



# ReSPA

Regional School  
of Public Administration

BUILDING TOGETHER  
GOVERNANCE FOR THE FUTURE

## **Individual Performance Appraisal of Employees in Central Public Administration in the Western Balkans**

**– Baseline Analysis –**

**RESPA, NOVEMBER 2018**

# **Individual Performance Appraisal of Employees in Central Public Administration in the Western Balkans**

## **– Baseline Analysis –**

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The Regional School of Public Administration (ReSPA) is an inter-governmental organisation supporting regional cooperation of public administrations in the Western Balkans. Its activities are supported by the European Commission (EC) and co-funded through annual contributions of the ReSPA Members. The ReSPA Members are Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia, while public servants from Kosovo\*<sup>1</sup> participate in ReSPA activities funded by the European Commission.

The Purpose of ReSPA is to support governments in the Western Balkan region develop better public administration, public services and overall governance systems for their citizens and businesses, and prepare them for membership in the European Union.

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<sup>1</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and ICJ Advisory Opinion on the Kosovo Declaration of Independence

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The views expressed in this publication are those of the authors and do not necessarily reflect the official views of the Regional School of Public Administration on the subject.

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<sup>2</sup> The term 'ReSPA Members' refers to Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia. It also refers to Kosovo\*, which is included in ReSPA activities as a beneficiary, although it is not yet a full Member.

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## List of Abbreviations

ALB	Albania
ASPA	Albanian School of Public Administration
BiH	Bosnia and Herzegovina
CAF	Common Assessment Framework
CEE	Central and Eastern Europe
CF	Competency Framework
CPA	Central Public Administration
CS	Civil Servant or Civil Service (context-dependent)
CSA	Civil Service Agencies (Bosnia and Herzegovina)
CSL	Civil Service Law
DCSA	Department of Civil Service Administration (Kosovo*)
DoPA	Department of Public Administration (Albania)
EFQM	European Foundation for Quality Management
FBiH	Federation of Bosnia and Herzegovina
HRM	Human Resource Management
HRMA	Human Resources Management Authority (Montenegro)
HRMS	Human Resources Management Service (Serbia)
IOB	Independent Oversight Body (Kosovo*)
ISPA	Individual Staff Performance Appraisal
KISPA	Institute for Public Administration of Kosovo*
KOS*	Kosovo* <sup>3</sup>
MAC	Macedonia
MISA	Ministry for Information Society and Administration (Macedonia)
MN	Montenegro
MPALSG	Ministry of Public Administration and Local Government (Serbia)
PA	Public Administration
PAR	Public Administration Reform
PDP	Personal Development Plan
PIAP	Performance Improvement Action Plan
PM	Performance Management

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<sup>3</sup>This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ opinion on the Kosovo Declaration of Independence, in accordance with "Arrangements Regarding Regional Representation and Cooperation – Rev10 RC 23/02/2012".

PPS	Pay-for-Performance Schemes
QMS	Quality Management System
RS	Republika Srpska
ReSPA	Regional School of Public Administration
RSC	Regular Civil Service
SCS	Senior Civil Service
SIGMA	Support for Improvement in Governance and Management
SRB	Serbia
TMC	Top Management Corps (Albania)
UNMIK	United Nations Mission in Kosovo*
WB	Western Balkans

## 1. Introduction

This ReSPA study assesses the quality of implementing individual staff performance appraisal in the ReSPA Members. In the *performance management discourse*, a common distinction is made between organisational performance and its review (often referred to as performance assessment) and individual performance. Still, a whole spectrum of PM instruments exists. This study focuses solely on the **individual level** of performance appraisal; however, within the overall managerial culture and context of the organizations.

The individual staff performance appraisal (“ISPA”) relates to the managerial reforms that aim for improvements across multiple performance dimensions that have spread in the past decades across European countries. In fact, SIGMA OECD has to this end developed The Principles of Administration in which it explicitly mentions the need for “fair performance appraisal” as one of the guiding principles for the establishment of professional civil service systems.<sup>4</sup> This study does not assess the effectiveness and/or effects of such a reform on performance, but simply assumes that individual performance appraisal may work and bring intended benefits if implemented properly, but not as an isolated process without other PM instruments. Thus, the focus is on the fact that implementation (both design and practice) matters.

The purpose of the survey is to collect data from the ReSPA Members, **on individual staff performance appraisal (“ISPA”) of employees working in central public administration (“CPA”)** and to provide a comprehensive overview of similarities and differences of trends in performance appraisal vis-à-vis EU countries and to provide recommendations for improvement of performance appraisal.

In this context, the great merit of this report is to offer a unique and systematic country comparative approach across the ReSPA Members vis-à-vis EU countries that relies on a common expert questionnaire and heads of personnel departments’ survey in central public organizations of the ReSPA Members. The focus of this study is on individual performance appraisal, its formal anchoring and implementation in practice.

The ReSPA Members joined the trend of managerial reforms for the improvement of performance capacity, including individual performance appraisal of employees in central public administration. Over the last decade, they have established an institutional framework for the introduction of the ISPA. However, the actual practice and implementation of these institutional arrangements tend to lag behind. Individual staff performance appraisal systems are formally in place, but they are not linked to overall managerial context and/or professional development activities, and in some cases, they are not carried out in practice or conducted as a formality only.

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<sup>4</sup> SIGMA OECD. 2017. *The Principles of Public Administration*. Available at: [http://sigmaweb.org/publications/Principles-of-Public-Administration\\_Edition-2017\\_ENG.pdf](http://sigmaweb.org/publications/Principles-of-Public-Administration_Edition-2017_ENG.pdf)

## 1.1. Objectives

The ultimate goal of the study is to offer insight on institutional arrangements and support to conduct individual performance appraisal in the central public administration and the way of using information stemming from it. The analysis provides recommendations and opportunities for improvement, for sharing of experience and starting discussion on better knowledge utilization in the strategic human resource management across the countries.

- Formal anchoring of ISPA in overall managerial framework,
- Formal anchoring of ISPA in Civil Service Law, other regulations and subordinated legislation for different categories of employees in the central public administration,

Overview of overall trends of the formal structure of ISPA in the ReSPA Members vis-à-vis EU Member States (major similarities and differences),

- Application of ISPA in practice: major gaps, perceived weaknesses, use of information from ISPA,
- Country specific recommendations.

## 1.2. Approach

This regional report produced under the auspices of the Regional School of Public Administration (ReSPA) presents a comparative overview of the performance appraisal systems of **certain categories of employees in central public administration**. By **employees in central public administration** we mean ALL employees of public institutions located in *the core of the government*<sup>5</sup> organization with nationwide competencies, thus civil servants, employees under labour law and/or public service law, temporary contracts, etc. These organisations perform an executive function and are generally responsible for policy formulation. The rules related to the employment of their employees are distinct from the rules of employees working in the private sector and are usually regulated by a specific law or legal measures. This category of employees in core public administration was chosen because it is narrow enough to enable comparison in performance appraisal across different national public administrations.

Background information for this report was collected through individual local expert contributions based on a semi-structured questionnaire and supplemented with additional inputs of the relevant local actors as interviewed by local experts. The information obtained was thus cross-checked. The underlying country laws and regulations were also examined, such as Civil Service Laws, Regulations, internal Guidelines and handbooks. First, we looked at what is the **status quo** as anchored in formal-legal documents in the respective country as of November 2018. This provided the basic inventory of the situation. Second, we also looked at major **changes (future and past)** since the introduction of the ISPA system and commented on the background of these changes, that is, why they were introduced in order to get an insight into the underlying dynamics of change in your country. Discussing changes

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<sup>5</sup> This is defined by the EU (regulation No. 549/2013) as “government bodies exercising national executive and legislative power. This encompasses ministerial departments, agencies, boards, commissions and legislative independent statutory bodies (excluding non-market non-profit institutions controlled by government units such as the social security system) at all government levels.”

implies some attention to the situation that prevailed before the change and thus the status quo ante.

Furthermore, information is also supplemented by **data from surveys of heads of personnel departments** in central public organizations to get a better view and understanding of the **practice** of individual performance appraisal elements. We included this particular element into the analysis since the Western Balkans is known for its discrepancy between formal rules (which are adequate in most of the countries in terms of CSL) and practice, particularly in performance management. This discrepancy was also noted by SIGMA when pointing out that the biggest weakness of the Western Balkans is its “lack of rule effectiveness”.<sup>6</sup>

The survey was translated into local languages and targeted the directors of personnel departments. Each personnel director was sent a personal invitation to complete the survey over the summer and September 2018. The survey generated 713 responses, with the overall response rate of 62 per cent. The largest number of responses was received from Bosnia and Herzegovina (279), where also respondents from the cantonal level of public administration were included. The responses from the other ReSPA Members were as follows: Albania (59), Macedonia (91), Montenegro (113), Kosovo\* (104) and Serbia (67). Thus, the survey captures the practice until 2018 and does not yet reflect any changes that were done in CSL in July 2018 in Montenegro, in Rulebook in April 2018 in Macedonia or currently discussed changes in Kosovo\* and Serbia. A further limitation of the survey is that in many institutions, heads of personnel do not necessarily fully grasp the ISPA process since personnel units are only in the position of administering and coordinating the appraisers. Thus, the views are not from the perspective of the appraisers or appraisees.

The study is subdivided into five main sections. The first section is dedicated to the individual performance appraisal within an overall organisational performance management framework. It constitutes a necessary context within which individual performance appraisal operates. The same section also looks into different employee categories in the central public organizations from the perspective of their coverage by ISPA. Special focus and attention are given to senior civil service (SCS), as they should be the main leaders and committed towards effective ISPA.

The second section of the study deals with selected elements of the performance appraisal process across the Western Balkans. It starts with its frequency and components of ISPA and continues with issues of appraiser-appraisee interaction to enhance two-way communication, sources of data for ISPA and rating systems. The third section is dedicated to specific uses of information from the performance appraisal, notably career promotions, pay-for-performance schemes, identification of poor performers and development (and training) schemes. The fourth section looks into the main problems connected with the implementation and enforcement capacity. It tackles the issue of systematic information collection, trainings and support materials. It also looks into accountability mechanisms that foster monitoring and quality control. Finally, the fifth section is dedicated to the perspective of individual ReSPA Members and provides their profiles with specific recommendations for each member.

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<sup>6</sup> Meyer-Sahling, J. 2012. “Civil Service Professionalization in the Western Balkans”, *SIGMA Papers*, No. 48, OECD Publishing, Paris, <https://doi.org/10.1787/5k4c42jrmp35-en>.

### 1.3. General Findings

The study reveals that the formal-legal framework to a large extent fits the EU trend of individual staff performance appraisal. The main challenge in the Western Balkans concerns the ineffective implementation of formal rules mostly due to a) lack of general managerial culture and context b) low managerial accountability. Even if formal rules are applied, they do not reach expected outcomes.

#### Problem of Isolation of Performance Appraisal

One of the major problems across all the Western Balkans is an insufficient managerial framework within which individual staff performance appraisal is to be anchored. This ranges from minimal public management tools (e.g. value for money, performance budgeting, QMS, etc.) in place to little practice with those which are in place (strategic planning, organisational goal setting). Similarly, ISPA is only minimally (if at all) linked at horizontal level with other HR functions, particularly recruitment and development. This is further emphasized by limited managerial accountability which, in practice, means that managers are not focused enough and committed towards results of the organization. In such an unfavourable setting for managerial culture, performance appraisal (as one of the tools of PM) is isolated and its purpose unclear. Consequently, individual countries focus too heavily on measuring performance rather than generating information for further use.

#### Problem of selective non-compliance

The study finds some aspects of performance appraisal not to be fully implemented or simply ignored. Non-compliance starts with its actual conducting and is most visible in areas of appraiser-appraisee interaction where particularly measures that allow for employee participation, such as joint goal setting, mid-year reviews, documentation of observations, etc. are ignored. Similar non-compliance is experienced with generating training needs and plans and/or information for Central CS agencies by individual institutions. Although the degree of non-compliance differs among the countries, improved accountability mechanism and enforcement is necessary.

#### Problem of insufficient capacity

The study shows that individual actors lack relevant skills to implement performance appraisal effectively. This is further enhanced by missing comprehensive guidelines (both at central and organisational levels) and trainings for appraisers. Furthermore, there are no additional activities or measures in place that would foster professional development (e.g. HR units) and/or leadership commitment.

#### Problem of low information value of ISPA and information non-use

The ISPA does not deliver valid performance ratings since most of the rates are inflated. In addition, ISPA templates do not provide sufficient evidence, documentation and justifications, which would allow further action/measures. This consequently leads to a quite comprehensive and complex process of data collection which do not have informative value and thus are not used for any of the HR decisions: career promotion, pay-for-performance, poor performance identification and development. Furthermore, due to lacking link to overall organisational framework, collected data are not being used at an organisational level either.

### Problem of attitudes towards ISPA

The problem involving (dis)trust in the performance appraisal system (associated with the quality of one's performance appraisal) on the side of all actors: political appointees, leadership, SCS, appraisers and appraisees as well as HR managers have fatal consequences on the effectiveness of the tool. If the civil servants do not believe that performance appraisal is beneficial to them or the organisation, it affects the work motivation and effects the trust towards rewards associated with generated information from the performance appraisal (promotion, financial rewards, development).

### Problem of SCS and/or political appointees in managerial positions not covered by performance appraisal

The report has shown that there are various categories of employees in central public organizations, out of which not all are obliged to undergo performance appraisal. The problem is particularly with SCS and political appointees in managerial positions who, despite having a higher level of responsibility for the management of an organization (and CS in it) than career civil servants, have their performance appraisal simply exempted (e.g. Serbia, BiH, FBiH, RS and until July 2018 Montenegro) or seriously underdeveloped. In fact, SCS should represent the most professional leadership without whose managerial competence the organizations are unable to perform, or the government is unable to implement its program.

## **1.4. General Recommendations**

The development of individual performance appraisal system cannot be separated from other efforts to improve the functioning of public administration and its performance capacity, including other performance management and human resource management tools. It requires a shared understanding among all employees of a public organization from the leadership to middle management, regular civil service and other employees within the organization of what ISPA is within an organisational context and what is its purpose. As long as the efforts to institutionalize ISPA are restricted to its formal design and anchoring in the CSL without its internalization by leadership (SCS) and HR department, it will be challenging to make it effective.

A different perspective has evolved in EU countries around performance appraisal: a shift from measurement-centred approach towards more context-centred one. In this approach, performance appraisal is an integral part of the overall organisational managerial culture, from the management of the organisational vision, common goals into individualized ones to a social process that fosters communication and interaction between civil servants, their immediate supervisors, senior civil service and/or top representatives (be it SCS, political nominees or political leaders). In this light, performance appraisal context matters. For the region as a whole, we distinguish three sets of recommendations, at a systemic level, capacity level and technical level.

### **Systemic: Improving Fit with Overall Managerial Framework**

The priority for an effective performance appraisal system is to focus on the **overall managerial framework, both vertically and horizontally**. This means improving vertical links of ISPA to existing organisational managerial tools, particularly in strategic planning and organisational goals setting and connecting HR functions horizontally via competency

frameworks that cover not only ISPA, but also recruitment, trainings and development, remuneration, etc.

This also means **revising performance appraisal scheme for managers who are SCS or political appointees in managerial positions** heading an organization and developing and promoting a culture of leadership, results-based accountability and coaching. Only if leadership takes ISPA seriously and shows commitment and managerial accountability, ISPA can become an effective tool in strategic decision-making. Therefore, it is of utmost importance that competencies and ability to fulfil goals are specifically appraised with SCS (and/or political appointees in managerial positions), and their commitment, development and integrity are secured. In fact, their individual performance appraisal should be aligned with organisational annual reporting. Also, the revision of ISPA should start with the implementation of a competency framework specifically designed for SCS, which can also serve as the basis for further development. In cases, where SCS are political appointees in managerial positions, it might be considered to conduct ISPA by committee rather than by a single political person (minister) with transparent standards and criteria.

The review of the overall managerial framework will require a **review of the purpose of the ISPA** and communicating this to all employees. Understanding the role of each actor and how he or she contributes to the overall organization increases acceptance of the tool. At the moment, ISPA represents a “control and punish” approach (even if not practised). Instead, there is a need to develop organisational culture that presents a “**pull and empower**” **approach**, one where learning and development are fostered. In other words, positive set up of the tool is more motivational and again can improve overall commitment.

In order to foster a managerial culture that relies on performance, both organisational and individual, horizontal **collaboration with organizations from EU countries** with similar tasks, goals and competencies may be extremely beneficial with potential “spillover” effects in overall managerial approach and managerial skills (e.g. in setting organisational and individual goals and their measurement). Thus, benchmarking with similar organizations abroad brings insight and learning.

In sum, performance appraisal is central to the strategic importance of the organisation and human resource management. The development of systems to ensure accountability, encouragement of participatory and collaborative approaches are important strategies to foster performance culture and effectiveness of the tool. However, performance appraisal systems will tend to undermine motivation unless they are accompanied by other strategies to enhance the trust and validity of the system, such as capacity enhancement.

### **Improving Capacity for Implementation and Monitoring**

The investment in the **capacity of key actors** in the ISPA process is essential for quality improvement of implementation and compliance. This relates to leadership (SCS), HR managers, appraisers as well as appraisees. The capacity building activities can be divided by profession (e.g. HR managers or appraisers) but also by organizations, e.g. mutual learning how to set goals so employees as a team focus and understand reciprocal relations. Nevertheless, **creating modern HR services and professionalization of HR unit** in an organization is essential in order to create sufficient flexibility for the ISPA system to be adjusted to individual organisational needs, provide support for the SCS, appraisers and appraisees (internal guidelines, workshops, meetings), while at the same time adhering to central guidelines.

First, one of the most important factors in building trust towards ISPA is to design the system in such a way that it leaves enough **flexibility to adjust** them to specific organisational contexts. This naturally requires **managerial accountability** and leadership skills with support activities identified and tailored to organisational needs whenever possible (e.g. how to set goals and operationalization of competencies within a concrete organization) with guiding principles for performance appraisal to be exercised by individual organisations (rather than centrally).

Second, it is of utmost importance to **link any managerial position (and thus appraiser function) with obligatory ongoing managerial leadership training**. The overall managerial leadership package should contain, among other, skills development and also several ISPA aspects which should not only be knowledge building but most importantly skills building (e.g. performance interview, feedback provision, development plans preparations, coaching, etc.) and thus should be very interactive.

Third, think of any other **support activities** that can enhance mutual and contextual understanding and learning. For example, create and support HR managers (SCS) network to early identify and tackle any implementation problems (and build the capacity to do so) and enhance unification and standardization across the organization and general civil service. Or hold supervisory reinforcement meetings to ensure common understanding and alignment and ability to lead and empower employees. Also, the development of tools that support the work of appraisers and other actors is very useful, such as guidelines on operationalisation of competencies, preparation of development plans, etc.

Fourth, improve **monitoring and quality control systems and capacity** through various accountability mechanisms which regularly review the existing practices, either the processes themselves, appraisers (their skills and practice) and/or the quality of the outputs (templates and information use) from the appraisal process. Thus, a certain feedback system for data collection from performance appraisal needs to be designed and, if in place, improved. Such feedback and data collection systems should enforce and support both central CS offices, as well as individual organizations in collecting and analysing information collected via appraisal. Thus, central CS offices could, for example, collect performance appraisal reports from all organisations on an annual basis on a standard template. This information could be used for planning horizontal HR strategies, including recruitment, development and training activities. This would enforce the organisations collecting this information also from their structural units to plan individual HR strategies and activities. At the same time, the existing ISPA system can then be regularly revised based on these findings with recommended corrective measures (on both central and organisational level) and tested for new approaches on a trial basis. Once the system is in place, the professional HR units and SCS will eventually find the ISPA exercise valuable.

Finally, at the moment has to **fight against cynicism, apathy and fatigue with ISPA must also be part of the capacity building activities**. This can be done only by the transparency of the process and communication (e.g. orientation programs, workshops, seminars, dialogues, regular meetings to discuss problems, etc.) and participatory appraisal. Also, attitudes can form through learning, for example, through positive encouragements.

### **Design Issues**

At the moment, the two recommendations mentioned above seem to be of utmost importance without which the fine-tuning of the system will not improve compliance and

implementation effectiveness. Still, the design of ISPA must encompass the following improvements:

- Keep the **performance appraisal system as simple as possible**, both from the perspective of process and content, to provide a useful tool for managers rather than an administrative burden. If there is a need for additional sources of data, investing in self-appraisal capacities may bring benefits without huge fiscal and administrative concerns.
- Inexpensive though highly effective design features include **participatory and continuity arrangements** which enable building a culture of trust, respect and early communication of any problems. Thus, ensure compliance and develop skills in performance interviews, feedback provision, communication of results and justification of any results. Additional measures ensuring communication, like keeping documentation, mid-reviews or quarterly reviews, can help ensure such communication.
- Building of trust requires to focus on **positive and not negative appraisals** which can be demotivating and used as a punishment tool (also open for political gaming). Termination of employment due to poor performance should be the last resort (definitely not automatic), only if development measures and other tools failed and should require specific ISPA procedure. To this end, HR professional services are required (see above part on the Capacity building).
- Review the **development function** of performance appraisal. This means that compliance with the identification of development plans and training plans in cooperation with HR is of importance, and it should become the main tool for ISPA information use.
- HR services in the implementation of a developmental function (but also other) are important. Once their capacities are improved, consider **shared responsibility** for performance appraisal where HR professionals also assist substantively in the process, not only as an administrative aid.
- Developing a **competency framework** as HR horizontal function (linking recruitment, development, performance appraisal) requires reviewing competencies to be operational and flexible for organisational adjustments. Many ReSPA Members have already introduced some type of competency framework; however, with limited operability and interlinkage. This needs to improve, with a start from SCS.
- **Treatment of SCS.** SCS cannot be exempted from ISPA, quite contrary. Since they play a strategic role in ensuring the effectiveness of performance appraisal, ISPA has to be driven and led by senior management. To that end, special treatment may require a specific design for SCS (see the part on systemic recommendations).

## 2. Individual Performance Appraisal within the Overall Organisational Performance Management Framework

Individual staff performance appraisal is a function of the human resource management (HRM) that became very popular among both practitioners and academicians in the wave of New Public Management in the recent decades and is regarded as one of the most powerful though at the same time it is also one of the most complex human resource practices. Individual staff performance appraisal is at the heart of the entire performance management system of an organization, where performance management is “management style that incorporates and uses performance information for decision-making”<sup>7</sup>. Thus, although performance appraisal and performance management are different, performance management creates an entire system bringing together all essential information for organisational decision-making.

The performance orientation in public organisations has been acknowledged by the European Commission’s report on *Excellence in Public Administration for Competitiveness in the EU Member States*<sup>8</sup> and in recently updated and published *Quality of Public Administration Thematic Fiche*<sup>9</sup>. These developments have been characterised by an attempt to “create a broader framework for performance management” and to systematically incorporate organisational performance objectives and indicators into human resources management and budgeting with an increased focus on defining and achieving organisational objectives and targets. Performance management (and appraisal) is believed to be beneficial for organisations and employees to understand the organisation’s mission and its most relevant priorities and objectives. Thus, civil servants are to have a more sharply focused picture of what the organisation is to achieve (and ideally how they are contributing to it).

In the performance management discourse, a common distinction is made between organisational performance and its review (often referred to as performance assessment) and individual staff performance. Still, a whole spectrum of PM instruments has been developed, and the most conventional ones are: performance budgeting, organisational performance agreements, results-based management, benchmarking, value for money auditing, strategy statements, etc.<sup>10</sup> Sometimes, these techniques are simply replicated across countries, but there are also many variations in their application. Each one can be understood in its own terms, and yet there is also a common thread running throughout – performance information. Most modern organizations rely upon some form of individual performance appraisal system to provide employees with feedback about their performance and help the organization make decisions on HR matters and overall strategic planning.

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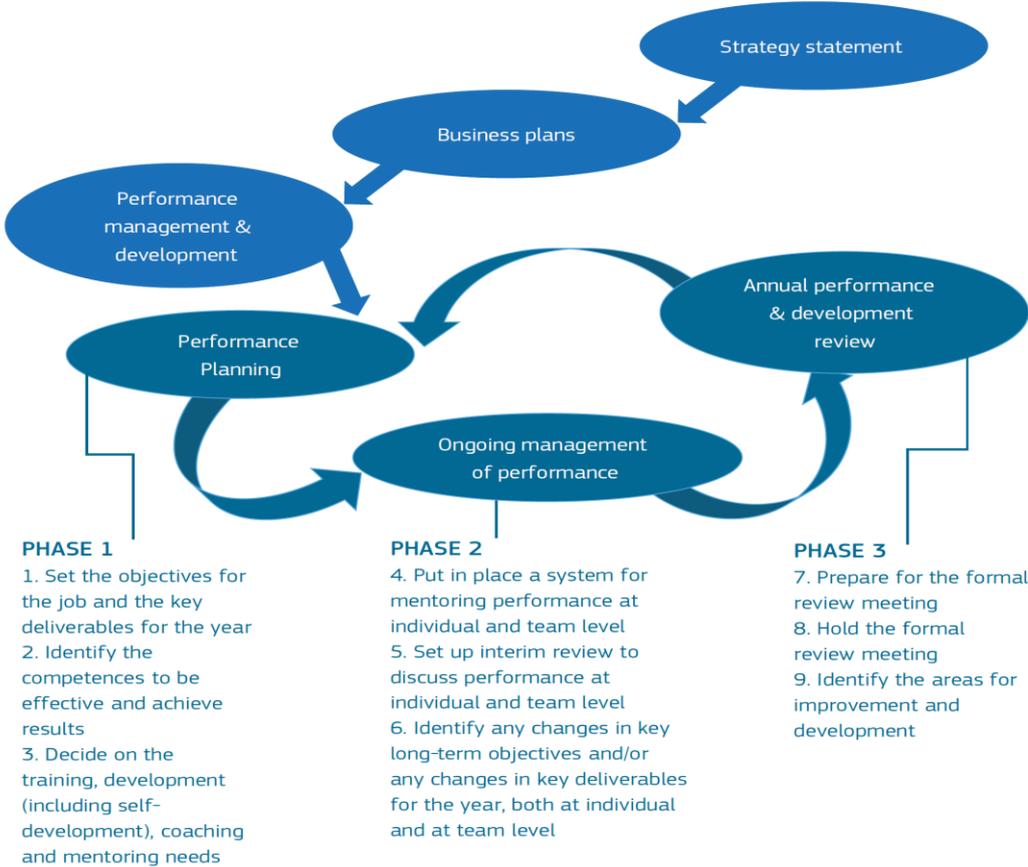
<sup>7</sup> Van Dooren, W., Bouckaert, G. and J. Halligan. 2015. *Performance Management in the Public Sector*.

<sup>8</sup> Pitlik, H., et. al. 2012. *Excellence in Public Administration for Competitiveness in EU Member States*. European Commission DG Enterprise and Industry. Available at: [https://ec.europa.eu/growth/content/excellence-public-administration-competitiveness-eu-member-states-0\\_en](https://ec.europa.eu/growth/content/excellence-public-administration-competitiveness-eu-member-states-0_en)

<sup>9</sup> European Commission. 2017. *Quality of Public Administration Thematic Fiche*. Available at: [https://ec.europa.eu/info/sites/info/files/file\\_import/european-semester\\_thematic-factsheet\\_quality-public-administration\\_en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/file_import/european-semester_thematic-factsheet_quality-public-administration_en_0.pdf).

<sup>10</sup> European Commission. 2017. *Quality of Public Administration – A Toolbox for Practitioners*. Available at: <https://ec.europa.eu/digital-single-market/en/news/quality-public-administration-toolbox-practitioners>, OECD. 2005. *Modernizing Government. The Way Forward*.

**Figure 1: Strategic Performance Framework**



Source: Quality of Public Administration. EC Toolbox for Practitioners (2015)

**2.1. Introduction of Individual Staff Performance Appraisal and Main Changes in the Past and Future**

Across the Western Balkans, individual performance appraisal was introduced together with civil service laws and major changes, in the past or future, are usually linked with the changes of the civil service laws. Although the first civil service laws were adopted in Albania and Macedonia in 1999 and 2000 respectively, it was only Albania that brought about individual performance appraisal already in that year, following the PAR Strategy of 1998. At that time, the entire corpus of the civil service management was created for the first time, including the ISPA procedure. For the first time, the ISPA was implemented in practice in the ministries in 2001, as a pilot, to be slowly extended in all the ministries by 2003. Since then, little has changed in the concept or procedure itself, except for the frequency and enumeration of institutional objectives next to the civil servant’s ones in the appraisal form.

Similarly, also in BiH, FBiH and Republika Srpska, the appraisal procedure still operates based on the first civil service laws that were adopted in 2002-3, as anchored in the accompanying Rulebooks adopted a few years later. An ISPA reform has been undertaken via technical assistance project carried out in 2010/2011 Development of the Performance Management Systems in the BiH Civil Service Structures, which resulted in a new Rulebook.

**Table 1: Individual Performance Appraisal Introduction and Major Changes (past and future)**

	<b>First year of ISPA introduction</b>	<b>Major changes up to November 2018</b>	<b>Key aspects of changes</b>	<b>Future endeavours for change</b>
<b>ALB</b>	1999 (CSL) piloted 2001, extended 2003	2013 (new CSL, coming into force in 2014)	<ul style="list-style-type: none"> <li>• ISPA form enumerates for each civil servant objectives of the institution/unit he/she belongs to</li> <li>• frequency in 2016</li> </ul>	-
<b>FBIH</b>	2005 Rulebook	2010-11 Technical assistance	<ul style="list-style-type: none"> <li>• Introduction of performance goals</li> <li>• Annual reporting of ISPA info to the government by CS agencies</li> </ul>	-
<b>RS</b>	2003 Rulebook			-
<b>BiH</b>	2004 Rulebook			-
<b>KOS *</b>	2008 (Job Assessment Procedure)	2010 (new CSL) but 2012 ISPA related new Job Assessment Procedure	<ul style="list-style-type: none"> <li>• Forced distribution introduced</li> <li>• More advanced ISPA procedure (appraisal of competencies besides job tasks)</li> <li>• More room for feedback in ISPA template</li> </ul>	New Draft of CSL (in Parliament) <ul style="list-style-type: none"> <li>• Removal of forced distribution</li> <li>• SCS: introduction of self-evaluation, peer-appraisal, subordinate appraisal</li> <li>• Temporary contracts will not be covered by CSL</li> </ul>
<b>MAC</b>	2005 Rulebook	2014 (new CSL, coming into force in 2015)  <hr/> New Rulebook on ISPA (April 2018)	<ul style="list-style-type: none"> <li>• Complexity (360-degree method for all CS)</li> <li>• Frequency</li> <li>• Sanctions if ISPA not undertaken</li> <li>• More room for feedback</li> <li>• Poor performance identification and automatic link to termination</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• ISPA template change</li> <li>• Cancellation of Sanctions for not undertaking ISPA</li> </ul>	Public Administration Reform Strategy 2018-22 <ul style="list-style-type: none"> <li>• Change in approach to ISPA: simplification</li> <li>• Possible introduction of pay for performance</li> </ul>
<b>MN</b>	2004 (CSL)	2018 (July, new CSL)	<ul style="list-style-type: none"> <li>• Heads of institutions to be included in CSL and thus appraised by ISPA</li> <li>• 3 rating categories for all categories of CS</li> <li>• Best performers linked to financial rewards</li> <li>• Frequency for SCS</li> <li>• Poor performance linked to the development</li> </ul>	Decree on ISPA (being under preparation) <ul style="list-style-type: none"> <li>• Appraisal component to measure "harmonization of work task with state organization priorities"</li> </ul>
<b>SER</b>	2006 (Pay Reform)	No change		Draft Law on Changes and Amendments of CSL and Draft Decree on Performance Appraisal (in Parliament) <ul style="list-style-type: none"> <li>• Head of the body determine 3-5 goals of the basic org unit – Sector, and then senior CS on the position/manager determine 5-7 objectives of "internal" org unit – Department, Section, Group</li> <li>• Introduction of behavioural competencies (+ strategic management / HR competencies)</li> <li>• Poor performance leads to determining work plan for improvement (rather than termination of employment)</li> </ul>

The individual staff performance appraisal in Macedonia is regulated by a new Law on Administrative Officers which in 2015 replaced the older Law on Civil Servants from 2000. The first ISPA was introduced in Macedonia in 2005 with the assistance of DFID PAR project, which was a more simple method, regulated by the Rulebook for performance appraisal. The new appraisal system of 2015 significantly changed the simple method into a complex 360° model with many implementation problems discussed further on. Therefore, the new Public Administration Reform Strategy (2018-22) envisions a radical change in the approach towards ISPA. However, concrete measures of change are not yet known as of writing.

Nevertheless, one of the aims is a simplification of the process to build an efficient system with clearly defined criteria and procedure. The first step in this direction is the change of the ISPA form from April 2018. During the preparation of the proposal, care will be taken to establish the elements for performance-based remuneration so that it can be linked to the salaries' system in the next stages of the public administration reform process.

Three further countries – Kosovo\*, Montenegro and Serbia – are in the middle of changing their appraisal procedures due to deficiencies and flaws encountered, however being in various phases of these changes. The furthest step has been undertaken by Montenegro with recent changes dating from July 2018, when new CSL entered into force. Montenegro first introduced its ISPA in the 2004 Civil Service Law whose scope has not changed since. The new CSL introduced a number of novelties into the system, some of which are directly linked to ISPA. Decree on ISPA is still pending, and it should further detail down the procedure. Thus, the implementation of the new system has not yet been utilized.

Kosovo\* is also relatively far in their changes with a new draft of CSL being in Parliament at the time of writing and which will affect particularly the scope of civil servants and thus also the scope of applicability of ISPA on employees of central public organizations. The scope of ISPA was already affected once in the past with major changes stemming from the 2010 change of CSL. Serbia, on the other hand, had not changed its ISPA since its introduction in 2006 when the Civil Service and Employees' Salaries Act was enacted. The introduction of performance appraisal was supported by the Technical Assistance Project, where international experts assisted in the preparation of the Decree on Performance Appraisal. Currently, there is an intention to introduce few novelties into the ISPA system which are discussed in the Parliament.

## **2.2. Link to Overall Performance Management Framework of the Organization (vertical and horizontal linkage with other managerial functions)**

This part examines the overall fit of the ISPA with the managerial culture and management framework of the organization across Western Balkans, both vertically and horizontally. By performance management, we understand the creation of an entire system (a setting, organisational culture and work environment) bringing together all of the essential factors so that all of the employees of one organization work together in a coordinated manner to their best capabilities and in this way contribute to the overall organisational performance. We measure the performance management culture by first exploring the institutionalization (formal anchoring and practice) of a) list of PM tools, such as performance budgeting, performance contracts, benchmarking, value for money, quality management systems and

strategic planning, b) managerial accountability (integrity) in goal setting, c) result-based management as manifested in the setting, measuring and achieving organisational goals. Vertical integration ties individual employees (and ISPA) to the mission and strategy of the organization. Horizontal integration ties each HR component (including ISPA), from recruitment to reward, tightly together.

## 2.2.1 Public Management Tools

The European public sector in the 1980s and 1990s witnessed public management related reforms that introduced market-type mechanisms and business management logic into the public sector, with the rationale of improving efficiency and strengthening government accountability. These ideas and the managerial tools remain strongly embodied in most European public administrations and shape administrative thinking and practice. The main components for the *substance* of the reforms include finance (e.g. performance budgeting), organizations (e.g. performance agreements), personnel (e.g. ISPA), performance measurements and for the *process of implementation* include top-down/bottom-up, legal dimensions and organisational processes of task allocations.<sup>11</sup> These components also constitute the mainframe of reference for individual managerial tools that are anchored in law and practised across Western Balkans. Thus, the focus here is on the degree of introducing managerial regime, as opposed to the bureaucratic regime where governance is based on input measures, such as rules, orders and budgets.

**Table 2: The Use of Management Tools<sup>12</sup>**

	Performance budgeting		Performance agreements <sup>13</sup> (organisational)		Benchmarking		Value for money (e.g. performance audits)		Quality management systems (CAF, EFQM, ISO 9001)		Strategic planning	
	Legal basis	Practice	Legal basis	Practice	Legal basis	Practice	Legal basis	Practice	Legal basis	Practice	Legal basis	Practice
<b>ALB</b>	yes	partial	no	no	no	partial	yes	partial	no	partial	yes	yes
<b>FBiH</b>	no	no	no	no	no	no	partial	partial	no	no	yes	yes
<b>RS</b>	no	no	no	no	no	no	partial	partial	no	no	yes	yes
<b>BiH</b>	no	no	no	no	no	no	partial	partial	yes	partial	yes	yes
<b>KOS*</b>	no	no	no	no	no	no	yes	no	no	limited	yes	partial
<b>MAC</b>	no	no	no	no	no	no	no	no	yes	partial	yes	partial
<b>MN</b>	partial	no	partial	no	No	no	n/a	n/a	no	no	no	partial
<b>SER</b>	no	no	no	no	no	no	no	no	no	partial	yes	partial

Note: n/a – information is not available

Source: assessments based on local expert opinion

The most advanced ReSPA Member in the Western Balkans in terms of creating a managerial framework is Albania, which, however, still lags behind in the actual

<sup>11</sup> Politt, Ch. And G. Bouckaert. 2004. *Public Management Reform. A Comparative Analysis*. Oxford: Oxford University Press.

<sup>12</sup> The selection of management tools in the public sector is based on EC. 2015. *Quality of Public Administration. EC Toolbox for Practitioners* and Jeannot G., Bezes Ph. 2016. "Mapping the use of public management tools in European public administration", In: Hammerschmid G., Van de Walle S., Andrews R., Bezes Ph., *Public Administration Reforms in Europe, the View from the Top*, Edward Elgar, p. 219-230.

<sup>13</sup> **Organisational performance agreements** are usually negotiated by ministries with their executive agencies or contracted service providers, and signed by the minister or state secretary for one party and the chief executive or top manager for the other. They set out the expectations from the agency/provider in delivering the strategic goals of the ministry, often on the basis of detailed performance targets for operations and outputs, which are linked to a review process and payments. EC. 2015. *Quality of Public Administration. EC Toolbox for Practitioners*

implementation of individual tools. Performance budgeting is foreseen in budget-related legislation and institutions, and the Ministry of Finance should, in theory, use budget performance indicators. However, the practice is not as good as the theory. The process is political in substance, and indicators do not play the desired role. It is not used for performance-related matters. The High State Audit started to perform some performance audits. However, the number of these audits is limited, and the practical effects are not yet noted in practice. Some institutions try to apply quality management systems. For example, the Albanian School of Public Administration tried to implement CAF as a quality management system. However, all these initiatives rely mostly on managers and are not a widespread practice, nor do they have a continuation when the manager is replaced.

In terms of QMS, only Macedonia has an explicit legal framework; however, BiH, Kosovo\* and Serbia have some institutions that decided to go through and experiment with QMS. In Kosovo\* this has been the case particularly with ISO 9001 and only occasionally with CAF<sup>14</sup>. In Macedonia, QMS is a systematic approach that concretizes and realizes the requirements for quality planning, implementation control and sustainability, as well as permanent improvement of the institutions' performance. In order to improve the quality management in the performance and the service delivery, several tools have been introduced<sup>15</sup>: ISO 9001, CAF. MOISA implements activities for the development of the capacities for implementation of CAF in the institutions. Furthermore, MISA developed a National Plan for quality management in the public sector.

In sum, managerial context and culture are not yet well established in any of the ReSPA Members. This is further confirmed by the ReSPA study, which concludes that "there is a necessity for change in the current organisational culture of the public administration. This sector should introduce and insist on quality management".<sup>16</sup>

### 2.2.2. Managerial Accountability<sup>17</sup>

The introduction of managerial tools, as discussed above, goes hand in hand with higher autonomy of individual public organizations (also called agencification) and higher autonomy of managers who head these organizations. SIGMA defines managerial accountability as an "approach to public management in which managers are held accountable for results by assigning them responsibility, accompanied by the delegated authority for decision-making and giving them autonomy and resources necessary to achieve these results"<sup>18</sup> (p. 11). SIGMA in its study concludes that, in practice, SCS in the Western Balkans do not have the autonomy and authority to be accountable for the results of the organization and/or unit they supervise, as well as for the corresponding budget. According to the SIGMA results, managers have a greater focus on compliance (hence formality) than on getting things done.

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<sup>14</sup> Miović, Z. et al. 2017. *Quality Management in Public Administration and Public Services in Western Balkans*.

<sup>15</sup> Law on Introduction of the Quality Management System and Common Assessment Framework for Assessing the Performance and Service Delivery in the Public Administration – 2014.

<sup>16</sup> Miović, Z. et al. 2017. *Quality Management in Public Administration and Public Services in Western Balkans*. Danilograd: ReSPA.

<sup>17</sup> This part summarizes findings from a recent report of OECD. 2018. *Managerial Accountability in Western Balkans: A comparative analysis of barriers and opportunities faced by senior managers in delivering policy objectives*. Sigma Papers No. 58. Paris: OECD.

<sup>18</sup> OECD. 2018. *Managerial Accountability in Western Balkans*. p. 11.

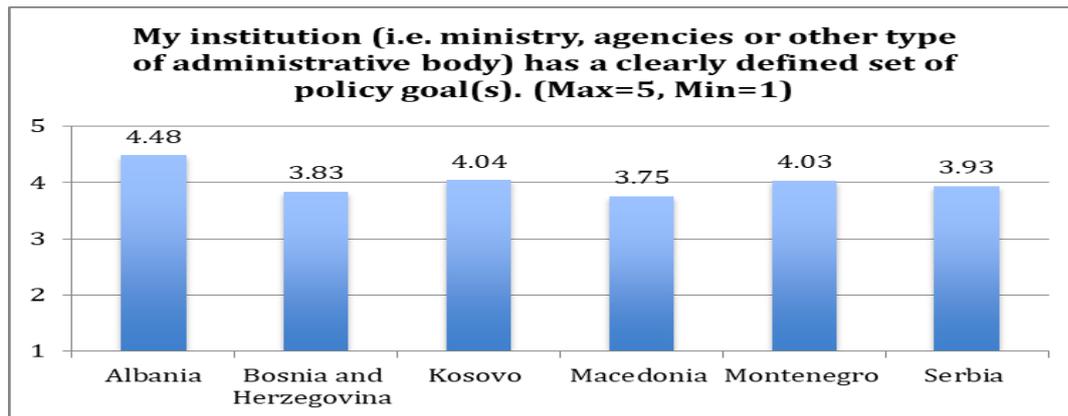
Our results from the survey of institutions in the Western Balkans confirmed the above-stated findings when we looked into the level of autonomy of the manager in the formulation of its own organisational objectives as an important tool of the result-based management (see below for a further discussion of organisational objectives). Thus, in practice, it appears that the autonomy of the manager – head of the organization – to formulate its own organisational goals varies tremendously across the countries, though is still at a very low level: in Serbia, none of the surveyed organizations indicated manager's involvement in the formulation of the goals, in Montenegro only 5% do so, whereas Albania, Kosovo\* and Macedonia indicate 15-18% of organizations where managers formulate the goals and the highest number is to be found in BiH with 26% of the institutions. The other extreme is where a minister and/or government formulates the goals for the institutions: these cases are the lowest in Kosovo\* (2%) and BiH (7%) and highest in Albania (28%), followed by Montenegro (21%) and Macedonia and Serbia around 15%. The rest of the institutions in the WB have various degrees of consulting or joint formulation of the organisational goals with political leaders. Surprising is a high number of responses where the heads of personnel departments of CPA do not know how the goals in their own organization are being formulated and if they are in place (30% Kosovo\*, 26% Serbia, 18% Macedonia, Montenegro and BiH and 10% Albania).

### 2.2.3. Result-Based Management Tool: Management by Objectives

Clearly stating, measuring and achieving organisational objectives is another key tool of the result-based management and managerial accountability frameworks. In fact, the use of measurable objectives in the management of an organization constitutes a difference between the bureaucratic approach which focuses on inputs such as formal adherence to laws and managerial approach which focuses on performance and results. Management by objectives requires not only the existence of organisational goals, but also their cascading through an organization with the distribution of responsibilities. Ideally, organisational objectives are then translated into individual objectives of the managers themselves and CS.

In the Western Balkans, the formal practice of stating goals exists, and all countries comply with this requirement which was also confirmed during our survey among heads of personnel units in central public organizations (see Figure 2). The differences among the countries are relatively small, with a relatively high compliance rate: Albania has the highest rate of setting objectives in the individual institutions and Macedonia the lowest and all the countries are in-between.

**Figure 2: Existence of Objectives**

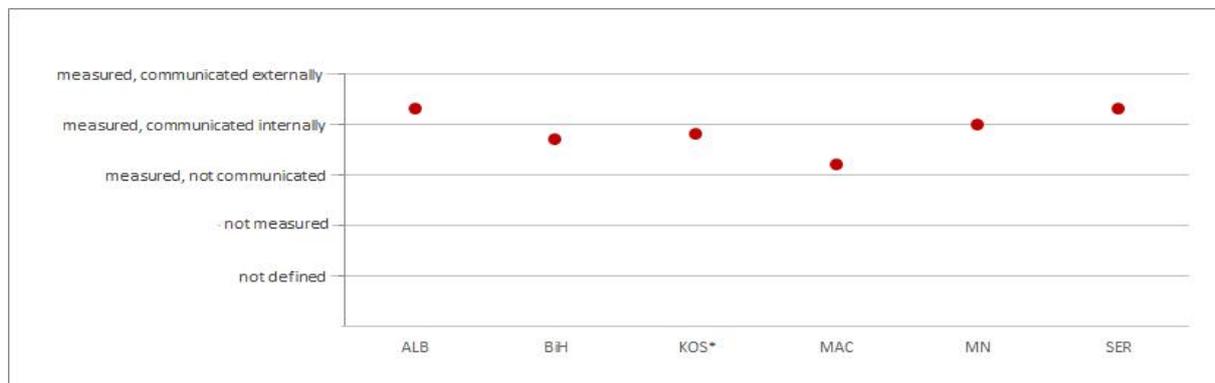


Source: Data collected for this study via a survey of heads of personnel units

However, qualitative evidence shows that often objectives are primarily related to legal competencies of individual institutions rather than a strategic statement of long-term and short-term goals and are many times mechanically copied from one year to the other and thus the substantive relevance of organisational objectives is small, if any. Furthermore, qualitative evidence suggests that objectives are not cascaded down to the level of organisational units but are rather set at the level of an institution as a whole and thus no link between managers own results and organisational objectives are created. Further, setting objectives is not always recognized as a useful practice by managers.

In this context, it is not sufficient that organisational objectives are stated but also measured. Figure 3 shows that formally objectives are stated and fairly measured in practice, though not much communicated externally. When looking at overall proportions, it should be recognized that measuring goal achievement is much less frequent in Macedonia and Montenegro, where 20% of institutions do not measure goal achievement at all. In other countries, the measurement of goals is much higher, particularly in Albania, where 53% of surveyed institutions measure the achievement of goals and communicate the results both internally and externally to the public.

**Figure 3: Organisational Objectives and Their Measurement**



Source: Data collected for this study via a survey of heads of personnel units

Nevertheless, the most striking issue across the countries is the fact that a significant number of the surveyed heads of personnel units in CPA do not know if goals are being set and/or measured, which may suggest that either the goals are not defined and/or that they

do not play an important role in the organization, i.e. in Macedonia it is 40%, followed by Serbia with 33%, Kosovo\* 28%, BiH 20%, Montenegro 17% and Albania 13%.

#### 2.2.4. Fit of Individual Performance Appraisal with Performance Management

In the previous subsections, we looked into the existence of individual PM tools independently of ISPA since we wanted to understand to what extent managerial culture, albeit limited, is to be expected to be in place. In this section, we look into the link between PM tools and ISPA. To this end, we analyse the existing regulations that have introduced and govern ISPA in WB for bringing forth the purpose of the ISPA in a holistic and integrative manner. Thus, we wanted to see if regulations establish a connection between ISPA and overall performance management, together with the causes and consequences for an individual within the organization, rather than show ISPA in terms of individual measurements.

**Table 3: Link of ISPA to Performance Management Framework**

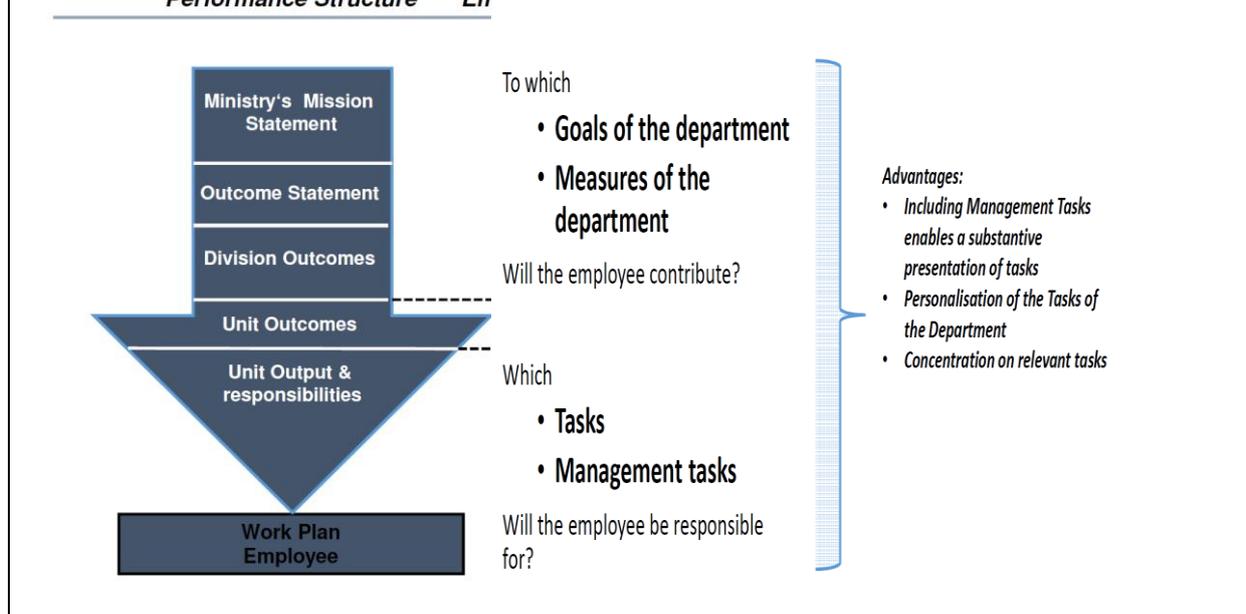
<b>ALB</b>	None of the current regulations regarding ISPA creates any reference to the organisational performance and/or goal setting (unlike the first CSL from 1999). <i>Instruction</i> for ISPA template enumerates for each civil servant the objectives of the institution and of the unit where he/she belongs, besides the objectives of the civil servant.
<b>FBiH</b>	Regulations regarding ISPA create no direct reference to the organisational performance or organisational goal setting.
<b>RS</b>	Regulations regarding ISPA create no direct reference to the organisational performance but does make a connection between departmental/organisational objectives and individual performance goals.
<b>BiH</b>	Regulations regarding ISPA create no direct reference to the organisational performance but does make a connection between departmental/organisational objectives and individual performance goals.
<b>KOS*</b>	The Strategy on Modernization of Public Administration 2015-20, stipulates that ISPA system shall be based on institutional and individual objectives. <i>Guidance</i> (No. 01/2014) for the implementation of ISPA explains the link between ISPA and the organisational planning processes, as well as the process of setting objectives.
<b>MAC</b>	None of the regulations regarding ISPA create any reference to the organisational performance and/or organisational goal setting.
<b>MON</b>	None of the regulations regarding ISPA create any reference to the organisational performance and/or goal setting. <i>Decree</i> on ISPA envisages the “quality of organization of work in performing duties” measured as “ability to harmonize work tasks with the priorities of state organization in which employee is working”.
<b>SER</b>	None of the regulations regarding ISPA create any reference to the organisational performance and/or goal setting. Law on Planning System of the Republic of Serbia adopted in 2018 introduces complex plan elements with goals and objectives on an institutional level which are, however, not linked to ISPA. This should change with the new draft Decree.

Source: assessments based on local expert opinion

The main finding is that the ReSPA Members do not clearly communicate and connect (see Table 3) ISPA to the overall managerial framework. Particularly, the vertical connection is mostly missing, although in some countries anecdotal references are made towards “cascading down” of objectives. In Albania, the Department for Strategic Planning in the Prime Minister’s Office is planning to implement a model to assess institutional performance, based on results achieved by each institution in the implementation of their strategies and action plans. The Ministry of Finance is expected to be the main actor in the system as well, checking the outputs for each strategy and the links with the Medium-Term Budget.

However, this system is expected to be functional by the end of 2018 only, as a pilot exercise and can be rolled over in a couple of years in all institutions. This is another opportunity to be taken into consideration that can make possible to cascade down objectives from institution level to individual level, as well as link the institution's results with individuals' results in performance appraisal.

In Austria, performance management is understood as a clear link between organisational goals which are personalized together with tasks that need to be conducted in order to achieve them. Thus, the Ministry's mission and goal statement is translated to outcome statement and further cascaded down to department, unit and ISPA.



Source: *Performance Management Austria*, Austrian Federal Performance Management Office

### 2.3. Competency Framework (horizontal linkage with other HR functions)

Besides the vertical link between an organization and an individual examined in the previous sections, horizontal links among HR functions need to be in place. To that end, CF facilitates central steering in a decentralized public sector. Thus, HR management in Europe has shifted from a legalistic, status-based approach, which centres around qualifications towards a competency-based approach which considers attitudes and behaviour patterns (both positive and undesired) that underpin how people do their jobs. This shift, however, is relatively recent and occurred only in the past decade, when the number of EU countries which utilize competency framework in ISPA doubled.<sup>19</sup> It is believed that CF can contribute to enhancing organisational performance by aligning people's competencies with the organization's mission and vision (vertically) and, at the same time, providing the platform to

<sup>19</sup> Staroňová, K. 2017. *Performance Appraisal in the EU Member States and the European Commission*. Study commissioned under Slovak EC Presidency and EUPAN.

integrate aspects of HRM (horizontally) – workforce planning, recruitment and selection, performance management, training and development, etc.<sup>20</sup>

### What is Competency Framework

Although in Europe a great variety of CF exists in terms of format, content, level of detail and use, there is also an emergence of a consensus around key elements, even if there remains a difference in emphasis, detail and purpose. A CF is a model that broadly describes performance excellence within an organization. Competence includes: i) cognitive competence involving the use of theory and concepts, as well as informal tacit knowledge gained experientially; ii) functional competence (skills or know-how), those things that a CS should be able to do when they are functioning in a given area of work, learning or social activity; iii) personal competence involving knowing how to conduct oneself in a specific situation; and iv) ethical competence involving the possession of certain personal and professional values. The concept is thus used in an integrative manner; as an expression of the ability of individuals to combine – in a self-directed way, tacitly or explicitly and in a particular context – the different elements of knowledge and skills they possess. Each competency defines, in generic terms, excellence in working behaviour; this definition then establishes the benchmark against which staff are assessed. A competency framework is a means by which organizations communicate which behaviours are required, valued, recognized and rewarded with respect to specific occupational roles. It ensures that staff, in general, have a common understanding of the organization’s values and expected excellent performance behaviour (and/or undesired poor behaviour). Below is an example of indicators for the competency “analytical thinking” for various CS categories:

In the WB countries, holistic approach towards competency management is not yet established. Moreover, horizontal integration remains neglected. While some countries have a formally introduced CF system (Macedonia), some are in the phase of piloting and testing the CF either on senior civil service (Albania), or with one specific HR element (state BiH – selection), or within a small-scale project of the central coordination unit for ISPA (Serbia). Although not having introduced CF formally, some countries, have some elements as part of the ISPA system (Kosovo\*). Overall, the understanding of CF is as a generic set of fixed competencies for the entire CS, rather as a framework with flexibility given to the organizations.

**Table 4: Formal Competency Framework (CF) and ISPA**

<b>ALB</b>	CF approved only for Senior Civil Servants (DoPA instruction of 2014), in practice little linkage with ISPA Procedure.
<b>FBiH</b>	CF does not exist
<b>RS</b>	CF does not exist
<b>BiH</b>	CF does exist but utilised only for selection purposes (introduced in October 2017); no link to ISPA
<b>KOS*</b>	CF not formally anchored in law, but elements are in ISPA system, included in <i>Guideline</i> and in the <i>ISPA Procedure</i> .
<b>MAC</b>	CF introduced in 2014, the core of ISPA
<b>MON</b>	CF does not exist
<b>SER</b>	CF not formally anchored in law, but HRMS Initiative, no clear link to ISPA. A new law (discussed in Parliament) should formally anchor CF.

<sup>20</sup> EC. 2017. *Quality of Public Administration*, OECD. 2010. *Managing Competencies in Government: State of the Art Practices and Issues at Stake for Future*. Paris: OECD.

Formally, only Macedonia has introduced performance appraisal system to be linked with CF in an integrated manner, thus also other horizontal HR functions, such as recruitment procedures, promotion and professional development of the civil servants are improved and professionalized. Individual competencies are fixed within four employee categories, and appraisal form is adjusted accordingly as of April 2018. CF aims at defining, strengthening and setting minimum standards for the professions in the administration.

Albania, Kosovo\* and Serbia are in various stages of introducing a formal competency framework, however, without clear applicability to performance appraisal. Albania has approved CF only for SCS as of 2014. Kosovo\* and Serbia test some of its elements in the performance appraisal. Kosovo\* included them in the guidelines on ISPA procedures for SCS (managerial) only and generic competencies for all civil servants (personal). Serbia with HRMS initiative support from GIZ has prepared an analysis of the strategic and normative framework in the Republic of Serbia for the establishment of a human resource management system based on the CF, analysing the legal aspects of its application and the guidelines for its implementation. Currently, MPALSG is drafting amendments of the Law on Civil Servants for the introduction of CF.

In all other countries, Montenegro, BiH, FBiH, RS, steps are yet to be taken for introducing competency-based performance appraisal. A competency framework is in place only at the state level of BiH (introduced in October 2017). Still, its full implementation started only in April 2018 and relates to selection purposes only. There is no formal role in the process of ISPA. In fact, integration of the competency framework into the system of HRM hasn't been fully done, since individual job descriptions are yet to be updated. Such an update is a pre-condition for the use of competency framework in other HRM functions, including the ISPA.

## **2.4. Scope of ISPA: Internal Structure of Employees in Central Public Administration Covered by Performance Appraisal**

Performance appraisal should reflect a complex web of relations between all the actors in the organisation, not only civil servants but ALL employees, achieving the organisational vision, mission and goals. In such a system, performance appraisals are used to agree on targets and goals to be achieved, not only by individual civil servants but also collectively as a team with all the employees in an aligned and coordinated manner to the best of their abilities. Therefore, most practitioners and academics today agree that performance appraisal is not only about the measurement of job performance, but also about motivation, communication and overall relations within the organisation. In this sense, performance appraisal plays a strategic role in the overall organisational framework for employee relations, vis-à-vis the achievement of organisational goals.

Nevertheless, central public administration personnel may work under various legal regimes in various countries (given the specific and unique system of public administration in each ReSPA Member), ranging from civil service law to public law, labour law to short-term or long-term contracts. In other words, it is not always civil service law or public service law that regulates ALL employees in the central public administration. The various employee categories in defining central public administration personnel make it a challenge even to analyse one country. In order to look at a cross-national comparison, we look into various employee categories to be found within the central public administration, type of regulation covering their employment relations and whether they are formally requested to undergo

performance appraisal under the regulation of any kind (not only civil service law). Typically, individual performance appraisal is tackled by civil service laws which, however, have different scope, both horizontally and vertically, in each ReSPA Member. Thus certain categories of employees are simply not covered by ISPA. The categories of employees as seen in Table 5 are typically found at a central public administration level, though the personnel does not necessarily have to be formally subdivided and recognized in this way as shown below in individual countries.

**Table 5: Regulation of Categories of Employees in Central Public Administration (CPA)**

	<b>Senior CS/top managers</b>	<b>Permanent CS in non-managerial positions</b>	<b>Permanent employees not regulated by CSL</b>	<b>Temporary contracts within CS</b>	<b>Temporary contracts outside of CS</b>	<b>Political leaders (e.g. deputy minister, state secretary)</b>	<b>Political appointees (e.g. political advisor, head of the agency)</b>
<b>ALB</b>	CSL "Top Management Corps"	CSL	Labour Code applied	Not applicable	Not applicable	Labour Code	Labour Code
<b>FBiH</b>	CSL	CSL	Labour Law in the FBiH Institutions	CSL	Labour Law in the FBiH Institutions	Law on Ministerial, Governmental and Other Appointments in the FBiH	Law on Ministerial, Governmental and Other appointments in the FBiH
<b>RS</b>	CSL	CSL	Labour Law of RS	CSL	Labour Law of RS	Law on Ministerial, Governmental and Other Appointments in the RS	Law on Ministerial, Governmental and Other Appointments in the RS
<b>BiH</b>	CSL	CSL	Labour Law in the BiH Institutions	CSL	Labour Law in the BiH Institutions	Law on Ministerial Appointments, Council of Ministers Appointments and Other Appointments of BiH	Law on Ministerial Appointment, Council of Ministers Appointments and Other Appointments of BiH
<b>KOS*</b>	CSL	CSL: professional level (career CS) + "administrative-technical level" BUT new CSL will cover both categories, but exclude administrative staff from CS	no	CSL "service contract" (non-career CS positions up to 2 years for specific tasks/responsibility not covered by existing CS)	Law on Obligations (fixed-term appointment of less than six months: Special Service Agreements)	Regulation No. 02/11 on areas of admin. Responsibility of the PMO and ministries	Regulation No. 02/11 on areas of admin. Responsibility of the PMO and ministries
<b>MAC</b>	Law on Administrative Officers – A category "senior administrative service"	Law on Administrative Officers – Group 1 "administrative officers" + Group 4 "associate"	Law on Labour Relations	Law on Transformation into Full-Time Employment (2015-16) + Law on Labour Relations	Law on Labour Relations	-	Law on Administrative Officers "Cabinet Appointees"
<b>MN</b>	CSL "senior"	CSL	no	CSL: limited to 6 months	Labour Law	Law on State Administration	Law on State Administration

	management Staff"				(contract on services only for specific tasks)		
<b>SER</b>	CSL "appointed personnel" category + manager of state authority	CSL	Labour Law	CSL "CS employed for fixed term"	Labour Law	CSL "political category"	CSL "political category"

We looked into the categories mentioned above from the perspective of their formal requirement to undergo any performance appraisal regime. Based on the degree of ISPA coverage, we divided the ReSPA Members into four groups:

- a) all employees in CPA are covered by ISPA (Kosovo\*, Montenegro),
- b) employees under CSL + Labour Law but ALL covered by ISPA (BiH, FBiH, RS),
- c) employees under CSL + Labour Law, but ISPA only for CSL (Albania, Macedonia),
- d) employees under CSL + Labour Law, but ISPA only for CSL, from which selected categories are exempted (Serbia).

Detailed discussion on these groups follows in subsequent paragraphs.

- all employees in CPA are covered by ISPA (Kosovo\*, Montenegro)

In Kosovo\*, the CSL is broad and regulates the status of CS at both central and local levels. It has two main categories of employees: a) career CS positions – that exercise functions on a permanent basis; and b) non-career CS positions: that exercise functions of a limited duration up to two years for the implementation of specific projects, temporary replacement of permanent CS and in cases of work overload. The latter category was shifted under "Special Service Agreement" under the Labour Law with recent changes, and thus temporary contracts (even within CS) no longer fall under ISPA. Montenegro, with recent changes in July 2018, has also included heads of state institutions under SCS.

- employees under CSL + Labour Law but ALL covered by ISPA (BiH, FBiH, RS)

In BiH, the civil service laws have a relatively narrow scope. Low ranking administrative level staff, such as IT, HR procurement and other support functions are classified as public employees who are regulated by the Labour Law. Nevertheless, ISPA for non-civil servants is regulated by secondary legislation (i.e. PA Rulebook) which covers both CS and non-CS.

- employees under CSL + Labour Law, but ISPA only for CSL (Albania, Macedonia)

In Albania, a new CSL from 2013 established senior managerial positions in the state administration as "top management corps" as part of CS, including ISPA. It also made a clear distinction between a civil servant and an administrative employee, the latter being an employee who carries out administrative, secretarial, maintenance and service duties and does not exercise public authority and thus is not covered by ISPA.

In Macedonia, a new Law on Administrative Officers (LAO) from 2014 includes four categories of public sector employees. The ones relevant for the central public administration are Group 1 – "administrative officers" and Group 4 – "auxiliary-technical staff". The LAO made the first step towards professionalization of the senior civil service by creating "senior

administrative service” that includes secretaries, directors of bodies within the ministries and other state administration bodies and head of sectors. The performance appraisal is mandatory for every administrative officer, apart from the political appointees and temporary positions. The Central Public Administration personnel, however, is also regulated by the regular Law on Labour Relations, particularly auxiliary staff, such as drivers, couriers, cleaning staff, etc. Temporary contracts, both within and outside of the scope of LAO were mainly shortly utilized after LAO came into effect in 2015 and 2016 by implementing the Law on Transformation into Full-Time Employment in order to bypass the provisions for selection and recruitment. This has changed, though still, one can find temporary contracts within civil service which cannot last longer than one year. As far as political leaders and appointees are considered, these are “cabinet appointees” and special advisors. The former ones are civil servants whose mandate is linked to the minister/director mandate, and after the mandate, they are moved back to the same position they had. The latter ones are outside persons whose mandate terminates with the one of a political leader who appointed them.

- employees under Civil Law + Labour Law, but ISPA only for CSL and some categories exempted (Serbia)

In Serbia there are three categories of CS: a) political, i.e. senior positions appointed by the Government for the duration of its term in office, b) appointed personnel, i.e. senior civil service appointed by the Government for five years, based on an open and internal competition procedure which, however, is exempted from the ISPA process and finally c) civil servants who are considered to be ordinary CS.

Next, we looked into the extent to which different categories of employees in CPA are subject to the application of individual performance appraisal (Table 6).

**Table 6: Individual Performance Appraisal Covering Various Employee Categories**

	Senior CS/top managers	Permanent civil service in non-managerial positions	Permanent employees not regulated by CS law	Temporary contracts within CS	Temporary contracts outside of CS	Political leaders	Political appointees
ALB	yes (mandatory)	yes (mandatory)	ISPA not covered	Not applicable	ISPA not covered	not covered, but performance contracts	ISPA not covered
FBIH	yes (mandatory)	yes (mandatory)	Yes (mandatory)	Yes (provided that they worked at least 50% of the time in the given appraisal period)	ISPA not covered	ISPA not covered	ISPA not covered
RS	yes (mandatory)	yes (mandatory)	Yes (mandatory)	ISPA not covered	ISPA not covered	ISPA not covered	ISPA not covered
BiH	yes (mandatory)	yes (mandatory)	Yes (mandatory)	Yes (provided that they worked at least 50% of the time in the given appraisal period)	ISPA not covered	ISPA not covered	ISPA not covered
KOS*	yes (mandatory)	yes (mandatory)	n/a (all employees covered by	yes (mandatory) BUT new CSL	ISPA not covered “Special	ISPA not covered	ISPA not covered

			CSL)	<b>will not cover, instead “Special Service Agreement” under Labour Law</b>	Service Agreement		
<b>MAC</b>	<b>yes (mandatory)</b>	<b>yes (mandatory)</b>	ISPA not covered	ISPA not covered	ISPA not covered	ISPA not covered	ISPA not covered
<b>MN</b>	<b>Yes (mandatory)</b>	<b>yes (mandatory)</b>	n/a (all employees covered by CSL)	<b>yes (mandatory)</b>	ISPA not covered	ISPA not covered	ISPA not covered
<b>SER</b>	<b>exempted</b>	<b>yes (mandatory)</b>	ISPA not covered	exempted (specifically mentioned)	ISPA not covered	exempted (specifically mentioned)	ISPA not covered

Comment: n/a = not applicable, this category does not exist

### ***Permanent Civil Service within Civil Service Laws – see Section 3 of this Report***

Individual performance appraisal is defined primarily by separate civil service laws.

#### ***Temporary Contracts***

Temporary Contracts not covered by ISPA are a problem if they constitute entry into permanent CS and/or are signed for longer than 12 months. In Albania, Montenegro and Kosovo\* temporary appointments are regulated by the CSL, and thus ISPA does not differ from permanent CS. In Kosovo\*, this will change with the new CSL which will recognize temporary contracts as “Special Service Agreements” regulated by the Law on Obligations which does not cover ISPA. In Serbia, approximately 11 per cent of the administrative staff are employed on temporary contracts and are often recruited into permanent CS without any prior ISPA procedure. Thus, if recruitment to permanent CS is conducted through temporary positions, ISPA should be conducted after the completion of temporary jobs prior to the entry to permanent CS.

#### ***Permanent Employees not Covered by Civil Service Laws (Albania, Macedonia, Serbia, BiH)***

Many civil service laws make a distinction between “core professional” civil servants and other permanent employees of the central public organizations who carry out administrative and other auxiliary functions and which are mostly covered either by the Labour Law (Serbia) or the Public Service Law. This division, on the one hand, should enable better mobility of administrative and technical staff. On the other hand, these permanent employees do not fall under any individual performance appraisal regime, which may jeopardize overall organisational managerial culture. At the same time, in many of the ReSPA Members, the separation between these categories is not clear-cut, particularly if it comes to support professions, such as IT, HR, financial etc. and the division is sometimes arbitrary.

The biggest proportion of CPA staff classified as employees in administrative and support roles not covered by CSL is in BiH (data do not distinguish between BiH, FBiH and RS and indicate that on average only 37% of staff are covered by CSL). Despite this, ISPA is also applied to this category of employees.

## Senior Civil Servants

Senior Civil Servants are, by definition, regulated by respective civil service laws. However, they may or may not be granted a formal SCS status, referred to in a national piece of regulation as a separate and special group of civil servants. Furthermore, they may or may not enjoy one or more specific conditions in comparison to the general civil service, such as different recruitment procedure, special exam, special training, different employment system, a period of appointment, special support, benefits, advancement, including specific individual performance appraisal regime.

In the European Union, a movement towards special status and special conditions for SCS can be observed in the past decade<sup>21</sup>, which was also noticed in specific individual performance appraisal procedures<sup>22</sup>. Such a movement shows acknowledgement of the differences in their work, and therefore the necessity to also differentiate other organisational matters from that of regular civil service. Existing convergence to acknowledge senior civil service as a specific group in contrast to regular civil service would suggest a similar general approach to the design of specific performance appraisal of such specific group.

### Special Performance Appraisal Procedure for SCS

On EU level three main approaches towards SCS can be differentiated<sup>23</sup>: a) mandatory performance appraisal for SCS as opposed to regular civil service (only Italy and Malta where ISPA is still being piloted for regular CS and thus is not yet mandatory), b) exemption of SCS from ISPA altogether (only Luxembourg and Poland where SCS has tenure), and c) parallel system for SCS to regular ISPA (most of the countries, e.g. Estonia, Finland, Ireland, Latvia, France, Portugal, etc.). Thus, parallel systems of individual performance appraisal with a specific one or more ISPA design aspects are the most utilised ones, notably in *components* (managerial competencies), *frequency* (more frequent), *the involvement of additional actors in the process* (e.g. committee, HR unit), *source of information* (more complex, e.g. 360-degree ISPA), *performance agreements* (particularly for fixed-term positions).

For the purposes of this study, the SCS conceptualization is important from two perspectives: a) the first perspective puts SCS into the centre of the ISPA as an object. Thus the question is if they have a specific condition for *their* performance appraisal, particularly if heading independent country institutions or agencies, b) the second perspective views SCS as *subject or* leaders of the performance management culture (together with political appointees and political leaders) whose commitment to and drive for performance management is of key importance in the overall perceptions of ISPA and its success/failure.

The acknowledgement of formal status, as well as defining the scope of senior civil service in the ReSPA Members is different in each member. Countries apply two approaches to defining SCS in practice: either they define particular positions in a particular institution (e.g. secretary-general in a ministry), or they define generic positions (e.g. heads of state institutions), or both.<sup>24</sup>

<sup>21</sup> Kuperus, H. and Rode, A. 2016. *Top Public Managers in Europe. Management and Employment in Central Public Administrations*. The Hague: Ministry of Interior.

<sup>22</sup> Staroňová, K. 2017. *Performance Appraisal in the EU Member States and the European Commission*. Study commissioned under Slovak EC Presidency and EUPAN.

<sup>23</sup> Staroňová, K. 2017.

<sup>24</sup> See details in Udelep, A. et al. 2018. *Analysis of the Professionalization of the Senior Civil Service and the Way Forward for the Western Balkans*. SIGMA Papers, No. 55, Paris: OECD Publishings.

**Table 7: Senior Civil Service (SCS) vis-à-vis Individual Performance Appraisal**

	<b>SCS formal status in regulation</b>	<b>SCS Scope (definition)</b>	<b>Polit. vs prof. level division clear</b>	<b>Specific ISPA in comparison to regular civil service</b>
<b>ALB</b>	“top management corps” in CSL	Secretary-general, director dpt., director of general directorates and equivalent positions, heads of institutions subordinated to PM or line ministers	yes	Competency framework
<b>FBiH</b> <b>RS</b> <b>BiH</b>	yes (in respective CSLs)	a) managerial posts one level below the minister/head (e.g. secretary of the ministry, assistant minister, assistant director, chief inspector).  b) head of an institution (in cases where a civil servant is designated by law to lead the institution, e.g. CSA)	no	no  Yes (entirely different procedure: committees established by Government.
<b>KOS*</b>	yes 1 separate category out of 4 categories of CS	Secretary-general and equivalent positions	yes	ISPA by minister, submitted to separate body
<b>MAC</b>	“senior administrative service” (A category of LAO)	State secretaries, general secretaries of the local self-government, directors of bodies within the ministries and other state administration bodies	no (scope not clearly defined)	no
<b>MN</b>	Since 2018 became on category:	a) Senior management staff: Secretary and director-general in the ministry, deputy head of administration, deputy head of service  b) <i>Head of state institutions</i> (appointed for 5 years)	no	Yes (number of categories, appraisal criteria, 2018 frequency)  yes (since 2018 Law on State Administration, before 2018 no ISPA applied)
<b>SER</b>	“appointed personnel”  Separate category: “Manager of state authority”	a) Director of a special organization, director of the state authority within the ministry, secretary of the ministry, assistant director of a special organization, assistant director of the authority within the ministry  b) Manager of state authority (appointed for 5 years)	no	no  Exempted from ISPA

The ReSPA Members show a big variance in the way whether and how SCS is exposed to performance appraisal. We can differentiate between three major clusters on the basis of SCS treatment with ISPA:

- a) Covered by CSL with a specific regime of ISPA for SCS: Montenegro, BiH, RS, FBiH (committee), Kosovo\* (minister)
- b) Covered by CSL, but exempted explicitly from CSL: Serbia
- c) Covered by CSL with same ISPA regime as regular civil service: Macedonia, Albania.

Both Montenegro and Serbia have the fixed-term appointment of 5 years for SCS – in EU countries such fixed appointments in SCS usually carry “performance contracts” (e.g. Estonia). Both countries exempted heads of institutions from ISPA, nevertheless,

Montenegro included this category in July 2018 with new CSL. This is an important step forward which implies that, in future, heads of institutions will be covered by ISPA.

Kosovo\* and BiH, FBiH and RS have an entirely different procedure for SCS. In Kosovo\*, ISPA is conducted by a minister and submitted to a separate body (Government Coordination Secretariat). If poor performance is determined, the minister and/or PM initiates creation of a commission for determining the consequences. No data exist if this has ever happened. Potentially, there is a risk of political patronage. In BiH, SCS (heads of service office) are appraised differently, either by the Government or a Minister by creating a special committee and procedure (discussed in more detail in the Section on Actors in ISPA). They do appraisal annually, and it is semi-formalised in a sense that there is no strict procedure or ISPA template as such, but the head of the institution is required to submit his/her annual report and the ISPA interview does take place based on the content of the mentioned report. No public reports from this practice and very few information about consequences exist.

### ***Political Appointees and Political Leaders***

Political appointees and political leaders (e.g. deputy ministers) have their mandate tied to the mandate of the government, and thus these positions are excluded from the civil service because their purpose is to set political directions. The number of political appointees and leaders depends on the political system of each ReSPA Member; nevertheless, regardless of its scope, they occupy key positions and constitute the heart of leadership in government. These are the officials who are responsible for formulating, advocating, and directing the country's policies and programs or are those who serve such officials in a close and confidential relationship. Since political appointees often come from outside the civil service (private sector, academia, think tanks, etc.), they often do not see performance management as an issue, although making policy work may be a more difficult task than making a policy itself. In addition, many political appointees are not only responsible for policy, but also for public management, including administrative processes and systems. Accordingly, political appointees and political leaders should make performance management, including ISPA a priority. They should avoid the misperception of treating performance goals and measurement as simply another series of legal or formal requirements. They should utilize organisational and individual performance goals as managerial tools to communicate and align their organization's employees to important public purposes. Therefore, they have to see themselves not only as political and policy leaders but also as leaders in performance management.

Albania is to this end experimenting with a new tool. The new government starting office in September 2017 initiated a model of **performance contracts** with the ministers and deputy ministers. Each minister and deputy ministers will have some key performance indicators to be achieved, and the cabinet of the PM will monitor the progress. This is a good opportunity to give a boost to the overall PA culture and practice in Albania because it will create a real possibility to link the institutional performance with individual performance. Unfortunately, the performance contracts are kept confidential, and there is no info on the results and on the KPIs for each minister or deputy minister.

## **2.5. Areas for Improvement**

- **Fit** individual performance appraisal to **overall performance management** and HR functions, vertically and horizontally

The ReSPA Members face general problems in integrating ISPA with other elements of performance management vertically (cascading of organisational goals) and other HR elements horizontally. The persistence of formalism and insufficient development of performance culture present a barrier to effective ISPA implementation. Within such a framework, performance appraisal also has higher acceptability.

- Review the **purpose** of the individual performance appraisal

Since appraisers and appraisees alike approach performance appraisal with distrust and dislike with high levels of formalism in the ReSPA Members, both political leaders and senior civil servants, including HR managers need to review and agree on the purpose and process of the appraisal in order for it to be effective. It has to be clear that within ISPA measurement is not the objective, but rather a tool for generating information for strategic decision-making (which can range from organisational to HR decisions, from developmental to incentivizing function, from communication mechanism to identification of good/bad performers, a managerial tool for SCS and managers in general, etc.).

- Communicate the **connection and coherence** between **goals on different levels** (organization, department, unit, employee)

The links between ISPA and organisational goals are often unclear. The process should ensure that employees understand how their individual performance goals contribute to the overall performance of the organization. This direct linkage helps to understand the “big picture”, to create shared responsibility and to motivate to be “part of the mission”. Understanding the role on how each person (and ISPA) contributes to the overall organization increases the acceptance of the tool.

- **Institutionalization of the performance appraisal** for all SCS, potentially also for political appointees if in managerial positions

Several factors have a strong influence on the culture in which performance appraisal operates successfully. The strongest is the extent to which the formal appraisal process is taken seriously by the organisation, notably by its leaders, be it SCS or political appointees in managerial positions leading an organization. For them, it is important to show they take ISPA seriously and think in a performance management context and thus show commitment and in this way, increase managerial accountability. Possibilities include parallel SCS procedure as has already been established in some of the countries, but these need to be transparent and regulated (e.g. what are the performance appraisal criteria, including managerial competencies, frequency of appraisal, etc.). Another possibility is to experiment with performance committees and performance contracts to allow appropriate scrutiny and review to a level of depth and detail not possible in regular ISPA procedure, to strengthen the performance culture across the public organizations through its oversight capacity and to provide advice and make recommendations, particularly where a high risk of political gaming exists and where the term of SCS or political appointees in a managerial position is fixed. Performance committees and/or performance contracts can be limited for important managerial posts in public service (e.g. regulatory agencies, state-owned companies, etc.) rather than SCS in large where, however, the performance of the organization, future strategic development/transition is of high importance, and thus the review considers the role of the manager in place vis-à-vis the quality, financial, strategic performance of the organization, performance implications derived from new legislation with discussing and agreeing on corrective action where necessary.

With the growing importance of team-based work and effective communication within an organization, tackling relevant employees and organisational context becomes more relevant.

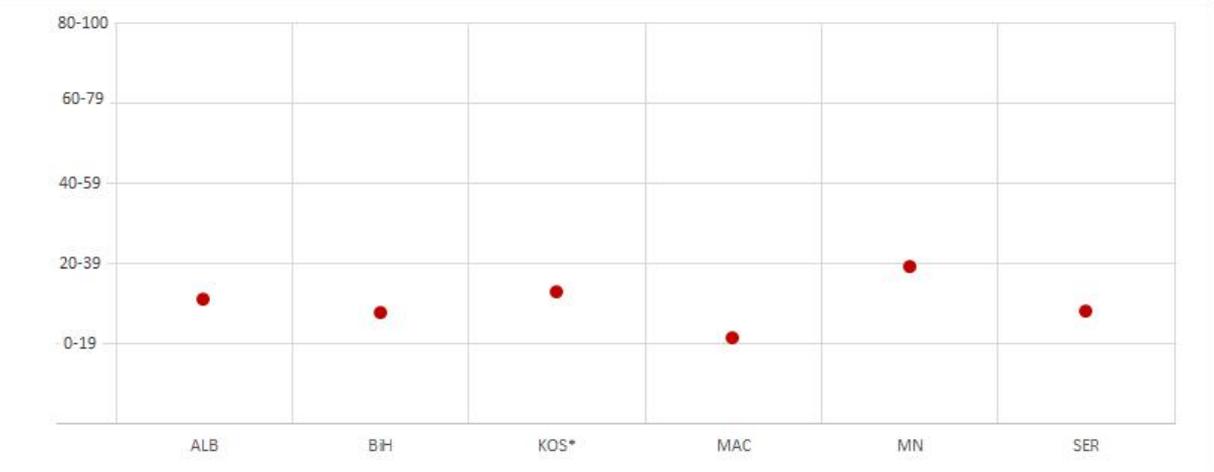
### 3. Quality of Implementation of the Process of Individual Performance Appraisal

This part examines the quality of implementing the process of individual performance appraisal within and across the ReSPA Members as defined by the Civil Service Laws, which may cover not only the category of regular civil servants. In addition, the following employee categories follow the ISPA regime defined in CSL: SCS if not exempted (Serbia, Montenegro until 2018) or regulated differently, permanent employees not regulated by CS law in BiH, FBiH and RS and temporary contracts within CS in BiH, FBiH, Kosovo\* (not in the new CSL), Montenegro (See Section on the Scope of Performance Appraisal in the previous Section for more detail). Overall, ISPA regulated by CSLs covers 60 to 90 per cent of employees in CPA, depending on the ReSPA Member.

In WB, all of the countries oblige civil servants to undergo regular performance appraisal. If ISPA has not been undertaken, respective regulations provide in some countries (Albania, Macedonia, Kosovo\*) specific sanctions in the form of disciplinary measures for not fulfilling duties. In Montenegro, BiH, FBiH and RS although sanctions are not explicitly stipulated, the part on disciplinary measures clearly indicates that failure or untimely or negligent fulfilment of official duties is a severe violation of official duty which can be sanctioned, from applying financial fines to termination of employment.

Despite the obligatory nature of the ISPA, responses from the online survey of personnel managers show that the non-compliance problem is widespread across the ReSPA Members, reaching almost 40% in Montenegro (see Figure 4). This practice can have several reasons: first, insufficient managerial and leadership capacities (not only ISPA related) and/or poor design of ISPA processes; second, insufficient capacities to conduct ISPA; third, lack of explicit stipulation in the CSL or secondary legislation about sanctions if ISPA is not conducted and its enforcement; fourth, non-compliance is to be attributed to the fact that some institutions lack classification of jobs and do not apply performance appraisal linked to it (e.g. Kosovo\* where compliance with ISPA is historically low 49% in 2015 to 64% in 2016), and last but not least, resistance occurring in central public organizations against ISPA.

**Figure 4: Non-compliance with Formal Performance Appraisal Obligation**



Source: Data collected for this study via a survey of heads of personnel units

### 3.1. Formal Frequency

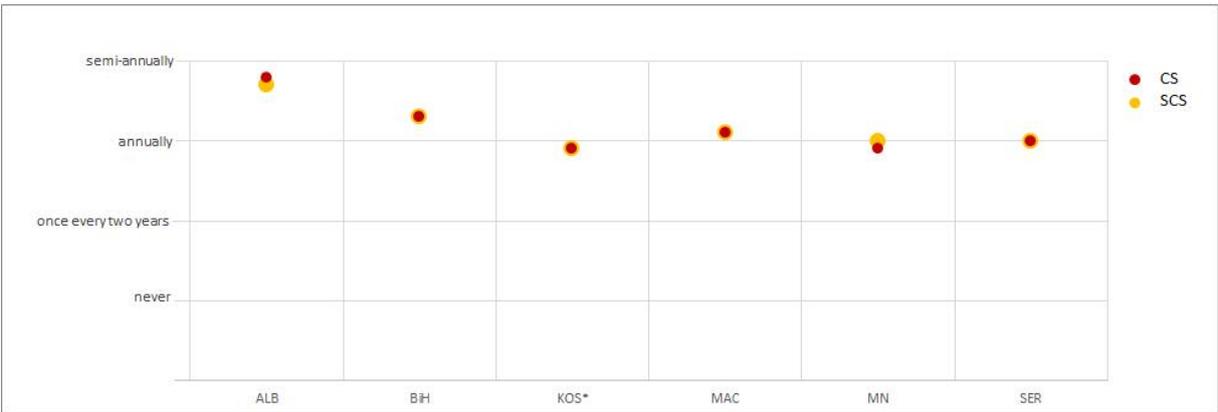
The value of performance appraisal (and the information used from performance appraisal) is highly dependent on the frequency or, better said, continuity of the whole process. Research shows that effective ISPA should be fairly frequent and ideally on an ongoing basis, rather than in formal annual or semi-annual frequencies so that the obstacles in achieving goals or development can be immediately addressed. Nevertheless, the higher frequency would require much simpler procedures and more limited scope of appraisal, so that they can be conducted quickly with little bureaucracy involved.

**In the ReSPA Members, the frequency of formal performance appraisal corresponds to the standard of having one at least once a year (70% of EU countries have set such a frequency, the rest having even more frequent periods). In fact, quite a number of countries have formal appraisal more often than that: Albania, RS, BiH, Macedonia and Montenegro for SCS.**

Frequency for a formal appraisal	ReSPA Member
Once a year	Kosovo*, Serbia, Montenegro (regular CS), FBiH (at least)
Twice a year	Albania, RS, BiH, Macedonia, Montenegro (SCS as of 2018)

The survey among heads of personnel suggests, however, that compliance with semi-annual frequency is very low, except for Albania where compliance is at 87% rate. In BiH, it is at 36% rate, which can be skewed because of the voluntary nature of the semi-annual frequency of ISPA in FBiH. Nevertheless, Macedonia is only at 15% of semi-annual compliance, which suggests that mid-year interviews are not being conducted. Since Montenegro has not yet undergone the new semi-annual frequency, results show annual frequency.

**Figure 5: Frequency for Formal Performance Appraisal in Practice**



Source: Data collected for this study via a survey of heads of personnel units

### 3.2. Appraiser–Appraisee Interaction (continuous interaction)

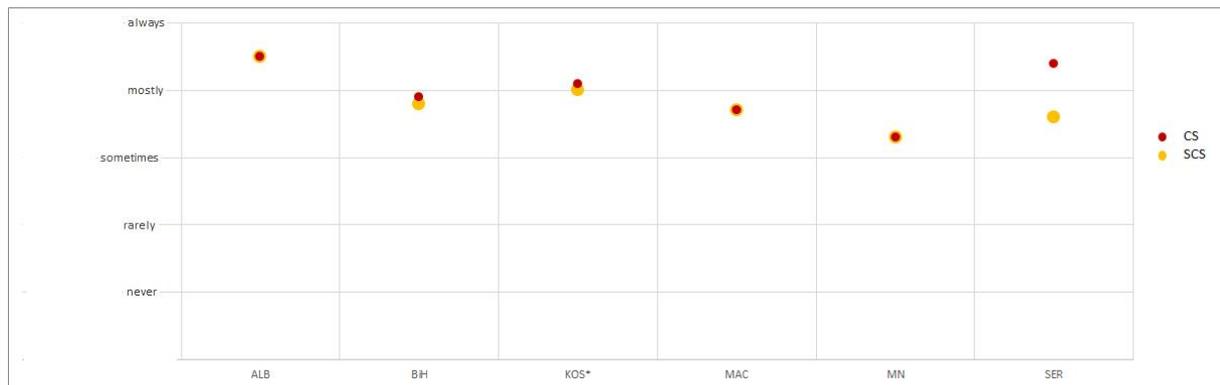
Besides the formal appraisal process mentioned above, which takes place on an annual or semi-annual basis, ISPA should also be performed informally, frequently and on a participatory basis. To this end, we look into interaction and involvement of the civil servant in the ISPA process along three stages, which will allow us to comment upon the degree of communication, participation and general involvement of the civil servant. We distinguish these three stages in appraiser–appraisee interaction: a) phase of setting and agreeing on the performance individual goals **prior to the appraisal** period, b) measures for mid-review and performance interview **during the ISPA process**, and c) discussion of the results from ISPA **prior to its finalization**, i.e. communication of the results.

First, a key component of performance appraisal is the **participatory setting and consensus on the individual goals** prior to the appraisal. They highlight for the civil servant the clarity and understanding of their contribution towards organisational goals as a whole, their actions and behaviours in the projected period. It sets a direction for future achievements and results and also considers support in personal and professional development.

All ReSPA Members except for Montenegro formally provide space for identifying and defining in advance individual performance objectives at the beginning of the assessment period. In Macedonia, the requirement explicitly asks the goal setting to be a joint initiative between appraisee and appraiser where more than three objectives have to be set together with the line manager, along with a plan for professional development and measures for achieving that. Similarly, Serbia asks for “agreed work objectives” which indicates a participatory approach towards goal setting, within which the discussion shall aim at ensuring that there is a common understanding of the matter. In BiH, FBiH and RS, during the goal-setting exercise, a civil servant assesses the relevance and complexity of proposed individual performance goals and offers suggestions for change. In Albania and Kosovo\*, the civil servant participation in setting objectives is less explicit, though flexibility is provided as all other criteria are already predefined. In Montenegro, on the other hand, the work goals are not formally set. Thus the employees do not find them on paper, which makes ISPA procedure challenging.

However, Figure 6 shows that there is an implementation gap in the discussion of objectives before the assessment period, where none of the countries reach an “always” category. Naturally, the lowest compliance is in Montenegro, where survey responses show that objectives are discussed only sometimes, followed by Macedonia and SCS in Serbia.

**Figure 6: Discussion of Objectives Prior to the Assessment Period**



Source: Data collected for this study via a survey of heads of personnel units

Furthermore, the qualitative evidence suggests that, in practice, individual performance objectives are most of the time derived mechanically from job descriptions with little or no change over time. It is useful to start with job descriptions when discussing individual performance goals because knowledge, skills and abilities are job-specific. However, potential problems may arise if job specifications (and descriptions) are in disarray with what the civil servant is actually doing. More problems may arise if actual performance and strategic goals of the organization are not taken into consideration when devising individual performance goals. In addition, individual performance goals are not only about results and achievements, but also about competencies of the CS, and thus developmental individual goals are to be prepared as well.

The second phase looks at **measures securing a continuous process of communication** and feedback so that the performance appraisal does not happen only formally once a year. All WB countries do have formal tools to secure some kind of continuous communication. Serbia prepares performance appraisal for each quarter of the year and based on these the actual annual performance appraisal is being put together. Macedonia realizes a half-a-year interview with every employee, where the level of realization of the tasks, level of contribution towards institutional objectives and level of learning are determined. In Albania, the supervisors are encouraged to keep notes to be used during the appraisal interview. Rulebooks in BiH, FBiH, RS require from managers to keep track of their subordinates' performances. In practice, this is done through the setting of performance goals and monitoring of the fulfilment progress. No specific method of information gathering is prescribed, but managers are required to document the work of their subordinates. In Kosovo\*, the Guidance for ISPA implementation recommends a mid-year review (usually in June) so that each appraiser and appraisee should have at least one informal mid-year review meeting. It should serve to informally review performance to date, clarify expectations and provide assistance to ensure key tasks listed in the Job Plan are achieved within the agreed time frame. Despite all of these follow-up activities which correspond to current measures advised in EU countries, there is little evidence that this practice is actually followed in civil service organizations of the ReSPA Members.

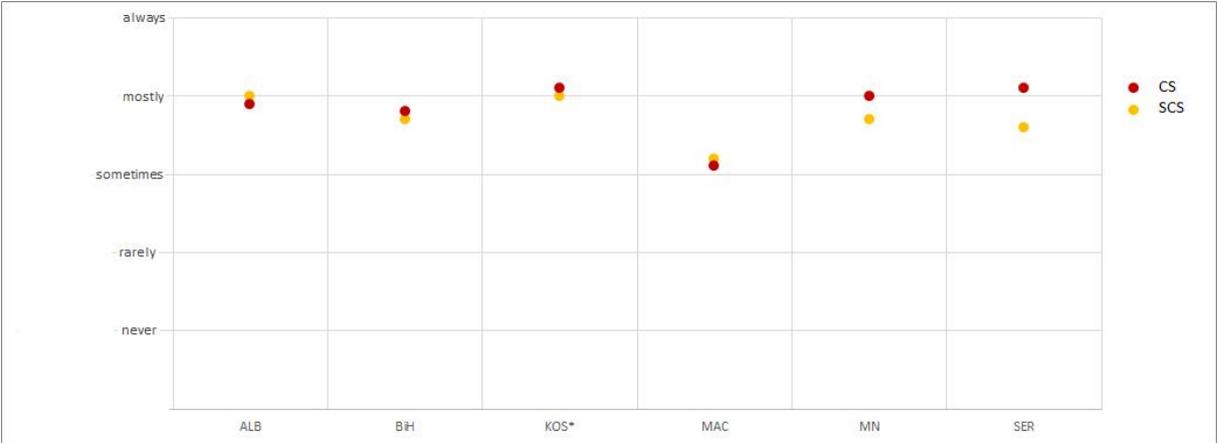
**Performance interview** is now being considered to be a routine mechanism that establishes a dialogue – where performance information is deliberately examined – rather than only one-way communication. It is precisely a performance interview that allows dialogue between the civil servant and appraiser to examine their own thinking and create common meaning. From this perspective, half of the ReSPA Members (Albania, Macedonia, Montenegro and Serbia)

do formally require performance interview during ISPA. In Macedonia, the line manager must already realize a half-a-year interview with every employee, where the level of realization of the tasks, level of contribution towards institutional objectives and level of learning and development are determined. However, as in the previous aspect of the interaction between appraiser and appraisee, qualitative evidence suggests that performance interviews are formal and/or do not take place.

Third, **communicating performance appraisal results (feedback)** increases transparency and legitimacy of the whole process, since the absence of secrecy permits civil servants to identify weaknesses and to challenge undeserved appraisals. In addition, feedback culture is integral to performance management, as well as development and coaching. In this context, it is important to substantiate and justify any decisions, particularly if leading to any consequences. Clearly, documentation of the performance is most important and can be crucial if performance is substandard and sanctions must be imposed. To that end, written comments and justifications in the ISPA templates are important.

All ReSPA Members are requested to provide the results of the ISPA to civil servants; however, these are not always accompanied by a justification, but rather provided in a numerical form (Macedonia, Montenegro), justification is not provided to all ranking categories (Kosovo\*) and/or CSs are not always involved before ISPA finalization. Thus, the countries vary in the degree of involvement of the civil servants (one way or two-way communication vs provision of written templates), a form of the results communicated (textual vs numeric) and degree of justification of the results – see also Figures 7 and 8).

**Figure 7: Appraisers Discuss the Results of ISPA**



Source: Data collected for this study via a survey of heads of personnel units

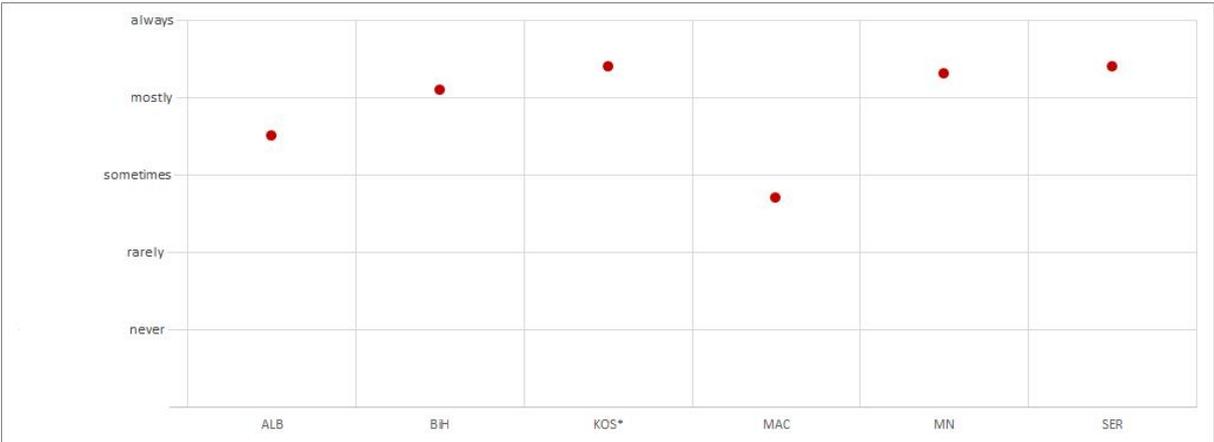
Kosovo\* does not request oral discussion of the results; instead, results are provided in writing as a fixed pre-determined ISPA template. This template provides space for the appraiser to justify granted scoring in all of the components and subcomponents. However, these comments are only obligatory if the appraisee scores “poor”, “very good” or “excellent” which means in three out of five rating categories. Formally this means that only approximately 20% of the civil servants can get comments due to the imposed forced ranking system (although poor performers do receive comments as well – in reality, this was 0.1%). Since forced distribution is not applied in practice (see Section on Rating Systems), in reality approximately 58% of all the appraisees are formally obliged to get written comments beside

a numerical grade)<sup>25</sup>. It is already a step forward since the previous ISPA system template provided only limited space for written comments.

In Macedonia and Montenegro, the results are communicated in numeric rather than textual form. Thus, in Montenegro, a civil servant is informed orally on the final grade from ISPA obtained by applying mathematical formula (see Section on Rating Systems). There is no textual justification of the grade given or any other explanation which would go into the ISPA template. The civil servant is informed on this final result in a conversation from which the immediate superior takes minutes that are included into the ISPA template (space is already there for that purpose) and which CS has to sign. In Macedonia, only the final score in numerical form from 1-5 is provided on a fixed ISPA template to the appraisee. No discussion of the results or justification of rating takes place (see also Figure 8).

Only Albania, Serbia, BiH, FBiH and RS allow for discussion before its finalization. In BiH, FBiH and RS when discussing performance results, CS is free to offer counter-arguments concerning the proposed grades. In Albania, the appraiser can discuss the results with the civil servant during the interview, while the results should not necessarily be agreed with the appraisee. He or she is then officially notified and given the right to comment and to contest the mark and appraisal overall. In Serbia, an interview takes place as soon as the appraiser completes the form in order to inform the appraisee about the markings, comments, conclusions, to resolve any differences and to review training needs.

**Figure 8: Written Justification of the Rating Decision**



Source: Data collected for this study via a survey of heads of personnel units

The qualitative evidence suggests, however, that the actual reality and practice not always correspond to the formal requirement. In many cases, the conversation simply does not take place or is only pro-forma, since almost every appraisee gets high marks and thus there is no perceived need to do the talking.

### 3.3. Components

Today in EU countries the evaluation of components during the performance appraisal is a large multi-dimensional system which may range from mechanical checklists to listing

<sup>25</sup> Calculated by the author. Data on the number of appraisees in each rating category were taken for the year 2016 from the SIGMA report. SIGMA. November 2017. *The Principles of Public Administration. Monitoring Report. Kosovo\**. Paris: SIGMA OECD.

general criteria based on structures, or competency models to qualitative two-way result discussions. Their structure, composition and the actual process, hence, play a key role in the implementation of the performance appraisal. In fact, in the EU countries, the biggest shift in the composition of components in the past decade besides orientation on competency framework are criteria that are oriented towards future development and improvement recommendations for civil servants. Naturally, in order to be able to discuss future development plans, the performance appraisal also looks into the strengths and weaknesses of the civil servants. This is not the case in the ReSPA Members, except for Albania and to some extent Macedonia, but because of the latter's too complex system, implementation lags behind.

Across the ReSPA Members, the focus of **the appraisal components** is centred on a) achievements against **goals or objectives**, as set at the beginning of the appraisal period (see also the previous section) and b) on the **assessment of competencies** (see Table 8). All of the ReSPA Members pursue so-called *performance goal orientation*, related to the achievement of job objectives and duties related to job positions rather than *learning goal orientation* towards developing competence by acquiring new skills and mastering new problems and tasks. Albania differs from the other countries in the region. Since, the objectives set for each civil servant, are based on the objectives of the unit and institution where he or she is a staff member and, thus, is the only country that makes the vertical link and cascading of organisational performance objectives into individualized performance objectives. In addition, the appraisers have the possibility to make comments or written assessments based on strengths and weaknesses demonstrated by the CS and to agree with him or her a development plan for the future.

**Table 8:** Performance Appraisal Components (N=29)

ReSPA Member	CS goal/results achievement	Future goals	Strengths	Weaknesses	Job knowledge	Competencies	Overcoming mistakes from I-4-D-A	Future development	Monitor unit organ. goal achievement	Team oriented goals	Improvement recommendations
ALB	•	•	•	•	•	•	•	•			
FBiH	•					•					
RS	•					•					
BiH	•					•					
KOS*	•		•	•	•	•				•	
MAC	•	•				•		•			•
MN	•	•	•		•	•					
SER	•	•				•					

Source: Data for this study from the local expert questionnaire

The current thinking about performance, however, revolves around the notion of **contextual performance as opposed to traditional task performance**. Task performance covers job-specific behaviours and core responsibilities as defined in job descriptions/specifications in job catalogues. Task performance is the basis for performance appraisal in every ReSPA Member. This might create a potential problem since job responsibilities are usually copy-

pasted from job descriptions, which do not necessarily talk about the results of each activity vis-à-vis organisational setting.

**Contextual performance** goes beyond task performance and covers non-job specific behaviours such as cooperation, independence, communication, etc. to foster the overall organisational culture and climate. Besides, such an approach **requires higher flexibility in the choice of competencies** to fit better the actual civil servants' situation, needs and development. Contextual performance is a crucial component of the competency framework which describes work performance in competencies rather than in job knowledge, skills and experience. Thus, from this perspective, generic CFs that are developed in some WB countries for the ISPAAs are of little value. If these CFs are designed for the entire CS, they are too general. Instead, there is a need for organization/job-specific CFs that are built on top of the core competencies set in the central framework (see Box below with example from Poland).

In Poland, there are 14 criteria/competencies set in the regulation: five obligatory for all evaluated persons, and maximum three of the remaining nine to be chosen by evaluators in line with the specifics of the position. The five obligatory criteria/competencies set differs between managerial positions and regular civil service.

In all of the WB countries, performance is rated based on a **fixed pre-established set of criteria** and indicators and scored on a scale. Kosovo\* and Macedonia do have a differentiation of “sets of competencies” depending on the categories of civil servants. In Kosovo\* there are two sets – personal and managerial competencies – personal competencies apply to all civil servants, whereas managerial competencies are reserved for low and mid-level managers and SCS. Macedonia, having four categories of civil servants, also has four sets of competencies which differ according to the employee category. Nevertheless, within the set, the components are already prescribed and fixed. Montenegro, although also having several categories of civil servants (four under previous and five under current CSL) mentions competencies in the legislation (one set of competencies for all categories), in reality, there is no CF in place. At the same time, the operationalization of these competencies is still in its beginning and needs more attention.

### 3.4. Sources of Performance Data

Limitations of traditional top-down appraisal, in combination with changes in the organisational structures, processes and cultures created in the past two decades at EU level condition where other sources of performance feedback have become not only acceptable but more necessary: multi-source (also called 360-degree) systems, peer ratings, self-evaluations, subordinate evaluations of their supervisor (also called 180-degree) systems, etc. Particularly, the self-evaluation and collecting multiple perspectives on performance in a systematic way received large attention in the world. Not surprisingly, EU countries also started to introduce additional sources into their performance appraisal systems, particularly in combination with traditional top-down appraisal (see Table 9), with the rationale that evaluations stemming from various sources contain information that is relevant and useful to the individuals being evaluated and such information becomes the basis for civil servants' future development, training and career planning.

**Table 9:** Sources of Performance Feedback for Individual Performance Appraisal

Sources	ReSPA Members	EU countries
<b>ONE SOURCE ONLY</b>		
multi-source ISPA (e.g. 360-degree performance appraisal)	Macedonia (modified to exclude self-evaluation)	Greece
Immediate superior evaluates his/her subordinates (traditional ISPA)	Albania, BiH, RS, FBiH, Kosovo*, Montenegro, Serbia	Czech Republic, Croatia, Italy, Luxembourg, Malta, Poland, Romania, Slovenia, Slovakia, Sweden
Superior of higher-level evaluates subordinates (traditional ISPA)		-
Civil servants have the opportunity to comment confidentially on their managers' performance (180-degree)		Latvia (on a voluntary basis)
Self-evaluation		
Peer-evaluation		
<b>COMBINED SOURCES</b>		
Traditional (regular CS) + multi-source (SCS)	Kosovo* (plan for future)	Estonia, France, Ireland, Latvia, the Netherlands
Traditional + superior of higher level		Belgium, Bulgaria, Cyprus, France, Germany
Traditional + self-evaluation		Bulgaria, European Commission, Finland, Ireland, Latvia, Lithuania, Hungary, Portugal, Spain,

Source: Local expert survey for this Study + Staroňová (2017).

The ReSPA Members are traditional in this sense, since all countries, but Macedonia, rely on traditional top-down evaluations by their immediate supervisor. Macedonia as the only ReSPA Member that already in 2015 introduced compulsory 360-degree performance appraisal for all civil servant categories, with slight modification by excluding self-evaluation. This move is quite surprising for a country with little performance tradition, without proper testing of such a complex system prior to its full implementation. Thus, it is not surprising that there is a general sense that 360-degree PA is a burden with a lot of paperwork, formality involved and no real impact. In addition, gaming with the system is clearly visible with the aim of not getting information but improving grades. The employees are asked to give names of 2 or 3 persons outside the administration that should assess the employee. What happens in practice is that very often the employees give names of their friends, the HR managers send the form to the outside contact, and of course, the feedback is always very positive. This does not reflect reality.

Kosovo\* intends to introduce new sources for appraisal in the new Civil Service Law by including peer review, subordinate review and self-evaluation to be reserved for Senior Civil Service only and conducted by an immediate supervisor. This is a wise move since multi-source appraisals are administratively more demanding and costly. Also, the practice in the EU is to have a separate multi-source system reserved for SCS, as in Estonia, France, Ireland, Latvia and the Netherlands. In such a system, multi-source appraisals primarily serve a developmental purpose.

### 3.5. Rating System

In general, there are two types of rating frameworks – absolute and relative. In an absolute rating framework, individual performance is evaluated against a pre-determined standard (*criterion-referenced rating*), whereas a relative rating framework determines a relative

position of different civil servants by comparing them against each other (*norm-referenced rating*, forced distribution or quotas). There are advantages and disadvantages of both frameworks that are not going to be discussed at this place. An increasing number of EU countries, however, have no rating system in place because of the challenges with transparency and fairness of decisions on the ranking of CSs. Instead, they focus more on performance contracts, performance targets and their achievement.

In Lithuania, at the end of 2010, a government decree to improve ISPA was issued, which established performance target agreements and the development of checklists to assist with the evaluation of agreed performance targets.

All of the ReSPA Members opted for having some kind of a rating framework in place; however, with a big variety in the rating framework type (see Table 10). Regardless of whether there is forced distribution in place or not, we observe in practice very similar results: formal and ineffective rating with **disproportionately inflated highest rating** categories, reaching almost 80% of all CSs being awarded the highest grade (see Figure 9). The only two countries that award the highest grade to less than 50% of all of the CS are Kosovo\* and Macedonia where forced distribution is in place. Still, the forced distribution in both countries counts with a maximum of 5% of all CS to be ranked in the highest grade, in reality, this is between 40-50%. Countries which do not have forced or recommended ranking quotas have similarly inflated highest grades towards the best grades, regardless of the number of rating categories (see Figure 9).

**Table 10:** Rating Systems in the ReSPA Members

Rating framework	Number of rating categories
forced ranking quotas (forced distribution)	Kosovo* (top three out of 5 ranks), Macedonia (the highest rank out of 5 ranks)
"absolute" ranking with no forced ranking quotas	BiH, FBiH, RS (2 for SCS), Albania (4), FBiH (4), Serbia (5), Montenegro (CSL until 2018 had 2 categories for SCS and 4 categories for regular CS, new CSL applicable since 2019 has introduced 3 categories for all CS)

Kosovo\* is applying a forced ranking quota system for the top three categories out of five rating categories. This means that for each of the three functional categories of civil servants in an institution, the appraisal cannot exceed the following limitations: maximum of 5% in the highest category "excellent", maximum of 15% in the second-highest category "very good" and no more than 30% in the third category of "good". No limitations are applied for the lowest two categories of "sufficient" and "poor", however. The implication is that 50% of civil servants should theoretically belong to the categories of below the average (if good is considered to be the average) which is very unfortunate for motivational reasons for civil servants. The forced distribution of grades is not followed in practice. According to the MPA report on State of the Civil Service of 2016, this rule was breached and not thoroughly followed. For instance, the Ministry of Security Forces of Kosovo\* (MKSF) has opted to carry out their ISPA based on the regulation preceding the current one, justifying it with the fact that forced quotas cause enormous difficulties for managers to appraise subordinates in a fair and impartial manner. Supported by the technical assistance project run by the Norwegian CIDS<sup>26</sup>, this Ministry has called on the relevant institutions in Kosovo\* to keep the

<sup>26</sup> Centre for Integrity in the Defence Center, [www.cids.no](http://www.cids.no)

quotas as something which is 'recommendable' rather than obligatory. SIGMA report shows a more reasonable distribution of the results for the year 2016<sup>27</sup>, with 16% in the highest category, 6.5% in the two lowest categories and 77% in the "very good" and "good" categories. The new proposal on CSL does not count with the continuation of the forced ranking quotas.

Macedonia applies a forced ranking quota system only for its highest rating category – maximum of 5% for "above expectations" within each institution. To keep the 5% of quota, the State Secretary of the institution organizes a meeting with the line managers – appraisers who have given the highest score of "5" to any of his/her appraisees. At this meeting, each line manager gives justification for his/her decision and through discussion, they have to reach an agreement on the score in order not to exceed the 5% quota. If no agreement can be reached, anonymous voting takes place, which is potentially open for negotiations and gaming, as seen in Figure 9. In practice, the highest category is awarded to 40% of civil servants rather than 5% as envisioned in the CSL.

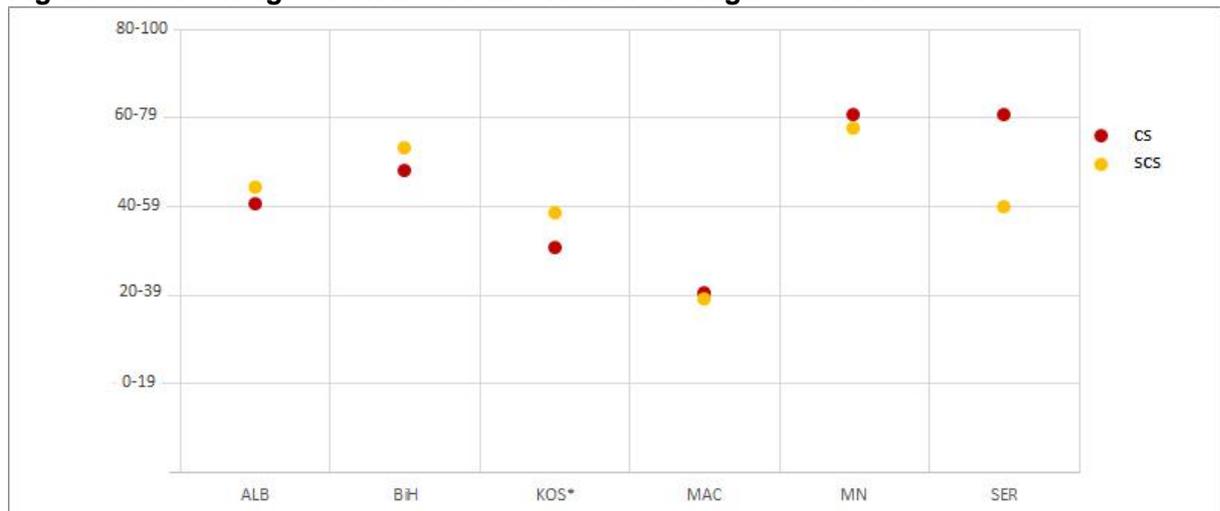
In BiH, rating categories exist with recommended quotas at State and RS level for regular civil service. At State level, the Performance Appraisal Rulebook specifies the following non-obligatory quotas: the maximum for the highest rank "exceptional" is 15%; the second-highest rank "successful" is up to 80%, and the lowest rank "unsatisfactory" has a maximum of 5%. In RS, the Performance Appraisal Rulebook contains a recommendation to managers only for the highest category – a maximum of 20%. The purpose of these non-obligatory quotas is to give managers some kind of sense about acceptable levels of highest grades and to enable the government to monitor the results of the ISPA process. FBiH opted not to have quotas. The results from the practice of 2016 show that recommended quotas are not followed, since 98% of those appraised (at the State and RS levels, no data for FBiH) receive the two highest grades.<sup>28</sup> However, BiH, FBiH and RS also have a parallel system for SCS (heads of institutions only) in which there are only two rating categories: "satisfactory" and "non-satisfactory". Heads of offices are appraised by committees formed by the Council of Ministers based on the submitted annual reports rather than real competencies, achieved goals, etc. There are no data available on the outcome of these appraisals. However, qualitative evidence shows that the appraisals are not taken seriously, and there is not a single case of non-satisfactory appraisals, even if the media criticize the performance of an institution. In addition, this type of ranking in a top managerial position does not differentiate between mediocre and excellent performance, which may be demotivating for innovators and reformers in the system.

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<sup>27</sup> SIGMA. 2017. *Monitoring Report. Kosovo\**. Paris: OECD.

<sup>28</sup> SIGMA. 2017. *Monitoring Report. Bosnia and Herzegovina*. Paris: OECD., p.93.

**Figure 9: Percentage of Civil Servants Awarded “Highest Grade”**



Source: Data collected for this study via a survey of heads of personnel units

Another significant feature across all ReSPA Members is the obsession to express ISPA in a **numeric form**, and thus the ISPA comes mostly to **measurement** and calculating **the final grade** rather than text. The calculations can use quite a mathematical formula for that by averaging the grades for individual criteria. In Kosovo\* the final grade is calculated by adding together a) 60% (multiplied by 60 and divided by 100) of the average grade for each of the objectives, and b) 40% of average from competency grades.<sup>29</sup> In Serbia, the final grade is obtained as an average of the grades awarded for a) work objectives related performance (in which “results achieved” is the most important criterion and therefore accounts for 50% of the overall grade) and b) the other 50% is from the average of the grades awarded for the other 5-6 criteria. A very similar formula is applied in Montenegro and Macedonia, where the final grade is obtained by adding final grades for each criterion and dividing them by the total number of criteria.<sup>30</sup> In BiH, FBiH and RS overall grade is given in the form of a descriptive rating (1-unsatisfactory; 2-satisfactory; 3-successful; 4-exceptional). The principle is that the overall grade is comprised of two components: a) extent to which performance goals are met (grade from 1 to 4 is given for each individual goal); b) appraisal of an individual based on a set of pre-determined criteria (the final grade under this component is calculated as the sum of grades for each criterion divided by the number of criteria). Summing the final grades from each of the two components and dividing it by 2 gives the overall grade.

### 3.6. Areas of Improvement

#### Improve appraiser–appraisee interaction (frequency, involvement, feedback)

- Performance appraisal is not only about measuring but about communication

Generally, those who work in the public administrations of the ReSPA Members suffer from excessive legal formalism. Obsession with numbers is just another manifestation of the

<sup>29</sup> For example, objective average score of 2.75 x 60% = 1.65, competency average score of 2.20 x 40% = 0.88. Total 2.53 = category “good” in the rating system.

<sup>30</sup> Thus, the final grade that is also given to the appraisee (without any accompanying text) is: „5” (above expectations) – 100% – particularly outstanding (4.51 to 5), “4” (expected realizations) – 75% – outstanding (3.51 – 4.50), “3” (partial level of realization) 50% – satisfactory (2.51 to 3.50), “2” (less than half of the realization) under 50% – partially satisfactory (1.51 to 2.50), “1” (low level of realization) 25% not satisfying (1.00 to 1.50).

mentioned wider phenomenon, with examples of Kosovo\*, Montenegro and Macedonia, where post-appraisal feedback is reduced to a number. Particularly, Macedonia is an extreme case when complex performance appraisal with the multi-source 360-degree method, excellent in-between procedures (participation in setting goals, half-way interview), but final results are given to the appraisee only in writing, in numerical form.

Also, the post-appraisal feedback on performance ought to be followed by positive reinforcement of positive behaviours and good results. Most importantly, this phase involves appraiser–appraisee dialogue on actual appraisal, followed by a discussion aimed at improvement and development. This contributes mostly to long term contribution to learning with a focus on competencies, skills, behaviours that should be reinforced in order to achieve higher individual and, subsequently, organisational coherence and performance.

- Introduce text-based rating (not only numeric)

In line with the above said, it is imperative that instead of using a numeric expression of ISPA, the ratings start using a text status. Nevertheless, this needs to be as objective as possible by using operationalisations of behaviours, etc. deduced from CF. E.g. This forms the basis for feedback and two-way communication.

- Introduce/strengthen participatory involvement and learning

By conducting ISPAs on a continuous basis, two situations are eliminated: a) cognitive errors by the supervisor (hallo effect, first impression error, leniency error, severity error, central tendency error, clone error, etc.)<sup>31</sup> and b) surprises at formal performance appraisal. Furthermore, participatory ISPA enhances learning and thus development, motivation and overall relation between the appraiser and appraisee. There are several measures how to enhance participatory and continuous ISPA process, some of which are in place and need to be strengthened for compliance, such as joint goal setting, performance appraisal interview, oral feedback, justification of grading, etc.

- Maintaining records

Another key issue to ensuring effective use of ISPA is keeping and maintaining records of employee's performance which are essential in cases of disapproval of employees with the result of the performance appraisal, particularly if poor performance leads to disciplinary procedures, demotion or termination of employment with possible appeal procedure. Most of the countries (e.g. Serbia, Albania, BiH, FBiH, RS, Macedonia) do have requirements for some form of notes keeping, however, with little compliance. This should be improved. Another possibility is to have employees partially responsible for record-keeping, particularly if development is the purpose of ISPA. Dual documentation also helps to avoid surprises at formal performance appraisal.

- Compliance with existing requirements

Many of the aspects mentioned above are formally part of the ISPA in the ReSPA Members, particularly when it comes to ensuring continuity, two-way communication, taking notes of performance, or justification of grading. However, they are not being practised.

## **Appraisal Components**

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<sup>31</sup> For more cognitive errors associated with performance appraisal see Milkovich, G. – Newman, J. – Gerhart, B. (2014), p. 388 and Berman et al (2016), p. 405-408.

- Develop a CF that allows for tailoring organization/job-specific competencies that are built on top of the core competencies set in the central framework, with adequate operationalization. Methodology and trainings to follow up (with link to other HR functions such as development, recruitment, etc.)

Currently, individual countries do not formally anchor CF (except perhaps for Albania for SCS and BiH for recruitment), although all of the WB countries formally appraise their CSs based on competencies. Nevertheless, the fixed template offers only a limited (and fixed) number of competencies for all of the civil service (or category of civil service) which is too generic and does not allow tailoring to organisational needs. A methodology or manual should be developed on identification and operationalization of competencies in practice (so that organizations can work with them).

- Introduce Higher Flexibility in Competencies Choice

As mentioned above, competencies need to be tailored to the needs of organizations which assume higher flexibility in their choice during the appraisal cycle. There might be a pool of competencies from which core ones are fixed for certain professions/categories of employees. Others are more flexible to be chosen from. Specific competencies need to be included for SCS and/or appraisers (e.g. appraiser skills) or HR profession, if not done through a different appraiser procedure.

- Developmental orientation

While appraising past performance in terms of achieving individual goals and competencies that lead is important, ISPA should also present employees with a plan for performance improvement in terms of recommendations, development plan and ways of overcoming any potential obstacles or weaknesses and build on strengths.

## **SOURCES OF DATA**

- Encouragement of self-evaluation

This helps the civil servant be more active and involved in the ISPA process, which has a positive learning effect and assists better in the participative creation of a development plan. Also, self-evaluations assist the supervisor in understanding how CS perceives his/her performance.

- Multi-source too complex for regular civil service (Macedonia), particularly if no training or guidelines in place

There are different, more demanding conditions in terms of skills, paperwork, procedures and general context associated with the use of multi-source appraisal compared to traditional top-down evaluation. Therefore, if these are not addressed institutionally and by capacity building, the multi-source system is likely to encounter problems, as is the current case of Macedonia. Thus, it might be too ambitious at the current stage of ISPA implementation to roll out multi-source performance appraisal systems to cover every single civil servant. Instead, it is advisable to streamline the system, make it simple and implementable. If multi-source systems are to be implemented, it is advisable to reserve them for SCS rather than civil service as a whole, and particularly for developmental purposes rather than pay-for-performance and/or promotion. Thus, one important criterion of their effectiveness is the extent to which they generate development plans and action based on the feedback session. Naturally, developing the institutional capacity is an obvious need for such a system to work.

## **MEASUREMENTS AND RATINGS**

A performance appraisal system which is obsessed by measurements and ranks its employees (and communicates results!) according to a numerical rating only tends to focus more on the numbers than on the actual purpose.

- Performance appraisal is about results, not “measures”

ISPA should generate insight into performance (not reduced to a number) and information that leads to discussion and, subsequently, to overall learning, commitment and development, if possible, rather than gaming with numbers and ranks. Thus, ISPA templates also need to reflect the need for communicating results about a person’s total work and behaviour contribution to the organisation (and team) rather than the sole provision of measures and ranks.

## 4. Uses of Information from Individual Performance Appraisal

The use of performance information is a key factor if we are to develop systematic knowledge about: a) the contemporary and future governance of the **organisation** b) strategic, evidence-based **human resource management at the central level**. Performance appraisal, and particularly the information stemming from performance appraisal, can fulfil several functions, both at organisational and central levels. At the organisational level, performance appraisal was primarily used for HR decisions, such as civil servants identification of best/poor performers for the promotion, disciplinary measure, replacements, financial incentives and/or development and training needs. Only with the spread of management by objectives, ISPA started to be also used for organisational management and overall organisational performance.

### 4.1. Collection of Information from the ISPA at Central Level

The strategic use of information from the performance appraisal process is preceded by a collection of information.

Table 11: Central Collection of Information

	Central Collection of Info from ISPA	Reporting of Info	Practice	Info Availability
<b>ALB</b>	DoPA has not collected in the last years	DoPA reports to the Government and the Government to the Parliament (general report on CS status annually)	Info on ISPA missing in last years	Publicly available
<b>FBiH</b>	Institutions to CS Agency	CS Agency to Government (report)	Done	available on request only
<b>RS</b>	Institutions to CS Agency	CS Agency to Government	Done	available on request only
<b>BiH</b>	Institutions to CS Agency	CS Agency to Government	Done	available on request only
<b>KOS*</b>	Institutions to DCSA + training needs to KISPA	DCSA (Status of Civil Service in Kosovo*) to Parliament	Done BUT institutions only half submit	not publicly available
<b>MAC</b>	Institutions send to MISA*	MISA to Government (Civil Service in Macedonia)	not done for years 2017, 2016	not publicly available
<b>MN</b>	Institutions send to HRMA + central registry	HRMA to Government (Civil Service in Montenegro)	some institutions not responsive	publicly available
<b>SER</b>	Institutions to HRMS	HRMS to General Secretariat to Government	Done (statistics together, no further action)	not publicly available

Note: \*Before establishing MISA, results were sent to Civil Servants Agency (now Agency for Administration).

Source: Data for this study from the local expert questionnaires

In the ReSPA Members, all of the central public institutions are obliged to submit data on Civil Service status that may include ISPA data to central CS institution. Further statistical reports are compiled on data about civil service in general to Government, which is not publicly available except for Albania and Montenegro. Nevertheless, not all reports include ISPA data, for example in Albania DoPA did not include data on ISPA into the report, simply as a matter of priorities. Nevertheless, many of the countries (except for Serbia, BiH, FBiH and RS) encounter serious compliance problems either already at the level of institutions which do not submit necessary data (Kosovo\*, Montenegro) or at the level of the central agency which does not prepare a report (Macedonia). The few reports that exist in Serbia (full), Kosovo\*, Montenegro (partly because of missing data from several institutions) and Macedonia for the year 2015 are more of descriptive nature with few paragraphs on ISPA, mostly statistics on the number of appraised CS in individual CS categories and rating frameworks. They do not offer any more in-depth analysis with recommended further action or measures for the improvement of the situation.

### 4.2. Use of the Information from the ISPA at the Institutional Level

CSLs in the ReSPA Members stipulate several functions of the information stemming from the performance appraisal, ranging from career promotion, development of CSs to identification of under-performance for taking further action to the link of the ISPA to remuneration (see Table 12). We will discuss in further detail each of these functions in this part.

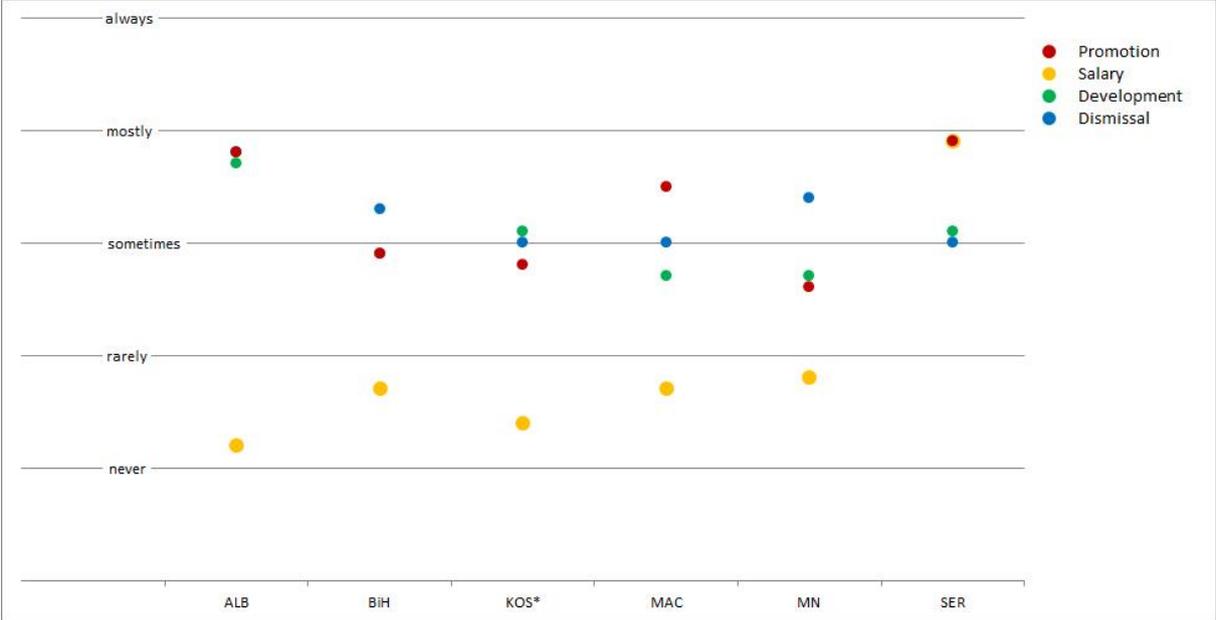
**Table 12: Formal Use of Performance Appraisal Information**

Country	CAREER PROMOTION				UNDER PERFORMANCE ACTION	DEVELOPMENT			REMUNERATION					
	tenure	Part Career advncmt	automatic promotion	mobility		Termination of CS	Disciplinary process	Other	Development plans (goals)	Training needs (plan)	Training provision	Financial awards	Automatic pay raise	Decrease
ALB	•	-	•	-	•	•	-	•	•	•	-	-	-	-
FBiH	•	-	•	-	•	•	-	•	•	•	-	-	-	-
RS	•	-	•	-	•	•	-	•	•	•	-	-	-	-
BiH	•	-	•	-	•	•	-	•	•	•	-	-	-	-
KOS*	•	-	•	-	•	•	•	•	•	•	-	•	-	-
MAC	•	-	•	-	•	•	-	-	-	-	•	-	-	-
MON	-	-	-	-	•	•	-	-	-	-	-	•	-	-
SER	•	-	•	-	•	•	-	•	-	•	-	•	-	-

We have to mention already at this point that the actual practice falls behind the stipulations of the CSLs in all of the ReSPA Members (see Figure 10). In other words, the information collected through the quite elaborated process from performance appraisals have only limited consequences on promotion, professional development, salaries or consequences for poor performers despite the intentions stated in the CSLs. There might be several reasons for this situation, such as low managerial skills of both SCS and/or HR departments, and consequently, ISPA's are conducted formally without seeing any practical and informative value in the appraisals (e.g. inflated grades, reduction to numerical rather than textual appraisals, high formalism), incomplete related processes (e.g. job classification process,

competency frameworks, laws on salaries, organisational performance), fiscal restrictions and/or simple non-compliance in some of the ISPA aspects that leads to overall distrust of the outcomes. This non-compliance and non-practice seriously jeopardise any future attempts to correct and streamline ISPA into a useful mechanism.

**Figure 10: Use of Performance Appraisal Information in Practice**



Source: Data collected for this study via a survey of heads of personnel units

**4.2.1. Information Use for Poor Performance Identification and Measures**

Across all the ReSPA Members ISPA is primarily used for the **identification of poor performance** with subsequent severe punishment measures that may lead to the termination of the employment. This is contrary to the EU countries experience where both formal and informal tools are provided to line managers to deal effectively with poor performers to reach their potential (see Box below on the Irish example).

The difference between the WB countries is only in the level of automaticity incorporated into the dismissal process. The harshest negative consequences are to be found in BiH, FBiH, RS, Macedonia and Serbia, where **negative appraisals automatically lead to dismissal**. In Macedonia, if a CS is appraised with two consecutive negative appraisals or 3 mediocre (grade 3 out of 5) appraisals in 5 years, he/she is automatically dismissed. This seems to have changed since April 2018. Similarly, in Montenegro, two consecutive negative appraisals among regular CS lead to automatic termination of the employment. Among SCS two consecutive negative appraisals may lead to termination at the discretion of the immediate superior. In Serbia, if a CS receives a negative quarterly PA, he or she is automatically demoted to a lower pay step or pay grade. At the same time, CS is sent for an extraordinary ISPA which has to be conducted within 30 days, and if in that one a CS receives subsequent negative ISPA, his or her employment is automatically terminated. Clearly, this raises questions on the availability of adequate guarantees for ensuring merit-based decisions as 30 days is too short a period for reassessment. A new CSL proposal that is currently being discussed in the Parliament intends to change this particular function.

Only in Kosovo\* and Albania two consecutive negative appraisals do not automatically lead to the dismissals from CS, but rather are regarded as a measure to be considered in selective cases. In Albania, poor performers can also undergo a capacity building program. This was also introduced recently with the change of CSL in Montenegro in 2018. In practice, it is very difficult to verify if this actually happens.

This demotivating function of ISPA leads across all the ReSPA Members to the avoidance of the category of poor performers. In Kosovo\*, the MPA reports show that in 2015 and 2016 years only 18 and 15 CSs respectively were rated in this category. In BiH it was only one person negatively appraised in the whole era of ISPA. In Albania, only 0.4% of CS were appraised as “poor performers” and only 3.4% in the second worst (out of 4) at the “satisfactory” level. In Serbia, according to the data provided by the selected State administration bodies, no civil servants were demoted or dismissed in the last two years. In sum, across all of the ReSPA Members, nobody has ever been dismissed on the grounds of “poor performer” in the past few years.

Ireland has, since 2011, launched Guidelines for the Management of Underperformance with the view of improving the performance by the use of a *Performance Improvement Action Plan (PIAP)*. PIAP is a documented plan which outlines the improvements in performance required from an individual CS and the timeline for achieving these improvements. A PIAP also generally sets out the dates for review meetings (on a two-month basis) between the CS and supervisor over the duration of the PIAP. At these PIAP review meetings (up to 5), the CS’s progress is discussed, and any supports/training is identified. When poor performance is identified, and a PIAP is put in place, the CS is expected to agree to the performance targets in the PIAP. PIAPs are commonly used prior to or during a formal disciplinary process to assist in setting performance expectations and monitoring performance. Recently, changes have been made to both the Underperformance Policy Management and the Disciplinary Code coming into effect as of January 2017. To manage performance well, line managers must be enabled to support and develop staff from different starting levels of performance to higher performance across their team by addressing the poor performance issues through informal procedures in the first instance and only if these have not worked formal procedures are initiated. If by the end of the PIAP process, performance has not improved, the CS can be fairly dismissed.

Source: Circular 24 (2016). *Civil Service Management of Underperformance Policy*, Ireland

#### 4.2.2. Information Use for Career Promotion

The second theoretically most utilized function of the ISPA in the ReSPA Members is the incentivizing one by career promotion. The career promotion function based on positive performance appraisal is relatively limited due to the hybrid nature (position and career-based) of CS systems in the region. Nevertheless, formally ISPA is being recognized as one of the elements that influence career promotion decisions, and thus this function can be found in each ReSPA Member, perhaps except for Montenegro. Under the position-based system in Montenegro, it is impossible to have career promotion considerations based on satisfactory ISPA, but rather a job vacancy is required by law to be identified with an open public announcement and competition (changes with the new CSL). In all the remaining ReSPA Members, the link to career promotion is indirect: during the promotion/transfer interview results of the ISPA are one of the elements to be considered. Due to inflated

ratings, this function is not a decisive one in career promotion considerations. In addition, even with the best results, somebody else can be promoted.

#### 4.2.3 Information Use in Pay-for-Performance Schemes

Pay-for-performance schemes (PPS) seem to be one of the most controversial HR function with inconclusive evidence on its effectiveness in relation to a proposition that such an approach has improved motivation and performance within the public sector<sup>32</sup>. Most proponents of the performance appraisal systems argue that the main objective of PPS is to identify and motivate strong performers. However, anecdotal, personal but also empirical evidence reflect a wide range of problems with both design and implementation of the performance appraisal that affects the validity of information gathered. Measurement accuracy, dysfunctional employee competition, under-emphasis of teamwork on account of individual assessment, gaming the system (e.g. employees take turns in receiving bonuses), etc. can be listed among such problems.

Despite potential flaws in linking ISPA with remuneration, most of the EU countries started experimenting with performance-related pay several decades ago and still, this function is on the rise (see Table 13). In CEE context, PPS may be even more controversial tool. On the one hand, many CEE countries exhibit remuneration systems with high variable part (all kinds of allowances and bonuses) combined with high discretionary power rested in a political leader/appointee in granting them which may lead to further politicization and gaming. In such a context, PPS can bring higher transparency and predictability into the system. On the other hand, PPS could hinder the motivation and organisational/individual development if not appropriately implemented where the key component of ISPA – open and frank discussion between the appraiser and appraisee – would be difficult if not impossible when people know that their income level would depend on it. Thus, careful considerations on the benefits and risks connected with PPS need to be done.

**Table 13: Development in the Performance Related Pay in the EU, 2007-2017**

	2007	2017	NOTE
YES performance-related pay	Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Lithuania, Malta, Slovakia, Spain, Sweden, UK	Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden	The UK was not a part of the 2017 survey.  Latvia was not part of the 2007 survey.
NO performance-related pay	Austria, Cyprus, Czech Republic, Greece, Ireland, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovenia	Austria, Croatia, Cyprus, Denmark, EC, Luxembourg, Romania	Croatia and EC were not a part of the 2007 survey.

<sup>32</sup> Cardona, F., 2006. Performance Related Pay in the Public Service in OECD and EU Member States. *Programme SIGMA de l'OCDE. Paris.*

Source: Staroňová (2017) Performance Appraisal Information in the EU Member States and EC.

Note: Red colour indicates that the country is new in this category in comparison to 2007 (dynamic change to/from performance-related pay system). Countries which were not part of the 2007 study are marked in green colour (change cannot be observed). Black colour indicates that the country has remained in the same category.

Pay-for-performance schemes were introduced in the ReSPA Members at the time of revisions of salary systems mainly driven by the World Bank, leading to a system where horizontal salary promotion in steps based on performance appraisal is in place to provide incentives for CS. This automatic transparent link is prevalent in the cases of Montenegro, Kosovo\* and Serbia where pay progression through horizontal steps is based on performance. The similar regime also exists at the state level of BiH and FBiH where pay for performance is mentioned as one of the very purposes of ISPA.

In practice, though, none of the ReSPA Members' salary progressions takes place due to the budgetary restrictions and advice by the international organizations to keep the costs of administration under strict control. RS does not provide a legal basis for financial rewards based on performance appraisal. The least transparent model with the highest discretionary power anchored with one person is found in Macedonia, where only employees in the highest rank are entitled to a financial award. However, the decision to whom and what size of financial reward will be granted is at discretionary power of a political nominee (state-secretary) and no data are available about what is done in practice.

In Albania, the previous legislation on civil service abrogated in 2013 foresaw a performance bonus system. Based on ISPA results, institutions were entitled to distribute end-of-the-year performance bonus for civil servants, based on financial possibilities and allowances. With the approval of the new CSL of 2013, the performance bonus model was abolished and instead a performance increment in the salary structure was introduced. This increment in the salary steps is influenced predominantly by performance results and mandatory training programs. However, this part of the salary structure is not yet implemented. DoPA wants to carefully create some scenarios and see all possible effects before starting the implementation of this component in the salary. An IPA project starting in the next months is expected to support in the process. There are no estimations when the model is approved and put in place.

#### 4.2.4. Information Use for Development and Identification of Training Needs

The final function of ISPA information relates to the development and identification of training needs for CS. All of the countries requested to identify the training needs of a CS and submit these requests to the HR department for further coordination, except for Macedonia and Montenegro. Nevertheless, even these two countries are now introducing measures for the identification of development and training needs during ISPA. Thus it will be useful to observe the upcoming practice. The rest of the countries request this information to be put directly in ISPA templates (Albania, Kosovo\*, BiH, FBiH, RS, Serbia) where HR departments and CS agencies can utilize this information and design training plans for entire CS.

Figure 10 shows that in practice, only in Albania the results from ISPA are utilized "sometimes", if not "mostly". In fact, in Albania, only 3% of the institutions indicated that they never use information from ISPA for training and development purposes, as opposed to a quarter of the institutions indicated in Macedonia and Montenegro (where there is no such

requirement). The differences between the rest of the countries are relatively small and indicate, by and large, that the information generated by ISPA is either not very useful or is entirely lacking and training needs are not streamlined from the process. Thus, the development function is entirely underdeveloped.

### 4.3. Areas of Improvement

The incentivising function is based on the assumption that employee's performance can be improved by establishing a clear link between effort and certain positive or negative incentive, such as pay increase, career promotion or punishments for poor performance. There is inconclusive evidence in academic literature to what extent and under what circumstances incentivizing function also works in the public sphere where the motivation of civil servants can have both external (financial rewards), as well as internal (values, commitment) source. Regardless of these disputes, demotivational schemes (punishments for poor performance) have a negative effect on motivation. The findings point to several areas of improvement:

- **Eliminate the automatic link between poor performers' identification and job termination.** Poor performance should always be discussed and not come as a surprise. Only breaking disciplinary or ethical issues should lead to the termination, rather than qualification issues. Reconsiderations are already happening in Macedonia and Serbia, and these need to be supported.
- **Poor performance should lead to specific appraisal procedure** and sufficient space given for improvement, which would not allow potential political gaming. Thus, poor performers should be dealt with via special appraisal process with sufficient time (minimum of three months) for the appraisee to make changes and improvements based on the *performance improvement plan* in his/her work in this period. Only if this proves to be insufficient, his/her work engagement should be terminated.
- If PPS are in place, in order to **enhance PPS's chances** of success, effective arrangements to define, measure, appraise and measure performance must be put in place together with a high **managerial culture** within the workplace, supported through effective management systems. Still, the tendency may remain to focus on numbers and timescales, which poses difficulties if the development function is at the centre, as well. In order to allow for honest performance discussion and development function, eliminate the automatic link between ISPA and remuneration in PPS. In addition to this, PPS should form part of a wider range of financial and non-financial rewards.
- **Focus on development issues** instead, such as training, coaching, mobility, etc. The natural desire for personal growth, reaffirmed by constructive feedback about their performance and competence serves to reinforce the performance and strengthens the organization. Thus, the focus should be on enhancing overall CS's strengths, lending a positive tone (rather than negative) to the feedback. Positive tone also allows for better conversation between appraiser–appraisee.
- **Introduce personal development plans for each civil servant.** The personal development plan (PDP) represents a concept of discussing and making a common decision between an employee and manager on specific development experiences necessary for the achievement of defined work objectives. Each individual PDP should be uniquely defined in line with the needs of both the organisation and the

individual. Current performance appraisal form includes information on professional development, but in practice, this part is rarely filled, and managers do not pay much attention to it. With the introduction of competencies, this part should be the crucial mechanism for representing the real development nature of the performance appraisal process. Therefore, PDP should be separately developed and should contain the following points which need to be discussed during the appraisal process: areas which need to be developed to improve performance; what should be done to advance any area of work; necessary training; mentoring and coaching opportunities; other development activities to improve the performance.

- To that end, better compliance (and skills development) is needed on the **identification of weaknesses and strengths** and their incorporation into recommendations, training and development plans both on individual, organisational and central levels. **Self-appraisal** may assist better in starting the conversation about weaknesses or any other negative information about themselves.

## 5. Implementation Capacity

The analysis of the organisational framework, institutional basis and quality of the process of individual staff performance appraisal shows that, formally, many structural and process elements are in place according to international standards. Nevertheless, some of these are not implemented, and practice lags behind the formal design. These implementation gaps have been pointed out in previous chapters, particularly if compliance with legal requirements was not in place or was very formalistic.

Part of any successful implementation is, however, sufficient communication and information provision on the purpose, process and information use from ISPA, as well as trainings for relevant actors involved in the performance appraisal. The level of understanding of ISPA within its broader context, information and support material available, together with trainings offered significantly influence the perceptions of the usefulness of the whole “exercise”, as well as any potential problems arising from perceived openness, fairness, transparency and reasonability.

This section examines the implementation capacity from the perspective of main actors involved in the process, training and support material available, as well as accountability mechanisms that foster monitoring and quality control capacity.

### 5.1. Actors in the Appraisal Process and Their Role

A very important question in performance appraisal is who is involved in the actual process.

**Table 14: Actors in the Appraisal Process**

	Immediate superior	Manager of the immediate superior	Most senior civil servant	HR dept/ manager	ISPA committee	Central civil service office	Trade unions	Political nominee
<b>ALB</b>	•	•	•	•	•	•		
<b>FBiH</b>	•	•						•
<b>RS</b>	•	•						•
<b>BiH</b>	•	•			•			•
<b>KOS*</b>	•	•	•	•				
<b>MAC</b>	•			•	•			
<b>MN</b>	•	•		•				
<b>CEP</b>								

Across the entire Western Balkans, except for Macedonia, the reliance in the appraisal process is on **the immediate superior as the only actor** who is strongly involved in the process. He or she is the sole appraiser and is obliged to follow the progress of the civil servant during the entire appraisal period. If the CSL counts with appraisal interview and/or feedback provision, it is he or she who runs it. In addition, in Albania, he or she ensures that the new appraisal system is explained in detail to the appraisees.

Since Macedonia has a multi-source ISPA, the number of people involved in the actual process is much higher. There are four internal appraisers, two from the same level and two

from the lower level. Then, there are two external appraisers, in some cases, even a representative from the unions (where there is a functioning union).

Some of the countries formally **share the responsibility for performance appraisal** by having the **manager of the immediate superior** (executive level) formally sign the ISPA templates with final grades. The strength of the second actor-manager of the immediate superior (or SCS) – varies across the countries from a very formal role in monitoring the results of the ISPA process.

In Montenegro, it is a pure formality in which the manager of the immediate superior formally signs the ISPA template (which has only a numeric value in it), and he or she is the one officially making the decision on the final grade. This formal role was only delegated from the most senior civil servant to lower level with the new CSL in July 2018. On the other side of the involvement spectrum is Serbia, where this actor has, formally, an important and strong role of a so-called “counter-signer” and who is supposed to provide for check and balances in the appraisal process. In Serbia, the counter-signer has the right to enter his/her comments to the appraisal template and the proposed final grade in order to express a view on whether the appraisal is realistic and properly justified. In practice, however, the counter-signer only formally signs the templates without much of involvement.

Somewhere in between these two extremes are BiH, RS, Kosovo\* and Albania which provide a “monitoring” role for the manager of the immediate superior in terms of formal reviewing the final grades and accompanying text in the ISPA templates. In BiH and RS (not in FBiH) the manager of the immediate supervisor is responsible for reviewing the grades given by the immediate supervisor and for resolving issues if there are any (State and RS level only). In practice, there are very few instances of any involvement by the counter-signer. In Kosovo\*, the manager of the immediate superior formally monitors the application of the ISPA system on the level of the institution. Nevertheless, this happens only on a case by case.

No formal monitoring role of immediate manager of the appraiser is envisioned in FBiH and Macedonia. However, FBiH is not clearly stated though, since the Rulebook which mentions no role for the manager of the direct superior also contains ISPA template (which represents an integral part of the PA Rulebook) that does envisage such a role (i.e. counter signing).

Another actor that theoretically steps into the ISPA process and shares the responsibility for the process by bringing professionalization and standardization are **HR departments**. This trend is visible in the last decade in EU countries<sup>33</sup>. Here the HR involvement is either as one of the two actors with immediate superiority or as assistance in conducting performance interviews, feedback provision and creation of development plans. Nevertheless, this is not the case in any of the ReSPA Members where HR departments (if they exist) have more of a coordinating, technical-administrative and archiving (preparing reports) roles.

The most senior civil servant is involved in Albania, where he or she serves as second monitoring and control mechanism and as a first instance appeal body. The CS can complain about the results to the most senior CS, and he or she has the right to review the appraisals. Similarly, in Kosovo\*, the most senior civil servant receives and may reconsider grades if CS is not satisfied with ISPA results. They also monitor the application of the ISPA system and the level of institution and ensure the direct link between sectoral strategies, institutional plans, department plans and their transfer into individual objectives as part of the annual work plan.

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<sup>33</sup> Staroňová, K. 2017.

Yet, in some countries (BiH, RS, FBiH) **routine decisions on performance appraisal results are still formally signed off at the highest levels** of management (and thus take formal responsibility for) which indicates lack of authority delegation and lack of managerial accountability with a possible risk of politicization. In BiH, the head of the institution – who is a political appointee – is always the one who signs-off the final ISPA template for regular CS. In the case of RS and FBiH, this final act of ISPA authorization is the so-called “resolution letter” signed off again by the head of the institution. Until July 2018 this was also the case of Montenegro, but with new CSL the sign-off authority was delegated to lower level.

Finally, in some of the ReSPA Members so-called **performance-related committees** exist, which either oversee the appraisal process for SCS (Albania, BiH and RS) or are formed on ad hoc basis to prevent a breach of 5% limit on the highest rank category (Macedonia). In Albania National Selection Commission for TMC confirms appraiser for SCS and in BiH and RS ISPA committees are formed by the government which are in charge of assessing the performance of heads of institutions if holding the status of a civil servant. Also, if there is a disagreement between an assistant minister and minister, the ISPA committee will be tasked to solve the matter.

Ad hoc committees are also created in Macedonia to monitor the compliance with a 5% limit on the highest category of rating. Nevertheless, the committee consists of actual appraisers (immediate supervisors) who have granted the highest rank and thus, the number of the members is unpredictable. The ultimate aim of the committee is to discuss (and vote) to keep the threshold.

## 5.2. Trainings in Individual Performance Appraisal

Conducting ISPA requires a set of skills on several levels and aspects: SCS level, appraiser level, HR staff level but also on the level of appraisees. The ultimate goal of all training efforts is to communicate the purpose, process, use of information and enhance skills related not only to ISPA but also to general managerial context. This is of particular importance if the tool is new or has different aspects or is not entirely anchored in the organisational culture and resistance can be expected.

**Table 15: Trainings in Individual Performance Appraisal**

Type of Training in IPA	When <b>CSL</b> was introduced or changed, including ISPA (part of training block on CSL)	When Major Changes in <b>ISPA</b> were introduced	<b>ISPA</b> modules regularly offered on central, uniform and coordinated matter
<b>Obligation to undergo training in ISPA</b>	-	-	-
<b>No obligation to undergo training in ISPA BUT possibility recommended</b>	Albania (2000, 2015), Kosovo* (2012), Macedonia (2004), Serbia (2006)	Macedonia (2015), BiH, FBiH, RS (2010-11)	Kosovo* (since 2015), Montenegro (since 2013, Serbia (since 2006)

It is striking that across the ReSPA Members no mandatory training on managerial skills linked with leadership and SCS (including ISPA component) is available to any SCS and/or managers, not even when ISPA was introduced. This is despite the fact that ISPA is a new tool implanted into a relatively non-managerial organisational context.

### **Obligatory Training Linked to Managerial Position**

Increasingly in EU countries, regular formal training on managerial skills, including performance appraisal skills, are required when a person starts a managerial position. The training schemes can be unified and provided centrally or decentralized and provided via a market mechanism. For example, in Slovenia, functional knowledge on human resource management (and thus also performance appraisal) is a part of the mandatory training for SCS. In Sweden, it is a part of the leadership program with the involvement of trade unions, and its provision choice is left to the organisational level. In Slovakia, new CSL (in force as of June 2017) requires new CS in managerial positions to take managerial training, including performance appraisal. The organisation can choose either from a training offered by the free market or by the Government Office training centre.

Three approaches to trainings can be distinguished in the region, none of which is obligatory. First, the most comprehensive approach is to be found in Kosovo\*, Montenegro and Serbia where **trainings are recommended, and there is a uniform standardized training offered on central level** lasting for appr. 6-7 hours. In all three ReSPA Members these trainings were designed already at the time of introduction of the new CSL, at which time the biggest number of trainees went through the system. With time, the interest decreased significantly and also the capacity to cover trainings is not yet there and thus the number of personnel trained is relatively small (few dozen per ReSPA Member). In Kosovo\*, the training was offered by the Kosovo\* Institute for Public Administration (KISPA) and targeted staff at central and local levels with general knowledge of new CSL. However, training of trainers was also offered to focus on ISPA only, targeting HR personnel (no further data available). Currently, there is at least one module available annually: 2017 (21 trained participants), 2016 (21 trained participants), 2015 (144 trained participants). However, the human and fiscal capacity of KIPA to run trainings for civil servants is insufficient as it was pointed out also by SIGMA report.<sup>34</sup> In Montenegro, trainings are run by Human Resource Management Authority (HRMA) which offers 2-3 trainings annually for approximately 20 participants. The main problem is with demand, SCS and appraisers who should be the prime targets, send replacements – subordinates who actually do not conduct ISPA. The demand is limited, and often there is an insufficient number of participants for the training to be organized. Serbia organized a big number of trainings during the first two years of ISPA adoption (2006-7) when 80% of appraisers underwent the training. Currently, training is offered once a year before the ISPA cycle in Dec and January. In 2018, the National Training Academy in Serbia was established, which will take over this responsibility. The qualitative evidence shows, however, that the biggest problem with all these trainings is their focus on legislation rather than practical exercises which may explain the low demand.

Second, **trainings were a one-off** activity organized at the time of new CSL introduction (Albania, Kosovo\*, Macedonia and Serbia). Thus, there was no specific focus on ISPA features, but rather it was a part of a bigger bulk of the training. Usually, trainings were offered by foreign assistance, and ISPA was only one small component of overall training in the legal aspect of new CSL. No data are available as to who underwent the training at the time, but we can assume that organizations experience a shortage in ISPA, since trainings, even with natural fluctuation and skills deterioration, were inadequate during a period. Here we also talk about changes in the ISPA system and relatively high fluctuation, particularly on SCS levels. In Albania, ASPA developed training curricula on ISPA for all HR managers and

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<sup>34</sup> SIGMA. 2017. *The Principles of Public Administration. Monitoring Report. Kosovo\**. Paris: SIGMA OECD.

some appraisers at the time of CSL introduction. With its change in 2013, ASPA organized a training program in 2015 for managers of all levels in ministries on new CSL (one topic was ISPA). Thus, a total of 245 participants were trained in 1 session of 1.5 hours in performance management. ASPA is specifically interested in the development of the system according to the provisions of the DoCM on ISPA, as it is interested in the TNA (training need analysis) information included in the last section of the template and always pushed for the continuation of the training on this topic. However, it is not the priority of the government and thus no capacity to cover ISPA procedures in recent years.

In Macedonia, at the moment, MISA is the coordinating body for the civil service training policy, as well as in charge of organizing the trainings. Formally, it collects the annual training plans arising from the performance appraisal process from individual state administrative bodies and prepares an annual training program. Currently, there is no training scheme offered on any of ISPA topics. In fact, the financial and human capacity of MISA is limited and with barely any trainings available: in 2016 only 1.6% of civil servants had any type of training (not ISPA related).<sup>35</sup> In the past, when ISPA was introduced for the first time in 2004, trainings were conducted through DFID PAR project (interviewing, setting objectives). Similarly, with the major changes of ISPA to include multi-source data (360- degrees), MISA organized trainings supported by the ENA from France. There are no data available on the number and/or composition of trainees, number of training hours or components of the training.

### 5.3. Support Material for Performance Appraisal

The missing trainings on ISPA issues are unfortunately not matched by detailed guidelines or handbooks or any other support activities that could assist the appraisers and appraisees in a user-friendly way through the process. Quite the contrary, three countries do not have any type of guidelines available (Albania, Macedonia and Montenegro), with the rationale that secondary legislation is detailed enough and thus there is no need for such a tool. The remaining ReSPA Members do have guidelines which were prepared with major external assistance either at the time of new CSL introduction (Kosovo\* and Serbia) or major revisions (BiH, FBiH, RS).

**Table 16:** Support Material for ISPA process

	<b>Guidelines, Manuals</b>	<b>Support Activities</b>
<b>Albania</b>	no (DoCM seen as sufficient)	Networking and capacity building of HR managers in all CS institutions (by DoPA)
<b>FBiH</b>	Manual (2011)	no
<b>RS</b>		no
<b>BiH</b>		no
<b>Kosovo*</b>	Guideline (2014) for the implementation of specifically ISPA process prepared by MPA	Used to be a Forum of HR managers (established by order 2010), however, it is not active
<b>Macedonia</b>	No (only Rulebook for ISPA)	MISA is under the process of establishing the HR managers network
<b>Montenegro</b>	no (only Decree – technical and formal)	no
<b>Serbia</b>	Manual (2006)	no

Source: Data compiled for this Study from local expert questionnaires

<sup>35</sup> SIGMA. 2017. *Monitoring Report. Macedonia*. Paris: SIGMA OECD.

From all possible support activities which could streamline the exchange of experience, address implementation problems and their tackling, enhance communication and learning and/or standardization of practice within an organization or across organizations, none are being utilized in the ReSPA Members. The only good practice can be traced to Albania where DoPA sets and runs discussion meetings of HR managers in all CS institutions to improve standards and uniformity. At the time of establishment, (with new CSL) meetings were relatively frequent and regular, now they take place every 2-3 months, which is sufficient for settled measures. This is an expensive and effective tool utilized in many EU countries where not only HR managers benefit but also subsequently the organizations they represent. Kosovo\* used to have such a network, but it is much weaker and formalistic. Macedonia is in the process of establishing one.

#### 5.4. Accountability Mechanisms (Monitoring and Enforcement Capacity)

This last section addresses the question of effective internal controls, monitoring and enforcement. Most of the failures, formalism, ineffectiveness and inefficiency of performance appraisal are attributed to poor implementation. If appraisers believe their appraisals would be seriously scrutinised, reviewed and evaluated by their superiors, then the influence of gaming and other political factors was likely to be reduced. In fact, the more delegated managerial accountability (also in performance appraisal), the bigger the need for functioning monitoring and accountability mechanisms in order to set certain standards and boundaries to the decision-making space.<sup>36</sup> This scrutiny can be conducted by civil servants themselves or some external body to ensure that appraisals have information value, are valid, fair and non-political and fulfil their original purpose. Therefore, we have looked into various accountability mechanisms that bring higher scrutiny into performance appraisal systems and decisions. Thus, with respect to performance appraisal, accountability is typically thought of as the extent to which an appraiser is held answerable to someone else for his or her appraisals or non-compliance. Without oversight and potential sanctions, the formalism and non-compliance with the requirement of the ISPA may increase.

We have also addressed some questions of accountability during the process of ISPA: the request to verbally substantiate (provide reasoning) for any rating decisions in appraisal templates (see Section on Appraiser–Appraisee Interaction), regular evaluation of the skills of appraisers in conducting performance appraisal as a part of the performance appraisal of managers or SCS (see Section on Components), keeping records (notes) documenting continuity of the appraisal process (see Section on Frequency), the role of a counter-signer (see Section on Actors). Besides these, however, it is also important to regularly and systematically monitor and evaluate the performance appraisal process (for its efficiency and effectiveness), output (ISPA templates for quality of information) and outcome (use of ISPA information for decision making).

In theory, each **HR unit** of the institution, as well as **central CS coordinating body** should oversight the process, monitor the quality of output and outcome and ensure compliance, enforcement and install certain quality control mechanisms. Nevertheless, this is not the case in the Western Balkans where HR units (if they exist in the institutions) do not have the

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<sup>36</sup> OECD. 2018. *Managerial Accountability in Western Balkans: A comparative analysis of barriers and opportunities faced by senior managers in delivering policy objectives*. Sigma Papers No. 58. Paris: OECD.

delegated authority to do qualitative monitoring and enforcement, but rather act as a technical coordinating body that puts together administrative report (see also Section on Actors in ISPA process). This problem is linked to the overall managerial accountability, as mentioned already in the first chapter of this report.

The only exception seems to be Albania, where HR units and DoPA centrally are given the authority and, thus, should monitor and ensure the quality of results in the institution and support SCS in analysing these results for HR decisions and streamlining performance results. However, the qualitative results from practice show that this rarely happens in the institution, and the procedure is very formalistic. On a central level, the Independent Oversight Board for the Civil Service of Kosovo\* through its general compliance assessment function does the annual monitoring of the personnel files, including individual ISPA templates. In cases where ISPA was not undertaken, IOB in its report sends the remark and recommendations to the institution. In this way, it has found out that in 32 public administration institutions, instances of incompliance were found in relation to ISPA, since several appraisers have not performed their performance appraisals for their staff as per applicable legislation. In practice, there is no evidence of any serious sanction applied for this issue.

In all the other countries, quality oversight, monitoring of the process, outcome and output for its quality, efficiency and effectiveness is not delegated to HR units and these act as a technical and formal check, not looking into substance.

Another way to increase accountability of the performance appraisal is to create a **specific performance related committee** to overlook the whole process. Thus, this committee is not for general civil service management and/or coordination, but rather for the quality oversight of ISPA. For example, Ireland has two special committees for SCS: *Performance Review Group* (comprising of the Secretary-General to the Government, the Secretary-General of the Department of Public Expenditure and Reform and an external member) and an *Accountability Board for Secretaries-General*. Performance-related committees also exist in BiH, RS, Albania and Macedonia but have an active role in ISPA (as discussed in Section on Actors) and are not involved in monitoring and compliance issues.

The most common accountability mechanism is the **appeal procedure**, and although it does not substitute quality monitoring and enforcement, it does provide a right to a civil servant to take steps if he or she thinks the process or the outcome is not reflecting the reality.

All ReSPA Members utilize appeal procedure as the last instance; however, in all countries appeals can be filed against the process rather than rating. Most of the ReSPA Members have a two-instance appeal procedure (Albania, Macedonia, Montenegro, Kosovo\*, BiH, FBiH and RS) while others have a one-instance appeal procedure (Serbia). In two-instance appeal procedure, the second instance is either Administrative Court (Albania, Macedonia, BiH, FBiH, RS) or an Independent Oversight Board for Civil Service (Kosovo\*).

In Albania, a civil servant can file a complaint on ISPA to the highest civil servant in the institution (called also Authorizing Officer in the DoCM on ISPA). This is an administrative complaint, and the Authorizing Officer should take a decision on the results within five days. If CS is not satisfied, he or she can file an appeal to the Administrative court. Similarly, in Montenegro, the civil servant files an appeal within eight days (starting from the date when the decision was officially delivered) to the Complaints Commission (an independent body of four members, one being a representative of trade unions). It has 30 days to decide on the

appeal. In case civil servant wins the case, the Commission instructs the state organ to adopt the new decision within 20 days. The civil servant can appeal the Commission's decision before the Administrative Court. In BiH and FBiH an appeal can be filed within eight days (15 days in RS) from the date of receipt of the final ISPA results with the respective CS appeal board; each level having its own appeal board. Decisions of appeal boards can be challenged by the administrative court. In Kosovo\*, if the CS is not satisfied with the appraisal made, he or she has the right to appeal within 30 days after receiving ISPA results to Internal Appeal Commission for resolving disputes and complains. The hearing takes place within ten days after receiving complaints, and the Commission has to make a decision within 30 days. After this level, the appraisee has the right to complain against the Commission decision to the Independent Oversight Commission within 30 days.<sup>37</sup> In Macedonia, civil servants can appeal within eight days to the Agency for Administrations. Similarly, in Serbia, civil servants can appeal within eight days to the Appeals Board.

Although the number of appeals is not large and in some ReSPA Members there is no data on the actual number (e.g. Albania, BiH, FBiH, RS), the complaints focus on the issues of transparency of ISPA process (Serbia, Macedonia), non-compliance (Montenegro, Kosovo\*), formalism without proper communication or involvement of appraisee (Montenegro, Kosovo\*, Serbia, Macedonia). IOB monitoring reports in Kosovo\* reveal that ISPA cannot be conducted in accordance with objectives and activities of CSs, because in many cases even annual plans for CSs are missing, although they represent the foundation for their performance appraisal.

## 5.5. Areas for Improvement

### ACTIVE INVOLVEMENT OF RELEVANT ACTORS

- **Senior civil service**

Effective performance appraisal systems require the support of SCS to show their commitment and to translate organisational goals and objectives into personalized employee-specific objectives. It is they that translate the organisational framework for the implementation of performance appraisal if having the managerial accountability for that.

- **Central CS coordination unit**

All of the WB countries have central CS coordination units that should be more involved in ISPA data gathering and monitoring via centralized template within overall CS monitoring function in order to consider various remedies on improving the system and designing the development of HR units. Reporting (if done) is not published, and it is not done against organisational objectives and managerial aims.

- Central coordination unit should organize trainings and workshops for institutional HR units on various ISPA related topics

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<sup>37</sup> According to the Annual Report of IOB for CS of Kosovo\*, complaints were received against ISPA: 2016 (19 complaints constituting 3.5% of all complaints), 2015 (41 complaints constituting 6.7 % of all complaints) 2014 (5 complaints constituting 0.7% of all complaints), 2013 (5 complaints constituting 1.2% of all complaints), 2012 (8 complaints constituting 2.1% of all complaints).

## **HR department**

The HR departments in the central public organizations of the ReSPA Members do not have capacities and mandate (except for Albania where this is not done in practice) to provide modern HR services for their SCS in managerial, including ISPA skills. They rather act as an administrative department (administering files and coordinating formal procedures). Thus, HR units have yet to transform into a modern HR function that supports appraisers in ISPA procedures, provides quality monitoring mechanisms and analyses (not only compiles) data from the ISPA process to be used in HR decisions. HR units within the organization can have a major impact on improving the quality of ISPAs. Of course, there are central tools and support needed, but it should be the HR people in the organisation who know the ways to get their managers to take ISPA more seriously and what kind of competencies they are missing. So they can use different tools for dealing with this, not only the formal training courses. And weak HR units is, therefore, one of the main problems in promoting ISPAs

- Creation of informal networks between HR units vis-à-vis central coordinating unit (e.g. DoPA in Albania): exchange knowledge and boost learning on HRM practices.
- More active role in ISPA (however, on the condition of skill development)

## **LEARNING AND TRAININGS**

### **• Introduce the concept of a learning organisation**

The entire performance management system requires the continuous process of learning from own experience, i.e. from problems, challenges and successes faced when performing a job. The basic concept is that actually, any performed task represents a possibility for learning if it is regularly noted what is and how it is done. Thus, conclusions are drawn for some future actions on performing similar jobs. This can be used in any situation in which managers give instructions to employees or when they discuss what should be done. These daily contacts are good development possibilities which should be reflected during the performance appraisal of employees when a manager discusses with an employee the lessons learned from the previous period and how that experience can be integrated in the existing practice in performing the job. Learning organisation can be defined as the one which coordinates knowledge and lessons learned of all employees and is being continuously transformed (in terms of the performed jobs). It should be emphasised that not all that should be learned needs to be adopted in a formal learning process. The performance appraisal process should enable and help the employees to learn from their own experience.

- Link training on ISPA to a managerial position, at least with SCS

Trainings should start with a focus on the managerial role, particularly SCS as soon as they acquire their managerial positions, as is the current trend in several EU countries where newly appointed managerial position automatically gets training in ISPA (and other “managerial skills”). This training needs to focus on the purpose, the process of managing, motivating, performance information use and evaluating the quality of performance appraisal conducted: performance appraisal is only a part of the overall organisational managerial context, and it is important that managers see and understand ISPA within a wider context and not as a simple formal exercise. Research

has shown that if managers are not committed to the idea of ISPA, then civil servants also do not believe in it.

Thus trainings should begin with the highest level of SCS. Once these senior managers have bought into the system, lower levels of managers and immediate supervisors can be provided trainings on skills development. Since regular civil servants (and other employees) are also part of the ISPA and we expect their active participation in goal setting and/or in the review process, some training is required for all of the civil servants.

- Performance appraisal skills should become part of the appraisal process for SCS and managers

Once raters have undergone the training, then they should also become objects of ISPA on how they conduct performance appraisal: a) on gained knowledge and skills immediately b) how they apply in practice in first ISPA cycle and c) whether any visible improvement can be observed over time. This will help to make sure that evaluations are performed similarly and consistently throughout the central public organizations and within the organization itself.

- Trainings need to be regularly offered to “refresh” the skills

Once an appraiser has undergone the necessary training, regular “refresher” courses should be offered and required (based on the above-mentioned appraisal of managerial skills in performance appraisal and development plan in this area) to help the appraisers maintain necessary skills in ISPA. If national academies are in place, they should offer such trainings, also in co-operation with various professionals in the area, such as psychologists, etc.

- Contents of the trainings need to be skills-oriented and interactive

The contents of the trainings is only effective if not lectured as a legalistic or technical norm but rather focused on key skills required to be able to conduct ISPA, such as setting performance objectives (organisational and individual), conducting performance interview, keeping records, communication of performance, preparing development plans, providing feedback, linking the system to pay (if there is one and this is the purpose), coaching and counselling, etc. The training for regular civil servants should particularly focus on setting objectives, keeping records, communication of performance, plans development, etc.

## **SUPPORT MATERIAL**

- Informal/ formal network of HR managers
- Meetings of leadership within an organization: to standardize, address problems, etc.

Both types of discussion meetings create invaluable socialization process among professionals (HR and SCS), which creates common values, standards and addresses implementation problems before the adverse effects of demotivation and aversion or incompliance. In this way, higher acceptance of the tool, organisational goals and ultimate purpose can be achieved.

- Guidelines on the use of info from ISPA (analytical reports rather than descriptive reports)

- Adopt central guideline (if in place) for the purposes of your organization (HR network assist).

### **ACCOUNTABILITY MECHANISM (monitoring and enforcement)**

Monitoring and enforcement is an ongoing activity and is crucial for the improvement of the practice of ISPA and quality of output (information from ISPA) so that it has a really informative value for decision-making in the organization and HR. All of the ReSPA Members do have some kind of elementary monitoring in place which would allow reviews throughout the appraisal cycle if, first of all, conducted and, second, if done systematically and with relevant skills. Thus, in order to improve accountability mechanisms, it is important to:

- Ensure that the process is perceived as open, transparent, fair, and reasonable<sup>38</sup> through regular monitoring
- Comply with existing mechanisms (mid-year reviews, counter-signer role, justification requests, performance interviews, etc.)
- Mandate HR units with this task under the condition of improving skills to do so
- Further development of monitoring capacity
- Independent oversight for compliance (like Kosovo\*), recommendations BUT problem of the power of these recommendations

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<sup>38</sup> OECD. (2007). Performance-Based Arrangements for Senior Civil Servants: OECD and Other Country Experiences. Paris: OECD

## 6. ReSPA Members Overviews and Recommendations

### 6.1. Albania

#### Background

ISPA was firstly introduced with the CSL of 1999, following the PAR Strategy of 1998. For the first time, the ISPA was implemented in practice in ministries in 2001, as a pilot, to be slowly extended in all the ministries by 2003. Currently, the mandatory performance appraisal procedure is regulated in the Civil Service Law of 2013, which covers both SCS and permanent SCs. As of 2017, Albania is experimenting with a model of performance contracts for the ministers and deputy ministers that creates a possibility to link the institutional performance with individual performance.

Three factors influence the issue of ISPA in Albania: First, no systematic anchoring of ISPA vis-à-vis organisational performance and other managerial tools, although currently, the Department for Strategic Planning in the Prime Minister's Office is planning to implement a model to assess institutional performance, based on results achieved by each institution in the implementation of their strategies and action plans. This is an opportunity to be taken into consideration that can make possible to cascade down objectives from the institution level to the individual level, as well as link institution's results with individuals' results in the individual performance appraisal. Similarly, ISPA is not linked to horizontal HR functions, although CF is being tested with SCS. Second, managers do not consider ISPA as a useful tool in their day-to-day job. To them, this is more of a burden, rather than a useful mechanism. Third, the lack of incentives for the CS, except for the training process. As the results of ISPA are not real, it is difficult to build organisational performance.

Initially, ISPA was implemented once a year, with a recommendation to run a half-year appraisal. The frequency of ISPAs was changed in 2016 for a semi-annual one and which is also complied with as close to 90% rate. Each civil servant is appraised on two main topics: 1. Achievement of job objectives set for her/him, based on the objectives of the unit and institution (as the only ReSPA Member) 2. Appraisal of individual skills and competencies manifested during the appraisal period. Albania differs from the other countries in the region since the objectives set for each civil servant are based on the objectives of the unit and institution where he or she is a staff member and, thus, as the only country that makes the vertical link and cascading of organisational performance objectives into individualized performance objectives. The ISPA form is centralized with little flexibility to adjust appraisal components to organisational needs, since all the appraisal criteria are pre-established in the DoCM on ISPA for CS en large, except for the objectives for each civil servant that vary depending on the person and position.

The system ensures communication between appraiser and appraisee via performance interview, where individual objectives are set and by communicating the results in written and where the CS is given the right to comment and to contest the mark and appraisal overall. Nevertheless, the actual implementation falls behind with a relatively high proportion of objectives discussion, but the second-lowest provision of written justification in the WB region.

The immediate superior is a key actor in the process as he/she is the main evaluator and follows the progress of the civil servant during the entire year. He/she should run the appraisal interview and has a counselling role during the whole period. The Central Civil Service Office (DoPA) has an important role in setting the standards, as well as managing the information received on the results of ISPA for HR policies development and also for monitoring the system. The HR departments have an archiving role and should also provide advice during the process if there is the case, but capacities are limited.

The system will need further development and improvement in relation to the use of information from ISPA process, both for central strategic HR purposes, as well as for individual organisational decisions. Formally, the system identifies excellent and poor performers where poor performers may undergo a capacity building program as one of the few WB countries. In practice, poor performers are not identified at all. Excellent performers, on the other hand, were foreseen to receive a performance bonus system, which was abolished and instead a performance increment in the salary structure was introduced in 2013. However, this part of the salary structure is not yet implemented. DoPA wants to carefully create some scenarios and see all possible effects before starting the implementation of this component in the salary. Development function of the ISPA is formally foreseen, where HR units are supposed to prepare individual training and development plans. However, in practice, the information generated is not useful and/or lacking, as well as HR unit capacity is very limited in this regard.

The HR units, appraisers as well as managers, will evidently need to be better trained for their role. Although, ASPA developed training curricula on ISPA since the introduction of the system during early 2000 and HR managers and specific managers and evaluators participated in training activities. These, however, were of non-interactive nature (design of the law) or linkage to other managerial tools and no training was provided since 2015. With the elaboration of the new HRM curricula in 2018, an opportunity exists to have in place much needed managerial skills enhancement, including ISPA.

## **Recommendations**

- **Redesign the purpose**

The individual performance appraisal system in Albania is well designed and fits with most performance appraisal models used in other European countries. However, from the practical point of view, the system is missing the purpose or the motivation. As the advancement in salary steps is not operational yet, the system has lost the “*raison d’être*”.

- **Strengthen the developmental function of ISPA**

Regardless of the long-term effort of the government to consider the introduction of a link with the salary/bonus system, there is a need to refocus the ISPA more into civil servants’ development area.

- **Utilize the information from ISPA for training needs identification**

The ISPA might be used to determine which civil servants will benefit from a high level and well-appreciated training programs, other than training programs designed for filling the knowledge/practice gaps of the civil servants (based on the TNA methodology).

- **Develop procedures aiming at the evaluation of organisational performance and better link with individual ISPA.**

The individual ISPA cannot be seen and developed in isolation from the organisational performance. In this area, Albania has much to do. Although institutions' objectives should be part of the individual ISPA templates, the link is not really made in practice. If the government continues to work on the performance contracts for the ministers, this is a good start for introducing them to SCS in managerial positions (agencies, subordinated organizations) to increase managerial accountability and to start cascading down the organisational goals to individual performance.

- **Design and implement specific trainings related to ISPA**

Despite the good structure and reasonable model, an implementation based on the spirit of the regulation is well behind the standards. This is a behavioural change and requires continuous training and awareness-raising among managers. DoPA and ASPA should design and implement specific trainings related to ISPA and focus on non-monetary rewards, given that financial resources are scarce and cannot be a source for monetary rewards (at least at the moment).

- **Review and improve special performance appraisal procedure for SCS**

The government and DoPA should place increasing attention on the implementation of ISPA for SCS. If the procedure is deficient at the top of the pyramid, it is unlikely to be successful at the bottom. Also, there should be a direct link between the institution's objectives and SCS objectives and ISPA results.

- **Promote managers' accountability and integrity**

Starting with the top managers, there is a need to promote managers' accountability and integrity in implementing performance appraisal.

- **Strengthen the capacity of DoPA as monitoring and quality control actor in ISPA**

Although not directly involved in the process, DoPA should play a bigger role and advice the institutions in more realistic appraisal results for their staff. There is the need to raise awareness at the government and top management level for the benefits of the ISPA procedure if correctly used in practice.

## 6.2. Bosnia and Herzegovina

### Background

Existing appraisal regulation within all three civil service structures in BiH dates back to 2011. It was in this year that State level and FBiH adopted all-new rulebooks dealing with individual performance appraisal, while RS introduced a sizeable set of amendments to the 2009 rulebook. The move to introduce the changes has been motivated by the technical assistance project run by Office of the Public Administration Reform Coordinator in BiH. No significant changes have been introduced following the adoption of new solutions.

Administrative culture of the Bosnian public service structures draws strong roots from the communist state (ex-Yugoslavia) and, as such, is quite alien to any kind of performance management tools. The performance was understood mostly as loyalty and obedience. Thus, the role of the administration was in the past reduced to carrying out the will of the communist party officials, which today is still reflected in the technical-administrative role of the HR units (if they exist) rather than a more pro-active HR management. Routine decisions on performance appraisal results are still formally signed off at the highest levels of management with a possible risk of politicization since in many instances, the heads of institutions are political appointees.

The formal system of ISPA applies to and is mandatory equally for all employees of CPA covered by both CSL and Labour Law: permanent employees regulated by CSL, permanent employees not regulated by CSL but still covered by ISPA Rulebook, as well as temporary contracts (except for RS where temporary contracts are not covered). ISPA also covers SCS. However, where SCS are heads of institutions rather than managerial posts one level below the minister/head, an entirely different ISPA procedure applies by creating a special committee with no strict process and where heads of institutions are to submit his/her annual report. Theoretically, this procedure would allow connecting managerial accountability with overall organisational performance and the role of the head of an institution within it, with a discussion of vision, future goals and its operationalization into tangible results. In practice, very little information (if any) is available on consequences for the SCS if the institutions do not perform.

The regular ISPA requires ISPA to be conducted twice a year in BiH and RS and at least once in FBiH, which in practice is not followed. The changes brought about by the Technical Assistance in 2010-11 introduced individual performance goals into ISPA and thus improved the system as it enables the managers to assess the extent to which subordinates indeed meet their performance goals; it also enables HR departments in individual institutions to draw conclusions about the commitment of employees (especially managers) to the exercise and to develop insights into the real value of this practice. Still, the individual performance goals are not related to overall organisational ones and tend to be confused with activities taken straight from the job description. A positive feature of the system is the existence of performance interview, in which in all three state structures the civil servant is free to offer counter-arguments in relation to proposed goals and/or results prior to ISPA finalization, which strengthens the appraiser-appraisee relationship. Besides the goals, ISPA utilizes a fixed pre-established set of criteria which are generic for all CSs and do not allow for flexibility to adjust them to organisational and/or CS needs. The competency framework is yet not developed (except for recruitment on the state level) and does not play a formal role within appraisal criteria set and thus no further horizontal link exists to other HR functions,

such as recruitment and/or development. In sum, the overall ISPA comes in the form of a grade given in the form of a descriptive rating (unsatisfactory, satisfactory, successful, exceptional) by summing the final grades from each of the two components mentioned above: performance goals and criteria fulfilment.

The previous system did not provide a possibility to systematize ISPA data either at the institutional level and, or at the civil service level (to supply the respective governments with data about the exercise). This changed, but still, the value of ISPA information collected by both HR departments and the central civil service agencies is very limited, and the potential for the strategic HR in the field of development of CS is underutilized.

It seems that issues linked to ISPA remain very low on the governments' list of priorities. This is a pity because aggregate data generated by the agencies represent a chance for the governments in BiH to address the long-standing issues, such as a very high number of top marks.

## **Recommendations**

- **Redefine the purpose of ISPA to shift the focus from rewarding/punishing employees to ensuring their individual development**

ISPA is there to help individual staff members to grow as professionals, and professional growth is a fitting reward for those who excel at their work. Possibility for rewards can be preserved but should be applied very selectively (i.e. only in cases where an employee does more than what is expected from him/her). Those who do their job well are not supposed to be rewarded for it; they are recruited to do well, and they receive their salary (and other perks) in return.

- **Redesign and ensure the frequency of ISPA (and introduce extraordinary three-month appraisal for poor performers)**

Currently, managers complain that bi-annual appraisals consume a lot of time and, in turn, generate frustrations among both appraisers and appraisees (due to wrong expectations that ISPA should result in rewards). Annual appraisals will create less administrative work. At the same time, poor performers should be dealt with via extraordinary appraisal, which can be initiated right after the conclusion of the regular cycle. It should last three months, and if the employee does not improve in his/her work in this period, his/her work engagement should be terminated.

- **Introduce regular ISPA training for managers**

This course should be offered at least once per year by civil service agencies. Special emphasis should be placed on setting performance goals. This course should also facilitate spreading the message about the shift in the purpose of the whole exercise.

- **Increase attention given to appraisal of the senior civil servants (heads of institutions)**

Current procedures are rather vague and place emphasis solely on the extent of the execution of the annual work plan. The firmer procedure is needed focusing on the display of managerial competencies such as leadership, planning and organisation of work.

- **Ensure utilisation of the aggregate performance appraisal data**

Currently, not all individual institutions fulfil the obligation to submit the standard form containing aggregate data about the exercise. As a result, the data presented by the civil service agencies to their respective governments in BiH is incomplete. This must change in the future as the aggregate reports submitted to the governments is of major significance in tackling strategic HR issues.

## 6.3. Kosovo\*

### Background

Formally, the performance appraisal is conducted for the purpose of enhancing work performance and ensuring the gradual improvement of the professional capacity and quality of administrative services by verifying the implementation of objectives set at the beginning of the appraisal period. The ISPA system, established in the CSL, was not implemented until the process of job classification completed in 2014. Performance appraisal should be carried out annually by managers, using a standardised template and on the basis of the work objectives and competencies of public servants. A new draft of the CSL discussed in the Parliament as of the writing of this report counts with the removal of forced distribution and with the introduction of additional forms of appraisal, such as self-appraisal and peer-appraisal reserved for SCS.

In Kosovo\*, the ISPA system does not have a clear link between the organisational planning process and the ISPA planning and implementation. Thus, it does enable measuring the achievement of the organisational goals. In addition, the ISPA cannot be conducted in accordance with objectives and activities of the civil servants, because in many cases, even annual plans for civil servants are missing, though these represent the foundation for their ISPA.

In 2012 “limitations in appraisal levels”, i.e. quotas for the distribution of ISPA were introduced to avoid grade inflation and enable the use of performance appraisal as a tool for other processes, such as career advancement. In practice, the application of quotas in performance appraisal has led to several appeal processes, which have been decided in favour of the appellant. Also, the distribution of these quotas was not followed, and grades were inflated. Overall, the perception of the HR staff is that the distribution of the quota is useless and has no added value in the ISPA process.

In terms of the appraiser-appraisee relation, Kosovo\* has several tools in place that allow the CS to be involved in the ISPA process, such as joint goal setting and mid-year interview. However, formal guidelines do not request discussion of the results and these are provided in a fixed pre-determined ISPA template which is a step forward since the previous ISPA system template provided only limited space for written comments. Nevertheless, justification of comments is obligatory only in three out of five rating categories, thus, theoretically, if a forced distribution is observed 40% of all the appraisees are formally not obliged to get written comments besides the numerical grade.

The result of the appraisals has no formal consequences for salaries or career development, except for the requirement that negative appraisals disqualify candidates for internal promotion. In addition, both IOB and our study report many cases of incompliance both in conducting ISPA, but also in individual aspects, such as no objectives had been established to provide a basis for assessing staff. One of the reasons seems to be the process directly linked to the system of classification and systematization of workplaces in the civil service, but also overall weak managerial accountability.

In terms of capacity building, training programmes were developed and delivered on ISPA procedure by central authorities during the initial years of its adoption together with a

guideline for its implementation. However, the capacities of the appraisers remain weak to implement the ISPA process effectively.

Finally, there isn't any link between ISPA and strategic Human Resource Development. The compliance problem is also encountered on the level of data collection from the ISPA process by the individual HR departments, as well as by DCSA when only half of the institutions submit information to this central agency. Formally, the Civil Service is career-based, and according to the legal framework, the ISPA results shall have an impact on promotion, development, remuneration, termination, etc. In practice, however, the impact of the ISPA results is almost insignificant. This has consequences that make ISPA a formal process without any impact on civil servants and the organisation itself.

## **Recommendations**

- **Strengthen planning of ISPA within the overall managerial framework**

Linking the Government's, sectors' and institutions' strategic plans and priorities with annual (personal) objectives against which the individual performance will be evaluated. The objectives setting shall start from the senior management. Then the lower levels follow the same vertical approach. In this way, the institution's objectives and priorities are cascaded down through the organisation. It will allow the senior managers to delegate appropriate elements of their objectives to their team members. Finally, a procedure/ guideline on setting adequate annual objectives, linked to the institutional and sector priorities should be developed, enforced and monitored.

- **Introduce and strengthen monitoring capacity to improve compliance in conducting ISPA**

Monitoring and appraisal of the employees' performance is not an "instant activity"; it is rather an ongoing activity. Appraisee performance should be monitored during the entire year, which includes continuous monitoring of his/her performance and monitoring of the fulfilment of each specific objective. The appraiser should, during the year, collect data on/observe how successful the appraisee is in his/her work, considering the nature of work, expertise and experience of the civil servant. This will enable taking preventive measure, providing inputs for the final (end of the year) ISPA, and will ensure better performance, thus better achievement of the individual/unit/institution's objectives.

- **Improve appraiser-appraisee communication**

The mid-year review should be used by the appraiser and appraisee as an opportunity to jointly review the progress made in accomplishing the objectives agreed, as well as identifying shortcomings and agreeing on corrective actions for upcoming months. Thus, a mid-year review should become mandatory to allow the immediate manager to conduct a mid-year review through a formal meeting with the appraisee. Similarly, the justification of the results should be provided to all ranking categories in a text rather than only numeric form.

- **Re-design ISPA Model**

The current ISPA model is the most basic form of an appraisal. The appraiser/manager gives their evaluation of the appraisee. There is no self-evaluation and evaluation from subordinates. It's one way and top-down. Before introducing a new ISPA model for SCS that brings self-appraisal (gives feedback on one's performance), one should pilot it to assess its

administrative complexity and benefits it brings. One has to bear in mind that if compliance is to be achieved, the administrative simplicity of the system is a prerequisite.

- **Improve the capacities of the appraisers**

A common problem in the ISPA system in Kosovo\* is that the appraisers are not trained sufficiently on how to conduct effective ISPA. A mandatory managerial training module should be developed to increase capacities of managers and HRM, which may include ISPA components as part of the system also, such as setting adequate annual objectives, rating employees, conducting appraisal interview, as well as analysing the ISPA results. These need to be highly interactive, though. In addition, the obligatory training programs for management level foreseen in the Draft Law on Public Officials should contain a specific module on ISPA in the Civil Service.

- **Strengthen the use of the ISPA results**

The current ISPA procedure does not provide sufficient information on the usage of the ISPA results at the central level. It stipulates that MPA shall collect all PA results from all institutions, but it does not say for what purpose (promotion, development, remuneration, etc.). Therefore, a specific procedure/guideline for managing and using ISPA results by a central authority such as MPA should be developed, enforced and monitored. Finally, MPA staff should be trained in the implementation of this procedure/guideline for managing and using the PA results, as well as increasing their capacities in doing specific analysis to measure the impact of the ISPA results.

## 6.4. Macedonia

### Background

The first performance appraisal of administrative officers was introduced in 2005. The appraisals of the civil servants were made based on data regarding the professional knowledge and skills at work, efforts, results achieved, creativity and consciousness when performing the official tasks that are significant for the performance of service. The modified 360° model (excluding self-appraisal) was introduced as a substitute for the one-way evaluation in 2015. As of 2016, it was obligatory for all public bodies. The system has been amended in April 2018, by removing the forced quotas for the top and poor performers, as they failed to achieve the expected goal, but created pressure, a feeling of insecurity, and violated the interpersonal relations among the employees. New Public Administration Strategy 2018-22 counts with yet another change in the approach towards ISPA, with a possible simplification of the process and introduction of the pay for performance.

The system links the performance appraisal with competencies of the civil servants, which represent a big potential for the future development of effective ISPA process. However, the CF is still in its beginnings, lacks operationalization and bigger flexibility for its application in individual institutions, though providing some flexibility across different CS categories. Thus, theoretically, CF provides a good basis for preparing individual professional development plans, but in practice, this is not done to its full potential.

The ISPA is designed to be a highly participatory one, starting with the identification of work goals and tasks as a joint endeavour between the appraiser and appraisee; defining an individual plan for professional development and a half-a-year interview procedure for assessing the progress. Nevertheless, the study has shown that most of the participatory measures are rarely complied with, for example, the half-a-year interview is done in 15% of surveyed institutions. In addition, the participatory nature vanishes in the final stage when the final results of the complex 360-degree ISPA process with lots of input also from external stakeholders are provided only in writing, as a numeric expression rather than as a feedback for future discussion of a possible development plan.

The experience from the application of the performance management system shows that the process is too complex and administratively complicated to apply, both in terms of human resource engagement, and in terms of the associated templates and time for implementation of the process. Therefore, it is quite surprising that such a complex ISPA system is not adequately supported either by available guidelines and manuals and/or trainings which would enhance skills of managers, appraisers and HR departments, so that the latter ones can play a bigger role of a strategic and support centre rather than only an administrative-technical one. At the moment, MISA is the coordinating body for the civil service training policy; however, the financial and human capacity of MISA is limited with barely any trainings available. Thus, there is no regular training available to managers to develop managerial skills, including ISPA related ones.

The low capacity of MISA is also reflected in its role for strategic use of information collected from ISPA; the information was simply not collected in the past three years (2016, 2017, 2018). This has serious consequences on the use of information both at organisational and at a central level, where data show that they are being used on ad hoc, rather than a systemic manner.

Overall, the system as such is perceived as a formal exercise, not always being accurate, but too complex. This implies that it may have a small role in motivating civil servants to improve their performance. There is no clear understanding of the appraisal system role and its relevance to organization performance.

## **Recommendations**

- **Simplify the 360-degree model of ISPA**

The system would benefit from simplifying the procedure and reserving (if at all) the 360-model for SCS only. Consideration should be given to simplify the process and reduce the types and number of appraisers for each civil servant in such a way that no room for gaming with external appraisers can happen. If multi-source ISPA is still to be considered, it should be first piloted and tested with simpler versions, such as peer-reviews and/or self-evaluations. Again, the role of the HR unit here is very important.

- **Strengthen capacity in HR units to provide modern professional HR services**

Professional HR unit in an organization is essential in order to adjust ISPA to organisational needs, provide support for the SCS, appraisers and appraisees (internal guidelines, workshops, meetings), while at the same time adhering to central guidelines.

- **Redesign the purpose of ISPA and communicate it clearly to all employees**

One of the strongest factors negatively influencing the perceptions of performance appraisal is the formality and non-compliance within the ISPA process. Employee perceptions of the fairness of performance evaluations are critical to the success of any appraisal system. The employees need to be fully aware of the performance appraisal process, and that the process itself is clear and transparent. It is of utmost importance that senior-level management takes serious steps to ensure that ISPA fulfils its purpose and provides support in making critical HR decisions in the organization. This will develop employees' perception that the system is used for achieving specific purpose and, more important, that the focus of ISPA is on the development aspect. This can be achieved by strengthening the HR role in the whole process, thus, ensuring that HR units organize relevant training and informative sessions for the purpose of ISPA.

- **Increase monitoring and enforcement capacity**

Compliance with ISPA and its modern design features (e.g. participatory process, which is very advanced) is one of the lowest among the ReSPA Members, which relates to its complexity and non-trust. However, it is crucial to ensure compliance by monitoring and enforcement measures which can be vested both at the organisational level (HR units) and/or on central level (MISA). Sanctions for non-compliance in the form of disciplinary procedure should be discussed.

- **Introduce text-based rating (not only numeric)**

Any appraisals need to be in a written template and thus communicated to the appraisee (including justification, not only numeric data). In practice, performance monitoring and review discussions should be related to the competences – actual performance against the competencies. That is one aspect. The other aspect is to look at the performance against tasks and objectives.

- **Strengthen the competency framework**

The system is designed by linking the performance and competencies of the employees, which is the biggest progress in the ReSPA Members in this sense. However, the operationalization of the competencies appears to be weak and needs further strengthening. Operationalization of competencies by applying transparent and fair indicators for each rating category of performance appraisal needs to be put in place – setting new standards for acceptable and unacceptable behaviour, etc. related to each category of underperformance, acceptable performance and over average performance.

- **Increase capacity of appraisers**

Embracing the approach without adequate knowledge and resources would not give desired results. It is very important to identify and develop the skills necessary for successful implementation of the evaluation process. Setting SMART objectives, interviewing skills and providing effective feedback are the most important skills for the managers that need to be strengthened via regular training provided to every appraiser.

Regular training on the performance appraisal with a reinforced focus on upskilling is very important. A distinction has to be made between training on a legal basis for the appraisal, and presentation of the procedure, and training on the necessary skills for successful implementation of the whole process.

## 6.5. Montenegro

### Background

Over the past few years, Montenegro underwent a significant transformation of the civil service formal legal framework, including individual staff performance appraisal. The new Law on Civil Servants and State Employees was adopted in 2017 and started to be implemented in June 2018. A succinct insight in the changes concerning ISPA in the new CSL indicates that steps have been made into the right direction, largely due to the fact that the category of the heads of civil service bodies have been included in the scope of the law and will subsequently be subject to regular, performance appraisal process twice a year. In spite of the improvement of the performance appraisal legal framework, there are a number of challenges to be overcome in this field. Also, the new law made an explicit link between poor performers and their development rather than punishment.

Additionally, the overall managerial culture is not stimulative. It does not lead toward the practice that the best or poor performers are identified at the end of the ISPA process for the purpose of supporting them to reach their potential, to continue to develop and broaden their skill set and/or to improve. Subsequently, ISPA does not lead to personal development, towards the provision of training for the ones who need it, nor does it allow for the possibility of rewarding the best ones their performance results. ISPA is not used to stimulate horizontal mobility of civil servants within the institutions, either. The focus is predominantly on meeting the formal aspects of ISPA, rather than trying to utilize the results obtained for the benefit of the individual performer and overall organization in question. Part of the problem lies in the fact that the notion of managerial culture and thus managerial accountability is alien to the local setting in which power is usually concentrated in the apex of the public administration.

ISPA in Montenegro is not sufficiently linked to other human resources management functions. Although it is formally related to promotion, transfer, rewarding, and termination of employment, the application of these legal provisions is missing. In addition, ISPA is not linked to professional training or education. ISPA is not used to stimulate horizontal mobility of civil servants within the institutions either.

In terms of the ISPA design, individual work objectives are not related to strategic/organisational goals. In addition, generic descriptions of jobs make it difficult to define work goals, as no expected behaviour of employees at work can be clearly seen in the job descriptions. Thus, an individual CS does not have a set of individual goals to be found (and achieved) in the ISPA procedure. The previous system of two rating categories (satisfactory/non-satisfactory) produced the highest number of CSs being awarded the "satisfactory" grade in WB. A particular problem in practice represents the fact that proposed grades very often are not sufficiently explained and justified and are provided in numeric form, rather than as a base to start a discussion. This results in a number of disputes initiated by civil servants before administrative and judicial bodies.

The capacities of all parties involved in the ISPA process, both appraisers, managers, HR departments and civil servants, appear to be very weak. Any training on managerial skills, but also ISPA related issues, such as how to set organisational and individual work objectives, are currently missing and the few available are not sufficiently attractive to the target audience. The training is very limited for the category of expert management and expert staff, which is particularly problematic in the case of those who have not performed

ISPA previously. Carrying out continuous training and informing all participants in the process is of the essential importance for the performance evaluation process.

## **Recommendations**

- **Develop organisational performance management framework**

In order to strengthen the ISPA process and set individual work objectives, it would be necessary to develop an organisational performance management framework, which would set out clear organisational objectives. In this way, a civil servant would be able to recognize his/her influence and role in achieving the institutional and overall Government's objectives.

- **Strengthen the link between ISPA and other HR management functions**

Although there is a need to establish the link with the reward system, this aspect of ISPA must be approached carefully. The practise shows that if ISPA is connected with career progression and especially salary system, then there is a tendency for this exercise to be understood "too seriously" in the organization, which can negatively impact the work environment. At the same time, it is very difficult to apply it in practice, as the work in civil service is not easy to quantify, and therefore the assessment is heavily dependent on the discretionary power of senior officials.

- **Introduce text-based rating (not only numeric)**

Any appraisals need to be in writing and in this way form a two-way communication base between the appraiser and appraisee (including justification of the results). It is not sufficient for a CS to be informed only orally on the final numeric grade and not to have any documented explanation that could become the basis for discussion of future development plans. The text-based rating allows the CS to focus on the behaviours and observations instead of getting too hung up on a number.

- **Introduce a larger range of rating categories**

Currently, as of July 2018, the rating system has three categories, which is an improvement in comparison to the previous two rating categories. Still, it does not allow for substantial differences between the civil servants (if the aim of the ISPA is to generate comparisons between the CSs).

- **Strengthen monitoring capacity**

The accountability of all parties involved in the ISPA should become strengthened, and sanctions for not complying with ISPA made explicit in the LCS. In particular, it is important to strengthen the capacity of HR departments so that they would function as HR support centres, but also quality monitoring ones.

- **Develop an ISPA manual/toolkit**

A large part of the ISPA procedure relies on the soft skills of the appraisers, as well as on the understanding of its main purpose and steps. Even though the legal framework (Decree) defines ISPA, it is too formal and technical. There is a need to develop a manual/toolkit that would enable the main actors (appraisers, appraisees, SCS, HR) understand the main process, its steps, and familiarize themselves with the details of the process by providing examples and suggestions to increase the skills related to the ISPA.

- **Introduce mandatory training (including ISPA) for managerial positions**

There should be mandatory training for the category of expert management and expert staff in all the aspects of ISPA, particularly those who have not performed PA previously; Carrying out continuous training and informing all participants in the process of the essential objectives and importance of performance evaluation.

- **Improve the contents and management of existing trainings**

A very important aspect of any training scheme is its attractiveness for participants. Therefore, it is of great importance to make the trainings interactive, e.g. including simulations, case studies, etc.

- **Strengthen the utilization of information from ISPA for development**

Special attention has to be paid to linking the ISPA and identification of needs for professional education and development. The new Law made an effort to improve the development nature of the ISPA. There needs to be regular monitoring if development plans are indeed in place and adhered to. Soft skills for the implementation are necessary.

## 6.6. Serbia

### Background

The current appraisal scheme for civil servants was introduced in 2006 as one of the cornerstones of a politically neutral, professional and merit-based civil service in the Republic of Serbia. Performance appraisal of civil servants aims at obtaining an objective, valid and comparable statement on their performance and their abilities and competences. It should provide a basis for decisions in personal matters of the civil servant concerned, but it also serves as an instrument for human resources management in a more general perspective (staff development, training programmes, etc.).

The Law on Civil Servants from 2005 and the Decree on Appraisal of Civil Servants from 2006 provide transparent and effective procedures for the appraisal. However, to make the appraisal scheme successful and credible, these legal provisions need to be complied with and appropriately implemented. A successfully implemented appraisal scheme will also have an important and positive impact on the public perception of the civil service system as a whole. The establishment of a staff appraisal scheme can be regarded as a key step towards civil service institutional development in the Republic of Serbia, towards the improvement of individual work standards, and towards the improvement of service delivery to the citizens.

The performance appraisal system has not been changed for more than 12 years, although the current practice shows many shortcomings devaluing the motivation of civil servants. In 2018 MPALSG and HRMS introduced competencies as a key criterion of human resources management and their adequate application in relevant procedures (recruitment, performance appraisal, promotion, professional development). This resulted in a number of amendments to the Law on Civil Servants developed in an inclusive and evidence-based process. Secondary legislation on the appraisal is still under preparation, and its adoption is expected in the first quarter of 2019.

This report suggests that performance appraisals remain a formality, with no practical application to salaries, promotions, transfers and terminations of employment. Despite the solid legal framework, performance appraisals have proven to be both inefficient and ineffective. Problems with mark inflation remain and are repeated every year, with almost 90% of civil servants obtaining the highest grades. Promotions were generally not possible due to budget restrictions and the improper application of performance appraisals. Appraised civil servants have the right to appeal their rating. Finally, performance appraisals are conducted at all public authorities, but only as a formal exercise.

### Recommendations

- **Introduce organisational performance framework in each public administration institution**

The framework of organisational performance ensures that the objectives at the organisational level are elaborated into objectives of different organizational units and further into objectives for each employee in the organisation, which are used for employees' performance appraisal. It represents a link between objectives at the highest organisational level and an employee. Currently, there is no such a framework in public administration, and this is one of the main reasons why the performance appraisal system is discredited and considered as a usual norm. It should be emphasised that defining objectives only for

organisational units is not sufficient and practice shows that adequate implementation of performance appraisal requires setting goals and objectives for the whole organisation, for every organisation unit and, finally, for every individual employee.

- **Support the process of establishing an organisational performance framework**

The link between high-level goals and the performance of individuals is not an easy link to make and requires an organisational performance framework to be put in place. Although it might seem simple to define it, the development of such a document requires specific expertise. Currently, there is no capacity within the central government departments to establish organisational frameworks or to ensure that they will operate effectively and steps will need to be taken to provide support which represents a huge challenge for MPALSG and HRMS as key institutions for the implementation of this reform.

- **Introduce performance standards in public administration bodies**

Performance standards represent any defined threshold, request or expectations which need to be fulfilled to satisfy certain/required level of performance. Performance standards need to be set for all those jobs and tasks which cannot be defined precisely enough with target values. Performance standards have to be defined in detail by the outputs which need to be achieved, i.e. the defined jobs/tasks – they should fit the corresponding indent from the job description of a certain job position. In case some performance standard is not defined clearly enough, the experience in performing certain job over time leads to better and more concrete job definitions based on which clear expectations from employees will be defined and will bring to more objective employee's performance appraisal.

- **Strengthen capacities of all managers for defining “smart” work objectives which should also include definitions of the target values and performance standards**

Performance appraisal of employees in the public administration started in 2006. , The vast majority of trainings on this topic were organised, and a huge number of managers attended these trainings. However, after more than ten years of employees being appraised based on the defined work objectives, there is no major advancement. There is an intention for individual work objectives not to be a part of the future performance appraisal system, and this might represent a huge risk for the whole process. Defining work objectives is a key element for employees' performance appraisal and provides tangible proof for what should be done. Focusing only on the assessment of behavioural competencies would answer how, and not what should be performed. Finally, besides defining the objectives, the type of feedback provided by managers is also important for the process of employees' appraisal. Providing the feedback allows for clarification of expectations, adjustment of difficulty/level of the defined objective and possibly, for the provision of support. These are all additional knowledge and skills to which the attention should be paid in order to advance the employees' performance appraisal process.

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## Glossary

**Appraisal method** – methods to measure the quantity and quality of performance appraisals

**Appraisal form** – sources for gathering data for an appraisal (subordinates, peers, self, superiors, etc.)

**Basic pay** – automatic pay based on job description and categorization

**Competency** – a combination of knowledge, skills, abilities, behaviours, and personal characteristics that enables an individual to successfully perform critical work tasks, specific functions, or operate in a given role or position.

**Competency Framework** – an instrument for managing human resources which includes sets of competencies relevant for the development of both organisations and employees.

**Development plan** – based on the results of individual performance appraisal a plan for each employee is jointly prepared with identification of developmental goals (related to skills and competencies) and activities how to achieve them in order to improve performance.

**Merit increment** – variable payment added to the base salary which becomes a permanent part of the total salary

**Participatory performance appraisal** – appraisal system where civil servants are involved in its design

**Progress report** – written report where the results of performance appraisal are discussed: written feedback

**Performance appraisal** – assessment of an individual's performance in a systematic way

**Performance interview** – a dialogue between the superior and civil servant where the results of performance appraisal are discussed, together with implications for future (goals, improvements, etc.): oral feedback

**Performance standards/criteria** – setting targets to measure both quantitative and qualitative aspects of performance (e.g. checklists for behaviours, characteristics, outcomes)

**Quotas** – a formal way to distinguish among staff performance, by saying for example that only the top 15% are allowed to receive a financial bonus or that only 10% can be top performers

**Rating categories/scales** – categories that differentiate between performances can range between highly detailed ones to differentiating extremes: the very good and very bad ones

**Rating system** – various approaches how to differentiate each civil servant's performance and compare with that of his/her peers and generate a rank order from top to bottom (e.g. grids, points, scorecards, etc.)

**Tenure** – a life-long guarantee of employment in civil service

**360-degree performance appraisal** – a form of appraisal where not only the superior makes the assessment, but also peers, team members, subordinates and/or other actors who come into contact with the civil servant

**180-degree performance appraisal** – a form of appraisal where not only the superior makes the assessment but also subordinates confidentially comment on their managers' performance

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