

HOW "THE GOVERNMENT PERFORMANCE AND RESULTS ACT" BORROWED FROM THE EXPERIENCE OF OECD COUNTRIES

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ABSTRACT

To what extent did the United States draw upon the experience of OECD countries in developing a framework for "managing for results"? A great deal the author argues, tracing how The Government Performance and Results Act of 1993 (GPRA) borrowed from the experience of Australia and OECD countries, and how this experience influenced both the legislative and executive branches in formulation and passage of GPRA that included elements of results-oriented strategic planning and resource assessment .

INTRODUCTION

The Public deserves to know how its tax money is being spent and how well the government's programs are doing. Over the past thirty years, the United States and other countries have experimented with various systems for linking budgets with performance (planning, programming, and budgeting systems or PPBS, for example), and various forms of policy evaluation.

Performance measurement resurfaced as an important concern in many countries in the early 1980s, when low rates of economic growth prompted new approaches to halt the trend of constantly rising public expenditures. Efforts to restrict and cut spending were accompanied by measures designed to ensure that available resources were used as efficiently and effectively as possible.

A FRAMEWORK FOR "MANAGING FOR RESULTS"

On August 3, 1993, President Clinton signed Pub. L. 103-62, "The Government Performance and Results Act of 1993." The GPRA is the Administration's first piece of

management reform legislation, providing the means to bring about a basic transformation in how our government works and is managed.

In signing the legislation, President Clinton remarked:

"The law simply requires that we chart a course for every endeavor that we take the people's money for, see how well we are progressing, tell the public how we are doing, stop things that don't work, and never stop improving the things that we think are worth investing in."

The law requires agencies to prepare: (1) strategic plans that define an agency's mission and long-term general goals, (2) annual performance plans containing specific goals (targets) and which are derived from the general goals, and (3) annual reports comparing actual performance to the targets set in the plans.

Agencies are authorized to waive administrative requirements and controls to provide greater managerial flexibility in exchange for greater accountability. A series of pilot project will be undertaken over the next several years to test and demonstrate these concepts. Full-scale government-wide implementation of the planning, measurement and reporting commence with FY 1999.

For government officials and managers, the legislation shifts their focus from program inputs toward program execution -- "What results (outcome and outputs) are being achieved?" and "How well are programs meeting intended objectives?" Recognizing that Federal managers will be more accountable for how programs perform, the Act allows managers to be given more flexibility and discretion in how they manage.

PERFORMANCE MEASUREMENT IN OECD COUNTRIES

Founded in 1960, the Paris-based Organization for Economic Cooperation and Development (OECD) is an international organization comprised of 24 democratic nations with advanced market economics. The framework of the Government Performance and Results Act (GPRA) draws upon elements common to successful reform efforts in the OECD countries.

Rapid economic integration, greater global competition, and basic societal changes are forcing governments across the globe to re-examine the role of government and the manner in which public responsibilities are carried out. Resurgent expenditure pressures continue to require a search for new approaches to controlling and allocating resources. Thus, it is no surprise that in 1991 and 1992, the OECD ministers ranked the

use of "performance measurement" the highest priority public sector management issue requiring study.

Recognizing these developments, officials from the capitals of OECD member countries worked together over the last several years to assess the nature, application and effectiveness of performance measurement in use in OECD countries. A subsequent phase examined the experience of member countries in negotiating agreements on objectives and targets, ensuring autonomy of organizations, and creating appropriate control systems.

Work by the OECD suggests that there is no single best model for public management in a democratic society. Nor is there one strategy for management reform. Yet, a number of OECD countries are sufficiently far advanced of the United States in this area that the U.S. was able to undertake its reform on a "lessons-learned" basis -- learning from the mistakes and building on the successes of other countries.

Performance measurement has taken hold in a number of different ways in various Countries, sometimes as part of a central or agency performance measurement system, sometimes without being part of a system. Several countries illustrate:

- Netherlands -- more and more interest in recent years on performance measurement in local authority.
- France -- a more operational and bottoms-up approach toward administrative services' performance.
- Sweden -- a new budgetary approach to promote efficiency and effectiveness in the public sector - one which is based on outputs and performance.
- Belgium -- a new tool for budget management which estimates and authorizes expenditure by program.

TRANSFORMATION OF PUBLIC SERVICE IN OTHER OECD COUNTRIES

In a number of other OECD countries (notably Great Britain, Australia, Sweden and New Zealand), further significant developments are underway. In these countries, performance measurement has become the crucial point of management reforms that aim to transform the way agencies operate.

Until now, agencies functioned almost exclusively according to rules and procedures (e.g., compliance was their principle goal). Increasingly, due to management reforms, they are starting to base their operational practices on the evaluation of results, as well. In other words, they are now looking at the quantity, quality and cost of goods and services provided. The reforms in these countries are changing the micro-budgetary process from one which regulates in detail the inputs of resources to agencies -- to one which regulates output and performance.

This evaluation is supported by *a' posteriori* control, which completely, or at least partly, replaces *a' priori* control. Performance measurement comes to be a central point of these reforms. In short, a growing number of countries are trying use performance measurement to manage.

U.S. EFFORTS TO TAKE ADVANTAGE OF OECD EXPERIENCE

Several years ago, staff of the U.S. Office of Management and Budget (OMB) collaborated with the General Accounting Office (GAO), the Congressional Budget Office (CBO), and the Financial Management Service (FMS) in the Department of the Treasury, on a series of site visits and assessments of what State and local governments were doing in the way of performance measurement. Staff from both House and Senate Committees joined in several of these assessments.

Staff found that comprehensive approaches to performance measurement were largely absent at the State and local levels. Nevertheless, several States -- for example Oregon and Texas -- had initiated efforts to develop comprehensive systems; and Sunnyvale, California had managed with performance measurement for many years. A principal problem at the State and local level was the lack of continuity in political leadership. A number of States and cities embarked on building performance measurement systems, only to abandon the effort because of a change in political leadership.

OMB also began regular contact, through the OECD, with a number of countries that were either further advanced than the United States in this area or at about the same stage. The United States chaired two OECD meetings on performance measurement attended by national experts.

From these on-site visits and communication with OECD member countries, OMB staff gained useful insights.

Lessons from Australia

Australia had completed a decade of public sector management reform. That reform encompassed quite fundamental changes in the way the public service handled human resource management, industrial relations and financial issues. Most importantly, the reform embraced changes in emphasis from managing inputs toward a focus on outcomes, and from compliance with rules for their own sake toward pursuit of efficiency and effectiveness.

Recognizing these developments, OECD studies reported that Australia was some five to ten years ahead of the United States' experience with performance measures, and their centrality to the entire process of reform has greatly accelerated their move towards achieving a real environment for "managing for results."

Australia was annually publishing a 19-volume set of lengthy and detailed program performance statements that related expenditures with program performance. It should be noted, however, that Australian program officials have much more latitude than we do in how they spend operating funds. For example, Australian officials can shift funds from staff to computers without Parliamentary concurrence. But, Australian officials are more accountable for the performance of their programs; the annual work plans linked program objectives and the performance agreements on which ministry officials were evaluated.

In testimony before the Senate Governmental Affairs Committee on May 5, 1992, OMB's Deputy Director for Management judged Australia to be "at the leading-edge in performance measurement." He noted that the country had a well-developed system that encompassed strategic or corporate planning, annual work plans, performance reporting, and program evaluation. Program objectives were defined, along with strategies for achieving them. Performance indicators were used in assessing how well the strategies had achieved the objectives.

Early conclusions

OMB concluded that there were no domestic or international prototypes on which to model a Federal system. As other countries taking the lead in this area had a Parliamentary form of government, their approach could not be directly translated to the United States. In these countries the head of Ministries were usually members of Parliament as well. This dual role minimizes Parliamentary intervention, and allows ministers and their subordinates to exercise their own initiative to a much greater degree than their American counterparts.

Even though no specific prototype existed, OMB's review of these systems had been helpful in determining what elements appeared to be essential for a successful system. The review also helped the U.S. to learn from others' experiences and mistakes, developing a sense of their common characteristics, scope of implementation, conditions for success, and elements to guide efforts to develop and use performance measurement.

COMMON CHARACTERISTICS OF OECD COUNTRIES

Countries had taken different approaches toward implementation. Some worked "top-down" from a broad policy statement down to low level operational objectives. Others worked "bottoms-up", using low-level work objectives as the starting point. OECD countries had shown some common characteristics in their introduction of performance measurement and performance management:

- The first step had been to clearly define the objectives of organizations. This is considered to be the fundamental step which shapes the outcome of the initiative.
- Most countries relied on some version of an input-activity-output-outcome sequence as the explicit frame of reference for performance measurement.
- Regardless of the approach, countries found a pragmatic, iterative, and dynamic process to be most successful. This had been particularly necessary where the reforms are designed centrally, and implemented on a decentralized level. This way, the overall scheme could be adapted to reflect the characteristics of the organization, its work and environment, and can be adjusted over time.

Scope of implementation

Despite the difficulty, there was general agreement that it is worth trying to measure the performance of all public service activities, that all would benefit in some way from the exercise, and that performance measurement previously considered impossible in many areas would likely prove possible. Nevertheless, there remain a few activities, such as foreign policy, where only indirect measure can be used.

Thus, several OECD countries have extended measurement even to such areas as research and policy advice where measurement clearly presents more difficulty than others.

Areas which can be easily quantified should be chosen first, followed progressively by more complex activities where indirect indicators as well as direct measures are needed.

Conditions for success

It is the strategy used and the human and cultural factors, not simply the technical aspects, which shapes its success. Although technical problems can and will cause problems, these have generally been resolved through accumulating good practice and experience.

The following elements appear to comprise a favorable context:

- Completion of the analytic work on objectives and targets before launching performance measurement and ensuring that staff at all levels, not only management, participate in and accept this analysis;
- Visible and sustained political support;
- Support by senior levels of the civil service and central management agencies;
- Union support and participation in introducing performance measurement;
- Finding a balance between sufficient budgetary pressure to encourage staff to think in terms of cost, and a certain stability in resources;
- Staffs' openness and capacity to adapt to intended cultural change; and
- Existence of a link at individual and/or organization level between performance and positive or negative sanctions.

ELEMENTS TO GUIDE DEVELOPMENT AND USE OF PERFORMANCE MEASUREMENT

Experience suggested some elements which should guide our efforts to develop and use performance measurement:

1. Begin with pilot projects. A good system takes time and should be phased in.
2. Adopt a "small steps" strategy. We cannot, and no one has yet been able to, introduce comprehensive measurement overnight.
3. Emphasize success; highlight good practice.
4. Encourage staff to take up the management challenge.
5. Provide a critical mass of training, sufficient to bring about the requisite change of attitude.
6. Never impose performance measurement on staff. Seek their approval first.
7. Begin with areas where measurement will probably be easy and move to more complex areas.
8. Start with organizations or programs which deliver services directly to the public. Performance data must be relevant and useful to managers, decision makers and the public.
9. Develop tailor-made measures for each. In doing so, we should work toward systems that capture input measures, and eventually report on program outcomes.
10. Develop a sense of ownership and persuade managers that performance measurement is practicable and will be useful to them in their jobs.
11. Allow time to absorb and learn from experience.
12. Build performance measurement into formal management structures. This suggests establishing a regular reporting link with the budget process.

13. Introduce greater transparency of costs of running public services. This could be done with user charges or creating a more competitive environment with the private sector.

LEGISLATIVE HISTORY

U.S. Senator William Roth of Delaware and his staff pieced together the first version of legislation several years ago. Senator Roth introduced S. 3154, the Federal Program Performance Standards and Goals Act of 1990, on October 3, 1990. The purpose of the bill was to "provide for establishment and evaluation of performance standards and goals for expenditure in the Federal budget." Based on the belief that the Federal Government continued to waste and mismanage public funds and that the public was not receiving "full value for their tax dollar," the bill required the OMB to establish performance indicators, quantified for each major expenditure category in the budget.

The proposed legislation was not only aimed at federal operations, but also, and most notably, the Congress. It would have required the Congress to establish specific outcome measures as part of its legislative process, calling for Congress to set annual performance standards and goals in all authorizing and appropriating legislation. These standards and goals would have covered all existing programs, as well as newly enacted ones. The legislation also included performance indicators measuring unit costs. Federal agencies and OMB were to develop a more extensive set of performance indicators covering output, products and services, and results.

Early legislative formulation

On January 4, 1991, Senator Roth re-introduced the bill as S. 20, the "Federal Program Performance Standards and Goals Act of 1993." The Committee on Governmental Affairs held hearings on S. 20 on May 23, 1991 and May 5, 1992. Following the hearings, Senate majority and minority staff began jointly drafting a new performance measurement bill, adapting some parts of the original S.20 and an un-introduced successor, the "Bang for Buck Act." The new approach was a two-phased version of S. 20. The major difference was a first-stage of pilot demonstrations during fiscal years 1994-1995, rather than immediate implementation for all agencies. A second-stage (full implementation) would be deferred until the year 2000.

Unfortunately, the bill reflected little of what had been learned by OMB, GAO, CBO, Treasury and Congressional staff as a result of site visits to other countries, and States

and local governments. In particular, the bill failed to include three elements which appeared necessary for successful measurement systems based on performance standards: (1) strategic planning, (2) more accountability, and (3) greater managerial flexibility. Finally, the bill failed to integrate, or even recognize, the significant performance measurement effort initiated and then underway under the Chief Financial Officers Act of 1990.

OMB policy officials began a dialogue with Committee staff to help shape both of their thinking about what should (and should not) be in legislation. Staff began drafting a bill with a number of features such as:

1. Strategic planning and goal setting -- as an important step if agencies were to go further to develop relevant and more politically interesting outcome measures,
2. More of a program management (rather than purely financial management) approach to measurement,
3. Something other than an audited financial statement as the "driver," with staff leaning toward putting such numbers in the President's Budget (a direction Australia was then heading). This approach would not be used to mechanically allocate resources, but to inform such decisions and be used below the account level, within Departments, to manage resources, and
4. A workable conceptual and definitional framework (e.g., input-activity-output-outcome).

A number of these elements had already been outlined in the fiscal year 1990 budget document, *Management of the United States Government* (January 1989). A chapter titled "Government of the Future" described the need for strategic planning, monitoring of performance, an emphasis on results, and greater managerial flexibility and accountability -- that were to be included in the amended version of S. 20.

The Committee considered the bill in "markup" on August 5, 1992. It adopted by voice vote an amendment in nature of a substitute offered by Senators Glenn, Roth, and Cohen, re-titling the bill the "Government Performance and Results Act of 1992" -- the measure which ultimately passed the Senate and House the next year and was signed into law by the President. This substitute bill represented an extensive re-write from previous versions.

Final legislative formulation

As reported in the Committee report, the new bill "provided for the initiation of implementation with a set of 3-year pilots projects before government-wide application", and making "other changes." A close examination reveals a substantial re-working of the legislation to incorporate lessons-learned from other countries.

The changes that occurred, which received bipartisan support and the endorsement of the new Administration, included:

1. Strategic plans -- each agency must periodically prepare strategic plans, to cover at least five fiscal years forward, updated at least every three, as the starting point and basic underpinning for program goal-setting and performance measurement, articulating the fundamental mission (or missions) of an agency and laying out its long-term goals for implementing that mission.
2. Annual performance plans -- agencies are to prepare an annual performance plan covering each program activity set forth for the agency in the President's Budget.
3. Annual performance reports -- agencies are to submit an annual performance report to the President and the Congress providing the results of what was actually accomplished for the resources that were expended (i.e., how well the original goals were met).
4. Managerial flexibility -- allowing agencies to propose waivers of non-statutory administrative procedural requirements and controls in exchange for increased managerial flexibility and specific accountability for meeting a performance goal.
5. Program evaluation -- explicit provision for, and definition of, program evaluation in the strategic plans and the annual performance reports.
6. Budget process -- linkage to the budget process as an amendment to the Budget and Accounting Act of 1921.
7. "Pilots" and delayed implementation -- government-wide implementation beginning in fiscal year 1999 following three sets of "pilot" projects covering annual performance plans, managerial flexibility and performance budgeting.

CONCLUSION

A shift from an administrative to a managerial culture in the public sector is evident in many countries. This shift stresses the importance of performance measurement and makes it a key tool for change.

OECD studies confirm that there is no single best model for public management in a democratic society. Nor that there is any one strategy for management reform. Yet, "The Government Performance and Results Act of 1993" borrows heavily from the experience of other OECD countries. Many, such as Australia, were sufficiently far advanced in this area, that the United States was able to develop its own legislative framework on a "lessons-learned" basis. The United States was able to learn from the mistakes and build on the success of other countries to expand and improve its use of performance measurement to shift toward "managing for results."

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ACKNOWLEDGMENT

This paper was prepared originally for the Fulbright Symposium on Public Sector Reform, July 23-24, 1994 in Brisbane, Australia. It was subsequently published in Patrick Weller and Glyn Davis, eds., *New Ideas, Better Government*. Australian Fulbright Series, Allen & Unwin, 1996. It has been republished here, with only light editorial editing, with permission of the author due to the interest in the history of the development of GPRA expressed by members of the International Public Management Network.

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