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Report to Congressional Requesters

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MANAGING FOR RESULTS

Experiences Abroad Suggest Insights for Federal Management Reforms

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The Honorable William V. Roth, Jr.
Chairman
The Honorable John Glenn
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable William F. Clinger, Jr.
Chairman, Committee on Government
Reform and Oversight
House of Representatives

The Honorable John Conyers, Jr.
Ranking Minority Member
Committee on the Judiciary
House of Representatives

This report responds in part to your request that we identify the approaches other governments took in implementing management reforms that federal agencies may wish to consider as they implement similar reforms required by the Government Performance and Results Act of 1993 (GPRA). This report focuses on the experiences of Australia, Canada, New Zealand, and the United Kingdom, which are recognized as among the leaders in implementing management reforms intended to focus attention on achieving the intended results of government programs. A related report discussed the experiences of six leading state governments. These two reports, along with other work we have done, are being used to help us develop our assessment of GPRA implementation.

We are sending copies of this report to the Vice President; the Director, Office of Management and Budget; other interested congressional committees; and other interested parties. We will make copies available to others on request.

The major contributors to this report are listed in appendix III. Please contact Charles I. Patton, Associate Director, or me on (202) 512-8676 if you have any questions.

L. Nye Stevens
Acting Director
Federal Management Issues

Executive Summary

Purpose

The enactment of the Government Performance and Results Act of 1993 (GPRA) was an important step in shifting the focus of federal management and accountability away from inputs, such as personnel levels, and adherence to prescribed processes to a greater focus on achieving desired program results. Under GPRA, federal agencies are to implement results-oriented management reforms, such as strategic planning, establishing program goals and objectives, measuring their progress in meeting those goals, and reporting publicly on that progress. Also, to aid performance, agencies may request waivers from certain administrative rules to provide them with greater authority over program expenditures.

Australia, Canada, New Zealand, the United Kingdom, and other nations have been implementing results-oriented management reforms, such as those required under GPRA, for the past 10 to 15 years. The countries' relative size and parliamentary form of government suggest that direct comparison with the United States should be made with caution. Recognizing this, the Chairman and Ranking Minority Member of the Senate Committee on Governmental Affairs, the Chairman of the House Committee on Government Reform and Oversight, and the former Chairman of the House Committee on Government Operations asked GAO to identify the approaches other governments took and the experiences they had in implementing management reforms that may assist federal agencies in implementing GPRA. This report presents some of the approaches to and experiences with implementing results-oriented management reforms in Australia, Canada, New Zealand, and the United Kingdom. A companion report focused on the approaches used by leading states to implement results-oriented management reforms.[1]

Background

Starting in the 1980s, Australia, Canada, New Zealand, and the United Kingdom faced serious economic problems, such as economies dominated by government spending and high budget deficits. Further, government studies in the four countries found that government organizations lacked accountability for achieving program results and that there were many constraints to increasing such accountability. The studies proposed results-oriented management reforms similar to those required under GPRA.

In response to these problems, each of the countries embarked on comprehensive reforms intended to increase the accountability of the civil service for the effective and efficient management of government

[1]Managing for Results: State Experiences Provide Insights for Federal Management Reforms (GAO/GGD-95-22, Dec. 21, 1994).

programs. In exchange for increased accountability for results, the countries provided program managers with more flexibility in their use of resources.

Results in Brief

The approaches the four countries took to implement results-oriented management reforms included departments and agencies establishing and communicating a clear direction by defining their missions and goals through strategic planning, establishing annual objectives that were directly linked to missions and goals, measuring performance to assess how well objectives were being met, and reporting on progress. The countries derived a number of key lessons from their experiences in developing performance measurement systems. These lessons focused on enhancing the usefulness of performance information to management for improving program results. The four countries sought to reinforce this focus on results by holding agency management accountable for the results that agencies were trying to achieve. For example, the countries used performance agreements between different levels of management to ensure accountability for achieving agreed-upon performance goals.

As part of the shift to a more results-oriented approach to management and accountability, the four countries recognized, to varying degrees, that to more effectively and efficiently manage their programs and achieve significant improvements in performance, agencies and managers must be provided with greater flexibility over resources and incentives. The four governments eliminated detailed central control of departments' operating expenditures and staffing levels and provided departments with more authority to manage resources within overall budget ceilings.

The four countries also found that changing the culture of government to become more results oriented did not come quickly or easily. They found that changing the culture of government required agencies to build the capacity to manage and be held accountable for results. For example, line managers needed information systems and training to collect, report, and use performance information and implement other reforms. To assist the implementation of results-oriented management reforms and to help provide a central focus for lessons learned, central management departments or other high-level management groups provided guidance and assessed implementation over time to determine the challenges and benefits to the reforms from the perspective of department management.

GAO's Analysis

Strategic Planning, Operational Planning, and Measurement Helped Instill a Focus on Results

The four countries' governments sought to instill a focus on results in government management through strategic planning, operational planning, and performance measurement and reporting. Australian and United Kingdom officials said that some staff and managers had participated in establishing goals through the strategic planning process and that such participation helped to create a sense of ownership and a commitment to improved program performance.

Although approaches differed, departments and agencies in the four countries used the planning process as the vehicle for communicating organizational missions and goals to staff and the public. Operating plans were used to translate strategic plans into detailed objectives for day-to-day activities and to identify how progress in achieving objectives would be measured.

The New Zealand and United Kingdom governments primarily focused on setting objectives for and measuring the results of program operations in terms of quantity, quality, efficiency, and cost of outputs. In addition to such output-oriented measures, the Australian and Canadian governments focused on establishing objectives for and measuring the results of programs in terms of outcomes. Even so, most of the measures GAO observed in performance reports prepared by departments and agencies in Australia and Canada were output-oriented.

According to government officials and government evaluations GAO reviewed, accurately measuring the contribution of program activities to achieving program outcomes was challenging because factors beyond the control of program managers, such as economic conditions, could affect those outcomes. The departments and agencies in the four countries that developed outcome-oriented measures used qualitative assessments, customer or client surveys, or formal program evaluations to determine the impact of their programs.

Government evaluations GAO reviewed and officials GAO interviewed suggested a number of key lessons that the countries derived from their experiences in developing performance measures. They suggested that (1) the types of performance measures developed should flow from a program's objectives, whether output- or outcome-oriented;

(2) performance measures should reflect the ability of the program's management to influence the achievement of output or outcome targets; (3) program staff should have a role in designing the performance measures for their programs; (4) performance measurement systems should collect and report on a few key measures and be balanced by demonstrating different dimensions of performance, such as quantity, quality, efficiency, and cost; (5) performance measurement systems should include qualitative in addition to quantitative performance information and interpretations of performance results; and (6) performance measurement systems should provide more aggregated information on the achievement of organization goals to upper management and more detailed information to program managers. (See ch. 2.)

Accountability for Performance Addressed by Results-Oriented Management Reforms

In conjunction with requirements that departments and agencies define their missions, goals, and objectives, and report on progress in achieving those objectives, the four countries used performance information to increase the government accountability for achieving results in three ways. First, the United Kingdom and Canada measured the quality of services provided directly to the public and publicly reported the results. Second, the four countries introduced performance agreements between different levels of management to ensure accountability through the management hierarchy for achieving agreed-upon performance targets. Third, departments and agencies in the four countries prepared performance reports for their respective parliaments. These reports were generally available to the public.

The officials GAO interviewed and reports GAO reviewed suggested that initially the four parliaments made limited use of performance information in the reports to hold departments and agencies accountable for meeting goals. However, these sources also suggested that use of the reports was increasing. Constraints discussed by these sources included the lack of staff, time, and expertise in the parliaments to evaluate the performance information in the reports. (See ch. 3.)

Results-Oriented Management Reforms Included Resource Flexibility and Incentives for Line Management

As part of the shift to a results orientation in government management, each of the four countries implemented reforms intended to provide government managers with greater flexibility over resources and incentives to more effectively and efficiently manage their programs. To provide greater flexibility and incentives to managers, the four governments eliminated detailed central control of departments' operating

expenditures and staffing levels and provided departments more authority to manage their resources within overall budget ceilings. In addition, the four governments encouraged top department management to extend as much flexibility as possible to their line managers. The four governments also began to simplify personnel rules and transfer control of human resource management functions, such as hiring, position classification, promotion, and pay, from central personnel agencies to departments and from departments to line managers. Along with this flexibility, the governments sought to create incentives for more effective and efficient management by implementing market-type mechanisms, such as competition and requiring departments and agencies to charge for their services and fund their operations from revenues collected.

Australia, New Zealand, and United Kingdom evaluated their use of increased flexibility and incentives. According to staff surveyed, the benefits included creating incentives to save and the more efficient allocation of resources. To a more limited extent, market-type mechanisms enabled government departments and agencies to operate more effectively and efficiently.

Despite the four governments' policies to extend flexibility and incentives to line managers within departments, government evaluations suggested that top management in some departments had done so in a limited manner or that the departments maintained their own controls that conflicted with the intent of the reforms. Although evaluations suggested that the four governments were satisfied with the progress they had made in providing greater flexibility and incentives, the evaluations also suggested that departments were continuing to grapple with such issues as the risk that accompanied increasing the authority of line managers. (See ch. 4.)

Investment Approaches Supported Results-Oriented Management Reforms

The four governments found that long-term investments in information systems and training were critical to the success of their efforts. For example, according to government reports GAO reviewed and officials GAO interviewed, the four governments found that managers needed information systems to collect and report performance information, manage resources, and implement commercial reforms. The countries also found they needed to invest in the training of staff so that they could meet new responsibilities for measuring performance, interpreting performance information, exercising spending flexibility, managing human resources, and operating in a more commercial environment.

Moreover, in the four countries, central management departments or other high-level management groups provided guidance and training to department and agency managers on implementing results-oriented management reforms, such as strategic and operational planning, performance measurement, and budget flexibility. Those central management departments or high-level groups assessed implementation of the reforms from the perspective of department and agency management. (See ch. 5.)

Recommendations

GAO is not making recommendations in this report.

Agency Comments

Because GAO did not evaluate the policies or operations of any federal agency to develop the information presented in this report, GAO did not seek comments from any agency.

Contents

Abbreviations

GDP	Gross Domestic Product
GPRA	Government Performance and Results Act of 1993
NPR	National Performance Review
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management and Budget

Introduction

The objective of the landmark Government Performance and Results Act of 1993 (GPRA) is to shift the focus of federal management and accountability from what federal agencies are doing to what they are accomplishing. To achieve this shift, GPRA requires federal agencies and programs to implement results-oriented management reforms, such as strategic planning, performance planning, and performance measurement and reporting.[1] GPRA also allows agencies to propose waivers from nonstatutory budgeting and spending requirements with the intent of achieving measurable performance improvements. For a more detailed description of GPRA's requirements, see appendix I.

Some foreign and state governments implemented results-oriented management reforms similar to the requirements of GPRA. The countries we selected to review for this report—Australia, Canada, New Zealand, and the United Kingdom—implemented their reforms over the past decade or more and have learned from their experiences. A report we issued in December 1994 discussed the results-oriented management reforms of selected state governments.[2] Federal agencies may wish to consider the experiences of these other governments with results-oriented management reforms as they implement similar reforms required under GPRA.

The Countries We Selected Introduced Results-Oriented Management Reforms

The results-oriented management reforms introduced in the four countries we selected were closely related to the requirements of GPRA. The four countries—Australia, Canada, New Zealand, and the United Kingdom—introduced results-oriented management reforms designed to increase the accountability of their government organizations and officials for results. These reforms were also designed to create incentives for line management to maximize the effective and efficient delivery of government programs.[3]

[1]Results-oriented management of an organization or program entails articulating its mission and goals, developing plans and measures tied to the mission and goals, and reporting on program results. Strategic planning is the process organizations use to assess their current situation and future path, develop missions and goals, and devise strategies to achieve the missions and goals. Performance—or operational—planning is the process organizations use to determine how their strategic goals will be met through activities of their staffs. Performance measurement involves the development of measurable indicators that can be tracked over time to assess progress made in achieving predetermined goals. Performance reporting entails the comparison of actual performance achieved versus predetermined goals for a given period.

[2]GAO issued a related report on results-oriented management reforms in six state governments—Florida, Minnesota, North Carolina, Oregon, Texas, and Virginia. See GAO/GGD-95-22, Dec. 21, 1994.

[3]Hereafter, "line" refers to the level of an organization that develops and delivers its services.

The Four Countries Faced Economic Problems, Sought Accountability for Results

According to government officials and reports, during the 1980s, the four countries we selected experienced serious economic challenges, such as rising global competitiveness, economies dominated by government spending, and high budget deficits. Furthermore, each of the four countries completed studies assessing the management of its government and reported that government organizations lacked accountability for achieving program results. These studies reported that the countries faced constraints to increasing the accountability of government organizations for results and proposed results-oriented management reforms similar to those required under GPRA.[4] For example, in 1983, Canada's Auditor General identified the following three major constraints to effective government management:[5]

- Political priorities had a major adverse impact on productive management.
- Managers felt unduly constrained by administrative procedures and conflicting accountability requirements.
- There were too few incentives for productive management but many disincentives.

Similarly, a special study commissioned by Prime Minister Margaret Thatcher of Great Britain described the following constraints:[6]

- Because of a strong emphasis on policy development, focus on the delivery of government services was insufficient.
- There was a shortage of management skills and experience among senior civil servants in service delivery functions.
- Short-term political priorities squeezed out long-term planning.
- There was too much emphasis on spending money and not enough on getting results.
- The civil service was too large and diverse to manage as a single organization.
- Central rules took away the flexibility managers needed to manage for results.

[4]The National Performance Review (NPR) similarly identified constraints to effective and efficient government management and proposed reforms designed to reduce bureaucratic constraints and produce better outcomes for citizens. See From Red Tape to Results: Creating a Government That Works Better and Costs Less, report of the National Performance Review, Vice President Al Gore, Sept. 7, 1993.

[5]"Constraints to Productive Management in the Public Service," Report of the Auditor General of Canada to the House of Commons, 1983. Minister of Supply and Services, Canada, 1983.

[6]Jenkins, Kate, Karen Caines, and Andrew Jackson. "Improving Management in Government: The Next Steps," Report to the Prime Minister. London: HMSO, 1988.

- An overly cautious civil service culture resulted in too much review and worked against personal responsibility.

In New Zealand and Australia, reports described similar constraints to improving the accountability of government organizations for results.[7]

Overview of Results-Oriented Management Reforms in the Four Countries

During the past 10 to 15 years, each of the countries implemented results-oriented management reforms, such as requiring departments and agencies to define their program mission and goals, measure the progress they made in achieving their goals, and report on their actual progress made compared to goals.[8] To support these reforms, the countries also sought to simplify central government regulations and reduce central government controls over spending so that government managers would have greater flexibility in the way they used resources to achieve desired program results.

Australia

In 1983, Australia began a comprehensive management improvement effort that centered on changing public service culture; creating the structures, standards, and practices conducive to good management; and developing management skills in the public service. To do this, Australia implemented results-oriented management reforms called Program Management and Budgeting and the Financial Management Improvement Program. Program Management and Budgeting required departments to define the program goals they sought to achieve, plan how they would achieve those goals, measure program effectiveness and efficiency, report on program performance, and adjust the operations of their programs on the basis of that performance information. The Financial Management Improvement Program provided departments with greater spending flexibility, stabilized the departments' funding levels over 3-year periods to enable the departments to do better medium-term planning, and required departments to achieve annual savings in their operating expenses.

Canada

Since the early 1980s, Canada has implemented numerous results-oriented management reforms. To increase accountability and clarify responsibility for program performance, Canada instituted performance agreements between upper and lower departmental management and reduced the

[7]For New Zealand, see Economic Management. The Treasury. P. D. Hasselberg, Government Printer. Wellington: New Zealand, Jul. 14, 1984. For Australia, see Financial Management Improvement Program: Diagnostic Study. Australian Public Service Board and Department of Finance. Prepared in Collaboration with W. D. Scott & Co. Canberra: Australian Government Publishing Service, Feb. 1984.

[8]Hereafter, "department" designates an organization comparable to a U.S. cabinet-level department. "Agency" designates an organization within a department that carries out one or more of its functions.

number of management levels within departments. To support the achievement of program performance goals, the government provided departments with greater authority over spending and the size of their staffs and simplified human resource regulations. Canada's most recent management reforms, Public Service 2000 and the Service Standards Initiative, focused on improving the quality of government services to citizens.

New Zealand

New Zealand also implemented management reforms designed to increase the accountability of government managers for achieving desired program results. Beginning in 1984, New Zealand's management reforms initially focused on transferring government enterprises to the private sector or running the government's enterprises in a more businesslike manner. Later, New Zealand passed two key laws—the State Sector Act of 1988 and the Public Finance Act of 1989—designed to create a business orientation in as many other government functions as possible. New Zealand sought to increase accountability for achieving desired program results by implementing performance agreements between departmental chief executives and their ministers and by requiring departments to report on performance against targets. In addition, the government provided departments greater flexibility over spending and human resource management to achieve the specific results for which they were responsible.

United Kingdom

The United Kingdom implemented the Financial Management Initiative in 1982 to provide managers at all levels of departments with the information they needed about program goals, performance, and costs to plan and manage their programs. A 1988 government report on the implementation of this reform found that progress had been made. However, because the civil service was seen as too large to manage as a single entity with uniform sets of rules, the government needed to take additional steps.[9] As a result of this report, the government implemented the Next Steps Initiative, which shifted the focus of management reform from departments as a whole to the "executive" or service-providing functions within departments. These functions were reorganized as separate "executive agencies" within departments. The relationship between the executive agencies and their parent departments was defined in contracts between department heads and agency chief executives that defined the performance goals to be achieved by the agency and provided enhanced discretion over spending and human resource management. At the time of our review, executive agencies were the predominant form of government

[9]Jenkins, Caines, and Jackson. Report to the Prime Minister.

organization covering about 60 percent of the civil service. The United Kingdom's reforms also focused on improved service to citizens and increased competition from the private sector for the provision of government services.

Government Systems and Sizes Differed Significantly

Compared to systems in the United States, the significantly smaller size and the different government systems of the four countries suggest that while the countries' experiences can provide general insights for the United States, direct comparisons to systems in the United States should be made with caution. Some comparative statistics on the size of the four countries' economies and public sectors are provided in table 1.1. In terms of the size of their economies, the countries we studied compare with some of our state governments. For example, in 1990 California had a gross state product of $745 billion; New York, $467 billion; Illinois, $272 billion; and Mississippi, $40 billion.

Table 1.1: Comparative Economic and Government Data for United States, Australia, Canada, New Zealand, and United Kingdom, 1991

Countries	Population (in millions)	Civil servants (in thousands)	GDP[a] (in billions)	Public sector outlays[bc]	Deficit[bcd]	Taxes[bce]
United States	252.2	3,091.1	$5,610.8	36.7%	3.4%	29.8%
Australia	17.3	148.1	280.0	36.6	2.6	29.2
Canada	27.0	217.8	520.6	47.9	6.3	37.3
New Zealand	3.4	42.9[d]	46.6	NA	NA	36.0
United Kingdom	57.6	565.3[d]	899.8	39.7	2.7	36.0

[a]Gross domestic product (GDP) is everything produced by a nation during a given period, except earnings from overseas.

[b]Percentage of GDP.

[c]For purposes of comparability among countries, the most commonly used standardized measures of fiscal deficits and surpluses are those for all levels of government, or general governments, reported by the Organization for Economic Cooperation and Development (OECD) from the United Nation's System of National Accounts. However, deficits for all general governments may not be exact proxies for budget deficits as they are perceived in a particular country.

[d]The figure for the United States includes the Social Security surplus. The estimate is 4.4 percent excluding the Social Security surplus.

[e]Data are for 1992.

Source: OECD.

Unlike the United States, all four countries have parliamentary systems of government. In a parliamentary system, a prime minister and cabinet ministers, each of whom leads a major department or group of departments, are drawn from the ranks of the leading party of parliament. Also, unlike the United States, the United Kingdom and New Zealand have unitary political systems in which the national government also provides local services, such as education, much as state and local governments do in the United States. Like the United States, Canada and Australia have federal government systems in which the federal government provides grants to provincial or state governments to provide some local services. Among the four countries, Australia, Canada, and the United Kingdom have two-house parliaments, and New Zealand has a one-house parliament.

The United States shares a strong civil service employment tradition with the four countries, except for political appointments to top department management positions in the United States. In departments in the four countries, top management positions below the minister generally are filled through nonpolitical civil service appointments either from within the career civil service or, increasingly, from outside of government. We have noted that maintaining a clear and continuing commitment to performance improvement can be extremely difficult in the U.S. government due to turnover among political appointees.[10] Experience has shown that obtaining and sustaining a commitment to improvements will be a continuing challenge in the federal government because improvement efforts must be maintained well beyond the tenure of the average political appointee. Our work has shown that the average tenure of top political appointees in large agencies is about 2 years, and that some positions are vacant longer than they are filled.[11]

Objective, Scope, and Methodology

The Chairman and Ranking Minority Member of the Senate Committee on Governmental Affairs, the Chairman of the House Committee on Government Oversight and Reform, and the former Chairman of the House Committee on Government Operations asked us to identify state and foreign governments' approaches to and experiences with implementing results-oriented management reforms that may assist federal agencies in implementing GPRA. As part of that request, this report presents some of the approaches taken to implement results-oriented management reforms

[10]Government Reform: Goal-Setting and Performance (GAO/GGD-95-130R, Mar. 27, 1995).

[11]Political Appointees: Turnover Rates in Executive Schedule Positions Requiring Senate Confirmation (GAO/GGD-94-115FS, Apr. 21, 1994).

in Australia, Canada, New Zealand, and the United Kingdom. Also as part of that request, our December 1994 report discussed the results-oriented management reforms of six U.S. states.[12]

To select the countries, we reviewed OECD's surveys on public management, which report on management innovations in member countries. We also reviewed a 1990 article on performance budgeting in other countries by Allen Schick, who is an authority on budget systems and policies, public management, and government finance.[13] On the basis of those surveys and the article, we judgmentally selected Australia, Canada, New Zealand, and the United Kingdom as among the countries that were particularly advanced in implementing results-oriented management reforms.

We visited Australia, Canada, New Zealand, and the United Kingdom between December 1991 and May 1992 to interview officials from each country's government. To obtain a variety of perspectives, we met with officials from the countries' central management departments;[14] national audit offices; departments and agencies with different functions, such as policy development, regulation, service delivery, and research and development; consultants for these governments; and academics.

These officials, consultants, and academics provided us with documents, including government-sponsored evaluations of their countries' management reforms and department and agency strategic plans, operational plans, and performance reports. In this report, we discuss the findings of those government-sponsored evaluations and some of our own observations concerning the plans and reports prepared by departments and agencies in the four countries. The major documents we relied on are listed in appendix II.

Our review focused on aspects of ongoing public sector reforms in the four countries that were similar to the requirements of GPRA—strategic planning, performance planning, performance measurement, performance reporting, managerial flexibility, and performance budgeting. We did not

[12]GAO/GGD-95-22, Dec. 21, 1994.

[13]Schick, Allen. "Budgeting for Results: Recent Developments in Five Industrialized Countries," Public Administration Review (Jan./Feb. 1990), pp. 26-34. The article discussed recent developments in performance measurement and budgeting in five countries: Australia, Canada, Denmark, Sweden, and the United Kingdom.

[14]Hereafter, "central management department" designates an organization comparable to a U.S. central management agency, such as the Office of Management and Budget (OMB) or the Office of Personnel Management.

independently evaluate the effectiveness of their reforms, and we did not attempt to compare their approaches or the relative successes or failures among the countries. The emphasis we place on a particular country's experiences in implementing reforms reflects the documents and comments that were provided to us at the time of our review and does not necessarily reflect the absence of those experiences in the other countries.

We did our work from December 1991 to December 1993 in Washington, D.C., and the four countries in accordance with generally accepted government auditing standards. Because we did not evaluate the policies or operations of any federal agency to develop the information presented in this report, we did not seek comments from any agency.

Strategic Planning, Operational Planning, and Measurement Helped Instill a Focus on Results

The four countries attempted to instill a focus on results in government management by requiring departments to plan strategically, set goals and objectives for operations, and measure performance against goals and objectives. Table 2.1 describes the approaches the four countries took to strategic planning, operational planning, and performance measurement. A key element of strategic planning suggested by Australian and United Kingdom officials was that the involvement of staff in the planning process helped communicate organization goals. Operational plans by departments in the four countries translated how strategic goals would be met through everyday activities and how progress would be measured. The focus of goal-setting and performance measurement in Australia and Canada was on the outcomes, or the final impacts of programs, while the focus in New Zealand and the United Kingdom was on outputs, or the number and quality of services produced. The countries reported a number of lessons they learned for measuring program performance that focused on enhancing the usefulness of the performance information for intended audiences.

Table 2.1: Approaches to Annual Planning and Measurement in the Four Countries

	Approaches		
Countries	**Strategic plan**	**Operating plan**	**Performance measures**
Australia	Approach varies, but generally identifies a department's mission and goals and the strategies and programs to achieve those goals. Sets strategic direction, articulates corporate values, and serves as an umbrella document for lower level plans.	Units within departments prepare operating plans that typically include targets that need to be met to achieve the goals in the strategic plan.	Output- and outcome-oriented
Canada[a]	Includes program objectives, program elements, a results statement for each element, statements that demonstrate how program element results contribute to overall objectives, and what the program results will cost. Serves as the basis for operational planning.	Departments prepare annual operating plans that specify the program results anticipated, the goals to be achieved, and the associated costs.	Output- and outcome-oriented
New Zealand	Includes the government's desired outcomes, department purpose, external influences, background information, outputs to be produced, relationship between outputs and outcomes, the cost of each output, criteria for assessing performance, other management issues, and financial performance.	[b]	Output-oriented
United Kingdom[c]	Both a planning and a reporting system that provides top management with performance information for each of the department's activities to support the setting of departmentwide objectives, decisions on priorities, the allocation of resources, and the review of achievements. Top management set targets and resources for successive management levels that corresponded to the departmentwide objectives and resource plans.	[b]	Output-oriented

[a]Special operating agencies within departments annually prepare 3- to 5-year strategic business plans.

[b]Strategic plan includes elements of both strategic and operational planning.

[c]Executive agencies within departments prepare multiyear corporate plans.

Source: Country guidance to departments and evaluations of results-oriented management reforms.

Strategic Planning Aligned Staff and Activities Toward Goals

Departments and agencies in the four countries used a variety of approaches to strategic planning that had common aims. According to the planning documents and government reports we reviewed, these approaches included the identification and communication of missions and goals and the description of activities designed to achieve those missions and goals.[1] Australian departments engaged in strategic planning to identify their mission and goals and described the strategies needed to achieve those goals. New Zealand departments annually prepared strategic plans that included performance targets for the next year. The plans described a department's mission; desired outcomes; significant issues affecting performance; the outputs to be produced at an agreed cost, quantity, and quality; management goals; and financial goals. Strategic planning in United Kingdom departments—called "top management systems"—involved annual exercises in which the management of operating divisions within departments provided key information about performance results to the department's top management. The department's top management used this information to review the results against previously set goals and to set new goals for and allocate resources to the operating divisions. In Canada, departments described their goals and objectives in documents called Operational Plan Frameworks. In Australia, Canada, and the United Kingdom, some agencies or divisions within departments published their own multiyear strategic plans.

Comments provided by some Australian and the United Kingdom officials in interviews and evaluations suggested that the goal of their strategic planning processes was to create a corporate culture by aligning staff and activities with the achievement of common organizational goals. For example, in the United Kingdom, the Secretary of the Department of the Environment wrote to his staff:

"The aim [of the top management system] is to ensure everybody has a clear idea of the objectives which their Division is pursuing, and has an opportunity to get involved in developing these objectives, in planning how they are going to be met, and in looking back to see how far they have been achieved. Information systems alone do not lead to good management. But they can help all of us by providing a framework to see how our own

[1]The plans we reviewed from the four countries were not called strategic plans but provided information similar to that required for strategic plans under GPRA, such as mission, goals, objectives, and strategies for achieving those goals and objectives. The Australian and New Zealand plans we reviewed were generally called corporate plans. United Kingdom and Canadian departmental plans were called top management systems and Operational Plan Frameworks, respectively. Also, the strategic plans prepared by departments in the four countries were updated annually rather than every 3 years as required under GPRA. For ease of reference, the word strategic is used to represent all of these plans.

Division's work contributes to the Department's policies, and to measure how well we are doing."[2]

According to Australia's evaluation of its reforms, several departments commented on the importance of involving staff in developing their strategic plans. According to those departments, the benefits from such involvement included obtaining staff support for the departments' goals and helping staff relate their own work to those goals. For example, the Department of Social Security submitted the statement that "corporate and strategic planning were developed after wide consultation in order to win broad commitment to the plans" and that "these processes had contributed to a sense of corporate identity."[3] Similarly, the Department of Employment, Education, and Training submitted the statement:

"the consensus amongst managers is that the [strategic planning] process plays a significant role in focusing the attention of staff at all levels on the direction, aims and goals of the organisation. It is also regarded as a significant factor in the cultivation of a greater outcomes/performance orientation among [Department of Employment, Education, and Training] staff."[4]

Australian Department of Finance officials we interviewed stressed the importance of involving all levels of the organization in the planning process. One of the officials contrasted an early strategic planning effort that was developed primarily by top management to later efforts that involved a large number of staff. The official said the early effort was a good start but did little to change the culture of the department. In contrast, the later efforts involved staff from all levels of the organization in working through strategic issues and defining the department's customers. The official said that this wide participation helped to change the culture of the department from one that was control-oriented to one that was more customer-oriented.

[2]Top Management Systems. Report by the Cabinet Office (MPO)/Treasury Financial Management Unit Submitted January 1985 (June 1985), p. 31.

[3]The Australian Public Service Reformed: An Evaluation of a Decade of Management Reform. Prepared for the Commonwealth Government's Management Advisory Board with Guidance from its Management Improvement Advisory Committee. Task Force on Management Improvement. Canberra: Australian Government Publishing Service, Dec. 1992, p. 339.

[4]The Australian Public Service Reformed, p. 341.

Operational Plans Linked Operations to Strategic Plans

The four countries we reviewed supported their strategic plans with operational plans that translated overall goals into more detailed objectives for everyday activities and included targets for performance. Progress in achieving objectives could be determined by comparing actual measures of performance with the targets contained in the plans. Reports on progress made toward achieving objectives were to provide feedback to managers at all levels and enable them to identify operations or strategies that needed adjustment. United Kingdom and Australian government evaluations described operational plans and performance reports as management tools that were effective only to the extent that they were useful to and used by line managers and upper management to improve an organization's performance. Certain departments in these countries emphasized the need to create operational plans and reports that provided managers at all levels with the information they needed, when they needed it, to meet their performance goals.

In the United Kingdom, according to a 1986 National Audit Office report, departments recognized the need for managers at successive levels down the line to establish performance targets for the objectives that were contained in the departments' strategic plans. The strategic and operational planning systems developed by United Kingdom departments in the mid-1980s were based on the same data to a large extent but at different levels of aggregation and detail. Top management used performance information reported by successive management levels to set overall department goals and objectives. Successive management levels then developed new objectives and performance indicators that were tied to the achievement of the overall goals and objectives. The report concluded that the availability of consistent information for decisionmaking throughout an organization was one of the main benefits of such an integrated approach.

In 1991, the United Kingdom National Audit Office reviewed the development of management information systems for operational planning and monitoring in three departments with very different missions. The audit office found that each department had established a hierarchy of objectives from top management down to line staff and that these departments had made good progress in measuring and monitoring performance. Although the frequency with which performance information was produced for comparison to objectives varied, managers reported that they were receiving more useful performance information for managing resources than under previous management information arrangements.

Australian departments also linked their day-to-day activities to the achievement of the goals in their strategic plans by developing separate operational plans, according to several Australian government reports. Line managers were responsible for planning to meet departmental goals by devising strategies and operational plans to implement the strategies. For example, the Department of Education, Employment, and Training linked its overall strategic plan to individual program strategic plans and annual operational plans that defined specific objectives and targets. The Department of Health, Housing, and Community Services developed operational plans for each work area within its programs. The operational plans consisted of strategies that were broken down into measurable targets and specific tasks. Table 2.2 illustrates how an Australian program, the Australian Customs Service's Barrier Control, linked its overall purpose, or mission, to objectives, strategies, actions to be taken, and desired results.

Table 2.2: Excerpts From the Australian Customs Service, Barrier Control Action Plan, 1991-1992

Purpose	To ensure all persons, goods, vessels, and aircraft entering or leaving Australia are brought within the control of Customs and that they remain within Customs control until all Customs requirements have been satisfied.
Objective	Facilitate through the Customs barrier, the legitimate movement of persons, goods, ships, small craft, and aircraft without detriment to the control environment.
Strategic initiative	[Further] the development of air cargo automation by the introduction of a national air cargo system in July at Sydney and Melbourne airports, with progressive implementation at other regional centres.
Key action	Implementation of air cargo automation at nominated airports.
Key result	Implementation by target date.

Source: Australian Customs Service, Barrier Control Action Plan, 1991-1992.

Performance Measures Reflected Progress Toward Achieving Operational Objectives

We reviewed performance reports prepared by departments and agencies in each of the four countries and observed that the way results were measured varied both within each and among all the governments we studied. In many cases, results were measured in terms of the quantity; quality, such as timeliness, accuracy, or lack of defects; and/or efficiency of services provided. The countries also measured financial results, such as the recovery of full economic costs through user-charging. Table 2.3 provides examples of quantity, quality, efficiency, and financial performance measures.

Table 2.3: Examples of Performance Measures Used by the Four Countries

Measure	Example	Target	Organization, country
Quantity	Number of services provided	Increase the number of completions effected to 5,910	The Government Property Lawyers, United Kingdom
Quality (Timeliness)	Service provided within approved timeframe	Pay 80 percent of new Job Search Allowance claims within 2 days of the client lodging their first income statement	Social Security, Job Search Allowance, Australia
Quality (Accuracy)	Service provided lacks defects	Provide a service that ensures that in 90 percent of cases the customer is given a technically correct answer in a form that is understandable	Inland Revenue, Taxpayer Information Services, New Zealand
Efficiency	Service provided per unit of input	Process 55,766 travellers per person-year	Revenue Canada, Customs and Excise, Port Operations
Financial	Meet a financial target, such as recovering the full cost of operations through fees	Achieve a current cost operating profit of £8 million, before exceptional items	Her Majesty's Stationery Office, United Kingdom

Source: Country data.

Results were also expressed as outputs relative to planned program objectives and strategies to achieve those objectives. In Australia, these outputs were often described as "outcomes" of the strategies employed.

For example, the Australian Customs Service, the details of whose Barrier Control Action plan are depicted in table 2.2, described the desired result of the Customs Service's strategy to further develop air cargo automation in terms of an output—the implementation of automation systems at specific airports by a specific date. The assumption that underlies this example is that implementing such systems would help achieve the Customs Service's subobjective of facilitating the movement of people and things through Customs barriers in airports. However, without an evaluation of the impact of the automation systems on the speed with which people and things were processed, the final outcome of the automation systems would not be known. This type of outcome-oriented performance information was the least evident in the performance reports we reviewed.

In New Zealand and the United Kingdom, the lack of outcome-oriented performance information was the result of government policy to focus primarily on output-oriented performance information. New Zealand and United Kingdom government policies called for departments and agencies to be accountable for effective and efficient delivery of specific services. Therefore, these governments called for departments and agencies to develop input- and output-oriented performance measures, such as the quantity, quality, efficiency, and cost of the services provided. In contrast, Australian and Canadian government policies called for departments to evaluate and report on the effectiveness of government programs in achieving desired outcomes for program target groups. Therefore, these governments called for departments to measure program outcomes, in addition to inputs and outputs. However, despite their focus on outcomes, Australian and Canadian government studies of the progress departments made in measuring program outcomes indicated that while some outcome-oriented performance measurement was occurring, more was needed.

Measuring Program Outcomes Posed Challenges

A common challenge discussed by government officials and the studies we reviewed was that program outcomes were difficult to measure because of the difficulty of determining the effect program activities had on outcomes versus the effects of nonprogram factors, such as changes in the economy.[5] For example, an official from Canada's National Sciences and Engineering Research Council, an organization whose programs provide grants to

[5]For example, the outcome of a jobs program might be adversely affected by a downturn in the economy that resulted in increased unemployment.

universities,[6] said that one challenge the Council faced was measuring the contribution its grants made to the programs' desired outcomes versus the contributions of other activities in the research community, such as grants provided by the universities themselves.

The Australian Customs department characterized the difficulty of assessing the impact of program activities on desired program outcomes as follows:

"Problems continue to be encountered in verifying that stated long-term objectives have been met through day to day program management and operational activities; that is, adequate assessment of outcomes by analysis of performance indicators has been difficult to achieve."[7]

Program Evaluation and Surveys Helped to Measure Program Effectiveness

The Australian and Canadian governments used program evaluation and client surveys to help assess program effectiveness in achieving desired outcomes. Australian and Canadian reports and guidance stressed that tracking the progress programs made in achieving desired outcomes required—in addition to ongoing input, output, and efficiency measures—periodic program evaluations and client surveys.

In Australia, program evaluation, along with performance measurement, was considered an integral part of program management, and departments were required to evaluate the effectiveness of each of their programs every 3 to 5 years. For example, according to a 1993 Department of Finance study, the Australian Health, Housing, and Community Services department evaluated the effectiveness of its aged care assessment program. The objective of the program was to ensure that aged people in need of a substantial level of care and support gained access to the available residential and community care services appropriate to their needs. An evaluation of the program provided information on the extent to which access to residential and community care services enabled elderly people to stay in their homes.[8]

[6]Canada's National Sciences and Engineering Research Council's mission involved supporting scientific research in universities, investing in training the next generation of scientists, and creating research partnerships between universities and private industry.

[7]The Australian Public Service Reformed, p. 335.

[8]Funnell, Sue. Effective Reporting in Program Performance Statements. Prepared for the Department of Finance. Performance Improvement Pty. Ltd., Australia, May 1993, p. 34.

According to Canadian policies established in 1976 and 1977, departments were to have in place the ability to measure effectiveness and report the results in both an ongoing and periodic way. The two types of activities were to differ in their focus and use. Ongoing effectiveness measurement represented the compilation of information on program outputs and outcomes gathered on a regular basis, allowing program management to monitor the operations of the program. Periodic studies of program effectiveness involved a more in-depth review of whether program objectives were being met.

For example, according to the 1993 report of the Auditor General of Canada, the objective of the government's Cape Breton Investment Tax Credit program was to promote durable employment in Cape Breton by encouraging new investment in the region. The program provided a 60-percent tax credit to new investors in the region. The Department of Finance evaluated the program using such measures of effectiveness as

- the additional number of jobs created in the region as a result of the tax credit,
- the cost per job created versus the cost of other regional development measures,
- value of new investment by private industry as a result of the program, and
- the reduction in regional unemployment disparities.

With regard to the value of new investment generated by the program, the Department of Finance determined that only 19 percent of the total new investment in Cape Breton could be attributed to the program and that the remaining investment would have occurred whether or not the tax credit was offered. On the basis of this evaluation, the tax credit was discontinued.

In addition to program evaluations, certain departments in each of the countries we reviewed relied on surveys of program recipients to measure program effectiveness. For example, Canada's Natural Sciences and Engineering Research Council used surveys to assess the effectiveness of one of its grant programs: "More than 90% of Canadian University administrators surveyed stated that the Operating Grants [Research Grants] program played an important role in retaining good researchers in Canada." The Australian Department of Finance study cited the Aged Care Assessment program within the Australian Health, Housing, and Community Services department, which used client satisfaction with the

types of services recommended for them as one of its outcome measures.[9] According to New Zealand's fiscal year 1993 to 1994 budget, the Department of Labor's Promoting Excellence in Safety and Health Management program was to measure its own effectiveness by randomly surveying selected clients to confirm the perception that the products or publications provided are accurate, relevant, useful, and well presented.[10] In the United Kingdom, National Health Service Estates, the agency responsible for managing real estate for the national health service, held workshops with a cross-section of customers to review three major product areas. As a result of these workshops, the three product areas were to be produced, delivered, and paid for differently to match customer needs.

Studies Provided Key Performance Measurement Lessons

The government studies and performance reports we reviewed suggested a variety of performance measurement lessons learned for departments in the four countries. These lessons, discussed in detail below, focused on enhancing the usefulness of performance measurement systems to the recipients of the performance information for improving program performance and decisionmaking.

Linking Measures to Goals and Objectives

We reviewed performance reports prepared by departments and agencies in each of the four countries and observed that the type of performance measures chosen—whether output- or outcome-related—varied depending on the nature of a program's goals and objectives. Programs with service-oriented goals developed measures of the quantity, quality, cost, and efficiency of their service delivery. For example, the stated objectives of the United Kingdom's Social Security Contributions Agency, which administered the collection of revenue for the National Insurance system similar to Social Security in the United States, included the following:

- ensure compliance with the law relating to National Insurance contributions, and
- provide an information and advisory service to the business community and members of the public.

To address these objectives, the agency developed measures that included the following:

[9]Funnel. Effective Reporting in Program Performance Statements, p. 34.

[10]New Zealand refers to lines of effort within departments as "output classes" rather than programs.

- increase aggregate yield by increasing collection of contributions arrears by $13.3 million over 1991-92,
- clear 99 percent of benefit enquiries handled clerically in 3 working days with 98-percent accuracy,
- provide a level of public service considered satisfactory by at least 75 percent of customers surveyed.

We observed that programs attempting to achieve a social impact developed outcome-oriented measures of program performance. For example, the main objective of one Australian employment program was to provide financial support to unemployed people who were actively seeking work and to encourage their reentry into the workforce. A subobjective of the program was to provide incentives for self-help and financial independence. One outcome measure that addressed this subobjective was "the proportion of allowees who [did] not rely on payments under this program as their sole means of support."

Selecting Performance Measures That Staff Can Influence

The Australian Department of Finance study suggested that program management should develop performance measures that can be directly influenced by program staff. This is particularly important in programs where a direct link between what program staff do and the desired final outcomes may not be clearly related. For example, the study reported that developing performance measures for grant programs was problematic because the provision of the grant is only one of many factors that affect final outcomes for the target of the grant. Similarly, the study reported that developing performance measures of the effectiveness of policy advice was problematic because its impact on final outcomes was difficult to determine. According to the study, policy advice "might be expected to have outcomes that pertained to changes in knowledge, skills, attitudes and perhaps behaviour of those being advised, to their own or others' benefit."[11] In a further example, a department's evaluation and analysis staff reported that

"all but one [of their 19 evaluations] were found to have been worthwhile and useful to program managers. The information was used in modifying program management, in Cabinet submissions, Ministerial reports to Parliament and in advising Ministers."[12]

[11]Funnel. Effective Reporting in Program Performance Statements, p. 3.

[12]Funnel. Effective Reporting in Program Performance Statements, Appendix, p. 24.

Involving Users of Performance Information in the Development of Plans and Measures

A 1991 study by Canada's Comptroller General suggested that in order for performance measurement and reporting systems to be useful, they need to be "owned" by line managers and others who would use the performance information.[13] The study suggested that such ownership could be achieved by involving those who would directly use the performance information in designing the measures. According to a 1985 United Kingdom Treasury study of strategic planning in 16 departments, one of the benefits of planning was that line managers used the resulting plans for their own management purposes and not just to provide required information to higher management.

According to government studies and officials, some United Kingdom and Canadian departments made special efforts to involve their line managers and staffs in developing performance measurement systems for their own use.[14] For example, according to a 1986 study by the National Audit Office, the United Kingdom Department of Environment, after initially encountering skepticism by lower level managers toward operational planning, began involving line managers in the definition of objectives, targets, and tasks. An internal review found encouraging results from this approach. Lower level managers were setting objectives and measuring performance. These managers reported they welcomed the new approach because they and their staffs were more involved in management issues. Similarly, some Canadian officials commented on the importance of line staff participation in developing performance measurement systems. For example, one department worked with its enforcement staff to develop a performance measurement system that would help line managers with operational issues and allow top managers to focus on strategic issues.

Making Performance Measurement Systems Selective and Balanced

The 1991 study by Canada's Office of the Comptroller General also recommended that, among other things, performance measurement systems should be selective and balanced.[15] The study stated that a performance report needs to focus on a small number of measures critical to a program's performance. The study also suggested that to provide a balanced perspective on program performance, it is useful to have a variety of performance measures, such as quantity, quality, and efficiency. Such a variety of measures is important because they "pull" program

[13]Into the 90s: Government Program Evaluation Perspectives. Office of the Comptroller General. Communications and Consultations Division, Treasury Board of Canada, Jun. 1991, p. 28.

[14]A performance measurement system is the set of performance measures and associated performance targets against which actual performance is collected and reported.

[15]Into the 90s: Government Program Evaluation Perspectives, p. 28.

performance in different directions and preclude an overreliance on one measure at the expense of the others.

We reviewed performance reports prepared by executive agencies in the United Kingdom and observed examples of selective and balanced performance measurement systems. The United Kingdom publishes an annual report that includes a one-page performance report for each executive agency that describes the agency's performance for the current year and plans for the next year in terms of quality, quantity, efficiency, and finance. In 1993, the average number of performance measures reported by an agency was eight. The Social Security Resettlement Agency, charged with providing housing to the homeless, either directly or through grants to nonprofit providers, reported seven key measures of quantity, quality, and finance. Table 2.4 shows how this agency used a balanced and selective set of measures.

Table 2.4: Selective and Balanced Performance Measurement System Reported by the Social Security Resettlement Agency, United Kingdom, as of December 1993

Type of measure	Target
Quantity	Provide not less than 95% of published facilities
Quality	Survey residents to confirm that not less than 85% express satisfaction with standards [of service]
Financial	Manage the agency's resources so as to deliver its business plan within a total budget of £31.065 million, including £12.846 million for the costs of existing resettlement units and agency headquarters

Source: Next Steps: Agencies in Government, Review 1993. London: HMSO, Dec. 1993. 113.

Including Qualitative Performance Information and Explanations of Results

The Canadian Comptroller General's 1991 study also recommended that performance measurement systems include qualitative performance information in addition to quantitative measures.[16] According to the study, program performance can rarely be adequately captured through quantitative measures alone. Qualitative information on performance can help clarify aspects of performance that are difficult to quantify or provide needed explanatory information.

The Australian Department of Finance 1993 study of performance reports prepared by departments recommended that all performance reports should include qualitative in addition to quantitative performance information and interpretations and explanations of results regardless of whether results were above or below expectations. This qualitative

[16]Into the 90s: Government Program Evaluation Perspectives, p. 28.

information is critical to identifying and understanding the factors that contributed to a particular result. The study also suggested providing qualitative information, such as the robustness of the measures used, factors that were within the control of the program, and factors that were outside the control of the program.[17]

A 1991 case study on using performance information for management decisionmaking prepared by the Programs Division of the Australian Department of Employment, Education, and Training described sources of qualitative performance information, such as periodic program evaluations; research projects; and feedback from field staff, clients, and interest groups. The department used such qualitative information to provide insights on how its program's outcomes were achieved. For example, the department used qualitative data to identify why the performance of its JOBSTART program was superior to its other employment programs.

Reporting Performance Information to Appropriate Audience

A 1985 United Kingdom government study emphasized that performance measurement and reporting systems should contain performance measures that are most appropriate for the intended audience, such as line or top management. The study described the performance measurement system intended for top management as the tip of a pyramid of information systems that was drawn from the same data, but at higher levels of aggregation than at the line management level. For example, according to the study, in the Customs and Excise Department, top management's performance measurement systems became increasingly a strategic framework that lower level units could use to prepare more detailed plans. Reports to top management were restricted to overall aims and objectives in terms of final outputs achieved.

[17]Funnell. Effective Reporting in Program Performance Statements, p. 4.

Results-Oriented Management Reforms Addressed Accountability for Performance

The four countries took a variety of approaches to using performance information to increase the accountability of government organizations for delivering quality services to the public and for achieving the government's desired goals. One approach employed by the United Kingdom and Canada was to publish performance standards for departments and agencies that directly served the public and measure and report to the public on performance against those standards. Another approach employed by the four countries was to introduce performance agreements between higher and lower management levels of departments and agencies. These agreements specified management's responsibility for meeting annual performance targets that contributed to a department or agency's overall goals. Finally, results-oriented management reforms in the four countries also called for increased accountability for performance to parliament through performance reporting. Although the parliaments initially made limited use of performance reporting, studies and officials suggested that the use of performance reports by the countries' parliaments was increasing. Table 3.1 summarizes the approaches the four countries' used to increase the government organizations' accountability for performance.

Table 3.1: Approaches to Reinforcing Accountability for Performance in the Four Countries

	Approaches						
	Service standards		Performance agreements			Performance reports	
Country	Service principles	Types of standards	Parties involved	Purpose	Pay linkage	Content	Provided to
Australia	[a]	[a]	All senior and mid-level managers.	Related individual performance to the achievement of the department's goals and objectives.	Yes	Program objectives in terms of outputs, outcomes, and costs, and an assessment of whether those objectives have been achieved.	Parliament and the public.
Canada	Service description, quality pledges, delivery targets, complaint mechanisms, and costs. Performance information published.	Timeliness, accuracy, reliability, responsiveness, coverage, client satisfaction.	Secretary of the Treasury Board and department deputy ministers.	Detailed a limited number of key management issues for which the deputy minister would be held accountable.	Yes	Program objectives, performance against targets, and program costs.	Parliament and the public.

(continued)

	Approaches						
	Service standards		Performance agreements			Performance reports	
Country	Service principles	Types of standards	Parties involved	Purpose	Pay linkage	Content	Provided to
New Zealand	[a]	[a]	Department minister and department chief executive.	Detailed the chief executive's key management objectives, responsibility for meeting the department's output performance targets, and obligation to support governmentwide concerns and policies.	Yes	Quantity, quality, and cost of outputs against targets.	Parliament and the public.
United Kingdom	Standards, information and openness, choice and consultation, courtesy and helpfulness, putting things right, and value for money.	Timeliness, accuracy, reliability, responsiveness, coverage, client satisfaction.	Department minister and chief executive of an executive agency.	Outlined specific output and financial performance targets to be achieved by the agency in a given year.	Varied	Output-oriented and financial performance information against targets.[b]	Parliament and the public.

[a]Did not take this approach. However, New Zealand departments set targets for quality of service and reported results along with other performance information. Australian departments also reported on quality of service where appropriate.

[b]Both departments and executive agencies publish this information in separate reports. The government summarizes this information for all executive agencies in an annual review.

Source: Country guidance and reports.

Published Performance Standards for Government Services Provided Accountability to the Public in the United Kingdom and Canada

The United Kingdom's Citizen's Charter and Canada's Service Standards reforms called for agencies to publish service standards, measure performance against those standards, and solicit citizen feedback on performance.[1] Other service principles to be implemented through the Citizen's Charter reform included providing citizens with service choices, consultation, courtesy, complaint mechanisms, and value for money.[2] Australia and New Zealand included many quality of service measures in their performance measurement systems, but with less emphasis on soliciting customer views of performance and providing customers with performance information.

According to the 1994 Citizen's Charter report, the United Kingdom had published 38 Citizen's Charter documents covering major public services and setting out the specific service standards that citizens could expect and what citizens could do if the standards were not met. For example, according to the report, the Social Security Benefits Agency committed to taking no more than 4 days on average to pay income support benefits in 1992-93. The agency reported that it achieved an average payment time of 3.5 days during that period.

Also according to the 1994 report, agencies' charters were to specify remedies for performance problems when they occurred. For example, the Post Office was to compensate customers for late arrival of a special delivery item by refunding twice the fee paid or a book of first-class stamps, whichever was greater. The Social Security Benefits Agency committed to staffing each office with a customer service manager, whose name and telephone number would be displayed and who was to respond to complaints within 7 days.

The 1994 Citizen's Charter report provided information on the performance commitments public service organizations made, how these organizations performed against the standards, and performance

[1]At the time of our review, Canada's Service Standards Initiative was in initial stages of implementation. Therefore, the discussion in this chapter focuses on the United Kingdom's Citizen's Charter reform, which had been underway since 1991.

[2]In response to the NPR recommendation to create a customer-driven government, on September 11, 1993, the President issued Executive Order 12862, which required all executive departments and agencies that provide significant services directly to the public to, among other things, survey customers, establish service quality standards, measure performance against the standards, and address customer complaints. Subsequently, 152 agencies published more than 1,500 customer service standards that were based on customer input. According to NPR officials, the next step for agencies was to measure and publish their performance against those standards.

commitments for the future.[3] Table 3.2 provides an excerpt from the report for the Post Office.

Table 3.2: Excerpt From the Citizen's Charter, Second Report: 1994, the United Kingdom Post Office, Achievements and Plans

What we promised	What we have done	Future commitments
First-class letter delivery target for 1992-93: 90.5 percent to be delivered on next working day after posting.	Achieved 91.9 percent.	1993-94 target is for delivery of 92 percent of first-class letters on the next working day after posting.
In 1992-93, 96 percent of customers to be served in 5 minutes at Crown and franchise offices.	Achieved 96 percent.	Waiting time target of 96 percent of all customers to be served within 5 minutes will be extended to 5,000 of the largest sub-post offices by March 1994; 10,000 by March 1995.
Publication of clearer and more local information on service targets and performance against them.	Information is provided in the Post Office's annual report and in posters in all Crown and franchise offices.	Local information will continue to be produced and published regularly.

Source: The Citizen's Charter, Second Report: 1994, p. 32.

According to the government's 1994 Citizen's Charter report, public service organizations that demonstrated excellence and innovation in delivering services in line with Charter principles could win a service quality award called the "Charter Mark." In 1993, the Prime Minister awarded Charter Marks to 93 organizations. According to the report, many public service organizations used the criteria for the Charter Mark award to assess how well they applied Charter principles, regardless of whether they applied for the award. To retain the Charter Mark award, organizations were to demonstrate that their performance had continued to improve.

Performance Agreements Reinforced Accountability for Performance

The four countries introduced top-down performance agreements between the political leaders of departments and their top civil service managers to introduce a sense of personal responsibility for performance and to reinforce the connection between individual performance and organization mission and goals. These performance agreements focused on the program performance factors that were within the control of program managers. Along these lines, the NPR recommended that the President develop performance agreements with politically appointed

[3]The Citizen's Charter, Second Report: 1994. Presented to Parliament by the Prime Minister and the Chancellor of the Duchy of Lancaster by Command of Her Majesty. London: HMSO, Mar. 1994.

agency heads and that agency heads should also use performance agreements within their agencies to forge an effective team committed to achieving organizational goals and objectives.[4] Eight U.S. agency heads had signed such performance agreements as of September 1994.

Performance Agreements Linked Individual Performance to Organization Goals

In the United Kingdom, government policy called for performance agreements to be negotiated between the political heads of departments—ministers—and the nonpolitical chief executives of operating divisions, called executive agencies, within departments. Executive agencies were established in 1988 as the service delivery—as opposed to the policy development—arms of the government. For example, within the Department of Trade and Industry, the Accounts Service Agency provided financial and management accounting services to its parent department and to other United Kingdom departments and agencies on a fee-for-service basis.

According to government reports, accountability between the executive agencies and their parent departments was to be achieved through an annual performance agreement. The performance agreement was negotiated between the department minister and agency chief executives. The annual performance agreement outlined specific performance targets to be achieved in a given year. The agency chief executive was personally responsible for the agency's performance in relation to those targets.

The accountability of chief executives was reinforced in three ways. First, the details of an agency's targets and its performance against them were published in its parent department's annual report. According to a government review of the executive agency reforms, chief executives were acutely aware of their visible personal responsibility and accountability for the success of their agencies. The review suggested that these chief executives said that publicly stated targets were the most effective guarantee to bring about their best possible performance. Second, increasingly, chief executive pay was being tied to performance through bonuses paid for achieving annual targets. Third, chief executives were hired on limited term contracts that would not have to be renewed if performance was deemed poor.

[4]From Red Tape to Results: Creating a Government That Works Better and Costs Less, p. 75. We agreed with NPR's recommendation, commenting that developing such agreements could help focus agency management's efforts on key priorities and help achieve the results-oriented environment that we believe is needed to improve effective delivery of government programs. Management Reform: GAO's Comments on the National Performance Review's Recommendations (GAO/OCG-94-1, Dec. 3, 1993), p. 202.

New Zealand's Public Finance Act of 1989, as amended, established that department chief executives were to be accountable for the quality, quantity, and cost of outputs produced by the department that would help the government achieve its desired outcomes. Accountability between department chief executives and department ministers was to be achieved through a performance agreement. According to government guidelines, performance agreements were to outline (1) key management objectives requiring the chief executive's personal attention; (2) the chief executive's responsibility for the delivery of the department's outputs according to targets agreed upon by the department's minister; and (3) the chief executive's obligation to support the collective interests of the government and to manage human resources, finances, information resources, purchasing, and energy in a manner consistent with government policies and statutes.[5] Similar to arrangements for chief executives in the United Kingdom, the pay and tenure of New Zealand Chief Executives was linked to the achievement of the objectives in the performance agreement.

The Canadian government sought to increase the accountability of its deputy ministers—the top civil service managers in a department—through a program initiated in 1991 called Shared Management Agenda. A shared management agenda was a set of key management priorities and objectives identified and agreed upon by the Secretary of the Treasury Board and the deputy minister of a department. The agenda was to contain a very limited number of management issues of highest mutual priority to the Secretary of the Treasury Board and the deputy minister. The agenda was intended to provide a simple and flexible means for two-way communication between the Secretary of the Treasury Board and a deputy minister and a basis on which to assess the performance of the deputy minister. Performance on these management issues was to be included in the annual performance assessments of deputy ministers. These assessments, conducted by a committee of senior government officials, determine a deputy minister's performance rating and bonus.

In addition to these high-level performance agreements, departments in the four countries had begun introducing performance agreements between lower levels of management and staff. Australian, New Zealand, and United Kingdom reviews suggested that such performance agreements increasingly were used to link individual performance standards to the

[5]Although performance agreements were to be made between chief executives and their ministers, under the Public Finance Act, an independent State Services Commissioner was to review the performance of chief executives in fulfilling the terms of the agreement. The intent of this arrangement was to remove political considerations from the performance appraisal.

achievement of a department's overall objectives. For example, according to a government evaluation of Australia's management reforms, the performance of Australian senior managers was appraised on the basis of agreements that related individual performance to the goals of the strategic plan. According to the evaluation, among the benefits achieved through these agreements was "heightened staff attention to corporate values and organizational goals and objectives."[6]

Managerial Accountability Limited to Areas of Control

We observed that performance agreements in the four countries were designed to hold managers accountable primarily for those results over which they were able to exercise control. According to government reports and officials we spoke to in the four countries, this focus on controllable results stemmed from the limited control managers had over all the factors outside the scope of their programs that affected outcomes. In the United Kingdom and New Zealand, this view was manifested in the structure of government, which separated responsibility for service delivery from the development and evaluation of government policies.

In the United Kingdom, according to guidance prepared by the Treasury for executive agencies, executive agencies were responsible for the effective and efficient delivery of government services, such as finding jobs for the unemployed. In contrast, the agencies' parent departments were responsible for determining whether their agencies' services were effective in meeting the government's social policy goals. Executive agencies' performance agreements laid out their service delivery responsibilities in the form of specific, quantitative, service delivery targets that agencies were to achieve. Such targets were thought to be under the control of an agency's management. For example, according to the Employment Service's 1991-92 performance agreement with its parent department, the Employment Service was responsible for meeting the target of "1,300,000 placings of unemployed people into jobs."[7] Other measures focused on targets for various subgroups of unemployed clients, such as the long-term unemployed, and the amount of time it took for agency staff to meet with clients at various stages of the process. In contrast, department policy analysts were responsible for evaluating the effectiveness of such services in meeting the government's policy goals. However, the Treasury guidance suggested the need for agencies to work

[6]The Australian Public Service Reformed, p. 183.

[7]The performance agreement did not contain any reference to the quality or duration of the jobs obtained by clients.

closely with department staff to provide the data they would need to do such an evaluation.

Similar to executive agencies in the United Kingdom, New Zealand departments were responsible for achieving performance targets for the outputs they delivered. According to a New Zealand Treasury official, the government did not choose to rely on outcome measures for accountability purposes because a manager could always point to other, noncontrollable, environmental factors—such as a downturn in the economy—that caused her or him to fail to meet an outcome-oriented performance target.

With the passage of the State Sector and Public Finance Acts of 1988 and 1989, respectively, the New Zealand government was restructured to be the purchaser of outputs—goods and services—from government departments led by competitively appointed chief executives. The performance agreement between New Zealand Ministers and their chief executives contained specific output targets, including quantity, timeliness, cost, and quality for which the chief executive was accountable. Examples of outputs purchased by the government from the Department of Labor included employment placement services, occupational health and safety prevention and compliance services, and immigration visa and permit processing. Government ministers—not their chief executives—were responsible for selecting the program outputs to pursue to achieve the government's desired outcomes. The government also purchased "policy advice" from departments that pertained to whether or not the particular outputs the government had "purchased" were having the desired effect on outcomes. For example, the government purchased employment policy advice, occupational health and safety policy advice, and immigration policy advice from the Department of Labor.

Canadian and Australian government studies also suggested that managers do not control all the factors that contribute to program outcomes. Nevertheless, these studies maintained that part of a program manager's responsibility was to assess the effectiveness of his or her programs in achieving outcomes and report on both controllable factors, such as the manner in which program staff interact with clients, as well as noncontrollable factors, such as economic conditions, that affect outcomes. According to an evaluation of Australia's reforms, this view of program management's responsibility "recognizes the reality that public servants make policy decisions in everyday program implementation, and

that ongoing, effective services to citizens depend to a great extent upon a sense of responsibility for the impacts of programs on people."[8] Similarly, according to a 1991 report by the Canadian Comptroller, managers increasingly were being asked to evaluate the continued relevance, success, and cost-effectiveness of their programs.

Parliamentary Use of Performance Information Limited but Increasing

The four countries sought to increase the accountability of government departments and agencies to parliament for the results of their programs by requiring them to report publicly on the outputs and outcomes they produced. However, the parliaments of the four countries initially made limited use of results-oriented performance information to hold departments and agencies accountable for their performance, according to government officials we spoke to and studies we reviewed. Although the four countries were seeking to relate program performance and costs, we did not find that they were seeking to demonstrate how program performance would vary according to different funding scenarios, as will be tested under GPRA in fiscal years 1998 to 1999 in the United States.[9]

Departments in each of the four countries were required to report performance information annually to their parliaments along with budget and expenditure information. Generally, the goal of each country was to provide more information about program results being achieved for the funds being spent.

Despite the improved availability of performance information in reports to parliament, studies by the four countries suggested that performance reports were not always used extensively by parliaments for scrutinizing the performance of departments. For example, in the United Kingdom, a 1990 report by the House of Commons Procedure Committee described select committee interest in recent departmental reports as "patchy at best." However, others observed increased interest in the performance information provided by departments. A New Zealand Treasury official commented that the quality of questions being asked by parliament during the fiscal year 1992 budget process had noticeably improved. The official credited this improvement to the new budget format that included a department's output-oriented performance information. Officials from the New Zealand Audit Office suggested that the successful use of

[8]The Australian Public Service Reformed, p. 524.

[9]GAO issued a report on selected state experiences in relating program performance with program costs. See Performance Budgeting: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, Feb. 17, 1993).

performance information by parliament should be viewed in terms of incremental shifts away from parliament asking questions primarily about the costs of departments' inputs and toward asking questions about the quantity and quality of the departments' outputs. Other New Zealand, Australian, and United Kingdom studies indicated that such incremental improvements in the use of performance information by their parliaments had occurred.

Canadian and New Zealand studies indicated some parliamentary dissatisfaction with the quantity and quality of performance information reported to them. According to a 1992 Auditor General report, Canadian ministers of parliament found that department performance reports did not provide the right amount of information; did not always help them understand what the department was doing, or how much things cost; and did not provide a reasonable perspective on performance. New Zealand's 1991 review reported on the views of department ministers rather than of parliament as a whole. Those ministers found performance reports to be adequate, but some had difficulty wading through the quantity of information provided or finding information on efficiency.

Several studies by the countries suggested that institutional constraints, such as the lack of staff, expertise, and time to evaluate all the performance information that was being provided, precluded the effective use of performance reports by parliaments. Use of information by the countries' parliaments could be improved by enhancing the quality and presentation of the information. For example, New Zealand and Canadian studies found that ministers of parliament would value simpler reports that highlighted significant concerns. United Kingdom and New Zealand studies suggested the need for more feedback from their parliaments on the format and content of performance reports to ensure that departmental reporting is meeting their parliaments' information needs.

Results-Oriented Management Reforms Included Resource Flexibility and Incentives for Line Management

In addition to results-oriented management reforms designed to increase the accountability of line management for achieving desired results, the four countries we selected implemented reforms that were intended to provide line management with flexibility over resources and incentives to manage their programs more effectively and efficiently. Table 4.1 summarizes the four countries' approaches to increasing managerial flexibility and providing incentives for more effective and efficient management. To provide flexibility and incentives to line management, central management departments and central management within line departments sought to (1) simplify management rules and regulations; (2) devolve greater decisionmaking authority over financial and human resources;[1] and (3) provide incentives in the form of shared productivity gains and market-type mechanisms, such as increased competition and user-charging. Although evaluations of these reforms by the four countries suggested that a substantial degree of implementation had occurred, the evaluations also suggested that some departments were slow to devolve authority within their organizations, which resulted in fewer incentives to increase efficiency. Moreover, although evaluations suggested that the four countries were satisfied with the progress they had made, they continued to grapple with issues, such as acceptable levels of risk and the desirable scope and degree of devolution that should occur in departments.

Table 4.1: Approaches to Providing Managerial Flexibility and Incentives in the Four Countries

	Approaches						
	Budgetary flexibility			Market mechanisms			
Country	Operating budget	Efficiency dividend	Carry forward	User-charging	Revenue retention	Competition/ contracting out	HRM simplification
Australia	Consolidated operating costs for departments. Shift from staff-year to operating cost controls.	Departments required to save 1.25% of operating budgets annually for a 3-year period.	6%	Departments charge for services provided to other departments.	Departments retained user-fee revenue to fund operations.	Departments not required to purchase central government services. Encouraged to contract for commercial services.	Reduced the number of job classifications and the levels of supervision and increased the span of managerial control.

(continued)

[1]In this report, devolution is the transfer of decisionmaking capacity from central management agencies to line agencies or from central management within an organization to line management. In this chapter we discuss devolution in terms of providing line agencies and line managers more authority to make decisions regarding how their resources are allocated and how staff are managed.

	Approaches						
	Budgetary flexibility			Market mechanisms			
Country	Operating budget	Efficiency dividend	Carry forward	User-charging	Revenue retention	Competition/ contracting out	HRM simplification
Canada	Consolidated operating costs for departments. Shift from staff-year to operating cost controls.	NA[a]	2%	Departments charge for services provided to other departments.	Departments retained user-fee revenue to fund operations.	Departments not required to purchase certain central government services.	Reduced the number of job classifications and the number of executive levels. Simplified the reassignment of staff to other jobs and the firing of poor performers.
New Zealand	Consolidated operating costs for each class of outputs within a departments.[b]	NA[a]	NA	Departments charge for services provided to other departments.	Departments retained user-fee revenue to fund operations.	Government privatized or dismantled certain central government service departments. Departments free to choose service providers.	Chief executives gained responsibility for negotiating employment conditions with unions and staff. Some departments reduced the number of job classifications.
United Kingdom	Consolidated operating costs for departments. Shifted from staff-year to operating cost controls.	Departments required to increase efficiency by 2% per year for a 3-year period.[c]	Unlimi-ted[d]	Departments charge for services provided to other departments.	Departments retained user-fee revenue to fund operations.	Departments and agencies compete against the private sector for provision of commercial services.	Replaced detailed, central civil service rules with simplified rules and principles to serve as the basis for departments' own staff handbooks.

[a]Across-the-board budget cuts occurred but were not planned in advance, and they differed from year to year depending on the government's budget situation.

[b]Output classes are comparable to programs in U.S. departments. Transfers of funds between output classes limited to 5 percent.

[c]Was 1.5 percent until 1994.

[d]Was 0.5 percent until 1993.

Source: Country reports and evaluations.

Devolved Authority Over Spending Provided Incentives for Effective and Efficient Management

Results-oriented management reforms in the four countries called for line managers to have authority over spending decisions within overall funding constraints in order to effectively and efficiently manage their programs. Central management controls over line-item expenditures were replaced by tighter controls over aggregate expenditures, and detailed regulations were replaced with general principles and greater individual responsibility for decisions. The following sections contain descriptions of the approaches to flexibility and incentives the four countries took. Although the four countries did not uniformly evaluate the costs and benefits of these approaches, in some cases, evaluations by the countries described improved operations as a result of the spending flexibility and incentives.

Lump Sum Operating Budgets and Cost Controls Provided Flexibility for Efficient Spending

In each of the four countries, reviews of government performance recommended significant reforms to the operating budgets of departments. These reforms were aimed at providing departments with more flexibility to allocate resources and to adapt to changing priorities while controlling the growth of expenditures. An Australian government official described the government's budgeting problem as central budget and department officials spending 95 percent of their time micromanaging the details of departments' operating expenditures, which accounted for only 10 percent of overall government expenditures. In the four countries, operating budgets detailed how much departments could spend on such expenses as travel, office equipment, and salaries. Those budgets also allowed departments little flexibility to shift funds from one category to another to meet operating needs. In addition, Australian, Canadian, and United Kingdom departments were still constrained by staff ceilings that could not be exceeded.

According to officials from the four countries, this detailed central control over departmental operating funds and staff levels was in itself costly, ineffective in containing costs, and led to inefficient resource decisions by departments. For example, a United Kingdom Treasury official noted that attempts to control costs by reducing staff numbers produced perverse incentives to contract work out, even if the tasks could be performed for less by the government.

To address this problem, each of the four countries implemented operating budgets in which departments were given a lump sum of funds

to spend on their operations.[2] Operating budgets generally included salaries, office space, contracts for services, utility bills, other related administrative spending, and minor capital. We observed that although the specific terms of flexibility varied among the four countries, departments were generally free to decide how to allocate funds across these categories.[3] Operating budget flexibility in the four countries did not apply to the nonoperating costs of departments, such as grants, aid to individuals, or major capital expenditures, which were budgeted separately. In addition to flexibility in how funds were spent, the four countries eliminated staff ceilings so that departments could decide how to staff their programs to achieve program goals and objectives within the limits of their operating budgets.

In Australia, Canada, and the United Kingdom, government policy explicitly called for departments to devolve operating budgets from the centers of departments to line mangers to give line managers more flexibility over their operations. For example in the United Kingdom, the Department of the Environment divided its overall operating budgets into individual program operating budgets over which line managers exercised control. In New Zealand, the focus of reform was to devolve responsibility for operating budgets to the chief executives of departments. Several New Zealand officials we spoke to said that some devolution had occurred or was to occur in their departments.

According to Australian and United Kingdom reviews of their reforms and interviews with government officials, operating budget reforms such as spending flexibility within overall funding constraints, the elimination of staff ceilings, and forward year budget projections have improved effectiveness and efficiency. For example, according to a 1988 United Kingdom review, in some cases, budget reform enabled budget holders to save money or make better use of money and encouraged forward planning of activities and spending and setting priorities. A United

[2]In this report, the term "operating budget" is generally used to describe flexible budgeting in the four countries. In the United Kingdom and Australia, operating budgets were called "running costs." In Canada, the term operating budget is used. In New Zealand the term "appropriations to outputs" is used. Such outputs corresponded roughly to programs within a department. For example, "national archival services" was an output within the Department of Internal Affairs. For information on the use of lump sum budgeting in the United States, see Budget Object Classification: Origins and Recent Trends (GAO/AIMD-94-147, Sept. 13, 1994).

[3]In Canada and Australia, departments must account for the cost of benefits associated with salaries when transferring funds from nonsalary to salary costs. For example, if benefits are 20 percent of salaries, a department would have to give up $1.20 in salary costs to pay an additional $1.00 in salary. Conversely, a department would get a $.20 credit by giving up $1.00 in salary for nonsalary items. In New Zealand, spending flexibility was allowed within an operating budget for a class of outputs, but the transfer of operating funds from one class of output to another within a department was limited to 5 percent.

Kingdom Treasury official said that because departments were allowed to choose the mix of resources to be purchased within overall annual limits, departments could allocate any efficiency savings to address operating priorities, such as improving the appearance of public offices. Australian departments, such as the Department of Immigration, Local Government and Ethnic Affairs, made similar observations: "The [operating budget] reforms have enabled the agency to achieve outyear savings from applying innovative approaches to issues. These savings were not available to the agency prior to the reforms."

United Kingdom and Australian officials also noted improved control of the growth of operating budgets. A United Kingdom Treasury official said that operating budget controls were more effective than other types of controls in reducing the rate of expenditure growth.[4] Exclusive use of staff controls resulted in costs growing 2 percent faster than inflation during the early 1980s. Under operating budget control, despite pay increases that exceeded inflation, operating budget growth slowed. An Australian review described reduced growth in operating budgets since the implementation of its reforms and attributed the improved control to the requirement that departments estimate the costs of decisions for 3 years forward and justify any changes to those estimates.

Efficiency Dividend Provided Incentive for Savings in Australia and the United Kingdom

To control overall program costs, departments in the four countries were responsible for running their operations within their operating budgets. As an additional inducement to control costs, Australian and United Kingdom departments were required to return an efficiency dividend to the government. Efficiency dividends represented an annual across-the-board reduction of operating budgets arising from general efficiency improvements that government departments were expected to achieve as a result of their country's governmentwide management reforms with no decrease in the quantity or quality of outputs.[5]

Australia and the United Kingdom projected their budgets 3 years in advance and included the efficiency dividend in their projections. Departments were generally expected to live within these projected

[4]For related information on the United States, see GAO/AIMD-94-147.

[5]Reductions to budgets resulting from the efficiency dividend were taken after budget increases for new policy initiatives or wages were accounted. In 1993, the Australian efficiency dividend was a 1.25-percent reduction of a department's operating budget. In the United Kingdom, it was a 1.5-percent reduction until 1994. See Budget Issues: Assessing Executive Order 12837 on Reducing Administrative Expenses (GAO/AIMD-94-15, Nov. 17, 1993) for information on U.S. experiences with across-the-board efficiency cuts.

budgeted amounts. According to a review of Australia's reforms, senior managers surveyed responded that the 3-year forward budget projections improved the predictability of the forward year budgets.

Incentives for Inefficient Year-End Spending Reduced

In the four countries, government reviews found some instances in which departments said their inability to carry forward unspent budgeted funds from one year to the next created incentives for inefficient year-end spending. To address this problem, Australia and Canada allowed their departments to carry forward 6 percent and 2 percent of unspent budgeted funds, respectively.[6] The United Kingdom allowed its departments to carry forward an unlimited amount of unspent funds into the next year. According to a United Kingdom Treasury official, this changed from 0.5 percent in 1994 in order to promote more responsible funds management. The United Kingdom Treasury limited participation in the carry-forward program to departments that were willing to negotiate a 3-year running cost agreement and to arrange for satisfactory management planning and control.

According to United Kingdom and Australian reviews of their carry-forward programs, departments that were surveyed reported benefits. The United Kingdom review found that almost all departments responding to a survey reported lowering their year-end spending on low-priority items and identified specific instances of how they used the authority to fund ongoing operations. Common uses identified were ongoing funding for information technology strategies, consultants, surveys, and training. In addition, users of the carry-forward provision reported benefits such as less rush to process invoices for payment within the financial year, flexibility to withhold payments to contractors pending specific performance, freedom to make more businesslike expenditure decisions, and ability to make longer term planning. According to the Australian review, departments that used the carry-forward program reported improvements to operational effectiveness and efficiency. One Australian department commented that the carry-forward program created incentives for line managers to be prudent and helped end the 'spend it or lose it' attitude; another said it allowed for better planning at the end of the year.

However, the Australian review also suggested that year-end spending was not always inefficient. Rather, some staff commented that managers could

[6]A New Zealand review acknowledged the perceived problem but suggested the government should be cautious about allowing departments to retain year-end surpluses because it would undercut the government's fundamental principle that money is appropriated annually for specific purposes.

prudently delay the purchase of lower priority items until the end of the year to be able to fund the purchase of unanticipated, higher priority items. Other staff commented that the carry-forward provision would not deter year-end spending in divisions if a year-end surplus of funds in one division was taken away and given to another division with a year-end shortage.

Market-Type Mechanisms Provided Incentives for Effective and Efficient Provision of Centralized Government Services

According to the government reports we reviewed, the four countries also sought to create incentives for more effective and efficient management by introducing market-type mechanisms to the provision of some centralized government services, such as accommodation, procurement, information services, and training, to other departments. Market-type mechanisms included charging for services and allowing departments to retain the revenues, opening up government-provided services to competition, and allowing agencies to choose between government and private sector service providers. For example, we reported in a September 1994 report that the introduction of market-type mechanisms to government buildings—or real property—management in Australia, Canada, Sweden, and the United Kingdom contributed to more effective and efficient provision of real property services to client agencies and improved customer satisfaction.[7] In these countries, real property organizations (1) faced competition from the private sector, (2) began managing their real property assets more strategically to maximize return on investment and better meet customers' mission needs, and (3) separated their policy oversight and development roles from their roles as providers of building services to government agencies.

User-Charging

The four countries implemented user-charging for internal government services to improve the allocation of these services.[8] According to reports prepared by the four countries, services for which departments charged other departments fees were commercially oriented, such as real property management, audit services, legal services, training, publications, and technical advice.

Retaining Revenues From User Charges and Asset Sales

Another form of flexibility adopted by the four countries for commercially oriented departments and agencies was the authority to fund their

[7]Real Property Management: Reforms in Four Countries Promote Competition (GAO/GGD-94-166, Sept. 30, 1994).

[8]The four countries also expanded user-charging for services provided directly to the public or to businesses. According to Australian and Canadian government documents, the purpose of expanded user-charging was to better regulate demand for government services and to shift the cost of providing specific services to the beneficiaries and away from the general taxpayer.

operations from revenues collected, such as user fees or asset sales or rentals. This replaced systems in which fee-collecting departments and agencies were funded entirely through annual appropriations and all revenues collected were turned over to the Treasury.

Demonopolizing Internal Government Services

Along with user-charging and revenue retention, the four countries demonopolized the provision of certain central government services, such as real estate, purchasing, accounting, and transportation, and subjected the government service providers to competition from the private sector or other government providers on the basis of cost and quality. According to a New Zealand Treasury official, centralized departments no longer provided services such as real estate, supplies, or pensions. Rather, departments were to obtain these services on their own within their operating cost budgets. Australia, Canada, and the United Kingdom were gradually allowing departments to purchase services from providers other than central government service providers. Under its "market testing" reform, the United Kingdom implemented multiyear plans to subject a large number of government services to competition.

U.S. Budget Provisions Similar to Countries' Budgetary Reforms

Direct comparisons between the four countries' management reforms and current U.S. management provisions were outside the scope of this report. Nevertheless, some of the countries' reforms resemble current U.S. budgetary provisions, such as those described below.

Operating Budgets. The United States has generally moved away from appropriations for items of expense, such as salaries, equipment, and travel, and toward appropriations for organizations and programs. However, agencies may be asked by congressional committees to account for deviations from their budget requests, which typically are expressed in terms of items of expense.

Budgetary Flexibility. Appropriations acts or other statutes may specify an amount or percentage of funds that an agency may transfer between appropriations accounts without requiring further congressional action. Similarly, within an appropriations account, agencies generally may reprogram a percentage or amount of funds from one item of expense, such as salaries, to another, such as computer equipment, without obtaining congressional approval.

Carry-Forward of Unspent Budgeted Funds. Very few discretionary appropriations accounts—budget accounts that receive budgetary

resources through appropriations acts—contain annual funding only. To better meet the needs of program managers, most discretionary accounts contain some multiyear or no-year funding authority, thus allowing carry-over of budgetary resources across fiscal years, and subsequent obligation, without further congressional action.

Market-Type Mechanisms. All executive departments are authorized to charge user fees to provide a wide variety of common administrative services and retain those fees in revolving funds to pay for operating expenses. These funds are allowed to charge for the direct costs of service provision and to also collect certain indirect costs, such as equipment depreciation. All fund receipts are typically available until spent and do not expire at the end of a fiscal year. Also, OMB Circular A-76 seeks to promote efficiency by encouraging competition between the federal workforce and the private sector for providing commercial services needed by government agencies.

In light of the four countries' experiences with similar reforms, U.S. agencies may wish to reexamine these existing U.S. provisions as they consider proposals for waivers from administrative requirements as provided for under GPRA.

Managerial Flexibility Included Simplification and Devolution of Human Resource Management

The four countries sought to give line management greater flexibility to recruit, assign, and pay staff. To accomplish this, the countries simplified personnel rules and devolved personnel authority from central personnel agencies to departments and from central personnel functions within departments to line managers. This devolution was accompanied by a shift in the role of central personnel agencies away from regulating and controlling all personnel actions and toward promulgating simplified human resource management principles and monitoring adherence to those principles. Also, within departments, the function of central personnel managers shifted from controlling personnel decisions to providing human resource management services to line managers.

To improve line management's control over human resources, the four countries simplified their civil service systems and replaced elaborate, uniform personnel rules with simpler, broader personnel principles. For example, according to a 1991 government paper on Canada's Public Service 2000 reforms, Canada's human resource reforms emphasized creating a simpler personnel system that provided managers with greater flexibility. Canada sought to simplify its human resource system through

government reform legislation passed in 1992 that significantly reduced the number of job classifications throughout the public service and reduced the number of executive management levels below the deputy minister from six to three. In addition, the reform legislation gave managers greater authority to reassign their employees to other jobs and introduced simpler procedures for firing poor performers. According to government reports, the United Kingdom replaced mandatory personnel rules with less detailed guiding principles to serve as the basis for departments' and agencies' own staff handbooks. The new role of the central personnel function in the United Kingdom was to develop individual arrangements for organizations that fit within a unified, rather than uniform, system.

Along with simplification of civil service rules, each of the four countries began devolving responsibility for many personnel functions, such as hiring, firing, and setting pay, from central personnel agencies to line departments and agencies. Both New Zealand and Australia transferred responsibility for most of their personnel functions from their central personnel management agencies to departments. In both countries, the central personnel management agencies' new role was to oversee the performance of departments in carrying out the personnel functions according to central guidelines. In the United Kingdom, functions such as recruitment, setting pay based on performance, training, and promotion were gradually transferred to selected departments and agencies. For example, the government gave agencies with greater than 20,000 employees authority to establish their own pay grade systems. Within the Canadian Public Service, some organizations negotiated "separate employer status," which enabled them to establish their own job classification systems and negotiate with unions.

Comprehensive evaluations of these human resource management simplification and decentralization reforms were not available at the time of our review for Canada, New Zealand, or the United Kingdom. However, all four countries recognize that a number of critical policy and implementation issues remain unresolved. For example, the Australian government continues to struggle with striking the appropriate balance between establishing the flexibility to deal with poor performers and ensuring that standardized processes exist to protect employees from arbitrary actions. New Zealand departments faced questions about the degree to which responsibility for human resource actions, such as recruitment and hiring, should be placed with line managers to promote flexibility and responsiveness or centralized within departments to

promote efficiency. Nevertheless, in New Zealand, public sector employees responding to a government survey suggested that these reforms had enabled managers to manage—that is, "to recruit, retain and manage human resources more efficiently." Specifically, the reforms

"enabled departments to respond to specific skill shortages, increased the pool of potential employees, enabled better targeting of resources through performance contracts, and allowed departments to develop specific human resource policies to better suit their needs."[9]

According to a 1992 government evaluation of Australia's public sector management reforms, Australian staff reported that of the major public service reforms implemented, those related to human resource management had the greatest positive effect on their own work.[10]

Central Departmental Management Impeded the Devolution of Authority to Line Managers

While progress had been made in devolving authority over resources from central management agencies to departments and in simplifying complex central personnel regulations, the countries each reported that more effort was needed to achieve similar progress within the departments themselves. A common theme in the countries we selected was that some departments failed to simplify or eliminate self-imposed rules or were slow to devolve authority because they feared the risks associated with devolved decisionmaking. Also, devolved decisionmaking by itself could be ineffective if line units were not given incentives to find efficiencies in the form of shared savings.

Officials in or reviews by the four countries noted hesitancy by departments to devolve decisionmaking authority to line management or the existence of internal department rules that worked against devolution. A Canadian official noted that once authority had been given to a department, department officials were sometimes hesitant to use it or to delegate it to other levels of management. In the United Kingdom, a 1988 review of the Financial Management Initiative found that much progress had been made with devolution of budget authority—more than 7,000 line managers had their own budgets, which accounted for about three quarters of the civil service's running costs. However, the reviewers found

[9]Review of State Sector Reforms. Steering Group, [New Zealand], Nov. 29, 1991, p. 90.

[10]The Australian Public Service Reformed. Australia's human resource management reforms included emphasizing merit over seniority in promotions; enhancing staff mobility and career opportunities; and devolving authority over staffing functions, such as recruitment, retirement, and promotions, from a central management agency to departments. Performance-based pay was not in place at the time of the evaluation.

some departments created their own restrictions that prevented managers from moving money from one item to another within their budgets. New Zealand and Australian reviews noted similar uneven devolution of authority within departments.

Australian, New Zealand, and United Kingdom evaluations of their reforms suggested that another problem departments faced in devolving authority to line management was the tendency to respond to initial implementation difficulties by taking back the authority. An example of this problem was provided by a New Zealand official. According to the official, the government gave department chief executives the flexibility to purchase real estate services from the private sector at the same time that downsizing had resulted in significant vacant government office space. Some members of parliament were concerned that departments were not making enough effort to use the vacant government space and temporarily recentralized the real estate function. Eventually, the government decided to return authority for real estate functions to department chief executives but added responsibility for coordinating real estate decisions to their performance agreements. The official emphasized that it was the New Zealand government's view that holding individuals responsible for their decisions was more effective than centralizing control or creating detailed rules, which could result in inefficient decisionmaking.

The Australian Department of Finance promoted risk management as the means to improve purchasing effectiveness and efficiency in a devolved decisionmaking environment. According to government reports, risk management involves the evaluation of purchasing controls in terms of their costs and benefits and determines an acceptable level of risk. The government considered the more common practice of risk avoidance—treating all risks as equally unacceptable—as not cost-effective. Recognizing that occasional abuses would occur with the implementation of risk management, Australian authorities increased the penalties for misuse of funds.

The effectiveness of devolution was also tempered by a lack of incentives for line managers with operating budgets to save funds if they did not benefit from the savings. Australian managers suggested that departments created disincentives to save funds when unexpended year-end funds were taken away from one program and used to fund another program. The United Kingdom's assessment of its provision allowing departments to carry forward unspent end-of-year funds found that although departments centrally managed unspent funds in some cases, passing the funds down to

the line management that generated the under-spending was the approach most likely to maximize efficiency. Nine out of the 16 departments surveyed that commented on their use of the carry-forward provision passed the funds down to the line unit that generated them. One department requested bids for how line units would use such funds and awarded the funds to the unit that would provide the best financial return.

Confusion Between Devolution and Decentralization Led to Inefficiencies in Some Australian Departments

According to government studies in the four countries, managers generally welcomed the increased authority to make decisions about spending, personnel, and program operations that were formerly made by central authorities. However, an Australian study found some problems. The study found that in some cases, for centralized "corporate services" functions such as budgeting, procurement, and personnel, departments misunderstood the devolution concept and decentralized the performance of these functions to line management instead of maintaining the centralized function and devolving the authority to make decisions. This misunderstanding led some to question the efficiency of the devolution concept.

An Australian review made the following distinction between devolution and decentralization.

"**Devolution** is the transfer of decision-making capacity from higher levels in the organisation to lower levels, i.e. it is about **who is best placed** in an organisation **to make decisions**.

Decentralisation is the redistribution of functions or tasks from central units in the organisation to more widely dispersed units, i.e. it is about **where** in an organisation **functions are best carried out**."[11]

The review concluded that some departments had confused decentralization with devolution. According to the review,

"inappropriate decentralisation can result in loss of career paths and specialised skills, loss of critical mass and economies of scale. Put simply, great[er] devolution of responsibility can occur without any decentralisation of functions."[12]

Also according to the review, the Department of Prime Minister and Cabinet experienced such confusion. This department decentralized many

[11]The Australian Public Service Reformed, p. 89.

[12]The Australian Public Service Reformed, p. 105.

of its administrative functions, such as personnel, along with devolution of authority for those functions. The department found that decentralization of administrative functions led to inefficiencies and a loss of expertise in these functions by central management. Subsequently, the department shifted its approach to devolving authority over personnel decisions to line management, while retaining personnel administration as a centralized function.

"[T]he first phase of devolution was characterized by decentralisation of administration (e.g. of corporate services functions) as well as devolution of decision-making. Following the diseconomies and other dysfunctions to which this gave rise, the balance shifted away from decentalisation and towards devolution proper."[13]

On the basis of case studies, the review reported key factors that were critical to the successful devolution of authority within departments. (See table 4.2.)

Table 4.2: Devolution of Corporate Services Functions Within Australian Departments: Critical Success Factors

Critical success factor	Description
Top management commitment	Strong commitment and communication about the benefits of devolution from the chief executive down through the management ranks
Communication	Strong vertical communication throughout management ranks to staff and horizontal information-sharing among those with devolved responsibilities
Training	Comprehensive formal and on-the-job training in devolved functions
Effective management information systems	Networked personnel and financial information systems to automate previously centralized services. Such systems can increase productivity and provide a means for meeting accountability and reporting requirements
Focus on clients	Creating a provider/client relationship between central service provider and line management. User-charging for centralized corporate services instrumental to making central service providers more client focused
Evaluation	Formal and informal evaluation of devolution efforts to help identify root causes of problems

Source: Devolution of Corporate Services, No. 6. A Joint Publication of the Management Advisory Board and its Management Improvement Advisory Committee. Canberra: Australian Government Publishing Service, Apr. 1992.

[13]The Australian Public Service Reformed, p. 104.

Investment Approaches Supported Results-Oriented Management Reforms

The experiences of Australia, Canada, New Zealand, and the United Kingdom in attempting to bring about a results-oriented management culture provide insights about investment approaches that U.S. agencies may wish to consider as they implement results-oriented management under GPRA. First, the countries had to invest significantly in accounting and performance information systems and training. Second, the four countries invested in time, allowing a decade or more for their results-oriented management reforms and their incremental implementation. In addition, the countries' central management departments or other high-level management groups studied the implementation of the reforms and provided guidance and training to line managers implementing the reforms.

Countries Invested in Information Systems and Training

Each of the countries we reviewed took steps to equip managers to operate in an environment of devolved decisionmaking. The countries invested in accounting and performance information systems to support management in collecting and reporting performance information and exercising their authority over resources. The management reforms also required significant human investments, such as skills training for managers to equip them to meet their performance objectives and exercise new authority.

Investments in Accrual Accounting Systems

To implement commercial reforms, such as user-charging, revenue retention, and competition, and to provide managers and oversight groups with better cost information for decisionmaking, Australia, New Zealand, and the United Kingdom introduced accrual accounting systems to supplement existing cash accounting systems.[1] In Australia and the United Kingdom, accrual accounting was being implemented incrementally, starting with commercially oriented agencies that charged for their services, such as government printing offices, real property agencies, and consulting services, according to government officials and reviews. In contrast, New Zealand introduced accrual accounting governmentwide and produced commercial-style accounts based on generally accepted accounting principles for each department and for the government as a whole.

[1]Under cash accounting, revenues and expenses are recognized when cash is received or disbursed. Under accrual accounting, revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. Accrual accounting provides information on the current cash budget needs for funding future payments, such as asset maintenance and replacement, pensions, debt service, and lease commitments.

According to Australian, New Zealand, and United Kingdom reviews, the introduction of accrual accounting supported more accurate pricing of government services for commercially oriented agencies and provided a tool for improved measurement of financial performance. Government policy called for all United Kingdom executive agencies to produce accrual accounts within 2 years of becoming agencies. A 1993 review of executive agencies reported that the development of accrual accounts encouraged a more businesslike approach and provided better information for agencies to achieve and demonstrate efficiency improvements. For example, using accrual accounting, Companies House, the executive agency charged with handling incorporations and dissolutions, set businesslike financial performance targets, such as achieving a 6 percent annual rate of return on average net assets employed.

Developing Information Systems

Australia and the United Kingdom highlighted the need to develop information systems that supported results-oriented management reforms. According to an evaluation of Australia's reforms, most Australian departments had made progress in the development and use of financial management information systems. However, many Australian departments commented on the need to shift their management information systems from their current focus on inputs, administrative activity, and outputs to a greater focus on outcomes and qualitative performance information. Australian officials also noted the need to use information technology to disseminate program performance information from headquarters to field offices. Under the Financial Management Initiative, all United Kingdom departments were directed to develop management information systems that could inform managers of the cost of the resources allocated to them and inform them of their performance in terms of outputs produced against targets.

Government evaluations of reforms in Australia and the United Kingdom pointed out that commercial reforms, such as user-charging and competition, required the development of new information systems capable of determining the full costs of operations, including all depreciation and overhead. For example, United Kingdom agencies that sought to fund their operations through the collection of user fees instead of appropriations found the process difficult and time-consuming, partly because they lacked the needed financial and management information systems to manage their revenues and expenses.

Investments in Training

The need for investments in information systems in the four countries was accompanied by the need for investment in the training of staff. The four countries identified the need to recruit and train staff in such areas as performance measurement and monitoring, program evaluation and budgeting, contracting, human resource management, customer service, and other commercial skills associated with greater managerial discretion over inputs.

Various evaluations pointed to managers' lack of experience and skills in the development and use of performance measures and in program evaluation. Two Australian evaluations of its reforms cited the skills deficit as a barrier to the evaluation of program and the development of performance measures—particularly measures of effectiveness. Some United Kingdom officials suggested that despite wide use of performance measures in executive agencies, the government was concerned about the lack of expertise in setting and scrutinizing performance targets because there were no absolute or independent standards against which to set performance targets and assess achievement. A New Zealand academic expressed a related concern that both civil servants and politicians needed to develop the analytical skills to assess the new performance information.

Canadian and Australian evaluations discussed the importance of training in the management of operating budgets, contracting for services, managing human resources, improving customer service, and other commercial skills. According to a government background paper on Canada's Public Service 2000 reforms, line managers would require substantial training as central managers devolved responsibility for personnel, financial, and administrative systems to line managers. Australian staff surveyed cited training as one of the factors that most contributed to the successful implementation of reforms in their work areas, according to a government evaluation. To address management skills, Australia developed the Middle Management Development Program, which emphasized improving skills in managing human resources and took account of the impact of public sector reforms ranging from the introduction of program management to extensive devolution of financial and human resource management functions.[2]

[2]Subsequent to our review, the Brookings Institution reported that Australia invested 5 percent of its personnel budget in training compared to 1.3 percent in the United States and that training was a very important contributor to Australia's management reforms. See Kettl, Donald F., Reinventing Government? Appraising the National Performance Review, a Report of the Brookings Institutions's Center for Public Management, Aug. 19, 1994, p. 20.

Better customer service was a central element to the United Kingdom's and Canada's reforms. A United Kingdom government consultant commented that for customer service reforms to work, government organizations would need to inculcate service values and quality practices through the recruitment, training, and development of staff. A survey of United Kingdom Executive Agency chief executives by Price Waterhouse, a major accounting firm, suggested that the lack of staff experience with customer service was one of the key obstacles to providing better customer service. Under Canada's Public Service 2000 initiative, some departments had begun to provide customer service training. For example, one department offered client-service training to 8,000 front-line staff.

Countries Made Long-Term, Incremental Changes to Become More Results-Oriented

As described in chapter 1, each of the four countries invested a decade or more in results-oriented management reforms designed to shift the managerial culture of the public service away from a focus on inputs toward a focus on results. Although their strategies for change shifted over time, the four countries maintained a long-term goal of instilling a results-oriented managerial culture in their civil service.

The four countries' experiences in attempting to bring about cultural change corresponded closely to our recent work on private sector efforts. We found that changing organizational culture in the private sector was a long-term process that could take 5 to 10 years to accomplish.[3]

In Australia, Canada, and the United Kingdom, we observed that the implementation of managerial flexibility progressed incrementally because some departments and agencies were in a better position to devolve authority over resources and decision-making to line managers than were others. By comparison, implementation of results-oriented management reforms in New Zealand proceeded rapidly, with most departments issuing required performance and financial reports and operating with greater managerial flexibility within about 3 years. Government officials said New Zealand's public service is currently digesting and assimilating the major wave of innovation and change from the past few years. In Australia, because of the unique characteristics of departments, devolution occurred more rapidly in some departments than in others. The United Kingdom and Canada gave greater authority and responsibility to specific functions within departments that could operate in a semiautonomous manner within the parent department.

[3]Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

Australian survey evidence suggested that devolution had progressed to varying degrees within departments. Departmental views suggested that this variation was appropriate from their perspective given the unique characteristics of departments. For example the Social Security Department remarked "there has been very little that the Department has found cannot be devolved to the operational level." In contrast, the Defense Department commented that devolution needed to proceed gradually to accommodate the unique operating characteristics of the different units within the department.

According to United Kingdom and Canadian descriptions of their reforms, implementation of results-oriented management reforms proceeded incrementally, beginning with departmentwide reforms and followed by a narrower focus on functions within departments. The Financial Management Initiative reform in the United Kingdom and Increased Ministerial Accountability and Authority reform in Canada introduced greater management flexibility and responsibility for performance to departments as a whole. In both countries, these reforms were followed by the introduction of results-oriented management reforms to selected "executive" functions within departments. These functions were restructured as executive agencies in the United Kingdom and special operating agencies in Canada. Executive agencies had become the dominant form of organization in the United Kingdom, growing from 5 agencies with 6,050 civil servants as of May 1989, to 92 agencies with 343,480 civil servants—62 percent of the civil service—as of 1993. According to a 1993 government report, executive agencies may eventually cover as much as 81 percent of the civil service. Between 1990 and 1993, Canada had established 14 special operating agencies, and 4 additional agencies were pending approval.

According to government guidance to departments, in selecting candidates within departments for executive agency status, the United Kingdom government looked first for discrete entities that operated independently within their departments and whose performance would clearly benefit from greater managerial flexibility. Before designating an agency, the government first determined whether the function should have been privatized, contracted out, or abolished. If none of these options were chosen, the function was set up as an executive agency. The first executive agencies were small and homogeneous, with their tasks and clients already well-defined, and with services run in a semi-independent manner within their departments. At the time of our review, the functions of the United Kingdom's executive agencies and Canada's special operating

agencies ran the gamut from direct services provided to citizens, to services provided to a parent department, to services provided on a competitive basis to government departments, to regulation.[4] We observed that the common element among these agencies was that they were service operations with well-defined clients that could be set up on a semicontractual basis within their parent departments.

Executive agencies in the United Kingdom and special operating agencies in Canada individually developed with their parent and central management departments the specific results-oriented management framework for providing greater accountability for results along with managerial flexibility. In the United Kingdom, the "Framework Document" for an agency typically set out its mission, goals, objectives, performance measurement and reporting requirements, and flexibility in areas such as human resource management and procurement. Framework documents for Canadian special operating agencies set out similar terms. According to Canadian and United Kingdom government reports on establishing these agencies, the terms contained in agency framework documents were unique for each agency. As agencies established a track record for performance, departments were to provide them with greater managerial flexibility.

Central Management Departments or Other High-Level Groups Guided Implementation of Reforms

We observed that central management departments in the four countries facilitated the guidance and training of line department managers to implement their results-oriented management reforms. Central management departments in each of the countries issued guidance for line managers on various aspects of their reforms, including strategic and operational planning, measuring performance against objectives, assessing client satisfaction, and using operating budgets. In addition to issuing guidance, Australian Department of Finance officials took on marketing and training roles. The Department published a management reform circular that provided updates on reform implementation, training opportunities, recent publications on management subjects, and other management news. Finance department officials also visited departments to explain the flexibility available to line managers and facilitate the strategic planning, objective-setting, and performance measurement processes.

[4]Examples of agencies providing such functions included the United Kingdom's Social Security Benefits agency, the United Kingdom's Defence Operational Analysis agency, Consulting and Audit Canada, and the United Kingdom's Medicines Control agency, respectively.

In each of the countries, central management departments or other high-level management groups evaluated their management reforms from the line manager's perspective and provided meaningful feedback on best practices and areas of weakness. In Australia, evaluations by the Department of Finance, the Parliament's Standing Committee on Finance and Public Administration, and the Management Improvement Advisory Committee provided feedback from line managers and from the departments as a whole on implementation of all aspects of their management reforms and published case studies of best practices. The United Kingdom, Canada, and New Zealand conducted similar high-level assessments drawing heavily from the line managers' experiences with implementing the reforms.

Overview of Government Performance and Results Act

GPRA requires federal agencies to develop, no later than the end of fiscal year 1997, strategic plans covering a period of at least 5 years that include the agency's mission statement, identify the agency's goals, and describe how the agency intends to achieve those goals through its activities and through its human, capital, information, and other resources. Under GPRA, agency strategic plans are the starting point for agencies to set goals for programs and measure the performance of the programs in achieving those goals.

In addition, GPRA requires agencies to submit, beginning in fiscal year 1999, annual program performance plans to OMB and program performance reports to the President and Congress. Program performance plans are to describe how agencies are to meet their program goals through daily operations and establish target levels of performance for program activities. In these plans, agencies are to define target levels in objective, measurable terms so that actual achievement can be compared against the targets. Agencies' individual performance plans are to provide information to OMB for an overall federal government performance plan that OMB is to develop and submit annually to Congress with the president's budget. In their program performance reports, agencies are to show (1) program achievements compared to the targets specified in the performance plans; and (2) when a target has not been met, an explanation of why the target was not met and what actions would be needed to achieve the unmet goals.

GPRA also allows agencies to propose in their annual performance plans that OMB waive certain administrative requirements. These administrative waivers are intended to provide federal managers with more flexibility to structure agency systems to better support program goals. Under GPRA, the administrative requirements eligible for waiver would be nonstatutory and involve only budgeting and spending within agencies. In return, agencies would be held accountable for achieving higher performance.

Finally, GPRA requires a 2-year test of performance budgeting in not less than five agencies, at least three of which have had experience developing performance plans. Under the test, performance budgets are to provide Congress with information on the direct relationship between proposed program spending and expected program results and the anticipated effects of varying spending levels on results.

GPRA calls for phased implementation so that selected agencies can develop experience from implementing its requirements before

implementation is required for all agencies. As of January 25, 1995, OMB had selected over 70 agencies or programs to pilot strategic planning, performance planning, performance measurement, and performance reporting. OMB will be selecting agencies from among the initial pilots to pilot managerial flexibility and test performance budgeting in fiscal years 1995 and 1998, respectively. Although GPRA does not call for governmentwide implementation of strategic planning and performance planning until fiscal years 1998 and 1999, respectively, OMB and the administration's NPR have strongly endorsed these reforms and have encouraged all agencies to develop their strategic and performance plans as soon as possible.

Suggested Readings: Managing for Results in Foreign Countries

The following are suggested readings on efforts by Australia, Canada, New Zealand, and the United Kingdom to manage their governments for results. While the list is not comprehensive, these publications provide an overview of the approaches undertaken by and experiences of these four countries.

Australia

The Australian Public Service Reformed: An Evaluation of a Decade of Management Reform. Prepared for the Commonwealth Government's Management Advisory Board with Guidance from its Management Improvement Advisory Committee. Task Force on Management Improvement. Canberra: Australian Government Publishing Service, Dec. 1992.

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Canada

"Attributes of Well-Performing Organizations: A Study by the Office of the Auditor General of Canada to the House of Commons," extract from the 1988 Annual Report. Ottawa, Ontario, Dec. 1988.

"Canada's Public Service Reform, and Lessons Learned from Selected Jurisdictions," Report of the Auditor General of Canada to the House of Commons, 1993. Minister of Supply and Services Canada, Nov. 23, 1993, pp. 157-185.

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Into the 90s: Government Program Evaluation Perspectives. Office of the Comptroller General. Communications and Consultations Division, Treasury Board of Canada, Jun. 1991.

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Tellier, Paul M. Public Service 2000: First Annual Report to the Prime Minister on the Public Service of Canada. Minister of Supply and Services Canada, June 30, 1992.

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Related GAO Products

Government Reform: Goal-Setting and Performance (GAO/AIMD/GGD-95-130R, Mar. 27, 1995).

Managing for Results: State Experiences Provide Insights for Federal Management Reforms (GAO/GGD-95-22, Dec. 21, 1994).

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Improving Government: Measuring Performance and Acting on Proposals for Change (GAO/T-GGD-93-14, Mar. 23, 1993).

Federal Performance Management: Agencies Need Greater Flexibility in Designing Their Systems (GAO/GGD-93-57, Feb. 24, 1993).

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