This paper outlines the main activities in Public Management Service's 1997-1998 programme of work on performance management. For purposes of discussion, participants are asked to focus their attention on the “issues for discussion” (paragraphs 1-2) and on the descriptions of “ongoing and future work activities” (paragraphs 13-26).

For additional information, you may contact Christine Lidbury in the PUMA Secretariat: Tel (33 1) 45 24 89 92; Fax (33 1) 45 24 87 96; E-mail address: christine.lidbury@oecd.org.
PUMA'S PERFORMANCE MANAGEMENT WORK

Note by the Secretariat

ISSUES FOR DISCUSSION

1. Input from Member countries is critical to the development and implementation of our work programme. In reading this paper participants are asked to focus on the following questions:

On Working Methods:

- What priority do Member countries attach to the different types of outputs provided by the Secretariat (e.g., publications, newsletters (i.e., Focus), case studies, best practice guidelines, expert meetings, symposiums)?

- PUMA has recently begun to supply best practice-type guidelines as one of the products of some of our activities (e.g., the Regulatory Checklist, Best Practice Guidelines for Contracting Out, Best Practice Guidelines for User Charging, and the two draft best practice guidelines to be discussed at the meeting). Do countries find these useful? Are these being formulated correctly? Should they be more prescriptive or more flexible?

- Information exchange was a key reason for establishing the performance management network. Do network members feel that our main activities (see below) are valuable for exchanging information? Are there any improvements in the methods used for exchanging information that network members would like to suggest? Our main forms of formal information exchange include:
  - Network Mailings (approximately three times per year);
  - Internet pages with information on our activities and links to our publications, and to country sites on performance management; and
  - PUMA’s Focus newsletter.

On Topics to be Addressed:

- To what extent does the 1997/1998 work programme set out below adequately address the issues being confronted by Member countries?

- What topics would Member countries like to see discussed at the 1998 Activity meeting?

- What suggestions are there for the work programme for 1999 and beyond?

2. The effectiveness of the work depends to a significant extent on the willingness of Member countries to participate in it. Supplying documents and information is an important part of this work.
Feedback on the value and use made of PUMA outputs is also vital to maximising the relevance and overall quality of products. Similarly, disseminating these outputs within each Member country is a key role Network members can play in PUMA’s work.

**BACKGROUND**

*General*

3. PUMA exists as a centre of expertise in public management. Its work in performance management aims at assisting Member countries in developing their approach to performance management. It aims to do this by providing high quality and useful **information, analysis and advice.** It also provides a forum for the exchange of information and experiences but one in which it aims to add value, rather than simply act as a “post box”; The test of PUMA’s work is whether its information, analysis and advice is useful and accessible to Member countries. This may involve consideration of whether PUMA work:

- adds value in being relevant, timely and insightful; and
- offers value for money.

4. PUMA’s work relies heavily on analysis and synthesis of information available from Member countries, from other sources and from direct observation. While PUMA does not provide direct project assistance to Member countries, it does provide general advice and comments on Member countries’ own projects.

5. It also follows from this that the quality of PUMA’s work depends both on its own analytical capacities and knowledge, on the provision of information by Member countries and on collaborative relationships with practitioners and others in the emerging international network of experts in public management.

**PUMA Outputs**

6. In discussing where PUMA’s performance management work is going, it is useful to look at where it has come from.

7. **Activity meetings** provide for the discussion of current issues and exchange of information by officials from member countries. In the performance management area recent meetings have been:

- February 1992, Management of Performance in the Public Sector
- February 1993, Negotiating Managerial Autonomy
- April 1994, Performance Measures and Target Setting
- November 1995, Using Performance Measures in Government
- November 1996, Contemporary Issues in Performance Management
8. The general intention is to hold one activity meeting each year.

9. **Symposiums or other special meetings** focus on one major topic that is considered deserving of special attention. They involve a wider range of participants than would normally attend an activity meeting. Recent such meetings have been:

- November 1994, Service Quality Initiatives in OECD Member countries

However, PUMA can only run one such symposium per year for its entire work programme (of which the work on performance management is only one part).

10. **Publications.** In the performance management area these have been as follows:


- *Benchmarking, Evaluation and Strategic Management in the Public Sector* (1997): papers and commentaries presented at the 1996 meeting of the performance management network. The document is available free of charge and chapters may be downloaded directly off the Internet.


**Forthcoming outputs include:**

- *Promoting the Use of Performance Evaluation* (expected Fall 1998): discusses the role of programme evaluation in public management and looks at ways of enhancing its use in the public sector.

• Improving Strategic Focus in Government Organisations (expected Fall 1998): country case studies of activities used by departments and agencies to improve strategic focus, plus an overview and synthesis paper.

• Improving Strategic Focus: Best Practice Guidelines for Government Organisations (expected Spring 1998).

• Contracting for Results: Use of Public Sector Performance Contracting: country case studies of the use of performance contracting to enhance accountability and a focus on results (expected Fall 1998).

11. Information Exchange. Numerous requests from officials in Member countries for information about developments in other countries are dealt with. These include requests for information on documents, useful contact persons or more general requests such as “which country can tell us most” (about a particular performance management issue). The Performance Management and Service Quality Networks, comprise in each case over 100 senior officials and others, to whom documents and publications received from Member countries are mailed, usually three times a year. These are an attempt to make the exchange of information between Member countries more systematic.

12. Two other activities, which can be regarded as inputs to PUMA’s work but which also have elements of an output are PUMA fact finding missions to Member countries (which may include presentation of papers at meeting, conferences) and invited experts meetings. The latter are small meetings of officials or other experts convened by the Secretariat to assist it in a particular activity. For example, meetings of invited experts were used to advise the Secretariat in the drafting of the best practice guidelines for “evaluation” and “improving strategic focus”. Expert panels will also be used for the upcoming work on the linkages between performance and budget information, and on the use of ‘agency’ models (see below).

THE CURRENT WORK PROGRAMME

13. The current work programme assumes a two fold approach:

• ongoing work on “core” general issues of performance management. This is represented by the sorts of issues discussed at activity meetings. The survey of performance management practices in ten Member countries is a good example, as is the ongoing information exchange through the networks.

• specific topics or projects, addressed on a “one time” basis, covering issues which are particularly important or topical. The service quality and performance auditing symposiums illustrate this approach. They were identified as being topical and important, to be addressed by a special meeting. Now that these events are over a watching brief will be kept on developments in these areas, but no specific future activity on them is planned and they will be part of the ongoing work programme referred to above. The specific topics on the current work programme are set out below.

14. The majority of our work is focused on departments and agencies in national administrations. It is recognised, however, that innovation is occurring at all levels of government and PUMA work seeks to integrate perspectives from sub-national levels of government when appropriate.
Integration of Financial and Performance Management

15. The objective of this activity is to analyse mechanisms to improve resource allocation by integrating financial and budgetary management with performance management. PUMA’s work to-date on performance management issues suggests that there are a number of technical, political and cultural factors that make such integration complex. This project will seek to map out the basic elements of linking performance measurement and management systems to financial and budgetary management systems.

16. The activity will focus on different organisational and incentive systems to support and promote coordination of performance and budget information. For example:

- The use of advanced financial management methods like accrual accounting and cost accounting to improve cost information and the quality of performance measurement.

- The integration of IT-based management systems to ensure that managers have adequate, balanced and integrated financial, programme and performance information.

- Processes that imbed performance information in the resource allocation process (budget rules, appropriation structures, degree of operational autonomy, political-level decision-making).

17. The work on integration of performance and financial management would include case studies, a comparative overview and more detailed analyses on selected issues, e.g. use of accrual and cost accounting in a performance management framework. It may also be possible to develop best practice guidelines on key features of integrating financial and performance management. Outputs from this activity will be considered by both the performance management network and senior budget officials network meetings.

Use of the Agencies as Performance Based Organisations

18. Performance management encompasses both performance measurement and various management approaches to improve results orientation. However, it is clear that organisational design has also been a vital factor in efforts of Member countries to improve public sector performance. In this regard, many Member countries have emphasised creation of performance based organisations, the most noteworthy of these being agencies. There are basically three distinct approaches to using agencies in Member countries:

- In Nordic countries, where agencies have a long history, the problem is not to set up the agencies but to reform existing arrangements to make them more performance-oriented.

- A few countries, e.g., France, have a long tradition of semi-autonomous public or public-private agencies.

- A few countries, e.g. New Zealand and the United Kingdom, have used systematic creation of agencies as a part of a comprehensive reform strategy.

- Other countries are creating agencies on a selective basis (e.g. Australia, Canada, Netherlands) raising questions both of how to set up agencies and when creation of agencies
is the preferred solution compared with retaining activities in departments or creating a public enterprise.

19. Reflecting this, the project on agencies would focus on three issues:

- Use of agencies in Member countries. How are agencies defined in each country? Is the approach comprehensive or selective? What is the total share of agencies (budget and staff) in government? Is there a split between policy and execution? What is the status and role of the chief executive (and in some cases of the Board)? Does the agency have separate accounting and budgeting? How are performance targets set and monitored?

- Results orientation. How can agencies (new and existing agencies) be developed into performance-based organisations?

- Comparative assessment of the use of different types of organisations. When are agencies the best solution? What problems are addressed by agencies and what problems are left not addressed?

20. The work on agencies would include country studies, a comparative overview and issue papers on selective issues, e.g. separation of policy and operations. It may also be possible to develop a checklist for assessing what organisational design is appropriate in relation to different activities or functions.

Ongoing Activities

International Benchmarking

21. PUMA has monitored developments in public sector benchmarking since 1993, and two experiences with benchmarking in Sweden and the United Kingdom were discussed at the 1996 activity meeting. Papers on benchmarking published by PUMA have been consolidated into a room document available at the meeting (PUMA/PAC(97)RD1).

22. The Public Management Committee at its meeting last March decided to establish an OECD/PUMA International Benchmarking Network. The first meeting of the International Benchmarking Network will have taken place on 21 November 1997 to discuss more detailed proposals on the role and operation of the Network, building on the framework provided by the PUMA Committee. (See PUMA/PAC(97)10 and PUMA/PAC(97)11, these documents are available at this meeting as room documents). Important input into these proposals was provided from an advisory group, comprised of delegates from three Member countries (Denmark, Sweden and the United Kingdom). The results of the discussions at the 21 November 1997 meeting will be presented at this meeting.

Performance Contracting

23. A key principle of new public management is holding public servants accountable for the results (performance) of programmes and services, rather than the traditional bureaucratic focus of ensuring accountability through controlling inputs. Results-oriented management, however, brings its own set of dilemmas. Chief among these is how to ensure accountability in a more fragmented public service without retreating back to central regulations or process controls. One solution has been to clarify and
develop the principal-agent relationships in the public services and formalise them by means of performance “contracts”. In doing so, principals could better monitor performance and assign accountability to agents, and agents could better act in the interests of the principal because of the clear specification of roles, responsibilities and performance requirements.

24. This project explores the growing use of performance contracting as a tool to enhance performance management and accountability. From a broad perspective, the project examines the potential of these arrangements to re-define and formalise accountability relationships in public service organisations. It is also using specific country experiences via case studies to examine questions such as: how and why is performance contracting (i.e., quasi-contractual arrangement and performance agreements) being integrated into performance management frameworks in Member countries? What is meant by a “contractual approach” (e.g., legal versus administrative systems, formal versus informal arrangements)? What are the limitations of performance contracting and the preconditions for successful performance contracting? What sorts of contractual arrangements for performance may be appropriate in particular circumstances?

25. Case studies are being collected from a range of OECD countries (including countries such as Australia, Canada, Denmark, Finland, France, Mexico, Norway, Spain). Completed case studies are expected in early December. An experts meeting will be held in early February 1998 to discuss the case studies and the Secretariat’s analysis of the issues, and assist the Secretariat in assessing the range of outputs (e.g., publication, best practice guidelines, typology of performance contracting arrangements, potential for a special meeting on the topic) to flow from the findings.

**Instruments Project**

26. The objective of this activity on choice of policy instruments is to produce a generally applicable framework for assessing, comparing and designing policy instruments. It should function as a tool to assist policy-makers to choose the most appropriate policy instrument for a given problem and set of circumstances. The first phase of this activity will look specifically at the housing sector. Housing has been chosen because a great diversity of policy instruments are used in different countries to carry out a defined range of policy goals. While the current project will be based on data specific to that sector, the analysis will aim to be as generally applicable as possible. The scope of the project will extend to analysing specific policy instruments to carry out housing policy in 12 OECD Member countries. A consultant will be appointed in each country to document that country’s experience with particular instruments within a uniform comparative analytical framework. A Paris-based project manager will develop the comparative framework and provide guidance to the country-based consultants. A five-member Group of Experts will be appointed to provide overall direction to the project.

**Performance-Based Accountability**

27. This November 1997 performance management activity meeting offers the Network an opportunity to explore country interest and the range of issues in the topic of “performance-based accountability”. One of the outcomes of the meeting will be to explore whether future work should be carried out in this area separate from our ongoing activities on different aspects of performance management (i.e. work on strategic management, benchmarking, performance contracting, and the new work areas listed above.)
RELATED PUMA WORK

28. Internal reorganisation in PUMA has seen the grouping together into one “Programme Area” of the performance management, budgeting and financial management (senior budget officials network and managing across levels of government (MALG) activities. This arrangement should provide valuable synergy, while at the same time avoiding duplication.

29. Under PUMA’s programme of work on budget and financial management (network of Senior Budget Officials), there are several projects underway that are relevant to performance management:

- a study of contracting out of government services has been completed and best practice guidelines were published earlier this year;
- a study was recently completed on user charging in government, examining both budgetary and performance implications and best practice guidelines are currently in publication (copies of the draft guidelines are available from the Secretariat on request);
- a study of the use of vouchers in the delivery of public services was undertaken in 1997.
- a survey on accrual accounting practices is being undertaken in 1998.

30. The activity on Managing Across Levels of Government touches on a significant number of performance management issues. These include issues of performance and accountability in an increasingly devolved but complex and interdependent system of intergovernmental relations. Proposals have been made to the PUMA committee for possible work on:

- rationalisation of responsibilities and services between levels of government,
- the use of performance management instruments in intergovernmental relations.
- a new publication, Managing Across Level of Government (1997), provides comparative information on 26 OECD countries (covering both federal and unitary systems) and discusses the implications for changing patterns of responsibility, in particular for central management agencies.

OECD Horizontal Project on Ageing Population Issues

31. The PUMA contribution to Phase II of the horizontal OECD Ageing Study focuses on governance and public management factors in “achieving reform,” in close co-operation with the lead Directorate of Employment, Education, Labour and Social Affairs (DEELSA). This contribution includes issues such as strengthening decision-making for the longer term with respect to ageing issues (an interim report was provided to Public Management Committee at the October 1997 meeting) and the impact of ageing on public sector service delivery. The network of Senior Budget Officials has discussed relevant reports on “Budgeting for the Future” (forthcoming as an OECD General Distribution document) and on “Options for Reducing Old Age Public Pension Expenditures.” This activity is likely to continue into the year 1999.
INTERNET


33. Clearly the Internet has considerable potential to improve information exchange and facilitate the work of the existing networks.

34. Participants at this meeting will have a presentation on the PUMA internet site. It is worth noting that within PUMA, the pages on performance management are the second most accessed Internet site on our Web Page after the main PUMA Home Page.

<table>
<thead>
<tr>
<th>PUMA WEBSITE PAGE</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
</tr>
</thead>
<tbody>
<tr>
<td>PUMA Home Page</td>
<td>1094</td>
<td>929</td>
<td>1197</td>
<td>1334</td>
</tr>
<tr>
<td>Performance Management and the Management of Resources: Publication Index Cards</td>
<td>384</td>
<td>409</td>
<td>623</td>
<td>714</td>
</tr>
<tr>
<td>Free On-line Publication: Benchmarking, Evaluation and Strategic Management in the Public Sector (Table of Contents)</td>
<td>324</td>
<td>76</td>
<td>296</td>
<td>397</td>
</tr>
<tr>
<td>Performance Management Pages</td>
<td>204</td>
<td>236</td>
<td>315</td>
<td>343</td>
</tr>
<tr>
<td>Key Performance Management Issues</td>
<td>211</td>
<td>121</td>
<td>121</td>
<td>139</td>
</tr>
</tbody>
</table>