The Commonwealth

# Strategic Management and Accountability for Results Toolkit SMART

# Guidelines

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## I. Purpose of the Toolkit

This toolkit provides step-by-step guidance on converting strategic objective of a government into demonstrable and quantifiable results. It translates strategy into quantifiable results through a document called: Commitment for Results (CFR).

A CFR provides a summary of the most important results that a department/ministry expects to achieve during the financial year. This document has two main purposes: (a) move the focus of the department from process-orientation to result-orientation, and (b) provide an objective and fair basis to evaluate department's overall performance at the end of the year.

## II. Rationale for Commitment for Results (CFR)

International experience has shown that CFR is effective in tackling the most common barriers to improved performance of a public organization.

In most countries, government departments are required to report to multiple principals who often have multiple objectives that are not always consistent with each other. This leads to fuzziness of goal and objectives and managers do not have a clear idea of what is expected from them. A department head could be reporting to the Ministry of Statistics and Programme Implementation on important programmes and projects; Department of Public Enterprises on the performance of public enterprises under it; Department of Expenditure on performance in relation to its Outcome Budgets; Planning Agency on plan targets; Comptroller and Auditor General regarding the procedures, processes, and even performance; Cabinet Secretariat on cross cutting issues and issues of national importance; minister in-charge on his priorities; and Standing Committee of the Parliament on its annual report and other political issues.

CFR allows the government to bring all these expectations on one platform. This allows the government to see the duplications, contradictions and gaps in implementation. By dealing with these lacunae ex-ante, government can give managers of departments a clear and unambiguous signal as to what is expected from them and hold them accountable for delivery at the end of the year.

## III. Relationship between Strategic Plan and Strategy

According to the famous Webster dictionary, the word "strategy" means "*artful means to some end*." Thus a strategy is essentially about discovering "artful" or "imaginative" means to achieve our "ends" or "goals."

The concept of strategy originated from the lexicon of armed forces, where strategy implies the science of planning and directing large-scale military operations, (as distinguished from tactics) of maneuvering forces into the most advantageous position prior to actual engagement with the

enemy. Like many concepts in modern management, the concept of strategy was first adopted by the private sector in its pursuit to win commercial battles with its competitors. Later, it trickled down to the public sector and is now being applied by governments to win their wars against poverty, underdevelopment and social injustice.

At the most fundamental level, a strategy is about creating **clarity of purpose**. When everyone in a government agency or system is clear about its fundamental purpose or purposes, improving performance is far, far easier. This no doubt appears very simple and obvious. Yet, it is also very rare. Most government agencies around the world have multiple goals, some of which even conflict with each other. This leads to lack of clarity about what is most important. When they are asked to improve performance, they charge off in different directions.

Using a strategy to manage an organization or an economy is called "Strategic Management". It helps governments define their Visions and core purposes – the outcome goals that are most important to them – and aim their entire system at fulfilling them.

A strategic management system gives leaders the ability to anticipate future trends, define the future they want, and allocate their resources and staff to the task of creating that future. A **strategy,** a **strategic plan** based on this strategy, and a performance management system are both part of strategic management. It is not possible to have a strategic plan without a clear strategy. As you can see from the following figure, a strategy is at the heart of a strategic plan:



*Figure 1: Relationship between Strategic Plan and Strategy*
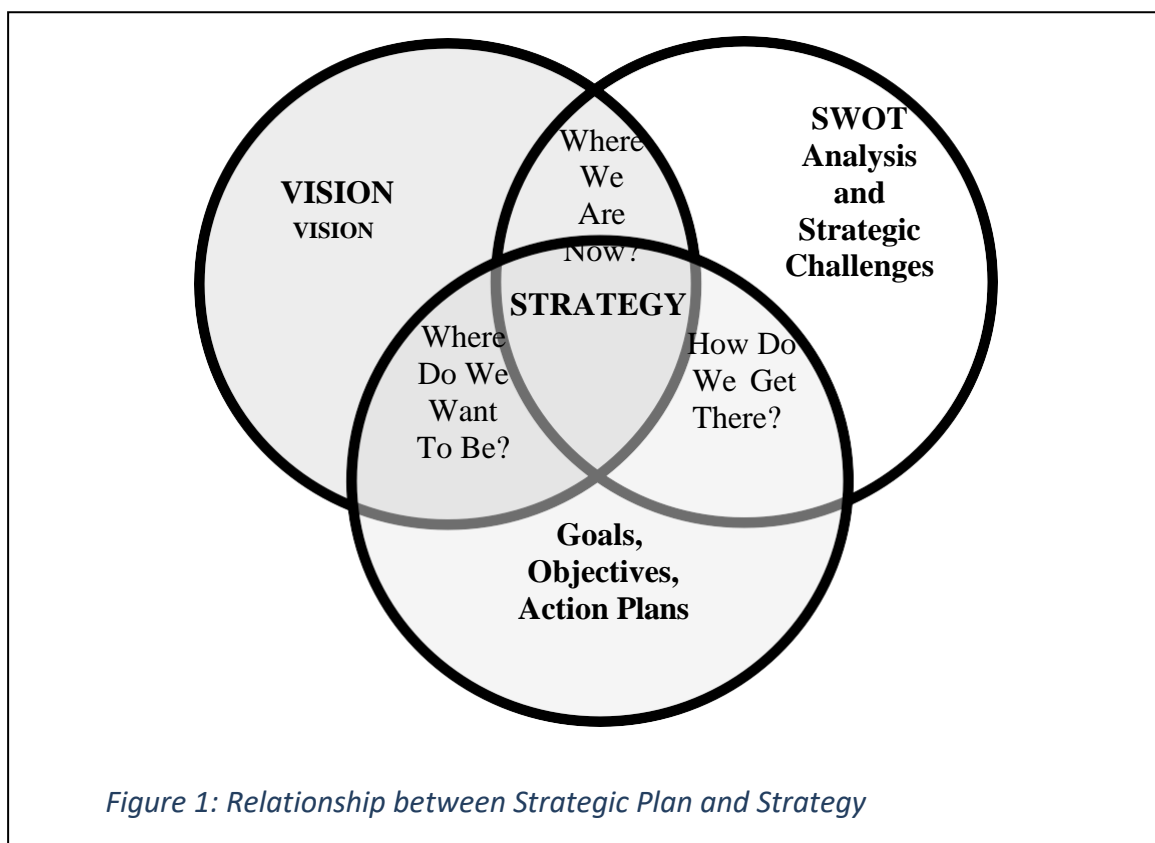
Strategic management is also important because it **eliminates the need for many rules, procedures, and internal controls** in government organizations. When government managers and employees are clear on the Vision, mission, goals and strategies chosen by their leaders,

they require fewer rules to stay on the course. These tools give leaders the leverage they need to steer effectively, without overly constraining the method chosen by managers and employees to row the boat.

The above diagram shows that a strategy is made up of decisions regarding where we are now, where we want to be, and determining how we get there. Where we are now is a product of a *current Vision* aided by our SWOT analysis and identification of current challenges. Where we want to be is a product of a *revamped Vision* and our goals, objectives and proposed action plans. How do we get there is a product of our goals, objectives and our SWOT analysis. The strategic plan is a more detailed action plan and an elaboration of "how we get there."

However, one must read this and other diagrams in the proper spirit. They are conceptual depiction of a broad and flexible management concept. They are not to be treated rigidly or dogmatically.

## IV. Seven Steps for Creating a Bottom Line in the Government

Most government agencies do not have a clearly defined bottom line. Thus, the managers of the agency often do not know what is expected from them. Most of the problems in government can be traced to this absence of a bottom line. In what follows, a tried and tested seven-step process for creating the missing bottom line in government agencies is presented. In the next section, we explain the mechanics and structure of CFR that operationalizes these steps.

**The Challenge**

Absence of an objective, credible, and meaningful bottom line for government agencies is arguably the single biggest challenge in managing government. Most of the management problems that we observe in government agencies are 'symptoms' resulting from the missing bottom line in this sector.

Governments around the world seem very busy "reforming" and "modernizing" their agencies. However, without an acceptable yardstick to measure the outcome of these effort, this process of reforming agencies seems to have no end in sight. This process-oriented approach to the reform of the government is akin to giving medicines to a patient without a sound diagnostics system that can inform the doctor whether the patient's health is improving or if it is, in fact, being harmed. Without a clear and agreed bottom line, "good" performance of agencies cannot be distinguished from "bad," and managers cannot be rewarded on the basis of performance; consequently, inefficiency results.

Indeed, it is hard, if not impossible, to imagine how anyone could manage a private sector company without any agreed financial framework or a reliable accounting system that measures the bottom line – such as net profit or earnings per share. Managing in government without a clear bottom line is like playing a game of soccer without goal posts. Initially, players might continue to exhibit their old skills through professional pride or force of habit. Eventually, however, new forms of behavior will emerge. For example, selfish showboating will begin to yield rewards in crowd applause without incurring the cost of reduced teamwork and scoring. The coach will have little reason not to indulge his whims and play his favorites regardless of their skills.

**The Problem**

Indeed, the difficulty in specifying the bottom line in the government is genuine. Typically, most government agencies are faced with multiple principals who have multiple and, often, conflicting objectives. Everyone in a country feels they have the right to supervise the government agencies. Not only are they questioned by the auditor general, ministry of finance, treasury, courts, Parliament (Congress), Prime Minister / President's Office, but also by the media, vigilance agencies, investigating agencies and nonprofits. To be sure, a listed company in the private sector also has thousands of shareholders (multiple principals). The difference between the two is that whereas in the private company all shareholders have the same objective (profitability), in the case of a government agency principals have different objectives which are often conflicting objectives (equity versus efficiency, political versus non-political objectives).

**The Solution**

The following 7-step process has been successfully used by many governments around the world to create a bottom line for government agencies. Four steps are to be taken at the beginning of the year and three steps at the end of the year.

Various institutional arrangements have been used by governments to implement these seven steps. In parliamentary systems, successful examples include Prime Minister's Delivery Unit, Performance Management Division in Prime Minister's Office, and Cabinet Secretariat. In presidential systems most of the successful initiatives are driven essentially from the President's office. In short, creating and monitoring the government's bottom line is a top management function. That is at the heart of Strategic Management and Accountability for Results Toolkit (SMART).

**STEPS TO BE TAKEN AT THE BEGINNING OF THE YEAR**

**STEP 1: Specify the long-term Vision for the agency**

A vision specifies the final destination for the agency. It shows where we want the agency to be in a few years' time. It is the big picture of what the leadership wants the government agency to look like in the future.

**STEP 2: Specify the Objectives that will help achieve the vision**

Objectives specify how to get to the final destination captured in the vision statement. They should be linked and derived from the departmental vision.

**STEP 3: Prioritize Key Objectives and corresponding KPIs**

While many agencies take the first two steps mentioned above, they flounder when it come to the next steps. As mentioned in my earlier PA Times column, objectives and corresponding Key Performance Indicators (KPIs) should be prioritized and specific weights attached to these objectives. As depicted in Table 1 (Column 3), these weights must add up to 100 %.

**Table 1: Specifying the Bottom Line in Government**

| | | | | At the Beginning of the Year | | | | | | At the End of the Year | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | | Column 9 | Column 10 | Column 11 |
| | Objectives | Actions | Weights | Criteria Values | | | | | | Achieve-ment | Raw Score | Weighted Raw Score |
| | | | | Excellent | Very Good | Good | Fair | Poor | | | | |
| | | | | 100 % | 90 % | 80 % | 70 % | 60 % | | | | |
| 1 | Objective A | Action 1 | .50 | 85 | 80 | 70 | 60 | 50 | | 65 | 75 | 37.50 |
| | | Action 2 | .30 | 20 | 15 | 10 | 5 | 2 | | 10 | 80 | 24 |
| | | Action 3 | .20 | 50 | 40 | 30 | 20 | 10 | | 60 | 100 | 20 |
| | | | | | | | | | **Composite Sore** | | | **81.50 %** |

**STEP 4: Agree on How to Measure Deviations from Target**

Instead of a single-point target, we need to agree on the entire range performance (Table 1, Columns 4-8). This scale of criteria values allows us to accurately measure performance at the end of the year. Without such clear understanding, performance measurement remains subjective. A document incorporating the first four steps is referred to as a Performance Agreement (for an actual example for the Indian government's Agriculture and Cooperation Department **click** here). New Zealand as the pioneer in introducing this innovation as part of the New Public Management Revolution in 1980s and Government Performance and Results Act of 1993 made Performance Agreements a mandatory requirement for US Government agencies.

**STEPS TO BE TAKEN AT THE END OF THE YEAR**

Once an agreement has been reached on steps 1-4, government agencies should be allowed sufficient operational freedom to achieve agreed targets. That is 'accountability' must be coupled with appropriate 'autonomy.' This is the essence of MBO (Management by Objectives). At the end of the year, government agencies submit their achievements against the targets to the designate authority and we calculate their bottom line achievement as follows (Steps 5-7).

**STEP 5: Calculate Raw Achievement Score for Each KPI**

By comparing actual achievement at the end of the year with the range of criteria values agreed at the beginning of the year, we can calculate the precise raw score for each KPI (Table 1, Columns 9-10).

**STEP 6: Calculate the Weighted Raw Score for Each KPI**

Multiply the Raw Score for each KPI with the corresponding weight for that Raw Score (Table1, Column 11).

**STEP 7: Calculate the Composite Performance Score – The Bottom Line**

Add up all the Weighted Raw Scores to get the Composite Score - The Bottom Line. For example, in Table 1 this number is 81.50%. It measures the degree to which a government agency was able to achieve agreed upon objectives.

**Significance of the Bottom Line**

This Bottom Line is powerful because the Composite Score:
- incorporates government priorities.
- is a comprehensive measure of all aspects of departmental performance – quantitative, qualitative, static, dynamic, short-term, and long-term.
- allows benchmark competition among agencies. (research shows that competition is a key source of efficiency).
- is a necessary condition to implement an effective performance incentive system in government.

# IV. Format of Commitment for Results (CFR)

A Commitment for Results (CFR) is essentially a record of understanding between a Minister representing the people's mandate, and the Secretary of a Department responsible for implementing this mandate. This document contains not only the agreed objectives, policies, programs and projects but also success indicators and targets to measure progress in implementing them. To ensure the successful implementation of agreed actions, CFR may also include necessary operational autonomy.

The CFR seeks to address three basic questions: (a) What are ministry's/department's main objectives for the year? (b) What actions are proposed by the department to achieve these objectives? (c) How would someone know at the end of the year the degree of progress made in implementing these actions? That is, what are the relevant success indicators and their targets which can be monitored?

The CFR should contain the following six sections:

Section 1   Ministry's / department's Vision, Mission, Objectives and Functions.
Section 2   *Inter se* priorities among key objectives, success indicators and targets.
Section 3   Trend values of the success indicators.
Section 4   Description and definition of success indicators and proposed measurement methodology.
Section 5   Specific performance requirements from other departments that are critical for delivering agreed results.
Section 6   Outcome / Impact of activities of department/ministry

# Section 1: Ministry's / Department's Vision, Mission, Objectives and Functions

This section provides the context and the background for the Commitment for Results (CFR). Creating a Vision and Mission for a department is a significant enterprise. Ideally, Vision and Mission should be a byproduct of the strategic planning exercise undertaken by the department.

Both concepts are interrelated and much has been written about them in the management literature. Here we will provide some working guidelines to write this section of the CFR.

**Vision:**

Vision is an idealized state for the department. It is the big picture of what the leadership wants the department to look like in the future.

Vision is a symbol, and a cause to which we want to bond the stakeholders, (mostly employees and sometime other stake-holders). As they say, the people work best, when they are working for a cause, than for a goal. Vision provides them that cause.

Vision is a long-term statement and typically generic and grand. Therefore a vision statement does not change from year to year unless the department is dramatically restructured and is expected to undertake very different tasks in the future.

Vision should never carry the 'how' part of vision. For example 'To be the most admired brand in Aviation Industry' is a fine vision statement, which can be spoiled by extending it to 'To be the most admired brand in the Aviation Industry by providing world-class in-flight services.' The reason for not including 'how' is that the 'how' part of the vision may keep on changing with time.

Writing up a Vision statement is not difficult. The problem is to make employees engaged with it. Many a time, terms like vision, mission and strategy become more a subject of scorn than being looked up-to. This is primarily because leaders may not be able to make a connection between the vision/mission and employees' every day work. Too often, employees see a gap between the vision, mission and their goals and priorities. Even if there is a valid/tactical reason for this mismatch, it is not explained. The leadership of the ministry (Minister and the Secretary) should therefore consult a wide cross section of employees and come up with a Vision that can be owned by the employees of the ministry/department.

Vision should have a time horizon of 5-10 years. If it is less than that, it becomes tactical. If it has a horizon of 20+ years (say), it becomes difficult for the strategy to relate to the vision.

**Features of a good vision statement:**
- Easy to read and understand.
- Compact and crisp to leave something to people's imagination.
- Gives the destination and not the road-map.
- Is meaningful and not too open-ended and far-fetched.
- Excites people and makes them feel energized.
- Provides a motivating force, even in hard times.
- Is perceived as achievable and at the same time is challenging and compelling, stretching us beyond what is comfortable.

The entire process starting from the Vision down to the objectives is highly iterative. The question is from where we should start? We strongly recommend that vision and mission statement should be made first without being colored by constraints, capabilities and environment. It is akin to the vision of several armed forces: 'Keeping the country safe and secure from external threats'. This vision is non-negotiable and it drives the organization to find ways and means to achieve their vision, by overcoming constraints on capabilities and

resources. Vision should be a stake in the ground, a position, a dream, which should be prudent, but should be non-negotiable barring few rare circumstances.

The Vision of any organization is supposed to act as the loadstar for that organization. Hence, it should not vary from year to year. We shall use a rigorous methodology to measure the quality of CFR. This methodology is called *CFR Evaluation Methodology (CEM)* and is enclosed as an Annexure along with these Guidelines. CEM provides a methodology for evaluating all sections of CFR and must be read along with these Guidelines. Departments must use CEM to self-evaluate the quality of their department's CFR before submitting it to PMD.

**Mission:**

The department's M*ission* is the nuts and bolts of the vision. Mission is the who, what and why of the department's existence.

We strongly recommend that mission should follow the vision. This is because the purpose of the organization could change to achieve their vision. The vision represents the big picture and the mission represents the necessary work.

Mission of the department is the purpose for which the department exists. It is in one way the road to achieve the vision.

**Objectives:**

Objectives represent the developmental requirements to be achieved by the department in a particular sector by a selected set of policies and programmes over a specific period of time (short-medium-long). For example, objectives of the Ministry of Health & Family Welfare could include: (a) reducing the rate of infant mortality for children below five years; and (b) reducing the rate of maternity death by (30%) by the end of the development plan.

Objectives could be of two types: (a) Outcome Objectives address ends to achieve, and (b) Process Objectives specify the means to achieve the objectives. As far as possible, the department should focus on Outcome Objectives.[1]

Objectives should be directly related to attainment and support of the relevant national objectives stated in the relevant Five Year Plan, National Flagship Schemes, Outcome Budget and relevant sector and departmental priorities and strategies, President's Address, the manifesto, and announcement/agenda as spelt out by the Government from time to time.

Objectives should be linked and derived from the Departmental Vision and Mission statements and should remain stable over time. Objectives cannot be added or deleted without a rigorous evidence-based justification. In particular, a department should not delete an objective simply because it is hard to achieve. Nor, can it add an objective simply because it is easy to achieve. There must be a logical connection between Vision, Mission and Objectives.

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1 Often a distinction is also made between "Goals" and "Objectives". The former is supposed to be more general and latter more specific and measurable. The Vision and Mission statement are expected to capture the general direction and future expected outcomes for the department. Hence, only the inclusion of objectives in Section 1 is required. See also Figure 3 on page 11.

**Functions:**

The functions of the department should be listed in this section. These functions should be consistent with the Allocation of Business Rules for the department / ministry. Unless they change, they cannot be changed in the CFR. This section is supposed to reflect the legal / administrative reality as it exists, and not a wish list.

# Section 2: *Inter se* priorities among key objectives, success indicators and targets.

The heart of the Section 2 of the CFR document consists of the Table 2 given below. In what follows we describe the guidelines for each column of this Table.

## Column 1: Select Key Departmental Objectives

From the list of all objectives, select those key objectives that would be the focus for the current CFR. It is important to be selective and focus on the most important and relevant objectives only.

It may be mentioned that the Key objectives, to be incorporated by the department/ministry should add up to 85% weights. The remaining 15% are Mandatory objectives, which are approved by the High Power Committee on Government Performance and valid for all departments/ministries.

## Column 2: Assign Relative Weights to Objectives

Objectives in the CFR should be ranked in a descending order of priority according to the degree of significance and specific weights should be attached to these objectives. The Minister in-charge will decide the *inter se* priorities among departmental objectives and all weights, including the weight of mandatory indicators, must add to 100.

## Column 3: Specify Means (Actions) for Achieving Departmental Objectives

For each objective, the department must specify the required policies, programmes, schemes and projects. Often, an objective has one or more policies associated with it. Objective represents the desired "end" and associated policies, programs and projects represent the desired "means" and actions to be taken to achieve the objective. The latter are listed as "actions" under each objective.

**Table 2:** Stylized Format of the Commitment for Results (CFR)

| Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Target / Criteria Value | | | | |
| Objective | Weight of Objective | Actions | Success Indicator | Unit | Weight of Success Indicator | Excellent | Very Good | Good | Fair | Poor |
| | | | | | | 100% | 90% | 80% | 70% | 60% |
| | | | | | | | | | | |
| Objective 1 | | Action 1 | | | | | | | | |
| | | Action 2 | | | | | | | | |
| | | Action 3 | | | | | | | | |
| | | | | | | | | | | |
| Objective 2 | | Action 1 | | | | | | | | |
| | | Action 2 | | | | | | | | |
| | | Action 3 | | | | | | | | |
| | | | | | | | | | | |
| Objective 3 | | Action 1 | | | | | | | | |
| | | Action 2 | | | | | | | | |
| | | Action 3 | | | | | | | | |

## Column 4: Specify Success Indicators and Units

For each of the "action" specified in Column 3, the department must specify one or more "success indicators." They are also known as "Key Performance Indicators (KPIs)" or "Key Result Indicators (KRIs)." A success indicator provides a means to evaluate progress in implementing the policy, programme, scheme or project. Sometimes more than one success indicator may be required to tell the entire story.

Success indicators are important management tools for driving improvements in departmental performance. They should represent the main business of the organization and should also aid accountability. If there are multiple actions associated with an objective, the weight assigned to a particular objective should be spread across the relevant success indicators.

Success indicators should consider both qualitative and quantitative aspects of departmental performance.

In selecting success indicators, any duplication should be avoided. For example, the usual chain for delivering results and performance is depicted in Figure 1. An example of this results chain is depicted in Figure 2.

If we use Outcome (increased literacy) as a success indicator, then it would be duplicative to also use inputs and activities as additional success indicators.

Ideally, one should have success indicators that measure Outcomes and Impacts. However, sometimes due to lack of data one is able to only measure activities or output. The common definitions of these terms are as follows:

1. **Inputs:** The financial, human, and material resources used for the development intervention.
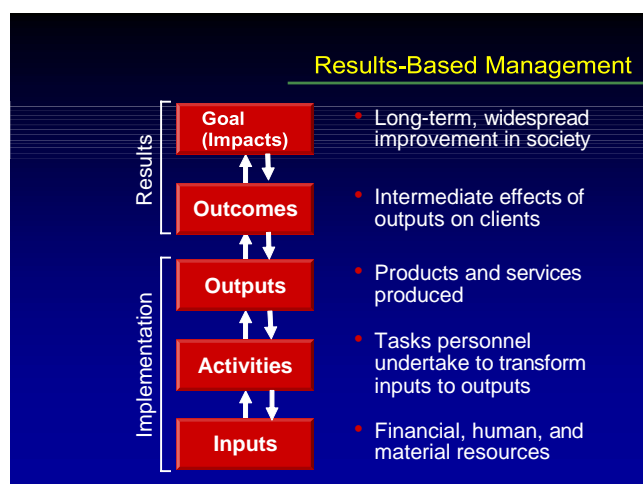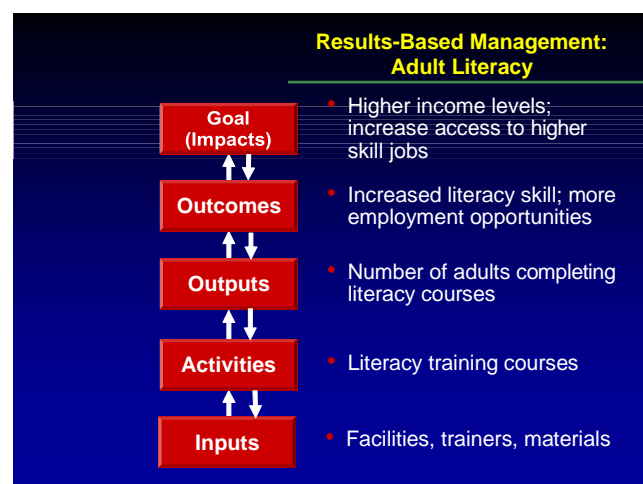
**Figure 1:** Typical Results Chain



**Figure 2:** An Example of Results Chain

2.  **Activity:** Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs

3.  **Outputs:** The products, capital goods and services that result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes. Sometimes, 'Outputs' are divided into two subcategories – internal and external outputs. 'Internal' outputs consist of those outputs over which managers have full administrative control. For example, printing a brochure is considered an internal output as it involves spending budgeted funds in hiring a printer and giving orders to print a given number of brochures. All actions required to print a brochure are fully within the manager's control and, hence, this action is considered 'Internal' output. However, having these brochures picked up by the targeted groups and, consequently, making the desired impact on the target audience would be an example of external output. Thus, actions that exert influence beyond the boundaries of an organization are termed as 'external' outputs.

4.  **Outcome:** The likely or achieved short-term and medium-term effects/ impact of an intervention's Outputs

Departments are required to classify SIs into the following categories in SMART:

| Input | Activity | Internal Output | External Output | Outcome | Measures Qualitative Aspects |
|-------|----------|-----------------|-----------------|---------|------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) |

While 1-5 are mutually exclusive, a Success Indicator can also measure qualitative aspects of performance.

**Column 5: Assign relative Weights to Success Indicators**

If we have more than one action associated with an objective, each action should have one or more success indicators to measure progress in implementing these actions. In this case we will need to split the weight for the objective among various success indicators associated with the objective.

**Column 6: Specify Targets/Criteria value for Success Indicators**

The next step is to choose a target for each success indicator. Targets are tools for driving performance improvements. Target levels should, therefore, contain an element of stretch and ambition. However, they must also be achievable. It is possible that targets for radical improvement may generate a level of discomfort associated with change, but excessively demanding or unrealistic targets may have a longer-term demoralizing effect.

The target should be presented as per the five-point scale given below:

| Excellent | Very Good | Good | Fair | Poor |
|-----------|-----------|------|------|------|
| 100 % | 90% | 80% | 70 % | 60 % |

It is expected that, in general, budgetary targets would be placed at 90% (Very Good) column. There are only two exceptions: (a) When the budget requires a very precise quantity to be delivered. For example, if the budget provides money for one bridge to be built, clearly, we cannot expect the department to build two bridges or 1.25 of a bridge. (b) When there is a legal mandate for a certain target and any deviation may be considered a legal breach. In these cases, and only in these cases, the targets can be placed under 100 %. For any performance below 60%, the department would get a score of 0 in the relevant success indicator.

The CFR targets should be aligned with Plan priorities and be consistent with departmental budget as well as the outcome budget. A well framed CFR document should be able to account for the majority of the budget. Towards this end, departments must ensure that all major schemes, relevant mission mode projects and Prime Ministers Flagship Programs are reflected in the CFR.

**Team targets:** In some cases, the performance of a department is dependent on the performance of one or more departments in the Government. For example, to produce power, the Ministry of Power is dependent on the performance of the following: (a) Ministry of Coal, (b) Ministry of Railways, (c) Ministry of Environment and Forest, and (d) Ministry of Heavy Industry (e.g. for power equipment from BHEL). Therefore, in order to achieve the desired result, it is necessary to work as a team and not as individuals. Hence, the need for team targets for all five departments and ministries.

For example, if the Planning Commission fixes 920 BU as target for power generation, then two consequences will follow. First, CFRs of all five departments will have to include this as a 'team target.' Second, if this 'team target' is not achieved, all five departments will lose some points at the time of evaluation of CFRs. The relative loss of points will depend on the weight for the team target in the respective CFRs. To illustrate this point, let us take an example. The CFR for Ministry of Coal will consist of two type of targets. One will deal with coal production and other with 'team target for Power Generation.' Let us say they have a weight of 15 % and

2 % respectively. Now if the target of 920 BU for power generation is not achieved, even if the target for coal production has been achieved, Ministry of Coal will still lose 2 %.

The logic is that all team members must ensure (like relay race runners) that the entire chain works efficiently. To take the cricket analogy, there is no consolation in a member of the team scoring double century if the team ends up losing the match!! That is, the departments included for team targets will be responsible for achieving the targets jointly.

**Confidentiality**

It is possible that part of performance related information in CFRs of select departments may be of an extremely sensitive nature. In such cases, with the permission of a High-Power Committee (HPC) on Government Performance, such information may be placed in a sealed cover and sent directly to the Cabinet Secretary **only**. At the end of the year, performance against the targets in the sealed cover should also be sent to the Cabinet Secretary **only**.

**Diagrammatic Representation of Section 2**

Figure 3 on the next page presents the interrelationships between various elements of Section 2.

**Figure 3:** Interrelationship between Elements of Section 2

| | | |
|---|---|---|
| **VISION**<br><br>What the organization wants to be | | **G O A L S** |
| ↓ | = | |
| **MISSION**<br><br>What the organization needs to do to be what it wants to be | | |
| ↓ | | |
| **OBJECTIVES**<br><br>Desired end results of what the organization needs to do to be what it wants to be | = | **OUTCOMES**<br>Measurable and qualitative impact of outputs |
| ↓ | | **OUTPUTS**<br>Result of activities Includes external & internal outputs |
| **ACTIONS**<br><br>Policies, programmes, schemes, projects implemented to achieve the desired end results. Actions can be broken down into inputs, activities and outputs. | → | **ACTIVITIES**<br>Work performed with inputs |
| | | **INPUTS**<br>Financial, human & material resources |

SUCCESS INDICATORS

# Section 3: Trend values of the success indicators

For every success indicator and the corresponding target, CFR must provide actual values for the past two years and also projected values for two years in the future. The inclusion of actual values for the past two years vis-a-vis the projected values for the next two years will help in assessing the target value for the current year.

**Table 2:** Trend Values for Success Indicators

| Objective | Actions | Success Indicator | Unit | Actual Value for FY 12/13 | Actual Value for FY 13/14 (anticipated) | Target Value for FY 14/15 | Projected Value for FY 15/16 | Projected Value for FY 16/17 |
|---|---|---|---|---|---|---|---|---|
|  |  |  |  |  |  |  |  |  |
| Objective 1 | Action 1 |  |  |  |  |  |  |  |
|  | Action 2 |  |  |  |  |  |  |  |
|  | Action 3 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Objective 2 | Action 1 |  |  |  |  |  |  |  |
|  | Action 2 |  |  |  |  |  |  |  |
|  | Action 3 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Objective 3 | Action 1 |  |  |  |  |  |  |  |
|  | Action 2 |  |  |  |  |  |  |  |
|  | Action 3 |  |  |  |  |  |  |  |

If an action is being initiated in the current year, then no values would be listed in the previous year column. Also, in case an action is going to be completed in the current year, then no values would be listed in the next 2 years. Kindly do not copy Section 2 figures here and care should be taken that the date values are for the relevant year listed in the column.

# Section 4: Description and definition of success indicators and proposed measurement methodology.

CFR must contain a section giving detailed definitions of various success indicators and the proposed measurement methodology. Abbreviation/acronyms and other details of the relevant scheme may be listed in this section. Wherever possible, the rationale for using the proposed success indicators may be provided as per the new format recently incorporated in the SMART. Departments should specify in Section 4 of the CFR, the basis on which they have set the targets. The projected Trend Values also need to be specified preferably in section 4.

Supporting documents should be uploaded for each indicator regarding Targets and projected trend values

| SI. No. | Success Indicator | Description | Definition | Measurement | General Comments |
|---------|-------------------|-------------|------------|-------------|------------------|
|         |                   |             |            |             |                  |
|         |                   |             |            |             |                  |

## Section 5   **Specific performance requirements from other departments that are critical for delivering agreed results.**

This section should contain expectations from other departments that impact the department's performance and are critical for achievement of the selected Success Indicator. However, names of those departments only need to be incorporated where dependency is more than 20%. These expectations should be mentioned in quantifiable, specific, and measurable terms. While listing expectations, care should be taken while recording as this would be communicated to the relevant Ministry/Department and should not be vague or general in nature. This should be given as per the new format incorporated in the SMART.

| Location Type | State | Organization Type | Organization Name | Relevant Success Indicator | What is your requirement from this organization? | Justification for this requirement | Please quantify your requirement from this Organization | What happens if your requirement is not met |
|---------------|-------|-------------------|-------------------|----------------------------|--------------------------------------------------|------------------------------------|---------------------------------------------------------|---------------------------------------------|
|               |       |                   |                   |                            |                                                  |                                    |                                                         |                                             |
|               |       |                   |                   |                            |                                                  |                                    |                                                         |                                             |

It is important to note that this section is not meant to provide alibi for potential shortfalls in targets. Therefore, it is recommended that only a handful of key dependencies, perhaps not more than 5 or 6, should be mentioned in this section. The essence of management is to deliver results that are outside the boundary of direct control. Figure 4 on the next page illustrates the difference between administration and management.

### Section 6    Outcome / Impact of activities of department/ministry.

This section should contain the broad outcomes and the expected impact the department/ministry has on national welfare. It should capture the very purpose for which the department/ministry exists.

This section is included for information only and to keep reminding us about not only the purpose of the existence of the department/ministry but also the rationale for undertaking the CFR exercise. However, the evaluation will be done against the targets mentioned in Section 2. The whole point of CFR is to ensure that the department/ministry serves the purpose for which they were created in the first place.

The required information under this section should be entered in Table 3. The Column 2 of Table 3 is supposed to list the expected outcomes and impacts. It is possible that these are also mentioned in the other sections of the CFR. Even then they should be mentioned here for clarity and ease of reference. For example, the purpose of Department of AIDS Control would be to Control the spread of AIDS. Now it is possible that AIDS control may require collaboration between several departments like Health and Family Welfare, Information and Broadcasting, etc. In Column 3 all the departments / ministries jointly responsible for achieving national goal are required to be mentioned. In Column 4 department/ministry is expected to mention the success indicator(s) to measure the department/ministry outcome or impact. In the case mentioned, the success indicator could be "% of Indians infected with AIDS." Columns 6 to 10 give the expected trend values for various success indicators.

Like, Vision and Mission, Outcomes do not (and should not) change from year to year.

**Table 3:** Outcome / Impact of activities of department/ ministry

| S. No | Outcome / Impact | Jointly responsible for influencing this outcome / impact with the following organisation (s) / departments/ministry(ies) | Success Indicator (s) | Unit | 2012-2013 | 2013-2019 | 2019-2019 | 2019-2016 | 2016-2017 |
|---|---|---|---|---|---|---|---|---|---|
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

# III. Evaluation Methodology

At the end of the year, we look at the achievements of the government department, compare them with the targets, and determine the composite score. Table 4 provides an example from the health sector. For simplicity, we have taken only one objective to illustrate the evaluation methodology.

The Raw Score for Achievement in Column 6 of Table 4 is obtained by comparing the achievement with the agreed target values. For example, the achievement for first success indicator (% increase in primary health care centers) is 15 %. This achievement is between 80 % (Good) and 70 % (Fair) and hence the "Raw Score is 75%."

The Weighted Raw Score for Achievement in Column 6 is obtained by multiplying the Raw Score with the relative weights. Thus for the first success indicator, the Weighted Raw Score is obtained by multiplying 75% by 0.50. This gives us a weighted raw score of 37.5%

Finally, the Composite Score is calculated by adding up all the Weighted Raw Scores for achievements. In Table 4, the Composite Score is calculated to be 84.5%.

The Composite score shows the degree to which the government department in question was able to meet its objectives. The fact that it got a score of 84.5 % in our hypothetical example implies that the department's performance vis-à-vis this objective was rated as "Very Good."

The methodology outlined above is transcendental in its application. Various Government departments will have a diverse set of objectives and corresponding success indicators. Yet, at the end of the year every department will be able to compute its Composite Score for the past year. This Composite Score will reflect the degree to which the department was able to achieve the promised results.

| Departmental Rating | Value of Composite Score |
|---|---|
| Excellent = | 100% - 96% |
| Very Good = | 95% - 86% |
| Good = | 85 – 76% |
| Fair = | 75% - 66% |
| Poor = | 65% and below |

**Table 4:** Example of Performance Evaluation at the End of the Year

| Column 1 | Column 2 | Column 3 | | Column 4 | | Column 5 | | | | | Column 6 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Target / Criteria Values | | | | | | | |
| Objective | Action | Criteria / Success Indicators | | Unit | Weight | Excellent | Very Good | Good | Fair | Poor | Achievement | Raw Score | Weighted Raw Score |
| | | | | | | 100% | 90% | 80% | 70% | 60% | | | |
| **Better Rural Health** | Improve Access to Primary Health Care | 1 | % Increase in number of primary health care centers | % | .50 | 30 | 25 | 20 | 10 | 5 | 15 | 75% | 37.5% |
| | | 2 | % Increase in number of people with access to a primary health center within 20 KMs | % | .30 | 20 | 18 | 16 | 14 | 12 | 18 | 90% | 27% |
| | | 3 | Number of hospitals with ISO 9000 certification by December 31, 2009 | % | .20 | 500 | 450 | 400 | 300 | 250 | 600 | 100% | 20% |
| | | | | | | | | | | | **Composite Score =** | | **84.5%** |

# IV. CFR Process and Timelines (Illustrative)

**A. Beginning of the Year**

- At the beginning of each financial year, with the approval of the Minister concerned, each Department prepares a Commitment for Results (CFR) consistent with these guidelines.

- To achieve results commensurate with the priorities listed in the CFR, the Minister in-charge approves the proposed activities and schemes for the Ministry/Department. The Ministers In-charge also approves the corresponding success indicators (Key Result Areas – KRAs, and Success Indicators) and time bound targets to measure progress in achieving these objectives.

- Based on the proposed budgetary allocations for the year in question, the drafts of CFRs should be submitted to PMO by XXXX every year. The CFR should be aligned to the Plan priorities and Budget. To ensure uniformity, consistency and coordinated action across various Departments, the PMO shall review these drafts and provides feedback to the *Ministries / Departments concerned.*

- These draft CFRs should then reviewed by an independent group of non-government experts. This group is called the Advisory Task Force (ATF) and may consist of former Permanent Secretaries, distinguished academicians, former CEOs of public enterprises, and private sector domain experts.

- After the review by ATF, the CFRs are sent for approval of the High Power Committee (HPC) on Government Performance consisting of the Permanent Secretary, PMO (Chair), Finance Secretary, Expenditure Secretary, Secretary (Planning), and any other Secretary deemed necessary by PMO.

- The final versions of all CFRs, approved by HPC, should be put up on the websites of the respective Ministries by the XXXX of April[1] each year.

- The revised CFR of each Department/Ministry should be submitted to the Cabinet Secretariat, by the XXXX of each year.

**B. During the Year**

- After six months, the CFR as well as the achievements of each Ministry/Department against the performance goals laid down at the beginning of the year, is reviewed by the High Power Committee (HPC) on Government Performance and, if required, the Permanent Secretary of the Department concerned could be invited for resolving any disagreements. At this stage, the Commitment for Results may have to be reviewed and the goals reset, taking into account the priorities at that point of time. This enables us to factor in unforeseen or *force majeure* circumstances such as drought conditions, natural calamities or epidemics. The report of the High Power Committee on Government Performance is to be submitted to the Prime Minister, through the concerned Minister, for further action as deemed necessary.

**C. End of the Year**

- At the end of the year, all Ministries/Departments will review and prepare a report listing the achievements of their ministry/department against the agreed results in the

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[1] The month can vary from country to country, since the financial (budget) year varies across countries.

prescribed format. This report will be required to be finalized by the 1<sup>st</sup> of May each year.

- After scrutiny by the PMO, these results will be placed before the Cabinet for information by XXX of June each year.

## V. Timetable 2019-2020 CFRs (Illustrative)

| WHEN | | WHAT | WHO |
|---|---|---|---|
| **2019** | T | Submit final draft of Commitment for Results (CFR) Document for 2019-20 to XXX | Departments/ Ministries |
| | T+7 days | Review Meetings with the Ad-hoc Task Force (ATF) on CFR | Departments / Ministries / ATF/PMO |
| | T+30 days | Finalise CFR for 2019-20 after incorporating suggestions of High Power Committee (HPC) on Government Performance | Departments/ Ministries/PMO |
| | T+ 35 days | Place Commitment for Results s (CFRs) for 2019-20 on departmental websites | Departments/ Ministries |
| **2020** | T+45 days | Submit year-end evaluation report on progress during the year against commitments in CFRs for 2018-19 | Departments/ Ministries |
| | May 10-18 | Review Meetings with the Ad-hoc Task Force (ATF) on year-end evaluation results | ATF/PMO |
| | May 27 | Finalise year-end evaluation results after incorporating suggestions of High Power Committee (HPC) on Government Performance | PMO |
| | June 1 | Place the Evaluation Results before the Cabinet. | PMO. |
| | June 1 | Place the Evaluation Results on the website of the Ministry/Department. | Departments/ Ministries |

## VI. Mandatory Success Indicators for 2019-20 (Illustrative)
### (Government may choose some of the mandatory indicators from this list or from other lists)

| | Objective | Actions | Success Indicator | Unit | Weight | Target / Criteria Value | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Excellent | Very Good | Good | Fair | Poor |
| | | | | | | 100% | 90% | 80% | 70% | 60% |
| 1 | Efficient Functioning of the CFR System | Timely submission of Draft CFR for 2019-2020 for Approval | On-time submission | Date | 2 | Mar. 5 2019 | Mar. 6 2019 | Mar. 9 2019 | Mar. 10 2019 | Mar. 11 2019 |
| | | Timely submission of Results for 2018-19 | On-time submission | Date | 1 | May 1 2019 | May 2 2019 | May 3 2019 | May 6 2019 | May 7 2019 |
| 2 | Enhanced Transparency / Improved Service delivery of Ministry/Department | Rating from Independent Audit of implementation of Citizens' / Clients' Charter (CCC) | Degree of implementation of commitments in CCC | % | 2 | 100 | 95 | 90 | 85 | 80 |
| | | Independent Audit of implementation of Grievance Redress Management (GRM) system | Degree of success in implementing GRM | % | 1 | 100 | 95 | 90 | 85 | 80 |
| 3 | Reforming Administration | Update departmental strategy to align with revised priorities | Date | % | 2 | Nov.1 2019 | Nov.2 2019 | Nov.3 2019 | Nov.4 2019 | Nov.5 2019 |
| | | Implement agreed milestones of approved Mitigating Strategies for Reduction of potential risk of corruption (MSC). | % of Implementation | % | 1 | 100 | 90 | 80 | 70 | 60 |
| | | Implement agreed milestones for implementation of ISO 9001 | % of implementation | % | 2 | 100 | 95 | 90 | 85 | 80 |

| Objective | Actions | Success Indicator | Unit | Weight | Target / Criteria Value | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Excellent | Very Good | Good | Fair | Poor |
| | | | | | 100% | 90% | 80% | 70% | 60% |
| | % of Responsibility Centres with CFR in SMART | Responsibility Centres covered | % | 1 | 100 | 95 | 90 | 85 | 80 |
| | Implement agreed milestones of approved Innovation Action Plans (IAPs). | % of implementation | % | 2 | 100 | 90 | 80 | 70 | 60 |
| | | **TOTAL WEIGHT=** | | **15%** | | | | | |

## VII. CFR Submission Process (Illustrative)

All CFRs must be submitted to the Prime Minister's Office by 5:30 PM on Tuesday, XXX, 2019 in the following formats:

a. CFR data should be entered in the SMART software. It will be locked at 5:30 PM on XXXX 2019. To avoid last minute computer glitches, early entry of the relevant CFR data will be much appreciated.

b. Electronic copy of the CFR in PDF format should be sent to the following emails:
   - XXXXX@CCC.XXX

c. Printed Version (15 copies) should be hand delivered to Prime Minister's Offices:

   Prime Minister's Office
   XXXX

For more information, please visit our website: www.XXX.gov.XX

Please refer all enquires relating to these guidelines to:

XXXXX
XXXXXXX
XXXXXXXXXX