

Public Enterprises Circular No. 22

My No. PED/ General
Department of Public Enterprises
General Treasury
Colombo 1.

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To: Secretaries to the Ministries and
Chairmen of Statutory Boards

PERFORMANCE INDICATORS FOR STATUTORY BOARDS

Your attention is drawn to National Budget Circulars No. 111 of 24th July 2003 on "Guidelines for Preparation of Estimates for 2004 and Expenditure Ceiling" and No. 110 of 30th June 2003 on "Monitoring of Financial Performance of Recurrent Budgets and Domestically Funded Capital Budgets".

The above circulars emphasize the need for close monitoring of financial and physical performance for purposes of public expenditure management and efficient and effective implementation of activities. It also highlights the fact that monitoring has to be effected against Action Plans and in terms of performance indicators.

The present trend is that organizations are moving towards Balance Scorecard approach to measure performance. Public enterprises should have at least certain basic physical and financial performance indicators.

It is, therefore, important that all statutory boards should develop both physical and financial performance indicators to measure performance of the different activities against a pre-determined Action Plan. The development of these performance indicators will enable realistic resource allocations and would act as a catalyst to improve management and performance in public enterprises

Performance indicators ^{need to} should be prepared based on the objectives, functions and activities of the institution and should be categorized under the following broad benchmarks:-

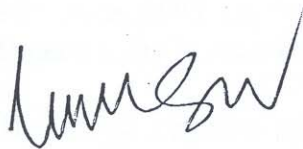
- **Inputs** eg. total cost per activity, number of staff
- **Outputs** eg. number of people served, ~~number of kms of roads constructed,~~ acreage planted, programs conducted, number of graduates passed out.
- **Efficiency measures** eg. cost per unit of output, number of complaints investigated.

Performance indicators will serve as useful management tools in the planning and decision making process. These indicators would enable management to have better control on resources available for adoption of cost reduction measures and efficient and effective utilization of resources for optimum output. Further, evaluation by means of performance indicators would also help to identify areas where generation of funds is possible to supplement the shortfall in Government funding.

In view of the budgetary constraints, it is imperative that the Management should initiate action to identify areas and activities where additional income could be generated. If there are impediments in achieving this end institutions are advised to review the changes and amendments required in the statutes, rules, regulations etc necessary for this purpose.

The Annual Report for the year 2004 should incorporate the performance indicators developed to measure performance of the activities of the institution.

If you need further clarification in this regard, you are advised to contact the Department of Public Enterprises.



J. Charitha Ratwatte
Secretary to the Treasury

Copy : Auditor General.

