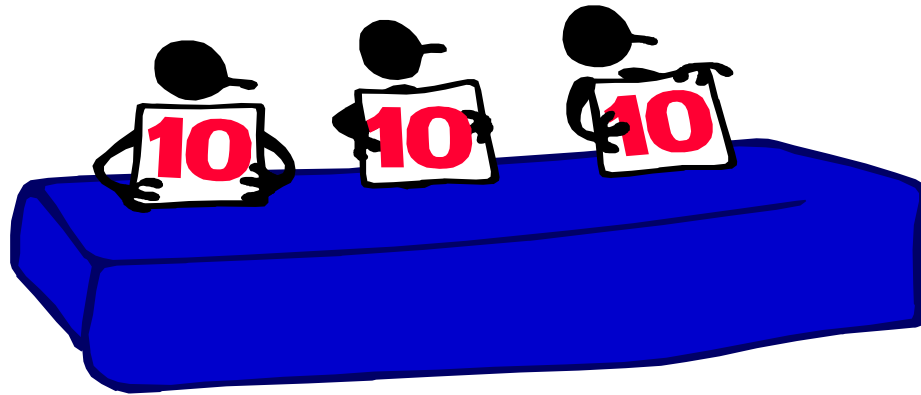


ASSESSMENT OF PUBLIC SECTOR PERFORMANCE



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Dimensions of Public Sector Performance Assessment

- Overall strategy assessment:
Macroeconomic analysis of expenditure policy
- Pre-expenditure assessment:
Evaluation of alternative investments
- Post-expenditure assessment:
Evaluation of public sector production and provision of goods and services

Parameters for Assessment of Overall Expenditure Strategy

- Public policy framework
 - Public policy objectives, needs, priorities
 - Rationale for public sector intervention
 - Alternative modes of public sector intervention
- Implementation
 - Specific design features
 - Private sector responses
 - Efficiency consequences
 - Distributional consequences
 - Reconciliation of economic efficiency, social equity, and political trade-offs

Pre-Expenditure Assessment: Cost-Benefit Analysis

Key features of cost-benefit analysis

- Comparison of project benefits with project costs
 - Principle of the rational decision
 - Dilemma of theory vs. practice
- Measuring project benefits and project costs
 - Financial vs. economic vs. social
 - Real vs. pecuniary
 - Direct vs. indirect
 - Tangible vs. intangible
- Adjusting project benefits and project costs
 - Discount rate, shadow pricing, distributive weights

Decision rules for the selection of projects

- Fixed vs. variable budget, divisible vs. lumpy projects

Post-Expenditure Assessment

Rationale

- “Bang for the Buck” or “Value for Money”
- Close Fiscal Gap Without Increasing Revenue
- Transparency, Accountability, Good Governance

Models

- Public Expenditure Review (PER)
- Data Envelope Analysis (DEA)
- Comparative Performance Measurement (CPM)

MEASUREMENT OF EXPENDITURE EFFICIENCY AND EFFECTIVENESS

<i>PURPOSE OF MEASUREMENT</i>	<i>TARGET OF MEASUREMENT</i>	<i>TYPE OF MEASUREMENT</i>	<i>POSSIBLE ADJUSTMENT</i>
EXPENDITURE EFFICIENCY (COST EFFICIENCY)	PRODUCTION COSTS (INPUTS)	TOTAL QUANTITY, UNIT COSTS, RELATIVE COSTS	INFLATION, INPUT PRICES, TECHNOLOGY
EXPENDITURE EFFECTIVENESS (COST EFFECTIVENESS)	PRODUCTION RESULTS (OUTPUTS & OUTCOMES)	TOTAL QUANTITY, QUALITY RATIOS, PERFORMANCE STANDARDS/ BENCHMARKS	DEMOGRAPHICS, GEOGRAPHY, PRIVATE GOODS

**→ MEASUREMENTS SHOULD BE TRACKED OVER TIME AND
COMPARED BETWEEN SECTORS/JURISDICTIONS**

CASE STUDY: INDONESIAN MUNICIPALITIES

- Municipalities in Indonesia sorted by city size
- Performance indicators formulated using readily available data generated by the municipalities themselves
- Performance of municipalities compared, within subsets of cities with similar characteristics



FIGURE 17.
TOTAL LOCAL REVENUE PER CAPITA FOR
LARGE CITIES: FISCAL YEAR 1990/91

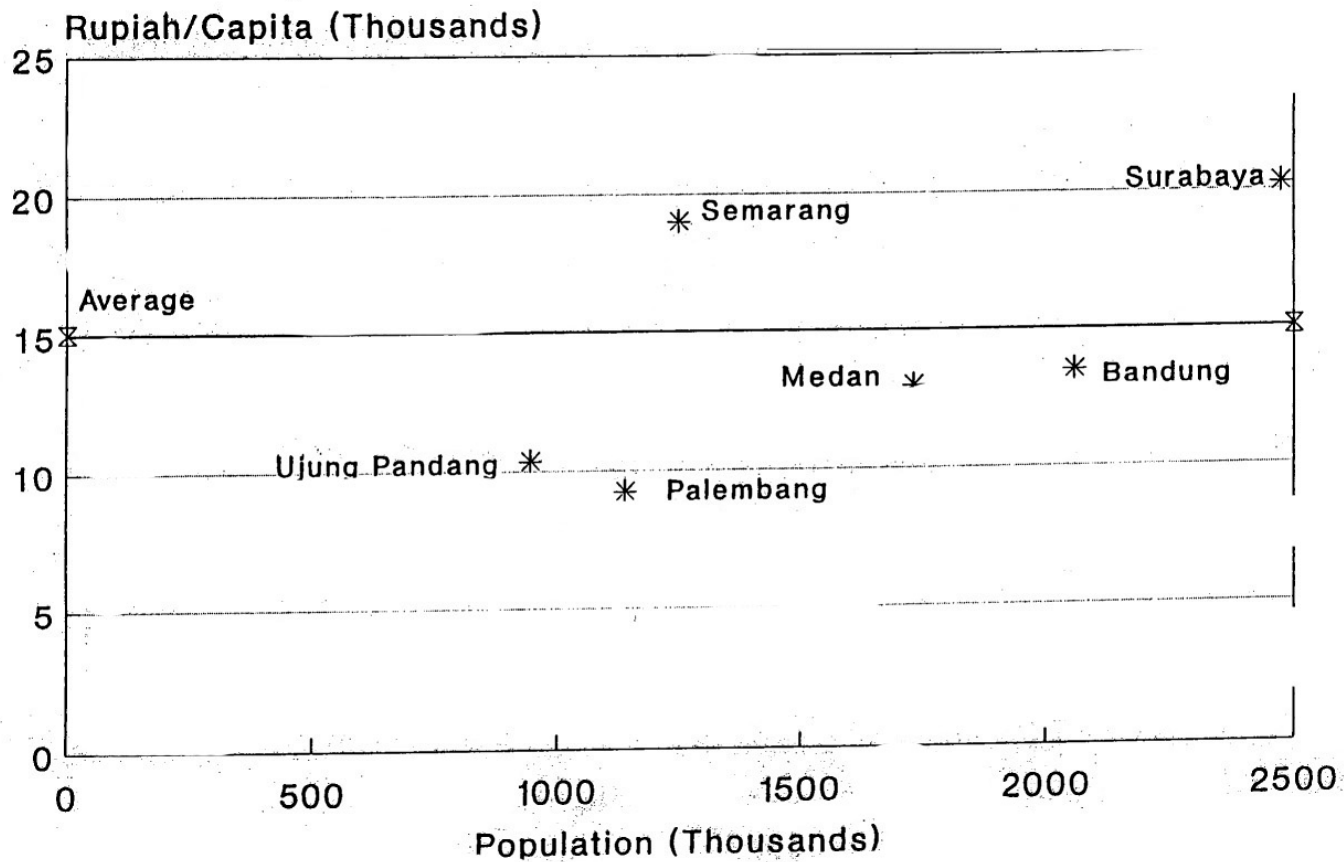


FIGURE 18:
TOTAL LOCAL REVENUE PER CAPITA FOR
MEDIUM CITIES: FISCAL YEAR 1990/91

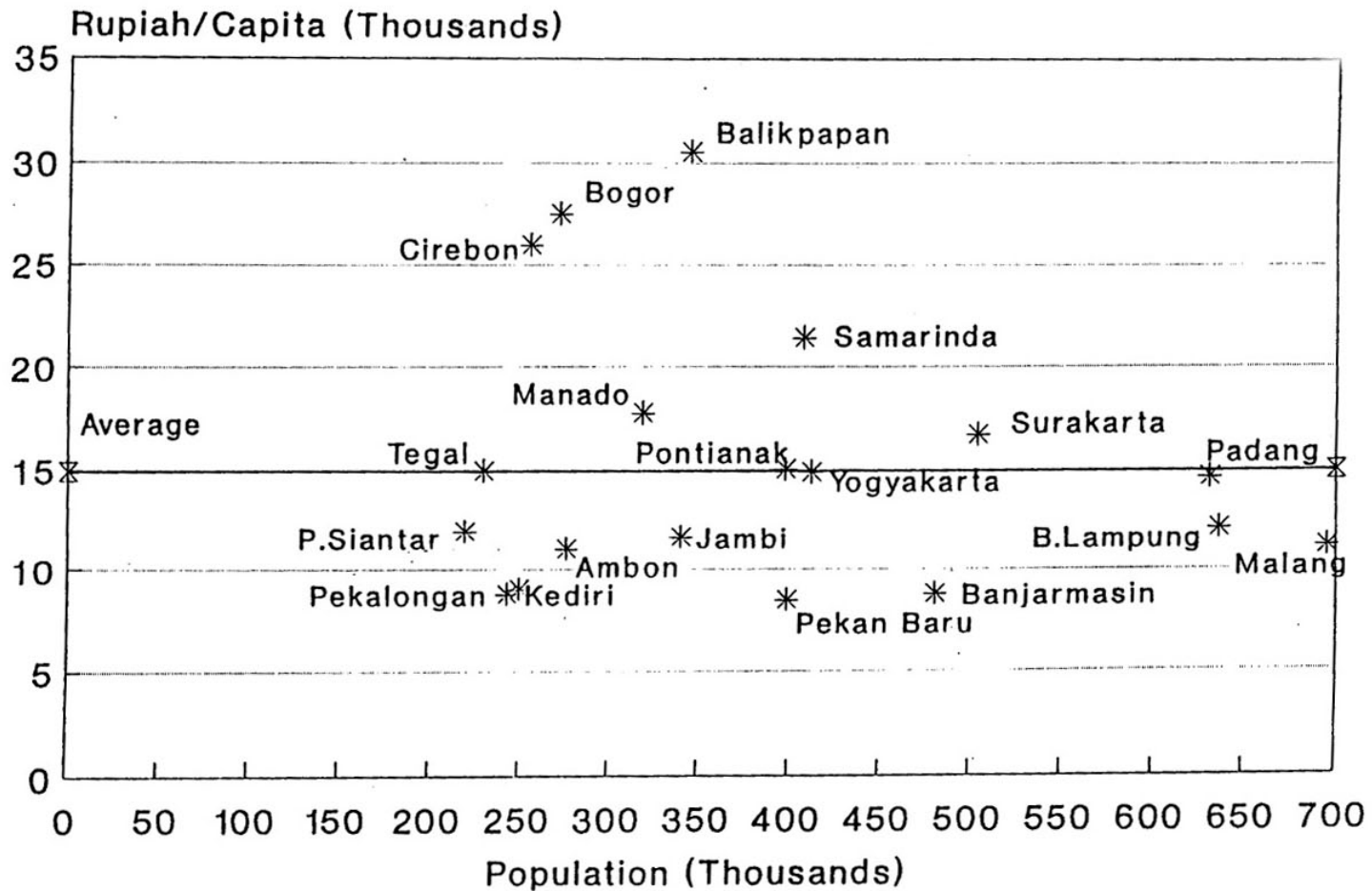


FIGURE 19:
TOTAL LOCAL REVENUE PER CAPITA FOR
SMALL CITIES: FISCAL YEAR 1990/91

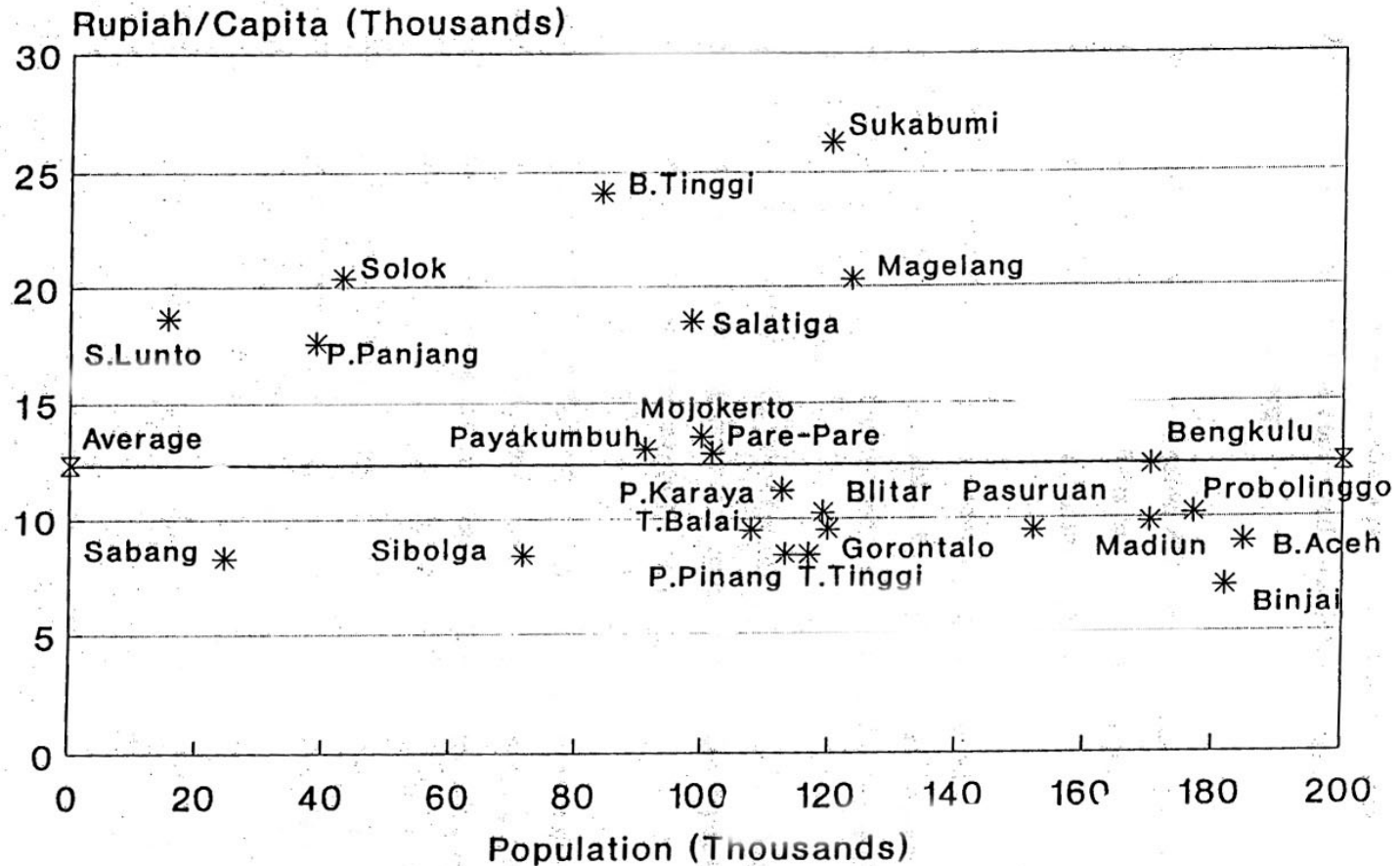


FIGURE 20: REVENUE GENERATION IN LARGE CITIES: SURABAYA VERSUS BANDUNG

<u>PERFORMANCE INDICATOR</u>	<u>SURABAYA</u> (Pop. 2.5 m)	<u>BANDUNG</u> (Pop. 2.1 m)
1) Local Revenue/Cap.	1) Rp 20,248	1) Rp 13,509
*Property Tax/Cap.	3,816	2,567
*Local Taxes/Cap.	6,255	5,616
*Other Local/Cap.	10,176	5,236
2) Local/Total Rev.	2) 66.2%	2) 40.4%
*Prop. Tax/Total R.	12.5%	7.7%
*Loc. Tax/Total R.	20.4%	16.8%
*Other L./Total R.	33.3%	15.9%

All Figures for FY 1990/91, in Current Prices.

FIGURE 20:
REVENUE GENERATION IN LARGE CITIES:
SURABAYA VERSUS BANDUNG (continued)

<u>PERFORMANCE INDICATOR</u>	<u>SURABAYA</u>	<u>BANDUNG</u>
3) Expenditures/Cap.	3) Rp 30,202	3) Rp 23,551
*Routine Exp./Cap.	13,291	12,911
*Dev. Exp./Cap.	16,911	10,640
4) Employees/000 Pop. (Excl. Teachers)	4) 1.6	4) 2.7
5) Local Rev./Employ.	5) Rp 12,365	5) Rp 5,059

All Figures for FY 1990/91, in Current Prices.

FIGURE 21:
REVENUE GENERATION IN MEDIUM CITIES:
CIREBON VERSUS TEGAL

<u>PERFORMANCE INDICATOR</u>	<u>CIREBON</u> (Pop 254,477)	<u>TEGAL</u> (Pop 229,553)
1) Local Revenue/Cap.	1) Rp 25,957	1) Rp 14,900
*Property Tax/Cap.	2,898	1,937
*Local Taxes/Cap.	2,521	2,592
*Other Local/Cap.	20,537	10,372
2) Local/Total Rev	2) 47.9%	2) 44.1%
*Prop.Tax/Total R.	5.4%	5.7%
*Loc. Tax/Total R.	4.7%	7.7%
*Other L./Total R.	37.9%	30.7%

All Figures for FY 1990/91, in Current Prices.

FIGURE 21:
REVENUE GENERATION IN MEDIUM CITIES:
CIREBON VERSUS TEGAL (continued)

<u>PERFORMANCE INDICATOR</u>	<u>CIREBON</u>	<u>TEGAL</u>
3) Expenditures/Cap.	3) Rp 46,370	3) Rp 30,062
*Routine Exp./Cap.	31,107	19,835
*Dev. Exp./Cap.	15,263	10,227
4) Employees/000 Pop. (Excl. Teachers)	4) 6.1	4) 4.6
5) Local Rev./Employ.	5) Rp 4,223	5) Rp 3,267

All Figures for FY 1990/91, in Current Prices.

FIGURE 22:
REVENUE GENERATION IN SMALL CITIES:
BUKIT TINGGI VERSUS TEBING TINGGI

<u>PERFORMANCE INDICATOR</u>	<u>BUKIT TINGGI</u> (Pop 83,749)	<u>TEBING TINGGI</u> (Pop 116,749)
1) Local Revenue/Cap.	1) Rp 24,119	1) Rp 8,414
*Property Tax/Cap.	2,125	2,521
*Local Taxes/Cap.	3,598	2,340
*Other Local/Cap.	18,397	3,553
2) Local/Total Rev.	2) 30.3%	2) 24.3%
*Prop. Tax/Total R.	2.7%	7.3%
*Loc. Tax/Total R.	4.5%	6.8%
*Other L./Total R.	23.1%	10.3%

All Figures for FY 1990/91, in Current Prices.

FIGURE 22:
REVENUE GENERATION IN SMALL CITIES:
BUKIT TINGGI VERSUS TEBING TINGGI (continued)

<u>PERFORMANCE INDICATOR</u>	<u>BUKIT TINGGI</u>	<u>TEBING TINGGI</u>
3) Expenditures/Cap.	3) Rp 79,420	3) Rp 34,598
*Routine Exp./Cap.	55,241	16,932
*Dev. Exp./Cap.	24,179	17,666
4) Employees/000 Pop. (Excl. Teachers)	4) 9.8	4) 5.4
5) Local Rev./Employ.	5) Rp 2,463	5) Rp 1,562

All Figures for FY 1990/91, in Current Prices.