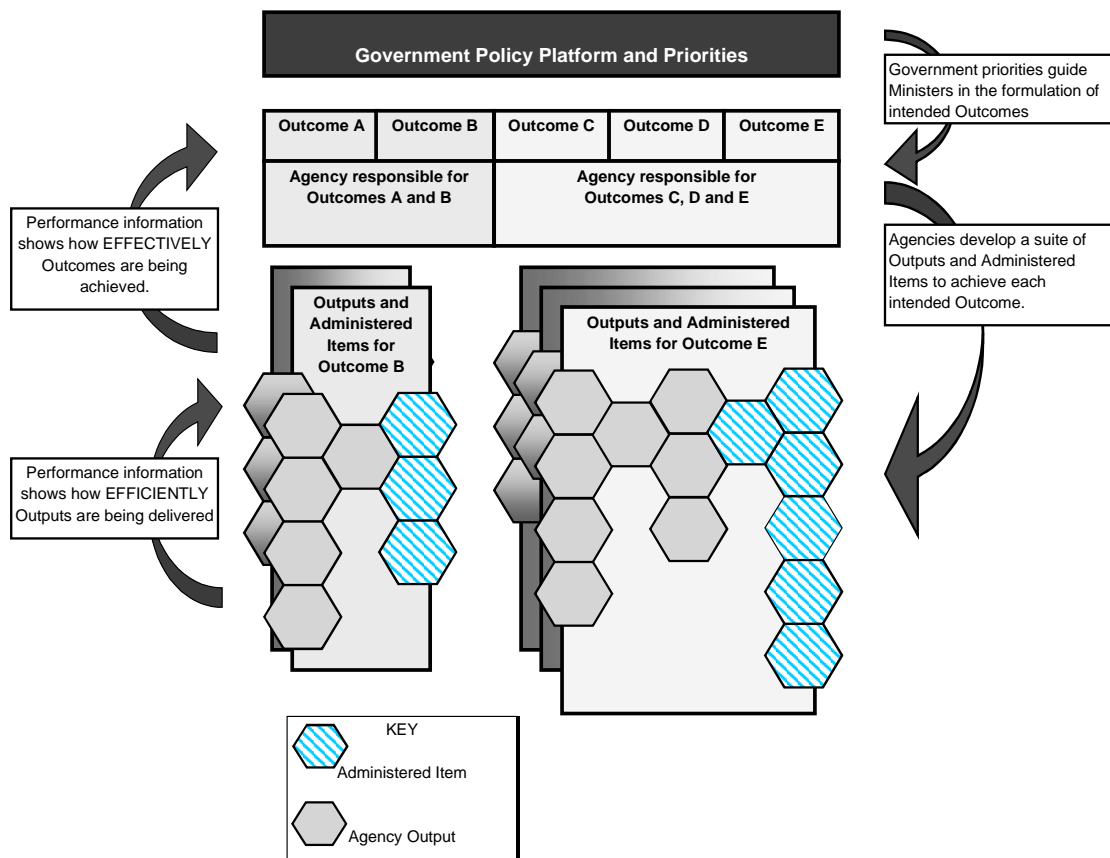
*Department of Finance and Administration
Commonwealth Government of Australia*

1. INTRODUCTION

The Commonwealth Government of Australia introduced an accrual-based outcomes and outputs budgeting and reporting framework in 1999-2000.

The framework seeks to focus public-sector decision-making and accountability on three core issues:

- *Outcomes*: what influence the Government (of the day) wishes to have on the community;
- *Outputs and Administered Items*: how the Government wishes to achieve that influence; and
- *Performance Indicators*: how the Government and the community know whether that influence is being achieved in an efficient, effective way.



The importance placed on outcomes partly reflects the nature of Australia's federated system of government, which comprises three tiers – the Commonwealth, the States (and Territories), and local government. Through its Portfolios, the Commonwealth allocates funding to State Governments for the delivery of certain services and infrastructure, particularly in the areas of education, health and transport. Whilst not directly responsible for third-party outputs, the Commonwealth is held jointly accountable for the results to which they contribute – outcomes.

The framework's emphasis on outcomes and outputs gives rise to a number of advantages:

- *Results focus: the framework requires government to place greater emphasis on the results it seeks to achieve. Portfolio Ministers must now articulate and specify the outcomes they seek in each policy area, and all agency outputs and administered items must demonstrably contribute to those outcomes.*
- *Accountability: with Outcome Statements defining the purpose of all agency activities and administered items, agencies are accountable for maximising their contribution to outcomes through efficient delivery of effective outputs.*
- *Business-like footing: specification of outcomes and outputs enables government to purchase products and services from the public sector on a competitive basis, providing incentive for agencies to be responsive to government and to actively manage performance.*
- *Transparency: specification of outcomes and outputs, and reporting of financial and non-financial performance in accrual terms, provides stakeholders with a transparent view of the Commonwealth's activities, expenditure and achievement.*

Underpinning the framework is a deliberate emphasis on devolving responsibility for financial, performance and risk management to agencies, whilst providing sufficient flexibility to enable them to contribute to outcomes in the most effective and efficient manner.

This report provides an account of Australia's progress in implementing its outcomes and outputs framework, and outlines its approach to:

- specifying outcome goals;
- using outcome goals in managing the public service;
- using outcome goals in the allocation of resources; and
- managing performance and risk in relation to the achievement of outcome goals.

Case studies in Appendix A provide specific examples of how the framework has been implemented in a range of Commonwealth Portfolios and agencies.

2. PROGRESS TO DATE

The Australian Government made a commitment to move to accrual budgeting in 1996. Parliament had long expressed a desire to move to accrual based accounting, budgeting and reporting. The need for a more transparent and accurate picture of Government spending was recognised in the late 1970s and early 1980s. Accrual Budgeting was designed to increase transparency by providing Parliament and taxpayers with more information about the costs and performance of government at both the agency and whole of government levels. Australia is among the first countries to move to accrual budgeting. The move to accrual-based budgeting and the focus on outputs and outcomes builds on the reforms at the Commonwealth level and sharpens the focus on developing a performance culture in the public sector.

In April 1997, the Government agreed to implement accrual-based budgeting, under an outcomes and outputs framework, for the 1999-2000 Commonwealth Budget. By November 1998, all Ministers had approved the outcomes their Portfolios would work towards, and the mix of outputs that would be used to contribute to those outcomes. In the first half of 1999, agencies assigned accrual-based prices to their outputs. The 1999-2000 Budget, tabled in May 1999, was the first to implement the full accrual-based outcomes and outputs framework, incorporating accrual budgeting and reporting. Annual Reports for the first accrual budget period have now been published and tabled in Parliament.

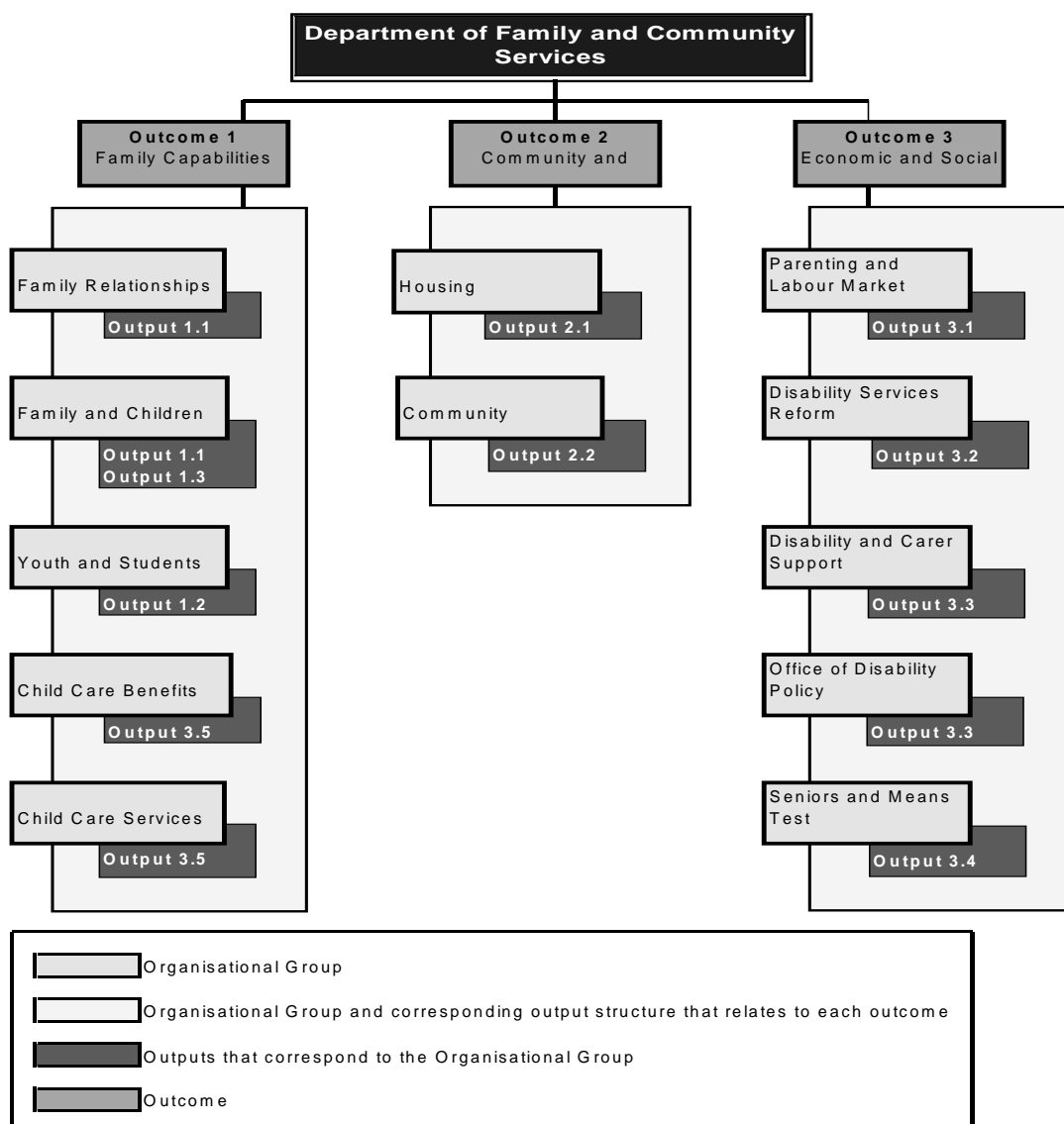
The Department of Finance and Administration has played a central role in overseeing the framework's design and introduction. This has involved developing broad policies and principles, and providing guidance and advice to agencies.

Full implementation of the framework is expected to be an iterative process, taking several years to complete. Current efforts are focusing on:

- refining the specification of Portfolio Outcome Statements, with an emphasis on optimising consistency across the Commonwealth;
- refining the specification of agency outputs to enable comparisons across the Commonwealth and with the private sector;
- improving the measurement of effectiveness and efficiency of agency outputs, including through the specification of targets;
- improving performance measurement of administered items; and
- continuing to encourage better financial, performance and risk management practices by agencies.

Within many agencies, there is much work being done to align organisational structures with output structures. Where this has been achieved, greater transparency has resulted and reporting for internal and external purposes has been enhanced.

An example of an agency that has aligned its organisational structure with its outcome and output structure is the Department of Family and Community Services.



3. SPECIFYING OUTCOMES AND OUTPUTS

Careful and considered specification of outcomes and output structures is critical to the success of the outcomes and outputs framework. Collectively, Outcome Statements articulate government’s priorities and objectives, and therefore define the purpose of agencies. Outputs describe the manner in which agencies plan to contribute to the Government’s outcomes, and provide the basis for pricing agreements between government and agencies for the purchase of products and services. Together, outcomes and outputs are the basis on which performance is managed within agencies and scrutinised by external stakeholders.

During the planning and development of outcomes and outputs structures, it is important that agencies and Ministers give careful consideration to each of these issues, and that potential risks and performance issues are both identified and assessed.

3.1. Roles and Responsibilities

The following provides an account of the roles and responsibilities of Ministers, agencies and other stakeholders in the development of outcome and output specifications.

3.1.1. Specification of Outcome Statements

To develop the Government's Outcome Statements, Portfolio Ministers work closely with their agencies. Consultation with stakeholders and client groups (including relevant Senate Committees) takes place, as may consultation with the Prime Minister and other Ministers. Legal advice is also sought, as well as endorsement from the Minister for Finance and Administration who is responsible for the overall implementation of the framework. It is the Minister's responsibility to ensure that the outcome statements relate to the Government's policy priorities.

3.1.2. Specification of Agency Outputs

The design of agency outputs requires a less formal process, since agencies have the primary responsibility for their specification and delivery. In developing output structures, agencies consult with their Portfolio Minister as well as with major stakeholders – client groups, related agencies and relevant Senate Committees. It is the responsibility of the agency to ensure that the outputs relate directly to the achievement of the outcome. Agencies are encouraged to seek guidance from the Department of Finance and Administration; however, the final design requires the approval of the relevant Portfolio Minister only.

3.1.3. Specification of Administered Items

Administered items arise from legislation, inter-governmental agreements, contractual arrangements and other expressions of Government policy. Agencies have no direct control over their design; however, agencies are required to describe their characteristics in Portfolio Budget Statements and Annual Reports in sufficient detail to enable scrutiny and informed judgements to be made on their contribution to intended outcomes². The contribution of the Administered Item to the outcome needs to be clearly defined and supported by performance indicators. (refer to diagram on page 1)

3.1.4. Specification of Performance Indicators

When specifying agency outputs and administered items, agencies are responsible for specifying efficiency and effectiveness indicators also. These enable stakeholders to make informed conclusions about agencies' performances, and may also form the basis of internal decision making under the performance management component of the framework. In designing effectiveness and efficiency indicators, agencies are encouraged to consult with the Department of Finance and Administration and other stakeholders.

3.1.5. Parliamentary Oversight

Whilst administrative oversight of the framework's implementation is being undertaken by the Minister for Finance and Administration and the Department of Finance and Administration, Parliamentary oversight is being undertaken primarily by the Senate Legislation Committee on Finance and Public Administration³. The Committee is expected to closely monitor changes in the structure and definitions of specified

outcomes over time. Other Senate Legislation Committees are monitoring changes on a Portfolio-by-Portfolio basis.

3.2. Outcome Statements

To date, Outcome Statements have been developed within Commonwealth Portfolios⁴. This has resulted in some overlap between intended outcomes, which is currently being assessed. For example, it may be possible for cross-Portfolio Outcome Statements to be developed as part of a broader set of whole-of-government outcomes.

3.2.1. Content

Each Outcome Statement encapsulates the specific priorities of the elected government within a policy area, as they relate to the community as a whole or targeted groups within the community. For example, reflecting the policies of the current Government (and its Minister), the Employment, Workplace Relations and Small Business Portfolio's Outcome 1 for 2000-2001 is 'An efficient and equitable labour market that links people to jobs and promotes the transition from welfare to work' (refer to Appendix A.3)

3.2.2. Phrasing and Tone

Outcome Statements describe the end result that government is seeking. The focus of an outcome statement is on the desired state of affairs. An outcome statement should explain why the organisation exists and what it wants to achieve. For example, the Finance and Administration Portfolio's Outcome 1 for 2000-2001 is simply 'Sustainable Government Finances'. In this example, it is notable that:

- The means of achieving 'sustainable government finances' is not identified in the outcome statement. This is identified separately, in terms of administered items and outputs, and
- The success with which the Department of Finance achieves this outcome is assessed through the performance management component of the framework.

3.2.3. Legality

Because Parliament appropriates monies against Portfolio outcomes, Outcome Statements must take into account legal considerations; in particular:

- Australia's Constitution requires the nature and purpose of Commonwealth appropriations to be explicit in Appropriation Bills. Outcome Statements need to be sufficiently detailed to serve this purpose.
- use of subjective and value-laden terms should be avoided, if possible, since it carries the risk that associated appropriations may subsequently be found to be invalid (for example, use of the terms 'world-class' or 'well qualified').

3.2.4. Specificity

The framework mandates no particular level of specificity for Outcome Statements. In 1999-2000, the first year of implementation, the number of Outcome Statements per Portfolio ranged from one to ten, and

appropriations to individual outcomes ranged from \$AUD 271,000 to more than \$AUD 17.5 billion. Given the great variability of focus and responsibility across Commonwealth agencies, it is expected that outcome statements would be crafted with a range of specificity, reflecting the nature of each agencies business.

3.2.5. *Portfolio-wide versus Agency-specific Outcomes*

A complex issue is the trade-off between specifying Portfolio-wide sets of outcomes and setting agency-specific outcomes. Portfolio-wide outcomes enable a more strategic outlook. Agencies working towards the same outcomes are better able to develop synergies, including through the use of purchaser-provider arrangements. The more common practice in the Commonwealth, however, is the use of agency-specific outcomes, which are relatively easier to specify where wide variations exist in the functions of agencies across a Portfolio.

In 2000-2001, Portfolio-wide sets of intended outcomes include those of the Transport and Regional Services Portfolio (refer to Appendix A.8) and the Health and Aged Care Portfolio (refer to Appendix A.6). In contrast, the Treasury Portfolio has a two-tier outcomes hierarchy in which agency-specific Outcome Statements are used for appropriations, whilst a Portfolio-wide Outcome Statement describes the Portfolio's strategic outlook.

3.3. *Agency Outputs and Administered Items*

Unlike Outcome Statements, formal specification of outputs and administered items is not part of the legislative requirements for Parliament's Appropriation Bills; however, the inclusion of agency output and administered item specifications is required for Portfolio Budget Statements and Annual Reports. This enables Parliament, Ministers and external stakeholders to scrutinise how appropriated monies will be spent, and to judge how well expenditure is used.

In developing specifications, agencies must identify the outcomes to which each agency output and administered item will contribute.

3.3.1. *Agency Outputs*

Outputs are the products and services agencies produce to contribute to outcomes. Requiring only approval of Portfolio Ministers, agencies are given flexibility to design the mix of outputs that will maximise the contribution to effective outcome delivery (refer to Appendix A.5).

Collectively, an agency's outputs cover all activities undertaken. Individually, an output describes a discreet activity, or set of activities, performed by the agency (refer to Appendix A.4). In determining output structures, agencies are encouraged to divide activities such that the final outputs specified facilitate comparison with outputs of other agencies and potential providers.

In 2000-2001, the number of outputs per agency ranges from one to fifty-eight, with an average of seven. More than half of the Commonwealth's agencies have structured their outputs within output groups that reflect their major business lines. Within these groups, individual outputs describe mostly generic activities, enabling direct comparison other organisations (refer to Appendix A.2).

3.3.2. Administered Items

Whilst agencies have little direct control over the design of administered items, for the purposes of Portfolio Budget Statements and other related documentation, agencies are required to identify and report on the aspects of administered items that are likely to be considered important for policy efficacy and public accountability. This includes any specifications contained within legislation, inter-governmental agreements or Government policy (refer to Appendices A.2 and A.6).

3.4. Ongoing Review and Development

Between the 1999-2000 and 2000-2001 Budgets, a number of Portfolios oversaw modifications to agencies' outcomes and outputs structures. This is expected to continue, as agencies become more experienced and comfortable with the framework, and as new performance management provisions start to deliver results. Iterative changes at the agency and Portfolio levels are expected to produce greater clarity and consistency across the Commonwealth (refer to Appendices A.1, A.6, A.8).

In the long term, the flexibility of the outcomes and outputs framework will enable regular review of the Government's Outcome Statements and agencies' output structures. Because they must reflect the priorities and objectives of the Government at any given time, it would be appropriate for modifications to occur in the event of the election of a new government, government committing to new policy, and/or a shift in Australia's economic or international circumstances.

Changes to Outcome Statements or outputs structures are made as part of the Budget process, and documented in annual Appropriation Bills and Portfolio Budget Statements.

- Proposed modifications to Outcome Statements require endorsement from the Minister for Finance and Administration, who approves changes only if they will provide a substantial improvement that outweighs the value of preserving year-on-year comparability.
- As their design and structure are considered primarily a management issue, changes to an agency's outputs require the approval of the relevant Portfolio Minister only.

4. MANAGEMENT AND ADMINISTRATION

The framework, with its emphasis on devolved responsibility, has significant implications for management both within agencies and across the Commonwealth public service. Agencies have greater control over the disposition of resources used to deliver outputs contributing to the Government's specified outcomes. The responsibility for financial, performance and risk management now rests with agencies, which are, for the first time, genuinely accountable for the results they produce.

Against this backdrop, specification of outcomes and agency outputs provides a clear, results-oriented framework for decision-making and reporting at both the agency and whole-of-government levels.

4.1. Management within Agencies

The specification of outcomes and outputs provides agencies with a clear understanding of what is expected of them. Outcome Statements provide the equivalent of a mission statement outlining the priorities and purpose of each agency, from which strategy and corporate planning can be developed. In the day-to-day running of agencies, outcomes provide a framework for managing complexity and improving

the quality and transparency of decision-making. Specification of output structures clarifies for managers and public servants what is to be delivered in order to meet government's requirements, and how those activities should be managed in a price-based, performance management environment.

4.1.1. Designing Activity and Organisational Structures

Under the framework, Portfolio Ministers and agencies (through their chief executives) share the responsibility for maximising the Government's contribution to outcomes. This emphasis on results provides impetus for management within agencies to carefully prioritise activities, focus organisational structures on the outputs that need to be delivered, and identify areas where outsourcing is appropriate.

4.1.2. Performance and Risk Management

The framework requires agencies to plan the price, quality and quantity aspects of the outputs they will deliver. Increasingly, effectiveness targets are also being specified. Because they are accountable for delivering to specification, there is now heightened emphasis on performance and risk management within agencies across the Commonwealth.

Many agencies are currently developing and improving information systems used by their organisations, and building internal capacity for using the information generated to identify and diagnose risks and performance issues as they arise. In time, as these information systems are optimised, managers and external stakeholders will get a clear picture of:

- how their agencies perform in meeting planned targets;
- how their agencies' performances change over time; and
- how their agencies perform comparative to other potential providers.

4.2. Administration of the Public Service

Implementation of the outcomes and outputs framework has changed the nature of interaction between government and agencies.

4.2.1. Transparency and Accountability

The framework has increased transparency and accountability. There is transparent specification of the Government's priorities and objectives. Outcome Statements explain the purpose of monies appropriated to agencies for outputs and administered items, and Portfolio Ministers and agencies are explicitly accountable for contributing to planned outcomes. At the operational level, agencies must specify the products and services they intend to deliver, and report on planned and actual performance using both efficiency and effectiveness indicators. This allows external scrutiny of their organisations and activities, and system-wide judgements to be made of the public service's general performance.

4.2.2. Agency Responsiveness and Competitive Delivery of Products and Services

The framework enhances the public sector's responsiveness to government by facilitating more competitive delivery of products and services. Agencies are required to structure their activity in terms of

outputs that will demonstrably contribute to outcomes, and to provide information that enables government to draw comparisons (benchmark) between different providers. This provides incentive for agencies to offer outputs especially tailored to government's needs and to meet acceptable price, quality and quantity criteria.

Benchmarking can be used to ensure that the price an agency charges the Government for an output has been arrived at on a competitive basis. Benchmarking is the process of continuously comparing products, services and results with those of other organisations, and is used to achieve improvement through this systematic comparison with the performance of others. This process allows managers to identify costs and inefficiencies and assists in identifying potential areas of improvement. Benchmarking information is an important component in any decision by agencies on whether they should contract out or implement other performance improvement tools. Agencies can benchmark against each other if the activity does not have a market alternative.

THE FOUR PHASES OF THE COMPETITIVE TENDERING AND CONTRACTING CYCLE

4.2.3. Government's Strategic Outlook

As the Government's outcomes are refined, through gradual elimination of inconsistency and duplication, it is anticipated that there will be a strengthening in the strategic focus of Portfolios and the Commonwealth as a whole. In time, the development of broad whole-of-government outcomes may serve to considerably enhance government's central decision-making, and the structuring of Portfolios and the public service.

5. BUDGETING AND RESOURCE ALLOCATION

The outcomes and outputs framework enhances the reporting, transparency and effectiveness of the Commonwealth's budgeting process. Under the framework, appropriations are structured around outcomes, whilst Portfolio Budget Statements specify the price, quality and quantity of outputs agencies will deliver and the criteria they will use for demonstrating the contribution of agency outputs and administered items to outcomes. Annual Reports provide an *ex post* account of agencies' actual performance on the basis of these indicators.

5.1. Appropriations by Outcome

Under the Australian Constitution, monies can only be drawn from the Commonwealth's consolidated revenue fund⁵ if they are appropriated against an explicit purpose of the Commonwealth. Outcome Statements serve this purpose.

5.2. Pricing Agencies' Contribution to Outcomes

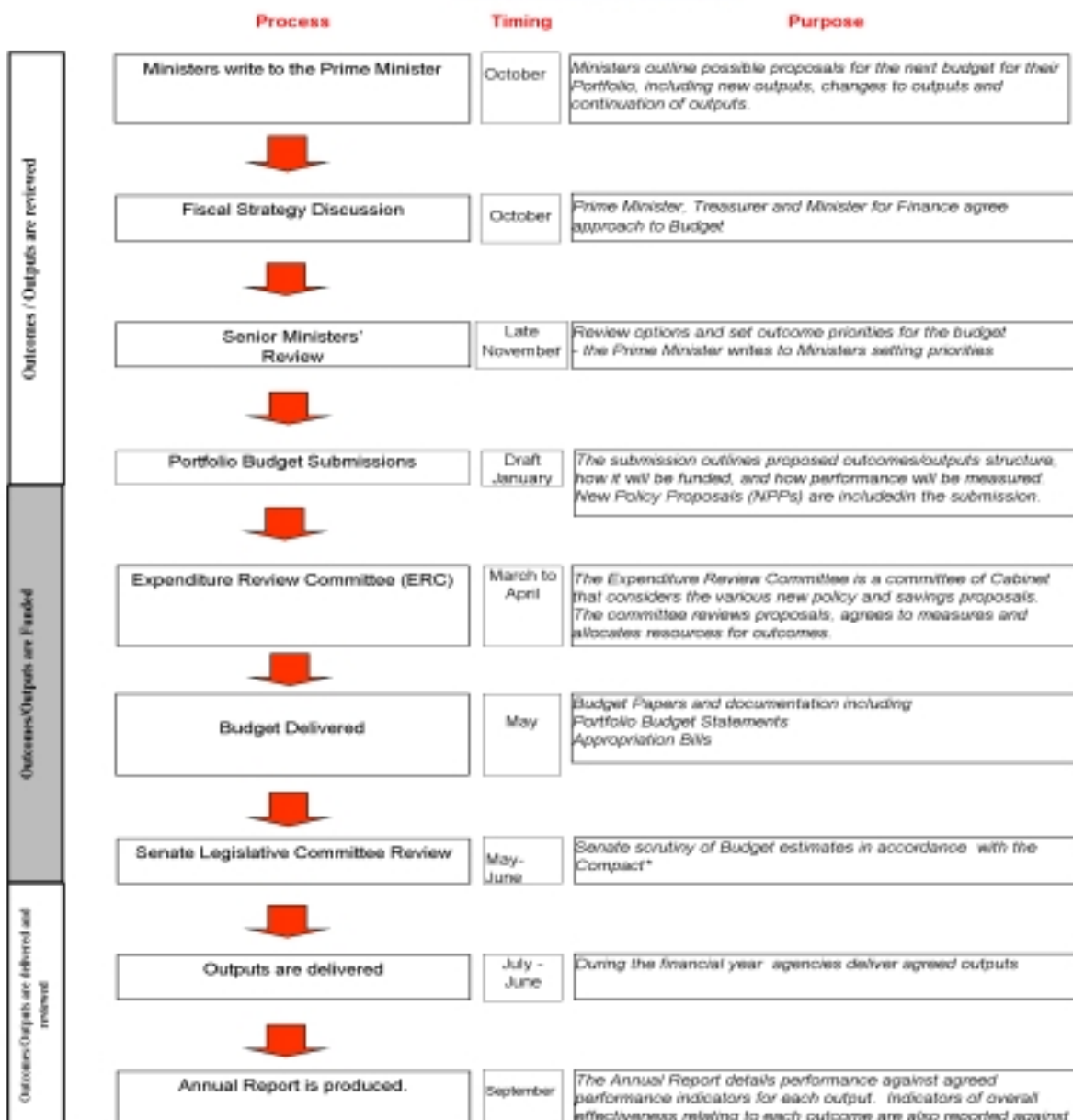
The amount of funding appropriated represents the full price government intends to pay for agency outputs and administered items contributing to each outcome, subject to consideration by government's Expenditure Review Committee which comprises the Prime Minister and senior Cabinet Ministers. The Committee takes into account:

- Portfolio budget submissions, in which Portfolio Ministers put forward proposals and estimates of funding required, and information on how the proposal will contribute to a planned outcome; and

- advice from the Department of Finance and Administration, the Department of Prime Minister and Cabinet, and the Department of Treasury. This advice draws on performance information associated with agency outputs and administered items.

Based on the Expenditure Review Committee’s recommendations, Cabinet makes the final decision on levels of funding that will be appropriated against each outcome, and the funding split that will be made between administered items and agency outputs. The allocation of funds to individual outputs is a management issue for agencies.

THE BUDGET PROCESS



6. PERFORMANCE EVALUATION

Performance evaluation is an integral component of the new framework; however, whilst many of the principles developed during Australia's history of public-sector evaluation are maintained, the responsibility for managing and reporting the performance of outputs and administered items now rests with the agencies.

The Commonwealth's rationale in devolving responsibility for performance management and reporting is that successful performance management requires agency managers to accept responsibility and accountability for results, and is most efficient when systems for internal and external reporting are integrated. To accommodate this change, the more rigid and formal aspects of the Commonwealth's former approach to evaluation have been replaced by a flexible, principles-based approach.

6.1. *Performance Management Principles – Current Commonwealth Thinking*

Under the new framework, the Minister for Finance and Administration is responsible for maintaining a set of principles designed to encourage best-practice performance management and reporting, and to address the Government's transparency and accountability needs. The Department of Finance and Administration is currently consulting agencies on a new draft of the principles.

The following draws from both the current draft as well as recent consultations, and represents the Commonwealth's current thinking on performance management and reporting as it relates to the *Outcomes and Outputs* framework:

- *Performance Information:* Performance information must be structured to relate to the Government's outcomes, and the agency outputs and administered items that assist in the realisation of these outcomes. Its purpose is to assist stakeholders and management to draw well-informed conclusions about performance in published and internal documentation, and provide a sound contribution to decision-making. Candour in disclosure and action on performance information adds to agencies' credibility.
- *External and Internal Reporting:* External reporting focuses on foreshadowing performance for a particular year through Portfolio Budget Statements and, no later than eighteen months later, reporting actual performance for that year in Annual Reports. Internal reporting is more frequent, requiring monitoring of outputs' and administered items' performance within the year and, where measures are aligned with performance agreements, can also be used to provide feedback to staff on their contribution to the management of outputs and administered items.
- *Balance and Clarity:* Performance information is useful where it is pitched to provide a comprehensive and balanced coverage of a particular outcome, output or administered item through a concise basket of performance indicators which can be understood, are well-defined, and are cost-effective to collect, store and manage. Performance information is most effective and meaningful where it is integrated with internal management processes and accountabilities within an agency, and can be utilised to meet external requirements.
- *Strategic Focus of Published Information:* Published performance information is useful where it provides a top-level strategic overview. It should provide a core set of information which meets external accountability needs, but also acts as an early warning to management of areas requiring attention. It should be supported by internal management information that enables diagnosis and continuous improvement.

- *Targets:* Performance information should provide perspective, and it is most effective where current performance can be compared qualitatively or quantitatively against specific benchmarks, targets or activity levels. In the context of continuous improvement, it is desirable that these targets strike a balance between presenting a challenge and being achievable.
- *Stability versus Improvement:* As the new framework takes effect, outcomes and outputs structures and performance information can be expected to evolve with experience and to meet contemporary needs. While performance information for any purpose is most effective where trends can be compared over time, this needs to be carefully balanced against changes that reflect the availability of more relevant or more reliable information. Performance information should be regularly assessed for appropriateness, including through systematic review and evaluation of agency outputs and administered items and, where necessary, of the Government outcomes they support.

6.1. *Performance Indicators*

The Commonwealth's output and outcomes framework is designed to allow government to efficiently and transparently analyse performance at two levels:

- *Effectiveness* - the combined contribution of agency outputs and administered items to the Government's specified outcomes; and
- *Efficiency* - the quality, quantity and price of agency outputs and, where possible, administered items.

To facilitate this analysis, agencies are using effectiveness and efficiency indicators to provide both internal management and external stakeholders with objective information on the performance of agency outputs and administered items. These indicators enable decision-makers and stakeholders to identify trends and weaknesses at various levels of the public sector.

6.1.1. *Effectiveness Indicators*

Ideally, when assessing the combined contribution of agency outputs and administered items to a specified outcome, an effectiveness indicator performs three tasks:

- it demonstrates progress being made in the achievement of the specified outcome, as articulated by the Outcome Statement, on the basis of information from independent sources;
- it identifies a causal link between the specified outcome and the contribution of agency outputs and administered items; and
- it determines the extent to which progress in achievement of the specified outcome is attributable to those agency outputs and administered items.

Ideal effectiveness indicators are often difficult to design. For example, establishing a causal link is often a very subjective exercise, particularly where agency outputs and administered items have only very indirect influences (for example, policy development). In such cases, it may be reasonable to call on results of performance audits and internal reviews or to use proxy or parallel indicators, whilst specifying accompanying assumptions and quantifying the level of uncertainty involved (refer to Appendices A.2, A.5 and A.7).

Depending on the complexity of issues contained within an Outcome Statement, agencies are encouraged to specify between two and six effectiveness indicators per outcome.

6.1.2. *Efficiency Indicators – Agency Outputs*

Efficiency indicators for agency outputs provide a set of quality, quantity and price parameters for each product or service delivered by an agency (refer to Appendix A.5). In designing efficiency indicators, the aim is to provide a basis on which purchase arrangements between government and the agency can be specified, and to enable managers and external stakeholders to assess whether the agency has addressed government's purchase requirements.

- *Quality*: under the framework, measures of quality relate to the characteristics of an output that are most relevant to clients, customers or stakeholders. These measures may be objective (for example, timeliness, frequency, geographical coverage, accuracy, conformity to specifications) or subjective and requiring interpretation (client satisfaction, peer review, public perception). For a given output, agencies are encouraged to specify two to five quality indicators.
- *Quantity*: measures of quantity are often straightforward, particularly where the output relates to a reasonably homogeneous activity (for example, processing identical benefit claims). Where activities are not homogeneous (for example, policy development), an explanation may need to accompany the quantity indicator chosen. For each output, at least one indicator for quantity should be specified.
- *Price*: Price indicators reflect the combined influence of an output's cost of production (including overheads such as competitive neutrality charges raised by the Commonwealth), the relative efficiency of competing providers and the value placed on the output by government. A single indicator or price is sufficient for each output.

6.1.3. *Efficiency Indicators – Administrative Items*

Where possible, agencies are required to specify efficiency indicators for administered items that will aid management decision-making, future policy development and public accountability. To the extent possible, agencies must address quality, quantity and price. This will depend on the level of detail provided in the legislation, inter-governmental agreements or other expressions of Government policy from which the administered item arises (refer to Appendix A.2 and A.6).

6.2. *Performance Management*

Because there is now greater accountability for results amongst Commonwealth agencies, it is important that agency managers responsibly manage performance (and risk) within their organisations. This primarily requires sound information and reporting systems.

6.2.1. *Information Systems*

Agencies throughout the Commonwealth are upgrading their information and accounting systems to incorporate effectiveness and efficiency indicators that will feed into internal and external performance reporting (refer to Appendix A.4).

Measuring price of outputs requires the allocation of overhead and shared resource costs, and mapping of activities and processes. Accuracy in allocating costs to outputs is achieved through the use of accruals, which allows agencies to monitor financial flow at the time economic value is created, transformed, exchanged, transferred or extinguished in the production of an output. Accruals also enable agencies to

manage the financial position of their organisations, including through the use of assets and liabilities information.

Performance information produced by internal information systems is providing agency managers with timely reporting on their organisations' progress in achieving the Government's intended outcomes and delivering agency outputs at specified prices, quantities and levels of quality. Timely feedback on performance enables action to be taken by managers during the year to ensure their organisations are in best position to meet the expectations of government and to undertake continuous improvement.

Over time, it is expected that agencies will become increasingly familiar with the framework and the opportunities it affords to examine and optimise agency performance and effectiveness.

6.2.2. Pricing Reviews

In addition to internal information systems, an important tool being used to identify and assess the efficiency of agencies in delivering outputs is the use of pricing reviews. In co-operation with individual agencies, the Department of Finance and Administration has commenced a three-year rolling programme of evaluations for agencies throughout the Commonwealth. Each review aims to promote the development of costing and performance information systems by requiring agencies to demonstrate the price, quality and quantity parameters associated with their outputs. Reviews culminate in an agreed understanding of the price, quality and quantity the agencies will be expected to deliver and, in some instances, agencies' reallocation of resources across outputs.

Methodologies used in the pricing reviews range from Activity Based Costing to market testing and benchmarking. To facilitate benchmarking, the Department of Finance and Administration has developed of a suite of diagnostic questionnaires and is establishing a database to support the collection and evaluation of international performance and price information. Additionally, several agencies have arranged to benchmark bilaterally with similar organisations both locally and overseas.

6.3. Performance Reporting

Under the framework, external performance reporting requirements enable government and other stakeholders to monitor agencies' success in managing performance. Performance management must be undertaken in a transparent way. The main vehicles for agencies to externally report on planned and actual performance against outcomes and outputs are:

- Portfolio Budget Statements; and
- Annual Reports.

Portfolio Budget Statements identify each agency's plans for the coming Budget year, while Annual Reports detail the degree to which those plans have been realised and the efficiency of agency outputs and administered items used to achieve this. In preparing the two documents, agencies are required to enable a clear read between planning information and actual performance.

Agencies are also answerable to Senate Committees. Senate Estimates Hearings, for example, enable Senators to inquire into how efficiently agencies are performing. Agencies are increasingly using information from their performance management systems to provide evidence of their achievement in contributing to the Government's specified outcomes and in delivering outputs to specification.

7. RISK MANAGEMENT

Risk management is an underlying theme in the performance and accountability aspects of the framework. In parallel with the outcomes and outputs framework, the Department of Finance and Administration is working to encourage a culture of risk management throughout the Commonwealth, consistent with the devolution of management responsibilities and the framework's requirement that agencies be accountable for their contributions to outcomes.

Agencies are responsible for reporting the Commonwealth's progress in achieving outcomes, and managers within agencies are accountable for averting and mitigating the risk that their outputs will not contribute to intended outcomes to the extent specified in Portfolio Budget Statements. To enable agencies to meet these requirements, through its 'Comcover' division, the Department of Finance and Administration provides a central point where managers can obtain professional assistance and advice on identifying and assessing risk exposures, and developing organisational risk management strategies. Shifting agencies from a culture of risk aversion to one of active risk management is an important part of optimising performance across the Commonwealth.

On a broader level, risk management is built into the framework itself. Outcome risks are identified when agencies and Ministers develop their outcome structures. Stakeholders are consulted, and risks that may prevent the achievement of outcomes are assessed. In addition to external reporting of the Commonwealth's progress in achieving outcomes, scrutiny in the form of Senate Estimates Hearings provides an opportunity for Parliament to actively probe the risks likely to prevent achievement of the Government's outcomes.

8. CONCLUSION

The Commonwealth's outcomes and outputs framework has now completed a full cycle – agencies have had their 1999-2000 Annual Reports tabled in Parliament.

Implementation of the framework has been a complex task requiring extensive planning and effort on the part of the Government as a whole, and within agencies. The most difficult challenge has been accommodating many different organisational structures and cultures within the one framework. In many instances, the process of organisational transition to the framework continues to be a multifaceted and intricate task.

Post-implementation reviews have suggested that it will take several years before the full benefits of the new framework will be realised; however, there is strong recognition that the outcomes and outputs framework is already making contributions to improving transparency and accountability, and enhancing the efficient delivery of products and services which meet the needs of government.

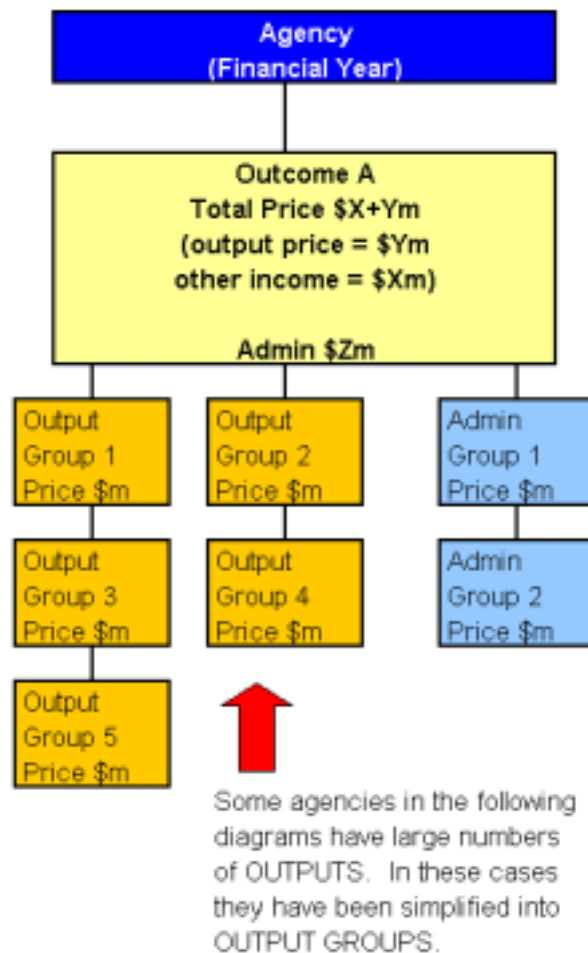
APPENDIX A – CASE STUDIES

The Commonwealth is made up of a diverse range of agencies, many of which undertake quite unique activities. To accommodate this diversity, a key feature of the outcomes and outputs framework is the flexibility afforded to agencies in their implementation of it. The following case studies are examples of different ways in which outcomes and outputs structures have been implemented. Portfolio Budget Statements for all Australian portfolios are available via:

<http://www.treasury.gov.au/default.asp?main=/publications/commonwealthbudget/1999-2000/index.asp>

A new link to current PBSs will be available after the budget (22 May 2001)

Key to Agency Diagrams



A.1 Australian Federal Police

The Australian Federal Police (AFP) is an example of an operationally oriented agency working to the intended outcomes. Located within the Attorney General’s Portfolio, the AFP’s role is to enforce

Commonwealth criminal law and to protect Commonwealth and national interests from crime in Australia and overseas. The AFP is also Australia's international law enforcement and policing representative, and provides advice to government on policing issues.

In 2000-2001, AFP resources are being focused on two outcomes:

1. *The investigation and prevention of crime against the Commonwealth, and the protection of Commonwealth interests in Australia and overseas.*
2. *Policing activity creates a safe and secure environment in the ACT.*

The first outcome focuses on the Commonwealth's role in criminal and protective matters, while the second reflects the community policing services that the AFP provides to the Australian Capital Territory Government for an agreed fee (in the 2000-2001 Budget, the Commonwealth made no appropriation against Outcome 2).

Changes: In 1999-2000, the AFP had been working to five outcomes, which reflect the organisation's previous programme structures:

1. *Criminal activity is deterred in areas impacting on the Commonwealth Government's interests.*
2. *Those individuals and interests identified by the Commonwealth Government of the AFP as being at risk are kept safe and secure as result of AFP protective services.*
3. *Policing activity creates a safer and more secure environment in the ACT, Jervis Bay and Australia's external territories.*
4. *The Commonwealth Government contributes effectively to international law enforcement interests.*
5. *Community confidence in the honesty, effectiveness and accountability of the AFP is high.*

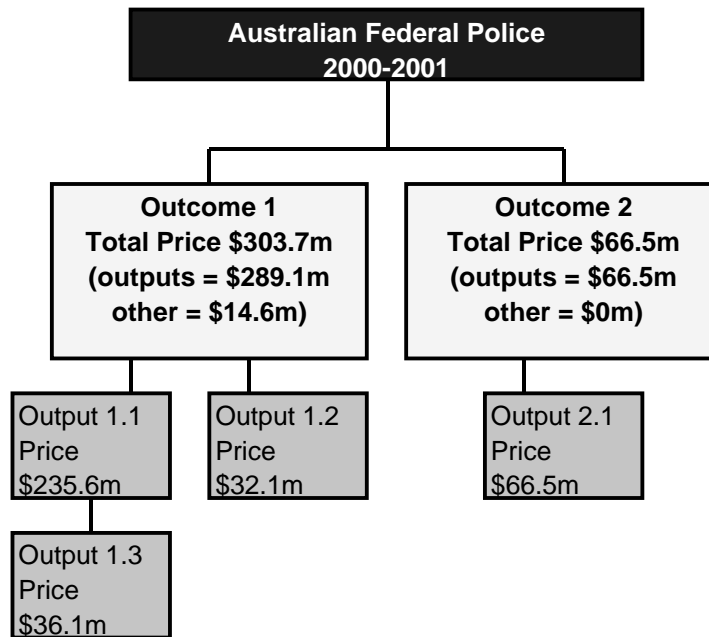
This activity-based outcome structure, which was accompanied by 19 output groups, proved complicated for internal management and external accountability purposes. The move to a two-outcome structure is considered more consistent with the business and accountability requirements that the AFP has to meet in servicing the Commonwealth and ACT Governments. It is likely that the simpler outcomes structure will enhance external reporting and scrutiny processes by the Federal Parliament and the ACT Assembly.

Agency Outputs and Efficiency: In 2000-2001, the AFP has specified three outputs that it will deliver in order to contribute to Outcome 1:

- *Investigation services:* the AFP investigates crime against the Commonwealth. Performance of this output is measured in terms of the level of client satisfaction with AFP investigative services, and the degree to which AFP investigations disrupt the criminal environment. A 5% increase in the percentage of cases classified as complex has been specified as a target.
- *Protection Services:* the AFP provides security services for diplomats, Parliamentarians, witnesses, etc. Performance is measured in terms of the level of client satisfaction with AFP protection services, and the number of protection services provided. To prevent harm during close personal protection of individuals has been specified as a target.
- *International Services:* the AFP contributes to international efforts to counteract and prevent criminal activity by facilitating international and regional law enforcement collaboration. Performance is measured in terms of feedback on the extent to which the AFP meets international obligations under United Nations treaties and conventions and satisfaction with other related services, and the level of services provided by the AFP. A 90% client satisfaction rate as been specified as a target.

A.2 Department of Education, Training and Youth Affairs

The role of the Department of Education, Training and Youth Affairs (DETYA) is to support the Government in meeting the education and training needs of the community, establish a national policy framework for school-level education, post-compulsory education and the transition between education and work, and improve access to education for disadvantaged groups.



In 2000-2001, DETYA is working towards three outcomes:

1. *School systems provide their students with high quality foundation skills.*
2. *Post school education and training providers assist individuals achieve relevant skills and learning outcomes for work and life.*
3. *Australian institutions advance the knowledge based, contribute to the national innovation system and participate effectively in the global development of knowledge and skills.*

Agency Outputs and Administered Items: The Government's contribution to these outcomes is achieved largely through administered items. In 2000-2001, DETYA is responsible for managing over \$11,000 million in administered items (around 98% of total appropriations to these outcomes). DETYA has structured its output groups around administered items targeting similar client groups and addressing similar community needs. This allows its reporting to focus on the administered items, in which Parliament and other external bodies are typically most interested. Under Outcome 1, there are three output groups:

- infrastructure funding for the schools system;
- assistance for school students with special needs; and
- enhance the quality of teaching and learning.

Generic: Under each output group, there are four core generic outputs:

- Administration;

- Policy Advising;
- Ministerial & Parliamentary Services; and
- Research, Analysis and Evaluation.

DETYA's second output group under Outcome 1 also has a fifth generic output, Service Delivery.

By defining generic outputs under each output group, DETYA is more likely to be able to manage across outputs in a consistent manner. It also enhances the scope for benchmarking and price comparisons within the Department and with benchmarking partners.

Efficiency – Administered Items: When reporting on performance, DETYA provides efficiency indicators (price, quality and quantity) for outputs, and quality and quantity indicators for administered items. For example, in the case of administered items used to fund infrastructure for the schools system, DETYA identifies the following in its 2000-2001 Portfolio Budget Statement:

- *Quantity:* number of funded enrolments (target - 3,293,000) and number of capital projects (target - 700).
- *Quality:* satisfactory financial and educational accountability (target - 90% of agencies funded in 2000), and proportion of capital funds provided to meet the capital needs of existing school students in each State through refurbishment and upgrading of facilities (target - 50% of capital funds for 2000 in each State provided for existing places).

Effectiveness: Overall effectiveness in achieving Outcome 1 is measured in terms of a number of key indicators, including:

- Enrolment statistics;
- Year 12 retention rates;
- Trends in the destination of school leavers; and
- Education attainment levels amongst the Australian populations.

In specifying its performance indicators, DETYA highlights the need to take into account the level of influence that third parties (for example, State Governments) and other factors (for example, economic) may have in the achievement of intended outcomes.

A.3 Department of Employment, Workplace Relations and Small Business

The role of the Department of Employment, Workplace Relations and Small Business (DEWRSB) is to support strong employment growth and the improved productive performance of Australian enterprises. This is achieved through development and implementation of various policy initiatives, programmes and support services.

The outcomes to which DEWRSB contributes, as indicated in its 2000-2001 Portfolio Budget Statements, are:

1. *An efficient and equitable labour market that links people to jobs and promotes the transition from welfare to work.*
2. *Flexible and fair workplace relations at the enterprise level.*
3. *An improved operating environment for small business.*
4. *Electronic access to Government information and services.*

Changes: Previously, in 1999-2000, Outcome 1 was:

Improved performance of the labour market.

In its revised form, Outcome 1 is an example of an outcome that clearly articulates the priorities the current government wishes to emphasise, and is likely to assist agency managers in closely aligning their decision-making and delivery mechanisms to the Government's agenda. In general terms, under Outcome 1, DEWRSB:

- provides policy advice to government and develops targeted employment initiatives based on research and analysis of labour market trends and evaluations of existing employment programmes;
- manages contracts with members of the Job Network and works with them on quality of service and performance in achieving employment outcomes, including commitment to service in regional areas and to disadvantaged jobseekers;
- manages programmes designed to meet areas of need, particularly in relation to Indigenous Australians and employment growth in regional and rural Australia;
- contributes to the implementation of the Government's Mutual Obligation policies through the new Preparing for Work Agreement in consultation with the Department of Family and Community Services, administering the Work for the Dole Programme and working with the support network of Community Work Coordinators;
- manages a contract with Centrelink for the provision of jobseeker registration, assessment and referral services;
- provides information technology infrastructure and services to support employment initiatives, including the Australian Jobsearch web site; and
- administers a basic payment safety net scheme for employee entitlements in cases of business insolvency.

Agency Outputs and Administered Items: In DEWRSB's outcomes and outputs structure, these activities are represented by administered items (benefit payments, etc.) and the two following output groups, within which there exist both generic and specific outputs:

- Labour market policy and analysis; and
- Labour market programme management and delivery.

A.4 Defence Portfolio

The Defence Portfolio – which includes the Department of Defence and the Australian Defence Force – is responsible for the development of defence policy, planning, programmes and activities. Its core business is to develop and maintain the capacity to defeat any use or threat of armed force against Australia and its interests, and to promote a regional and global security environment that enhances Australia's security by reducing the likelihood of armed attack against Australia and its interests.

The outcome to which the Defence Portfolio contributes, as indicated in its 2000-2001 Portfolio Budget Statement, is:

To prevent or defeat the use of armed force against Australia and its interests.

Agency Outputs: Under this outcome, the Defence Portfolio currently has five outputs, which reflect the Portfolio's organisational structure:

- *Defence Operations:* conduct effective and sustainable operations for the defence of Australia and its interests;
- *Navy Capabilities:* provide Navy capabilities for the defence of Australia and its interests;
- *Army Capabilities:* provide Army capabilities for the defence of Australia and its interests;

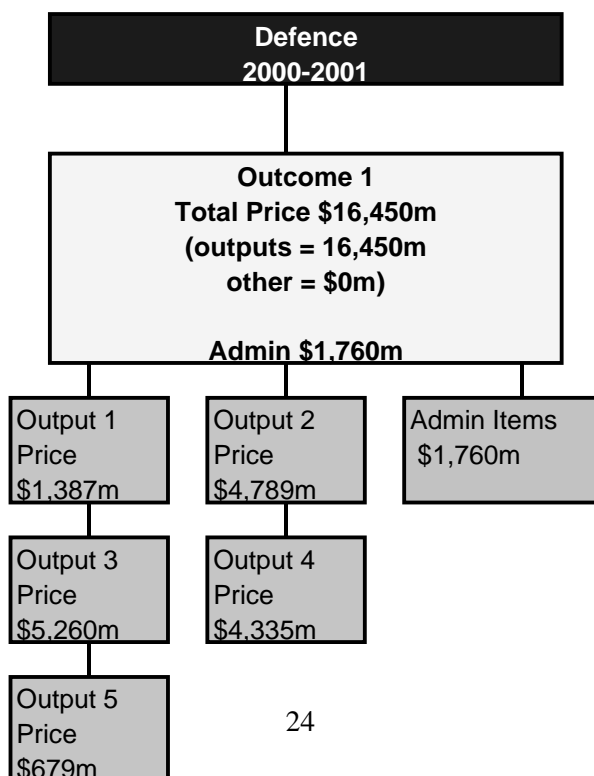
- *Air Force Capabilities*: provide Air Force capabilities for the defence of Australia and its interests; and
- *Policy Advice*: provide high quality, relevant and timely advice to the Government on the defence of Australia and its interests.

Effectiveness: Effectiveness indicators to measure achievement of the Defence Portfolio’s outcome are structured around its five outputs:

- *Defence Operations*: Any hostile violations of Australia’s sovereignty or interests are deterred or responded to successfully. Australian Defence Force joint task force operational performance meets the required standard. Specific Government taskings for the delivery of defence capability are met. Anticipated and unanticipated Government taskings for the delivery of non-combat capability, which contribute to national, regional and global stability, are met.
- *Combat Capability*: The level of preparedness of the Australian Defence Force meets the standards set in the Chief of the Defence Force’s Preparedness Directive and subordinate directives against each capability output. The Australian Defence Force is appropriately equipped and trained.
- *Policy Advice*: Planned non-combat related defence activities contributing to national security and regional stability are met.

Information Systems: At present, Defence’s management information systems do not directly capture outputs costs. This is due in part to the complexity and number of activities undertaken within the Defence Portfolio – there are around 10,000 activities across the organisation’s five outputs. The expectation is that with the implementation of new financial and personnel management systems, Defence will be better equipped to analyse its outputs for performance and project management purposes. Until these systems come on line, Defence has developed a set of output attribution rules that enables resource input costs incurred to be identified against each of the Defence output.

Changes: Defence is currently reviewing its output structure (for example, Defence’s Policy Advice output is likely to be changed in time for the next budget period), and integrating these changes into its information management systems.



A.5 Department of Finance and Administration

As a central service agency, the Department of Finance and Administration (Finance) contributes to three outcomes, as indicated in its 2000-2001 Portfolio Budget Statement:

1. *Sustainable Government Finances.*
2. *Improved and More Efficient Government Operations.*
3. *Efficiently Functioning Parliament.*

Effectiveness: For Outcome 1, Finance has developed a set of relatively specific effectiveness indicators. These are divided in to two classes:

- *Indicators of achievement of outcome 1:* the primary objective of the Government's medium-term fiscal objective is to achieve fiscal balance on average, over the economic cycle. The fiscal strategy incorporates the following supplementary fiscal targets:
 - maintaining fiscal surpluses over the forward estimates period while economic growth prospects remain sound;
 - no increase in the overall tax burden from its 1996-1997 level; and
 - improving the Commonwealth's net assets position over the medium to longer term.
- *Indicator of contribution of outputs to outcome:*
 - utility of Budget documentation and briefings for Budget decision-making assessed by customers as excellent or above average.

The two classes of indicator – one generalised and strategically-oriented, the other more related to the characteristics of the outputs' contribution to the outcome – allow the reader to make appropriate distinctions between Finance's role in delivering against Outcome 1 and broader factors, such as general economic and fiscal policy settings.

Agency Outputs: In total, five agency outputs contribute to Outcome 1:

- *Whole-of-Government Financial Reports:* including delivery of monthly report of Government financial performance and the annual financial statements;
- *Whole-of-Government Budgetary Advice:* including advice on longer term budgetary issues, economic conditions, and analysis of the overall financial position of the Commonwealth over time;
- *Outputs and Outcomes Advice:* including liaison with other agencies, preparation of advice to Ministers, reports on agencies' effectiveness and efficiency through pricing reviews, policy development and analysis, and briefing for the Minister on budgetary and financial management issues;
- *Ownership Advice to Government:* assessing movements in balance sheets, capital investment proposal, and management of the Commonwealth's shareholder interests in Government Business Enterprises; and
- *Budget Management:* including development and coordination of Budget processes, Budget documentation briefings for Budget decision-making, and estimates updates.

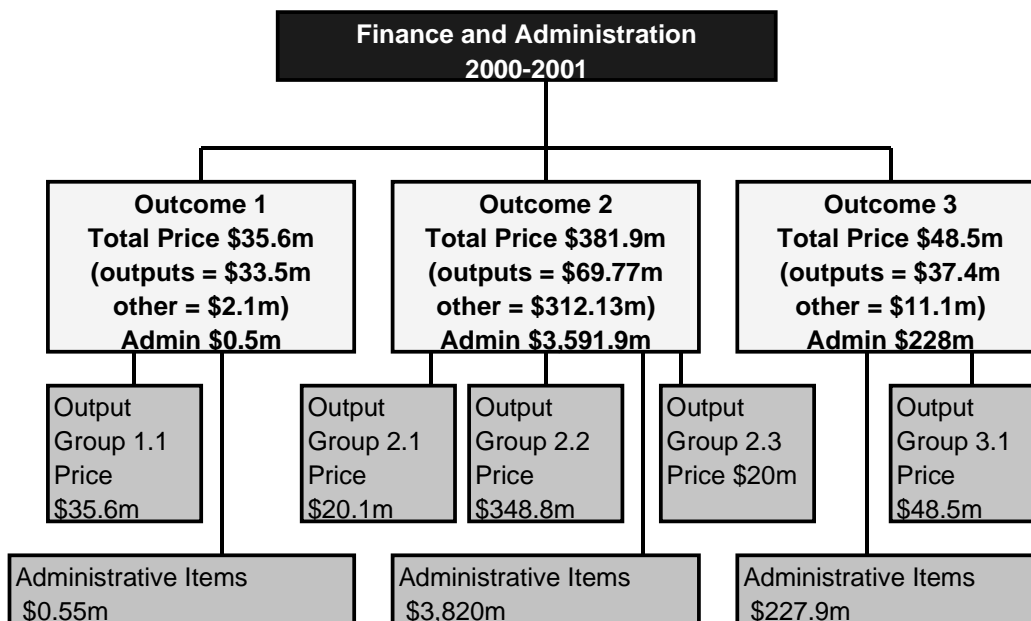
Efficiency – Agency Outputs: Quality indicators for the second output are:

- 90% of briefings and Ministerial replies rated excellent or above by the Minister;
- 90% of Ministerial letters with turnaround within 2 working days;
- 90% of Parliamentary responses to questions on notice are prepared within the timeframe agreed with Parliament; and
- 90% of economic reports are delivered within the timeframes agreed and are rated excellent or above average.

Quantity indicators for the second output are:

- 40 briefings to the Minister;
- 250 written Ministerial replies;
- 230 economic reports;
- 10 Ministerial speeches; and
- 340 in-person, electronic or telephone briefings to the Minister and Minister’s office.

At this level of quality and quantity, the price specified for the second output is \$5.43 million for 2000-2001.



A.6 Health and Aged Care Portfolio

In 2000-2001, the Health and Aged Care Portfolio is delivering services against nine Portfolio-wide outcomes:

1. To promote and protect the health of all Australians and minimise the incidence of preventable mortality, illness, injury and disability.
2. Access through Medicare to cost-effective medical services, medicines and acute health care for all Australians.
3. Support for healthy ageing for older Australians and quality and cost-effective care for frail older people and support for their carers.
4. Improved quality, integration and effectiveness of health care.
5. Improved health outcomes for Australians living in regional, rural and remote locations.
6. To reduce the consequence of hearing loss for eligible clients and the incidence of hearing loss in the broader community.
7. Improved health status for Aboriginal and Torres Strait Islander peoples.
8. A viable private health industry to improve the choice of health services for Australians.
9. Knowledge, information and training for developing better strategies to improve the health of Australians.

The Department of Health and Aged Care pursues the achievement of these outcomes in association with other agencies in the Portfolio.

Changes: In the 1999-2000, the Health and Aged Care Portfolio had a tenth outcome, relating to activities that were of a corporate nature:

Leadership and management of the Department to ensure development and implementation of world class policy and practices for health and aged care services for all Australians.

Activities that would have contributed to this outcome have now been apportioned across the other nine outcomes.

Agency Outputs and Administered Items: Against Outcome 2, \$17,704 million for administered items and \$405 million in agency outputs was appropriated in the 2000-2001 Budget. Outcome 2 relates specifically to the accessibility of Australia's Medicare system, which comprises three main elements:

- *Medicare Benefits Schedule:* providing access to medical services;
- *Pharmaceutical Benefits Scheme:* providing access to medicines; and
- *Public Hospitals:* through the Australian Health Care Agreements with the States and Territories, the Commonwealth ensures access to public hospital services.

Effectiveness: There are eleven effectiveness indicators to measure the achievement of Outcome 2. These range from the number of Medicare benefits claimed by Aboriginal and Torres Strait Islander Health Services to Commonwealth expenses per capita on Medicare. For each of the eleven, numerical or descriptive targets are specified.

Efficiency – Administered Items: Under Outcome 2, the Health and Aged Care Portfolio has also specified performance indicators for administered items. In relation to public hospital services, the 2000-2001 Portfolio Budget Statement specifies the following indicators:

- *Quality:* All States and Territories maintain, or improve, their performance levels for emergency department and elective surgery waiting times at no less than 1 July 1998 levels;
- *Quantity:* An estimated national average of 281 public patient weighted separations per 1,000 applicable weighted population; and
- *Cost:* \$6,232.851 million.

A.7 Department of Industry, Science and Resources

The Department of Industry, Science and Resources (DISR) develops and implements a wide range of policy and business assistance programmes to build the competitiveness of Australian industry and foster excellence in Australian science, technology and sport.

In 2000-2001, DISR is working to two outcomes:

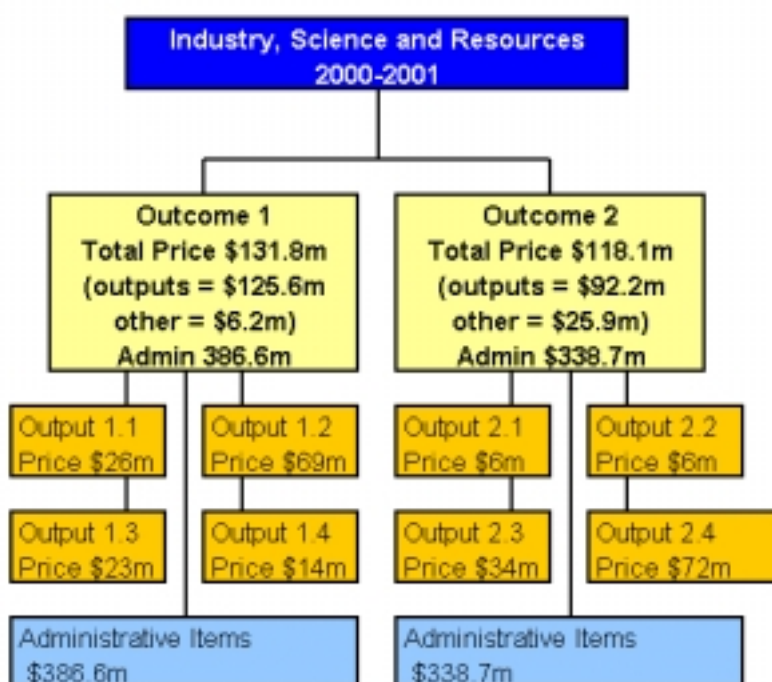
1. *A stronger and internationally competitive Australian Industry, comprising manufacturing, resources and service sectors.*
2. *Enhanced economic and social benefits through a strengthened national system of science and innovation.*

Effectiveness: Outcome 1 is an example of a planned outcome over which government has limited influence. There are many factors affecting the competitiveness of Australian industry, including economic cycles and global trends. DISR’s five effectiveness indicators for achievement of Outcome 1 are:

- *Production:* changes in Australia’s per capita gross domestic product relative to its major international trading partners and trading competitors, at purchasing power parities;
- *Exports:* trend in exports from the manufacturing, resources and services sectors;
- *Investments:* Trend in level of aggregate capital expenditure by the manufacturing, resources and services sectors and the proportion of this investment expenditure attracted and/or facilitated;
- *Productivity:* trends in productivity and multi-factor productivity in the manufacturing, resources and services sectors; and
- *Assistance:* Progress in meeting Australia’s commitment to the APEC goal of free and open trade.

These are considered good indicators of important dimensions across Australia’s manufacturing resources and services industries but, on their own, not all of them quantify or isolate the contribution made by DISR. The Investments indicator is the main exception.

In reporting against similar indicators for the previous year, within the narrative accompanying each result, DISR draws a causal link between its activities and the result. In time, it is likely that DISR will need to find ways to isolate the Department’s specific contribution to each result. This may be achieved through such approaches as estimating likely results in the absence of agency activity, or commissioning independent evaluations to establish benchmarks for DISR’s contributions.



A.8 Transport and Regional Services Portfolio

The Transport and Regional Services Portfolio’s aims include the provision of safer and more efficient and sustainable transport systems, and improvement of the social, economic and environmental wellbeing of regional and Territory communities. Agencies within the Portfolio include the Department of Transport

and Regional Services, the Civil Aviation Safety Authority, the Australian Maritime Safety Authority and the National Capital Authority. All agencies within the Portfolio contribute to a single outcome:

Linking Australia through Transport and Regional Services.

In developing the Portfolio's single outcome, it was recognised that transport and regional services are linked, and that the Portfolio's services and costs could not easily be allocated on a mutually exclusive basis. The outcome has also been designed to reflect the significance of the Government's current priorities in fostering the social and economic capacity of regional communities, including facilitating and maintaining their links with the rest of Australia. The outcome also recognises the significant impact efficient and safe transportation facilitates and options have on the whole of Australia.

Agency Outputs: Agencies throughout the Portfolio contribute specific outputs to the Portfolio outcome. For example, the Department of Transport and Regional Services contributes to the outcome through five functional output groups:

- *Policy Advice and Ministerial Service:* providing policy advice to government in relation to transport, Australia's Territories and local governments, and regional communities;
- *Regulatory, Investigative and Safety Services:* implementing legislation for government in relation to transport and regional matters;
- *Services to Communities:* providing a range of services, particularly for regional communities, including state and local government level services in the non-self-governing Territories. The services are targeted at fostering the social and economic capacity of communities, and maintaining links with other parts of Australia;
- *Services to Industry:* informing industry and other government services of transport and regional issues that may have a bearing on business and personal decision-making; and
- *Revenue Administration:* administering a number of general revenue sources on behalf of the Government.

Administered Items: The Department's output groups are accompanied by two groups reflecting the function of administered items delivered through the Department:

- *Services to Communities Administered on Behalf of the Commonwealth:* programmes designed to provide services and grant funds to assist social and economic capacity of Australian communities; and
- *Services to Industry Administered on Behalf of the Commonwealth:* programmes designed to provide services and grant funds to assist industry through transportation and infrastructure.

Changes: DTRS is currently proposing to redesign its Outcome Statement and output structure. The changes are intended to improve the agency's accountability arrangements and better enable managers to track costs within the organisation.

Appendix B – Terminology

Administered Items	<p>Revenues, expenses, assets and liabilities which are: (a) controlled by the Government; and (b) managed by an agency or authority on behalf of the Government. Note: Administered revenues, expenses, assets and liabilities include:</p> <ul style="list-style-type: none"> • Subsidies, grants and benefit payments; • Taxes, fees, fines and excise; • Public debt and related interest; <p>Loans to other governments and related interest.</p>
Agencies	<p>Agencies are Departments of State, Departments of Parliament and 'prescribed agencies' for the purposes of the <i>Financial Management and Accountability Act 1997</i> (FMA Act). Where the term is used generally in this document, it is meant to refer to departments, agencies, authorities and non-commercial companies.</p>
Annual Report	<p>One of the major accountability documents presented to Parliament. It provides a broad statement of agency or authority capability and performance. It allows Chief Executive Officers to account to their Minister for the efficiency and effectiveness of the administration for which the Minister is ultimately responsible.</p>
Appropriation	<p>An appropriation is the amount of public moneys authorised by Parliament for expenditure. Not only does an appropriation authorise the Commonwealth to withdraw moneys, but it also restricts the expenditure to the particular purpose specified by the appropriation.</p>
Clients	<p>The people, organisations and government agencies that consume the goods or services provided by an agency.</p>
Competitive Neutrality	<p>Under the 1995 Competition Principles Agreement all Australian Governments agreed to implement competitive neutrality (CN) policies. The Government has agreed principles, mechanisms and guidelines to ensure that significant Commonwealth business activities derive no competitive advantage as a result of public ownership. Taxation and debt neutrality are achieved through CN payments by agencies. In June 1996, the Commonwealth published its Competitive Neutrality Policy Statement (CNPS). The CNPS detailed taxation, debt and regulatory neutrality arrangements to ameliorate competitive advantages the Commonwealth's business activities may derive from their public ownership. The CNPS stated that:</p> <ul style="list-style-type: none"> · taxation neutrality would be achieved by removing taxation exemptions or by establishing taxation equivalent regimes; · debt neutrality would be achieved by subjecting government business activities to similar borrowing costs to those faced by private sector businesses; and · regulatory neutrality would be achieved by subjecting, where appropriate, business activities to the same regulatory environment as private sector businesses.
Cost	<p>Expenses incurred by an agency for the delivery of agreed outputs. Cost is inputs focused.</p>
Customer	<p>A particular type of client who is distinguished by an ability to choose between different suppliers of services or goods.</p>
Effectiveness	<p>The extent to which actual outcomes are achieved, in terms of the intended outcomes, via relevant outputs or administered expenses. An intervention's <i>effectiveness</i> should be distinguished from its <i>efficiency</i>, which concerns the adequacy of its administration.</p>
Effectiveness Indicators	<p>Indicators to assess the degree of success in achieving outcomes. They are likely to relate to intermediate outcomes below the intended outcomes specified at Budget level.</p>
Expenditure Review	<p>The major Ministerial committee responsible for examining all outlay proposals in the light of the Government's overall fiscal strategy, advising Cabinet on Budget spending priorities and initiating reviews of outlays under individual ongoing programs. It usually includes the Prime</p>

Committee	Minister, Treasurer and Minister for Finance in addition to relevant Portfolio Ministers.
Intermediate outcomes	The result of the delivery of outputs, third party outputs or the use of administered items that contribute to (higher level or longer term) intended outcomes. They are closely related to effectiveness indicators.
Outcomes (Actual)	The results, impacts or consequences of actions by the Commonwealth on the Australian community. Actual outcomes are the results or impacts actually achieved. They include the impact of all influences, not just the Commonwealth. “Outcomes” in OECD’s working definitions
Outcomes (Planned)	The results or impacts on the community or the environment that the Government intends to achieve. Outcomes are specified in Outcome Statements. “Intended Outcomes/Outcome Goals” in OECD’s working definitions
Output-Based Management	A management approach designed to assist government and agencies in resourcing the outputs (goods and services) required to achieve intended outcomes. Output-based management focuses on identifying intended outcomes, determining which outputs are required to achieve the outcomes, and purchasing those outputs from the most cost-efficient and effective producer from the public or private sector. This approach is intended to emphasise the relationship between what agencies produce and the impact on society.
Outputs	The goods and services produced by agencies on behalf of government for external organisations or individuals. Outputs include goods and services produced for other areas of government external to the agency. “Outputs” in OECD’s working definitions
Performance	The proficiency of an agency or authority in acquiring resources economically and using those resources efficiently and effectively in achieving intended outcomes. Relates to “Outcome Evaluation” in OECD’s working definitions
Performance Information	Evidence about performance that is collected and used systematically. Evidence may relate to appropriateness, effectiveness and efficiency. It may be about outcomes, factors that affect outcomes, and what can be done to improve them. Performance information also includes evidence about the extent to which outcomes can be attributed to an intervention. Performance information may be quantitative (numerical) or qualitative (descriptive). It should be verifiable. The usefulness of performance information is enhanced by applying standards and other types of comparison (for example, with past performance, other lines of business, or level of need before the intervention) which allow judgements to be made about the extent to which interventions are achieving desired results. Performance information collected for monitoring purposes often generates questions that are investigated in more depth in an evaluation.
Performance Management	A system, integrated with corporate management, of performance information, evaluation, performance monitoring, assessment and performance reporting.
Price	Revenue received by an agency for delivery of the outputs to an external consumer. This can be thought of as the amount government pays for the delivery of agreed outputs. Price is outputs focused.
Portfolio Budget	The PBS is like an explanatory memorandum for a Bill before the Parliament. It explains the

Statement	provisions of the Budget Bills, that is, where the appropriated funds are going to be spent, to members of the Parliament.
Stakeholders	People, organisations or groups with an interest or stake in the line of business. Stakeholder groups may include: <ul style="list-style-type: none">• beneficiaries and non-beneficiaries from the target group; decision makers and activity staff• those with an interest in the activity (for example, advocacy groups, and central agencies)• those who are adversely or unintentionally affected by the intervention.
Targets	Quantifiable performance levels or changes in level to be attained by a specified date. By enabling a direct judgement of performance, targets can clarify and simplify the process of performance monitoring.

Appendix C – available literature

Background

The Commonwealth Budget - current
<http://www.dofa.gov.au/budgetgroup/>

Fact sheet on the accrual-based *Outcomes and Outputs* framework - current
http://www.dofa.gov.au/budgetgroup/pressroom/fact_sheet_one.html

Australia's Federal Parliament - current
<http://www.aph.gov.au/parl.htm>

Commonwealth Senate Committees - current
<http://www.aph.gov.au/senate/committee/index.htm>

Guidance to Agencies

The *Outcomes and Outputs* Framework - current
http://www.dofa.gov.au/budgetgroup/BandRFwk/OandOFwk/the_outcomes_outputs_frameworko.html

Performance Management - current
<http://www.dofa.gov.au/benchmark/>

Performance Management Principles – 1997 (under review)
http://www.dofa.gov.au/budgetgroup/bandproc/processes/estimatesmemo/1997/estimates_memorandum_1997_51.htm

Pricing Reviews – current
http://www.dofa.gov.au/benchmark/pricing_reviews.html

Assessment of Framework and Processes

Dr Michael Vertigan:
'Review of Budget Estimates Production Arrangements' ("the Vertigan report") - July 1999
<http://www.dofa.gov.au/pubs/BudgetEstimatesArrangements/review.rtf>

Senate Standing Committee on Finance and Public Administration:
'The Format of the Portfolio Budget Statements' -
October 1997, October 1999, November 2000
http://www.aph.gov.au/senate/committee/fapa_ctte/pbs/pbs_ref.htm

RESULTS-BASED MANAGEMENT IN CANADA:

*Prepared by:
Planning, Performance and Reporting Sector
Comptrollership Branch
Treasury Board of Canada Secretariat*

I. INTRODUCTION

The objective of this report, as defined by the OECD, is to describe how outcome goals are *defined* and *used*, and how progress towards them is *measured* in the Government of Canada.

The Government of Canada tends to refer to “results”, rather than “outcomes”, to emphasize the importance of what elected officials, rather than professional administrators, have promised Canadians and to describe publicly what has been achieved. In departmental performance reports, results are often presented as outcomes – the societal impact of government actions – but not always. It is the government’s management policy, however, to measure and report on results achievement from the perspective of the citizen.

The report begins with an *overview* of our evolving approach to results-based management, which emphasizes the importance of learning and improving. It summarizes five different aspects of the Canadian experience:

- ✓ building departmental capacity in planning, performance measurement and reporting;
- ✓ collaborating with other departments and other jurisdictions;
- ✓ exploring the use of societal indicators for context;
- ✓ improving reporting to Parliament; and
- ✓ improving access through electronic reporting.

In addition to the overview, there are *four sections* to this report:

1. how departments and agencies integrate results-based management in policy formulation and implementation;
2. a comparison of the working terminology of the OECD with that of Canada;
3. questions on results-based management for the annual OECD Survey of Budgeting Development; and

4. a collection of Canadian references on results-based management.

The electronic version of this report provides Internet hyperlinks where documents or databases are available.

II. AN OVERVIEW OF RESULTS-BASED MANAGEMENT IN CANADA

The Government of Canada is firmly committed to outcome-focused management and has chosen to use the term "results-based management" to express and operationalize this commitment. In Canada, results-based management emphasizes accountability that looks beyond internal activities and uses results information as the basis for management decisions. The aim of results-based management is to improve *performance* -- defined roughly as the overall results and achievements of an organization or program, as measured against its pre-defined goals, plans and standards.

Putting this approach into practice means thinking through the "results chain": the logical connections between inputs, activities, outputs and outcomes. The development of this logic means agreeing on expected outcomes, measuring progress toward them, using this information in decision-making, and reporting results. The government believes that encouraging federal departments and agencies to use this results chain to express their results allows for maximum flexibility in telling their performance story. In order to assist federal organizations to think through this results chain and to articulate their performance story more cogently, we are currently creating, in consultation with departments and external stakeholders, a lexicon of key "results-based management" terms.

The history of the approach that the federal government has taken in implementing results-based management is a performance story that deserves to be told in its own right. Implementing Results-based Management 1994-1999 briefly recounts that history by describing the steps taken to evolve from management practices that emphasize inputs, activities and outputs, to those that place the emphasis on results in serving Canadians. Another chapter of this implementation story is written every fall, in the annual overview reports to Parliament on government performance. These overview reports provide details on the progress and challenges of this implementation process. The most recent report is entitled Managing for Results 2000.

The cornerstone of Canada's results foundation was put in place in March 2000, when the President of the Treasury Board tabled Results for Canadians: A Management Framework for the Government of Canada in Parliament. This document formally confirms the federal government's commitment to implementing results-based management by providing an integrated management framework with a focus on citizens.

The documents referred to above illustrate the government's long-term, results agenda, namely to:

- ✓ build *departmental capacity* in planning, performance measurement and reporting;
- ✓ promote *collaboration* among departments and other jurisdictions in measuring performance and sharing lessons learned and best practices;
- ✓ explore the use of *societal indicators* for context as part of a more comprehensive reporting approach;

- ✓ improve *reporting to Parliament*; and
- ✓ improve access through *electronic reporting*.

Building Departmental Capacity

In the Canadian federal government, key parts of the results-based management infrastructure are in place - such as departmental results commitments, results-based management systems and procedures, and a general understanding of the nuances of results management. Initiatives are being integrated consistent with the Results for Canadians management framework. Parliamentarians, too, are beginning to understand the information presented and accept the approach. Some components of this infrastructure, however, are still in need of repair: for instance, the capacity to measure and report on results, both for departmental programs and collaborative initiatives; the ability to link costs to results; the presence of clear leaders or "champions" in the field; and a government-wide integration of mechanisms that would make the results orientation real in resource allocation, in policy processes, and in departmental and program management.

An important driver for implementing results-based management in Canada was the Program Review, which began with the 1994 Budget. Coupled with fiscal restraint measures, the aim of the Program Review was to ensure that the federal government's resources were directed to the highest priority requirements and to those areas where the federal government was best placed to serve citizens. The Program Review focused the public service's attention on a citizen-centred approach and on achieving results.

By 1996, 32 federal departments and agencies had identified key results commitments, that is, the results that they expected to achieve, over the medium to longer-term, in each of their major business lines. These commitments were an important step in improving information to parliamentarians and the public. They provide the foundation of results-based management. Now all 83 departments and agencies have public key results commitments and have indicated how these results will be demonstrated.

In 1997, the House of Commons adopted a government proposal for all departments and agencies to table two annual reports as part of the Estimates process – a report on plans and priorities in the spring and a performance report in the fall – and an overview report on performance. These two departmental reports are linked by the longer-term results commitments.

- ✓ The Report on Plans and Priorities (RPP) is a department's primary planning document. It is tabled in Parliament in the spring, typically shortly after the Minister of Finance tables his Budget. The Budget, among other things, outlines the government's fiscal framework for the medium term, including major adjustments to the government's policy priorities and their fiscal impact. A departmental RPP portrays a department's mandate, plans and priorities. It also presents strategies for achieving planned results over a three-year period, and includes any changes necessary to these plans to reflect changes announced in the Budget.
- ✓ The Departmental Performance Report (DPR) is a department or agency's primary accountability for results document. It is tabled in the fall along with the President of the Treasury Board's annual report, Managing for Results. The DPR tells a department's performance story. It describes results achieved, the resources used and how departmental activities contribute to the department's strategic direction and to government-wide commitments. The information contained therein can have a wide range of time scales; for example, the report could contain annual information on service quality or the findings from a review that covered five years of a program.

The overview report, called Managing for Results in recent years, tracks the development of results-oriented management practices and documents both the government's plans and its performance in implementing results-based management. The report serves, in this way, as a source of examples, best

practices and lessons learned. It also, increasingly, provides access to information on collaborative initiatives and information on societal performance to complement the departmental information contained in the departmental performance reports.

In the latter part of the 1990's, two other major management initiatives were introduced to support a results focus and to help build departmental capacity.

- ✓ Modern Comptrollership is an initiative to integrate modern control practices into the heart of management culture. The initiative responds to the recommendations of a blue ribbon panel of professional and private sector experts. Its implementation recognises that a uniform (or 'one-size-fits-all') style of management no longer works. It promotes a work environment that balances innovation, creativity and common sense decision-making with clear standards and accountabilities. This initiative is seeking better links between costs and results, improved risk assessment and appropriate control systems – all focussing ultimately on results and public service values.
- ✓ The Financial Information Strategy includes the implementation of modern financial systems, a shift to accrual accounting and the establishment of stronger ties between the financial community and managers. The goals of this strategy are: to give managers more relevant, reliable and timely financial information; to provide managers with a better oversight of program performance; and to give Parliament and Canadians access to accurate information on the actual cost of government programs in the Public Accounts and elsewhere.

In addition to formal procedures aimed specifically at implementing result-based management, there are other forces currently inculcating a results-focused culture in the Government of Canada. The Canadian government's approach, for instance, to sustainable development has naturally led to results-focused planning and reporting. In December 1995, amendments to the Auditor General Act required ministers to have their departments prepare "sustainable development strategies". These sustainable development strategies help departments broaden their perspective on the nature of their operations. The strategies, in other words, situate the departments' policies, programs and operations in relation to broad, environmental, economic and social outcomes. Currently, twenty-nine departments and agencies have Sustainable Development Strategies, for 2001-2003.

The government's management framework, Results for Canadians, consolidates many new and emerging ideas about management into a single framework. At the heart of this new management framework are commitments to:

- ✓ focus on *citizens*, for example, by using the internet and information technology to provide 'one-stop access' for government services;
- ✓ adopt a clear set of *values* in four areas – democratic, ethical, professional and people values;
- ✓ manage for *results*, for example, provide accurate and timely information on the results achieved by government programs and services, learn from experience, and build public confidence; and
- ✓ ensure *responsible spending*, both in individual departments and agencies and from a whole-of-government perspective.

While the accomplishments of recent years are substantial and important, delivering on the commitments in *Results For Canadians* implies the practical implementation of these principles for all programs, services and activities. This represents a significant new phase of making results real within the day-to-day operations throughout government. Plans for implementation are being prepared, and success in delivering on the commitments will be reported in the coming period.

As the government works to implement results-based management, it will balance its work with Parliamentarians with significant investment in improving departmental capacity to produce useful performance information. This balanced approach will emphasize the critical linkage between good reporting to Parliament and departmental capacity to produce this information. Interactions with Parliament will focus on key individuals, such as committee chairs. Work with departments will focus on promoting departmental and agency champions prepared to move aggressively to implement results-based management.

Canadian experience indicates that progressive implementation of results-based management requires action in four key areas:

- (1) Momentum: promoting best practices and supporting key departments in aggressively implementing results-based management;
- (2) Decision-making: making results a central component of executive decision-making in Cabinet, central agencies and in departments;
- (3) Skills and Tools: giving departments the tools and skills to manage for results and produce public performance information that is valued by Parliament and Canadians; and
- (4) Parliamentary reporting: Targeting standing committees to build greater interest in, and attention to, plans and reports as well as to streamline and simplify reporting.

Promoting Collaboration among Departments and with Other Jurisdictions

Results that matter to Canadians often involve more than one federal department or jurisdiction (provinces or territories) as well as other third parties. There is a growing number of examples of initiatives where departments and governments are working collaboratively to achieve a common result. These are called “collective” initiatives in this report and in the Government of Canada documentation referenced throughout.

In recent years these collective arrangements are increasingly focusing on results. Examples can be found in the [Collective Results Database](#), which is now part of the reporting regime to Parliament. The database provides examples of collaborative initiatives – whether interdepartmental, intergovernmental or involving third parties – that monitor and report publicly on performance. It describes the ways that partners are managing, measuring and reporting on collective results.

To be included in this database the arrangement must have performance information already available or be able to demonstrate that such information will be available in the near future. Through this database, readers can access additional information via hyperlinks. The database is now providing insight into the ways in which various organizations are managing collaborative initiatives.

The database is ‘evergreen’; new initiatives continue to be added, and the profiles of existing ones continue to be updated. Each one contains: a list of the federal partners, a description of the initiative, identified result commitments (outcome goals), selected indicators of performance (outcome measures) and performance information.

The four examples that follow are brief descriptions of collaborative initiatives that are also contained in a template format in the Collective Results Database.

- ✓ The [Canadian Rural Partnership](#) initiative aims to establish new approaches to support rural community development. The partnership includes rural Canadians, federal departments and agencies and other levels of government.

An extensive public consultation process, the Rural Dialogue, was held across the country in 1998. Nearly 7,000 Canadians took part. Output from the Dialogue was used to develop a Federal Framework for Action in Rural Canada. Eleven priority areas were identified to guide the actions of 28 federal departments and agencies in addressing their commitment to rural Canada. The Rural Secretariat within Agriculture and Agri-Food Canada (AAFC) is co-ordinating this federal horizontal initiative.

In addition to the development of an interdepartmental strategic action plan and interdepartmental performance measurement framework, the Framework includes the provision of an annual report to Parliament and Canadians. This approach will build on existing processes to facilitate cross-departmental co-ordination.

- ✓ The Climate Change Secretariat is co-ordinating the development of the national implementation strategy requested by First Ministers in December 1997. An initial report was provided to Ministers early in 2000 and integrated comments from over 500 stakeholders from all levels of government, industry, non-government organisations and academics.

The Secretariat manages the Climate Change Action Fund as one tool to help Canada meet its Kyoto commitments. Environment Canada (EC) and Natural Resources Canada (NRCan) have developed a comprehensive accountability and evaluation framework that includes key results, indicators, measures, evaluation issues and approaches, and reporting requirements for the Fund.

The accountability framework uses logic models and indicators to explain the links between resources and actions and results. Arrangements for more detailed performance information and reporting have also been made for the core activities of the Fund.

- ✓ St. Lawrence Vision 2000 has a threefold objective: protect ecosystem health, protect human health, and involve riverside communities in the process of helping to make the St. Lawrence River more accessible and recover its former uses. Environment Canada (EC), seven other federal departments, five Quebec ministries and several non-government partners have established 35 public results to respond to this objective. More than 200 people took part in developing an action plan, and the result was the integration of actions and the public's concerns.

Members of the community continue to be involved in the advisory committee that provides policy direction and identifies work to be carried out. Community involvement is continuing as well in the twelve committees that draft Remedial Action Plans and implement associated projects, and in the co-operation committees that are developing a framework for an Internet-based management and performance system.

The first 10 years of the action plan (1988–1998) have brought about results in several areas, notably in industrial cleanup (a 96-per-cent reduction in the toxic effluents discharged by 50 priority plants) and protection of biodiversity (12,000 hectares of habitat protected and the creation of the Saguenay–St. Lawrence Marine Park). The level of results attained and lessons learned have been documented in five-year reports that are available on the Action Plan Web site.

- ✓ Service Canada is an interdepartmental initiative to deliver services to Canadians through an integrated, one-stop network. Citizens can now access Government of Canada information and services in three ways: in person, by telephone and through the Internet. The in-person channel also has a number of co-operative arrangements with provincial, territorial and municipal governments in British Columbia, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Quebec, Northwest Territories and Yukon.

Continuous improvement is at the core of the Service Canada approach to performance management, where performance information is used to improve service delivery. Partners within the in-person access centres regularly monitor their progress in a variety of ways, including a standardized client feedback tool that is based on the Common Measurements Tool and a reporting system that generates individual and national performance reports. This allows the access centres to improve service continuously in a manner that responds to the needs of Canadians.

An important development in the area of intergovernmental collaboration occurred in February 1999 when the Social Union Framework Agreement (SUFA) was signed by the federal government and all provinces and territories except Quebec. The Agreement builds on earlier arrangements and makes the accountability dimension more visible. SUFA accountability provisions commit governments to:

- ✓ be accountable directly to Canadians – that is, to monitor, measure and report publicly on social policy outcomes; and
- ✓ develop joint accountability frameworks for new Canada-wide social initiatives supported by transfers to the provinces and territories.

The federal government has established a pilot project whereby the three main departments responsible for delivering social programs are applying a SUFA accountability approach to selected initiatives. A template and guidance have been developed to assist departments in meeting this commitment. The results of this project will be referenced in upcoming editions of the government's overview report, *Managing for Results*. The federal government is encouraging other departments and agencies to adopt the SUFA approach to accountability. To meet its accountability commitments under SUFA, the federal government is also:

- ✓ providing information on some SUFA initiatives in the Collective Results Database;
- ✓ encouraging departments to use their reports to Parliament to report on both collective and departmental SUFA related initiatives; and
- ✓ providing guidance for intergovernmental and interdepartmental accountability frameworks which includes the SUFA provisions as well as being based on the experiences of partners and research by think tanks and other organizations.

Measuring and reporting on the results of collective initiatives is not yet fully established, although there is a significant and growing body of experience. As noted in Managing for Results 1999, the government has three ongoing and interrelated areas of action, namely to:

- ✓ develop capacity in individual departments and agencies in this area – current initiatives include the development of a new network of program managers and staff in order to share their experiences and capture best practices;
- ✓ develop new mechanisms to promote interdepartmental collaboration; and
- ✓ contribute to intergovernmental reporting arrangements and track lessons learned.

Exploring the Use of Societal Indicators

Some parliamentarians have pointed out that because key results are often “borderless” the performance information from individual departments and agencies can be better interpreted if objective context information is also available. For example, the Thirty-Seventh Report of the Standing Committee on Procedure and House Affairs – Improved Reporting to Parliament Project – Phase 2: Moving Forward describes them as “higher-level performance indicators.” According to the report, “societal indicators

essentially will provide a bridge linking specific government program and policy objectives to broader societal considerations.”

One way of building this bridge is by combining information on the societal context with other types of performance information. For example, as part of the 1999 budget, the government invested in the *Health Information Roadmap*, a major collaborative effort that outlines a shared vision for modernising health information in Canada. Through this initiative, the Canadian Institute for Health Information, Statistics Canada and Health Canada are working together, with provincial and territorial governments, regional and local health organisations, and other stakeholders, to build a more comprehensive national health information system. Key priorities include:

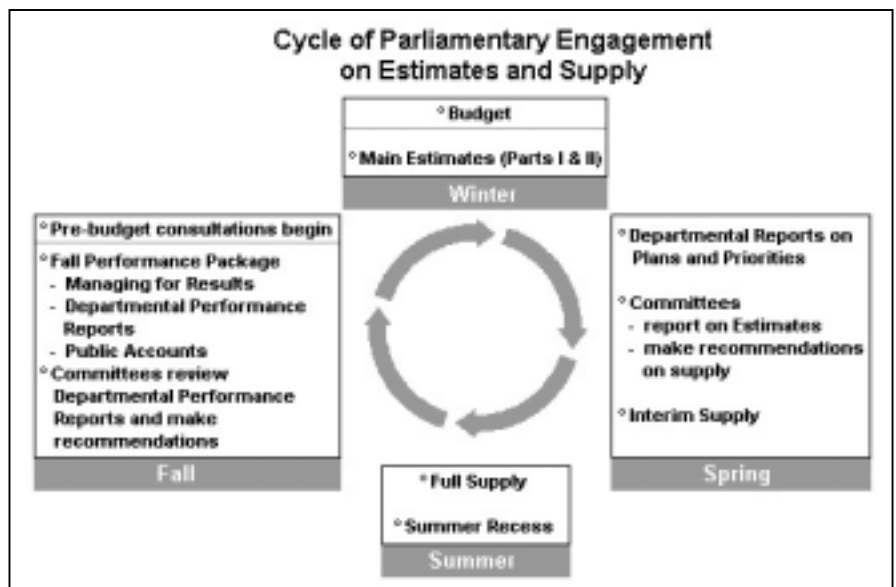
- ✓ fostering harmonised data and technical standards to ensure consistent and comparable collection, exchange and interpretation of health data;
- ✓ addressing priority data gaps in the areas of health services and population health, including information on related costs and health outcomes;
- ✓ creating a Canadian Population Health Initiative to enhance understanding of the broad determinants of health and provide policy-relevant information;
- ✓ building a consensus on what measures should be used to report on the health of Canadians and the performance of the health system; and
- ✓ producing regular, easy-to-understand reports.

The federal government is encouraging departments, as described in recent guidance, to include relevant information on the societal context in their performance reports. The objective is to provide a better understanding of the role programs play in responding to such conditions and to provide readers a better understanding of the significance of the performance reported. Such information is, of course, also used for policy analysis and consultation.

To provide a broader view for the whole of government but with the same objectives in mind, the government has selected an initial set of indicators for its overview reporting on performance. Managing for Results 1999 provided the initial list of 16 societal indicators in the areas of health, the environment, economic opportunity and social participation and provides convenient electronic access to preliminary trend information on these indicators. Consultations are continuing on how to improve the selection of the indicators and how best to provide access to the relevant trend information.

Improving Reporting to Parliament

Phase One of the Improved Reporting to Parliament Project was launched in 1994 to improve the information on performance and plans that departments and agencies provide to Parliament. It led to a greater focus on results, a medium-term outlook (3-5 years) in departmental expenditure plans and better links between these plans and the federal Budget. The most visible change was the introduction in 1997 of



distinct performance and planning reports to be tabled in Parliament as part of the Estimates and Supply process. The performance reports are provided in the fall so as to provide context for the plans tabled four to five months later, prior to the new fiscal year beginning on April 1.

The chart illustrates this revised Estimates process, as well as the key points at which it engages parliamentarians. Through various committees, parliamentarians have the opportunity to review and to comment on the fall performance and spring planning reports. In the fall, for instance, the results reported in the departmental performance reports are used as input to the deliberations that lead up to the government's overall budget. Then, in early winter, the departments plan their activities for the upcoming year in conjunction with the development of that budget. After the budget is tabled, generally in February, departments are able to make relevant adjustments to their spring planning reports, prior to April 1, the start of the new fiscal year .

In 1999, the TBS held a series of roundtable discussions with parliamentarians. It also consulted with Library of Parliament researchers, committee staff and departmental parliamentary relations officers. These discussions identified priorities for Phase Two of the Improved Reporting to Parliament Project: greater emphasis on results, consolidated reporting, enhanced flexibility and an improved financial framework using accrual budgeting.

Phase Two began in the spring of 2000. The Standing Committee on Procedure and House Affairs established a Sub-committee to review, consider and make recommendations on sixteen government proposals. In June 2000, the Committee tabled the report, Improved Reporting to Parliament Project – Phase 2: Moving Forward. It endorsed all of the government's proposals, except for cyclical reporting for small agencies, and it set out other recommendations.

There appears to be some consensus around the idea of developing reporting principles that would be shared by management, governing bodies and external auditors. The latest guidance for the reports on plans and priorities suggests the following principles for reporting: relevance, reliability, completeness, materiality, and comparability. In addition, managers from the federal and two provincial governments, under the leadership of the CCAF, a non-profit research and educational organization, have developed principles for public performance reporting (see Going Public: Leadership for Transparent Government). This complements earlier work by auditors to outline such principles and anticipates further work with Parliament and other legislatures in Canada.

Improving Access through Electronic Reporting

Performance information can be seen from several perspectives (whole of government, interdepartmental initiatives, departments, programs, services, as well from the perspective of policy priorities or issues). Providing such information conveniently to a diverse group of users – program managers, policy analysts, parliamentarians – is only possible through electronic access.

The Treasury Board Secretariat, through its Web site, provides an extensive body of performance information. It can be accessed through several portals: organization, results area, policy issue or societal performance indicators. The portals provide access to further detail. In 1999, the TBS used this capacity to create a customised Web site for parliamentarians and interested citizens – the Estimates, Performance and Planning Information (EPPI) Web site. To add further flexibility, an enhanced search capability has recently been added to the site.

The Treasury Board Secretariat continues to experiment with ways of using the Internet to streamline access and consolidate reporting. A particularly promising approach now being tested is the preparation of

electronic Performance Information Maps. These "maps" introduce a more comprehensive reporting approach for broad, or horizontal, issues. They integrate three types of information related to the broad issue in question: 1) current outlook and long-term trend information on societal indicators; 2) performance information on collective results; and 3) departmental performance information.

As part of this preliminary testing of the "performance map" approach, maps were created for the eight major policy areas of the 1999 Speech from the Throne, Building a Higher Quality of Life, namely:

- ✓ Children
- ✓ Youth
- ✓ A dynamic economy
- ✓ Good health and quality care
- ✓ Quality of our environment
- ✓ Stronger communities
- ✓ The relationship with Canada's Aboriginal peoples
- ✓ Canada's place in the world

SECTION 1: OVERALL APPROACH TO OUTCOME-FOCUSED MANAGEMENT

Defining Outcome Goals

The Role of Political Bodies and Government Agencies:

Outcome goals are established by Ministers through either legislation or formal policy statements. They are articulated as “key results commitments” and further specified as “planned results” (the more concrete achievements planned over the 3-year planning period) in plans. These are used both for internal departmental management and are tabled each spring and fall in Parliament.

Each department and agency has a chart that presents their results commitments and shows how actual results will be measured and demonstrated. The Treasury Board Secretariat (TBS) reviews any changes that departments make to these charts before their inclusion in planning and performance reports.

The TBS also maintains a database of approximately 200 key results commitments. The database provides a range of information, including planned results, resources, results achieved and related reviews. It also allows searches and compilations. For example, key results commitments can be grouped by policy issue, by department or by sector. It therefore provides Parliamentarians and interested citizens with information on government-wide priorities in addition to information on specific responsibilities.

The Role of Stakeholders

After tabling, planning and performance reports are referred to appropriate committees, thus giving parliamentarians the opportunity to review them and to offer comments and recommendations. In addition, departments and agencies are encouraged to consult with other stakeholders such as their clients, industry officials and interested Canadians in defining outcome goals.

In 1998, for instance, **Natural Resources Canada (NRCan)** consulted with over 100 stakeholders to identify the five key results it would deliver to Canadians. The stakeholders reviewed the department's draft indicators and suggested refinements. They contributed to the design of the reporting format, which included trend data and interpretations, a description of NRCan's role in influencing the trend, and the next steps. The department also established a distinct tracking process based on trend analysis, monitoring and numerical targets.

The Internal Use of Outcome Measures:

Some agencies and programs have integrated results into their planning, managing and reporting practices. **Correctional Service of Canada (CSC)**, for example, contributes to the protection of society by helping offenders re-establish themselves in the community under conditions that minimise their risk of re-offending. CSC's success relies heavily on its ability to develop information on the status of the behaviour of offenders and to use this results information in decisions on each of CSC's lines of business. The

availability of complete and accurate results information from across all areas of activity enables senior CSC management to identify key corporate trends, potential problems and emerging issues, and to improve the way decisions are made across and within business lines. A monthly Corporate Results Book provides a rolling historical trend of key results indicators and data from an organisation-wide results information system that has been fully integrated into the management systems and practices of CSC. The Results Book is used by the department's Executive Committee to monitor performance actively.

Most departments and agencies have some of the key features in place and generally accept the value of such an approach. Most of them, however, feel that capacity to measure credibly is a serious challenge and that, in some cases, such an approach might not be feasible.

These variations seem to be related to the nature of an agency's business, its experience in policy analysis and performance measurement, as well as the particular experience of key senior managers. The government sees this as a long-term initiative, although one well underway. A key step in doing so was the release, in March 2000, of Results for Canadians: A Management Framework for the Government of Canada. It confirms the federal government's commitment to implementing results-based management, stating that "management in all departments, agencies and functions must be focused on the achievement of results" and that "managing for results is fundamental to citizen-focused government." An important part of this approach is the learning aspect – with ongoing improvements and adjustments based on what works and what does not. In addition to major initiatives brought together in that document, the Treasury Board Secretariat is actively pursuing an integrated implementation strategy. This is seen as one of its key strategic objectives.

The External Use of Outcome Measures:

Central agencies are increasingly requesting that departments and agencies demonstrate the broad results or outcomes of their policies and programs. Central agencies use this outcome information to provide Ministers with context in the decision-making process. In general, the information tends to be used more for shaping issues and setting boundaries than for determining specific decisions.

In addition, there are many policy areas on which both the federal and provincial governments have an impact. Recognising this, the federal government is participating in a growing number of collaborative initiatives that use outcome measures and that report to citizens on what they have achieved. The TBS provides guidance on the management of these collaborative, results-based initiatives to interested parties.

Relating Outcome Goals to the Allocation of Financial Resources

Outcome measures and the budget:

The annual Budget document provides the fiscal framework for the federal government. It establishes the available resources for departments and agencies, which then establish their specific plans and budgets. Summaries of these plans and budgets are provided in the reports on plans and priorities tabled in Parliament, which in turn provide for Supply through the Estimates process. Outcome measures are a part of this latter process.

As one of the federal government's key policy events each year, changes to the formal Budget receive a high level of political attention. The description of these changes may or may not include particular outcome measures.

In recent years, attention also has been placed on the integrity of the program base; that is, are the resources adequate to deliver on the government's commitments. This process and the analytical approach are both evolving. Nevertheless, outcome measures do play a role in the analysis. There is Ministerial involvement, as the approach includes formal submissions to the Treasury Board.

While it is clear that individual Ministers play a key role in shaping how departments allocate resources within their legislative and mandate boundaries, the advice Ministers receive from the department can also have a significant impact. The extent to which this advice is based on outcome measures and results likely varies from department to department depending on the capacity to manage for results and to what extent this approach has permeated the organization.

Central Agencies and Outcome Measures

Departments and agencies may consult with the TBS in establishing their key results commitments and how these outcomes will be measured as part of the Estimates reporting. They also consult with the TBS on establishing their fundamental accounting structure. They are increasingly defining both key results areas and specific long-term results commitments in their accounting structures. The Treasury Board approves these structures and the long-term results commitments.

Linking Costs to Results (Outcomes):

Formal parliamentary plans require departments and agencies to link resources through activities/outputs to key results commitments for each of their principal areas of business. Existing practices ensure that there are good estimates of the resources to be applied to each result commitment, but they do not yet ensure that the specific results to be achieved over the planning period are clearly defined in relation to their costs. This is an area, therefore, that is receiving increasing attention.

The federal government has underway a major initiative to improve information on measuring costs. It is part of the Financial Information Strategy (FIS), which includes the implementation of modern financial systems, a shift to accrual accounting and the establishment of stronger ties between the financial community and managers.

With respect to accrual accounting, the federal government has targeted its full implementation by April 2001. This will bring its accounting practices in line with those of the private sector. Accrual accounting will also enable senior managers to have more awareness of, and control over, the costs of their businesses and the resources used to achieve specific results.

Assessment and Feedback⁶

Generally, measurement, assessment and accountability are seen as integral parts of public service management. The emphasis is on obtaining credible performance information for planning, operational decision-making and for reporting.

The Object of Assessments:

The general object of assessments (called measurement and evaluation in Canada) is services, initiatives, public policy issues, programs and broad policies. Measurement may be needed at different levels but these would not necessarily be combined. In most cases, measurement will include documenting outputs,

expenditures and related societal changes, as well as evaluating the nature and degree to which the government actions and outputs contributed to the observed societal changes.

Assessment Timing:

Results-based management is a continuous process that follows a program, service or policy through its lifecycle. Typically, the approach is to develop a framework for tracking progress and results achieved, document actual expenditures through cost accounting, and provide supporting information through specific evaluations. This approach can, therefore, be tailored to individual departments and to specific programs and services.

Where programs are delivered in whole or part through specific projects or initiatives, through financial arrangements with third parties, or in other special ways, there would be special provisions to adapt the approach to these specific features. Departments and agencies are increasingly devoting attention to developing these frameworks in the design stage of programs and services, or *ex ante*. This is not possible in all cases.

Assessment Methods:

The prevailing view is that measurement should be based on a clear understanding of desired results and, for collaborative initiatives, of the roles and responsibilities of each partner. The general approach is first to identify key results and then to measure performance, learn, and use the information to improve programs and services. Measuring performance has several roles: on-going tracking of implementation (including expenditures), tracking changes in society related to the desired results (frequently through a set of indicators) and improving the understanding of the relationship between actions and impacts through various studies and analyses.

The specific measurement approach is tailored to the situation, typically through the preparation of frameworks that identify the important results to be achieved, a description of how performance will be tracked and measured, and an identification of the key indicators of performance to be tracked. The TBS has developed guidance for departments and agencies that wish to use such frameworks as a guide to assessing performance. A particular approach has been developed for intergovernmental initiatives in Canada, called the Social Union Framework Agreement. The section on accountability identifies, in addition to the foregoing: short-, medium- and long-term indicators (outcome measures); dispute or conflict resolution mechanisms; and any citizen redress procedures. This approach is being extended to interdepartmental initiatives as well as to direct delivery programs where applicable.

The 1996 report, Getting Government Right: Improving Results Measurement and Accountability, discussed various assessment methods. It noted that managers and review professionals use a variety of techniques, including consultation and client feedback, performance indicators, service standards and evaluations.

With respect to service standards, for example, the federal government has developed the Common Measurements Tool (CMT). The CMT seeks to provide client feedback to any public organisation. To ensure that all aspects of client service are considered, the CMT focuses on five key elements: client expectations, perceptions of the service experience, satisfaction levels, levels of importance, and priorities for service improvements. The CMT, therefore, provides information that can be used in evaluating and improving services and makes it possible to benchmark across departments and jurisdictions.

Managing for Results 1998 discussed the growing importance of assessing collaborative initiatives as well as the need to develop societal indicators to provide a context for assessments. Since that time, the TBS has

continued to explore or has worked extensively in these areas. With respect to collaborative initiatives, it has developed guidance for appropriate accountability frameworks (discussed above). The TBS has also developed a template to gather performance information on these collaborative initiatives and has created the Collective Results Database to facilitate access to this information.

With respect to societal indicators, in 1999 the government identified sixteen societal indicators that could provide context for, and improve the understanding of, more detailed performance information. It is continuing to develop these indicators as well as a complementary, more comprehensive approach to performance reporting.

Departments and agencies also use other assessment methods, including audits, evaluations and reviews of their programs and services. Departments typically present relevant findings in their performance reports.

The government is therefore moving to a more comprehensive performance reporting approach that spans a broad range of performance measures (from societal to program levels) and that will be founded on a broad range of performance measurement tools. A results-based management approach also implies a comprehensive approach to what is being assessed; that is, it means an assessment of short-, medium- and long-term outcomes, as well as their linkages to costs and outputs. Outcome measurement remains the biggest challenge and will continue to be the focus of government attention and efforts.

Departments and agencies are responsible for undertaking assessments. The expectation is that, within departments, program managers are responsible for them. Nevertheless, there are specialised assessment functions in many departments with respect to cost accounting, tracking service quality, policy analysis and evaluation. Part of the TBS's management board role is to provide central direction for evaluation in the Government of Canada, and to serve departments and agencies by providing information, policy guidance and advice on the evaluation function in the government.

The Auditor General of Canada has a broad oversight role with respect to accountability, and conducts independent audits and examinations of federal government operations that provide objective information to Parliament. In his most recent Report, the Auditor General of Canada agreed with the approach the government is taking to improve reporting to Parliament, but feels the pace of improvement should increase and provided recommendations to that effect. Further, while agreeing with the emphasis the government has placed on managing for results, the Auditor General highlighted the need to strengthen measurement of results, in particular the evaluation function.

One way in which the evaluation and audit functions are being more fully utilized is through the development of *Results-based Management and Accountability Frameworks* and *Risk-based Audit Frameworks* for particular programs and initiatives. These frameworks are required, under the new TBS Policy on Transfer Payments for all new and renewed programs that include grants and contributions. Further, the new TBS Evaluation Policy is aimed at ensuring that the government has timely, strategically focused, objective and evidence-based information on the performance of its policies, programs and initiatives. As such, departments and agencies are encouraged to embed evaluation into their management practices.

The government's more comprehensive approach to performance reporting also links readers on the Internet to evaluations or assessments by research organizations and other third parties.

For federal-provincial agreements, using third parties as part of the assessment process is being explored. There is a great variety of differing approaches, including external auditors, using research and consulting firms, including clients, experts and ordinary citizens in specifying the issues and indicators, creating joint federal-provincial bodies to undertake certain tasks and peer review methods.

The Use of Assessments:

As noted earlier, the central purpose of assessments is for management to learn and improve. Some of that information is also used for external performance reporting. Performance reports are tabled in Parliament. These reports generally include electronic links to additional information. The Access to Information Policy makes virtually all performance information publicly available. The public, through the TBS Web site, can access the performance and planning information for all federal departments and agencies.

SECTION 2: TERMINOLOGY

A Comparison of the OECD and Canadian Terminology

The following table compares Canadian terminology with that of the OECD. Where possible, Canadian definitions are drawn from guidance provided to departments on preparing performance reports. In some cases, these definitions are supplemented with those found in Treasury Board Secretariat (TBS) working papers. Note that the definitions are currently under review.

Term	OECD	Canada
Outcomes	<p>The effects on society of outputs from governmental entities</p> <p>Outcomes are not usually completely controllable by governments. The degree of control depends on the influence of extraneous factors on the goal in question, the effectiveness of implementation and the quality of the policies for reaching the goal.</p>	<p>“Results/outcomes” are the consequences of a policy, program or initiative that can be plausibly attributed to the program. Outcomes can be distinguished in many ways – intermediate or ultimate, short- or long-term, expected or unexpected, and intended or unintended (http://www.tbs-sct.gc.ca/rma/dpr/99-00/guidance/DPR_guidelines_e.html#Glossary).</p> <p>An “outcome” is an event, occurrence, or condition that is outside the activity or program itself and has an actual effect on, or is of benefit to, Canadians. An expected short-term outcome describes what is expected to occur as a direct result of the program activities and products. A medium-term outcome is an outcome that is expected to lead to a desired end but is not an end in itself. A long-term outcome is the end result that is sought (such as reduced incidence of crimes). A program may have multiple outcomes for each of the different timeframes (http://www.tbs-sct.gc.ca/rma/account/SUFA_Template.htm).</p>
Intended Outcomes/ Outcome Goals	<p>What effect government intends its outputs to have on society</p> <p>In this definition government intentions are conceived as the explicitly and publicly stated purposes of government activities. Government intentions can for example be formulated in laws, policies or official directives.</p> <p>As such, activities in entities delivering on public policies may be based on Outcome Goals, but often they will not.</p>	<p>A “Chart of Key Results Commitments (CKRC)” presents intended benefits to Canadians. These results are influenced by the actions of departments, though they may not necessarily be fully within their control. Key results commitments are those of an enduring nature and are often not targeted (http://www.tbs-sct.gc.ca/rma/dpr/99-00/guidance/DPR_guidelines_e.html#Glossary).</p>

Term	OECD	Canada
Outcome Evaluation	<p>An assessment of the outcome of a governmental activity compared to its intended outcome</p> <p>Often, outcomes cannot be measured directly because of complexity, time lags and influences not under governmental control. Outcome assessment, therefore, must typically take account of a variety of indicators. Often outcome assessment will not be possible.</p>	<p>"Performance measurement" is the activity related to measurement of inputs outputs, impacts and outcomes. They normally encompass a number of performance indicators and are used as a basis for measuring performance.</p> <p>A "performance indicator" quantitative or qualitative ratio or index used to measure the performance of a program over time (http://www.tbs-sct.gc.ca/rma/dpr/99-00/guidance/DPR_guidelines_e.html#Glossary).</p> <p>"Comparable indicators" are a specific set of common quantitative and/or qualitative measurements for each aspect of performance (output or outcome) under consideration. They are based on common baseline information, definitions and database collection, and a compatible reporting system (http://www.tbs-sct.gc.ca/rma/account/SUFA_Template.htm)</p>
Outputs	<p>The goods or services (usually the latter) which government agencies provide for citizens.</p> <p>The concept of outputs is not confined to tangible goods and social services delivered directly to citizens. The concept also includes more intangible flows of influences on the surroundings from agencies, institutions and other entities delivering on public policies.</p> <p>Outputs are potentially largely controllable by government agencies and measurable either quantitatively or qualitatively. Thus they be used for performance management more easily than outcomes.</p>	<p>"Outputs" are goods or services produced or directly controlled by government and distributed outside the program organization (http://www.tbs-sct.gc.ca/rma/dpr/99-00/guidance/DPR_guidelines_e.html#Glossary).</p>
Inputs	<p>The resources used by government to produce outputs</p> <p>Inputs include the labour (the range of skills, expertise and knowledge of employees), capital assets (including land and buildings, motor vehicles and computer networks), financial assets, and intangible assets (such as intellectual property) which are used in delivering outputs.</p>	<p>"Inputs" are the resources and authorities given to an organisation to carry out activities, produce outputs and accomplish results. Resources include such items as tax dollars, user fees, transfers, human resources, capital and information (http://www.tbs-sct.gc.ca/rma/dpr/99-00/guidance/DPR_guidelines_e.html#Glossary).</p>
Costs	<p>The money spent to finance the input</p>	<p>"Planned spending" refers to the amounts the department planned to spend (or revenues planned) with each fiscal year (http://www.tbs-sct.gc.ca/rma/dpr/99-00/guidance/DPR_guidelines_e.html#Glossary).</p>

Term	OECD	Canada
Learning	The acts through which an entity uses past experience of itself or others to adjust goals and processes	There is currently no formal definition of “ learning ” in the context of results-based management. It is generally discussed in the context of measuring performance, and using that information to improve programs and services; it emphasizes sharing lessons learned and best practices (http://www.tbs-sct.gc.ca/rma/communic/prr99/mfr99/mfr99vol1e.htm).

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PERFORMANCE MANAGEMENT IN THE PUBLIC SERVICE THE FRENCH EXPERIENCE

I. THE EMERGENCE OF PERFORMANCE MANAGEMENT IN THE PUBLIC SERVICE

1. Emergence of concepts

Changing the public management of resources to focus on results is an objective that has gained wide support in France. Nevertheless, the established features of the old system of management are still considered useful and worthy of retention. The factor that has attracted a large measure of support for the new management approach has been the demand for more specific, forward-looking action by the public service that is better adapted to local and individual contexts and can be measured by results. The general public wants a public service tailored to meet an increasing variety of situations and needs. It also wants those results to be reported. These expectations have received strong backing from Parliament.

However, should results-oriented management replace the rule of law? Should management aimed at making public service work efficiently replace standardised and all-embracing regulations? There is a feeling that care is needed when adopting a new management approach not to downgrade the public services it seeks to improve. A number of questions may thus be asked as to the relative importance to be given to the old and new forms of management:

- When defining tasks: what is the balance between compliance with regulations and performance targets?
- When running departments: what is the the balance between monitoring resources and aiming for results?
- When organising an administration: what is the the balance of responsibility between the ministry and its departments, which are expected to implement policy?

Finding the best way to tackle these issues is difficult and the approach can only be determined gradually.

To gain a better understanding of the changes now under way, a look needs to be taken at the underlying principles of the system of management that still prevails the French administration at present and has three aspects:

- The tasks of an administration are performed with the focus on ensuring that standardised rules of law designed to ensure equality before the law are being applied. Management is geared to ensuring compliance with the regulations and not to achieving performance targets. The regulatory texts set out in detail the administrative structures and procedures that must be followed, but there is generally no mention of the results expected.
- Budgeting is restricted to scrutiny of the resources allocated to departments

- Organisation of the public service is such as to channel power down from the centre via a cascade of hierarchical relationships. It does not provide an institutional framework friendly to autonomy in the management of departments.

The passage of the public service from a resource-based approach to a results-oriented one is thus a many-sided process that cannot be confined to any single area of management, whether ordering of tasks, budgeting or assigning responsibilities.

2. Difficulties of the changeover

The first problem is in clarifying the role of the players. Ministries in France fulfil two roles, first to design and direct policies and then to put those policies into practice. This does not make it easy to identify the players responsible for implementing policies. On the other hand, in the case of public agencies whose structure is relatively separate from those of the ministries, it is easier to develop a formal communication procedure between parent ministry and agency. However, public agencies in France are expected to work in narrow fields of public action and are not suitable as a model for other sectors.

The absence of any formal communication procedure between the “centre” and those implementing policy does not facilitate the definition of strategies for policy application or the results expected. No ministry is obliged in its day to day management to explain the reasons for its decisions or the priorities to be attached to results. The players implementing policies are therefore given no guidance with respect to results.

Lastly, there is no department with responsibility for stimulating or co-ordinating preparation of the objectives and results that each ministry or department will have to establish and report on or for developing standard methods for the task. Portions of such a system are found in various ministries or are passed on to departments but are not necessarily made known to the budget authorities or the general public. A National Evaluation Council is in charge of the evaluation process proposed by the ministries and decided by the Prime Minister, but this is not being widely applied nor is it part of the day to day management of departments. An Evaluation and Control Mission attached to the National Assembly and a Public Policy Evaluation Committee attached to the Senate have undertaken work of this type, but again on a case by case basis without any routine link to regulatory decision-making procedures or the budget process.

II. Current performance budgeting practices

Consideration of all these difficulties led the Ministry of Finance to propose the gradual introduction of performance management.

A new budget layout was developed step by step, centred on “budget aggregates”. Aggregates are groups of budget sections and items that give an overview of the outcome of the work of the ministries that is less fragmentary than a breakdown by budget section, which in essence provides information on where money is going.

There are 118 aggregates for 2001, half of which cover programmes for delivery of public services while the rest cover intervention policies, apart from some 20 “support” aggregates relating to support and management functions that are not included in programmes under the budget.

Aggregates were introduced in the 1997 budget as additional way of presenting the budget but were not subject to a vote.

Since the 2000 budget, steps have been taken at the request of the National Assembly (report of the working group on the effectiveness of public spending and parliamentary scrutiny) to improve the information provided. Each ministry was asked to include with its aggregates an outline of the relevant objectives and, wherever possible, the results produced as measured by quantitative indicators.

This procedure was taken further with the 2001 Finance Bill (PLF – *projet de loi de finance*), which instituted a *homogenous structure and layout for aggregates* and a *specific follow-up process* between the budget directorate and the ministries, similar to the actual budget procedure. In addition, *budget management reports* were to be produced to accompany the draft regulatory act with the intention of clarifying implementation of the finance act.

A major proposal for reform of the finance acts was put forward by the Rapporteur-General of the Finance Commission of the National Assembly in 1999. Under that reform, the budget would no longer be adopted by category of expenditure or by programme. The documents relating to aggregates foreshadowed to some extent the shape of programmes in the future.

The circulars prepared by the budget directorate to aid each ministry in preparing its budget aggregates gave a standard layout for submissions that was designed to respond to the following basic questions, which can be divided into two groups.

(a) Description of actions and costs:

- What work is being done by the public service in the various sectors?

To start with, the answer is given by the aggregates, which when properly structured should provide a clear list of the intervention policies, services provided to users and management functions undertaken by administrations. The answer is then completed by identifying the major components of each aggregate.

- What does the work cost?

The answer comes from the breakdown by component of the credits for each aggregate. When the breakdown of credits among the various areas of work is not provided for by budget nomenclature or furnished by internal audit, elements representing overall costs may initially be used (staff numbers, special credits, etc.)

(b) Presentation of objectives, results and targets:

- What are the objectives sought in these areas of work?

The answer will be given by a statement of the objectives belonging to each aggregate. When an administration does not have a formal list of its main objectives, for example in the form of a programme of priority actions for guidance of its departments, an explanatory note is provided.

Questions are based on the three performance areas, which are:

- Socio-economic effectiveness: what is the benefit to society and the economy of public service work?
- Service quality: what quality of service is provided to users?
- Management effectiveness: is optimisation of resources proceeding in a way that meets taxpayers' expectations?

- What results does this work achieve?

The answer will be given by the performance indicators for each objective.

Progress in internal management control and statistical measurement of the socio-economic results and quality control results should improve measurement of results.

1. The goals of a budget that includes objectives and results

The dual character of French ministries (policy implementation and operations management) has led to retention of a wide range of goals:

(a) To clarify public policy decisions and set specific targets for public service action.

Putting results and resources together clarifies policy and management decisions by allowing regular inspection of the worth of policies and procedures.

On the basis of the experience gained in measuring results, ministries are recommended to introduce results targets gradually over a three-year period. This procedure is in its early stages.

(b) To improve budgeting

Although included in the budget, the description of results sought and achieved is not intended to demonstrate any cause and effect between resources and results and does not aim to match allocations to credits. However, by improving the way policy choices are made it can help to determine the margins for manoeuvre.

(c) To structure the internal management of administrations

The obligation on each administration to submit a complete set of objectives and results to Parliament can only act as an incentive to embody it in its internal management practices, for example by means of contracts entered into with their departments. An administration that fails to manage its departments in terms of real objectives and fails to measure progress towards them will obviously have great difficulty in reporting on its work to Parliament and to the general public.

2. Problems with methods

(a) Determining relevant groups for presenting policies

Groups of credits need to be established that are relevant both for results-based work and for determining the resources available. That is a complex still unfinished task, which appears to be a first in the international arena.

- The principle: one purpose and one player

The division of work within each ministry must meet two constraints; policies must be described in an understandable way and the players to implement them identified in a way that does not separate consideration of outcomes and accountability for resources. This means not only division of activities into blocks in terms of similarity of outcomes, but also in terms of accountability for implementation and budget management.

Groups of activities with similar outcomes emerge naturally from results-oriented management, where it exists in administrations. Where it is absent, such groups will indicate the way forward.

Outcome/player pairs are determined in various ways depending on the context.

- There are three types of groups: provision of services, intervention policies, and support and management functions.

Depending on the context, actions will be defined by the services provided to users (education, police, the courts, etc), by the goals of intervention policies (employment, housing, agriculture, etc.) or by internal services or management functions (support and management functions)

- Two or three levels of division

The first level of division, which corresponds to the budget aggregates, groups the budget resources managed by a single official in charge, which will guarantee of a proper match between the content of the aggregate and responsibility for its implementation.

When a purpose and player pair cannot be identified for an aggregate as a whole, this is done for its component parts. A third level of division (into sub-components) is sometimes needed. In apportioning the credits belonging to an aggregate among its various component parts, use may be made of management follow-up procedures that consider activities within administrative entities that come under the same budget management area.

(b) Formulation of a balanced set of objectives and results indicators

For each aggregate, ministries are asked to describe the objectives assigned to actions, to report on results achieved and to indicate the results expected in coming years.

Here too, the dual nature of the ministries, which are responsible for both preparing policy and putting it into practice, means that a large group of objectives must be selected. This, however, will not include the objectives for internal management of an administration. Internal management is based on scrutiny of departmental efficiency, productivity and quality (outputs). Performance reports in the public service, while not disregarding these elements, focus more on the end results of public action, in other words on its social and economic impact (outcome).

Objectives and their related indicators must address the three performance aspects: socio-economic effectiveness, quality of service to users and management efficiency.

A list of the ultimate objectives in terms of the socio-economic benefit of work in the public service is an essential requirement. No public service or intervention policy in existence can operate without having to meet clear *socio-economic objectives*.

A list of objectives in terms of *quality* and *management effectiveness* is optional for administrations. In this area they are not required to think up objectives they will not be called upon to meet in their internal management practices, but simply to give an overview.

These three areas must be as closely linked as possible to give an overall grasp of an administration's performance and allow it to be improved in a balanced way without running the risk of enhancing one aspect at the expense of the others.

Objectives should be drawn up in tandem with strategic planning, internal management control and quality control, or preferably should issue from them by mobilising the professionals that direct activities as well as the ministries' statistical services.

- *Socio-economic effectiveness*

The first question asked by the general public which the budget document must answer relates to the relevance of the policies being put into practice, in other words their ability to meet the public interest objectives set.

A look at the work done by the public service departments leads to making a distinction between administrative outputs (services delivered, allowances paid, etc.), which may be termed intermediate results, and the impact of the work done on society, the economy or the environment (school performances, safety of public transport, reduction of insecurity, etc.). These are termed final results and measure socio-economic effectiveness (which takes various forms depending on the field involved, such as education, security, health, etc.). These results, which mean most to the man in the street, should be the principal focus of interrogation and not the intermediate results, which are more concerned with the internal management of administrations.

Comparing final results against objectives gives a measure of socio-economic effectiveness and indicates whether or not (and why) the desired outcomes are being achieved.

Where a system of internal performance management is in place, there will obviously be a wider range of intermediate results indicators available. This stage is generally a preliminary to finalising the inquiry into the ultimate effectiveness of the policies under review. Even if the intermediate results are easier to determine than the final results, it is still better to focus attention on the final results.

- *Service quality*

Ordinary citizen have an interest in the quality of services provided in their capacity as users of those services, even where the status of user is not always a voluntary one (student, motor vehicle driver but also taxpayer, unemployed person, etc.). Public services are judged on the basis of their ability to respond to users' needs where users are increasingly accustomed to have those needs taken into account in sectors open to competition.

The borderline between criteria measuring successful completion of tasks and quality criteria is not absolute. Quality makes a contribution to meeting final objectives and the most important quality criteria

are those concerned with ultimate effectiveness. For example, flight safety is a prime objective in handling air traffic, safety on the roads is as important as the coverage of the road network, etc.

Quality and productivity objectives need to be co-ordinated. Determining the quality of the services provided enables control to be maintained over that quality when efforts are being made to improve efficiency, in order to prevent deterioration of a necessary service. However, it is increasingly found that bringing work procedures up to date provides the dual advantage of increasing quality of service and productivity.

There are several aspects to quality management, namely analysis of the needs on which quality criteria are based, setting targets (level of service, quality standards, etc.), introducing monitoring tools. The aggregate description needs to refer to these various aspects. Building quality control systems calls for much preliminary work. A budget document cannot do more than reflect what advances have been made on the ground.

- Management effectiveness

As a taxpayer, the ordinary citizen takes an interest in the relationship between the resources expended on a given action and the results achieved. A comparative exercise of this type, which is often difficult in the case of the final results of public policies, is easier in the case of the intermediate results or outputs of administrations. This criteria of performance is termed management effectiveness or efficiency.

Management effectiveness is measured in terms of the ratio between the outputs of administrative work and the resources expended. In general, efficiency indicators are measured in francs per service unit or in the form of physical ratios (volume of services provided in relation to staff numbers, staffing rates, etc.)

2. EXAMPLES OF BUDGET AGGREGATES

The courts

Component parts of the aggregate

With 26 290 posts included in the budget (PLF 2001), comprising 6 539 magistrates and 19 751 public service officials, and on top of that over 20 000 non-professional judges working either on a voluntary basis or paid on a pro rata basis (consular magistrates, labour court magistrates, assessors in children's courts, etc.), assistants and legal officers attached to 1 157 ordinary courts, the court system has the task of dispensing justice in both criminal and civil proceedings.

The courts are, moreover, responsible for management of their own resources and for the training of the staff required to service them.

The court system includes the Court of Cassation (the court of final appeal), 26 courts of appeal and 1121 trial courts, namely 186 regional courts, 191 commercial courts and 271 labour courts, social security tribunals, agricultural land tribunals, etc.. In addition, 51 remand prisons come under the purview of the courts.

1. Assistance in access to the law

This refers to application of the Act of 10 July 1991 relating to legal aid as amended by the Act of 18 December 1998, whereby information on their rights and obligations must be made available to individuals by the *départements* as well as assistance provided in the procedures required to comply with an obligation and thus encourage the introduction and proliferation of amicable ways of settling disputes. Such tasks are performed by *département* councils for provision of access to the law.

2. Prosecutions

Criminal offences are dealt with as part of defence of law and order and the protection of society. This takes place through the public service provided by the magistrates attached to the public prosecutor's office (the State prosecutor and his deputies).

They may call on three major instruments are available to them in the public domain, subject to the principle of the expediency of prosecution:

- Decisions not to prosecute and mediation in criminal cases;
- Settlement of criminal cases;
- Prosecution in trial courts, preceded, depending on the case and nature of the offence, by a judicial investigation.

In 1999, the prosecutor's offices dealt with 4 586 813 criminal cases (complaints, police reports, notices) of which:

- 328 781 (7.2%) were followed by a decision not to prosecute in the absence of a legally constituted offence;
- 2 995 125 (65.3%) were followed by a decision not to prosecute for lack of evidence;

The remainder, or 1 262 907 cases, made up the total of offences (felonies, misdemeanours and petty offences of the 5th degree) liable to prosecution. Of them, 410 840 were dropped (unproductive research, withdrawal of charges, etc.), 213 727 were dealt with by procedures other than court proceedings (discontinuance of proceedings on payment of compensation, medical treatment order, etc.) and the rest, 638 340 cases, led to trial proceedings in the relevant courts (criminal court, district court, examining judge, children’s judge).

3. Court proceedings

In civil cases the court’s function is to settle disputes relating to the principles of civil, commercial, social, rural, etc., law between individuals or economic entities under private law. Such proceedings generally take place in the ordinary courts or in specialised courts. However, other methods of settling disputes (mediation, conciliation, settlement) the further development of which is a primary aim of the Ministry of Justice, complement the work of the courts.

Civil cases dealt with by the courts

	New cases	Completed cases	Variation in pending cases	Cases pending on 31/12/1999
Court of Cassation				
Court of appeal				
Regional courts				
Ordinary courts				
Labour courts				
Commercial courts				

In criminal cases, the court’s function is to investigate the evidence brought before it (function of the examining judge), to try offenders and sentence them, while at the same time making every effort to find alternatives to the trial process and, in the case of sentencing, to find alternatives to imprisonment (function of assize courts, criminal courts or police courts, depending on the gravity of the offence, and children’s judges or children’s courts for minors) and to follow up the measures decided (function of the judge responsible for execution of sentences).

In 1998, the number of verdicts handed down was as follows: 3 364 in assize courts, 155 of which were acquittals; 412 090 in ordinary courts, of which 19 979 were acquittals; 33 940 in children’s courts; 701 315 in police courts, of which 582 471 were convictions for petty offences of the first four degrees, 103 065 were convictions for petty offence of the fifth degree and 15 779 were acquittals. The number of verdicts handed down in 1999 is not yet known.

4. Joint resources: court registries and resource management

These supply the necessary logistic support to the courts.

4.1 Court registries

Court registrars (grade B) and Grade C officials supervised by senior registrars (grade A) provide the administrative services for the courts to which they are assigned. In addition, registrars assist magistrates in their tasks, for example in following up and verifying procedures.

4.2 Resource management

Management of human and material resources is for the most part carried out at the level of chief court officers. These can call on the services of a regional administrative office headed by a co-ordinator under their authority.

Management of current operating resources at local level is provided by each court within the framework of the judicial district (the area of jurisdiction of the regional court it comes under) and under the supervision of the chief court officer. A judicial district budget office, reporting to the chief court officer of the regional court looks after the accounts for all the courts of the district.

5. Training

5.1 The Legal Service Training College (ENM)

The Legal Service Training College (ENM) is responsible for both the initial and continuing training of magistrates.

5.2 National Legal Registrars Training College (ENG)

The initial training of legal registrars and senior legal registrars and continuing training for all official in the court services is provided by the National Legal Registrars Training College.

6. Judicial Service Commission

The Judicial Service Commission is a body established under the Constitution, which by virtue of its duties in appointing judges and magistrates and as a disciplinary body for the judiciary, guarantees the independence of the judiciary.

Allocation of costs

Notes	Aggregate components								
	Objectives			Outcome indicators					
				Performed	1999 Finance Act (FLI)	Performed *	Finance Act		
	Actual staff numbers on 31/12 (full-time equivalent)								
1	Prosecutions								
2	Trial proceedings								
	Joint resources								
3	Training services								
	ENM Staff Trainees								
	ENG Staff Trainees								
4	Judicial Service Commission								
5	Total								

Notes:

- * Provisional data on 31.12
- 1. Number of examining magistrates (including magistrates employed over requirements)
- 2. Number of court judges (including magistrates employed over requirements)
- 3. Actual number of trainees
- 4. Budget posts for support or secondment of members of the commission
- 5. Discrepancies in the totals may result from rounding up staff numbers calculated on the basis of full-time working equivalent.

Objectives, results and targets

In order to settle disputes between individuals and calm social relations, the judicial services are implementing a policy intended to facilitate access by the disadvantaged to the law, and to the courts in particular and to improve treatment of victims.

They are also making every effort to improve the services delivered by the courts by providing alternative methods of operation such as instituting amicable or alternative procedures to court proceedings.

Their work in the context of urban policy and in favour of neighbourhood judicial facilities (remand centres in sensitive districts helps to achieve these objectives, in particular crime prevention, assistance to victims and access to the law.

The objectives go hand in hand with a determination to provide a high quality of justice, in terms of reducing delays, handing down correct verdicts and cutting down the time spent on remand.

This improves mobilisation of resources (modernisation of the jurisdiction map and proper resource management) and by increased use of information technology in civil and criminal work and in magistrates offices (1.01 officials for every computer work station at end 1999 as opposed to 1.13 at end 1998) with a view to improving the efficiency of judicial proceedings and to improve output.

(A) Socio-economic effectiveness

1. Facilitating access to the law

The objective set by the Ministry is to establish a law access consulting office in each *département* by the end of 2001. In late 1999, 40 consulting offices has been set up and a further 70 were expected in 2000.

2. Facilitating access to justice

The aim is to provide access to legal aid to all defendants.

It also aims to modernise reception facilities in courts. To that end, a trial of use of a single registrar's office by several courts on the same site which has been in progress since 1998 has given very good results since it has led to a doubling of the rate of application to those offices prevailing for conventional reception facilities in the courts. These single offices mean that ordinary citizens, who are entitled to expect a high quality service from the justice system, not only receive the information they need but also find procedures simplified (the various steps of a procedure may be carried out in a single place, such a handing over documents, receiving information on progress of proceedings). This facility has been fully operational since 1999 in a number of pilot jurisdictions: Nîmes, Angoulême, Compiègne, Limoges and Rennes. Many other jurisdictions are currently considering this approach.

In addition, reception of defendants is also being given special attention when new court complexes are being built.

3. Improving the attention paid to victims

By providing ongoing back-up for victim support associations, the judicial services are providing assistance, including legal assistance, to an increasing number of victims.

For example, as a result of Ministry of Justice grants (FFR 16.95 million in 1999) victim support associations have been enabled to work on a number of different aspects, such as reception, information, procedural assistance, guidance towards professionals or specialised services, psychological counselling, taking charge of all aspects of a particular case (e.g. where an attack is involved) and acting as an ad hoc judicial administrator in a number of minor bodies. In their work, victim support associations provide a permanent contact service at regional courts and in remand centres.

4. Increasing and diversifying the response rate of the courts.

The response provided by the courts is most often a verdict that marks the end of civil or criminal proceedings. However, as a result of the introduction of methods of settlement other than court proceedings, the judicial response has found other outlets that increase the solutions offered in areas where, in criminal cases, the only options were to drop the case or, in civil cases, the solution found was insufficient. In civil cases, for example, increasing recourse has been had to conciliation (in 1998, the 1 614 conciliators in the justice system dealt with 85 452 cases, in 39 990 of which conciliation was successful) recourse to civil mediation, especially in family law cases, has been expanding (family mediation associations received Ministry of Justice grants totalling over FFR 3.6 million in 1999).

Notes	Programme components							
		Outcome indicators						
			Forecast	Outcome				
		Progress in alternative methods of settling disputes						
	Criminal investigation	Trial rate of criminal cases involving indictable offences						
	Criminal investigation	Discontinuation of proceedings following recourse to alternative procedures						
	Criminal investigation	Dropping of proceedings against indictable offences						

(B) Service quality

1. Improving structures for dealing with certain cases

In order to improve the conditions for combating economic and financial crime, a decision has been made to strengthen and concentrate human and material resources in courts specialising in the those areas by virtue of articles 704 and 705 of the Code of Criminal Procedure, including the establishment of specialised centres. Four economic and financial centres have now been set up, in Paris, Bastia, Lyon and Marseille.

In addition, in order to put the country in a better position to cope with the demand for greater cost-effectiveness and to improve the handling of commercial cases, the Government has embarked on a reform of the commercial justice system. Its principal aims were: to redraw the commercial court jurisdictions, wherein the Decree of 31 July 1999 abolishing 36 commercial courts was a first step that is to be continued in 2000; to bring the 1984 and 1985 Acts relating to the treatment of businesses in difficulties up to date; to introduce joint representation in commercial courts; to make the presiding magistrate of the joint tribunal dealing principally with collective proceedings a professional magistrate; and to review the statues governing the status of administrators and liquidators appointed by the courts.

2. Reducing the delays in court proceedings

In both civil and criminal cases, the judicial services are endeavouring to reduce delays in proceedings. The aim is to bring down the time taken by the longer cases, which in civil cases make up a quarter of all proceedings, to the present average.

Notes	Programme components						
	Outcome indicators						
				Forecast	Outcome		
	Court Proceedings	Changes in length of civil proceedings (months): Court of appeal Average duration Regional court Average duration District court Average duration Commercial court (general cases) Average duration					
	Court Proceedings	Changes in length of criminal proceedings (months) Felonies Including rape Misdemeanours					

Notes:

1. This is the average time elapsing between the date the offence was committed and the final judgement. The data are for all courts together.

3. Improving the effectiveness of judicial decisions

Several approaches are being followed to improve the effectiveness of judicial decisions:

- Increasing the number of decisions reach in the presence of all parties;
- Reducing the delay between the time the decision is announced and the time the judgement is handed to the parties (in civil cases);
- Improving the rate of recovery of fines in criminal cases by the introduction, such as in police courts, of computer applications that include forms for liaison with the accounts departments.

Notes	Programme components							
	Outcome indicators							
				Forecast	Outcome			
	Court Proceedings	Increase the proportion of decisions made in presence of all parties (civil cases) Courts of appeal Regional courts District courts Labour courts Commercial courts (general cases) (criminal cases) Criminal courts Police courts (petty offence of 5th degree)						
		Improve the rate of recovery of fines in criminal cases: Fixed fines Other fines						

4. Reducing the length of detention on remand

Detention on remand allows a judge, where permitted by the law, to remand a defendant in custody while investigations are being pursued; the aim is to reduce the average length of such detention.

Notes	Programme components							
	Outcome indicators							
				Forecast	Outcome			
	Court Proceedings	Reduce the length of detention on remand (months) Felonies Misdemeanours						
		Rate of detention on remand: In cases under criminal investigation Felonies Misdemeanours In other cases						
		Reduce the rate of detentions on remand ending in a decision not to commit the detainee for trial, discharge of the detainee or acquittal Felonies Misdemeanours						

Notes:

4. The proportion of persons tried who have been detained on remand, either during a criminal investigation (for felonies or misdemeanours) or without a criminal investigation (misdemeanours only)
5. The length of detention on remand refers to felonies and misdemeanours under criminal investigation

5. Increasing the use made of alternatives to imprisonment

Notes	Programme components							
	Outcome indicators							
				Forecast	Outcome			
	Court Proceedings	Penalties replacing imprisonment/convictions (criminal courts)						

(C) Management effectiveness**1. Rationalising the jurisdiction boundaries**

The Ministry of Justice in 1998 undertook to redraw the boundaries of jurisdictions, which had undergone no major change since 1958. This reform was part of the modernisation of the justice system, reform of the public service and urban judicial policy. The first stage of this reform of the boundaries of jurisdictions related to the commercial courts. Thirty-six jurisdictions had already been abolished by 1 January 2000 by virtue of the Decree of 31 July 1999. Some 20 new projects for abolishing commercial courts are currently before local parties for consideration under the auspices of the *préfets*.

GENERAL DIRECTORATE OF TAXES

Component parts of the aggregate

With a budget staff of 78 028 (LFI 2000) located in 1 999 sites, the Directorate-General of Taxes (DGI) has four principal tasks.

1. Tax base

The DGI deals with virtually all taxes levied on behalf of the State and local authorities as well as taxes collected for various bodies. Under this head it handles the tax returns made by taxpayers, evaluates tax liabilities and investigates contentious and non-contentious claims.

In 2000, it is expected to process (forecasts):

- 17 250 000 income tax items totalling FFR 331 thousand million;
- 67 000 000 items of direct local tax totalling FFR 363 thousand million;
- 2 490 000 evaluations set by the land registry
- 4 300 000 non-contentious claims and requests.

In addition, in 1999 it handled the case files of:

- 3 067 750 persons liable for VAT;
- 2 351 103 persons liable for tax on profits from industrial and commercial sources/corporation tax;
- 589 361 persons liable for tax on profits from non-commercial sources;
- 641 783 persons liable for tax for profits from agricultural sources.

2. Tax inspection

Tax inspection, an essential corollary to the system of tax returns, is conducted at the tax offices (inspection of documents) and on the ground (external inspection). The latter consists in visits of inquiry and investigation, inspection of the income of individuals and checking the accounts of businesses.

In 2000, the DGI, under this head, conducted:

- 46 000 operations for checking accounts;
- 4 600 inspections, in the presence of the party concerned, of individual tax situations for a total result of FFR 69.96 thousand million of dues, including FFR 23 thousand million from inspection of documents.

3. Tax collection

The DGI is responsible for the collection of VAT, taxes paid directly without completion of a tax return (tax deducted at source, withholding tax, etc.), registration dues, capital gains tax, stamp duty and income generated by the State. Such funds are collected to meet the overall State budget and the budget of local authorities and various bodies.

In 2000, the DGI was expected to collect 24 284 000 items of income totalling FFR 1 019 thousand million.

4. Activities related to real estate and national property

Activities related to real estate and national property involve the collection and inspection of a number of taxes comprising:

- Land registry activities relating to valuation of land whether built on or not, including the establishment and updating of cadastral maps. In 2000, the DGI was expected to carry out 210 000 valuations of landed property (monetary value and rental value) and produce 7 720 000 cadastral documents;
- Publication of information on real estate matters, essentially publication in mortgage archives of records of all property transactions or charges and dues on buildings.
- Activities related to national property, including administration of state-owned land and buildings, management of some private property and valuation of moveable property on behalf of other State services, local authorities or public bodies. In 2000, sales of State-owned property came to a total of FFR 250 million.

5. Support

This covers general administrative activities and support to decentralised services, central administrative support, social welfare functions and vocational training. Of 1 888 of the officials in the employ of central departments of the DGI on 1 January 2000, 86 belonged to other departments of the Ministry while 1 802 worked for decentralised departments of the DGI.

Cost breakdown

Notes	Aggregate components	Cost indicators				
			Outcome	Outcome	Outcome	LFI
		Actual costs (FFR million)				
	Tax base					
	Inspection					
	Collection					
	Real estate and national property activities, including Land registry work National property Publication of real estate information					
	Support (including non-dedicated central services)					
	Total					

1. The allocations given above are not directly comparable among themselves because of changes in their content.

The DGI cost breakdown by task is close to the method of presenting the budget in terms of the programme groups previously annexed to the finance bill.

The “Output” column gives a breakdown by task of the expenditure centralised by the Treasury’s Central Accounting Agency. The breakdown parameters are generally calculated each year on the basis of the total data submitted by both national and decentralised services and are, proportionately to their workload, broken down by task.

In the column “LFI” the credits (regular expenditure and payment credits) allocated by virtue of the initial Finance Act. are broken down in a similar way

Objectives, outcomes and targets

In order to encourage taxpayers voluntarily to meet their fiscal obligations, the major area of its work, the General Directorate of Taxes (DGI):

- Endeavours to facilitate taxpayers by providing a high quality of service;
- Endeavours to improve control of the tax return system and to introduce dissuasive and more effective monitoring procedures.

This has led to a common national approaches being adopted by all DGI departments that run across the board for each task (tax base, inspection, collection, real estate and national property). It goes hand in hand with efforts to cut management costs. The means and objectives contract for the period 2000-1002 has set quantified objectives for 2002 that are measurable by means of a high performance information system.

(A) SOCIO-ECONOMIC EFFECTIVENESS**1. Encouraging greater willingness on the part of taxpayers to meet their obligations**

Achievement of this prime objective is measured by tax return indicators and voluntary payments by due date, improvement in which is fostered by a number of actions dedicated to the same end.

Notes	Programme components							
		Outcome indicators						
				Forecast	Outcome			
	Tax base	Rate of voluntary payment of VAT by due date						
	Collection	Coefficient of payment by due date						Between 96.7% and 97.50%

2. Improving response time to defaulters

By means such as visits on the ground, the DGI has undertaken to improve its response time to failures to make tax returns and accelerate collection of fines.

Notes	Programme components							
		Outcome indicators						
				Forecast	Outcome			
	Tax base	Rate of VAT payment delays of over 6 months						
		Rate of late submission of tax returns on 31.12						
	Collection	Rate of collection of contributions during the fiscal year						

3. Improving the quality of tax inspection in the fight against tax evasion

The DGI is committed to pursuing an inspection policy that will provide a balanced and proportionate presence throughout the country. In particular it has undertaken to become more effective in countering the most serious and criminally liable forms of tax evasion, improve collection of tax it has assessed as a result of tax inspection and improve monitoring of critical case files.

Notes	Programme components							
	Outcome indicators							
				Forecast	Outcome			
	Inspection	Rate of prosecution (on charges of tax evasion, fraud and non-compliance) following tax inspection						
	Inspection	Net rate of collection of tax assessments by the DGI following tax inspection						
	Inspection	Rate of inspection of critical case files (>FFR 1 million over 3 years)						

(B) SERVICE QUALITY

1. Improving customer service

The DGI has undertaken to meet by 2002 five quality standards in its relations with taxpayers: meetings by appointment, no telephone calls left without follow-up, dispatch of forms to the home, standardisation of responses when an expertise is required and ending of anonymity (in correspondence and meetings with officials). A measuring tool is in preparation and is to be included in assessment criteria for departments. It should become operational in late 2000.

Notes	Programme components							
	Outcome indicators							
				Forecast	Outcome			
		Survey of user satisfaction by department						Full compliance with the 5 quality standards

Note:

1. The five quality standards are: meetings by appointment, no telephone calls left without follow-up, dispatch of forms to the home, standardisation of responses when an expertise is required and ending of anonymity (in correspondence and meetings with officials). A first sample survey is to be carried out in 2000 in order to quantify the base-line for customer service.

2. Improving the quality of response and the response time for users requests.

The DGI has undertaken to reduce considerably the time taken to issue real estate information following increasing computerisation of mortgage archives, and to cut the time taken to reply to claims without reducing the quality of the response provided, which is to be verified by regular internal audit.

Notes	Programme components							
		Outcome indicators						
				Forecast	Outcome			
	Tax base	Percentage of replies within a month to individual income tax or residential tax claims						
	Real estate information	Percentage of urgent requests for basic information replied to within 10 days						

3. Endeavouring to simplify tax return requirements for users

The DGI has undertaken to simplify tax return requirements for taxpayers.

By 2002, a statistical tool for measuring the complexity of the tax return system will be developed and published and will also measure taxpayers' perception of the complexity of the system.

(C) MANAGEMENT EFFICIENCY

1. Improving productivity

The DGI has undertaken to improve the productivity of its departments by increasing the pace of computerisation and reduction of paper records, by restructuring and by simplifying the tax system. Focusing credits under a restricted number of budget headings, which was done in the 2001 Finance Act (LFI 2001) is accompanied by increased decentralisation of the operating resources allocated to local services, which will allow better matching of resources to tasks.

Notes	Programme components							
		Outcome indicators						
				Forecast	Outcome			
	Tax base	Number of individual taxpayer files managed per post in the tax base sector (12 075 posts)						
	Tax base/ collection	Number of professional files managed per post in specialised inspectorates and in the collection sector (15 440 posts)						
	Land registry	Number of notifications of building of property dealt with per post in property tax centres (5 780 posts)						
	Real estate information	Number of procedures dealt with per official in mortgage archives (5 740 posts)						

2. Reducing the cost of managing the most costly taxes

Since the legislative process and the economy – which directly affects tax receipts - are outside its control, the DGI has set no objective for the average intervention rate (tax management costs in relation to tax receipts). However, it has undertaken to seek and propose ways of reducing management costs for the most costly procedures (IR, TH, registration fees such as tax discs).

Notes	Programme components						
	Outcome indicators						
				Forecast	Outcome		

		Management cost of the principal taxes	For details see note 3					Reduction of costs for the most costly procedures
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Note:

- In 1997, estimates of the management cost per tax output (intervention rate) for the principal taxes handled by the General Directorate of Taxes were as follows:

Taxes	1997 Tax receipts	Tax base/ Inspection		Collection by DGI		DGI total	
		Total cost in million FFR	Intervention rate	Total cost in million FFR	Intervention rate	Total cost in million FFR	Intervention rate
IR							
TH							
TF							
TP							
IS							
Tax on wages							
VAT							
Registration fees							
Tax on insurance contracts							
Tax deducted at source and Capital gains tax							
Tax disc							
Leasehold levy							
ISF							

The DGI's overall intervention rate in 1997 was:

- 1.08 % for the tax base
- 0.61 % for collection

The most costly procedures included: IR, TH, registration fees and tax discs.

III. TERMINOLOGY

The **ends** or **goals** of an action are expressions of the benefits services should deliver to users or the social, economic, educational, cultural, etc., purpose of public policies. It is a level of description that gives a broad view of public action and remains relatively constant in time.

Objectives, which are more specific than goals and more variable with time are focused on various areas of performance such as socio-economic effectiveness, quality for the user, or management effectiveness. They must be stated in specific terms to enable results to be measured. They are associated with **results indicators**.

Targets set the level of results the ministry hopes to achieve over a given period. The existence of a target means that considerable progress has been made, since it implies not only that objectives have been determined – and thus priorities established – but also that a system of reference has been constructed (analysis of past developments, comparisons between departments or exchange of views among departments in relation to targets).

In general a goal or task in the public service includes a number of objectives, each of which will have several results indicators to measure past practice or, where necessary, future action (targets).

Objectives, with their indicators and targets, should be focused on three areas of performance:

- Socio-economic effectiveness

Alternative terms: ultimate effectiveness, outcome.

Indicators of ultimate effectiveness are intended to evaluate the impact of actions on society in the light of the objectives sought and the resources expended.

Since measurement of that impact is a long-term process, there are two pitfalls to be avoided, namely too remote an impact (meaning too tenuous a link to the action) or too close an impact (leading to confusion over outputs and little meaningful information as to socio-economic utility)

Definition of objectives is the only means of deciding whether a socio-economic indicator is properly poised between these two pitfalls. Because taxpayers' voluntary compliance with their fiscal obligations is considered a prime objective by the DGI, indicators of voluntary submission of tax returns and payment of taxes by due date are considered to be a measure of ultimate effectiveness. Because improving the response to the demand for legal redress has been defined as a major objective, the prosecution rate in the case of indictable offences is an indicator of ultimate effectiveness.

- *Service quality*

Quality indicators are intended to measure time of response, response rates, reliability and continuity in the service provided, the range of services provided and their compliance (with regulations or time scales)

Quality has two aspects, one related to outputs and the other to final results. Service quality is inseparable from assessment of efficiency; if putting up the number of services brings quality down, then it is better to be aware of the fact. Quality is also often the component that has most effect on the user, hence its contribution to the ultimate effectiveness of an action. Tools for measurement of quality have two aspects; those measuring internal factors are geared to outputs whereas assessment of the service in terms of user satisfaction is a final result.

- *Management effectiveness*

Alternative terms: efficiency, productivity

Efficiency relates outputs, which are the intermediate results of administrative activity, to the resources expended.

These indicators may be unit costs, targeting indicators (group of the general public given priority in a given area of employment policy), efficient use of potential resources (number of police on active service), even-handed distribution of resources (limits to allocation of resources, such as class numbers of not less than 15 or more than 30 pupils) or of management costs (changes in the cost of support functions).

SYSTEMATIC REINFORCEMENT OF POLICY MANAGEMENT CYCLE WITH POLICY EVALUATION: THE JAPANESE ATTEMPT⁷

by **Hironobu Yamanaka**⁸

1. INTRODUCTION

This paper describes the introduction of a government-wide policy evaluation system that is underway in Japan, and then, as a concrete example, the policy appraisal-evaluation system of the Ministry of Economy, Trade and Industry (METI, the former Ministry of International Trade and Industry), which started in December 1999 preceding the government-wide system. "Policy evaluation" in this context is not limited to *ex post* evaluation, which the term generally means, but a broader concept that includes *ex ante* assessment and performance measurement as well, all of which are to be integrated into the Policy management cycle of ministries. Information as to what extent and how outcome measures are used under the systems is also provided.

2. GOVERNMENT-WIDE POLICY EVALUATION SYSTEM

2.1. Background

A government-wide policy evaluation system was introduced as one of the challenges under the Central Government Reform in January 2001. The final report by the Administrative Reform Council headed by the Prime Minister pointed out that the Administration of Japan had been putting too much priority on planning legislation and winning more budget, whereas it has tended to regard evaluation of policies, in light of their effects or socio-economic changes, as less significant.

The image of policy evaluation in the final report seems to be close to that of so-called (*ex post*) programme evaluation. However, as the discussion within the government deepened, the concept of evaluation became broader, so that it could include not only *ex post* evaluation but also *ex-ante* policy assessment and performance measurement. Policy evaluation, in a broader sense, is naturally to be integrated into the policy management cycle as a system. Policy evaluation is mainly applied to and reflected on planning functions of ministries. Evaluation of executive activities (of laws or plans) is conceptually not included in policy evaluation. For example, the Performance Evaluation of Independent Administrative Institutions (IAIs),⁹ which essentially comprised of setting midterm and annual performance goals and their measurement, is not considered to be policy evaluation. (Setting of midterm goals by the Minister an IAI belongs to can be an object of policy evaluation, though.) In fact, the IAI goals are likely to be the combination of outputs with the levels of service quality and financial performances, rather than outcomes. Currently, they are under consideration by agencies to become IAIs and the ministries to which an IAI belongs.

Through the discussions within the government, the institutional setting of the government-wide policy evaluation was determined as follows:

- Two-layered structure: (1) Individual ministries are primarily responsible for designing their evaluation systems and for conducting evaluation of policies in charge; (2) The Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPM), which is a new ministry reorganised from the Management and Co-ordination Agency (MCA) etc., is responsible for the overall management of the policy evaluation system, and for conducting policy evaluation to ensure comprehensiveness or stricter objectivity of ministries' policy evaluations.
- Establishment of organisations specialising in policy evaluation: (1) Individual ministries have to set up a division-level organisation specialising in policy evaluation; (2) The MPM's policy evaluation functions are carried out by the Administrative Evaluation Bureau, which is the former Administrative Inspection Bureau of the MCA.

3. DRAFT PROPOSAL ON STANDARD GUIDELINES FOR POLICY EVALUATION

In July 2000, the MCA, in collaboration with all central ministries and agencies, published a "Draft Proposal on Standard Guidelines for Policy Evaluation". The standard guidelines are intended to provide standard guiding principles to assist ministries in preparing their own policy evaluation schemes, including the reflection mechanisms of the evaluation results on the resource allocation, taking into account the characteristics of the policies and decision-making processes. In order to cope with the diversity of programmes of the ministries and the evolving nature of policy evaluation, the descriptions of the standard guidelines are not very rigid. Outlines of the standard guidelines are the following:

Objects: Policy evaluation may cover policies, programmes or projects, all of which are the public activities to achieve missions stipulated in each ministry's Establishment Laws.

Evaluators: Individual ministries conduct self-evaluations of policies they are in charge of. The MPM, independent of individual policies, conducts evaluations as the main organisation specialising in evaluation functions. A Committee on Policy Evaluation and Evaluation of Independent Administrative Institutions, comprised of outside experts, is set up at the MPM in order to ensure objectivity and fairness of the MPM's policy evaluation mainly by advising the MPM. Both ministries carry out evaluations on a priority basis and in a systematic fashion, taking their capacity, workload, and urgency into consideration.

Viewpoints: "Necessity", "efficiency", "effectiveness", "fairness" and "priority" are listed as viewpoints generally applicable to policy evaluation. Among them, "fairness" may not be relevant depending on policies evaluated, and "priority" is secondary, applied on the basis of evaluation from other viewpoints. In any case, it is up to individual ministries to choose, with appropriate adjustment, viewpoints suited to their policies.

Methods: Individual ministries select appropriate evaluation methods in accordance with the characteristics of the policy evaluated and the aim of the evaluation. Costs of evaluation work should be taken into account, too. Development and usage of quantitative methods are recommended.

Evaluation Types:¹⁰ The following three types of evaluations are shown, so that individual ministries may establish their own appropriate policy evaluation systems, for example by consistently combining the three types, and carrying out evaluations.

1. "Project Evaluation": Conducted in order to get information for the decision on adoption of a policy. It is accompanied by a check of the progress during implementation, and a follow-up assessment after the completion.
2. "Performance Evaluation": Conducted in order to show the levels of achievement of a policy compared with its predetermined targets. This may be applied to broad public activity areas.

3. “Comprehensive Evaluation”: Conducted from various angles, in order to grasp comprehensively the effects of the policy and useful information for improvement of the policy or the policy area.

Reflection of Evaluation Results on Policy: Individual ministries are responsible for establishing mechanisms that enable the evaluation results to be reflected in their policy planning. The MPM notifies the ministries concerned of its evaluation results and, if necessary, gives recommendations. Subsequently, at an appropriate time, the MPM requests the ministries to report the actions taken regarding the recommendations. If necessary, the MPM may send its opinion to the Prime Minister in relation to the recommendations. The fiscal authorities have to make efforts to utilise, in the course of the budget plan formation, the results of evaluations.

Publication of Evaluation Results: Not only evaluation results but also the background information including assumptions, methods, data and processes are to be published as specifically as possible.

Evaluation Guide: Individual ministries prepare their own evaluation guide (procedures, etc.) suitable to their policies.

4. TREATMENT OF OUTCOME MEASURES

Importance of outcome measures is recognised in the standard guidelines. Under the “Performance Evaluation” section, example of target settings which are comprised of midterm targets (“basic objectives”), and short-term targets (“achievement objectives”) are shown. In essence, treatment of outcome measures, including management of outcome risks, is up to individual ministries. The supplementary explanation for this part is shown below.

Box 1. Supplementary Explanation in the Standard Guidelines on Target Setting

As it takes a certain amount of time for implementation measures to produce results, the amount of time required to achieve a basic objective is a medium period, which is basically about five years in general. On the other hand, depending on the characteristics of implementation measures, some may produce results in a short period of time, and some others may take a longer period of time to produce results. In deciding on a specific time period to achieve an objective; therefore, it is necessary to set up an appropriate time period according to the characteristics of implementation measures.

When it is difficult or inappropriate to set up an objective by focusing on the outcome, an objective that focuses on the output can be used as a basic objective.

For an achievement objective, it is preferable to use quantitative indices as much as possible. Here, it is necessary to use outcome-oriented indices and output-oriented indices properly in accordance with the characteristics of the implementation measures.

In addition, if it is difficult or inappropriate to come up with quantifiable indices due to the characteristics of implementation measures, qualitative indices will be used.

When it is not possible to come up with specific achievement objectives concerning a basic objective, some alternative means can be used – for example, to explain the performance by specifically stating what kinds of activities have been performed to achieve a basic objective, and to what extent.

In setting up and publishing objectives and indices, it is necessary to define as much as possible the approach used in setting up the objectives, the relationship between basic objectives and achievement objectives, the means to achieve the objectives, the cost, and so on.

In achieving results-oriented objectives, it is not possible in general to eliminate the influence of external factors that are not necessarily controllable by an administrative organisation. Therefore, it is difficult to hold the administrative organisation completely responsible for the level of its achievement. For this reason, it is necessary to clarify beforehand as much as possible the external factors that are likely to influence the achievement of the objectives.

The standard guidelines are to be finalised and enacted in January 2000, at the same time as the Government Reform.

5. POLICY EVALUATION BILL (TENTATIVE NAME)

There have been political pressures for policy evaluation be stipulated in a law. On 21 September 2000, the Prime Minister stated, in his Policy Speech to the 150th Diet Session, that he would ensure the smooth introduction of the policy evaluation system in January of next year and consider enacting relevant legislation, with a view to submitting a bill to the next Ordinary Diet Session. Following this line, MCA, setting up a study group composed of outside experts to get advice, is undertaking the preparation internally. MCA suggests that the basic ideas of the draft bill are likely to be developed on the basis of the standard guideline. However, what is to be stipulated in the primary or secondly legislation are not revealed yet.

6. POLICY EVALUATION AND GOVERNMENT-WIDE POLICY FORMULATION

Though the standard guidelines are not finalised yet, some ministries, including METI and the Ministry of Land, Infrastructure and Transport, have started their own attempts to integrate policy evaluation into the policy process systematically. Such spontaneous activities seem to be gradually affecting the government-wide policy formulation. Possibly, such attempts are improving government officials' ability to manage performance measures in relating to policies or programmes. For example, as part of the "Policy Measures for Economic Rebirth" that was determined by economic rebirth related Ministers on 19 November 1999, performance targets were set for the programmes under the policy package. Though the majority of them were outputs or qualitative descriptions, there were some outcomes (see Box 2). In the case below, a note is added to show the existence of outcome risks.

7. METI'S POLICY APPRAISAL-EVALUATION SYSTEM

Under the current Policy Evaluation framework of the Japanese Government, each ministry, as far as it keeps the principles shown in the standard guidelines, can make trials in seeking the system that best suits the natures of its policies and decision-making mechanisms. The policy appraisal-evaluation system of the Ministry of Economy, Trade and Industry (METI), which is reorganised mainly from the Ministry of International Trade and Industry (MITI), described below is one of such examples.

8. BRIEF HISTORY

In July 1997, Policy Evaluation and Public Relations Division (Evaluation Division) was set up in the Minister's Secretariat of MITI with the mission to plan and carry out MITI's policy evaluation issues. After the settlement, the Evaluation Division made intensive case studies of evaluation-related practices in and out of Japan. Based on the study, MITI made up its own policy appraisal-evaluation system (whose procedures and rules are laid down in the ministry's "Policy Appraisal-Evaluation Guide") in December 1999, with a year of trial period ahead. The system aims mainly at improving its policy management process by integrating clearly defined quality control procedures while enhancing its transparency and

openness. In designing the system, both cost-effectiveness and proper flexibility are also deemed important, with recognition of both effects and limitations of appraisal and evaluation.

It is the first ever evaluation system in Japan that covers a whole ministry. Its experience has been providing down-to-earth knowledge to the discussion for the government-wide policy evaluation system. METI will soon revise the system slightly, reflecting knowledge gained during the trial period and some additional procedures coming from the standard guidelines, and go ahead with the full-scale system.

Box 2. Example of Performance Targets and Progression in “Policy measures for Economic Rebirth” Promotion of small and medium enterprises (SMEs) and venture firms	
Targets	Progress (October 2000)
<p>(1) Developing policies for SMEs to create new industries and employment: Basic philosophical aspects of policies for SMEs will be overhauled, by identifying them as a principal source of dynamism in the Japanese economy and promoting the healthy development of diverse enterprises. An amendment bill for SME basic law reflecting these changes, together with the related bills, will be submitted to the current Diet Session. With the amendments and introduction or reinforcement of SME promotion programmes, the following changes are expected to be made.</p> <p>a) Number of initial public offerings (IPOs) will increase substantially.</p> <p>b) Annual number of new companies will increase by around 100 000. (Around 140 000 at present).</p> <p>c) Accumulated number of innovative SMEs that are supported through “Temporary Law concerning Measures for the Promotion of the Creative Business Activities of SMEs” will increase by 10 000 within three to five years from now. (Around 5 000 at present)</p> <p>Note: The numbers shown above are naturally influenced by the business decisions made by the companies or the owners. Therefore, the causal relationship with the policy is weaker than the cases of other policy target measures.</p>	<ul style="list-style-type: none"> - The amendment bill for the SME basic law passed the Diet Session. - Number of IPOs is 65 by the end of September 2000, and it is steadily increasing (62 in 1998, 73 in 1999). - Precise number of new companies will be shown when the result of “Establishment and Enterprise Census” to be held next year is disclosed. According to the another census data, the increase in the number between January and May 2000 was 23.2% compared to the previous year. - Accumulated number of innovative SMEs supported by the Creative SMEs Law is 5 535 by the end of October and 6 770 by the end of August 2000.

9. OBJECT OF EVALUATION

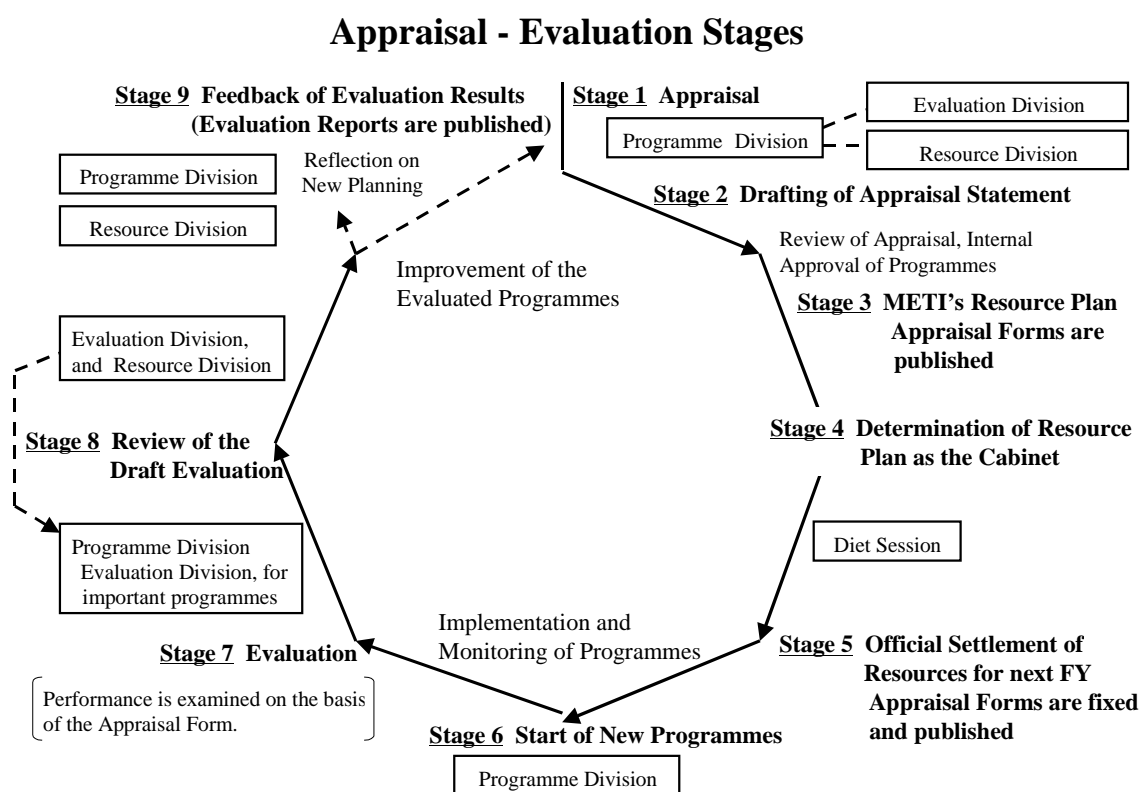
The policy appraisal-evaluation system is applied to budgetary expenditure programmes, fiscal investment and interest-free loan programmes, tax measures and legal measures that are typically a mixture of different kinds of financial measures. In the policy areas where more specialised evaluation systems exist, that is technology promotion, Official Development Assistance (ODA), and Industrial Water Supply Business support (a kind of public works), evaluations are undertaken complying with the area-specific evaluation rules. And the evaluation results are used in the appraisal-evaluation system in order to avoid inefficient additional work.

Regulation is not included in the objects of the system. One reason is the differences of the role of a central resource allocation division (Resource Division). In case of regulatory policy developing, a Resource Division generally does not take a major role in the formation process. Another reason is that appraisal of regulation, which tends to have more significant impacts, needs to be more elaborate than in the cases of

other kinds of programmes. At present, in the planning of new or revised regulation, regulatory impact analysis (RIA), which adopts the benefit/cost principle, is conducted following the “Further Revised Three Year Programme for Promoting Deregulation“ (31 March 2000). However, the current RIA regime neither provides satisfactorily specific information regarding the analysis methods nor is effectively integrated into the policy process. METI is considering developing its own RIA guide to cure these insufficiencies.

10. CATEGORIES (TIME-BASED) OF EVALUATIONS AND ROLES OF DIVISIONS

For METI, one of the most important aims of policy evaluation is considered to be the enhancement of the quality of policies produced. In designing the system, integration of evaluation elements into the policy management cycle is essential. Also, the roles and responsibilities of related divisions were defined as clearly as possible. METI’s system consists of three kinds of evaluations - appraisal, monitoring and evaluation – along the policy cycle, as shown in the chart below.



Appraisal: Even before the system was introduced, appraisal-like activities have naturally existed within the government. Identification of minimum standard issues to be considered at the policy planning stage is important regarding the appraisal here. The director of the division proposing a new or revised programme (Programme Division) is required to summarise the following elements on the Appraisal Statement. The director has to take responsibility for the contents of the Appraisal Form of the proposing programme.

- (1) Rationale: Existence of a problem that will only be solved effectively by METI’s programme needs to be identified. Market failure is a typical example of such a problem.
- (2) Objectives: The objectives section covers what the proposed programme is expected to achieve in addressing the problem. The objectives are aims, or long-term goals, in other words, and usually qualitatively defined.

- (3) Performance Indicators and Targets: Indicators are the measures to gauge performance reflecting the characteristics of the programme. Targets are the specific levels of indicators to measure the progression. Targets are required to be time specific. Outcome indicators, which are supposed to be closely related to the objectives, as well as output indicators are required to be explicitly set. In general, outputs are supposed to be measured at monitoring, and outcomes are measured at evaluation. It is possible, though, for outcomes or user satisfaction measures to be gauged at monitoring if it is expected to be done with insignificant additional burdens.
- (4) Comparison of Potential Alternative Measures: It is necessary that the proposed programme is the most effective and efficient compared with other potential alternative policy measures. “No additional public action” should be considered as an alternative.
- (5) Monitoring and Evaluation: For each indicator listed in the indicators section above, the source and method of collecting data and the frequency are to be set. In addition, timing of evaluation is predetermined here. Of course, it is possible that *ad hoc* evaluation will be conducted in reacting to unexpected social or economic changes.
- (6) Consultation: External ideas or opinions taken into consideration during the development of the proposal are listed here. If public comment procedure is taken or a panel meeting of experts and/or stakeholders is held – these are typical for significant programmes – during the planning, they should also be summarised. For proposals that the Resource Division or Evaluation Division consider important, the divisions are able to require the Programme Division to undertake the public comment procedure. In any case, whether the consultation document involves performance measures (including outcomes) is up to the Programme Division’s decision.

The Appraisal Statement is used as a main document in internal discussions with the Resource Division during the planning of METI’s resource (budget, etc.) request. The Resource Division has the authority to determine whether to adopt a proposal at METI’s request. Indicators and targets are required to be agreed on between the Programme Division and the central divisions (mainly the Evaluation Division). During the procedures, the Evaluation Division, with cross-sectoral knowledge, assists the Programme Division in refining the form, while checking whether indicators and target levels are reasonably set, and whether the boundaries of the programme are clear enough. The Evaluation Division has to ensure at this stage that monitoring and evaluation are going to be conducted properly at later stages.

The Appraisal Statement is also used in discussion with Ministry of Finance in developing the government’s request plan. The Appraisal Statement is made public after METI officially determines its request plan, and then after the government plan is approved by the Diet with making necessary revision to the original.

As an example, indicators and targets set for loan programmes for promoting information technology (IT) related investments by SMEs, which were approved as a part of the supplementary budget for Fiscal Year 2000, are shown bellow. (Its full Appraisal Statement is published on METI’s home page. (only in Japanese)).

**Indicators and Targets of loan programmes for promoting
IT related investments by SMEs (Example)**

Output Indicators and Targets

1. Support 5 525 SMEs through the IT promotion loan by the end of March 2004.
2. Support at least 3 900 of the loan users through the services of experts called “IT co-ordinators”.
3. Support 62 000 small enterprises through the IT promotion loan by the end of March 2004.

Output indicators are measured annually.

OUTCOME INDICATORS

1. Actual IT investment amount per loan user compared with the user's plan.
2. Profile of business break-through realised by IT investment.
3. Much more than half of the users achieve their own objectives of IT investment.
4. Satisfaction rate for the support by IT co-ordinators.

Outcome indicators are measured in March 2006.

Monitoring: The Programme Division is required to regularly collect data of performance indicators listed in the Appraisal Statement. Collected data are sent to the Evaluation Division. Monitoring is expected to be executed at low costs (minimum paperwork costs, in particular) so as not to unnecessarily consume resources usable for the programme implementation. In such cases where the performance indicators do not show expected progress or an unexpected socio-economic change occur, however, the Resource Division and the Evaluation Division can make a request to start a detailed evaluation, for example.

Evaluation (*ex-post* Evaluation): Evaluation is conducted, after a certain period of running a programme, in order to assess the quality of the programme and to extract lessons for the improvement of the programme itself or for policy making in general. The mechanisms between outputs of a programme and the outcomes tend to be complicated. Also, high user satisfaction may not be a satisfactory proof of a good public programme. Therefore, so as to make the policy cycle work meaningfully, evaluation that is integrated, as an element enabling learning by the organisation, in the policy process is essential. It is emphasised that evaluation undertaken internally must be action-oriented, providing information for specific actions to take to the Programme Division (and to the Resource Division if necessary), rather than just a neutral study (though analysis of outcomes is usually conducted as part of the evaluation).

Cost-effectiveness is important especially in the evaluation activities. While there are hundreds of programmes that METI is in charge of, resources employable for evaluation activities are relatively scarce. On the other hand, however, evaluations need to reflect views independent of the programme promotion so as not to make them vacant justification. Arrangement of evaluators is made with this recognition. In general cases, the Programme Division itself conducts evaluation and the Evaluation Division and the Resource Division review the draft evaluation report before finalising it. In such important cases as when the programme is part of a large budget or technically difficult for evaluation, the Evaluation Division, with participation of the Programme Division, conducts evaluation. It is called Intensive Evaluation. If necessary, experts of the METI's Research Institute or any other outside institutions are employed.

At present, since a sufficient amount of knowledge has not been accumulated so far, a template of evaluation is not yet fixed. Instead, possible evaluation contents such as the following are suggested in the guide: Review of the original rationale, Comparison of expected targets and costs and the actual results, Identification of unexpected effects and costs, Comparison between the current situation and without the programme, Analysis of causes and effects (including the effect of external elements), and Identification of problems on the scheme or the implementation.

The methods employed for a particular evaluation depend on the characteristics of the programme and employable resources. Currently, METI is undertaking an experimental evaluation of a law interest loan programme for collaboration of SMEs. There, the evaluation methods used include the following: a simple statistical analysis of the fluctuation of annual total amount of loan approvals, a questionnaire survey of effects on users of the loan programme, face-to-face interviews with users and local representatives, and examination of application processing.

A draft evaluation report is finalised after being reviewed by the Resource Division. For both normal and intensive evaluations, finalised evaluation reports are published. In addition, the Programme Division is required to take actions reflecting the recommendations shown in the finalised evaluation report.

11. TREATMENT OF OUTCOME MEASURES

In spite of the fact that the importance of the outcome measures are generally recognised, concrete use of them in programme management needs to be proceeded with care. It is possible that the usability or effectiveness of outcome measures is greatly different from policy to policy depending on their natures. At present, the Evaluation Division requires the Programme Division (1) to set performance indicators and targets for outputs, (2) to set performance indicators for outcomes, and (3) to identify outcome risks as far as possible. We have a feeling that the outcomes are useful in showing the direction of the Programme Division and actual level of progression toward the direction, and difficult, at least at present, to use as performance targets that have real meaning as a programme management tool. In any case, accumulation of factual knowledge that is obtained from both performance measurement and evaluation seems necessary.

METI has started an internal project to have overall Programme Divisions set performance indicators for existing programmes, which are officially not covered by the appraisal-evaluation system. This attempt is intended to shift programme management toward performance-oriented, foster mergers of piecemealed projects (or programmes) with similar objectives and to make poorly performing programmes visible. With the progression of the project, officials of Programme Divisions are surely getting familiar with managing performance indicators, while the Evaluation Division is accumulating broad knowledge in performance measurement. It seems that feedback from such real world experiments is inevitable for the evolution of performance management, including outcome management, of public activities.

12. TERMINOLOGY

Terminology listed here is from either the “Draft Proposal on Standard Guidelines for Policy Evaluation” or METI’s “Policy Appraisal-Evaluation Guide”, and specific to the policy evaluation system to be introduced into the central administrative system of Japan. Therefore, it is not necessarily consistent with details in general usage.

Costs: Expenses incurred to produce outputs. Costs may include non-cash items that accompany the implementation of governmental activities, such as “social costs”.

Outcomes: The effects that are brought about from outputs, relevant to the aims of governmental activities. Outcomes may occur even to people who are not users of the government activities.

Outputs: The effects produced directly from governmental activities, such as the goods and services.

Policy Evaluation: An assessment, by the nation’s administrative organisations, to provide information useful for the planning and proposal as well as for the proper implementation of policy, through measuring, analysing, or objectively judging the effects of the policy against certain criteria. It is to be implemented after being incorporated as an institutionalised system into a large policy management cycle, which is comprised mainly of the elements: “Plan”, “Do” and “See”.

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PERFORMANCE MANAGEMENT AND POLICY EVALUATION IN THE NETHERLANDS: TOWARDS AN INTEGRATED APPROACH

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1. ABSTRACT

In June 1999, the Netherlands government presented its new proposals on the structure, content, and presentation of budget documents. The new style government budget should give answers to three simple questions: “*What do we want to achieve? What will we do to achieve it? What will be the costs of our efforts?*” After the budgetary year, the government annual report will have to answer the logical equivalents to these questions: “*Have we achieved what we intended? Have we done what we should have done in achieving it? Did that cost what we had expected?*”

The general purpose of the proposals is to make budget documents and, hence, the budgetary process more policy-oriented by presenting information on (intended and achieved) policy objectives, policy measures or instruments, and their costs. As a consequence, the new style budget will contain the following performance indicators:

- (the quantity, quality, and costs of) products and services (*output*) “produced” by government or government services in order to achieve certain effects, and;
- the intended effects of those measures (*outcome*).

The causal relation(s) between policy measures and effects will play a pivotal role in the new style budget and account. Moreover, since reliable information on policy effects is rarely available on an annual basis (or at very high costs), it is recognised that this new way of budgeting also calls for an integrated approach to (1) policy programme design, (2) performance management, and (3) policy evaluation research.

In this article, I will focus in on the merits of the new style budget from a performance management and policy evaluation point of view. The central question is: will the new style budget indeed allow for a better geared employment of periodic (annual or cyclic) and less frequent information on policy outcomes and management output. And, if so: what are the chances of enhancing the utilisation of the results of evaluation research by tuning its employment to the systematically available data of performance-oriented systems of planning and control?

2. HISTORY AND CONTEXT OF OUTCOME FOCUSED MANAGEMENT: FROM REGULARITY (INPUT) TO EFFICIENCY (OUTPUT) AND EFFECTIVENESS (OUTCOME)

“Society demands increasingly more of Government. It is therefore necessary that we are decisive in purposefully and efficiently seeking to turn policy plans into results. That is one of the reasons why Government is working hard to improve its organisation and working methods. A decisive government, effective policy and efficient management. That is how we might sum up the objectives of the Cabinet in the area of financial management” (Ministry of Finance, 1998).

As this excerpt may illustrate, financial management of the Netherlands Central Government is in a constant state of flux. Ever since the mid-80s, much has been done to improve the legitimacy and efficiency of the use of public funds. Both the ambitions and instruments of the State’s financial managers

and controllers are increasing. In the mid-80s, the need to control government expenditure could not be stressed enough. Since then, much was achieved. Because of this, the Ministry of Finance was able to develop and implement the results-oriented management model and to harmonise the budget and policy cycles.

During recent years the focus has shifted from regularity to efficiency and effectiveness. The key to this development lies in the improvement of management of government organisations: management should become more output- and, especially, outcome focused. The objective of the results-oriented management model, hence, is not just to “save money” but foremost to improve government performance by clarifying the relation between the deployment of resources, products and services and the outcomes to be attained, *and* to take this as a starting point in both policy-making and -implementation. This will result in a greater transparency of the budgetary processes, which is beneficial to the external control of Government agencies by Court of Audit and Parliament. As a norm - of results-oriented management, too - government must do the *right things* and has to do those things *right*. In other words: its output must be produced in a cost-efficient manner (while meeting certain quality standards) but, more importantly, output should be regarded as a indispensable means to achieve certain policy objectives in terms of outcome.

In this regard, bridging performance management and policy evaluation is *en vogue* (Blalock, 1999). In Holland, the importance of “teaming up” performance management and policy evaluation research was first acknowledged in 1991. Since the early 1990s, the following categories complementary “evaluation instruments” are distinguished in the Netherlands Central Government:

1. systems of *performance (output)* and *effect (outcome) indicators*, which provide periodic insight or “monitoring information” into government output and the extent to which policy makers have achieved their aims in terms of desired outcomes;
2. (project-based) *policy evaluation research*, which usually take place less frequently than once a year and focuses on outcomes: the *net (societal) effects* of policy programmes, and;
3. *organisational auditing*, in which the operational management and performance of specific organisations are reviewed.

2.1. The development of performance and effect indicators

One of the earliest forms of performance measurement in the Netherlands was “performance budgeting” (Sorber, 1999). Since the 1970s, Ministries have provided annual performance data in their budgets (Klaassen & Van Nispen, 1998). The main functions of this approach to performance budgeting were:

- to increase Parliament's insight into the budget estimates in order to improve decision making on the appropriation of funds (the allocation and control function), and;
- to foster efficiency and effectiveness of the various policy programs (the management and control function).

These functions are still very relevant today. The availability of reliable and timely information on outputs and outcomes is of vital importance to the development of more efficiency and effectiveness through transparency. In the 1990s, there has been a systematic development of output and outcome indicators. A step-by-step approach was used, tuning in to the aforementioned ambitions of good governance: expenditure control, efficiency and effectiveness (Ministry of Finance, 1999).

Up to and including the 1996 Budget, the emphasis was put on “estimate key figures”, i.e. data that provide insight into the factors upon which budget *estimations* are based (e.g. the expected number of refugees seeking asylum in the Netherlands). This information, however, was largely restricted to data on price and quantity aspects of budget estimates, the so-called “P(rice) × Q(uality) approach” (Sorber, 1999). Relevant as they may be for budgetary purposes, estimate key figures as such do only partially provide insight in actual government performance. One reason for this is that it was endorsed that they included either output or input factors (e.g. the number asylum seekers or the number of civil servants employed by central government).

For this reason, in the preparations of the 1997 and 1998 Budgets, the emphasis shifted to real performance indicators. Through the inclusion of the costs and quality of government products and services, much insight was gained into the *efficiency*, i.e. the resources-performance ratio. The main figure to assess efficiency is “cost per unit output”, combined with quality indicators (e.g. the annual costs of detaining prisoners, given certain quality specifications). By comparisons over time, cross-sectional analysis (benchmarking) and comparisons with specific norms or targets insight in efficiency improvement can be acquired (Ministry of Finance, 1994/1998). The insertion of efficiency information in ministry budgets paralleled the introduction of the *state agency* model (see § 5).

The possibilities to qualify and quantify output, however, differ greatly per Ministry. Also, it is easier to do so in organisations of a more administrative, policy implementation nature (such as state agencies), than in organisations that are involved in more policy development orientated activities. Still, over the past years, much progress has been made, both in quantitative and qualitative terms.¹² At the moment, 93% of eligible government expenditure is validated by means of information on the costs (and quality) of products and services rendered.¹³

In 1998, during the preparation of the 1999 Budget, the first steps were taken to develop key figures on the outcome of policy measures (e.g. the effects of mental emergency programmes on the total of suicides or the effects of a wildlife protection programme on endangered species). The objective of outcome indicators is to gain insight into the outcomes pursued - and, *ex post*, the degree to which policy objectives are realised *thanks to* the policy measures taken (i.e. the true impact of policy measures). In 1998 and 1999, ministries started to include target figures on the effectiveness of policy programmes in their budgets. Nevertheless, information of this kind is still very rare. By putting the objectives of policy measures first, the new proposals on the structure, content and presentation of budget documents does correct this inadequacy (see § 3).

2.2. *Policy evaluation*

With respect to information on the outcome or impact of policy programmes, it is important to make a distinction between *effect indicators* (literally: “clues”, “pointers” or “signs”) and the *effects* of policy programmes. Effect indicators offer a sign or an indication that the pursued effects are or - less certain - will or even may be attained. Policy effects are “the real thing”: they represent the actual change in society (or in an organisation, a target group, etc). When measuring the true impact of policy measures, the interference of non-policy factors should be excluded. Here, policy evaluation research - the second “evaluation instrument” - often will be the sole option. Contrary to estimate figures and the costs of products or services rendered, measuring the impact (effectiveness) of policy programs requires thorough, methodological sound in-depth evaluation research.

Within category of evaluation research, the usual distinction is made between *ex-ante* and *ex-post* evaluation studies. *Ex-post evaluation* studies are defined as studies in policy measures are assessed retrospectively. This type of study may relate to the following aspects:

- method of implementation (in relation to the planned method of implementation), possibly in conjunction with cost aspects;
- the output/services/products supplied (in relation to the intended production; both quantity, costs, and quality are researched), and/or;
- (most frequently:) the net effects and side-effects resulting from the policies pursued in society (in relation to the intended effects or efforts to avoid undesired side-effects).

Ex-ante evaluation studies (evaluation in advance) are defined as future-oriented studies, aimed at gathering information on and analysing:

- two or more policy options (entailing a different method of continuing present policy), and;
- their expected effects and side-effects within the implementing body and/or in society.

The difference between *ex post* and *ex ante* evaluation studies lies, of course, in the fact that the latter are future-oriented (prospective versus retrospective). This distinction has implications mainly for the quality criterion “empirical content”.

20. Part of *ex ante* evaluation is, of course, the way with which uncertainty and risk are being dealt with. In the Netherlands, it is prescribed that a risk of 4 per cent should be discounted in the benefits of all projects. All risks of project must be taken into account in the assessment of costs and benefits. In addition, it is being recommended that proposals for new policy should be accompanied by risk scenarios and/or “vulnerability analyses”.

2.3. *Organisational auditing*

Organisational audits are carried out throughout Central Government to review the operational management and performance of individual - parts of - Government organisations and services. These audits are often carried out by interdepartmental teams, but - as a rule - primarily relate to single departments. Since 1997, this third evaluation instrument was actively promoted throughout government by carrying out interdepartmental policy research into the planning and management of Public Services. Its main goals were (1) to review the degree to which existing administrative and management systems could be characterised as “results-oriented” and (2) to put forward improvement proposals (see § 5). In 1999, the Ministry of Internal Affairs started to carry out “visitations”: audits carried out by interdepartmental working groups, meant to give “fraternal advice” to colleague professionals. In addition to these government-wide initiatives, each ministry carries out its own organisational and/or operational audits.

2.4. *The “best mix” approach*

In what situation and/or with what frequency should which evaluation instrument be used? Complex as government and public policies are (or seem to be), it is surprisingly easy to give an answer to this question. As a pragmatic principle, the “Frame-of-reference for policy evaluation instruments” advocates to “use the best mix of categories, and ensure that they are well matched”. Today, with the implementation of the new style budget, the conditions for effectuating this mix seem better than ever (see Table 1 in paragraph 2). In 2001, some criteria were agreed upon and written down in a Ministry of Finance Regulation (Ministry of Finance, 1994/1998; 2001).

Table 1. **When to use which evaluation instrument: some general criteria**

***Ex ante* evaluation research**

When proposing new policy programmes, it is obliged to assess, whether an *ex-ante* evaluation may contribute to the decision-making process. This assessment must be documented. (Note: carrying out an *ex-ante* evaluations is especially recommended if the expected level of risk is high and/or in the case of major policy changes.)

Performance indicators

All government expenditure must be exemplified by means of performance (output) and effect (outcome) information. This information must be included annually in the budget documents and annual account. (Note: Setting up a system of performance indicators is often not worthwhile in the case of “one-off matters”. Other evaluation instruments are more appropriate in such cases.)

***Ex post* evaluation research**

Most systems of performance indicators do not provide a reliable insight into “policy - outcome causality”. To assess the underlying relationship between policy programmes and the actual effects of those measures in society (outcome), a project-based *ex post* evaluation study is required. Project-based *ex-post* evaluations should be carried out at least once every five years for each budget line item (i.e. each general policy objective of central government – see chapter 3). A higher frequency is required in the case of matters that are of significant financial or social risks and/or if negative signals have been received regarding the outcome pursued. Performance indicators play a pivotal role in determining the need for such a higher frequency.

3. “ALL THINGS ARE OBEDIENT TO MONEY”: TOWARDS A MORE POLICY-ORIENTED MINISTRY BUDGET AND ANNUAL ACCOUNT

3.1. *Linking budgets to policy: the 1999 budget reform*

Departmental budget documents and annual accounts fulfil essential roles in the relation between Government and Parliament. The budgetary process constitutes the basis for allocating resources to all kinds of policy priorities. Moreover, it is a precondition for an efficient and effective policy implementation and, as such, enables the States General to give effective substance to its decision-making and controlling tasks.

Next to the budgetary process, however, public policy tends to have its own cycle (in scholarly terms: that of formulating objectives, developing policy programmes, implementation, assessing results, re-adjusting objectives and/or programmes). A key feature of the policy cycle is that it is generally longer than the budget cycle and that several policy cycles coalesce in the budgetary cycle.

Still, over the past two years, several initiatives have been taken to connect budget cycles more closely to the archetypical policy cycle. Since the mid 1990s, Dutch budgetary decision-making revolves around the so-called "one decision making moment", at which point the concept-budgets are decided upon. Here, the budgetary and the policy making cycle intersect. With the introduction of "policy letters" – statements in which line ministries forward their proposals for new policies, together with their financial needs - at the beginning of the budgetary process, this development is institutionalised even further.

The most important initiative by far, however, is the current reform of ministry budget documents and annual accounts. Under the title “From policy budget to policy annual account” the Netherlands Government published its proposals to improve the information value and accessibility of budget documents and annual accounts (Parliament, 1999). The general purpose of the proposals, which were sent to Parliament in May 1999, is to make budget documents and the budgetary process more policy-oriented. It is believed that Parliament (and other users of the budgetary documents) are both interested in (1) the objectives of policy and the way those objectives are being pursued, and in (2) the amounts of money spent by ministries in doing so. More policy-oriented budgets provide better information and will be better accessible.

It should be stressed, at this point, that the budgetary right of Parliament pertains to authorising budget line items or “policy budget articles”: the headings under which expenditure are grouped.

3.2. From input to output and outcome

The ideas behind the current budget documents date from the mid-80s. At that time, the regularity and controllability of government spending was still high on the agenda (Paragraph 1). This is reflected, *inter alia*, by the fact that many input data were included in the budget documents (e.g. personnel, materials). In addition, from a control-oriented point of view, there are obligatory articles or sub-articles for advisory bodies, guarantees, “open end schemes”, loans, and participations. Since the 1980s, however, much has been achieved in this field (and must be preserved!). The problem with the “old-style” budget documents, however, is that the main lines of policy are often difficult to recognise. Frequently, there is no direct relation between the financial proposals and the underlying policy plans. It is often hard to find a direct connection between policy, performance and resources (Van der Knaap et al., 1999).

In line with the higher ambitions of financial management described earlier, the employment of efficiency and effectiveness as guiding design and classification principles in the budget and accountability process is a logical next step. In short, departmental budgets must answer the questions: “*What do we want to achieve, what steps will we take to achieve it and what should it cost?*”. And in the counterpart of the budget, the annual account: “*Have we achieved what we intended, have we done what we should have done in achieving it and did that cost what we had expected?*” (Ministry of Finance, 1999).

The purpose of the redesign of the departmental budget and annual account is to make the budget more in line with actual policy objectives and measures. Wherever possible, a direct connection must be made between (1) policy objectives, (2) the policy instruments employed *casu quo* the products and services rendered by those instruments and (3) the resources required to do so. In the new style budget, the policy objectives are decisive for the structure of the Ministry budget documents. The intention is to attain a classification of policy articles in which the policy areas are clearly recognisable, sufficiently homogenous and whereby by the above link - between objectives, measures, and money - can be made.

3.3 Budget outline: policy objectives are leading

In the new style budget, every line item is based on a general objective of government policy: the simple questions “what do we want to achieve; what are the intended (final) effects – or outcomes - in society?” is leading. Still, making a general policy objective and target values explicit and manageable (or “steerable”), will not always be possible. As an example, we may take the objective to “integrate recently immigrated people from an ethnic background into Dutch society”. To be specific, the general policy objective must be translated in one or more specific operational policy objectives. This may take in two, often parallel ways:

1. formulating *intermediary effects*: manageable and quantifiable outcomes that contribute to the realisation of final policy effects (in our example, the percentage of newcomers taking part in a naturalisation course), and;
2. formulating further crystallised effects that give an good indication of the final policy effects (such as the number of people from an ethnic background in paid employment).

In this way, general policy objectives can be put into further operation: an indication is given of what the target group is and what the desired target values are.

To increase the comparability of policy articles (line items), a universal structure is used. This takes the following form in both ministry budgets and annual accounts:

Box 2. The general structure of policy articles

general policy objective
policy objectives put into further operation
budgetary consequences of policy
explanation based on performance and effect indicators
information on budget flexibility
underlying assumptions concerning effectiveness, efficiency and estimates

Box 3. An example of a policy article: Energy policy

general policy objective:
ensuring an efficient and sustainable provision of energy for domestic use
policy objectives put into further operation:
1. improved efficiency of domestic fossil sources plants (+15% by 2006)
2. increased market share of sustainable sources (+20% by 2006, accounting for 4% of total energy production)
3. reduced CO2 output levels: meeting Kyoto targets by 2010
budgetary consequences of policy:
split into (1) production or "apparatus" costs and (2) direct policy costs
explanation based on performance indicators and effect indicators
Operational objective 1: effect indicators: (final) increased energy output versus resources input, (intermediate) number of plants with approved conversion schemes performance indicators: information on the costs and quality of regulation, advise, grants, inspections

Although desired outcomes are leading in the composition of the new budget documents, many organisational dimensions still continue to shine through. First of all, the budget documents are still organised around the line ministries. Secondly, the internal structure of Dutch central government is - in many ways - a reflection of important policy themes (e.g. there is a directorate dealing with energy policy). Still, it's not organisational structures that determine the contents of the budget (and, hence, the appropriations of Parliament), but policy outcome objectives. Where more than one ministry is involved with a certain objective (e.g. Agriculture Education & Research), there will be special "overview items" in the budgets. The ministry with a "leading role" will feature the line item in its policy oriented budget. In other words: outcomes to which many organisations contribute, will still appear in one place in the budget.

3.4. Explanation on the basis of performance and effect indicators wherever possible

Output and outcome information play a pivotal role in - the explanatory memorandum to - policy articles. In the new style budget, they fulfil the function of "target figures". In the annual account, the realised performance and effects are presented in the context of those target figures. In both ministry budget and

annual account, performance and effect indicators are given for a number of years. To promote readability and identifiability, they are presented in separate tables or diagrams. In addition, for good understanding it is important to clarify the meaning of the data with a thorough policy-oriented explanation (Ministry of Finance, 1999).

The new style budget proposals assumes a clear-cut distinction between periodic (annual or cyclic) and less frequent information on government (output) and policy effects (outcome). The reason for this is a rather pragmatic one: covering every aspect of policy information every year, would be either too expensive or simply impossible. This holds especially for the final net effects of policy programmes. As a general principle, performance and effect indicators (signs or indicators of policy effectiveness) are included on an annual basis. After all, the bigger part of this information is (or should) be available as a “by-product” of results-oriented policy and management systems (OECD, 1999). Information on the net effects of policy should be included in budget documents every four or five years or, when there are significant financial or other risks or in the case of negative feedback (“alarm bells”), more frequently. Table 1 summarises the “best mix” inclusion of performance and effect indicators and the results of evaluation research.

Table 1. **Linking performance and effect indicators to the results of evaluation research in the new ministry budgets and annual accounts**

<i>Ambition:</i>	<i>Information:</i>	<i>example:</i>	<i>source:</i>
Effectiveness	Impact or final and exclusive effects of programme X	the “real” integration of people from an ethnic background in Dutch society due to policy programme X	<i>ex post</i> evaluation research
Indicative Effectiveness	Intermediate (gross) effects	the number of people from an ethnic background in paid employment	annual figures from the Ministry of Social Affairs (annual cycle of planning and control)
Intermediate Effectiveness	effect indicators / output	Number of students graduated with a certain degree of knowledge of Dutch language and culture	annual figures from the schools (annual cycle of planning and control)
Efficiency	costs indicators on the quality of output	the “production costs” per student (meeting specified quality conditions)	annual figures from the schools (annual cycle of planning and control)

Now what is being described exactly in Table 1? In fact, it is a rather simplistic portrayal of the complex policy programme “Integrating new immigrants”. The general policy objective is: to integrate those “newcomers” (as they are called) into the Dutch society. But how can one tell if this is ever achieved? Do we expect newcomers to sing “Sinterklaasliedjes” (songs sung to lure the traditional Dutch figure of Sinterklaas – the original to Santa Claus - into giving presents? Should they marry the Dutch? Participate in sporting clubs? And, if these are the outcomes we may indeed finally seek: how on earth can government policy programmes contribute to that? (For one thing: this would require in-depth policy evaluation research!)

A good example of a policy objective put into further operation is then to try to help newcomers find suitable jobs. Or, to be more specific: to assist them in attaining a certain degree of knowledge of the Dutch language and Dutch society. Why? Because these are considered to be the two most important determining factors in succeeding on the job market. And, in the background, it is believed that “work” is a key asset for anyone who wants to become part of a – work oriented – society as the Dutch one. So what we now have is a classical example of a “theory of policy”: we want newcomers to become part of our society, we translate that into the indicative outcome of “paid employment”, with language and orientation courses as instruments to demolish the obstacles that may obstruct finding paid employment.

On paper, everything looks clear. The key question, of course, is: will everyday practice allow for a well-considered combination of performance management and policy evaluation? Here, the mother of wisdom may well be earlier experience with results-oriented policy and management.

4. FROM DEVELOPMENT TO UTILISATION: INTEGRATING PERFORMANCE MANAGEMENT AND POLICY EVALUATION

Despite the fact that much progress has been made in the inclusion of performance indicators in ministry budgets, the actual utilisation of this information still leaves much to be desired. In recent years, some Members of Parliament complained about the “bureaucratic” and detailed nature of the performance indicators (Ministry of Finance, 1998). The Netherlands Court of Audit, a true supporter of performance indicators, has expressed serious doubts on the value of “top down” approach of the Ministry of Finance’s step-by-step approach of the 1990s. Some ministries actually stated that they did develop performance indicators “to please the Ministry of Finance”, but that they are of little use in the actual decision-making processes on policy and budgets (Court of Audit, 1997).

From a normative point of view, the question how performance and effect indicators *should* be used in allocating resources, orchestrating networks and managing policy implementation processes can be answered easily: open, results-oriented, embedded in decision making processes, while at the same time taking account of each actors’ specific capabilities and responsibilities. From an empirical point of view, too, however, there is ample experience with results-oriented policy and management or “new public management” in the Netherlands (Leeuw, 1997).

5.1. Using “new public management” experiences

In 1991, the agency model was introduced, intended to increase the efficiency within Central Government by means of results-oriented management.¹⁴ Currently, there are 24 agencies with an overall turn-over of approximately NLG 4 billion. The number of personnel amounts to around 30 500: more than a quarter of the total number of public servants within the Netherlands Central Government.

In 1997, a national assessment was carried out to examine whether the above-mentioned objective of the agency model has been attained. The most important conclusions are that the agency model has proven its value for results-oriented management and that there are indications to suggest that (result-oriented management based on) the agency model has increased efficiency within Central Government.¹⁵ In addition, experience with the utilisation of information on the costs and quality of products and services was gained with thirteen interdepartmental policy research projects into the management of large government services. Several large inspectorates and the Tax Service were reviewed on the possibilities of a more output-oriented management (within the organisations concerned) and a more results-oriented way of governing and controlling these organisations by the ministries.

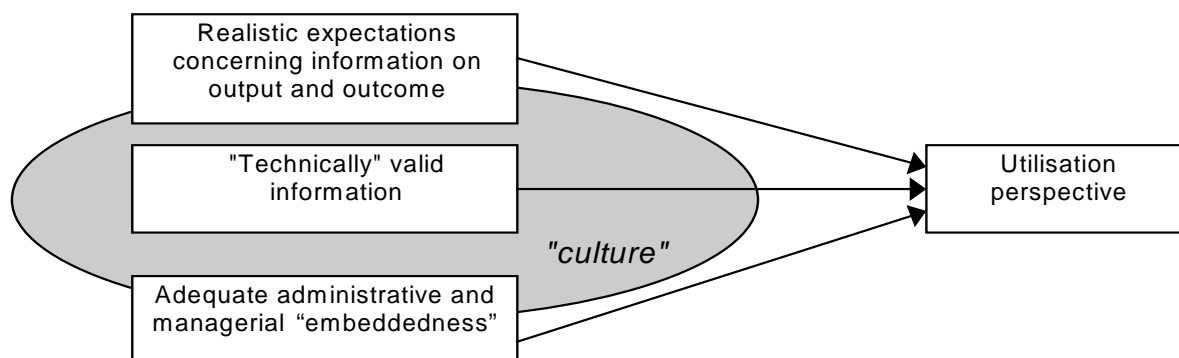
The lesson of experience is clear: results-oriented policy and management revolves around the causal relation(s) between measures and effects. Let me take the Agricultural and Fisheries Inspectorate (AFI) as an example. The Ministry of Agriculture and Fishery wants to achieve certain objectives concerning fish stock. The causal relationship between (1) the output of the AFI (inspections at sea, in number, costs and quality) and (2) the outcome (compliance with fishery rules and, hence, the amount of undersized fish illegally caught and, hence, the development of fish stock) provides a logical “steering point” for the relation between the ministry and the Inspectorate. After ten years of state agencies and other new public management experience, the conclusion is justified that the only way to really start using performance and effect indicators is to apply these instruments in actual ways of:

3. devising policy measures (e.g.: Which degree of inspection & control – “change of being caught” - is really needed to secure compliance with agriculture and fishery laws? How many objects do we need to inspect? Which quality criteria do we expect these inspections to meet?);
4. allocating appropriate resources (given the policy measure and the vision on inspection therein: what is the workload for the AFI? How does that translate itself in budgetary consequences?);
5. managing policy implementation processes (i.e. steering and controlling actors involved in policy implementation, for instance through the use of quarterly AFI reports), and;
6. rendering account of one’s intents, performance, and effects.

5.2. *Towards a functional utilisation of output and outcome information*

In order to improve the actual utilisation of performance indicators and the results of evaluation research, it was deemed necessary to further explore the political and management dimensions of policy information. In 1999, seven “vanguard projects” were launched to study the actual use of performance and effect indicators and the results of policy evaluation research in management and the decision-making and budgetary process. For this purpose, a special analytic framework was drafted, focusing in on four dimensions of utilisation of performance indicators and the results of policy evaluation research:

7. a clear-cut understanding of information on management output and policy outcome (pertaining to efficiency and effectiveness respectively);
8. the methodological quality and presentation of indicators and - the results of - evaluation research;
9. the administrative and managerial “embeddedness” of policy information in decision-making and budgetary processes, and;
10. the degree to which the organisational and political context can be characterised as “results-oriented”.

Figure 1. **Performance information: four dimensions of utilisation**

For the purpose of this contribution, I will refrain from (again) elaborating on the different categories of performance and effect information (see Paragraph 2). The main lesson learned in practice is that confusion of concepts often obstructs a proper use of information available. "Semantic clarity" and, hence, realistic expectations concerning information on output and outcome are prerequisites for an effective utilisation of both performance and effect indicators and the results of evaluation research. In addition, it may be clear that the reliability and technical validity of information, as well as their timely availability and "accessibility", still constitute important utilisation determinants.

5.3. *Using information: prompting learning processes*

In addition to conceptual clarity and technical quality of policy information, the "vanguard projects" pay special attention to the more utilitarian or practical dimension of budgetary decision making and management. The first aspect of this dimension is the degree to which performance and effect indicators or the results of evaluation research may incite learning processes. Earlier, I defined a "learning government" as a government that aims at improving its policies - and does so with a certain degree of success (Van der Knaap, 1995). Policy-oriented learning comprises the detection and correction of imperfections, deficiencies, errors, etc. By means of feed-back information, policy makers are enabled to detect and correct errors or these flaws. To facilitate these learning processes, policy information (in ministry budgets, annual accounts and other planning and control documents) should:

1. enable a systematic comparison between target figures and results;
2. include multi-annual overviews of performance and effect indicators;
3. make it possible to draw up comparisons between similar organisations, and;
4. provide a synopsis of the conclusions that can be drawn upon performance or effect indicators and the results of policy evaluation.

5.4. *Adequate administrative and managerial "embeddedness"*

According to the Court of Audit, the "embeddedness" - or rather: lack of embeddedness - of indicators and the results of evaluation research in decision-making and budgetary processes constitutes the main reason why the insights these instruments provide, are not well used. An important disadvantage of the "top down" approach to developing performance and effect indicators ("pleasing the Ministry of Finance"), is that the information in budget documents is often little used in the actual decision-making processes on policy and budgets. There appears to be a "glass ceiling" between the information that is used in

administering policy implementation (or implementation agents) and information that is included in the budget documents sent to Parliament (Court of Audit, 1997).

Ideally, the performance and effect indicators that are used at a “decentral” management or implementation level and the information used at a central level (including Parliament) should be in line.¹⁶ In addition to this complementariness, performance and effect information (including the results of evaluation research!) should be connected to the cyclic stages of policy and budgetary decision-making at all government levels: services, ministries, and central/Parliament.

5. CONCLUSIONS AND DISCUSSION

Back to the main question of this article: does the new style budget, as a clear-cut exponent of the performance management movement, allow for a better geared employment of periodic (annual or cyclic) and less frequent information on management output and policy outcomes? Of performance and effect indicators and policy evaluation? On paper: yes. In practice, too, the prospects look good: for the first time, information on policy effects and management performance is put central at all decision-making levels of central government. There are, however, as the Dutch saying has it, a few nasty “spikes on the road ahead”.

5.1. *A rational-analytic approach: disqualification or strategic advantage?*

On paper, the new style budget has the potential to provide a close-to-perfect point of departure to a well-considered combination of performance management and policy evaluation. The main reason for this is that the new style budget takes the threefold question “*What do we want to achieve? What will we do to achieve it? What will be the costs of our efforts?*” as a starting point. The answers to these simple questions constitute the red line throughout both public sector performance management and policy evaluation research: some information is available on a regular, “planning and control cycle basis”, whereas other information does require thorough investigation. In a well geared system, therefore, evaluation research has two functions:

1. filling in *lacuni* or blind spots in regular, planning & control cycle related policy information;
2. exploring the “credentials” of regular performance data.

The first and foremost function of evaluation research is a rather classic one: to gain *ex post* insight into the achieved net effects of policy measures and, if the results point in that direction, study possible shortcomings in the implementation, policy theory or even purpose of the policy programme in question. In this respect, evaluation research contributes to the overall ambitions of a results-oriented government by addressing “technical difficulties” in the field of outcome contribution (*e.g.* by providing knowledge on how to model causality; compare Davies, 1999). It is widely acknowledged that performance and effect indicators but particularly evaluation research can help to rationalise if not improve the process of allocating financial and human resources (*e.g.* Guth, 1998). The essence of the proposals is that the new style budget and annual account will explicitly connect policy objectives with resources. If only because of budget allocation, a careful formulation of objectives into performance data is required which, in turn, calls for well-considered, well-designed policy programmes. As budget documents are open to public scrutiny, it will urge policy makers to think hard about the both the objectives and instruments of public policy before they set out to action. This will almost automatically lead to a wider use of both *ex ante* and *ex post* evaluation research, including quantitative cost-benefit analyses.

Still, as a first spike on the road ahead, the adage that “in the lion pit of politics and bureaucracy, rationalised choices are eaten, but sorely digested”, remains true (Le Blanc, 1982, in: Klaassen & Van

Nispen, 1998). Ever since its first beginning, policy evaluation was attacked (and considered irrelevant) precisely because its ivory tower-like, theoretical approach with an obsession for facts and figures. Especially in the Dutch “poldermodel” - *i.e.* the Third Way *avant la lettre*, where decisions on government action are subject to a whole range of public enquiry procedures and the consent of virtually all interest groups - the degree to which claims on “rational choices based on objective knowledge” really can determine policy measures, seems limited. In contrast, by sharpening the edges of the policy intentions and means, central government could well use this new found rationality to influence the outcome of network-oriented decision-making. Examples of this can already be seen in the fields of agriculture (manure policy) and the environment (sound pollution around Amsterdam Airport).

5.2. *Triggering defensive response*

Evaluation research makes it possible to “dig deep” into the composition of costs or the quality of certain products and services and, especially, the degree to which performance and effect indicators “paint the real picture” of performance (efficiency) and of effects (effectiveness). One of the risks of using performance and effect indicators is *tunnel vision*: policy evaluation may correct this. Questioning public policy objectives, the translation of objectives into instruments and measures, and the way policy-makers report (!) on the progress of policy programmes remain crucial parts of the *raison d'être* of policy evaluation, especially in a context of results-oriented management and policy. But, as Johan Cruyff often says: every advantage has its disadvantage. The second spike is connected to this “self-centered rationality” of systems of performance and effect indicators. If the result of evaluation research is that the existing set of indicators does “not paint the real picture” (and should therefore be modified), the evaluator will have to confront institutional defensiveness (or defensive routines - Argyris & Schön, 1978).

5.3. *Measuring performance and policy outcome: accountability versus learning*

A predominating function of the new style policy budget is the facilitation of a more clear-cut, transparent way of allocating resources and rendering account of the departmental financial and overall functioning. The quantified policy objectives of the new style budgets make it almost irresistible, to pass a judgement. The new style budget documents make it easier to compare policy intentions with results and, hence, to detect deficiencies or “shortcomings” (both in terms of management efficiency or performance and policy effectiveness).

Here, too, another classic dilemma rises to the surface: while giving account (on the regularity of financial management, on the performance of one’s organisation, on the effectiveness of policy programmes), people often eschew from admitting “errors”. When it comes down to “good governance” or “transparency”, rendering account (to controllers, to Parliament, to the public) and policy-oriented learning are two sides of one coin. In practice, however, they may well be two different coins; hence the third spike. As an analysis of the impact of the European Union Court of Auditors on structural policies showed, the perceived threat of “eager faultfinders” may lead to quite substantial defensive mechanisms on behalf of the policy makers (Van der Knaap, 1997). Moreover, a continuous focus on “deficiencies” may eventually lead to the pitfall-impression that the government in question, does not give value for money. More seriously, an unrestrained pattern of “making mincemeat” of benevolent politicians and/or policy makers who are transparent in what they want to achieve with what, will undoubtedly do away with the results-oriented management and policy model very soon.

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OUTCOMES FOCUSED MANAGEMENT IN NEW ZEALAND

Section 1: Overall Approach to Outcomes Focused Management

Broad Context for Outcomes Focused Management in New Zealand

New Zealand's public sector management system has been in place for over a decade. The intent of the reforms of the late 1980s and early 1990s was to shift the focus from how much was spent, to what it was spent on and why.

The core model underlying the reforms involves Ministers specifying clearly what outcomes they wish to achieve, and which outputs (and other interventions) they wish to pursue to achieve these outcomes. This process is informed by the policy advice process.

When Ministers have agreed with departments, and other suppliers, the outputs that should be supplied and the parameters¹⁷ they should be supplied within, departments and other suppliers have freedom to manage the resources allocated to them to produce the desired outputs. The final plank of the system is accountability for performance. If the system is to be as effective as possible, managers need to be held to account for their performance managing the allocated resources to produce the desired outputs. They also need to be held accountable for the quality and responsiveness of the advice they provide to Ministers on adjustments to the mix of outputs in order to adapt to changes in the environment, new information etc.¹⁸

A key part of implementing this model was improving the information available to decision-makers. In particular, as Ministers began to focus on outputs rather than inputs, there was a move from cash accounting to accrual accounting so that Ministers, Parliament and other stakeholders had better information on how much it actually cost to produce the desired outputs. At the same time, Government budgets began to be presented to Parliament in output terms rather than input terms. The Government is required to state, in the budget papers, how the purchased outputs link to its desired outcomes, but Parliament still appropriates explicitly for outputs.

An explicit part of the reforms, which relates to the output/outcome distinction, was to outline the separate responsibilities of Ministers and Chief Executives. Scott, Bushnell and Sallee state:

The approach taken in the New Zealand financial management reforms is to require chief executives to be directly responsible for the outputs produced by the departments, while the ministers choose which outputs should be produced and should therefore have to answer directly themselves for the outcomes.

This vision has not been realised in the way that was originally envisaged. It does illustrate, however, the central role that outcomes played in the financial management reforms. Conceptually, the New Zealand system focuses on outcomes. There have, however, been significant implementation difficulties for a variety of reasons and work continues to address those.

Strategy Setting

Whole of Government Strategy

The Government sets the highest level outcome goals. The Fiscal Responsibility Act (1994) requires the Government, in the Budget Policy Statement, to:

specify the broad strategic priorities by which the Government will be guided in preparing the Budget for that financial year.

Since the mid-1990s this requirement has been met by various sets of goals under various names. There have been “Strategic Result Areas”, “Strategic Priorities and Overarching Goals”, and currently, “Key Government Goals to Guide Public Sector Policy and Performance” (which are attached as an annex).

In general, these goals are not so much goals as statements of broad direction. They are not tightly specified, and no targets or quantifiable measures have been developed to measure progress against them.

Outcomes in the Budget Process

The high-level goals have been used to varying degrees as a prioritisation tool in the budget process. As noted above, Parliament appropriates for outputs. The Public Finance Act, however, requires Ministers to identify in the Estimates (Ministers’ requests to Parliament for appropriations):

the link between the classes of outputs to be purchased by the Crown and the Government’s desired outcomes.

Current practice is variable, although, for the most part, this has been done in a cursory fashion merely by asserting that output *a* contributes to outcome goal *b*. Ministers are not required to produce measures to demonstrate this or to provide a gauge for future performance. Also, because there is a relatively high number of Ministerial portfolios and departments, few key goals are the responsibility of a single Minister or department. This is one reason why it tends not to be possible to hold individual Ministers or agencies responsible for achieving outcome goals.

This requirement to link outputs to outcomes in the Estimates is not the only way outcomes feature in the budget process though. The greater part of Ministerial scrutiny of expenditure in the budget process is of new spending proposals, even though this constitutes less than 5% of total expenditure.

A key tool in managing the prioritisation of new spending proposals is through a fiscal management tool called the fiscal provisions. As part of being transparent about its short-term fiscal objectives, each year the Government must outline how much it intends to spend that year and the two following. Informally, this statement of fiscal intentions is built upon a fiscal provisions framework that sets the level of additional discretionary Government expenditure (there are separate provisions for capital and operating expenditure). The Government commits to fiscal provisions that effectively limit the amount it can spend on new policy decisions.

The fiscal provisions, in combination with the Key Government Goals, make for a powerful prioritisation tool. They set a transparent budget constraint, and outline what the highest priorities are within that constraint. Because demand for funding exceeds supply, there are incentives for Ministers to demonstrate that proposed new expenditure is worthwhile and will contribute to the Government’s outcomes. Ministers

are not required to provide outcome measures in support of the new proposals, but they are required to indicate how the intervention would be evaluated. This is a new requirement, and so can be expected to yield more useful information as time passes. Although Treasury may negotiate evaluation criteria with the department, it is less likely to negotiate outcome measures, although there are no systems barriers to stop it doing so.

Few formal processes exist to assess the value for money of baseline expenditure (as opposed to new spending proposals), although that is slowly changing.

Thus, from a macro, planning perspective, outcome goals do inform the budget, at least at the margin of new expenditure. These outcome goals tend not to be accompanied by outcome measures, however.

Parliamentary scrutiny of the budget and of departmental performance, ex post, is principally performed in select committees through the Estimates Review and the Financial Review processes. There is not often a strong focus on outcomes in these processes, partly because the information available on outcomes is limited.

Departmental Strategic Planning

The Government's high level goals are translated into departments' planning in various ways, including through "key priorities" (previously known as "key result areas"). Since the high-level goals have generally been so broadly defined, most departments can tie many of their activities back to at least one of them. Departments choose their key priorities, although central agencies have some input, both to perform a quality assurance role, and to get an overview of the government-wide picture.

Key priorities usually form a key part of the Chief Executive's Performance Agreement and for the most part are driven down into the department's business relatively effectively. Key priorities are supposed to be SMART - Specific, Measurable, Achievable, Results-focused and Time bound. Since Chief Executives are held accountable for delivering on these key priorities, they tend to be outputs rather than outcomes. As such, it would be desirable if there were accompanying outcome goals and targets that could indicate how progress was being made achieving the goal the key priority contributes to. These have often been lacking.

Initiatives are underway to improve the quality of departmental strategic planning and to make it more outcome focused. This should be reflected in improved ex ante reporting to Parliament. For example, five departments are piloting a new approach to strategic planning in the Capability, Accountability and Performance (CAP) pilots.¹⁹

Translating Strategy into Action

Outputs, Outcomes and Accountability

Both the budget and departmental planning documents translate strategy into action, at varying levels of specificity. The budget contains general output information, but more specific information is contained in a Purchase Agreement (soon to be changed and called an "Output Agreement"). This agreement contains detailed information about all the outputs a department is producing that year. The purchase agreement generally contains relatively little information on the outcomes an output contributes to. This reflects its status as an agreement between the Minister and the Chief Executive on what the department will do, rather than as a public document explaining why the Government is purchasing those particular outputs.

This apparent focus on outputs at the departmental level has to be understood in the context of the sharp distinction made between the responsibilities of chief executives and Ministers. The distinction is closely linked with the way accountability is thought of in the New Zealand system. In an accountability relationship, performance may attract rewards and sanctions. The external parties to whom chief executives report have a power to act on that performance information. Hence it is critical that managers have control over the performance dimensions for which they are held accountable.

In general, it is more difficult to hold managers to account for outcomes than outputs for a number of reasons, including problems of:

- determining causality accurately;
- significant time-lags;
- lack of information and information asymmetries.

The notion of controllability is central to our thinking about accountability and this is why Chief executives are not held accountable for outcomes that are beyond their reasonable control. Of course, decision-makers can be held accountable for the decisions they make, and they can be held accountable for managing risks that arise to the extent of their management authority. In the same way, policy managers can be held accountable for the quality for policy advice they provide, which includes appropriate consideration of risks and externalities that may affect the contribution the output makes to the desired outcome. Operational managers can be held accountable for managing processes to mitigate adverse externalities and risks, and to do all they can to produce the desired outcomes. This means that managers can be held accountable for managing outputs in such a way as to maximise the likelihood of the outcome being achieved. (For further information on management of outcome risks see the section dealing with that, below.)

Because chief executives are explicitly accountable for outputs, considerably more effort has gone into describing and measuring outputs than outcomes. As a result, we are much better at output specification than outcome specification. However, we can still do better at output specification, so that managers can genuinely be held accountable for those things that, intuitively, are within their reasonable span of control.

None of this is to say, of course, that there are not areas where managers can be held accountable for outcomes. There are some areas of Government activity where experience shows it is possible to hold managers accountable for outcomes. For example the Governor of the Reserve Bank has authority to set monetary policy and is held accountable for holding inflation within a specified target. Other examples of outcome management included later in this report suggest more sophisticated measurement and analytical systems can bring outcomes to the fore as an instrument of accountability. In some circumstances, in other words, output quality measures can be specified in such a way that the Chief Executive can effectively be held accountable for the desired outcome. Our approach to outcomes has to be situation sensitive though, so that managers' accountabilities are pitched at an appropriate level for the tasks they are asked to perform.

In practice, the focus on outputs at the accountability end of the system, has seen less work put into thinking about outcomes than is desirable. As a result, there is a wide divergence in the way that outcomes are used in departmental management. Outcome measures tend not to influence chief executive performance assessment unless it is clear that the chief executive can be held accountable for the outcomes.

However, just because outcomes have been underdone in practice does not mean that a focus on outputs is not both important and appropriate. One of the key benefits of keeping a focus on outputs within formal management systems is that this ensures a better understanding of what is done by the Public Service and this is a prerequisite for assessing value for money. Other parts of that puzzle include good information

about what those outputs cost and outcome information indicating whether the outputs had the desired effect. In other words, good outcome information is an addition, not a replacement, for good output information.

A key focus for improving outcome information is the policy advice process. After all, the key function of policy advice is to identify what the problem is, and how to solve or mitigate it. This involves making judgments, based on evidence and sound reasoning, of how outputs contribute to desired outcomes. This can go hand-in-hand with a more sophisticated understanding of risk management as part of output specification. The biggest contribution to improved Government performance in achieving outcomes is likely to come from improved policy advice, based on better information. Several initiatives are underway in this area, which are principally focused on improving the quality of information available on outcomes. This includes work on states of the world indicators at a whole of government level, and work within departments on better defining, measuring and using outcomes in decision making.

States of the World Information

There are several different types of indicators that are relevant for outcomes focused management, including (in increasing order of sophistication):

- states of the world indicators, which provide a snapshot of the world or aspects of it - e.g. percentage of children sitting and achieving School Certificate in 5 subjects.
- effectiveness indicators, which attempt to measure the success of particular interventions - e.g. percentage of offenders in a target risk band re-offending within 12 months of release, following a particular intervention, compared with a matched-pair control group;
- risk indicators, which suggest where interventions should be targeted – e.g. risk of imprisonment within 5 years

One project currently underway is looking at how we can improve the quality of states of the world information available about the state of New Zealand society. States information differs from effectiveness information as it does not rely on causal inference about the relationship between the intervention and the way the world is. By collecting comparable information across time and across location, policy makers and decision makers can see how the world is changing. States information has at least two key uses:

- ex ante it can guide prioritisation choices, by showing where the serious problems are.
- ex post it can guide evaluations of effectiveness by providing an information base against which change can be assessed. Analysts can then use this knowledge about the world to make inductive judgments about the effectiveness of various interventions.

Some departments have already developed relatively comprehensive sets of states of the world measures. Fewer departments, however, have specific effectiveness measures that are intended to reflect the success of various interventions. This reflects the complexity of the public policy environment where many outcomes are reflected by a wide variety of interventions and environmental factors.

Evaluation

In an outcomes context, evaluation is impact evaluation. Ex ante analysis and assessment of proposed interventions is part of the core policy advice process, but the ex ante analysis needs to be backed up ex post by evaluation of the effectiveness of the intervention, when cost-effective. Impact evaluation may

involve more than just setting and monitoring effectiveness indicators. It can also include some more in-depth analysis of causes and effects, and so seek further opportunities for greater value for money.

Impact evaluation is probably underdone in the New Zealand public sector. Chief executive and departmental performances are assessed, but outcome measures and evaluations rarely feature in these assessments. The outcomes of policies/ programmes/projects tend to be evaluated on an ad hoc basis, with some exceptions. In general:

- there are limited requirements to evaluate existing programmes, and
- in many departments there is not a strong culture of evaluation.

The Government has investigated requiring all policy proposals going to Cabinet to have evaluation criteria stated, but this was seen as impractical. In particular, there was a risk that agencies would develop a compliance attitude towards evaluation, rather than focussing on it when it adds value. Central agencies are focusing on improving evaluation criteria when discussing policy proposals with departments. However, the Government is still determining a systems-wide approach to evaluation.

Budget initiative bids are required to include evaluation criteria. Ministers must outline if the proposal has been evaluated, and if so, what the results are. If not, Ministers must outline how they will measure the success of the initiative. For example, if a Minister proposes to purchase more special education services programmes to improve educational outcomes for a group of special needs children, that Minister is required to outline in the bid how the success of those programmes will be evaluated. This information has only been required since the 2000 Budget so it is not yet clear how effective this will be at increasing the value that evaluation adds to the policy process.

Co-ordination and Outcomes Risks

Outcomes are the key focus of Government activity, around which Government co-ordination should be managed. To enable such co-ordination, there need to be shared high-level strategies and shared outcome targets. Shared outcome targets make explicit what the Government is trying to achieve, and allow trade-offs to be made among different means of achieving the target.

Co-ordination is required beyond just the planning phase however. Managers also need to be aware of risks that can arise to hinder the achievement of the outcome. In a complex system, an intervention from one department can have a negative effect on the effectiveness of an intervention from another. There are many and varied interrelationships between interventions and outcomes in most social policy areas. For example housing, education, welfare, environment, food safety and economic policies - the responsibilities of a range of Ministers - will impact on public health, which is within the purview of the Minister of Health. Thus being aware what the outcomes risks are, and how they can be managed is critical both at the policy advice phase and the implementation phase.

In New Zealand there are some institutional mechanisms for identifying and managing outcome risks, however we do not do enough to be proactive about this at the whole-of-government strategy level. Nor is outcome risk management sufficiently explicit in the way outputs are specified nor in managers' performance agreements. However, Cabinet does have various consultation requirements for Cabinet papers - papers with implications for women, for example, must be discussed with the Ministry for Women's Affairs. In this way, key agencies responsible for various outcomes can ensure that outcomes risks arising across Government can be identified. In fact, a key role of the so-called "population ministries" is to identify and help manage outcome risks.

Apart from these institutional arrangements, there are at present few explicit requirements around outcome risks. As a result, departmental practice of identification and management of outcome risks is likely to be variable.

Section 2: Examples

These examples illustrate some of the ways that outcome goals, measures and targets are used in New Zealand. Further information is available from the responsible agencies.

Example 1:

Integrated Offender Management (Department of Corrections)

Context

New Zealand's Department of Corrections has been developing a set of outcome measures on the effectiveness of rehabilitative programmes delivered to convicted offenders. The Government spends around NZ\$32 million per annum on rehabilitative programmes for convicted offenders both in prison and in the community. The programmes are intended to reduce re-offending and so reduce the future cost of re-offending. This contributes to the Government's goal of building safer communities.

The aim of the outcomes management project is to identify the effectiveness of specific rehabilitative programmes at reducing offending among a targeted group of offenders. Prison officers and probation officers will then be able to place offenders on programmes that are statistically most likely to be effective, given the offender's risk profile. Senior Managers will be in a better position to advise the Minister of Corrections which programmes should be offered where and to whom, and, significantly, Ministers will be in a better position to trade-off spending on offender rehabilitation programmes vs. other spending priorities based on robust cost-benefit data.

The Outcomes Measurement Model

The model is built around a cost-benefit equation that takes into account both the societal costs of crime and the cost-effectiveness of rehabilitative programmes. The basic cost-benefit equation is:

$$BC_i = (CPH_i * RQ_i) / RCPH_i$$

Where:

- BC is the benefit - cost ratio for a specific intervention;
- CPH is the future cost per head of untreated offenders, which is defined as the average direct cost or total seriousness score of all offences committed over the next 5 years by individuals within the primary target group;
- RQ is the actual (or expected) Rehabilitation Quotient of a given intervention, as measured on the primary target group;
- RCPH is the rehabilitation cost per head given a rehabilitative intervention; and
- *i* indicates that the calculation's inputs (and thus output) are specific to a particular intervention and the particular target group it is delivered to.

It is relatively easy to determine cost of delivering a rehabilitation programme per head. The more sophisticated measures are the future cost per head (CPH) and the rehabilitation quotient (RQ).

Future Cost per Head

This measure takes account both of the direct cost to the police/courts/corrections systems plus an estimate of the cost to society of an offender's re-offending over a five year period. The future cost per head data was determined by following 28000 criminal careers from 1993 to 1998 and counting the total length of sentences and numbers of offences in each offence class. Separate counts are completed for each risk band. Risk of imprisonment (RoI) and risk of reconviction (RoC) rates are determined for each of ten target groups, into which offenders are grouped. A profile is thus established for each of the target groups, which is used to calculate the average future cost per head for individuals within the target group.

Rehabilitation Quotient

The rehabilitation quotient (RQ) quantifies the reduction in the re-offending rate, as a percentage, due to rehabilitative interventions delivered to the target group. The RQ is measured by comparing an intervention group with a statistically valid, matched pair control group. Statistical demands mean that identifying RQs has been the most difficult data set to gain, given the relatively small size of New Zealand's offender population. However, the department plans to have robust RQ measures for its current set of programmes by February 2001. The mean RQ for a good adult programme is around 10-15%, while RQs for some youth programmes have approached 40%.

When RQs are available, a benefit-cost ratio can be determined that indicates how benefits compare to costs for a given intervention targeted at a given target group of offenders. Benefit-cost ratios of 1.8 to 30 have been obtained using RQ data from separate evaluations and from literature sources.

Applying the model

The benefit-cost model gives an accurate picture of the effectiveness of specific interventions targeted at specific groups. When the department has sufficient data to calculate RQs for its current (core) programmes, it will be in a position to calculate the benefit-cost ratios for those core programmes. Thus it will be directly able to prioritise programmes and target programmes better at offenders.

The department will also calculate cost-benefit ratios from pilot programme results. Existing CPH and RCPH information, can be combined with RQs based on overseas research or best estimates to determine the likely benefit-cost ratio. The estimated benefit-cost ratio can then be tested in the pilot. If predictions are borne out, the pilot can then become a core programme, competing for core funding on the basis of its cost-benefit score. Pilot information can continually be fed into the core programme prioritisation system to ensure that Ministers get best value for the money they spend.

The benefit-cost ratio information has also been used to determine how much expenditure is justified on rehabilitation programmes. Ministers may determine a minimum benefit-cost threshold and fund everything within that threshold. Since there will always be constraints on Government expenditure, funding limits will see continuous improvement as the best pilots displace programmes in the core.

Data will continue to feed into the system through time, so that continuous evaluation can occur. The department will continue to operate matched pair control groups to recalculate RQs.

Governance and Accountability

This system will not be fully implemented until February, when risk data is put onto the system and can be computed. Robust RQs are yet to be finalised. The outcomes management project will have a significant effect on the way that the department manages its rehabilitation programmes. Initially it will provide information to aid decision making; managers and case workers will continue to be held accountable for delivering their outputs, rather than outcomes. Continuation of funding will, however, be increasingly dependent on delivering outcomes.

Example 2:

Outcomes Based Funding for Employment Programmes (Department of Work and Income)

This example, which is still at the pilot stage, shows the potential use of outcome measures and targets in managing contracts with non-departmental providers. It is an explicit example of accountability for outcomes in the New Zealand public service, which illustrates the value of thinking carefully about output specification.

The Department of Work and Income is responsible both for assisting job seekers find work, and for assessing and paying benefits. A significant part of its business is contracting employment programmes and services from third-parties to minimise unemployment.

In the past, these programmes have been funded on an activities or outputs basis: the provider is paid based only on the number of programmes they deliver. Because the contracts for services with employment programme providers needed to be specified up front, case managers were constrained over the choice of programmes they could suggest customers enrolled on.

The department currently contracts with individual providers for training and/or other programmes (e.g. Work Confidence, ESOL and Industry based training programmes). It is piloting contracts that combine some sort of payment for activity with payment for achieving an outcome or output. If successful, such output contracts, with outcome performance measures, could show that it is possible to incorporate rich outcome measures that matter for accountability into output contracts. There are also, to date, some examples of contracts that are solely outcomes based, although there is obviously a risk here that a provider can be paid for doing nothing, if the contract is not well specified. The long-term success and impact of these approaches is still to be determined.

Progress to date

In line with international trends, the department is proposing to extend an outcomes based approach in New Zealand. This approach is one that strengthens the focus on achieving specified employment outcomes, and provides support to this process through increased programme and funding flexibility. This involves, in the medium term, the development of a series of small pilots that will test issues around:

- appropriate target groups for the initiative;
- specification of outcomes that should be achieved;
- costs to the department of specific groups for a set period as a basis for setting a “price”; and
- funding formulae and accountability frameworks that are appropriate to the local delivery environment.

If the pilots are successful, they could inform the development of an outcomes based approach in relation to the department's mainstream delivery of employment programmes. There may also be potential in the longer term for extending this approach to other core services.

In some regions, the department has been contracting for services with pay for performance based on achieving the desired outcome. Third-party providers are paid an up-front fee for service, but the bulk of the payment comes later when the customer finds and remains in a job. For example, the provider may get a fee upfront, an incentive or performance payments when the customer gets a job, a further payment if the customer stays in the job for 13 weeks, and a further payment when the customer has stayed in the job for 26 weeks. Research suggests that after 6 months or so, the relationship between the employee and employer assumes greater importance than the relationship between case manager/trainer and customer.

There have also been some contracts where providers receive no upfront fee, but are paid only performance payments as the customer successfully finds and remains in a job.

Future directions

In line with the aim of devolving responsibility for choosing programmes to the most appropriate level, the department is looking at developing the use of outcomes based funding contracts further. One option is to contract out case management services to local providers. Contracts could focus on the outcomes to be achieved, without limiting the programmes that the funding could be used for. The department would specify an outcome or a hierarchy of outcomes such as:

- The client is placed in stable unsubsidised employment.
- The client has been placed in stable employment for three months.
- The client is in unsubsidised employment.
- The client is in subsidised employment.

The provider would be paid as the client achieved each of those outcomes and so funding would not follow programmes, but individual clients. Contestability should see a culture of continuous improvement develop so that the funding goes to the most effective providers and programmes.

An outcomes based funding approach will only be effective, however, when:

- There is a clear statement of the desired outcome;
- Providers have the capability to manage service delivery on an outcome based funding model;
- Outcome payment is targeted to client risk and need, so that providers are not incentivised to concentrate on short-term temporary unemployed who could find jobs by themselves;
- There are incentives to ensure that the provider has an interest in the person remaining in the job for a certain period; and
- There is sufficient demand in the job market.

Evaluation

The goal of funding employment assistance on an outcomes basis is to reduce the persistence and incidence of unemployment. Short-term unemployed pose far fewer costs to society than a core of long-term unemployed, who are likely to be the hardest to get into jobs. As a result work is underway to develop better tools to assess risk.

An evaluation of the success of the outcomes funding model will need to focus on success at reducing the rate of persistent unemployment among the pilot groups.

Comments

It is possible to contract for these services and measure aspects of performance on an outcomes basis. The accountability issues are more complex in an outcomes based approach and require robust measures and monitoring of performance against outcomes. There are risks of providers under-performing or undertaking undesirable activities that are not picked up by an outcomes based performance framework.

In order to fund on an outcomes basis though, robust prices are needed to ensure both that the Government is getting value for money and that providers (many of which are not-for-profits) remain viable. In running the pilots, the department will need to determine the cost of specific target groups for specific periods as a basis for setting the “price”. The report collects historical data on length of benefit receipt of its clients, and this can be accessed for particular groups.

Example 3:**Road Safety Strategy (Land Transport Safety Authority, lead)***Context*

The National Road Safety Committee has recently released “Road Safety Strategy 2010”. The strategy outlines options for reducing the social cost of crashes on New Zealand’s roads, and seeks public feedback on which option to choose.

The previous road safety plan - *National Road Safety 1995* - aimed to achieve a level of road safety equivalent to the safest countries in the world. The updated plan has a more modest target. The goal is to achieve current (i.e. 2000) world’s best practice by 2010. At present, New Zealand has around twice as many deaths per 100 000 persons and deaths per 10 000 vehicles as the safest countries in the world.

There are three interesting aspects of this work from the perspective of outcomes focused management. One is the manner in which the actual outcomes targets will be set. The second is how these targets are translated into interventions at minimum cost. The third is how people are held accountable for achieving the targets.

Setting the Targets

As noted above, the overall outcome goal is to achieve current world’s best practice by 2010. This high level goal, measured in terms of social cost is built upon a hierarchy of targets. Social cost is underpinned by final outcome targets such as the road death toll (target 2010 = 295). Beneath this are intermediate outcome targets - targets like proportion of drunk drivers, the average speeds on various types of roads. Underneath these are output targets such as the number of police traffic patrols, the number of anti-drink driving or anti-speeding advertisements shown or the number of passing lanes. Some of the targets can also be broken down by region and by road user groups - cyclists, pedestrians and older drivers for example.

The targets are set using a mathematical model that predicts road safety outcomes. The model is built upon a set of assumptions derived from a wealth of historical crash and roading information. This snapshot of New Zealand road safety is the base from which a set of mathematical functions predict how various interventions and other factors should affect road safety outcomes.

For each of around 12000 categories of casualty type, the current outcome is taken from the historical datasets. The current outcome is then adjusted to a 2010 baseline level. This adjusted baseline takes account of factors outside road safety agencies' control such as increased traffic volumes. The 2010 baseline outcome provides a benchmark against which predicted improvements can be measured.

Interventions are now added to the mix. For each of the 12000 casualty types, the predicted effectiveness of various interventions is calculated. The calculation is based both on the rate of effectiveness for an intervention, and the number of times the intervention is used. Thus we are left with predictions of how using specified amounts of specified interventions would affect the road safety outcomes for each category of casualty type. These results can then be aggregated to produce a full picture of how a mix of interventions can be expected to affect road safety outcomes.

The mix of interventions can also be costed to give a robust cost-benefit ratio for any given mix of interventions. Officials are still working to determine appropriate costings for different interventions.

Thus policy makers and decision makers have relatively good ex ante information, based on historical data and transparent assumptions, on which to base decisions on future interventions. The information can also be used to set targets. For example, the predictive model may suggest that an extremely costly set of interventions is likely to produce the lowest absolute reduction in the social cost of accidents. An intervention mix such as lowering the open speed limit to 20km/h and policing it strictly would probably lower the social cost of accidents near to zero. However, given the total costs this poses on society, this is unlikely to be a viable option. Hence a target based on that intervention set is unlikely to be a credible one.

Choosing Interventions

When the public consultation process is completed, Ministers will choose the targets. They can then use the cost/benefit information to determine which interventions are most likely to achieve the desired road safety outcomes at least cost. Throughout the life of the strategy, the outcomes predicted by the model can be tested against the outcomes actually achieved and the intervention mix can be altered accordingly. Thus a feedback and evaluation loop is effectively in place. New data will also help modellers refine the functions that predict how interventions affect outcomes.

Accountability

These outcomes are the result of the outputs of a group of agencies, especially the road safety agencies and the Police. The aim is for the National Road Safety Committee to take collective responsibility for the overall achievement of the social cost and final outcomes targets. Outcomes performance monitoring will continue on a quarterly basis with annual reviews, while formal reviews will be held every three years.

It is likely that the Land Transport Safety Authority, as the lead agency, will continue to be held accountable for these final outcomes, as in its current performance agreement. However, individual agency accountabilities will be more clearly specified within the performance management framework set out by the final strategy.

The envisaged accountability arrangements will 'bite' harder than the current ones because they are based on a more rigorous and transparent analytical base. Certain difficulties associated with linking specific outputs to final outcomes will not disappear, but performance expectations will be more clearly defined and tracked across the full suite of road environment, vehicle and road user interventions. Regular review and ex post evaluations will sustain the outcomes focus. Specific output targets will highlight key agency implementation accountabilities.

Example Four:**New Zealand Biodiversity Strategy (Department of Conservation, lead)***Context*

The New Zealand Biodiversity Strategy (NZBS) was released in March 2000 and aims to halt the decline of New Zealand's indigenous biodiversity. The strategy has a 20-year timeframe and establishes a framework of goals, objectives and actions that are required to halt the decline. Priority actions have been identified and are currently being implemented that will lead to the greatest gains in biodiversity in the next five years. The strategy covers terrestrial, freshwater and marine biodiversity. A key feature of the strategy is that it does not focus solely on biodiversity on the Crown owned Conservation estate, but seeks to halt the decline in biodiversity nationwide, including on private property. Partnerships are needed to ensure that the strategy is successful, allowing the participation of all New Zealanders, not just Central Government. Other key participants are Local Government, the private sector, iwi and local communities.

The strategy includes a wide range of initiatives. Some are designed to halt the decline in biodiversity, while others, such as information gathering programmes, are to ensure that outcomes can be measured. The strategy is still at an early stage, so reporting on outcomes in relation to the strategic goals in the strategy is some years off. The major report after the first year (in October 2001) will focus on auditing the implementation of the priority actions in the strategy. The report after the second year will include some preliminary intermediate outcomes related directly to those actions (e.g. number of possums killed). Only after the third year will there be reporting against outcomes relating to the strategic goals in the strategy (e.g. reduction in rate of deforestation, change in number of key species).

Outcomes Measures in the Strategy

Outcomes measures and targets are used in the strategy to determine priorities for funding, and to determine the effectiveness of interventions. There is a wide variety of projects, some involving information gathering for monitoring and evaluation purposes. Outcome measures have been developed for some programmes and are still being developed for others. Nevertheless, it is useful to give some examples.

Offshore Island Eradications

New Zealand has a number of off-shore islands that are sanctuaries for protected species. A project is underway to eradicate pests or to manage them at sustainable levels so that they do not pose a threat to each of the islands' unique environment. This involves both eradicating pests, and ensuring that they do not come back. The key intermediate outcome measure for these projects is the presence or absence of target pests on the islands two years after the operation is completed. This is measured by sophisticated trapping and monitoring programmes. Longer term, the desired outcome is to halt the decline of biodiversity, by ensuring the protection and recovery of at risk species.

Increasing Protected Areas on Private Land

The goal of this programme is to purchase, or support the effective management of, private lands with high biodiversity values. The programme aims to apply increased funding to existing mechanisms to ensure that

a wider range of natural habitats and ecosystems are protected. Results will be measured using ecological criteria and other appropriate measures. Longer-term measures for assessing the contribution of the programme to the goals in the strategy are still being developed.

Terrestrial and Freshwater Biodiversity Information System

The aim of this project is to develop awareness of and access to existing information, as well as gathering and providing new information. The intermediate outcome is to have developed systems for gathering and accessing information, to improve knowledge about biodiversity and to increase public awareness about the state of New Zealand's biodiversity.

Initial targets are focused on the development of appropriate systems to collect, manage and disseminate the information. Longer term targets are still being developed.

Using the Measures

The primary purposes of collecting the outcomes information is to increase our understanding of New Zealand's biodiversity and to halt the decline of indigenous biodiversity. The information will be used to assess the effectiveness of various projects, and to determine priorities. It can inform both what the desired outcomes should be and how they should change across time, and which interventions should be used to achieve those outcomes. Measuring the extent to which the desired outcomes have been achieved is also a useful information base for evaluating the overall success of the strategy from a process perspective.

The 20 year strategy has a funding plan for the first five years. Reprioritisation can begin when outcome results start to emerge. A major review after five years will assess success and direct new funding to highest priorities.

Accountability

As is usual practice in the New Zealand public service, managers are held accountable for managing the particular programmes. This can include assessing their success at managing risks that arise, including outcome risks.

The overall strategy is the responsibility of a Ministerial Group responsible for implementing the New Zealand Biodiversity Strategy. This Group is supported by a Central Government Coordinating Group of Chief Executives of the relevant agencies. Accountability for the overall management of the strategy is being bedded down through separate agency's purchase and Chief Executive performance agreements.

Example Five:

Maori Education Strategy (Ministry of Education)

Context

One of the Government's key priorities is to reduce the inequalities in society, particularly in relation to the inequalities between Maori and Pacific peoples on the one hand and the rest of the population on the other. Maori - New Zealand's indigenous people - and Pacific peoples as a group fare worse, on average, than the

population as a whole. A co-ordinated effort is underway to reduce these disparities and to ensure that all New Zealanders have the opportunity to participate fully in society.

Three areas, in particular, are being targeted: education, employment and health. Outcome measures and targets have been developed for all of them. The nature of the social inequalities means however that a long-term timeframe is required to see if the desired outcomes are achieved. Significant educational outcomes especially can only be assessed after 10 or even 15 years of the intervention.

This paper focuses on the definition, measurement and use of education outcomes within the Maori education strategy.

Reducing Education Inequalities

It is well recognised that educational achievement is a key determinant of achievement later in life. As a result, much of the early focus has been on improving Maori educational performance.

The outcome indicators developed do not cover the whole ambit of the education system. Instead, a set of key indicators has been chosen, which research suggests are the best indicators of ongoing improvement and success in Maori educational achievement and reducing inequalities between Maori and non-Maori.

The desired outcomes are broken down into participation and achievement goals for early childhood, school and tertiary education. Some of the outcomes, and indicators for them, are outlined below:

Early Childhood Education

Goal	Measure	Target
Increase Maori participation in early childhood education	Percentage of Maori aged 0-4 enrolled	65% by 2006

This target was set by comparison with the rate of participation among non-Maori.

School Education

Goal	Measure	Target
Increase rate of Maori participation in school education	Rate of Maori suspensions per 1000 students	Reduce rate to 5 per 1000 by 2008 and to 3 per 1000 by 2016
Increase the achievement rate of Maori students in senior secondary education	Rate of achievement of A, B and C grades in School Certificate and University Bursary	Increase by 12% by 2010 and to parity by 2020

These goals are derived from the non-Maori participation and achievement rates.

Tertiary Education

Goal	Measure	Target
Increase participation of Maori students in tertiary education	Percentage of students who are Maori	13.8% by 2002, up to 16.7% by 2006
Increase achievement of Maori students in tertiary education	Percentage of graduates who are Maori	15.1% by 2002, up to 18.2% by 2006

Using the Outcome Measures

A variety of products have been developed in addition to the goals, measures and targets. In particular there are regular monitoring reports, which assess progress across the board, and evaluation reports, which assess the effectiveness of specific programmes.

Each goal is supported by a strategy to achieve it. For example, alongside the goal to increase Maori participation in early childhood education are a number of strategies including:

- examining ways of removing barriers,
- promoting the benefits of early childhood education; and
- expanding the availability of early childhood services.

Progress against the goal will be informative, but will not indicate which interventions are effective and which are not. Across time, it will become apparent where progress is being made and where continued efforts should be focused, but the outcome indicators will not show which interventions offer value for money. Hence, evaluation of programmes is critical at the micro level of resource allocation as well as the policy development and planning stages of the cycle. The goal is to ensure that budget decisions and intervention decisions are based on outcome information.

Accountability

The outcome goals and targets in the Maori education strategy have considerable political buy-in. Although the eventual goals are often long-term ones, achievable 2-3 year intermediate goals have been included. This enables Ministers to focus on delivering tangible results within the electoral cycle.

At a departmental level, departments are required to report in their annual reports on their effectiveness in reducing inequalities. The annual report needs to include information on amount of expenditure spent reducing inequalities, and information on the effectiveness of that expenditure. In addition, departmental material is aggregated into a whole of Government report, which is audited and tabled in the house.

Section 3: Terminology

Outcomes - The Public Finance Act (1989) states:

“Outcomes” means the impacts on, or the consequences for, the community of the outputs or activities of the Government.

Judgments about outcomes depend upon judgments about causal relationships between interventions and the final results.

Outputs - The Public Finance Act (1989) states:

“Outputs” means the goods or services that are produced by a department, Crown entity, Office of Parliament, or other person or body.

For an output to be meaningful as an accountability tool it must be described in ways that enable the producer of the output to be held to account for its delivery. To this end output performance measures have traditionally been thought of in terms of quality, quantity, timeliness and cost. More sophisticated measures of output quality may well make reference to the outcomes the output contributes to.

Government can intervene via other activities such as regulation, funding, making grants, or investing.

States of the world

States of the world information is a snapshot of the way the world is. It is basic statistical information that is independent of causal judgments about the relationship between intervention and the world.

Evaluation

An evaluation is a systematic, evidential assessment of a programme or features of it. In the outcomes context, we are generally interested in *impact evaluation* - a systematic attempt to measure the impact of an intervention on the desired outcome.

Accountability

Accountability is a function of a relationship between two parties whereby one party confers a power on the other subject to a condition that the party receiving the power must account as specified for its possession and use.

Section 4: Useful Literature

New Zealand websites:

www.treasury.govt.nz - Treasury website contains general information on public management and budget management

www.ssc.govt.nz - State Services Commission website contains general information on public management

www.dpmc.govt.nz - Department of Prime Minister and Cabinet website contains statement of Key Government Goals

www.mfe.govt.nz - Ministry for the Environment website contains environmental performance indicators

www.ltsa.govt.nz - Land Transport Safety Authority website contains a link to road safety strategy, including outcome measures

Other sources:

Ian Ball. *Outcome Specification*: Paper presented at the 1992 Public Sector Convention, Wellington.

Department of Corrections. *Annual Report 2000*: Wellington, 2000.

National Road Safety Committee. *Road Safety Strategy 2010*: Wellington, 2000.

Graham Scott, Peter Bushnell and Nikitin Sallee. *Reform of the Core Public Sector: New Zealand Experience*: Governance, Volume 3, Number 2, April 1990 pp. 138-167.

Most of this material is sourced from Cabinet papers, internal policy discussion documents and private discussions.

Appendix:

Key Government Goals to Guide Public Sector Policy and Performance

- **Strengthen National Identity and Uphold the Principles of the Treaty of Waitangi**
Celebrate our identity in the world as people who support and defend freedom and fairness, who enjoy arts, music, movement and sport, and who value our cultural heritage; and resolve at all times to endeavour to uphold the principles of the Treaty of Waitangi;
- **Grow an Inclusive, Innovative Economy for the Benefit of All**
Develop an economy that adapts to change, provides opportunities and increases employment, and while closing the gaps, increases incomes for all New Zealanders.
- **Restore Trust in Government and Provide Strong Social Services**
Restore trust in government by working in partnerships with communities, providing strong social services for all, building safe communities and promoting community development, keeping faith with the electorate, working constructively in Parliament and promoting a strong and effective public service.
- **Improve New Zealanders' skills**
Foster education and training to enhance and improve the nation's skills so that all New Zealanders have the best possible future in a changing world.
- **Close the gaps for Maori and Pacific People in Health, Education, Employment and Housing**
Support and strengthen the capacity of Maori and Pacific Island communities, particularly through education, better health, housing and employment, and better co-ordination of strategies across sectors, so that we may reduce the gaps that currently divide our society and offer a good future for all.
- **Protect and Enhance the Environment**
Treasure and nurture our environment with protection for eco-systems so that New Zealand maintains a clean, green environment and rebuilds our reputation as a world leader in environmental issues.

OUTCOME FOCUSED MANAGEMENT IN THE UNITED KINGDOM

Introduction

In 1998 the United Kingdom conducted a Comprehensive Spending Review that looked at the resources allocated to each area of spending and for the first time decided on the service improvements and reforms required in return for the resources. These requirements were set out in Public Service Agreements (PSAs) for every central government department published in December 1998¹. Each PSA set out the aim and objectives of each department as well as performance and operations targets.

An independent study² analysed the targets in the 1998 PSAs and found that they were mainly process targets (51%) and output targets (27%) with a relatively small proportion of outcome targets (11%). In July 2000 new PSAs³ were agreed for the period 2001-2004 with a clear objective to focus the targets on priority outcomes. A forthcoming report by the National Audit Office suggests⁴ that in the 2000 PSAs 67% of targets are outcome targets with 14% process targets and 8% output targets.

This shift in focus was achieved in part by shifting the supporting output and operational targets to a new set of agreements, Service Delivery Agreements, but also by an increase in the absolute number of outcome focused targets by which the performance of government will be judged.

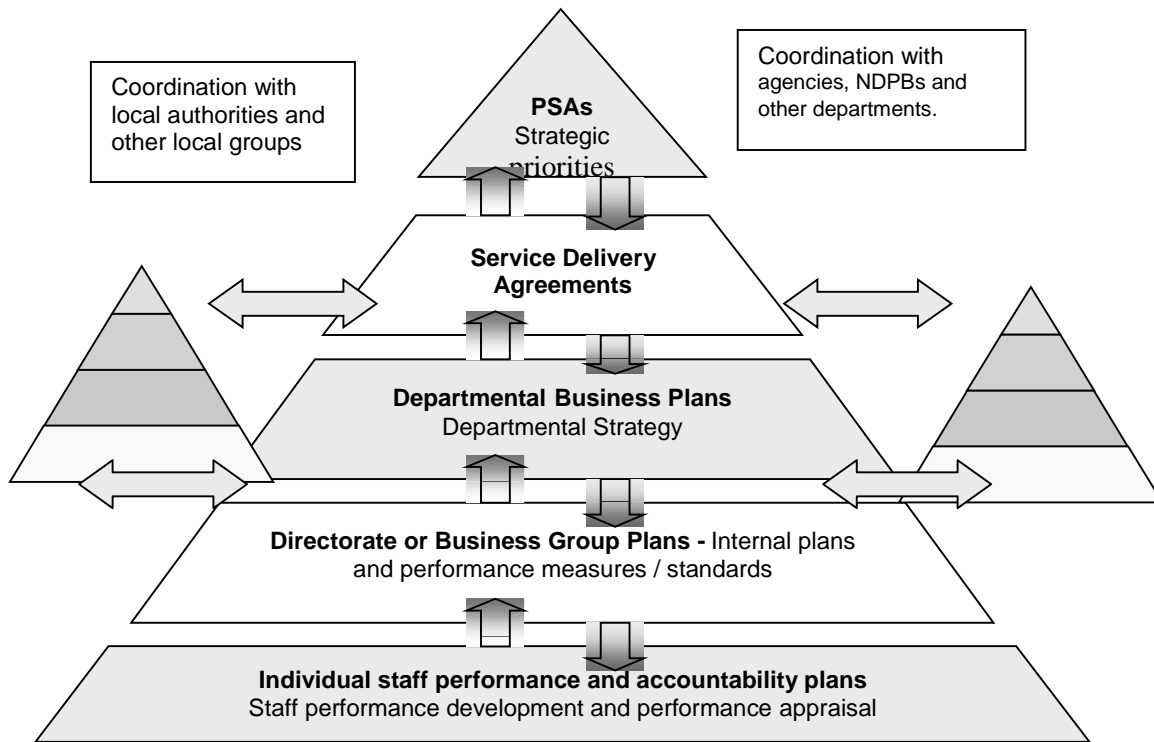
SECTION 1: OVERALL APPROACH TO OUTCOME-FOCUSED MANAGEMENT THE CORE ELEMENTS OF UK OUTCOME-FOCUSED MANAGEMENT

(i) Public Service Agreements

Through the PSAs outcome targets play a central role in the management of public sector performance in the United Kingdom. Figure 1 below shows how the top level outcome focused agreements should feed into more detailed business planning within a government department and into the individual performance targets of staff within a central department or a service delivery agency.

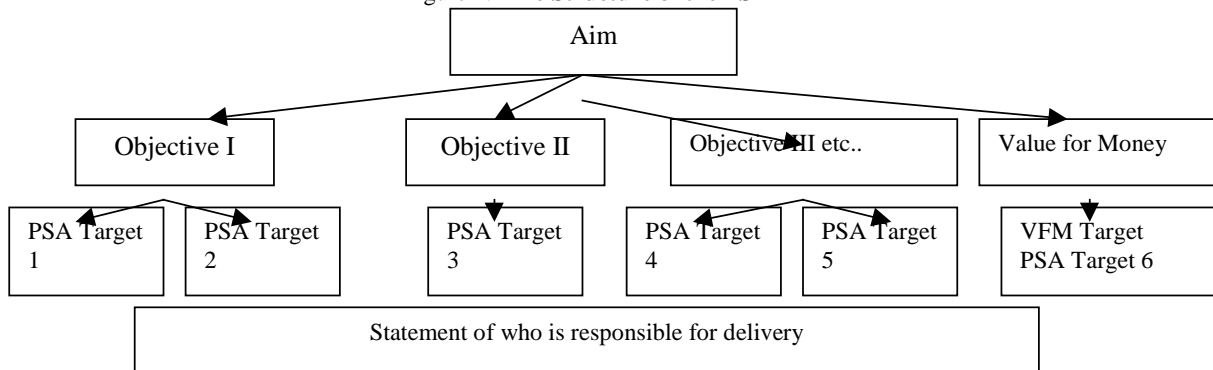
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1. "Public Services for the Future: Modernisation, Reform, Accountability – Comprehensive Spending Review: Public Service Agreements 1999-2002" December 1998. Available at www.hm-treasury.gov.uk/pub/html/psa/csrpsa.pdf.
 2. House of Commons Treasury Committee Ninth Report "Spending Review 2000", 1 August 2000. <http://www.publications.parliament.uk/pa/cm199900/cmselect/cmtreasy/485/0072003.htm>.
 3. "Spending Review 2000: Public Service Agreements 2001-2004" July 2000. Available at www.hm-treasury.gov.uk/sr2000/psa/index.html.
 4. These figures are preliminary results and may change in the final publication.

Figure 1. **Cascading PSAs into detailed business**



The structure of the Public Service Agreement for each department is a single aim and a number of objectives, which set out the aspirations of the department, and for each objective outcome-focused performance measures and targets that translate the aspirations into specific metrics against which performance and progress can be measured. Each PSA includes a value for money target that provides a measure relating inputs to outcomes. The PSA concludes with a statement of accountability detailing the Minister responsible for delivery of the PSA including details of any targets that have shared accountability. Figure 2 shows the basic structure of the PSA.

Figure 2: **The Structure of the PSA**



Example 1. A linked aim, objective and target: Department for Education and Employment
Aim: To give everyone the chance, through education, training and work, to realise their full potential and thus build an inclusive, fair society and a competitive economy
Objective: Ensure that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world.
Target: Increase the percentage of pupils obtaining 5 or more GCSEs (General Certificate of Secondary Education) at grades A* to G (or equivalent), including English and maths: by 2004, 92% of 16 year olds should reach this standard.

The 2000 PSAs cover the period from April 2001-March 2004 and where possible the target date is within the period. There are 160 targets in total, 28 of these are shared by more than one department and so appear in more than one PSA.

Example 2. Outcome target shared by more than one department
Target: Make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004.
Target shared by the Department of Social Security and the Treasury

There are PSAs for the 18 main government departments and for five cross-departmental areas of policy where all the departmental targets relevant to delivery of the government's objectives in that area are drawn together in a single agreement. Cross-departmental PSAs can be a useful tool for coordinating interdepartmental and inter-agency work where:

- several departments are involved in delivering a number of related outcomes;
- the task is of significant importance to the government's key objectives;
- delivery depends on a significant element of joint working at national as well as local level; and
- it is helpful to articulate shared objectives as well as shared targets.

The five policy areas with a cross-departmental PSA are Sure Start (a programme for disadvantaged children aged 0-3), Welfare to Work (a programme providing employment opportunities for the young and long-term unemployed and disadvantaged groups), the Criminal Justice System, Action Against Illegal Drugs and Local Government.

Example 3. **PSA for cross-departmental policy area: action against illegal drugs**

AIM

To create a healthy and confident society, increasingly free from the harm caused by the misuse of drugs.

OBJECTIVES AND PERFORMANCE TARGETS

Objective I: to help young people resist drug misuse in order to achieve their full potential in society.

1. Reduce the proportion of people under the age of 25 reporting the use of Class A drugs by 25% by 2005 (and by 50% by 2008). (Also in Home Office PSA)

Objective II: to protect our communities from drug-related anti-social and criminal behaviour.

2. Reduce the levels of repeat offending amongst drug abusing offenders by 25% by 2005 (and by 50% by 2008). (Also in Home Office PSA)

Objective III: to enable people with drug problems to overcome them and live healthy and crime-free lives.

3. Increase the participation of problem drug abusers in drug treatment programmes by 55% by 2004 (by 66% by 2005 and by 100% by 2008). (Also In Department of Health PSA)

Objective IV: to stifle the availability of drugs on our streets.

4. Reduce the availability of Class A drugs by 25% by 2005 (and by 50% by 2008). (Also in Customs & Excise PSA)

WHO IS RESPONSIBLE FOR DELIVERY?

This PSA covers government activity against illegal drugs, coordinated by the Minister for the Cabinet Office and led by the Secretary of State for Health, the Secretary of State for Education and Employment, the Home Secretary, and the Paymaster General. On behalf of Ministerial colleagues the Home Secretary, supported by the Secretary of State for Health and the Secretary of State for Education and Employment, takes the lead on target 1. The Home Office's prime contribution is through effective management of the Drug Prevention Advisory Service and support for Drug Action Teams. The Home Secretary also has lead responsibility for delivery of target 2. The Secretary of State for Health has lead responsibility for delivery of target 3. The Paymaster General has lead responsibility for delivery of target 4, supported by the Home Secretary. Anti-drugs operations in Scotland, Wales and Northern Ireland are the responsibility of these Devolved Administrations.

For each PSA a Technical Note has now been published on the website of the department setting out in detail how each target will be measured including the source of data, the baseline, definitions of any ambiguous terms and details of validation arrangements for the data.

Example 4. **PSA target and linked technical note – deaths from killer diseases**

<p>PSA Target: Reduce substantially the mortality rates from major killers by 2010:</p> <ul style="list-style-type: none"> • from heart disease by at least 40% in people under 75; • from cancer by at least 20% in people under 75; and • from suicide and undetermined injury by at least 20%. <p>Key to the delivery of this target will be implementing the National Service Frameworks for Coronary Heart Disease and Mental Health and the National Cancer Plan.</p>	<p>Technical Note: Target year: 2010 for all three targets. Baseline year: The average of the European age standardised rates for the three years 1995, 1996 and 1997. Sources of data: Office for National Statistics (ONS) mortality statistics from death registrations. Mortality rates are age standardised to allow for changes in the age structure of the population (using the European standard population as defined by the World Health Organisation). Coronary heart disease and stroke and related conditions: includes all circulatory diseases – International Classification of Diseases ICD-9 codes 390-459 inclusive. Age group: under 75. Target reduction by year 2010 – at least two fifths (40%). Cancer: all malignant neoplasms - ICD-9 codes 140-208 inclusive. Age group: under 75. Target reduction by year 2010 - at least one fifth (20%). Suicide: suicide and undetermined injury - ICD-9 codes E950-E959 plus E980-E989 minus E988.8. Age group: all ages. Target reduction by year 2010 - at least one fifth (20%). By 2010 means by 31 December 2010 As set out in OHN White Paper - www.official-documents.co.uk/document/cm43/4386/4386-10.htm</p>
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(ii) Service Delivery Agreements

Service Delivery Agreements for each government department were published for the first time this year to accompany the 2000 PSAs. The SDAs are published in full on the website of each department and a summary was published in a White Paper⁵. The first section of the SDA (Delivering key results) sets out how the department will deliver its PSA targets. This includes any key output or process targets necessary to deliver the outcome target set in the PSA. In some cases the SDA also includes details of factors outside the control of the department that will affect the delivery of the outcome specified in the PSA.

5. "Spending Review 2000: Service Delivery Agreements 2001-2004: A Guide" November 2000. Available at www.hm-treasury.gov.uk/sr2000/sda/index.html.

Example 5. PSA target and linked sda note on delivery – criminal justice system	
<p>PSA Target: Improve by 5 percentage points the satisfaction of victims and witnesses with their treatment by the Criminal Justice System by 2002 and thereafter at least maintain that level of performance.</p>	<p>SDA: To deliver we will:</p> <ul style="list-style-type: none"> • Implement support services for victims and witnesses, including ethnic minority victims and witnesses, in magistrates' courts – 40% coverage by March 2001. • Implement majority of the Action for Justice programme, providing support measures for vulnerable and intimidated witnesses – by Spring 2002. • Review Victim's Charter and complete consultation exercise on the role of the victim in criminal proceedings – by July 2001.

The remaining sections of the SDA provide a picture of what each department is doing over the next three years to modernise and to improve their efficiency and their performance through use of management tools like the EFQM Excellence Model, benchmarking across different operating units, focusing on consumers of public services, ensuring policies and services respond to the needs of all groups in society, making services available on the Internet and improving policy-making.

Small departments who do not publish a PSA use the SDA to set out their key performance targets. Where possible these are outcome focused.

Example 6. Small department SDA – outcome targets for food standards agency
Target 1: Measurably improve public confidence in the national food safety and standards arrangements.
Target 2: Reduce food borne illness by 20% over the next five years; including reducing levels of Salmonella in UK produced chickens on retail sale by at least 50% by the end of 2004/05.

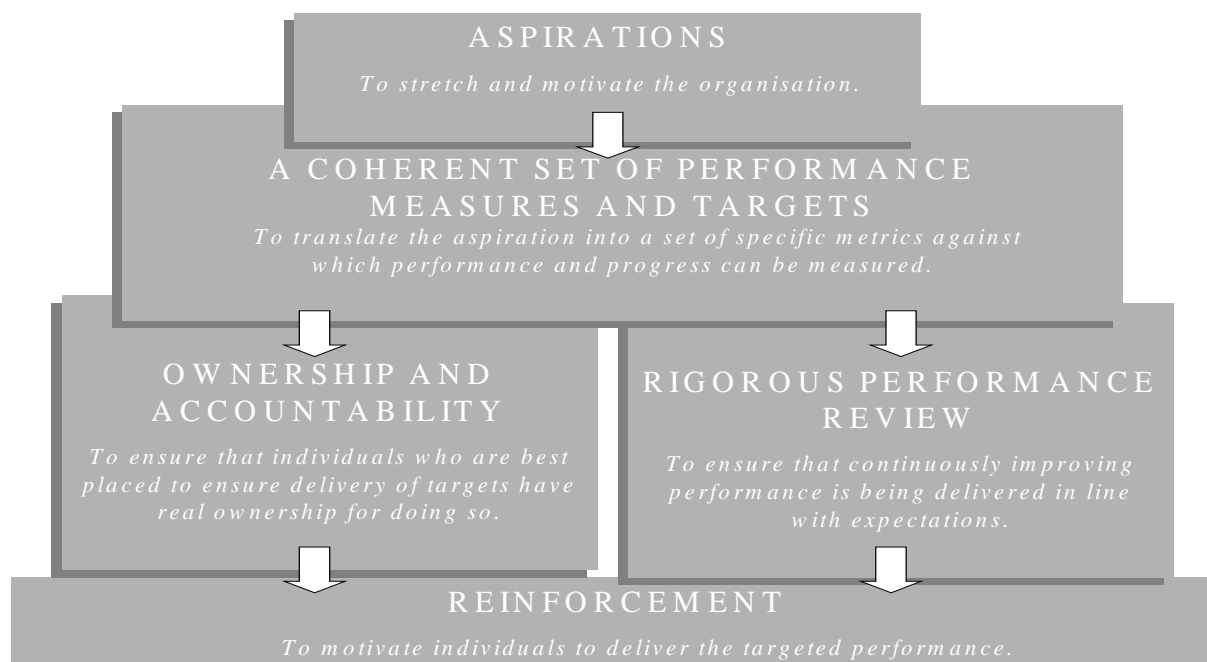
(iii) **The Business Planning Model**

For the PSA to drive performance they must form the starting point for business planning in government. Figure 1 shows how PSAs should be cascaded throughout the organization and be linked to the targets of agencies, non-departmental public bodies and local authorities who deliver services. Figure 3 shows the business planning model which departments are encouraged to use. The model was developed by the Public Services Productivity Panel and endorsed by the central Civil Service Management Board. The Panel is a team of top private and public sector change management experts who are helping government departments and agencies to find fresh, practical ways to improve the performance and delivery of public services.

The model in figure 3 shows the importance of establishing aspirations, which are established by the aim and objectives of the PSA, and translating them into a coherent set of measures and targets, established as outcome-focused targets in the PSA then cascaded to the individual as shown in figure 1. Departments

should establish ownership and accountability for targets and provide a system for rigorous performance review, reinforced with adequate systems of reward for good performance.

Figure 3. **Business Planning Model**



Source: Public Services Productivity Panel⁶

(iv) **Local government**

Local government accounts for around a quarter of total government spending. A new Best Value performance management system was introduced across local government in April 2000 requiring local authorities to continuously improve the economy, effectiveness and efficiency of their services and functions. An extensive set of performance measures and targets provides the framework against which this improvement is measured and achieved. For each given activity, the aim is to capture all the key dimensions of service delivery. There will be a process of review and independent inspection, by the independent Audit Commission, that will highlight examples of best practice and trigger intervention in the event of serious service failure.

In its first year of operation, the Best Value performance indicators tend towards separate measures of input and output rather than outcome. But the clear intention is to refine the indicators over time and move to proper outcome measures. The Audit Commission has ceased setting its own performance indicators for local government in favour of a role developing quality of life and cross-cutting measures which will help achieve this. And research is underway into how good cost effectiveness measures might be constructed, which match outcomes to resources.

6. "Public Services Productivity: Meeting the challenge – A joint report by the Public Services Productivity Panel" August 2000. Available at www.hm-treasury.gov.uk/pspp/studies.html.

Further steps are being taken to strengthen the link between national targets and local delivery by piloting local Public Service Agreements (LPSAs) between central government and individual local authorities.

The aim of local PSAs is to agree a package of around 12 key outcome targets reflecting national PSA targets and local priorities. If they perform over the next three years, local authorities will be rewarded, partly through financial benefits and partly through increased autonomy (greater flexibilities and freedoms). Local PSAs will therefore provide real incentives to improve performance and sharpen the focus on outcomes, including cross-cutting targets which require close co-operation with other local partners.

Following the pilot with 20 local authorities in 2001-02, local PSAs will be rolled-out to all large local authorities from 2002 onwards.

More information on local government finance and local PSAs can be found at www.local-regions.detr.gov.uk/index.htm.

(v) Government agencies

136 Executive Agencies, employing approximately 75% of civil servants, play a key role in delivering government services to the public – they are the operational arm of central government. The achievement of the objectives and targets set out in the PSAs therefore requires the priorities of agencies to be aligned with those of government departments and for agency performance targets to be consistent with the delivery of the PSA targets. More information on agency targets is at www.cabinet-office.gov.uk/eeg/index/publications.htm.

Agencies have historically focused performance measurement on process and output measures but the shift at departmental level towards focusing on outcomes (rather than outputs and processes) is starting to be reflected within agency performance reporting. One of the challenges is to define an individual agency's distinct contribution towards the wider policy objective so that a clear outcome can be articulated for the agency itself. A number of agencies have been successful in defining measurable outputs that bridge the gap between the immediate results of their activities and the outcomes that Government is aiming to achieve. Attached at annex A are some examples which illustrate the linkages between agency measures and PSAs taken from a National Audit Office report.

The process for setting outcome goals

The PSA is an agreement between the government and the public and it is the responsibility of the lead minister of the department to deliver the targets set in the agreement. The process for setting the targets reflects this political accountability. The final PSA is agreed by the responsible minister and a Treasury minister and has been discussed with a committee of the Cabinet and the Prime Minister's Office.

The Treasury produces guidance for drafting the PSA and setting outcome targets. Attached at annex B are the key parts of the guidance on drafting PSAs including advice on dealing with the difficulties of targeting outcomes.

At official level the Treasury conducted a process of peer review to look at the draft PSAs and suggest improvements.

The process for producing the targets in the PSA varies from department to department and target to target. In general departments consult with the service providers – agencies, local authorities, the police etc.. - on

the formulation, measurement and level of the target. This enables high-level outcome targets to be translated into operational targets on the ground.

A White Paper is published presenting the full set of Public Service Agreements to Parliament. Parliamentary Select Committees make use of the PSA in discussions with ministers and civil servants from a department.

Relating outcome goals to resources

In the 2000 Spending Review resources were allocated to departments for the next three years (2001-2004) and at the same time PSAs were agreed that set out the outcomes which departments are expected to meet with these resources. The decisions on budgets and targets are made along side each other and are considered by the same Cabinet committee. So the negotiation of outcome measures is part of the budgeting process.

For discussions of the Cabinet committee departments are asked to provide information on the outputs or improvements in outcomes that any additional money requested would buy.

The White Papers that announce the new budgets and the new PSAs are published as part of the same announcement.

As part of the introduction of Resource Accounting and Budgeting there will be a section of the new accounts that will set out the links between resources and the objectives set in PSAs.

Identifying and managing risk

One of the risks of focusing on outcomes is the difficulty of isolating the impact of factors outside the control of the department. Departments have been encouraged to detail these factors in their Service Delivery Agreement to provide a context for the published outcome results.

The risks on delivery of the targets are considered as part of the regular monitoring process. The minister in charge of the department or the ministers accountable for a cross-departmental PSA are seen by the Cabinet committee on public spending, or a sub-committee for smaller departments, and are required to present information on their performance so far, the risks to delivery and their action plans to manage the risk. These meetings are planned to take place twice a year, more regular meetings are conducted at official level. These discussions are not public.

Monitoring and reporting

The Treasury collects information on progress against targets every quarter and presents that to the Cabinet committee. Departments provide a public progress report against targets annually in their annual departmental reports in the spring.

Every target in the PSA is monitored quarterly by the Treasury. The frequency at which new information is available depends on the measure and the data underlying it – data on inflation is available monthly so progress can be updated each quarter, data on exam results is available annually and can only be updated every fourth quarter.

The progress against targets provides a background to decisions on resources in the following budgeting round.

Many of the PSA targets rely on data that is validated externally in some way for example some data is classified as National Statistics which is validated by the independent Statistics Commission, other targets rely on OECD data. There are some targets for which the data is internal to government and a working group is looking at how best to introduce external validation of these data systems.

Policy evaluation

Steps are being taken to improve our knowledge of the effects on outcomes of existing and proposed policies and programmes.

As a starting point the Treasury is engaging with each department in an assessment of the evidence base underpinning departmental delivery of individual PSA objectives. The assessment is a stepping-stone - either directly to better policy (if it turns out that policy is somewhat out of line with the evidence base), or more likely to a better analytical, piloting, research and evaluation programme to fill the evidence gap and to improve policies in the medium term.

Attached at annex C is a framework which departments will be using to find the gaps in the evidence base.

SECTION 2: CONCRETE EXAMPLES

In section 1 the boxes provide examples to illustrate the main features of the outcome-focused approach used in the UK. The PSA White Paper, which can be found at <http://www.hm-treasury.gov.uk/sr2000/psa>, provides the full set of targets by department and by cross-departmental area of policy. As well as the five cross-departmental PSAs discussed above, chapter 25 of the paper sets out the targets relating to a number of other cross-departmental areas of policy that were considered in the 2000 Spending Review.

SECTION 3: TERMINOLOGY

The following are the definitions commonly used in the UK in this area. These definitions are taken from a draft of a Performance Information Framework that the Treasury is drafting together with the other key central department and the audit organisations. The definitions have not yet been finalised:

Aim : A summary of the overall objectives. The aim provides a vision statement that embraces the desired future that the organisation is working towards.

Economy: Relates to the cost of inputs being consumed. Economy measures can be used to indicate whether the right price was paid to acquire the necessary inputs.

Efficiency: Efficiency represents the relationship between inputs and outputs. Efficiency is the ratio of output to input.

Effectiveness: The extent to which outputs achieve the desired outcomes. Effectiveness measures are concerned with the strength of the relationship between a given intervention and outcomes.

Cost effectiveness/Value for Money: The relationship between the resources consumed and the outcomes achieved. Cost effectiveness measures highlight how well the costs of interventions have been translated into desired outcomes. Measures of cost effectiveness can indicate which set of interventions is best able to

achieve the desired outcomes at the lowest cost. Ideally, cost effectiveness measures apply full economic costs against a clearly defined outcome.

Inputs: The resources that contribute to the production and delivery of an output. Inputs commonly include things such as labour, physical resources, administrative services and IT systems.

Objectives: An objective is a succinct statement of the key goal(s) being pursued over the medium to long run. Objectives reflect the key components of the intended strategy.

Outcomes: Outcomes are the impacts on, or consequences for, the community, of the activities of the Government. Outcomes reflect the intended and unintended results from government actions and provide the rationale for government interventions. Improving the health status of the population is an example of an outcome.

Outputs: Outputs are the goods and services produced by the organisation. Outputs are delivered to an external party (usually to the public either individually or collectively) and comprise the majority of day-to-day interaction between people and government. Outputs include things such as issuing licences, investigations, assessing applications for benefits and providing policy advice.

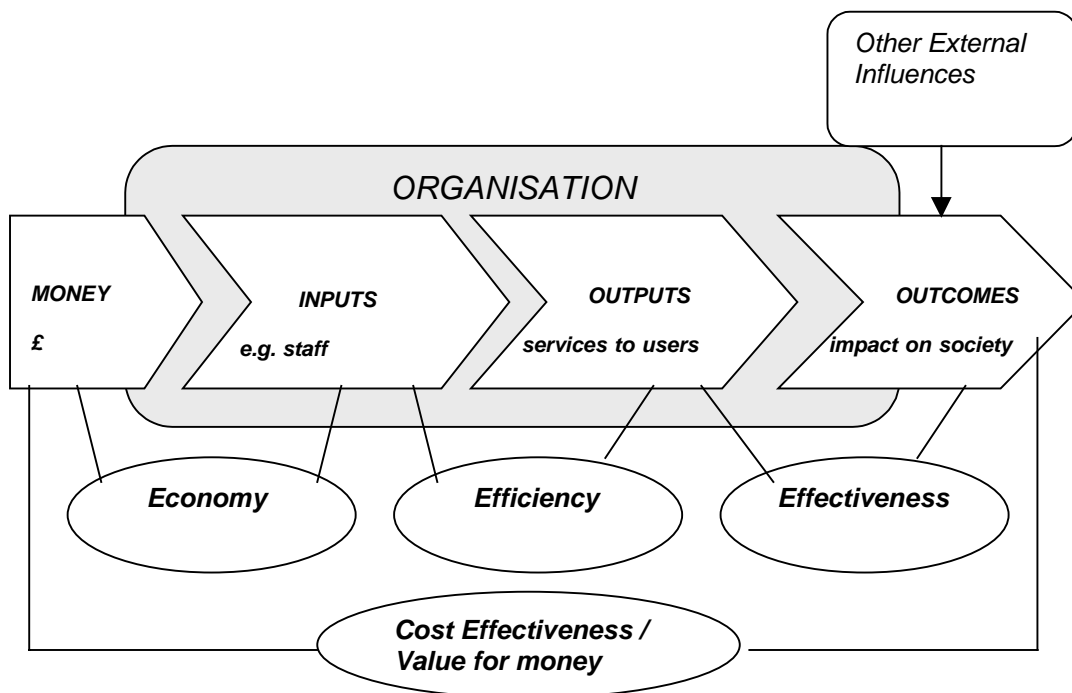
Performance measures: Performance measures establish the basis or means by which performance can be demonstrated against a robust scale. For accountability and management purposes performance measures are also partnered with performance standards or performance targets.

Performance standard: Achievement of a given level of desired performance or minimum level of acceptable performance status to be achieved or maintained.

Performance targets: A performance target represents the level of performance expected from a particular activity against the relevant performance. Using the above example, a suitable performance target may be a quantitative target such as sustained reduction by 5% over a stipulated period. Such targets should be consistent with the >SMART= criteria.

Figure 4 summarises the relationship between resources, inputs, outputs and outcomes.

Figure 4. **Inputs, outputs and outcomes**



The definitions set out in annex 2 of the OECD template do not contradict the terminology used in the UK. The term “outcome evaluation” is not one that we currently use in this way. The definition suggested by PUMA - “an evaluation of the outcome of a governmental activity compared to its intended outcome” – relates most directly to the evidence assessments we are currently undertaking to assess the evidence that government activity will deliver the outcomes in PSA objectives.

SECTION 4: LITERATURE, WWW AND STUDIES

There are a number of references that readers may find useful. Some of these are included in footnotes above but are repeated here for ease of reference:

“Public Services for the Future: Modernisation, Reform, Accountability – Comprehensive Spending Review: Public Service Agreements 1999-2002” December 1998 and supplement in March 1999. Available at www.hm-treasury.gov.uk/pub/html/psa/csrpsa.pdf and www.hm-treasury.gov.uk/pdf/1999/psa99.pdf.

“Spending Review 2000: Public Service Agreements 2001-2004” July 2000. Available at www.hm-treasury.gov.uk/sr2000/psa/index.html.

“Spending Review 2000: Service Delivery Agreements 2001-2004: A Guide” November 2000. Available at www.hm-treasury.gov.uk/sr2000/sda/index.html. Also includes links to individual departments’ SDAs.

Technical Notes for Public Service Agreements 2001-2004 are available on departmental websites. An index can be found at www.hm-treasury.gov.uk/sr2000/psa/technote.html.

“Good Practice in Performance Reporting in executive Agencies and Non-Departmental Public Bodies”, 9 March 2000. Available at www.nao.gov.uk/publications/nao_reports/index.htm.

“Aiming to Improve: The Principles of Performance Measurement”, June 2000. Available at www.audit-commission.gov.uk/ac2/PIfirst.htm.

“On Target: The Practice of Performance Indicators”, June 2000. Available at www.audit-commission.gov.uk/ac2/PIfirst.htm.

PUMA/SBO(2001)5/ANN1

HER MAJESTY'S TREASURY

UNITED KINGDOM

JANUARY 2001

Annex A: Extract from National Audit Office Report "Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies", March 2000

The relationship between inputs, outputs and outcomes

Figure 1 below provides the Government's definitions for inputs, outputs and outcomes and their inter-relationship. It also provides an example of this inter-relationship for the Employment Services' key activity of helping unemployed people into work. The number of unemployed people placed into work (job placements) is used as the key measure for reporting the Agency's performance.

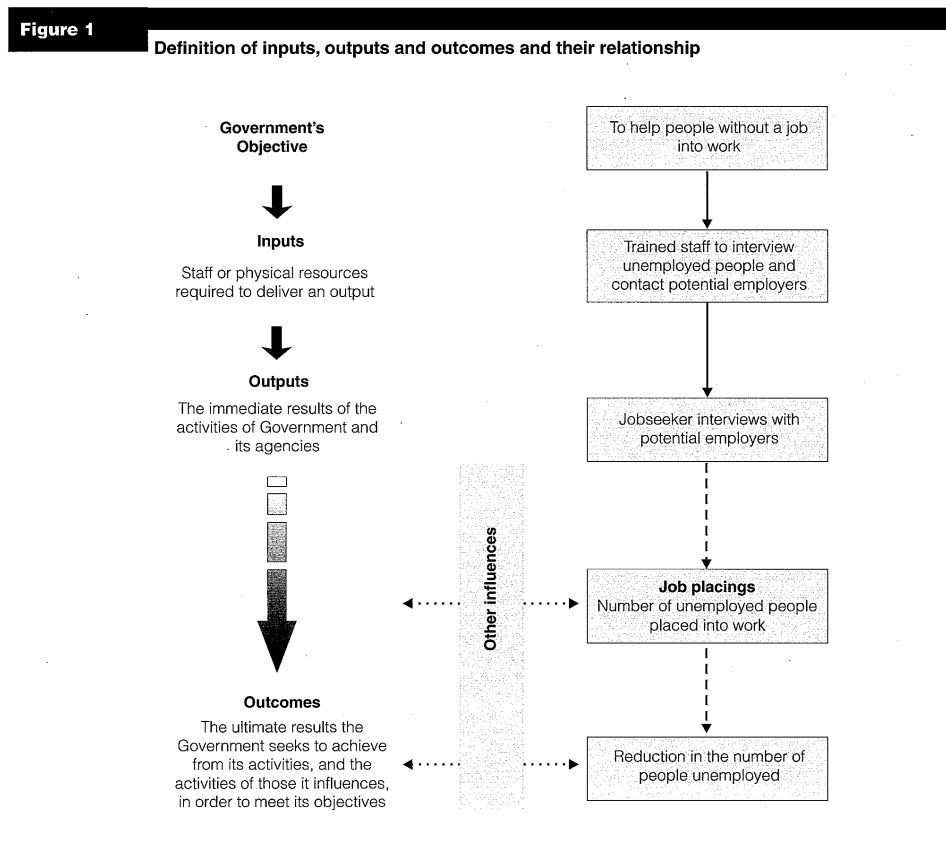


Table 1 below provides further examples of the inter-relationship between agency inputs, outputs and the outcomes to which they contribute. The measures in bold type are those which are included in the agencies' annual reports. These show how agencies have constructed and reported performance measures that bridge the gap between the immediate results of their activities and the ultimate outcomes the Government is aiming to achieve.

Table 1 Examples of relationships between agency inputs, outputs and outcomes in three agencies

	Meat Hygiene Service	HM Customs and Excise Action against illegal drugs:	Employment Service
Inputs	Trained Official Veterinary Surgeons and Meat Hygiene Inspectors. Supporting resources.	Anti-smuggling staff at ports and airports. Intelligence and other supporting resources.	Trained staff. Job Centres, IT systems etc.
Outputs	Inspections and assessments at licensed abattoirs. Hygiene Assessment Scores Improved practices in abattoirs.	Operations to detect smuggled drugs. Seized drugs Depriving drugs traffickers of their illicit proceeds. Disruption of international supplies. Increased deterrence.	Jobseeker interviews with potential employers. Job Offers. Job Placings Sustainable jobs.
Outcomes	Meat is fit for human consumption.	A reduction in the access to drugs for young people under 25.	Reduction in the number of people unemployed.
Contributions relevant to PSA Objectives	Public health better protected in relation to food and to animal diseases transmissible to humans.	To stifle the availability of drugs on the streets.	Helping people without a job into work.
Contributions to relevant PSA aims	To ensure that consumers benefit from ... food produced to high standards of safety...	To create a healthier and more confident society, increasingly free from the harm caused by misuse of drugs.	To give everyone the chance, through education, training and work to realise their full potential. A more inclusive and fairer society and a more competitive economy.

ANNEX B: EXTRACT FROM THE 2000 SPENDING REVIEW GUIDANCE ON PSAS

Setting The Right Targets

What is the right number of targets?

- The CSR PSAs include some 600 targets. The next round of PSAs should contain far fewer, more outcome-focused targets: the few that really count. There are a number of reasons for reducing the targets:
 - getting the strategic message across to the public;
 - setting clear operational priorities; and
 - allowing for managerial discretion in the delivery of the operational priorities ie not being too detailed or prescriptive about the means to the end.
- Separating performance targets from the more detailed targets in the SDAs should help to ensure that the strategic message is set out more clearly.
- It will still be important, however, that the performance targets set represent the Government's strategic agenda. Ideally, there should be no more than one, or in some cases, two for each objective.
- This means that:
 - Most departments should expect to have no more than 10 PSA targets;
 - departments with complex or multiple functions should expect to have between 10 and 15 PSA targets;
 - departments with simple functions should expect to have between three and five PSA targets.
- Many departments currently have more performance targets than this. To help reduce the number, it will help to:
 - Focus on outcomes, rather than processes, as far as possible. There may be pressure, for example, for different parts of the department's organisation and agencies to lobby for their own PSA target. Setting out the higher level outcome, to which the activities of many units and agencies may contribute, ensures comprehensive coverage without undue proliferation of targets;
 - use composite targets eg reducing the long-run growth rate of crime, which aggregates all forms of crime;
 - identify joint targets wherever this makes sense (see paras 23-26 below).

What makes a good target?

- The key elements of a good target are:
 - Performance targets should as far as possible be an **outcome**. See glossary. Where it is a strategic issue, it may also make sense to target service standards, access to services or consumer responsiveness, particularly where one of the Government's objectives is to provide a high quality service;
 - In all cases, it should be **SMART** (Specific, Measurable, Achievable, Relevant, Timed). There should be sufficient information (eg a baseline, trends) for Ministers to set a target and to monitor it accurately and regularly afterwards. It should be realistic but stretching: it should reflect the Government's ambitious programme for the reform of public services but should also be deliverable. To be relevant, the target should relate closely to the delivery of a Government objective. It should be timed, and medium term, which in most cases will mean that it will be delivered by the end of the 2000 Review period ie March 2004;
 - **the public should be able to understand it**: a good test is: could the Minister use it successfully in a speech or in an interview to communicate what the Government hoped to achieve?
 - It should be **deliverable, operationally** ie it should be possible to cascade it to operational level successfully. This does not mean that it has to be the same as the operational target(s), which may be more output focused. But it is important that the links can be made and are understood and that leverage or influence can and will be exercised by the department to ensure that it will be delivered at ground level. The target should as far as possible be **owned** by those who must deliver it, which means ideally that they should be involved in its design;
 - Avoids distortions
- The following explores some common problems and solutions.

Outcome focused targets

Problem: other factors affect the outcome

- Outcome targets should still be set, even where other factors significantly affect delivery, where the outcome is central to the delivery of a particular objective set by the Government (eg reduced crime, stable inflation, reduced productivity gap).
- But it should be made clear in the SDA where other factors are involved so that the extent to which a target can be achieved is understood.

Problem: insufficient leverage

- Outcome targets should clearly not be set where the Government has no leverage over the activities of external agencies which play a central part in delivery. However, if the outcome relates to a key

objective, the options are (i) to change the objective (ii) to develop as far as possible ways of levering or influencing the performance required.

Problem: other agencies/departments have a key role

- Often, PSAs targets are - and will continue to be - primarily delivered through agencies outside of central government (eg better education, reduced crime). The key in such cases is:
 - to ensure that as far as possible the information, funding and performance management systems are in place to exercise sufficient leverage over the activities of these organisations;
 - Where leverage is not direct, to ensure that sufficient influence can be exerted;
 - To ensure that the organisations delivering the target are able to deliver the result required and are committed to it.

Insufficient information

- In some cases, there may be insufficient information to set a target in a key area. One solution is to set an intermediate target to put the necessary information in place. Alternatively, Ministers may wish to take a strategic decision to set a target on the grounds that it is better to set a relevant target than to target only those things which can currently be measured. The existence of a target is also likely to be a powerful spur to solving measurement problems. But it must be possible to develop the measurement systems in time to monitor and deliver the target in the timescale set.

Example

Department *x* has an objective to improve the quality of life and reduce social exclusion by providing access for everyone to high quality opportunities of activity *y*.

It has the option of setting a target for:

(a) an increase in the proportion of eligible people attending activity *y* (which it can readily measure);

(b) an increase in the proportion of eligible people, including an increase in key target groups, attending high quality activities of type *y*.

It chooses target (b). It will need to develop from scratch a methodology for measuring quality and target groups. But it still decides to set the more ambitious target, because a target which does not build in quality could lead to damaging distortions (eg creating activities of low quality to meet the target). It sets out in the SDA a target date for developing a good mechanism for measuring measure quality (eg survey data).

Being SMART: common problems and tips

Problem: policies are hard to quantify?

- Often the answer lies in focusing on the outcome of the policy (meeting a particular objective), rather than policy processes (eg good advice to Ministers).

Problem: quality is less measurable than quantity?

- Sometimes quality may be hard to measure but nonetheless central to what the Government wants to achieve. It should be built into targets where this is the case, even if that involves a subjective element in the measurement. Consumer surveys can provide a good way of measuring subjective elements in a quantified way.

Problem: spurious accuracy

- The drive to set measurable targets should not lead to spurious accuracy (eg targets set to a few percentage points, where there is no current baseline). It can be better to set a general target in these circumstances (eg to achieve a reduction/increase in/reverse the trend in...).

Example

Department *x* has an objective to reduce the use of harmful substance *z*.

It has no information on the effect of its policies on the use of this substance, which will be influenced by many other factors. However, it believes that new policies will be very effective. It knows that the recorded use of the substance has increased by 5% points every year for the last 10 years but believes that independent surveys are needed to uncover the whole story. It has the option of a target

(a) to reduce the use of the substance by 2004, as measured by independent surveys, with more specific targets being set in 2002 once the baseline is better understood;

(b) to reduce the incidence of recorded use by *y*% by 2004.

It goes for (a) because its objective is to reduce actual, not recorded, use of substance *z* and it does not have the information yet to set a specific target.

Setting good value for money targets

- Value for money targets should wherever possible match inputs to outcomes ie capture real increases in productivity.

Consumer targets

- It is important that the quality of data for measuring customer satisfaction data is robust and that there is a shared understanding of methodologies used across the public sector to enable and promote comparisons as far as possible. The Cabinet Office and HM Treasury will work with others including Government Departments and the Audit Commission to produce a common methodology. Guidance will be issued in December.

Avoiding distortions: some problems to watch

- Target setting, like other management techniques, can also lead to perverse outcomes. For example:
 - *Data Massage*: effort can be focussed upon massaging the data by which performance is measured, for example hospital efficiency can be artificially increased by reclassifying outpatient attendances as day cases

- *Misrepresentation*: targeting can discourage accuracy, for example systems for recording adverse events like truancies might become lax
 - *Mediocrity*: performing just well enough to stay in the middle of the pack; or to achieve an objective whilst not making it too difficult to score a further gain next year
 - *Tunnel Vision*:⁷ where targets are partial, effort can be diverted from services which lack ready indicators, for example, prisoner rehabilitation
 - *Skewing Priorities*: where targets are inadequately weighted, priorities can be skewed, for example energy efficiency measures may be introduced to many houses with minor insulation problems rather than fewer houses with major problems
 - *Compromising Quality*: quality may be compromised to achieve quantified targets, for example employment placements may be achieved at the expense of their appropriateness (and hence their duration)
 - *Cost Shifting*: targets may be met by shifting costs onto other agencies, for example early discharge from hospital (to increase throughput and cut waiting lists) may increase burdens on social services. Setting outcome focused targets which are cross-cutting is a key way to avoid this problem
 - *Myopia*: performance within the assessment period may be improved at the expense of longer term performance, for example, skimping upon crime prevention or health promotion
 - *Generating Resentment*: cascading targets unadjusted for local cost or performance drivers generates resentment, for example if school performance is judged without adjustment for the ability or the social background of the children.
- These problems can in part be addressed by taking care in the design of targets. The danger of cost shifting is reduced if cross-cutting objectives are developed; and the danger of compromising quality is mitigated if quality targets are introduced. One way of reducing distortions is to produce a better balance of measures. But it is important that this does not lead to a proliferation simply to correct the effect of poor measures.
 - Some problems can also be reduced if care is taken in how measures are implemented.

Joint targets

- The CSR PSAs included some shared or joint targets. Where it makes operational sense, these should be extended.
- Often, framing targets in terms of outcomes highlights the need for joint working eg reducing the productivity gap.

7. Many of these items are adapted from Peter Smith's 1995 essay *On the Unintended Consequences of Publishing Performance Data in the Public Sector*.

- It is important where joint targets are set that departments work together to ensure that the target is delivered.
- Even where joint targets have not been explicitly set, the delivery of a target is often dependent on another department or external agency. Where this is the case, it should be mentioned in the SDA.

Consulting others

- Consulting others involved, internally and externally, can improve the quality of target-setting and will also help to make the development of PSAs a beacon in policy-making, as recommended by the Modernising Government White Paper. A checklist of good practice can be found on the internet at: <http://www.cabinet-office.gov.uk/regulation/1999/checklist/intro.htm>

ANNEX C: EVIDENCE ASSESSMENTS RELATING TO AN OBJECTIVE (EARO)

EARO is a five step framework for determining the analysis, information and modelling that is required to assess whether departments have the right policies in place to meet individual PSA objectives on a rolling basis

Step 1: What objectives and targets ought to be assessed?

- Frame a clear structure that shows the links between high-level PSA aims, objectives, targets and the policies to deliver them.
- Include other departments' objectives and targets where appropriate.
- Determine which combination of objectives and targets are to be assessed. List the relevant policies, and, for those involving spending, the resources dedicated (e.g. using RAB schedule 5).
- Consult policy leads and other stakeholders to gain an understanding of the political constraints that have determined current policy.
- Establish a reference panel, with academics in relevant fields, independent analysts and policy leads - to help provide a developing understanding of the issues as the assessment progresses

Step 2: What are the analytical issues?

- Establish what information is required in order to identify whether the appropriate policies are in place:
 - Gather key data (whether routine administrative or from other sources) to provide a picture of the stylised facts relating to the area of concern.
 - Create a conceptual framework for understanding the range of factors that are likely to impact on the objective - this may involve assessing different theoretical approaches in the academic literature.
 - Identify the full range of policy instruments that may affect the objectives within the conceptual framework.

Step 3: What has been done?

- Garner existing evidence on the relationship between objectives and policies:

- Evidence taken from evaluations of existing policies, recent appraisals of alternative policies, and from cost-effectiveness studies;
- Academic Research;
- Information from think-tanks and other organisations - both here and overseas.
- Consider the quality of the research.
- Feed back from Steps 2 and 3 to step 1.

Step 4: What is missing?

- Assess the adequacy of:
 - Departments' current research programme, complemented by
 - ESRC and other research programmes in the academic community.
- And identify what more needs to be done:
 - More focused exploitation of existing data sources?
 - Collection and analysis of new data?
 - More detailed or new modelling?
 - Establishing of pilot schemes?
- And publish the assessment.

Step 5: Design the research

- Modify or develop research agendas to meet objectives taking into account time and data constraints.
- Assess whether the work can be done internally or externally - is it possible to influence outside research agendas?
- Consider the range of specialists and departments that ought to be involved.
- Address any constraints to publishing the research.
- Design tender tactics to maximise impact from research community.

Steps 1-5: Implementation

- From the start the review process must be designed to maximise its impact upon policy making, e.g. by:
 - securing the right skills and capability;
 - securing policy endorsement for the objectives of the project;
 - ensuring research addresses the critical political issues (e.g. winners and losers); and
 - publishing and disseminating results both of the assessment and of the consequent research.

OUTCOME-FOCUSED MANAGEMENT IN THE UNITED STATES

SECTION 1

A. The General Framework for Performance Management and Budgeting in the United States and the Progress to Date.

The Government Performance and Results Act of 1993 (GPRA, the Results Act) established a performance management framework for Federal departments and agencies. The framework consists of agency strategic plans, annual performance plans, and annual performance reports. Additionally, the Director of the Office of Management and Budget (OMB) annually prepares a government-wide performance plan. Approximately 100 Cabinet departments, independent agencies, and government corporations prepare these plans and reports.²⁰ These departments and agencies comprise nearly the entire Executive branch of government. (The Central Intelligence Agency is statutorily exempted, and OMB has exempted about 15 very small agencies from having to comply with GPRA requirements.)

GPRA applies to the executive branch (the departments and agencies) of government. The legislative branch (Congress) and the judicial branch (the courts) are not subject to this law.

Strategic plans define both the agency mission and a set of long-range goals and objectives for the agency's major programs and functions. Performance plans include measurable performance goals with target levels for a particular fiscal year. The performance plans cover all programs and functions²¹ of an agency. Performance plans usually display past, current, and future year data for the performance goals. Between three and seven years of data are typically presented. Performance reports compare actual performance with the projected performance levels in the performance plan, and are prepared annually. The government-wide performance plan contains key performance goals as excerpted from the agency performance plans. The government-wide plan is part of the President's budget. ²²

Following a pilot project phase, the Results Act took effect government-wide in 1997. Through April 2001, agencies have prepared and transmitted two sets of strategic plans, four sets of annual performance plans (the fourth set is being sent to Congress and made publicly available in April and May 2001), and two sets of annual performance reports. Four government-wide performance plans were prepared and included in Presidential budgets sent to Congress. (The performance plans individually cover fiscal years 1999 through 2002, the annual performance reports covered fiscal years 1999 and 2000, and the government-wide performance plans cover fiscal years 1999 through 2002.)

The sequence for submitting strategic plans, annual performance plans, and annual performance reports is timed to provide government decision-makers with the performance information in this material as they consider and decide resource and program levels and priorities.

Two sets of documents comprise the budget requests of Federal agencies. The first set of documents is the President's annual budget, which includes a Budget Appendix volume. The Appendix includes detailed resource and financing tables for all of the government's budget accounts. A small agency may have only

one budget account; larger agencies might have 50 or more. Within an account, funding amounts are displayed for one or more program activities. These program activities correspond to projects or specific functions.²³ The number of program activities by account varies. Once monies are appropriated, agencies may shift a limited amount of funds between accounts, and usually must notify Congress of their intention to do this. An agency's annual performance plan should set performance goals that cover, in some manner, every listed program activity for that agency in the Budget Appendix.

The second set of documents are the individual agency budget requests to Congress. These documents are called Congressional justifications, and are sent after the President transmits his budget to Congress. The Congressional justifications, which must be consistent with the President's budget, provide much greater detail for the agency's budget accounts than is presented in the President's budget. Congress appropriates funds by account (rather than a single sum for the entire agency), and largely relies on information in the agency Congressional justification when determining the appropriation amounts.

The annual performance plans are linked to the agency budget requests. The annual performance plans and the budget requests are initially submitted to OMB, and reviewed by OMB as it develops the President's budget. After the President sends his budget to Congress, agencies then send their performance plans to Congress. (The plans are adjusted as needed to reflect the President's budget decisions.) The performance plans are usually sent to Congress with the Congressional justifications; some agencies are now merging the performance plan with the justification.

Agencies may prepare a third, optional version of the annual performance plan. This version primarily reflects changes to the performance goals resulting from Congressional action on an agency's budget request. The third version is prepared near the start of the fiscal year, and is sometimes termed an 'operating plan'.

B. Outcomes, outputs, impacts, and inputs.

The strategic plans and annual performance plans must include goals for an agency's programs. Most goals in a strategic plan should be outcome goals; the goals in an annual performance plan are a mix of outcomes and outputs. Some agencies choose to differentiate between intermediate outcome goals and final outcome goals. Intermediate outcomes generally represent partial accomplishment of a final outcome.

Several terms, including outcome and output goals, are defined in Federal law. These definitions appear in Section 3. The following examples illustrate the differences between various types of performance-related measures, including inputs and impacts, that might exist for an employment training program:

Input measure:

\$900 million in funds appropriated to a job training account.

Output goal

Annually provide job training and job search assistance to one million welfare recipients within two months of their initial receipt of welfare assistance.

Outcome goal

40 percent of welfare recipients receiving job training are employed three months after completing job training.

Impact goal:

Job training increases the employment rate of welfare recipients from 30 percent (the employment level of comparable welfare recipients who did not receive job training) to 40 percent (the employment rate of those welfare recipients who did receive job training).

Outcome goals are the optimal set of goals in the GPRA performance framework.. Conceptually, these goals should constitute the majority of goals in a strategic plan and an annual performance plan. While this is true for strategic plans, output goals still predominate in most of the agency performance plans. This is understandable, as outcome goals may not be useful in day-to-day program management.

Typically, performance data for an outcome goal are collected infrequently. In some instances, the data only becomes available following a lengthy program evaluation. In other cases, the date for achieving an outcome goal may be in the distant future, or measurement of goal achievement is to be done every several years. For this reason, the annual performance plans typically contain a large number of output goals. The collection and reporting of data for output goals is much more frequent, and the timeliness allows agency officials to actively manage a program, and intervene when problems arise.

The measurement of outcomes cannot be done until the results expected from a program or activity are first defined. Outcome measurement also cannot be done until a program (of fixed duration) is completed, or until a program (which is continuing indefinitely) has reached a point of maturity or steady state operations.

Output goals are often used to measure progress in achieving an outcome goal. Some commentators classify this type of output goal as an intermediate outcome. For example, the outcome goal is to sequence the complete chimpanzee genome by 2006. An output, or intermediate outcome, goal would be to sequence 40 percent of the chimpanzee genome by 2004.

Agencies are not encouraged to set impact goals, as it is often difficult or costly to show how an agency's programs brought about the impact. Impacts typically result from a number of programs and factors. However, sometimes it can be difficult to distinguish between an outcome and an impact. The hypothetical examples below define outcome and impact goals for several programs:

- a. Outcome goal: Ensure that American schoolchildren from lower-income families receive at least two nutritious meals a day.
Impact goal: End child hunger in the United States.
(In this example, the child nutrition program would be one program among several, both governmental and private, working to end hunger.)
- b. Outcome goal: Reduce traffic congestion on urban highways.
Impact goal: Save the American economy \$50 billion annually by avoiding the loss of economically productive time due to traffic congestion. (In this example, an attempt to calculate whether \$50 billion was actually gained in productivity would be a costly and challenging task.)
- c. Outcome goal: Improve the quality of Federally-funded hospital care.
Impact goal: Increase American life expectancy by 1.5 years.
(In this case, the agency would need to calculate what portion of the increase in life expectancy was due to improved hospital care. Other factors, such as a lower accidental death rate, better disease prevention, etc. would also need to be considered. This is an example of the potential attribution problem.)

Goals for inputs should not appear in strategic plans or annual performance plans. A description of inputs needed to achieve outcomes or outputs is included in the 'means and strategies' section of a strategic plan and annual performance plan. 'Means and strategies' include resources, skills, facilities, and equipment.

The means and strategies section of both the strategic plan and the annual performance plan describe the internal management, process, and investment steps that the agency intends to take to achieve its goals and

objectives. In most instances, these steps are directly controlled by the agency. (Inputs, such as services or products by another agency, would also be described in the means and strategies section.)

C. Defining Outcome Goals and Developing the Strategic Plan

An agency uses its strategic plan to develop and present most of its outcome goals. A strategic plan consists of several elements, including a mission statement and a set of long-term goals (which are mainly outcome goals). The mission statement describes the purpose of the agency, its *raison d'être*. The long-term goals (called general goals and objectives) describe how an agency will carry out its mission, and these goals should be based on the mission statement.

The long-term goals in a strategic plan must cover all the major programs and functions of the agency. Thus, the agency strategic plans will collectively cover all the major programs and functions of the Executive branch.²⁴

The long-term goals need not be directly measurable. If achievement of a goal cannot be directly measured, it must be defined in a way that allows a future assessment to be made of whether the goals were or are being achieved.

- An example of a directly measurable outcome goal is President Kennedy's goal of 'landing a man on the moon and returning him safely to earth before the end of the decade'.
- An example of an outcome goal that is not directly measurable is a goal of 'improving the health of older Americans'.

Nearly all outcome goals in the GPRA performance framework are programmatic. Outcome goals covering an agency's internal operations or administrative management are rare. Taking steps to assure that no agency computer systems failed --and the systems were critical to national safety or the functioning of the national economy -- because of Y2K is an example of an outcome goal for an internal operation.

The strategic plan is an agency product, with agency officials being responsible and accountable for achieving the goals set out in the plan. The goals and objectives in a strategic plan are ultimately set by the head of the agency.²⁵ Many of these outcome goals are based on laws that established the programs. The development of a strategic plan is an open process, involving Congress and the public.

The Results Act requires that an agency consult with Congress when preparing its strategic plan. An agency has discretion in how it carries out this consultation. Typically, this consultation involves discussions between Congressional and agency staff. Usually, an agency will provide a draft copy of its plan to facilitate the discussion.

Strategic plans are about carrying out programs, and program execution is the responsibility of the Executive branch. Congress has no authority under the Results Act to approve a strategic plan, nor is there any vote in Congress to accept or otherwise ratify a strategic plan after it is submitted. If Congress (or the public) disagrees with particular goals or an agency's course of direction or approach, the agency publicly records and reports these contrary views when it transmits the strategic plan to Congress. (By amending laws, Congress could redefine an agency's mission, modify or eliminate programs, which would subsequently produce major changes in an agency's strategic plan.)

During preparation of a strategic plan, an agency is also required to seek the views of interested or potentially affected parties on the agency's proposed strategic direction. These parties include other

Federal agencies, States, local governments, interest groups and associations, stakeholders, and customers.²⁶

This solicitation of views is commonly called outreach. How outreach is done is at the agency's discretion. Among the approaches often used are holding national or regional meetings, publishing a draft plan on the WorldWideWeb for comment, and using formally established advisory groups. There often is extensive interaction with other Federal agencies and States for programs which cross agencies or are administered by the States. OMB reviews all agency strategic plans at both the draft stage and prior to official transmittal to Congress. OMB does not technically 'approve' agency strategic plans, but it can prevent the transmittal of a plan that does not meet GPRA statutory requirements or is fundamentally at odds with national policy. The President does not directly participate in the preparation of strategic plans.

A strategic plan covers a period of at least six years. A longer period may be covered; for example, an agency might include goals that will not be achieved until ten or more years in the future. (Strategic plans must be updated and revised at least every three years. Agencies may make minor changes annually, thus making the strategic plan a more dynamic document.)

In preparing a strategic plan, agencies are discouraged from defining long-term goals that seek to resolve major policy issues. Resolution of these policy issues will usually require future legislation, and the goals in a strategic plan should be based on existing laws and policy directives. If a strategic plan becomes a forum for policy debate, uncertainties over the ultimate resolution of the debate will diminish the plan's usefulness in managing and implementing programs.

Some agencies are setting outcome goals for Federal-aid activities or programs where there is no direct agency control over the outcome. The lack of direct control frequently happens when a Federally-funded program is being administered by a non-Federal agency, such as a State or city. Setting outcome goals for some Federal-aid programs can be difficult. There may be resistance to having a national standard of performance be met by all the governmental units receiving Federal monies for the program they are administering, or no agreement on what the outcome goal target level should be, or the governmental units have discretion to spend Federal funds over a wide range of activities. A few agencies have set outcome goals that will depend on people changing their behavior. The behavioral changes can only be encouraged, not forced, by the Federal agency. Examples of such goals include greater use of automobile seatbelts and less use of tobacco products.

A strategic plan does not indicate how much money will be spent to achieve a particular long-term goal. Strategic plans identify future resource needs in a general way. Agencies are instructed that performance levels for the long-term goals in a strategic plan should be consistent with anticipated future resource levels.²⁷ The strategic plan is not intended to be a budget request, particularly a request for more money than otherwise might reasonably be expected. If the projected performance levels are based on an unrealistic budget, the strategic plan will become useless. This would also affect the annual performance plan, as it describes how the goals in the strategic plan will be achieved in a particular fiscal year.

If a long-term (or outcome) goal is not directly measurable, an agency indicates the measures (including output goals) that will be used to determine whether the outcome goal was achieved. The strategic plan includes a set of illustrative annual performance goals, and describes the relationship between these goals and the long-term goals in the strategic plan.

A strategic plan also includes a description of those factors external to the agency that might impede achievement of the long-term goals. These factors may be economic, social, environmental, or demographic and are introduced by outside forces or parties. Agencies may choose to describe external factors in their annual performance plan.

External factors can be seen as an identification of future risks. Agencies do not calculate probabilities of a risk actually occurring, nor are agencies encouraged to describe mitigating actions to be taken if an external factor actually affects goal achievement. Identification of mitigating actions is discouraged for several reasons: (1) there may be no action an agency can take to mitigate a condition caused by an external factor; (2) arraying a number of alternative scenarios will be speculative and likely to be confusing; (3) the primary focus for most agencies during the initial years of GPRA implementation is in preparing good quality plans, not sophisticated plans presenting a range of possible scenarios.

Agencies are expected to take prudent steps to minimize risks resulting from their own actions. The possibility of adverse circumstances arising within the agency and impeding achievement of an outcome or output should be calculated when setting the target level. In a plan, agencies do not include alternative target levels to cover the actual occurrence of an adverse circumstance.

Once sent to Congress and OMB, an agency's strategic plan becomes a reference for how the performance goals in an annual performance plan demonstrate progress toward achieving the long-term goals and objectives (outcomes).

D. The Annual Performance Plan, Achieving Outcome Goals, and Linking the Budget with Performance

The annual performance plan defines a set of measurable performance goals that will be achieved during a fiscal year.²⁸ These performance goals are usually a combination of outcome and output goals. The outcome goals are derived from the long-term goals in the strategic plan. Occasionally, an agency will include an outcome goal in its performance plan that was not a long-term goal in its strategic plan.

If an outcome goal is scheduled to be achieved in the fiscal year covered by an annual performance plan, the plan will include a performance goal for that outcome. In some instances, several performance goals (outputs) are used to cover the achievement of a particular outcome.

An agency is required to prepare two versions of an annual performance plan, and may prepare a third. The first version, the initial plan, is sent to OMB with the agency budget request. OMB uses this plan in reviewing the budget request and in making budget recommendations to the President. The second version is the final performance plan. The final performance plan is sent to Congress with the agency Congressional justification. A third, optional version is the revised final performance plan, and is often called an operating plan. The revised final plan reflects Congressional action on the agency budget request.

In the initial performance plan, the target levels for the performance goals correspond to the agency's funding request for its programs and activities. Following OMB review and the President's decisions on the budget requests, agencies revise the target levels as needed to reflect changes in the funding levels resulting from the President's decisions. Later, agencies may again revise the performance goal target levels to reflect Congressional action.

The performance goal target levels are set by the agency managers who are responsible for the programs covered by the goals. Both OMB and Congress have deferred to the agency and its managers on setting these targets. By doing so, the concept of direct managerial accountability for achieving the expected performance levels is reinforced.

The annual performance plan should include information on how much money will be spent to achieve a set of performance goals. (Agencies are asked to indicate the funding for a set (a related group) of

performance goals. Individual goals need not be costed, although some agencies selectively provide this data for certain goals.)

Congress appropriates funds by agency and budget account. Congress may reference in a report (accompanying a law) the level of performance it expects will be achieved through the spending of these funds. Congress does not appropriate monies by performance goal. Occasionally, Congress will establish performance goal targets in law.²⁹

Congress intends that the Results Act be used to bring about greater linkage between program performance and budget resources. However, these linkages are not easily made, as neither Congress nor the Executive can unilaterally change the budget account structure.

The alignment of budget resources with performance goals is critical if the agency performance plans are to be used to inform decisions on the appropriate funding levels for programs and activities. The structure and timing of the annual performance plans and annual performance reports is designed to provide this information. However, much additional work still remains to improve the scope and quality of the performance data and bring about the necessary resources alignment with that data.

Most agencies are having difficulty in aligning budgetary resources with sets of performance goals. Much of the difficulty stems from the current set of budget accounts, which was created and evolved over time to satisfy the needs of many different users. Currently, many accounts are structured to allocate funds by organizational unit, not by program. Most performance goals are by program, not organizational unit. The budget account structure is historical, and was largely set long before the Results Act became law. OMB and the agencies are currently focusing on how to improve the linkage between the performance goals and the budget. Improvements will take time, and significant modifications to agency financial management systems may be needed. Some changes would require Congressional agreement, as Congress plays a major role when altering the budget account structure.

A particular improvement that is presently being considered is to present the 'full cost' of a program as part of the resources calculation. "Full costs" can include personnel retirement benefits and non-reimbursed services provided by other agency components or facilities, e.g., legal counsel and information technology, which are now paid for centrally or by other agencies.

Another current difficulty is that different organizational units within the agency often contribute to the achievement of a performance goal, particularly an outcome goal. With their separate budget accounts, this can complicate the calculation of how money is being spent to achieve the goal. In other instances, a single budget account may contribute to the achievement of several outcome goals, and it is difficult to differentiate what portion of the account would be spent on a particular goal.

Annex A provides a more detailed presentation of the current difficulties faced by the Federal government in aligning budget accounts with performance goals.

E. Accountability and Reporting on Achievement of Outcome and Output Goals

Agency officials use the annual performance plan in managing programs and administering operations. These officials are accountable for achieving the goals in the performance plan, and must report on how well they achieved the goals in the annual program performance report.

The annual performance report indicates how well an agency and its managers did in achieving the performance goals. An agency's performance report:

- compares actual performance with the performance goal target levels in the annual performance plan.
- for any goals that were not met, gives an explanation for why the goal was not met, and describes the schedule and steps the agency will take to meet the goal in the future.
- includes a summary of the findings and recommendations of any program evaluation completed during the fiscal year.

Program performance reports are signed by the agency head, and transmitted to the President, Congress, and the Director of OMB. The reports are publicly available; most agencies post their reports on the WorldWideWeb. The reports are due within 150 days of the end of the fiscal year covered by the report. This timing allows Congress to review past year's performance when reviewing the performance plan and Congressional justification for the next fiscal year.

The public nature of the annual performance reports highlights the degree of success agency managers had in achieving performance goals, and introduces the element of accountability for program results. Most agency performance reports do not identify individual managers by name, but the performance of a component organization within an agency can usually be readily determined.

Some agencies rely on program evaluations to determine whether an outcome goal was achieved. The results of a completed program evaluation are also used by the agency when preparing its next strategic plan.

Program evaluation capabilities in the executive branch had declined from their peak 25 years ago. Some agencies are rebuilding this capability to meet their need to conduct program evaluations as they assess whether outcome goals were achieved.

In their annual performance plans, agencies are to describe the means the agency will use to verify and validate the performance data it collects and reports. Presently, data quality is receiving increased emphasis from Congress and the General Accounting Office (GAO) and agencies are now required to assess the completeness and reliability of the performance data included in their annual reports. Actions that need to be taken to improve data quality should also be described in the annual performance plans and performance reports. The sources of reported performance data may often be outside the agency. This may be particularly true for outcomes. A general test for data quality is that it should be sufficiently reliable to be used in making decisions. Data need not be 'perfect', and agencies should consider the cost of improved data quality relative to both total program costs and the extent that better data quality will aid decision-making.

The agency Inspectors General³⁰ have no statutorily defined role to review or audit performance goals. The Inspectors General are encouraged to devote resources to reviewing the systems, processes, and practices used by the agencies to collect and report information, rather than corroborating the accuracy of the reported data through independent tabulations. Inspectors General may also conduct program evaluations. The GAO, an agency of Congress, is very active in reviewing the agency plans and reports. The GAO has also prepared a series of monographs to help agencies improve the quality of their plans and reports.

Presently, the yearly performance appraisals of most Federal employees do not consider the performance of the program or activity on which the employee works as a factor in the appraisal. Only senior managers and officials are likely to have program performance as a factor in their appraisals, and use of such a criterion is not widespread even at this level. This may change in the years ahead, as an emphasis is emerging on linking program performance to individual appraisals.

F. Consultation, outreach and transparency of performance plans

The initial performance plan is considered privileged material and is not released outside the Executive branch. The final performance plan is sent to Congress and is publicly available. While a revised final performance plan is not formally sent to Congress or OMB, it also is publicly available when completed.

There is no consultation with Congress nor outreach to interested parties when preparing an annual performance plan. Agencies do receive comments from Congress following Congressional review of the plan. A new Congressional rule now requires that performance goals be identified by Congressional committees for many of the proposed laws that will be considered over the next two years by the House of Representatives. These goals will be identified in Committee reports, and not incorporated into law. If the goals were written into law, an agency would likely need to incorporate them into its annual performance plan. As this is a new rule, no determination can currently be made of how many of the identified goals are identical to those included in the agency annual performance plans.

OMB reviews the initial performance plan as it prepares the President's budget. OMB also reviews the final performance plan before the agency sends it to Congress, and subsequently can use it for oversight purposes. OMB does not generally review a revised final performance plan.

G. Major Emphases

As the Federal government nears the fifth year of government-wide implementation of the Results Act, several areas of focus are emerging. These are:

- Obtaining a much better linkage between budget resources and performance, and initiating efforts to calculate the 'full' budgetary cost of outcomes and outputs.
- Ensuring that the set of program outcomes are the best that can be defined at this time.
- Increasing the use of performance data by the Executive and Congress in making resource and program decisions, and the value of this data in decision-making..
- Significantly improving agency descriptions of the various means and strategies they intend to use in achieving outcomes and outputs.
- Having increasing numbers of agency managers use the performance information in the regular course of administering their programs and operations.
- Expanding the use of program performance achievements when reviewing the performance of managers and staff.

SECTION TWO: EXAMPLES

Department of Commerce

Outcome goal

Advance Short-Term Weather Warning and Forecasts

Performance goals

- * For flash flood warnings, increase average forecast lead time to 57 minutes with an 86 percent forecast accuracy rate (fiscal year 2001 goal).
- * For winter storm warnings, increase average forecast lead time to 13 hours with an 86 percent forecast accuracy rate (fiscal year 2001 goal).

Outcome goal

Build sustainable fisheries

Performance goal

By 2005, reduce the number of fish stocks currently being overfished from the current 86 stocks to 64 or fewer stocks.

Outcome goal

Support job creation and enterprise in distressed communities.

Performance goal

Number of permanent jobs created or retained in distressed communities as a result of Federal economic development grants (number varies by year).

Outcome goal

Increase the number of small business exporters

Performance goal

The number of new-to-market exporters entering the market in fiscal year 2001 will be 36,940.

Outcome goal

Provide high-quality and timely decisions on patent applications. *[Note: This goal statement was modified for this paper.]*

Performance goal

Achieve an average 10 month cycle time for processing patent applications in fiscal year 2001.

Outcome goal

Develop innovative technologies

Performance goals

- * Cumulative number (at fiscal year end) of innovative technologies being applied commercially.
- * Cumulative number (at fiscal year end) of patents filed and associated with development of these innovative technologies.

Department of Defense

Outcome goal

Support U.S. regional security alliances through the routine presence of ready military forces overseas.

Performance goals

- * Percentage of time during the year that a geographic region is covered by an aircraft carrier battle group (regions are Pacific, Europe, and Southwest Asia).
- * Percentage of time during the year that a geographic region is covered by a Marine Corps Expeditionary Unit / Amphibious Ready Group (regions are Pacific, Europe, and Southwest Asia).

Outcome goal

Maintain ready forces with the ability to respond to a full spectrum of crises.

Performance goals

- * Unit military readiness ratings are classified information.
- * Number of individual Army units that deploy more than 179 days per year.
- * Percentage of Air Force personnel assigned to combat aircraft, weaponry, or combat-support systems who are deployed under 120 days per year.

Outcome goal

Maintain capability to move military forces from the United States to any location in the world in response to aggression.

Performance goals

- * Total million-ton-miles per day airlift capacity that can be transported by military and civil reserve aircraft (fiscal year 2001 goal is 46 million-ton-miles per day (41 billion kilogram miles per day)).
- * Total million square feet of sealift capacity that can be transported in available ships owned or chartered by the Department of Defense (fiscal year 2001 goal is 9.2 million square feet (836,000 square meters)).
- * Number of Army Heavy Brigades and Marine Expeditionary Forces supported by prepositioning of equipment either land-based or afloat in Europe, Southwest Asia, and the Pacific.

Outcome goal

Maintain military pre-eminence by developing new defense-related technologies.

Performance goal.

Percentage of Defense Technology Objectives (technology and research projects) evaluated as annually making satisfactory progress in achieving budget, schedule, and technical performance goals for the objective.

Department of Education

Outcome goal

Increase the percentage of all students who meet or exceed basic, proficient, and advanced performance levels in national and state assessments of reading, math, and other core subjects/

Performance goal

The percentages of students scoring at or above basic levels. Percentages are for reading and math for grades, 4, 8, and 12. Testing year is biennial or quadrennial. No testing goals for fiscal year 2001.

Outcome goal

Build a solid foundation for learning for all children.

Performance goal

The percentage of 3- to 5- year olds whose parents read to them or tell them stories regularly will continuously increase. (Fiscal year 1999 actual performance was 82 percent. Next survey will be fiscal year 2002.)

Outcome goal

Ensure access to postsecondary education and lifelong learning.

Performance goals

- * Postsecondary education enrollment rates each year for all students while the enrollment gap between low- and high-income and minority and nonminority high school graduates will decrease each year. (Percentages available for fiscal years 1994-1998; fiscal year 1999 data not yet available.)
- * Completion rates for all full-time degree-seeking students in 4-year and 2-year postsecondary institutions will improve, while the gap in completion rates between low- and high-income and minority and nonminority students will decrease.. (Percentages available for 1997. Next data updates will be in 2000 and 2002.)

Outcome goal

All educationally disadvantaged adults strengthen their literacy skills and improve their earning power over their lifetime.

Performance goal

The percentage of all persons receiving adult vocational training who obtain employment after receiving this training will be maintained at 61 percent.

Department of Energy**Outcome goal**

Increase domestic oil production by 600,000 barrels per day by 2005. *[Note: no base year.]*

Performance goal

Complete demonstration and transfer of seven advanced extraction technologies, adding 92 million barrels of oil to national reserves (fiscal year 2000 goal).

Outcome goal

Improve the safety of 66 reactors at 21 Soviet-designed nuclear power plants and assist the nine countries with Soviet-design nuclear reactor plants to implement safety programs by 2006 that reflect internationally accepted safety practices.

Performance goal

Complete in-depth safety assessments at Ukraine's South Ukraine and Rivna nuclear plants, and at Russia's Kola, Novovoronezh, and Leningrad nuclear plants (fiscal year 2001 goal).

Outcome goal

Maintain and refurbish nuclear weapons in accordance with direct schedules to sustain confidence in their safety, security, and reliability.

Performance goals

- * Meet all annual nuclear weapons maintenance and refurbishment schedules developed jointly by the Departments of Defense and Energy.
- * Meet annual schedules for the safe and secure dismantlement of nuclear warheads that have been removed from the U.S. nuclear weapon stockpile (ongoing goal; 207 weapons were dismantled in 1999).

Outcome goal

Clean up the environmental legacy of nuclear weapons and civilian nuclear research and development programs at the Department's sites and facilities.

Performance goal

Complete cleanup of 166 sites where nuclear material was released or spilled, bringing the number of completed site cleanups to 4,896 out of 9,700 sites (fiscal year 2001 goal).

Outcome goal

Explore matter and energy as elementary building blocks from atoms to life.

Performance goal

Conduct experiments at the Relativistic Heavy Ion Collider to see possible evidence of the predicted quark-gluon plasma; a high temperature, high density state of nuclear matter that may have existed a millionth of a second after the "Big Bang" (fiscal year 2000 goal).

Department of Health and Human Services

Outcome goal

Reduce tobacco use, especially among youth.

Performance goal

Reduce the percentage of teenagers (in grades 9-12) who smoke to 35.9 percent in fiscal year 2001.

Outcome goal

Improve the diet and level of physical activity of Americans

Performance goal

Percent of people aged 18-74 who engage in light to moderate physical activity for at least 30 minutes a day, five or more times per week. Fiscal year 2001 goal is 26 percent.

Outcome goal

Curb alcohol abuse.

Performance goal

Percentage of youth ages 12-20 not using alcohol or any illicit drugs during the past 30 days. Fiscal year 2001 goal is 78.2 percent.

Outcome goal

Increase the economic independence of families on welfare.

Performance goal

Increase to 84 percent in fiscal year 2001, the number of adult welfare recipients and former recipients employed in one quarter of the year who continue to be employed in the subsequent quarter.

Outcome goal

Improve access to and effectiveness of health care services for persons with specific needs.

Performance goal

Decrease to 183 cases in fiscal year 2001 the number of newly reported AIDS cases in children as a result of perinatal transmission.

Outcome goal

Ensure food and drug safety by increasing the effectiveness of science-based regulation.

Performance goal

Ensure that at least 97 percent of mammography machines meet inspection standards.

Outcome goal

Strengthen the nation's health sciences research enterprise and enhance its productivity.

Performance goal

In fiscal year 2001, complete one third of the final human genome sequence to a 99.99 percent accuracy level.

Department of State

Outcome Goal

Achieve comprehensive Arab-Israeli Peace

Performance goals:

- * Secure agreements between Israel and Syria and Israel and Lebanon
- * Permanent status agreement concluded between Israel and the Palestinians.
- * Normalized relations occur between Israel and Arab countries.

Outcome goal

End the threat of local and regional instabilities in Southeast Europe. Integrate stabilized, transformed Southeast European countries into the European and transatlantic mainstream.

Performance goal: *(One goal (for fiscal year 2000) is shown as an example, with accompanying criteria for successful, minimally effective, and unsuccessful levels of performance for this goal Most State Department performance goals define three levels of performance.)*

Free and fair elections lead to democratic transition in Serbia. Montenegro remains stable, democratic, and within the Federal Republic of Yugoslavia.

SUCCESSFUL PERFORMANCE: Democratic opposition wins elections at municipal level and for Serbian Republic Assembly. Milosevic resigns, flees, or is removed from the Presidency by coercion. Montenegro independence referendum postponed.

MINIMALLY EFFECTIVE PERFORMANCE: Democratic opposition agrees on common approach to early elections and mobilizes Serbian public against Milosevic and ruling parties. Montenegro continues to resist Serbian provocations.

UNSUCCESSFUL PERFORMANCE: Current ruling parties (SPS, JUL, SRS) win municipal and assembly elections. Democratic opposition continues to be weak and unorganized. Milosevic activates military or paramilitary operations against Djukanovic government in Montenegro.

Outcome goal

Achieve further reductions in nuclear-capable strategic offensive arms, and strategic and sub-strategic nuclear weapons, nuclear weapon stockpiles, and related infrastructure.

Performance goals:

- * Continued reductions in Russian strategic offensive arms, denuclearization of Ukraine, Belarus, and Kazakhstan; elimination of intermediate- and shorter-range nuclear forces in all INF Treaty successor states.
- * Negotiation of an effectively verifiable Start III treaty based on the Helsinki Summit agreements.

- * Restraint in the modernization and deployment of strategic and sub-strategic weapons by China.

Department of Transportation

Outcome goal

Reduce the number of transportation-related deaths.

Performance goals

- * Highway fatalities per 100 million vehicle miles of travel will not exceed 1.5 in fiscal year 2001.
- * Percentage of front occupants using seat belts will rise to 86 percent in fiscal year 2001.
- * Fatal aviation accidents (U.S. commercial air carriers) will not exceed .031 per 100,000 flight hours.
- * The number of airport runway incursions in fiscal year 2001 will not exceed 241.
- * The number of recreational boating fatalities will not exceed 749 in fiscal year 2001.
- * 85 percent of all mariners in imminent danger will be rescued in fiscal year 2001.
- * The number of rail-related fatalities per million train miles will not exceed 1.23.
- * The number of transit fatalities per 100 million passenger miles traveled will not exceed .497.

Outcome goal

Ensure that the transportation system is accessible, integrated, efficient, and offers flexibility of choices.

Performance goals

- * 91.9 percent of the miles on the national highway system will meet pavement performance standards for an acceptable ride.
- * Reduce to 7.9 hours in fiscal year 2001, the hours of delay per 1,000 vehicle miles traveled on Federal-aid highway systems. (A measure of traffic congestion.)
- * Aviation delays per 100,000 flight activities will not exceed 171 in fiscal year 2001.
- * Locks in the St. Lawrence Seaway will be available for transit for 99 percent of the days in the shipping season.
- * Average condition of the rail vehicle fleet (mass transit) will be 3.24 on a scale of 1 (poor) to 5 (excellent).
- * 83 percent of bus fleets in fiscal year 2001 will be accessible for riders that are disabled.

Outcome goal

Protect and enhance communities and the natural environment affected by transportation.

Performance goals

- * 11.78 percent of the country's urban population will live within 400 meters (approximate) of a transit stop with service frequency of 15 minutes or less (non-rush hour).
- * No more than 4.62 gallons of oil will be spilled per million gallons shipped by maritime sources in fiscal year 2001.

Department of the Treasury

Outcome Goal

Promote international economic growth

Performance Goals

Economic growth rate of the 6 major U.S. trading partners is maintained or increases.

Outcome Goal

Maximize Trade Compliance (Customs)

Performance Goals

- * Percentage of imports that are compliant with major requirement (with target level)
- * Percentage of total value of duty owed on imported merchandise that is collected (with target level)

Outcome Goal

Meet delivery requirements for currency and stamps in a cost-effective way (manufacturing operation).

Performance Goals

- * Percentage of currency and stamp orders met as requested.
- * Manufacturing cost per 1000 currency notes and per 1000 stamps
- * Currency notes and stamps returned due to manufacturing defects (rate per million stamps and notes)
- * Currency notes returned due to counterfeit-deterrence defects (rate per million notes)

Outcome Goal

Ensure the physical protection of the President, Vice President, and visiting foreign dignitaries.

Performance Goal

The person being protected safely arrives and departs all travel stops (100 percent goal level).

Outcome Goal

Suppress counterfeiting of U.S. currency both domestically and in foreign countries.

Performance Goal

Dollar value of counterfeit notes passed per million dollars of genuine U.S. currency (with target level for dollar value).

Department of Veterans Affairs

Outcome goal

Enable service-disabled veterans to become employable and to obtain and maintain suitable employment.

Performance goal

At least 45 percent of all veteran participants who exit the vocational rehabilitation program will be rehabilitated.

Outcome goal

Assist veterans in readjusting to civilian life by restoring lost educational opportunities and enhancing their ability to achieve educational and career goals.

Performance goal

Improve the use of a post-military educational benefits program to 55 percent of eligible veterans (fiscal year 1999 goal).

Outcome goal

Improve the overall health of enrolled veterans through high-quality, safe, and reliable health services.

Performance goals

- * The score on the Chronic Disease Care Index will increase to 91 percent (fiscal year 1999 goal). (The Care Index measures the degree that the department follows nationally recognized guidelines for the treatment and care of patients with one or more of the following diagnoses: ischemic heart disease, hypertension, chronic obstructive pulmonary disease, diabetes mellitus, and obesity. The 1996 score was 44 percent.)
- * The score on the Prevention Index will increase to 87 percent (fiscal year 1999 goal). (The Prevention Index measures the degree that the department follows nationally recognized primary prevention and early detection recommendations for eighth diseases or health factors: pneumococcal pneumonia, influenza, tobacco consumption, alcohol consumption, and screening for colorectal cancer, breast cancer, cervical cancer, and prostate cancer. The 1996 score was 37 percent.)

Agency for International Development

Outcome Goal

Create Economic Growth and Agricultural Development in four geographic regions: Sub-Saharan Africa, Asia/Near East, Europe/Eurasia, Latin America/Caribbean

Performance Goals

- * Percent of countries by region with average annual growth of GDP per capita of at least 1 percent
- * Percent of low-income countries (by region) with average annual growth in agriculture at least as high as population growth.

Outcome Goal

Stabilize World Population and Protect Human Health in four geographic regions: Sub-Saharan Africa, Asia/Near East, Europe/Eurasia, Latin American/Caribbean

Performance Goals

- * Total Fertility Rate in USAID assisted countries in by region (with targeted percentage reduction).
- * Mortality Rates for children aged 5 and under in USAID assisted countries by region (with targeted percentage reduction)
- * Percent of births attended by medically-trained personnel in USAID assisted countries by region (with targeted percentage increase)
- * Deaths from infectious disease of major public health importance in USAID assisted countries by region (no targeted reduction)

Outcome Goal

Protect the Environment for Long-Term Sustainability in four geographic regions: Sub-Saharan Africa, Asia/Near East, Europe/Eurasia, Latin American/Caribbean

Performance Goals

- * Percent of urban population with access to safe water by region
- * Percent of urban population with access to sanitation services by region
- * Average annual percent change in total forest area by region

Environmental Protection Agency

Outcome goal

By 2010, improve air quality for Americans living in areas that do not meet the National Ambient Air Quality Standard for ozone and particulate matter.

Performance goals

- * Maintain healthy air quality for 33.4 million people living in 43 areas attaining the ozone standard.
- * Increase by 1.9 million, the number of people living in five areas that newly attain the ozone standard.

Outcome goal

By 2010, reduce air toxics emissions by 75 percent from 1993 levels of 4.3 million tons per year.

Performance goal

Reduce air toxics emissions nationwide from stationary and mobile sources combined by 35 percent from the 1993 level.

Outcome goal

By 2005, 95 percent of the population served by community water supply systems will receive water that meets drinking water standards.

Performance goal

In fiscal year 2001, 91 percent of the served population will receive drinking water meeting all health-based standards.

Outcome goal

By 2005, 75 percent of the nation's waters will support healthy aquatic communities.

Performance goal

In fiscal year 2001, 550 of the nation's 2,150 watersheds will have at least 80 percent of their waters meeting all water quality standards.

Outcome goal

By 2005, substantially eliminate the use on food of current pesticides that do not meet the standard of "reasonable certainty of no harm".

Performance goal

Assess 1200 of the 9721 existing pesticide tolerances to ensure that these meet the standard of reasonable certainty of no harm (cumulative assessments will total 60 percent).

SECTION 3 TERMINOLOGY

General goal:	Included in a strategic plan, this goal defines how an agency will carry out its mission over a period of time. The goal is expressed in a manner which allows a future assessment to be made of whether the goal was or is being achieved. The goal may be of a programmatic, policy, or managerial nature. General goals are predominately outcome-type goals.
General objective:	Included in a strategic plan, the objective(s) are paired with a general goal and can be used to help assess whether a general goal was or is being achieved. An objective usually describes a more specific level of achievement than a general goal.
Impact goal:	A goal that represents the direct or indirect effect or consequence resulting from achieving an outcome or output goal. An example of a measure of impact is the comparison of actual program outcomes with estimates of the outcomes that would have occurred in the absence of the program.
Input measure:	A measure of what an agency or agency manager has available to achieve an output or outcome. Inputs can include: employees, funding, equipment or facilities, supplies on hands, goods or services received, work processes, or rules.
Intermediate outcome:	A goal describing the partial accomplishment in a particular year of a future year outcome goal.
Long-range goal:	A general goal or objective.
Outcome goal:	A description of the intended result, effect, or consequence that will occur from carrying out a program or activity. (Defined in law.)
Output goal:	A description of the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes (e.g., timeliness) established as standards in the course of conducting the activity or effort. (Defined in law.)
Performance goal:	Included in the annual performance plan. A target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. Performance goals can be either outcome or output goals. (Defined in law.)
Performance indicator:	A particular value or characteristic used to measure output or outcome. Performance indicators are associated with performance goals in the annual performance plan. (Defined in law.)
Performance measure:	A performance goal or performance indicator.
Program activity:	A specific activity or project as listed in the program and financing schedules of the annual budget of the United States Government. (Defined in law.)
Program evaluation:	An assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives. (Defined in law.)

Also, an assessment of program implementation processes and operating policies and practices when the primary concern is about implementation rather than program outcomes. (This form of program evaluation is called a "process" evaluation.) (Defined by Congress in a report.)

Section 4: Literature, www, and studies
(All are in English only)

- * <http://www.govexec.com/reinvent/results/>
The best set of links to agency strategic plans, annual performance plans, and annual performance reports.
- * <http://www.whitehouse.gov/OMB/mgmt-gpra/index.html>
OMB documents related to GPRA.
- * <http://www.whitehouse.gov/OMB/circulars/a11/00TOC.html>
See Part 2 of this document for the basic OMB guidance to agencies on GPRA.
- * <http://www.gao.gov/new.items/gpra/gpra.htm>
See this site for the extensive set of GPRA reports produced by the General Accounting Office.
- * <http://www.gao.gov/pas.html>
Another GAO site with reports related to performance and accountability.
- * <http://www.npr.gov/initiati/mfr/>
A source for basic documents related to performance management.
- * <http://freedom.house.gov/results/default.asp>
Congressional views and reports on the Results Act.
- * <http://www.financenet.gov/financenet/fed/cfo/gpra/>
Information on GPRA.
- * <http://www.financenet.gov/financenet/start/topic/perf.htm>
Documents on performance measurement.
- * <http://www.performance.napawash.org/>
The National Academy of Public Administration site for performance management.
- * <http://www.conginst.org/resultsact/>
A site for GPRA-related documents, including Congressional documents.

ANNEX A

GPRA PROGRAM ACTIVITY ALIGNMENT WITH BUDGET RESOURCES

I. Background

GPRA requires that an annual performance plan cover every program activity in the Program and Financing (P&F) schedules in the Budget Appendix. (Most budget accounts have a P&F schedule displaying from one to numerous program activities, with three years of obligations data for every listed activity.)

However, the set of program activities listed in an agency's annual performance plan often differs from the set of program activities for that agency in the Appendix. Differences result because GPRA allows agencies to create a set of GPRA program activities by aggregating, consolidating, or disaggregating Budget Appendix program activities. This is mostly done by having a GPRA program activity (and its performance goal(s)) cover several or more P&F schedule activities.

OMB's instructions to the agencies specify that agencies should identify the amount of funding (obligations) proposed to be spent on each GPRA program activity. How well an agency can do this will usually be affected by how readily the set of GPRA program activities align with the set of Appendix program activities.

Agencies are not required to track how much funding will be spent on each performance goal or performance indicator. In only those instances where the GPRA and Budget Appendix program activities are identical, and there is only one performance goal for the GPRA program activity, will that performance goal be aligned with a budget program activity.

More commonly, agencies adjust the array of P&F program activities so that, for example, a single performance goal covers several of these activities, or parts of these activities. These adjustments can complicate budget alignment, and make tracking the budgetary cost of a GPRA program activity difficult.

The desired level of alignment of budget resources with performance is at the GPRA program activity level. There is no requirement that an agency identify the amount of resources to be spent on each performance goal or indicator in its annual performance plan.

In an annual performance plan, the title of a GPRA program activity may be a general goal or objective (drawn from the strategic plan), sub-objective, or a program, operation, or organization. Usually, several or more performance goals or indicators are grouped with each GPRA program activity. An individual performance goal may also be a GPRA program activity.

II. Different Alignments

Alignment of budget resources with GPRA program activities can be easy or difficult to do. The following examples illustrate different alignments, and specifically cover three adjustments to the set of P&F program activities allowed by GPRA. These adjustments are the aggregation, consolidation, or disaggregation of P&F program activities. In the examples that follow, the program activity is shown in bold. Illustrative funding columns (as these might appear in the Budget Appendix and for GPRA program

activities) are shown in some of the examples. GPRA program activity titles in the examples are abbreviated from a more typical description.

Straightforward Alignment

- A. The GPRA program activity is the same as the P&F Program Activity on a one-for-one basis. The obligation amounts for the P&F program activity in the Budget Appendix are applied to the GPRA program activity. (If there is more than one performance goal for the GPRA program activity, or a combination of performance goals and performance indicators, an agency need not individually identify how much resources will be spent for each goal or indicator.)

P&F PROGRAM ACTIVITY	GPRA PROGRAM ACTIVITY
<i>Account 541</i> Estuary Restoration	<i>Account 541</i> Estuary Restoration
FY99 \$57M; 00 \$58M; 01 \$63M	FY99 \$57M; 00 \$58M; 01 \$63M

- B. The GPRA program activity includes several P&F schedule program activities within the same account (a process defined as *aggregation*). The P&F program activities are included in their entirety within the GPRA program activity.. The obligation amounts for the P&F program activities can be summed to provide a total budgetary cost for the GPRA program activity.

P&F PROGRAM ACTIVITIES (PA)	GPRA PROGRAM ACTIVITY
<i>Account 123</i> Arctic Science (PA: A)	<i>Account 123</i> Polar Science (PAs A-C)
FY99 \$17M; 00 \$16M; 01 \$22M	
<i>Account 123</i> Antarctic Science (PA: B)	
FY99 \$48M; 00 \$50M; 01 \$44M	
<i>Account 123</i> Icecap DeepDrilling (PA: C)	
FY 99 \$22M; 00 \$14M; 01 \$11M	

- C. The GPRA program activity includes several P&F schedule program activities from different accounts (a process defined as *consolidation*). The P&F program activities are included in their entirety within the GPRA program activity. The obligation amounts for the P&F program activities can be summed to provide a total budgetary cost for the GPRA program activity.

P&F PROGRAM ACTIVITIES (PA)	GPRA PROGRAM ACTIVITY
Account 567 Leprosy Clinic Services (PA: F)	Accounts 567, 789, and 890 (PAs F-H, P-Q, V, and Z) Leprosy Treatment
FY99 \$4M; 00 \$4M; 01 \$5M	FY99 \$17M; 00 \$19M; 01 \$60M
Account 567 Leprosy Screening (PA: G)	
FY99 \$2M; 00 \$2M; 01 \$2M	
Account 567 Home Nursing Care (PA: H)	
FY99 \$6M; 00 \$6M; 01 \$7M	
Account 789 Leprosy Research (PA: P)	
FY99 \$3M; 00 \$4M; 01 \$3M	
Account 789 Clinical Drug Trials (PA: Q)	
FY99 \$0M; 00 \$1M; 01 \$3M	
Account 789 Program Administn. (PA: V)	
FY99 \$2M; 00 \$2M; 01 \$2M	
Account 890 Hospital Renovation (PA: Z)	
FY99 \$0M; 00 \$0M; 01 \$38M	

Alignment May Be Difficult

- D. A set of GPRA program activities are created by dividing a single P&F schedule program activity (a process defined as *disaggregation*) into a set of subprojects.. Agencies may lack the ability to track separately the budgetary cost of these sub-projects. (Note that a disaggregation is not the same as having several performance goals for a single program activity. In a disaggregation, the GPRA program activities that are created usually represent significant programs or organizations, each having one or more performance goals that are distinctive to the program or organization.; e.g., a disaggregation of a P&F health care program activity into ambulatory care and in-patient care.)

P&F PROGRAM ACTIVITY (PA)	GPRA PROGRAM ACTIVITIES
<i>Account 678</i> Claims Processing (PA: K)	<i>Account 678</i> Benefit Determination (PA: K1)
FY99 \$97M; 00 \$99M; 01 \$99M	FY99 \$?M; 00 \$?M; 01 \$?M
	<i>Account 678</i> Appeals (PA: K2)
	FY99 \$?M; 00 \$?M; 01 \$?M
	<i>Account 678</i> Systems Replacement (PA: K3)
	FY99 \$?M; 00 \$?M; 01 \$?M

Alignment Likely to Be Difficult

- E. A P&F program activity supports two or more GPRA program activities. An agency may not have the capability to break-out program activity costs when a single P&F program activity supports several GPRA program activities. (Examples below are E1 and E2.)

*Example E1

P&F PROGRAM ACTIVITIES (PA)	GPRA PROGRAM ACTIVITIES (Aggregation within an account)
<i>Account 174</i> Land Acquisition (PA: D)	<i>Account 174</i> American Prairie Preserve [Land Acquisition (part) (PA: D) FY99 \$?M; 00 \$?M; 01 \$?M] [Land Improvement (PA: J) FY99 \$13M; 00 \$14M; 01 \$11M] [Species Recovery (part) (PA: M) FY99 \$?M; 00 \$?M; 01 \$?M]

FY99 \$62M; 00 \$53M; 01 \$41M	<i>Account 174</i> Cactuslands Desert Preserve [Land Acquisition (part) (PA: D) FY99 \$?M; 00 \$?M; 01 \$?M] [Species Recovery (part) (PA: J) FY99 \$?M; 00 \$?M; 01 \$?M] [Exotic Species Eradicatn.(PA:Y) FY99 \$6M; 00 \$8M; 01 \$7M]
<i>Account 174</i> Land Improvements (PA: J)	
FY99 \$13M; 00 \$14M; 01 \$11M	
<i>Account 174</i> Species Recovery (PA: M)	
FY99 \$19M; 00 \$19M; 01 \$17M	
<i>Account 174 (PA:Y)</i> Exotic species eradication	
FY99 \$6M; 00 \$8M; 01 \$7M	

* Example E2

P&F PROGRAM ACTIVITIES (PA) (FUNDING NOT SHOWN)	GPRA PROGRAM ACTIVITIES (Consolidation across accounts)
<i>Account 204</i> Program Administration (PA: F) Transfer Licenses (PA: G) <i>Account 207</i> Inspections (PA: R) Storage of Seizures (PA: W) Sale of Seized Assets (PA: Y) <i>Account 315</i> International Coordntn. (PA: T) Foreign Licenses (PA: L) <i>Account 763</i> Total Obligations (PA: U) <i>Account 765</i> Direct Program (PA: S)	<i>Accounts 204, and 763</i> Outgoing Goods [(PA F, G, U) Program Administration (part) Transfer Licenses (part) Total Obligations] <i>Accounts 204, 207, 315, and 763</i> Incoming Goods [(PA: F, G, R, T, U, W, Y) Program Administration(part) International Coordination (part) Transfer Licenses (part) Total Obligations (part) Inspections Storage of Seizures Sake of Seized Assets] <i>Accounts 204, 315 and 765</i> Bilateral Partnerships [(PA: F, G, S, and T) Program Administration (part) Transfer Licenses (part) International Coordination (part)

	Direct Program]
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F. The resources in a particular Budget Appendix account are allocated across many GPRA program activities. This could occur when attempting to distribute resources for an agency-wide administrative or support account across numerous program accounts.

P&F PROGRAM ACTIVITY (PA)	GPRA PROGRAM ACTIVITIES
<i>Account 703</i> ADP Operations (PA: S)	<i>Accounts 234 and 703</i> Generation of Electricity (Other P&F program activities) ADP Operations (part) (PA: S)
FY99\$71M; 00 \$89M; 01 \$93M	FY99\$?M; 00 \$?M; 01 \$?M
	<i>Accounts 567 and 703</i> Distribution of Electricity (Other P&F program activities) ADP Operations (part) (PA: S)
	FY99\$?M; 00 \$?M; 01 \$?M
	<i>Accounts 563 and 703</i> Electricity Demand Reduction (Other P&F program activities) ADP Operations (part) (PA: S)
	FY99\$?M; 00 \$?M; 01 \$?M
	<i>Accounts 703 and 998</i> Conversion to Solar Power (Other P&F program activities) ADP Operations (part) (PA: S)
	FY99\$?M; 00 \$?M; 01 \$?M
..... etc.,	

III. Potential Approaches for Difficult Alignments

Example D:

- *Restructuring of P&F schedule program activities; or,
- *Improvements in agency budget and financial information systems to provide detail (P&F program activities not altered).

Example E1:

- *Restructuring of P&F schedule program activities; and,
- *Modifications to agency budget and financial information systems to provide data.

Example E2:

- *Restructuring of P&F schedule program activities; and/or,
- *Restructuring of agency budget accounts; and/or,
- *Refinements and improvements in agency budget and financial information systems; and/or,
- *Operational cost accounting system

Example F:

- *Operational cost accounting system.

Notes

- 1 In the management of Commonwealth resources, a distinction is made between activities controlled by agencies (agency outputs), and resources agencies administer on behalf of the Government (administered items). Administered items include grants, subsidies, benefits and funding for outputs delivered by State Governments. They comprise around 80% of the Commonwealth Budget.
- 2 The terms 'planned outcomes' and 'intended outcomes' are used interchangeably in other documents
- 3 Under Australia's parliamentary system, government is formed in the House of Representatives, whilst the House of the Senate scrutinises and approves Bills from the Lower House. Senate Committees are formed to scrutinise the activities and expenditure of the government in each Portfolio. The committees comprise Senators from the various political parties, supported by a secretariat. Because membership is not restricted to Senators from the governing party, committee hearings provide an opportunity for the Opposition and minor parties to actively probe and question the performance of the Government and public service.
- 4 Commonwealth Portfolios refer to the portfolio assigned to Cabinet Ministers. Each portfolio may contain one or more agencies. An example is the Foreign Affairs and Trade Portfolio. The agencies that constitute this Portfolio are the Department of Foreign Affairs and Trade, the Australian Trade Commission, the Australian Agency for International Development, the Australian Secret Intelligence Service and the Australian Centre for International Agricultural Research. The makeup of portfolios may change over time as agencies are moved between portfolios or new agencies are created.
- 5 Consolidated Revenue Fund (CRF) - This is the principal working fund of the Commonwealth and is mainly financed by taxation, fees and other current receipts. Section 83 of the Constitution requires an appropriation of moneys by the Parliament before any expenditure can be made from the CRF.
- 6 Note that in the following section, we are interpreting assessments as the ways of measuring, evaluating and reporting on actual achievements in relation to results commitments.
7. This paper may be revised reflecting the events coming in consequence of the Central Government Reform planned for January 2001.
8. Deputy Director, Policy Evaluation and Public Relations Division, Minister's Secretariat, Ministry of Economy, Trade and Industry. The views expressed in this paper are those of the author and do not necessarily reflect those of the Japanese government. Also, terms used are basically translations by the author from the Japanese terms and not necessarily the official usage.
9. The IAI is a new type of government organisation that is also introduced under the Central Government Reform, which is similar to the Executive Agency in the U.K.
10. Performance Evaluation is close to performance measurement. Comprehensive Evaluation is close to programme evaluation.
11. Dr. Peter van der Knaap is acting head of the Policy Evaluation Department of the Netherlands Ministry of Finance in The Hague. His main research interest is policy-oriented learning and the role of policy evaluation therein. In 1997, the author earned his PhD on this subject at Erasmus University, Rotterdam. An earlier version of this contribution was presented at the December 1999 UK Evaluation Society Conference (Edinburgh). The views expressed in this contribution are the author's own and should not be attributed to the Netherlands Ministry of Finance.
12. The Netherlands Court of Audit reached the same conclusion in its reports (published in 1997 and 1998) on "Provision of Information and Key Figures" ("Informatievoorziening en kengetallen").
13. In the Ministry 2000 Budgets, 93% of eligible line items is illustrated with performance indicators; 71% of this information meets the Ministry of Finance's quality standards.
14. For that purpose, agencies use the system of income and expenditure and may reserve funds that have not been spent. To acquire the agency status, departmental divisions have to fulfil three requirements. Firstly, their products and services must be measurable (in both costs and quality). Secondly, they must have an unqualified auditor's report. Finally, there must be the real possibility that the service can operate markedly more efficiently - see Ministry of Finance, 1998.

15. See the report “Forward with results”; Agency Model 1991-1997” (*“Verder met resultaat; het agentschapsmodel 1991-1997”*), Ministry of Finance, 1997b.
16. The degree of specificity, of course, will inevitably vary: the information needs of local managers and Members of Parliament are and will remain different. Still, “translations” must be possible: if, for example, Parliament wants to reduce the numbers of prisoners escaping from prisons, it must be able to translate this need “down the ministerial line” to more and better baggage checks at the entrance of prisons.
- 17 The key parameters are quality, quantity, timeliness, location and cost.
- 18 A richer story on managing outcome risks is given below in paragraph 24 and further in the section on Co-ordination and Outcome Risks.
- 19 More information on these pilots is available on request.
- 20 Within the Federal government, there are 14 Cabinet Departments, each headed by a Secretary. There are approximately 100 independent agencies. With several exceptions, these agencies are not an organizational component of a department. Independent agencies are headed by an individual or a commission, and most agency heads report directly to the President and are appointed by him. In this paper, “agency” means a department, independent agency, or government corporation. There is no difference between departments and independent agencies in having to meet GPRA requirements.
- 21 An agency function can be characterized as a general area of responsibility. For example, operating the air traffic control system is a function of the Department of Transportation.
- 22 There is no requirement for a government-wide performance report. If ever prepared, a government-wide report would likely be a counterpart to the government-wide performance plan. Uncertainties about a government-wide report center on its timing (it would appear after agencies had published their annual performance reports) and ultimate value. Compensating to an extent for the lack of a government-wide report is the government-wide plan, which often includes actual performance data showing baselines or trends for the performance goals included in this plan.
- 23 For example, the Federal Emergency Management Agency’s budget account for Emergency Management Planning and Assistance includes the following program activities: response and recovery; preparedness; fire prevention and training; operations support; information technology services; mitigation programs; policy and regional operations; and executive direction.
- 24 The Results Act does not require that a strategic plan be prepared for the entire Executive branch of government. Although preparation of such a plan is occasionally suggested, much uncertainty arises over how this plan might be developed, and who would produce it.
- 25 The head of the agency is required by law to be the official who sends a finished strategic plan to Congress and also to OMB. The completed plan is available to the public. All large agencies and many smaller agencies now place their strategic plans on the WorldWideWeb.
- 26 During the most recent round of strategic plan preparation, several foreign governments obtained copies if draft plans for review.
- 27 The Federal budget identifies the amount of funding by budget account for several years into the future. For example, the fiscal year 2001 budget included projected funding over the fiscal year 2001-2005 period. This budget was the reference budget for agencies transmitting strategic plans in September 2000. In these strategic plans, the levels of performance achievement should be consistent with the projected resource amounts. An agency may make small adjustments to the projected budget amounts to establish a funding range as it develops the related performance levels.
- 28 An agency need not have a performance goal in an annual plan for a particular year if there will be no collecting or reporting of performance data for that goal.
- 29 In those instances where Congress includes performance goal target levels in a law, the law usually will be a program authorization law rather an appropriations law.

30 The Inspector General function is covered by annual performance plans and reports, and performance goals set for this function. Many agency strategic plans also cover the Inspector General function, but coverage is not required by the Results Act. Not all Federal agencies have an Inspector General.