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**PERFORMANCE AND RESULTS MEASUREMENT FOR  
PUBLIC SECTOR MODERNIZATION**

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## ***INTRODUCTION***

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Pressure to reduce government spending and improve Program, there results in an increase of demand for an innovative government that has trusted leadership<sup>1</sup> and more effective and efficient in delivering goods and services to the public.

The media, likewise, seems to have an increasingly active social role, awakening in society the conscious demand for greater accountability and transparency in public policies formulation, its delivery, and even the definition of the structures of government and administrative procedures to its implementation.

Lack of transparency in the political debate on decision-making, combined with failures in delivering public goods publicized by the media and often appointed as a political problem, is frequently associated with ideas such as the inefficient structure and the failure of the government's discretionary power to prioritize the public interest.

This association supports the idea that a possible alternative would be the replacement of part of the government's public policy and activities by agents of the private sector, via direct contracting, partnership establishment and delivery of service without managing the transition on the models currently adopted in public administration by means of building institutional capacities.

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<sup>1</sup> (...) we define trust as a foundational confidence among citizens, including government workers themselves that government agencies and the people who work in them will act in a reasonably consistent way to promote their shared values and interests and respond to their long-term needs and wants. Like trust in other realms, trust in government is ultimately anchored in perceptions of integrity, inclusion, reciprocity, fairness, competence, and reliability – and it both depends upon and fosters excellent working relationships. (The Trusted Leader, pg 10).

Those issues had often triggered the introduction of measures that significantly weakened the institutional capacity by enhancing inadequate workforce profile, investing in the wrong processes (activities), and maintaining or creating organizational structures without technical criteria, thus causing the dismantling of the agencies.

Innovation in public administration with decentralized management, ever closer to logic and style of the private sector competition, whether in hiring it, incorporating its concepts or managing its techniques, can improve the results. Nonetheless, these actions should not reduce the government's capacity of formulation, coordination and implementation.

Such improvements can hardly be met without structural and cultural changes that result in the improvement of the capacity of public administration to formulate and implement public policies. And one of the major conditions is the human resource capacity, followed by structural and cultural changes, using performance and results measurement as a tool to achieve public sector modernization.

In public administration, the definition and the building of institutional capacity should be guided by public interest. Furthermore, the public manager should be more conscious of the responsibility to exercise the discretionary power and to develop an administrative culture that results in the commitment to the long term consequences of the decisions taken by public agents.

This paper will address the American experience in the implementation of the Government Performance and Results Act - GPRA<sup>2</sup>, approved by Congress in 1993, and the process introduced in Brazil from the Constitution of 1988. It will as well present some main aspects of institutional performance evaluation, as tools for building institutional capacity to decision-making process, and to make it possible to create an organizational learning culture in the public policies formulation and implementation activities.

It is not intended to exhaust experiences adopted in both countries, but simply to demonstrate the key aspects of the implementation of managerial innovation culture based on performance assessment, and the variables that override the instrument of evaluation, far beyond a simple methodology for measuring the quality of the public management.

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<sup>2</sup> The GRPA was an important part of the agenda of the "reinventing government" (reinventing the government), the government's Clinton / Gore, which focused on the idea of government "enterprise". This meant deregulation within the government, a clear focus on results in May, better response of the client (including the response by the use of information technologies), and improvements in efficiency. The measurement of performance and its presentation of the accounts were viewed both as a driver of change as a way to "reconnect" the public agencies with the public. This also occurred within a broader context of the discussion of a "balanced budget" on reducing (and in fact the elimination) of the deficits of the government and its loans (ENAP, The measurement of the performance of ministries and agencies of government: developments international. Coluin Talbot, Lyn Daunton and Colin Morgan, pg. 21).

## ***I - PERFORMANCE MEASUREMENT: WHAT IS IT SUPPOSED TO DO?***

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### **a) Performance measurement – main aspects**

One of the debates on the government role and performance has a focus on the government activities to deliver the public goods and its services with efficiency and effectiveness, vis-à-vis the budgetary resources allocated to programs and spending on the maintenance of the government structure.

In order to answer citizens' expectations, the government is implementing innovative partnerships with agents of different sectors based on instruments that result in different models of cooperation or agreement between government agencies, private sector or with the nonprofit organizations. The limit of the relations between the public and private sectors is still an obscure point that challenges the public agent.

In the management of the private sector involvement in the public services provision, it is essential to establish indicators in order to measure performance and achievement of the goals and targets agreed upon. And it is vital to the understanding of the public agent that the management tools (such as evaluation and monitoring of programs) can help in the decision-making process and public policies implementation.

The performance measurement is a continuous process of monitoring outcomes and outputs<sup>3</sup> indicators. In addition to the current debate on the role of the government, it is important that

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<sup>3</sup> “Outputs are the products, goods or services delivered. Outcomes are the impacts, benefits or consequences for the public that those goods and services are designed to attain.” (Unlocking public value; Martin Cole and Greg Parston; 2006; John Miley & Sons, Inc, Hoboken, New Jersey.

organizations do not lose sight of the fundamental measurement objectives, which are to improve (1) public service through the information use for continuous learning and (2) accountability with clear identification of achievements supported by the budgetary resources.

The performance measurement is part of a process, and it is commonly driven by the government agency's own manager, responsible for the implementation of the policy (in the case, an internal evaluation), or by any unit of the government that is not directly tied to the program (external evaluation). The performance measurement can be made on the program driven activities (process), the products and services delivered by a program (results), and / or the impact of those products and services (outcomes).

An initial approach for the measurement program is the evaluation of the implementation activities, assessing the consistency and the implementation activities through the conformity analysis based on legal precepts, the initial goals of the project and the comparison between the products and the society expectations.

A more accurate analysis is related to the comparison between the program products with the costs of their production, and its relation with other government programs (cross evaluation). The output assessment focuses on products and analyses the effectiveness of the program, also being able to evaluate the implementation activities in order to understand how the program results are produced.



The evaluation of public policy impact in society (outcomes) is the systematic study conducted periodically to assess the program success degree (or to estimate what would happen in the absence of the program), which is often conducted by experts outside to the program, trying to measure the implemented policy impact.

The service and products goals definition, measurement and compliance with the effects of the program allow the assessment of the government's program by its users' or beneficiaries' parameters, which until now were not part of the key indicators of performance measurement in the public sector.

Whatever the approach of the evaluation is, the information generated should help the decision-making process and improve the public organizations performance. This may be achieved through the best identification practices and learning from other experiences, thus ensuring that the organization is focused on its main priorities and can also systematically compare the effectiveness of alternative programs concerned with similar goals.

The performance measurement of public institutions and the importance of a monitoring system are revealing themselves in various countries and, in many cases they are trying to link with the adoption of management contracts or assimilated ways to their improvement in efficiency and effectiveness. In other countries, they come up involving the adoption of more flexible forms of human and material resources management, whose adaptation varies from country to country depending on its officials and managers body profile.

## ***I - PERFORMANCE MEASUREMENT: WHAT IS IT SUPPOSED TO DO?***

### **b) Performance measurement and capacity development in public administration**

The management activities have been suffering deep influence of citizens' demands, and in particular of the media, due to a desirable increase on its operational understanding. Thus it is essential that the decision-makers have transparent criteria to define the objectives and goals for later performance measurement. The performance assessment by the government, in this context, is a challenge that generates a profound change in the organizational culture due to the improvement of governance<sup>4</sup>.

The ability to understand the new reality and incorporate new management tools is the challenge faced by the government, which requires control in the use of resources and more capacity to implement managerial development programs. This involves issues such as financial management, human resources, management of capital, information technology, and administrative tools. These activities, immersed in an environment rich in political demands, interact in complex ways to influence the performance of the public agents.

Implementing innovative service models demands new professional skills, differently from those traditionally developed by public agents. The partnerships between the private sector and the outsourcers of the provision of public services, where applicable, require skills from the public agent, such as negotiation, management of contracts, risk analysis and strategic planning.

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<sup>4</sup> Governance makes decisions that define expectations, grant power, or verify performance. It consists either of a separate process or of a specific part of management or leadership processes. Sometimes people set up a government to administer these processes and systems. It can be defined as the rules of the political system to solve conflicts between actors and adopt decision (legality). It has also been used to describe the "proper functioning of institutions and their acceptance by the public" (legitimacy). And it has been used to invoke the efficacy of government and the achievement of consensus by democratic means (participation).

Similarly, in case of investment in electronic services, he needs to have a technological understanding skill to develop initiatives involving information technology in an appropriate way.

The skills management is a priority in the building of public organizations capacity. Besides the lack of necessary skills, other existent barriers related to the human resource management appear to provide ineffective services.

The public agents should have career plans based on meritocracy, increasing the possibility to being motivated on what they do. The public sector transformation should be an attractive option for work. In addition, an adequate career plan can be a powerful element driving the strengthening of institutions and the improvement of the required skills, encouraging motivated individuals to be part of the organization and, most importantly, remain there.

Public organization also faces competition from the private sector in terms of aptitude. This has an implication on the demand for creating environments, in which public agents wish to remain and have the opportunity to demonstrate their potential with correspondent remuneration based on performance.

Thus, to achieve levels of excellence, the public sector needs to provide incentives for innovations and teamwork in its search for continuous improvement in the performance of service provision. In many institutions, while the public agent's skills are necessary in the public management transformation context and essential to the successful implementation of institutions

targeted for citizens, the development of professional skills seems to have not received the due attention.

Additionally, the mere distribution of public agent trained in the front line will hardly represent improvements in the delivery or production of goods and services. The services oriented to citizen may not be provided or sustained without structural (systems and processes), cultural and behavioral changes.

The transformational objectives set by the decision-maker, as well as the process and the instruments used in the definition of such policies, when aligned to the changing roles in the public sector, can become an important element in the organizational and professional skills<sup>5</sup> development. An aligned policy, which takes into account the issues of human resource management, structure and processes, will be in solid foundation for all subsequent initiatives - contributing to the creation of strengthened institutions, to changes, to organizational cultures, and to the alignment of functions and skills.

The expectations of citizens, subject to constant transformations, demand changes in the public sector, making them aware of the necessity for implementing diagnosis and planning future tendencies in public sector, thus forcing governments to continually adapt their structure and reallocate their budgetary resources. The structural change, however, should not be implemented

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<sup>5</sup> *Indeed, the quality of individual leadership matters. In case after case, in organizations and in society at large, when the single individual at the top is replaced, everything else changes – either for the better or for the worse. But the effectiveness of leaders depends, more than is generally realized, on the context around them. Over time, the leader's capability is shaped by the top team's quality, and by the capabilities of the full organization.* (A blueprint for a strategic Leadership, by Steven Wheeler, Walter McFarland , and Art Kleiner, Strategy + Business Review, Issue 49, winter 2007. Booz Allen Hamilton.)

with the speed with which it can be observed, without any technological instruments adequacy analysis, under the risk of bringing weaknesses in the government coordination.

Finally, one of the objectives of the performance measurement is to provide information for stakeholders as it deems most appropriate to produce the desired results. This requires the government to create conditions for a cultural change<sup>6</sup> that has a focus on the permeability for the implementation of the institutional modernization, in order to enable the use of information from the performance assessment as an input for improving management and the government programs.

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<sup>6</sup> The culture comprises a set of properties of the working environment, perceived by employees, becoming one of the major forces that influence the behavior. Understands beyond the formal rules, the set of unwritten rules, which affect the attitudes taken by people within the organization: for this reason, the process of change is very difficult, requiring careful and time. To obtain a lasting change, not attempts to change people, but the restrictions organizational operating on them. The culture of the organization involves a number of assumptions and psychosocial norms, values, rewards and power, and intrinsic attribute the organization. Important comment: *'Changing management culture to promote use of program data when making changes to improve program design and delivery, or to reallocate resources is typically recognized challenging reform goal (Ingraham, Joyce, & Donahue, 2003)'*. (How does Program Performance Assessment Affect Program Management in the Federal Government?, Kathryn E. Newcomer)

## ***II - THE AMERICAN EXPERIENCE: WHAT ARE THEY DOING?***

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### **a) Government Performance and Results Act**

The Executive Branch submits the appropriations to the Congress, and the proposal is based on the spending estimates prepared by the agencies and subject to the guidelines established by the Office of Management and Budget – OMB. Together, they discuss the provisional estimates that will be sent to the Congress by the Executive branch. The Congress then can approve, change, reject, or add new programs to the proposal.

Once Congress approves the budget, it is sent to the Executive Branch for approval (or veto). The budget in the United States is mandatory (the Executive Branch doesn't have legal authorization to limit cash flow – budgetarily or financially).

In this process, Executive and Legislative Branches were faced with the need for managerial information that suggests the scope, efficiency and effectiveness in the implementation of government activities to aid the decision-making of public policies supervised by them. The set of information would be used for the performance measurement and identification of critical success factors, and the decision on the needs would be used for improvement, expansion or even to put in doubt the maintenance of the government programs.

Thus, in August 1993, the Congress approved the Government Performance and Results Act (GPRA), legally forcing the agencies and departments of the federal government to submit to Congress their long-term strategic planning, annual reports based on indicators, including goals

and objectives and the respective assessment criteria. This law intended to bring an important change in the budget process and in the administration of government programs, consequently improving a cycle of planning, execution and accountability.

The goal of the GRPA was to shift the focus from the government decision-making process, its provision of accounts, and the activities undertaken - such as exempted concessions or performed inspections - to a focus on the results of such activities, as the real gains in terms of employment, security, receptivity, or the quality of the program.

The expectation is to produce effects such as increasing confidence in the ability of the federal government through the accountability of federal agencies in achieving the goals of the programs; starting a performance improvement program with the implementation of the goals set out in pilot projects; measuring performance of programs from predefined goals and accountability of their progress; and improving the effectiveness of federal programs and accountability through the promotion of new focus on results, quality of services and satisfaction of the customer.

Other important result is to assist federal managers in improving the decision making process, including the Congress, through the action planning, which defines clear targets and institutional goals, information required for results and quality measurements and, finally, efficiency and effectiveness of spending on program assessment criteria..

The GPRA first demanded agencies to submit their strategic plans to Congress and to the OMB until September 30, 1997 and, from fiscal year 1999, to implement strategic plans and annual performance plans, in addition to the proposals sent to Congress. Therefore, the responsibility for the projection of target performance is divided among agencies (which initially propose their own goals), the OMB (consultation) and the Congress (which finally approves).

Under the federal system of the United States, the agencies should formally render bills to the Executive Branch, with a revision of the Congress. The GRPA implies in contractual agreement that the allocation of resources through the process of budgetary allocations is clearly linked to the goals and the strategic plan of each agency, and should be reviewed annually. Moreover, annual plans should be compatible with the strategic plan.

As a result, the GPRA has implemented the High Impact Agencies program, in order to guide the users and focus on results, through commitment to contract management or performance. In case of non-achievement of targets, the annual report shall submit justifications and measures to be adopted so that the goals can be met in the following years. Presidential Decree set in September 1993 required the federal agencies to establish targets for the improvement of their services.

The Government Accountability Office (GAO) is responsible for monitoring the program, and will forward the implementation of that Act to Congress, including legal conformities of accounts. The Office of Personnel Management (OPM) shall, in consultation with the director of the OMB and the GAO, develop guidance for strategic planning of training for the use of performance measure program.



In October 1998, President Bill Clinton endorsed legislation establishing the first Performance-Based Organization: a new legal status conferring greater autonomy to government agencies. This new legal entity provides different treatment to the agency, especially with regard to flexibility in personnel management, purchasing and contracting.

The flexibilities are linked to the achievement of annual targets, such as a "bonus" of 50% on the salary of the Chief Executive of the Agency. Also, they are being accompanied by processes of privatization or contracting the private sector, under the logic of competition among service providers.

Continuing the implementation of the GRPA, the Presidency Management Agenda (PMA) was announced in 2001, and the Program of Assessment and Rating Tool (PART) was introduced in January 2002.

The PMA measures the performance of agencies in five areas: human resources, budget, finance, e-government and competitive sourcing. The OMB disseminates the results of the evaluation on a specific site with the ranking of agencies. Developed and monitored by OMB, PART is a tool for measuring the effectiveness of federal programs, with a focus on results.

In 2002, the Congress enacted the Improper Payments Information Act – IPIA, which defines improper payments as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual,

administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

The GAO comments the reports of performance and the performance of individual plans, and the GRPA seems to help in answering some questions, such as why it is funding such programs and whether that specific action has really made the difference.

## ***II - THE AMERICAN EXPERIENCE: WHAT ARE THEY DOING?***

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### **b) Results of implementing performance -measurement system**

In the history of the American federal budgetary process, there are examples of several attempts to link the inputs and outputs: management by objectives, the budget for performance and the zero-based budget, all examples of attempts that have lost effectiveness over the years. But in all cases, the Executive was the one taking the initiative; and, this time, since the Government Performance and Results Act - GRPA has support of the Congress, the scenario is that the reform process will have more chances of effectiveness, and it's becoming an important milestone of legislation with regard to public management. However, the success of transformation of the organizational culture seems likely dependent on the effective use of information generated by the performance measurement by the decision making process in the public policies formulation, including the quality of budgetary allocation and government spending.

In addition to GPRA, the Program Assessment Rating Tool - PART is used by the Executive Branch in the budget preparation. It is a powerful tool to produce information, linking programs performance to the budgetary process. Thus, the Office of Management and Budget (OMB) has been encouraging agencies to use assessment instrument to enable continuous improvement of information quality on planning, performance, and output results.

Each quarter year OMB discloses ranking of the 26 federal agencies belonging to the President Management Program - PMA on five axes considered in the assessment: Human Capital, Competitive Sourcing, Financial Performance, E-Government and Improvement of Performance.

This disclosure is intended to make management agency more accountable to their stakeholders, monitor agency improvement, and increase government performance through continuous evaluation of the programs. Eighty-seven percent of the bodies were evaluated as acceptable, at least moderately, with scores better than red, up from 78 percent in the fiscal year of 2007 and 20 percent in 2001. Throughout, in the fiscal year of 2007, seven agencies improved at least one initiative from red or yellow to green (which is the top rating that an agency can receive in Scorecard<sup>7</sup>).

Over the past six years, more than 1,000 programs (or 98 percent of the budget), responsible for US \$ 2.6 trillion dollars in federal spending, were evaluated. The latest ratings show that 78 percent of the programs evaluated were considered with performance above 75 percent in 2006. Of the programs evaluated for the first time, 77 percent were classified as performing and 60 percent were effective or moderately effective.

Reports indicate that the OMB federal agencies have demonstrated their commitment to identify all possible sources of improper payments (required by the Improper Payment Information Act - IPIA, 2002) and expand the universe of programs at high risk that are measured and audited annually. In the fiscal year of 2007, federal agencies have identified \$ 1.9 trillion of dollars spent on evaluated programs, and submitted a further \$ 330 million in payments to be recovered. As a result, 80 percent of all federal expenditures are being reviewed or measured. These expenditures represent nearly all sources of significant risk to cause payment error throughout the federal government.

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<sup>7</sup> The scorecards employs a system common today: Green for success; Yellow for mixed results; and Red for unsatisfactory ([www.results.gov](http://www.results.gov)).

The result of the assessments of the fiscal year of 2007 shows the effort of agencies to reduce improper payments, demonstrating that the federal agencies have achieved a significant reduction in improper payments. The first statement in the fiscal year of 2004 had a rate of 4.4 percent error (or \$ 45.1 billion in improper payments). In the fiscal year of 2007, the error rate of payment for the programs has decreased to 3.1 percent (7.8 billion dollars). Similarly, programs that were initially seen as irregular in the fiscal years of 2005 and 2006 had been reduced to half, meaning a reduction in improper payments of about \$ 2.3 billion.

All these initiatives demonstrate the effort in improving the management of public spending. The determinations set out in legal framework, as well as the instruments used for management evaluations (strategic and operational), have helped to produce information so that decision makers can analyze risks, successes and failures of government programs, and to assess the feasibility to initiate, terminate, revise targets or merge government programs.

### ***III - THE BRAZILIAN EXPERIENCE: WHAT ARE WE DOING?***

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#### **a) Legislation framework for performance measurement**

Brazilian government has a long history of state planning and administrative reforms. Beginning with its first economic test planning with the plan named Plano SALTE in 1947, it was carried forward with the Federal Constitution in 1988, when the Pluriannual Plan (PPA) was introduced as a tool for the medium-term planning of the Brazilian government, configured as a major effort to make strategic planning as tool of public management.

The PPA is prepared by the Executive Branch and approved by the Legislative Branch. It sets the guidelines, the goals and targets of the government for a period of four years. It is an effort to establish the objectives and priorities of government, integrate planning and the budget process to better allocate efficiency and promote management through transparency, partnership and results orientation, introduce tools for evaluating results and set out the purpose and goals of the multi-year fiscal policy.

The PPA aims to answer the major social demands, by setting a programmatic budget and defining the targets of Public Administration for investment, costs of capital, and expenditures on continued activities. Investments that exceed a financial year can't be started without prior inclusion in the PPA or authorized by law, under penalty of criminal liability. The Plan has to be sent to Congress four months before the end of the first financial year of the presidential term, and runs until the end of the first financial year of the presidential term thereafter, in order to ensure continuity of the actions under circumstances of change of government in electoral terms.

In 2000-2003 PPA's period, a new management model was introduced, in which the program<sup>8</sup> becomes the key element of the whole system of planning and budgeting, trying to define the link between the PPA and the Annual Budget Law – LOA, since this represents the decisions that occur each year on the budget and financial programming. Such an attempt makes the PPA an important integrator tool of procedures for the planning and preparation of the budget, establishes a common language for the activities of preparation, revision and evaluation of the PPA, and defines priorities and goals of the Budgetary Guidelines Act – the LDO and the Annual Budgets.

The intention is to ensure convergence of resources to the aimed goals, creating possibilities for a systemic view and cross public policies, without ignoring the organizational environment formally constituted by vertical structures<sup>9</sup>.

This induces the need for reorganization of the departmentalized vision, in which public agencies implement the Plan focusing on results. This environment of processing demands a new model of management that includes measures for the accountability of the managers, a systematic monitoring and evaluation of the performance of programs, workforce training, review of the work processes and adequacy of formal government structures that supports transformational environment.

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<sup>8</sup> As Glossary in the Annex to Decree N. 5,233, 6/10/2004: "*Program - Instrument of organization of government action in order to confront a problem. Articulates a coherent set of actions (budgetary and non-budgetary) that compete for sectorial objectives, and constitutes a basic unit of management with responsibility for the performance and transparency of the actions of government.*"

<sup>9</sup> See PPA 2004-2007 (Mensagem Presidencial, 2003).

The Supplementary Law No. 101, 2000, better known as the Fiscal Responsibility Act - LRF, establishes rules for public finances aimed to fiscal responsibility in the management, demanding planned actions to ensure the balance between revenue and expenditure.

The authors of the LRF were inspired on experiences of New Zealand, after the introduction of the Fiscal Responsibility Act, 1994; of the European Economic Community, from the Treaty of Maastricht (1992); and of the United States, whose standards of discipline and control of expenditure of the central government led to the edition of the Budget Enforcement Act (1990), allied to the principle of accountability. The main variables of control that should be continuously monitored under the LRF are:

- ? limits to the public debt;
- ? limits of spending with workforce;
- ? definition of annual fiscal targets;
- ? cost of social security;
- ? mechanisms of compensation for continued costs;
- ? mechanisms to control public finances in election years.

The LRF has brought a number of innovations to the LDO, increasing its content and turning it into the main instrument of planning for a balanced budget administration. It's supposed to estimate the fiscal targets and fiscal risks disciplined by the LDO with regard to maintaining the accounts balanced, or using specific means to gradually fit the unbalanced accounts into the parameters defined by it.



Enacted annually, the LDO has the scope to establish the goals and priorities of the federal public administration, including the capital expenditure for the financial year thereafter. It must be prepared in line with the PPA, and it guides the budgetary process, serving, in fact, as a link between these precepts. This law has a content based on the following components:

- ? guidelines for drafting the annual budget;
- ? identification of the policy of budgetary allocation by government sector;
- ? possible changes in tax legislation;
- ? indication of the changes in the policy for workforce;
- ? identification of the limit on the spending of the Legislative Branch;
- ? percentage of current net revenue that will be retained as a contingency reserve;
- ? determination of the index of prices that update the main refinanced real state debt;
- ? definition of criteria for the starting of new projects after taking care of those that are still in progress.

The Annual Budget Law - LOA, annually prepared by the Union, States, Federal District and Municipalities, must be compatible with the LDO, the PPA and parameters of the LRF, and it estimates the current revenue and expenditure for a fiscal year.

It must therefore contain statements of the compatibility of the programming of budgets with the annexes of LDO and all expenses related to the repayment of debt, as well as values for its refinancing and other operations: reserve for contingency, demonstrative of the measures adopted to compensate the increase in mandatory expenditure of character continued, the resignations of revenues, among others.

### ***III - THE BRAZILIAN EXPERIENCE: WHAT ARE WE DOING?***

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#### **b) Experience in implementing performance measurement system**

The success and continuity of the PPA's model of management depends on the treatment that the bureaucratic apparatus intends to apply toward the effectiveness of the performance, particularly with regard to the development of leaders able to lead a process of cultural transformation and an organizational structure that allows such transformation.

Issues related to performance, such as constant improvement on control and evaluation processes, accompanied by streamlining the process of implementation in the federal budget dedicated to results (and not just in terms of spending) are needed to complete the implementation process of the PPA. The main issues are:

- ? organizational architecture, which enables accountability for the results proposed by the ministries and the practices consistently idealized by the PPA, allowing a real integration among horizontal coordination, accountability and the existing formal structure of vertical coordination;
- ? streamline of the process of implementing public policies under federal agencies focused on results, not just from the perspective of control and evaluation, but with a view to the improvement of government spending quality;
- ? human resource motivated by the change in organizational culture, oriented to performance and achievement of results;

? stability for the purposes of processing the organizational leadership that makes up the structure of leadership.

The LRF has brought a number of innovations in relation to the LDO, increasing its content and turning it in the main instrument of planning for a balanced budget administration. The author highlights the tasks marked by the Federal Constitution and also those described in the LRF, among which are quotes estimating the attachments that must necessarily integrate the LDO, Annex Tax Goals (which details all projects to be held by the budget, broken figures and physical targets, and still deals with the estimate and the resignation of the compensation tax, as an instrument of socio-economic policy), and Annex Tax Risk (which presents the evaluation of quotas, liabilities, and risks that may affect the public accounts of between federal, as well as a description of measures to be adopted if the risks are realized), demonstrating the concern with the analysis of the national scene, both political and economic, for a period covering three fiscal years, in order to bring to light the issue of planning, and influencing on the actions and remedies for the balance of public accounts.

The annual Budget Act is a complex regulation, with a high level of detail design. Its implementation of public resources enables parameterization of standards and conduct, which invariably leads to the possibility of a systematic control - with minimum standards to be followed by the Public Administration. This is the case of the limitations in budget / financial flow, which hamper the use of public goods and the state apparatus as an instrument of particular leaders, supporting the ideal of accountability and transparency.

However, this set of standards will not guarantee the intended purposes, unless there is a command based on the standards of professionalism toward the performance in the conduct of public officials. Moreover, we need a change in cultural patterns of conduct of all involved in public management in order to ensure its applicability.

In this sense, the system of assessing the PPA has deserved special attention in the motivational aspect, since the assessments are made by sector demand of the Ministry of Planning, Budgeting and Management - MP, as its original design. It's important to emphasize that self-assessment made by managers can cause problems such as:

- motivation for self-criticism of the programs, not to justify the need to obtain greater amount of budget (connection with the budgetary process, although it is normal and healthy, the fact that self-evaluations are not subject to inspection gives margin to its opportunistic use as a means to obtain more resources);
- organizations cannot have the information and technical qualifications necessary to make the assessments (problems in the definition and monitoring of the indicators, for example);
- focus on the annual evaluations of the PPA can give the same treatment to all programs, and no difference between those who are and those who are not viable to be evaluated;
- if there is no systematic use of the information generated by sector assessments in making decisions, especially those assigned as restrictions to performance, then it may create a disincentive for a correct evaluation of the programs.

The conclusion we reach is that in terms of legal forecast there is a complex regulatory system, detailed and technically well-structured, which provides periodic assessments that, in theory, would be sufficient to enable processes for the evaluation of public policies, involving the entire public administration.

## *IV - LESSONS AND CONCLUSIONS*

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### **a) Lessons**

Modern decision analysis and budgeting techniques, such as strategic planning, performance budgeting, performance-measurement systems, and comprehensive program evaluations, seek to improve resource allocative quality and managerial efficiency. Assessment tools can provide an opportunity to identify and correct government activities inconsistencies, as part of wider public policies, program restructuring and process improvement, including institutional capacity building.

Assessment tools have been implemented as means to react to the modern society demand and to face increasing complexity. They are founded on the precept that more and better information will improve decision making by realigning strategic management systems, as for example, planning, budgeting, human resources, coordination with other government agencies and program performance enhancement.

American and Brazilian experiences show the modern government effort to integrate separated, but interrelated strategic planning and budgetary process as a mean to improve the government spending quality. The efforts attempt to ensure that the growing provision of performance information is credible and useful; and increase demand for this information through the development of assessment tools, measuring relevant goals and publicizing to the large and diverse community of stakeholders and decision-makers on planning and the federal budget process.

Information generated by government activities assessment clarifies the priorities,, provides the articulation possibility among stakeholders in the political decision about budgetary resources allocation process, and indicates existing weaknesses on public policy implementation. The effective use of that information by stakeholders is part of the fundamental principles to the presented experiences as a mean to induce the agencies to analyze the level of goals reached, to promote accountability, to review the existence of some programs, or to propose new programs.

Beyond the budget allocation, the government suffers pressure of political stakeholders to create new agencies or to restructure existing ones. Structural change, however, should not be lightly undertaken, and new agencies and departments should be organized by less political demand and more by the use of information strategically generated by public policy assessment in attendance of the public interest and rational criteria.

The division of responsibilities among new agencies risks fragmenting the government into autonomous entities, thus provoking the lack of a common purpose. In addition, it can undermine the government policy-making capacity and accountability, and also lightly dismantle the already established organizations.

The formal organizational structures can be made more permeable with better decision process integration by using the information generated by assessment tools and reducing layers between the top leadership and the operating units. Finally, agencies should have some flexibility to

design their own formal organizational structures and operating procedures that closely fit their missions based on necessities appointed by better performance indicators.

Reforming government structures by imposing procedural controls, giving no attention to structures, institutions, stakeholders and leaderships can lead to an unsuccessful experience.

Restructuring actions should strengthen co-ordination, monitoring and evaluation capacity by implementing policies centered in the institutional capacity development, oriented to performance.

Essentially, the reorganization must begin with the commitment to a few basic principles, such as to achieve economies of scale in management, to promote responsiveness of political leadership, to obtain a minimum level of organizational stability, and to adjust programs that are designed to achieve similar outcomes and should be combined within agencies with similar or related missions, or combined in large departments that encourage cooperation.

The stability of organization structures provides continuity while allowing officials to build up the reputation, capacity, knowledge and relationships necessary to improve government programs. If these are lost through radical restructuring, it takes a long time to rebuild them, and meanwhile governments run the risk of underperforming.

Additionally, successful organizations must have human capital strategies that enable organizations to meet current and future needs. Human capital strategies may focus on workforce planning, skill management, succession planning, leadership, knowledge management,



performance management, and accountability. Workforce planning tells an organization what types of skills are needed to get the job done, and how to align the organization's human capital with its mission. It is supposed to help ensure that the organization has the right people with the right skills in the right job at the right time.

The absence of human capacity planning may cause material and financial resources insufficiency, as well as deficiency in knowledge and skills needed to improve practice, and lack of understanding of how to allocate time and effort more appropriately. The problem related to the capacity extends beyond individual knowledge and skills to encompass organizational necessities of leaders that should be engaged in setting organizational directions and shaping organizational behavior.

In complex environments, leaders must find increasingly sophisticated ways to select among alternative paths toward their goals, and ensure effective implementation of their chosen paths. They must also understand the factors that influence important outcomes, organize information regarding those factors, establish criteria for choosing among alternatives, and choose those that make the best operational or business sense, considering that most of the information is provided by performance assessments.

Once alternatives are chosen, they must ensure that resources are made available as needed in the organization, and establish feedback loops to determine if the organization is moving in the desired direction. These activities require management skills that can be viewed as distinct from leadership skills.

Nonetheless, decision makers should avoid using information measures as a substitute for expert knowledge about programs, where they are regarded as indicators that will serve to signal the need to investigate further.

Consequently, this can provoke a larger process of organizational learning and adaptation than the one that can take place based on the measures alone. The result of this strategy is that it can be a useful supplement to closer, easier to understand programs and systems in which they are included. Yet, the measures cannot replace the expert judgments, which are directly experienced. Such expertise is the true basis for learning, adaptation and improvement.

An excessive reliance on measures can reinforce challenges for which modern management has been severely criticized, such as mechanistic approach to decision making, obsessively managing by the numbers, oversimplification and distancing from work. Organizational learning cannot solely depend upon performance measurement systems.

## *IV - LESSONS AND CONCLUSIONS*

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### **b) Conclusions**

The experience of the GPRA and the PPA implementations shows the existence of a kind of paradox, that is, the use of a top-down policy direction to a bottom-up implementation approach. This top-down approach is a centralized process that tends to neglect strategic initiatives coming from other policy subsystems and non-formal leaderships, whereas bottom-up implementation is a decentralized process, in which policy is determined through the bargaining among members of the organization.

To face the challenge of institutional modernization and capacity building, the performance management is recognized worldwide as a critical success factor in helping individuals and organizations achieve their goals through empowering leaderships to create transformational environment. When done correctly, performance management becomes a powerful and effective tool to drive individual and organizational performance. On the other hand, when poorly done, it can create an atmosphere of distrust between managers and employees. Advances in instrumentation will permit more-effective governance and enhance its credibility among the various communities of interest.

The idea is to give managers the authority and the incentive to make decisions and manage resources in a way that they judge best suited to producing the desired outcomes. This requires government to focus on performance, to clarify organizational objectives and to motivate public officials to achieve them.

Governments should, however, beware of overrating performance-based systems' power to achieve change. A key challenge is balancing the increased managerial flexibility needed to operate such systems with continued accountability and control. Too much flexibility could lead to abuse and mismanagement; too little can give rise to an inefficient and unresponsive public service. At the same time, both public servants and politicians must be given motivation and incentives to change, otherwise performance information becomes a mere paper exercise. This is a long-term process: it takes time to change behavior and to see the benefits of this approach emerge.

Periodic review of the programs is important to identify and reduce risks against mission fragmentation, overlaps and conflicts, service gaps and the spending quality. Just as federal spending programs can work in cross-purposes, fiscal expenditure to resolve certain political challenges may exacerbate other key private sector and public policy challenges.

Effective management requires a system of measurement that provides a balanced, multifaceted view of performance. When fundamental change is present, the measurement system must be flexible enough to either accommodate the change or to be capable of changing itself in response to what the system seeks to monitor.

Performance measurement processes can be useful in facilitating the implementation of changing initiatives. However, determining what to measure, how to measure, and how to interpret and use the measures to inform decision-making, all require extensive and candid collaboration

among stakeholders. The more diverse the stakeholders are in terms of their organizational values and objectives, the more challenging it will be to secure buy-in for the development and use of performance measures.

The majority of the stakeholder literature seeks to validate the theory that stakeholder input and integration into the organization's policy-making is valuable because it strengthens the policy in a variety of ways: it enhances responsiveness, focuses resources on key concerns of those the organization serves, and improve the probability of successful implementation because stakeholders perceive that they have "ownership" of a policy or program. Obstacles to participation include identifying stakeholders, ranking them in terms of importance, and establishing effective and cost-efficient mechanisms for facilitating participation to promote the involvement of stakeholders inside and outside the agency.

Even though politicians can control the inputs and can prescribe standard outputs, a bottom-up implementation process can only result in a non-standardized or adaptive implementation, and thus non-standardized outputs. Some of these unexpected outputs can be valuable in their own right, and may be in the spirit of transformational government. Even very detailed and technically well structured, this set of standards will not guarantee its essence if there is a political command encrusted in the behavior patterns of managers, in the management of the body, and in implementing public policies. Moreover, we need a change in cultural patterns of conduct of all involved in the management of public response.

Decision makers must understand and take account of the limitations of measurement systems when interpreting the reported results. The vital role of administrative understanding, coupled with a clear presentation of properly designed, formatted, and analyzed measurement data, cannot be overemphasized. Performance measurement cannot replace the efforts of administrators to truly know, understand and *manage* their programs.

*Finally, performance measurement systems are not effective unless they are used consistently throughout the change process. Change leaders must reinforce the measures through consistent usage and constant discussion of their importance. The rhetoric about “results-based management” typically outpaces the reality. Effective use of performance measures to guide decisions can become illusory for many reasons. Expectations that all stakeholders will want to systematically track performance in change initiatives, and use the performance data to ensure accountability on an individual, team, or organizational basis, may be unrealistic. Leaders should politically and financially set feasible objectives about the utility of performance measurement in a specific change scenario. Objectives should be tempered by the intra- and inter-organizational context in which measures may be helpful (Kee and Newcomer, Chapter 7 and 8, Change Mechanisms and Performance Management ).*

## ***ABBREVIATIONS***

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GAO	Government Accountability Office
GPRA	Government Performance and Results Act
IPIA	Improper Payment Information Act
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PART	Program of Assessment and Rating Tool
PMA	President's Management Agenda

CMA	Comissão de Monitoramento e Avaliação
CTMA	Comitê Técnico de Monitoramento e Avaliação
LDO	Lei de Diretrizes Orçamentárias
LOA	Lei Orçamentária Anual
LRF	Lei de Responsabilidade Fiscal
MP	Ministério do Planejamento, Orçamento e Gestão
PPA	Plano Plurianual

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