MERCATUS CENTER
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TESTIMONY

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For

Committee on Government Reform
United States House of Representatives

Subcommittee on the Federal Workforce and Agency Organization

July 13th 2005
On

"Turning Bureaucrats into Plutocrats: Can Entrepreneurialism Work in the Federal Government"

The Machinery of Government

Introduction

Mr. Chairman, I thank you and the members of the Committee for the invitation to give testimony in front of your committee.

Mr. Chairman a strict interpretation of the title of this hearing might create an undesirable impression. The concept of plutocracy is a form of governance that is unlikely to gain any public support. Governing by an elite class of the wealthy would be a major step backwards, so I am opposed to turning bureaucrats into plutocrats. This was probably an unintentional use of the term plutocrat. With regard to entrepreneurialism, if it refers to innovative and creative agencies that continuously find new and better ways of succeeding at their assigned tasks and producing better outcomes for the public, then I am fully supportive. If, however, it means agencies are supposed to continually seek out new things to do, regardless of congressional intent, then I am opposed. The challenge of public management is to incentivize agencies to utilize creativity and ingenuity in producing the outcomes that policymakers have decided they want to achieve.

In fact, what I believe we are all seeking here is a results focus on management in government that will find innovative and creative ways to solve societal problems. That is the concept that I address with this testimony.

My comments are based upon the practical experience of being an elected Member of Parliament and a Cabinet member in the Government of New Zealand when that country was making massive changes to the machinery of government. The structural changes that I recommend are not merely theories or proposals, but a recounting of actual changes made and the reasoning for those changes. I am also confining my comments to broad principles rather than minute detail; however, I am happy to provide much more detail through questions at the hearing or by written response later.

A rephrasing of the question that led to this testimony could read: What changes would need to be made to the business practices of government departments and agencies to make them more innovative and successful in solving societal problems? My answer to that query is contained in part in the rationale laid out in the written testimony of Speaker Newt Gingrich. The other part of my answer is contained in the structural changes that I recommend in what I describe as the "Machinery of Government".

My definition of the Machinery of Government is: those processes and structures that convert the intent of the majority of our democratically elected representatives into actions that produce the desired outcomes in the form of benefits to the public.

To understand the operation of this machinery of government it is necessary to accept this very simplified description of how the process of government functions. Governments are traditionally made up of the following two structures: control agencies and delivery organizations.

<u>Control Agencies</u>

In most functioning democracies, typically the following control agencies exist with some form of the roles I describe here:–

> The Administration: (The White House) Normally responsible for policy development and setting the government's agenda.
>
> The Legislature: (The Congress) Empowered to pass laws, to accept or decline policy initiatives, approve taxes and determine both the quantity and the purposes upon which tax monies will be spent also responsible for the review of results achieved.
>
> The Finance Department: (The Office of Management and Budget) Responsible for the preparation of the budget (the governments spending plan), the monitoring of spending to

see that it complies with the instructions in appropriations, the review and costing of policy initiatives, and to provide economic advice to government

The Personnel Department: (Office of Personnel Management) Responsible for the government's human capital and ensuring that the government has the skills and talent necessary to carry out the services required for the successful functioning of government. (This is frequently a weak and misunderstood role.)

Delivery Organizations

Delivery organizations are those departments and agencies of government responsible for carrying out the activities approved by policymakers and producing the desired public benefit determined by the political process. These organizations may undertake the delivery of services themselves or sub-contract that activity to other levels of government, to the voluntary sector, the non-profit sector, to private sector businesses or to other non-government groups. Regardless of the arrangement made, the agency in charge of contracting out the activity should remain accountable for the result. These activities are funded either by appropriation or by cost recovery from the consumers of their goods and services.

Traditionally governments have chosen to use a bureaucratic model for the management of these organizations, but more and more, governments are moving to a new results- based management style. The following is a cursory description of the two different models.

The Bureaucratic Model

Most governments traditionally have operated a management system for its departments based upon the bureaucratic model. Under this system, the department tended to develop over time the mantle of an institution of government with something of a divine right to exist in perpetuity. Therefore, questioning the institution's performance was fraught with implied recrimination. The original purpose of the organization also was often lost in antiquity and masked by its expansion into areas of activity that bore little or no relationship to its core business. In other words, these institutions had become conglomerates with the lack of focus and accountability that often plagues conglomerates.

This model, in very general terms, worked on the basis of an allocation of money by the legislature to a specific activity that was directed at a societal issue. The allocation tended to focus on controlling inputs and defining the activity, while accountability tended to concentrate on whether the money was spent on the identified activity and whether the activity did indeed take place. In this model, the benefit tended to be presumed because the money was spent as directed. Measurement focused on the quantity of activity rather than the benefit produced. The culture of bureaucracies tended to develop around the concept of serving the demands of the administration and the legislature rather than addressing and solving the needs of the people. In only rare cases was there a requirement to produce evidence that the desired outcome was actually achieved.

The implicit assumption of this management model is that beneficial results would occur automatically as long as the agency spent its appropriations as directed. No creativity or ingenuity on the part of the agency was considered necessary; policymakers exercised all the ingenuity necessary when they created the program and specified how the agency was to spend the money.

In my view, it is this management model more than anything else that has led to such poor performance in affluent countries on issues like homelessness, illiteracy, dependency, poverty, and crime. The desire of the legislature to control the activity rather than demand the outcome contributed to this lack of success.

The Results Based Model

In recent times, governments have started to question whether they were getting the public benefits they sought through the bureaucratic model and whether a better system of management might be available. This analysis has moved many governments to adopt a variety of new systems where there is a shift in the focus of accountability towards measuring results. In this model, the allocation of resources takes the form of a purchase agreement where a certain activity is predicted to produce a specific result and the agency is, in turn, held accountable for achieving that result.

This is an evolving process and no one system is perfect. Yet, the evidence points to improvements in both resource allocation and in the quantity of public benefit achieved. The difference in philosophy is that the results model focuses more of the accountability on the outcome and less on the outputs and inputs. For example, the measures of success would be the reduction of crime, not the number of prosecutions; the reduction of dependency, not the numbers of people who received transfer payments, the number of sustainable new businesses started, not the quantity of businesses assisted etc.

Designing the Organizations of the Future

If there is to be a move towards a results-based culture, then the structures of accountability and the relationship between the government and its delivery organizations needs to change. It is unreasonable to expect organizations and individuals to adopt a culture of accountability based on assessing their performance against the results produced unless they are given a structure that enables them to succeed under this result- based accountability regime. Such a system must also produce incentives and rewards that encourage this culture shift towards results accountability.

The following principles are essential to the success of any move towards results based accountability in government.

Principle One: Certainty and Clarity

If the Government of the United States is to improve the wellbeing of its citizens and the health of its economy, then achieving clarity and certainty with regard to government's intentions is the first place to start.

If people working in government are to be held accountable to a new standard, then they need to know with precision what they are accountable for and to whom they are accountable. This means they need certainty in leadership (at a day-to-day managerial level) and certainty in terms of what they are to deliver.

Directorship

When establishing results-focused government organizations, it is essential to address two managerial functions: directorship and management. Government organizations need to separate these two functions. Directorship is the prerogative of the Administration's appointees; it involves determining policy initiatives and the priority given to initiatives. Decisions taken at this level would then form the basis of the instruction to the management function to deliver that desired outcome. By this mechanism, control over the activities of the organization would remain where it should – with the political process.

Congress' control comes through the authorization and appropriations processes.

Management

Management is the function that takes responsibility for the delivery of the directorship's desired services. This function needs to be based on competency to manage and deliver results. It should have a permanence and competency that gives clarity of purpose, clear leadership and authority to employees, and confidence to the public. The managerial function should not be exposed to the vagaries of the changing fortunes of the political process. However, it should remain accountable to the political process for the delivery of the goods and services commissioned by that political process. This would smooth the transition from one Administration to another – seeing that day-to-day activity continued until different policy was approved.

Chief Executive Officer

The organizations of the future should be managed by a Chief Executive Officer (CEO) who is chosen based on evidence of competency to do the job. These should be jobs that are widely advertised and available to people with the capability of successfully managing this organization. The preeminent qualification for selection should be competency, and the grounds for termination should be non-performance. Appointment to these positions should not be a sinecure for existing civil servants.

Once chosen, this CEO should be given a fixed-term contract that can only be terminated for non-performance. There should be the opportunity for a once-only extension of this contract at the end of the initial term – after which, the appointee must leave. The cumulative term available to a CEO at any organization should be less than 10 years. Remuneration should be based upon market rates for similar executive responsibilities in the private sector. Any linkages to the salaries of Members of Congress, the Administration or the President should be terminated.

The CEO should be directly accountable to a political person -- presumably a Cabinet Secretary who would negotiate with the CEO a performance contract that would determine if the CEO was doing the job expected. The Cabinet Secretary, with or without the input of the other political appointees making up the directorship of the organization, would have responsibility for identifying the outcomes the CEO is expected to produce. The Cabinet Secretary would also have responsibility for defining with the CEO the core business of the organization, but the CEO would be responsible for the day-to-day operations of the organization.

In a similar manner, the CEO would negotiate performance contracts with his or her management team and throughout the organization. The purpose of these performance contracts is to not only provide clarity about tasks and purpose at all levels, but also to move the organization to a results culture. The end result would be that all employees were working on an individual performance contract directly linked to the function they carried out in the organization.

The Funding Process

To provide clarity with regard to what is expected to be delivered, appropriations, once passed by the Legislature, would be converted into purchase contracts with the CEO. These would be legally enforceable public documents that could only be changed by agreement with all of the parties. These purchase documents would be the result of intense negotiations between the Cabinet Secretary and the CEO to determine the price, quantity, and priority of outputs that need to be produced to achieve the outcome the government desires. They would also be available to the legislature during its consideration of the budget. The CEO can challenge the purchase contract if the contract is undeliverable because the outputs are inappropriately priced, or the activities will not deliver the desired outcome, or if resources have been directed in such a manner as to prejudice optimal performance.

With this clarity regarding deliverables, a very strong basis for accountability exists. Failure to deliver the outputs specified in the purchase contract would be grounds for dismissal of the CEO. However, full delivery of the contract by the CEO and a failure to achieve the outcome sought would be a policy failure and the fault of the policymakers , because they bought the wrong goods and services. Because the CEO and the department is governed by the requirements of the purchase contract, it is not possible for the department to be required to undertake unfunded mandates during the year; they are required to deliver only what is in that purchase agreement. Any change to the activities of the department during the year must be reflected by changes to the purchase agreement. That means that the Cabinet Secretary or the Legislature must either agree to eliminate some current activity to fund the new activity or provide additional monies.

Principle Two: Authority to Manage

If the CEO is to be successful in producing a results-based, high performance organization, then he or she must be given the authority to manage. There must be absolute certainty over the definition of the organization and its core business and authority to manage all of the physical assets, the hiring firing and remuneration of staff and the disposition of all inputs and resources.

Given that negotiations between the Cabinet Secretary and the CEO have established the core business of the organization, then latitude can be given in the following areas. If the CEO and the organization are to have a realistic chance to succeed in producing results, then they need full authority to manage all the resources available in a manner consistent with achieving the results sought in the contract. This means full control over the number of staff, their remuneration and terms and conditions of employment, purchase of inputs, the management and disposal of capital assets and the location of new facilities.

The development of a full set of books for the organization identifying all financial and physical assets, all revenues and all expenditures, and complying with generally accepted accounting standards, is essential. These books should be independently audited annually. It is also appropriate to impose incentives like a capital charge to make certain that the government is getting the best value out of its resources. By contrast, however, it is unacceptable to impose input controls on staff numbers or on the skill or grade levels of staff, as these are inherently the functions of management. Accountability should lie in the delivery of outputs.

It is appropriate to have in the performance agreement with the CEO a clause reviewing the organization's performance status. This can be most effectively assessed by measuring whether the government's ability to be effective in this organizations field has improved, remained static or diminished. Unsatisfactory performance against this criterion would also meet the grounds for non-performance dismissal.

Structural Changes Consequential to the Changes Recommended Above

Office of Personnel Management (OPM)

The concept of a central employing agency for the government is redundant, and OPM should cease to have that function. CEOs should be held responsible for meeting the criteria of being a good employer, for choosing the right talent for their organization and determining appropriate remuneration and performance incentives based on current labor market conditions. If they are not capable of managing that responsibility successfully, then they should not be CEO.

If OPM is to have a role into the future, it should be to guarantee to the President the capability needs in each government organization to ensure successful completion of the government's agenda. This would involve auditing organizations' current human capital capability, identifying their human capital capability needs of the future, and helping organizations design strategies to bridge the gap. OPM should also be the advisor to the President and Congress on human capital risks facing the government and the potential consequences of those risks. Absent this role, OPM as an organization should cease to exist.

Congress

For these reforms to be successful there would need to be reforms to Congress as well. As political management of the future will succeed or fail on its ability to produce the outcomes the public needs, then Congress's approach to its business needs to reflect its concentration on meeting those public expectations.

Congress needs to scrap, in total, its current committee structure and build a new committee structure around sectoral outcomes. Under this structure, committees would become expert in a particular sector, and all issues affecting that sector would be referred to that committee regardless of which department was handling that issue. For example, all issues on education would go to the education committee, all issues on security would go to the security committee, all issues on agriculture would go to the agriculture committee, and all issues on transportation would go to the transportation committee. Added to this, all oversight committees should be required to examine the budget relating to their sectoral area and make recommendations to the appropriations committee on acceptance or rejection of Administration proposals. Appropriators should be required to take note of the recommendations of oversight committees and give reasons why they decided to reject the recommendation of an oversight committee.

Such a restructuring of Congress would also require the development of a new set of appropriation accounts that reflected the new approach by government of managing towards outcomes.

Re-authorization

Congress needs to urgently deal with the backlog of re-authorizations. The amount of unauthorized activity currently being funded runs into the hundreds of billions of dollars. But this backlog also constitutes an opportunity, as the re-authorization process provides the opportunity to much more specifically target this activity.

Each re-authorization should identify:

- What caused this problem?
- Will this activity eliminate the cause of the problem or will it only alleviate the consequences of the problem?
- What is the outcome sought?
    - e.g. Improved literacy
- How much is illiteracy to be reduced?
    - e.g. 60%
- Over what period of time?
    - e.g. Five years
- When will this problem be eliminated?
    - e.g. 10 years from now

Such precise direction would bring a whole new level of energy to the problem and the opportunity for dramatically improved accountability.

Conclusion

While this statement makes these recommendations seem rather straightforward and easy to accomplish, let me assure you they are not. The details that are not present in this paper are prodigious and difficult, but the end results are worthy of the effort. Some 16 years after initiating these changes in the government of New Zealand, you will not find any advocates in the civil service for a return to the old management systems. Prior to making these changes, public approval ratings for government organizations hovered around 30 percent; five years later it was above 70 percent and it has remained consistently at this higher level of approval. In my view, the minimum standard we should expect from our public organizations is a managerial and results performance equivalent to that of the top 5 percent of the Fortune 500 companies in the private sector. Given the right structure and the right incentives, that can be achieved.

APPENDIX I

Note: The following appendix is a précis of some of the changes that have occurred in other governments around the world. Some of the research in the appendix is now dated, as the study was done some time ago. However, it still provides some indication of the approach taken by these countries.

How did the Government of New Zealand address these challenges?

Starting around 1986 the Government of New Zealand commenced a massive reform of the civil service, the departments and agencies of the government and the relationship between The Cabinet, The Parliament, and The Departments.

The goals of these reforms were:

- To make the government effective at solving social and economic problems that had been plaguing the country for the previous 30 years.
- To terminate our long history of running government deficits. (Twenty-three successive years)
- To improve the competitiveness of New Zealand businesses in the world marketplace.
- To lower the burden of taxation on New Zealanders while improving the fairness of the tax system and concurrently to encourage Foreign Direct Investment in New Zealand.
- To lower levels of unemployment by creating more jobs in the economy.
- To dramatically improve the performance of the Government's departments.
- To make Government accountable for achieving the public benefits it had promised.

The goals mentioned above include a number that are policy related but I am now going to focus only on the agencies of government role in the process of reform.

The Reform Process

The standard for reforming the departments of the government was to ensure that they be equal in managerial skill and achievement to the top 10 percent of companies in the private sector.

The first stage in the process was to evaluate the procedures for governance of the Government's organizations and management of the Government's resources. This evaluation process led to the writing of a new law "The State Sector Act" and the repeal of all the old laws that controlled the public sector. This new law was designed to provide a managerial and governance structure that would allow these departments to perform with the same levels of success and competence as their private sector counterparts.

- The first principle of this new law was that the Government bought goods and services from these organizations designed to achieve specific social or economic results. So the new relationship was to be built around a purchase and delivery agreement. This document was in the form of a contract and was binding on both parties and could only be changed during the term of the contract by the agreement of both parties. It was also designed to give absolute clarity as to what was to be achieved

- The next principle was personal responsibility for performance. The Manager of the department should be held personally responsible for the performance of the department in delivering the goods and services specified in the purchase agreement.

To put these principles into action, a new position was created that was equivalent to a private sector Chief Executive Officer (CEO).

- This CEO is chosen based on evidence of their competency to do the job.
- The position is advertised worldwide.
- A panel of experts interviews the applicants and the successful candidate is chosen and a recommendation is made to Cabinet that this person should be appointed.
- Cabinet by law may only accept or reject the recommendation. It may not nominate an alternative.
- Once accepted the candidate is given a term contract of employment for 5 years with a possible extension of 3 more years. Then, they must leave the position.
- This contract may only be terminated for non-performance of the assigned duties.
- A new Government or a new Minister cannot terminate this contract for political or preference reasons.

One of the reasons for this initiative is to guarantee to the nominee security of tenure so managerial change can be effectively implemented. Incidentally, about 40 percent of the successful applicants have not been New Zealanders.

Together with the employment contract the Cabinet Minister holding the portfolio for that department will have a performance agreement with the CEO. This will stipulate the performance expectations of the Minister, the criteria for earning bonuses, and the conditions for increases in salary plus other appropriate requirements of the CEO.

- The duty of the CEO is to implement fully the purchase contract, which will specify the quantity of each service to be provided, its quality, timeliness, availability throughout the country, the target groups in society it is meant to service and the price per unit.
- The CEO has total control over all assets of the Department, how many staff he or she employs, what qualifications they have and how much they are paid.
- The CEO also has total control over all purchasing arrangements for the department and also for the negotiating and managing of all contractual activity affecting the department.

- Neither the Minister nor the Parliament can interfere in the day-to-day running of the department. The only way the Minister or Parliament can change what the CEO is doing is to change the purchase contract.

Ministerial control comes from negotiating the purchase contract and then including it in the Government's Budget.

Parliamentary control comes from approving the Budget and the purchase contract.

The CEO's control comes from being able to manage all the resources at his or her disposal in the best possible manner to achieve the agreed results. Failing to produce the agreed results could also cost the CEO his job, as that would be a clear case of non-performance.

The CEO naturally has similar contractual arrangements with his or her senior management team and indeed every civil servant now has a performance agreement. Wages, salaries, and terms and conditions are by negotiation and could differ significantly between departments with the rules of supply and demand applying. Exit and re-entry to the civil service has been made much easier so that it is possible to attract people back into public service after they have spent time in the private sector. Many of their benefits as public employees have full portability. Financial loss does not preclude mobility among employees since much of the best practice is imported with new or returning employees.

While there was considerable apprehension from civil servants at the beginning of this process it would be difficult to find one civil servant today who would want to go back to the old way of running departments.

The Results

- What did the public think?
- In the mid-1980's polling told us that the public gave government departments about a 30 percent approval rating. By the mid-1990's that approval rating had shot up to a 70 percent approval rating.
- Why had public opinion changed so dramatically? Now the public could see that government was making progress on important issues. The economy was growing strongly, unemployment had fallen sharply from 12 percent to 4.5 percent, per capita income had climbed into the top ten in the world, social problems like dependency, were falling and schools were improving.
- The real answer though was that we now had government organizations that were equal in performance to the best in the private sector they were focused on achieving their goals and they had developed a non- partisan, highly skilled, highly ethical professional workforce that was committed to succeeding.

Is the experience of New Zealand unique?

The answer is a resounding no. There are many countries that are pursuing reform with significant success but here are three that are comparable:

Singapore

- The key to its success: It pays its 70,000 civil servants well. An entry-level administrative officer makes S$33,000 (US $33,000).
- Prior to gaining independence in 1959, Singapore was incredibly poor. Most adults lacked a primary level education. Less than 7 percent of the population was in professional, technical, or managerial occupations. In 1958, 25 percent of the population lived below the poverty level. Underemployment, drug addiction, crime, gambling and prostitution were widespread. Families were large (seven children on average)
- Today Singapore is a very different place, largely due to change in how the country operates: in its national identity. It affected a cultural change in the bureaucracy. To counter the bureaucratic malaise and apathy that emerged in the colonial period, Lee Kuan Yew recruited the "best and brightest" to serve in the administration, improved salaries, and working conditions, accelerated promotions for "high flyers", reduced staffing, discouraged corruption, and worked to change the values of the civil servant
- Policies have been pragmatic and flexible. Respect stems not only from the government's integrity, but also from its success in providing affordable housing, health care, public transportation, and education. Per capita income has risen from about $1,600 in 1965 to US $33,000 in 1997. Unemployment and extreme poverty have been virtually eliminated.

Hong Kong

- It also pays its civil service well. An administrative officer makes HK $336,000. (US $43,000) (Asian Wall Street Journal, 11/4/00)
- In a survey conducted by Hong Kong's Civil Service Bureau, 70 percent of the respondents were satisfied with the civil service whom they consider efficient. It is rated in the Asian Intelligence Report published by the Political & Economic Consultancy Ltd, as the least bureaucratic place to do business out of 14 countries surveyed including Australia, the U.S. and the U.K.
- The roots of Hong Kong's civil service date to the British colonial period. It has always played a major role in governing Hong Kong. With its emphasis on political neutrality, efficiency, impersonal staffing, and dedicated service, public officials tend to think of themselves as guardians of the public welfare.
- And after reunification with China in 1997, the civil service continues to be widely regarded as a system with certain core values: integrity, political neutrality, and accountability.
- Hong Kong's civil service operates under four principles: being accountable, living within means, managing for performance, and developing a culture of service.

Ireland

- Once the poorest performing economy in Europe Ireland is now considered the best.
- Where unemployment was rampant by European standards at constantly around 19% to 22% it is now around 4.5% about the lowest in Europe.
- Ireland today is bringing in migrants form Eastern Europe because they cannot fill the vacancies in the local workforce.
- At the same time Ireland has had dramatic reductions in taxation and it has eliminated deficits.
- Per capita income in Ireland has now exceeded the European average for the first time ever.

Lessons Learned

Are there common factors linking the performance of the aforementioned countries?

The answer is yes. There are significant similarities even though each government has approached issues of governance from a different perspective.

The commonalities are as follows:

1) They have each realized that success lies in finding ways to creatively use their population to best advantage through highly successful education systems.

2) They recognize that the competitiveness of their businesses is the key to lifting per capita income so government is very conscious of not placing unnecessary restraints or costs on business.

3) They each recognize that every dollar taken for government purposes diminishes job creation and wealth creation in the economy.

4) They recognize that government needs high performance organizations. That means professionalism, ethical behavior and skilled capable people in public service.

APPENDIX II

The following is an excerpt from testimony given before Congress by Maurice McTigue in 1997

NEW ZEALAND'S REASONS FOR CHANGING ITS ACCOUNTABILITY LAWS

May I start by saying our accountability laws proved to be the most powerful tool available to the Government and the Parliament for both controlling spending and improving the quality of spending? When the finances of the New Zealand Government were in dire straits in 1984, much soul-searching was undertaken to try and establish why Government was unable to control its spending. Immediately the major problem was identified as the poor quality of information being provided to decision-makers, i.e., Parliament. From the information supplied by departments, it was impossible for Parliament to determine with any accuracy if departmental activity was achieving Government policy objectives. Parliament needed to have confidence that the money voted to programs was going to produce measurable, tangible results.

In the process of government, power ultimately resides in the hands of those who control the purse strings. However, poor quality information diminishes the power of decision-makers by depriving them of the means to make reasonable judgments on the relative worth of programs. In the same way, an inability to acquire timely information also diminishes the power of decision-makers.

HOW DID NEW ZEALAND USE ITS NEW ACCOUNTABILITY LAWS?

In my experience, the best results came from selecting a particular function of a department and commissioning an in-depth study of that activity. In the early stages of instituting accountability requirements for departments, this process was a helpful learning experience, and the lessons learned by the department could be applied elsewhere. The process included: a request for the department to report in detail on that function; a request for the Auditor General (equivalent to your Government Accountability Office) to report independently on whether that function would be likely to deliver the predicted outcomes; and commissioning a private sector specialist (usually a large accounting firm) to do the same. The committee evaluating the department and its functions would then possess three streams of advice before making decisions or recommendations. One of the results of applying this process to our Revenue Service was a major reform and simplification of tax laws. This simplification enabled 40 percent of New Zealanders to be relieved from filing tax returns. In another example, the application of these principles to the Ministry of Works resulted in the entire Ministry being totally dismantled, and all of its activity moved to the private sector.

Reviewing Strategic Plans

These are the kind of questions I would ask if I were reviewing a strategic plan:

Mission Statement:

- Does the mission statement accurately reflect the reason for the department's existence?
- Does this department need to exist?

Goals and Objectives:

- Does the objective have a measurable result? If not, why?
- Are these goals and objectives similar to those of other agencies?
- If so, who does the activity best and who should do it in the future?
- Is the objective already delivered in the private sector?
- If so, why is the agency doing it, and can the agency do it better?

Strategies to Achieve Goals:

- Does the plan prove that the strategy will achieve the goal?

Program Evaluation:

- Does each program have a mission statement?

- Has the program achieved its objectives in the past?
- Will it achieve its objectives in the future?
- Can someone else deliver this program better?

Management:

- Can the department properly control all of its activities?
- Can the department give a fully allocated cost for all of its activities?
- Can the department give information to Congress and to the Administration in an accurate and timely manner?
- Does the strategic plan make a commitment to achieving the above?

Final Accountability:

- Who is responsible when objectives and goals are not achieved?

It is in the area of final accountability that there may be a weakness in the current Results Act. In the New Zealand procedure, the burden of proof lies with the Department, which must establish beyond reasonable doubt that it can achieve the objectives it has set for itself. If it cannot offer such proof, it receives no funding.