



## **COMPREHENSIVE AND INCLUSIVE SYSTEM FOR PERFORMANCE APPRAISAL OF THE PUBLIC ADMINISTRATION SECTOR OF THE REPUBLIC OF ARMENIA**

### **Executive Summary**

The goal of the research project “Comprehensive and Inclusive System for Performance Appraisal of the Public Administration Sector of the Republic of Armenia” is to support the reform process of the public administration system of the Republic of Armenia by creating an analytical framework that can serve as a basis for improving the efficiency of the public servants’ performance evaluation system in the public administration sector.

The RA Government Decree No. 691-L dated 13 May 2022 “On Approving the Strategy for Public Administration Reforms, the 2022-2024 Road Map and Results Framework, and the List of Persons Ensuring the Control and Coordination of the Implementation of the Strategy” clearly defines the need for reforms of the performance appraisal system, as well as clearly outlines the actions aimed at reforming that system.

Within the framework of the research project a set of recommendations was developed for the improvement of the performance appraisal system for persons holding public service positions (hereafter also referred to as “servants”) which can be used by the RA Government as a guiding document in the process of reforming the performance appraisal system.

During the project an analysis of the legal acts regulating performance appraisal and related areas (for example, assessment of training needs and implementation of trainings, etc.) was carried out, the gaps were identified, the concepts and strategies outlining the development paths of public administration and civil service sectors were analyzed, the performance appraisal system was reviewed, the existing shortcomings were revealed, the international experience of civil servants’ performance appraisal was reviewed and analyzed, focus group discussions and interviews with key informants were held, resulting in the development of a set of recommendations aimed at improving the performance appraisal system.

The research was based on review the existing legal framework and the international experience, as well as the methodology for primary data collection using qualitative methods. Within the framework of the analyses conducted, all the legal acts that regulate the field of performance appraisal in the public administration system (laws, government decrees, etc.) were collected and mapped. Within the framework of review of the international experience, reference was made to the existing performance appraisal systems for civil servants in France, Georgia and Kazakhstan, the indicators used, and the consequences of evaluation. In order to carry out the research, the method of focus group discussions was used: three focus

group discussions were held with specialists working at different government departments, heads of units and heads of personnel management units.

The presence of problems identified as a result of the research and analysis is a clear indication of the inadequate level of effectiveness of the current performance appraisal system.

We believe that the presence of gaps described in the performance appraisal system is accounted for by the unclear and general description of the system. Among the measures aimed at increasing the efficiency of work performance, the existence of clear and measurable job descriptions can be considered the most important one. Each function which is performed within the unit must be described at the level of the work process, clearly defining the sequence of all the steps within one function, the person responsible for each step, the execution time of the step, and other possible quantitative indicators. In the event each function is described through the work process, it will also be possible to objectively assess the amount of work performed by each employee, which is not currently being done: instead, as this will be addressed within the scope of the research, only the execution time of work and the “quality” are taken into account.

This approach will make it possible to immediately identify, in the implementation process of each function, the steps where the employee fails, spends more time than planned or makes more mistakes, which will enable the employer to identify the existing problems or their causes as soon as possible. Currently, at best, it is only possible for the employer to take any action based on the performance appraisal after the end of the semester (encourage the employee, send him/her to a training or terminate their powers).

The institution regulating the sector can develop common general rules for constructing the work processes of functions (comparable to the rules for creating a work plan), and, based on the specifics of each agency or unit, detailing and clarifying individual rules can be developed separately by each agency. The review of the international experience of the performance appraisal system, the study of the legal framework and the combination of field work resulted in proposing solutions for solving the problems within the framework of the research, which are aimed at increasing the overall system effectiveness, improving the consequences of appraisal, as well as setting indicators and reforming technical solutions. The proposed solutions include provisions related to the development of performance appraisal objectivity indicators, forms of process organization and criteria specification.

In order to make performance appraisal more effective, a number of institutions use internal tools and mechanisms. However, the participants note that there are legislative and legal limitations regarding the internal tools used, which do not allow to use alternative appraisal tools.

In general, the focus group discussions and the interviews with the key informants show that there are certain erroneous expectations and perceptions about the appraisal system among public sector employees, which may also be responsible for the existing negative attitude towards the system. In particular, the fact that the employees state that the appraisal system does not fully reflect the “work behind the scenes” and only performs an appraisal based on the “writing” reflected in Mulberry, perhaps indicates that the employees do not perceive that writing as the end result of their work, which finally summarizes the whole work process and is being appraised. In the other example the supervisor states that the appraisal system does not reflect and does not make the extra work done by him/her on a defective document prepared by

his/her employee an object of appraisal, does not consider as an alternative the approach that his/her function as a manager is to enhance the skills of his/her employee by reducing the possibility of receiving incompletely prepared documents in the future and the need to perform extra work on his/her part. Furthermore, supervisors perceive the long-term effects of work as a criterion of its quality, for example in the case of policy documents or strategies, the measuring of which is not realistic under the current appraisal system.

Pursuant to the current legal regulations, the overall performance outcome is calculated for each employee at the end of each semester. According to the information collected through qualitative methods, the key informants deem the semiannual frequency of summarizing the performance appraisal results reasonable and effective. The key informants suggest considering the possibility of more frequent performance appraisals in the case of introducing fully digitalized systems, which will exclude the extra burden of the departments and the allocation of additional resources and time for this purpose. Regarding the international experience, among the countries studied, in France and Kazakhstan performance evaluation is carried out annually; in Georgia the formal activities of a civil servant (the one that may have legal consequences) is appraised once a year, and a probationary employee can be appraised once a quarter.

Taking into account the legal analysis carried out, the review of the international experience and the opinions raised as a result of field work, **it is recommended** to revise the time frames for organizing the performance appraisal process, at least to shorten them, making them quarterly rather than half-yearly. Setting the specified term will allow for a more flexible approach and a more rapid response to the issues that led to a low score. In addition, the employer must have levers that would allow to influence the training process.

Currently job performance appraisals only evaluate the end result of the work (the timing of the final handover and the quality of the work are evaluated, not the ongoing discussions or experiments). Two indicators are used to evaluate the work done: the time of work execution and the quality of work execution. The participants of the focus group surveys and individual interviews about the appraisal framework posed the following main questions regarding the scope of the evaluation: the answers to technical communications with similar content, such as the answers to the citizens' requests for information, only imply mechanical work and do not require analytical thinking; in the case of some departments, due to the nature of the functions, the number of documents to be assessed is limited, therefore it is not possible to provide an effective appraisal. The international experience shows that in France both managers and employees are appraised; in Kazakhstan an "A" corps employee is evaluated using a special formula, based on the achievement of the target indicators. A "B" corps employee is evaluated based on KPI achievements and employee competencies; in Georgia quantitative and qualitative indicators are used to appraise the individual performance of civil servants.

It is recommended to differentiate the performance appraisal system for administrative bodies, i.e. national inspectorates and policy-making bodies; to differentiate the system for the management and the personnel performing field work; and relate personal skills or competencies to functions and appraise the personal skills/competencies required for performing the given function.

According to the current legal regulations, the job evaluation scores are provided by the supervisor upon completion of each job. In the international experience, importance was attached to the collective incentive scheme implemented in the French civil service system, the performance appraisal carried out separately for administrative civil servants of the “A” and “B” corps in Kazakhstan, as well as the performance appraisal of civil servants in Georgia, from the structural unit level to the appraisal of the heads of the structural units by the head or deputy head of the institution. The field work resulted in revealing that internal evaluation tools are used based on the specifics of the sector. For the objective assessment of an employee’s personal and/or managerial skills and identification of issues, it is recommended to use the accepted international experience through independent units, work groups or individuals and apply appropriate methods: questionnaires, interviews, etc. (both with the supervisor and the other team members), as a result clearly identifying the score of each skill and work result. It is recommended that each state administration body develop their own toolkit based on the scope of powers and functions.

The appraisal system should be simple and not resource-intensive. Despite the significant flaws in the appraisal system, the participants of the discussion consider that it should not be removed altogether to be replaced by a completely new system, but should be gradually perfected; Pilot projects should be implemented at different government agency levels, and different evaluation models should be tested.

According to the current legal acts, a public servant is rewarded if his/her semi-annual performance score is positive and he/she has worked for six months during that semester, including the periods of annual and/or unpaid leave, pregnancy and maternity leave, temporary disability, training, a business trip, excepting the period of training at the initiative of the employee, during which no remuneration is provided at the discretion of the employer. The bonus amount is calculated using a special formula that includes two variables: the employee’s job rate and the employee’s semi-annual performance rating.

The following approaches exist in the international practice. In France, the functional bonus PF (*Prime de Fonctions*) and the performance-related bonus PR (*Prime de résultats*) are used. In Kazakhstan, the results of the performance evaluation serve as the basis for making decisions on the payment of bonuses, promotion, training, rotation, and termination of the employment contract. In Georgia, the following forms of incentives equivalent to the results of employee performance appraisal were established:

- a) a recognition letter;
- (b) monetary reward; and
- c) a valuable gift.

It is recommended to use differentiated rewards, with a significant difference between the rewards received by high and low performing employees, to encourage motivation among employees to improve their performance.

In order to make the process of determining the amount of an employee’s performance-based reward serve its original purpose (to encourage and motivate the employee for good work), it is proposed to discuss a new formula for determining the amount of the reward (provided in Annex 3).

In the current legal acts, the criterion used to identify the need for training is the total performance score which is the sum of two components: the semi-annual weighted score of the work program and the semi-annual score of personal skills. An employee is trained when his/her performance is rated below 90. It is recommended to separate the identification of training needs from performance appraisal: the need for training should not be derived from performance results but should be assessed based on the competencies, taking into account the lack of the types of knowledge and skills the employee requires to perform his/her functions more effectively. Alternative approaches should be used to assess the training needs, such as interviews, self-assessment by employees and a discussion with the supervisor. A requirement for mandatory trainings should be set, for example, training in specialisms at least once every three years and the introduction of mandatory topics in relation to personal competencies. It is also recommended to develop systems for identifying the training needs and selecting target training topics; such systems would be able to adequately respond to changes in the internal and external environments in a timely manner and in full. In particular, the time periods for organizing the training process based on performance appraisal need to be revised. An attempt should be made to at least reduce the time frames, making these quarterly or semi-annually.

Pursuant to the current legal regulations, where the annual performance appraisal results for two consecutive years are lower than the percentage set by the Government (currently 60%), the official with the authority to appoint to a position is entitled to terminate the civil servant's powers. According to the key informants, the dismissal mechanism as such is effective, however currently it is not properly applied. Based on the results of the studies, we propose to consider the possibility of dismissing an employee in case of unsatisfactory scores during two semesters instead of four. This proposal will also make it possible to implement the recommendation on revising the terms of training deployment to the extent that it will be possible to assess the training needs during four quarters, and, in case it is not possible to "train" the person based on such results, the person should be subject to discharge, with the possible non-objective manifestations to be revealed in the scope of the appeal. In the meantime, it is not at all mandatory for the particular employee to exercise his/her right to appeal: we believe that monitoring mechanisms should be created for the authorized body, and, based on their results, it will be possible to organize an appeal.