

Result Oriented Monitoring and Evaluation

PEMPAL Budget Community of Practice
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The World Bank Group

Poverty Reduction and Economic Management Department
Europe and Central Asia Region

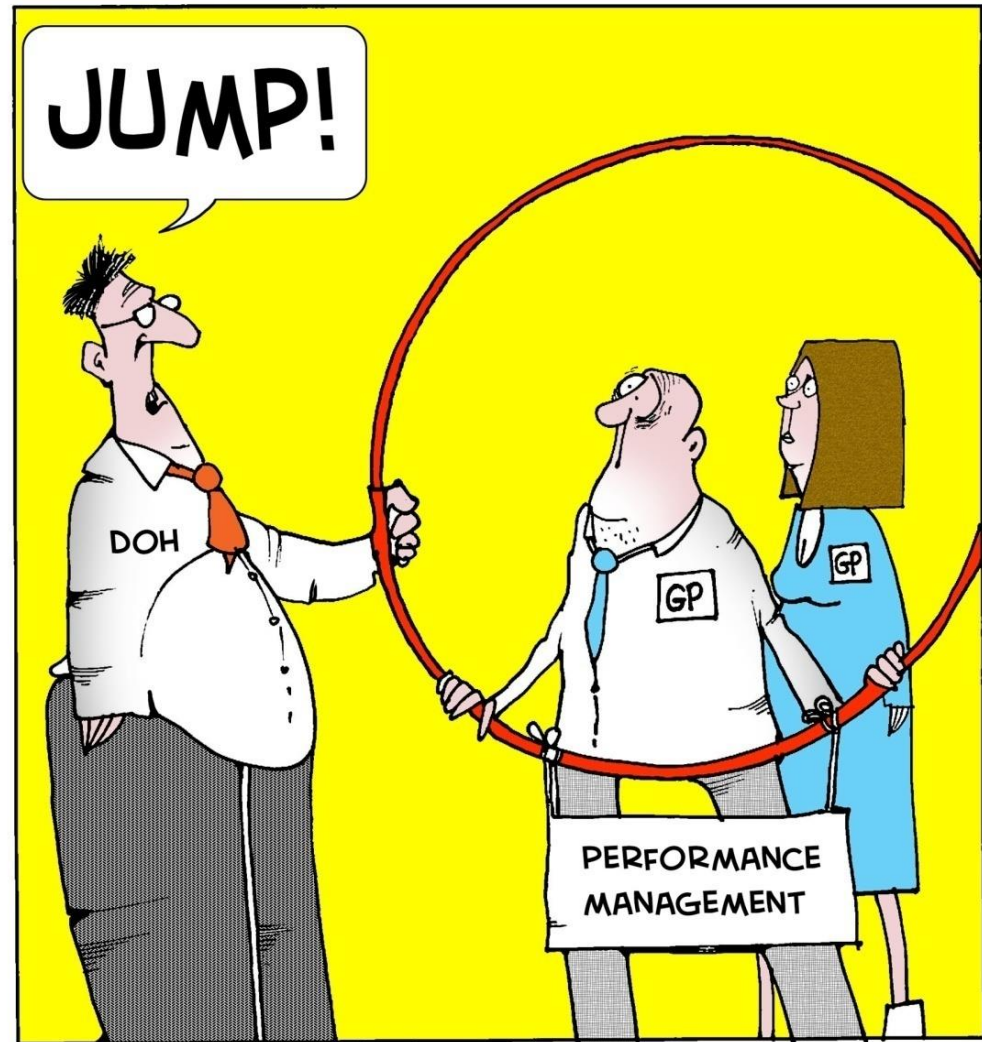
Measuring Results in Government

“If you do not measure results, you can not tell success from failure.”

David Osborne and Ted Gaebler in their 1992 book, *Reinventing Government*

“Not everything that counts can be counted and not everything that can be counted counts.”

Albert Einstein



Outline

- Part 1 Some observations on reform trends
 - Shifting budgeting approaches
 - Objectives and tools of result based management and budgeting
- Part 2 Spending Reviews
- Part 3 Monitoring and Evaluation

Part 1

REFORM TRENDS

Shifting Budgeting Paradigms

Approaches to budget management continue to evolve

	Traditional Input Based Budgeting	Performance Based Budgeting 1.0	Performance Informed Budgeting 2.0
Principles	<ul style="list-style-type: none"> • Focus on Control and Compliance => “Weak links to results” • Incremental Budgeting • Limited flexibility 	<ul style="list-style-type: none"> • Focus on Results => “Deterministic Link” • Strategic Budgeting • Flexibility • Comprehensive 	<ul style="list-style-type: none"> • Focus on Results => “Contingent Link” • Strategic Budgeting, but recognition of constraints • Structured Flexibility • Targeted
Tools	<ul style="list-style-type: none"> • Line Item Based Allocation and Control 	<ul style="list-style-type: none"> • Program Budgeting • Performance Contracts (Agency Model, Purchaser-Provider Model) • Formula Based Budgeting 	<ul style="list-style-type: none"> • Spending Reviews • Delivery Units • M&E Systems
Experience	<ul style="list-style-type: none"> • Limitations in achieving efficient and effective use of resources • Increasing pressure to get and show results 	<ul style="list-style-type: none"> • Proliferation of performance measurement/reporting • But often limited use and little impact on actual decisions 	<ul style="list-style-type: none"> • Realization that more indicators do not mean more information • More emphasis on Budget Analysis and Ex-post evaluation

Different Tools

- *Governments have experimented with performance systems since the 1960s*
- *There is an increasing variety of experiences and tools to meet the different objectives and problems, and to address the different linkages and accountability arrangements among various actors within the public sector*
- *These are not mutually exclusive, but reflect the relative emphasis present in any given system*

Performance Budgeting

- Different approaches: Program Budgeting (France, US, Japan, Korea), Agency based (Singapore, New Zealand), Sector Based Approaches (Per student financing, DRGs, etc.)
- Varying emphasis on allocation, accountability and performance incentives

Spending Reviews

- Intermittent or regular, in-depth reviews of the budget or selected priority sectors/programs
- Varying emphasis on efficiency and effectiveness, identification of savings/fiscal consolidation (Canada, France, Denmark, Australia, UK)

Result Based Monitoring and Evaluation

- Government wide systems often located at the centre of government (Colombia, UK, Albania, South Africa), at SAls (Performance audits), or sectoral level
- Combination of continuous monitoring and different types of evaluation

Different Objectives

Performance systems emphasize various objectives:

- Strategic Planning and Allocation of Resources
- Alignment with Policy Objectives

Budget preparation



Budget execution

- Performance Incentives
- Effective and efficient Delivery



Audit and evaluation

- Identify and understand successes and failures
- Learning
- Accountability

Part 2

SPENDING REVIEWS

Spending Reviews (1)

- Aim to identify savings options either to reduce the deficit or to make fiscal space for new priorities
- Typically focus on baseline expenditure , e.g. spending on existing programs as opposed to new spending initiatives which are routinely assessed in the context of the annual budget process (“incremental budgeting”)
- Scope is either comprehensive or selective/targeted to specific budget areas
- Savings options are specific and targeted as opposed to unspecific savings (e.g. across the board cuts or efficiency dividends)
 - Efficiency Savings, e.g. *“doing more with less”*
 - Output Savings, e.g. *“doing less”* through elimination of non priority activities/programs
 - Savings vs Reallocation
- Increasingly applied in OECD countries in response to fiscal consolidation pressures after the global financial crisis (but useful in good times too)

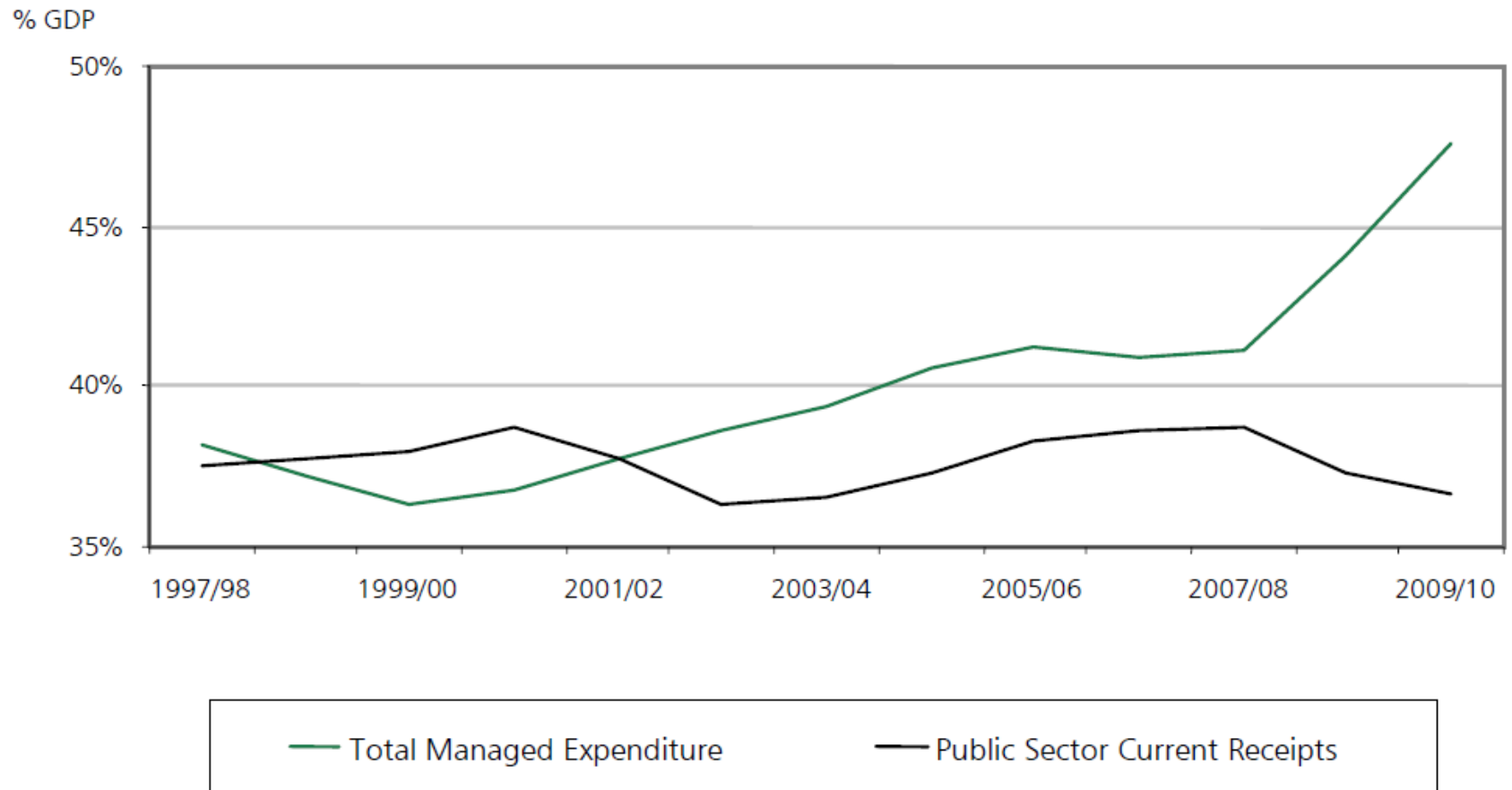
Types of Spending Reviews

- *Program reviews*: these examine specific programs (i.e., specific categories of services or transfer payments) and may deliver either efficiency savings or output savings or both
- *Process reviews* scrutinize specific business processes used in the production of government services (e.g., procurement processes, information technology [IT] systems and practices, and human resources management practices). Process reviews aim to achieve efficiency rather than output savings
- *Agency reviews* examine a whole government organization (ministry or other agency) and may in principle cover all of the agency's programs and processes

Institutional Arrangements and Process

- Continuing process (annual or periodic) vs. ad hoc process
 - Multi-Year Cycles
- Explicit Link to Budget Process
- Roles of MOF and Line Ministries
 - Joint task forces
 - External support by consultants or experts
- Cabinet Involvement

Spending Reviews – UK 1



Source: HM Treasury⁴

Spending Review – UK 2

Table 1: Departmental Programme and Administration Budgets (Resource DEL excluding depreciation¹)

	£ billion					Per cent
	Baseline ²		Plans			Cumulative real growth
	2010-11	2011-12	2012-13	2013-14	2014-15	
Departmental Programme and Administration Budgets						
Education ³	50.8	51.2	52.1	52.9	53.9	-3.4
NHS (Health)	98.7	101.5	104.0	106.9	109.8	1.3
Transport	5.1	5.3	5.0	5.0	4.4	-21
CLG Communities ⁴	2.2	2.0	1.7	1.6	1.2	-51
CLG Local Government 5	28.5	26.1	24.4	24.2	22.9	-27
Business, Innovation and Skills	16.7	16.5	15.6	14.7	13.7	-25
Home Office ⁶	9.3	8.9	8.5	8.1	7.8	-23
Justice	8.3	8.1	7.7	7.4	7.0	-23
Law Officers' Departments	0.7	0.6	0.6	0.6	0.6	-24
Defence	24.3	24.9	25.2	24.9	24.7	-7.5
Foreign and Commonwealth Office	1.4	1.5	1.5	1.4	1.2	-24
International Development	6.3	6.7	7.2	9.4	9.4	37
Energy and Climate Change	1.2	1.5	1.4	1.3	1.0	-18
Environment, Food and Rural Affairs	2.3	2.2	2.1	2.0	1.8	-29
Culture, Media and Sport ⁷	1.4	1.4	1.3	1.2	1.1	-24

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/203826/Spending_review_2010.pdf

Spending Review- UK 3

Examples of Savings (Welfare Reforms)

- Save £2.5 billion a year by 2014-15 by withdrawing Child Benefit from families with a higher rate taxpayer so that people on lower incomes are not subsidising those who are better off
- Cap household benefit payments from 2013 at around £500 a week for couple and lone parent households and around £350 a week for single adult households, so that no workless family can receive more in welfare than median after tax earnings for working households.
- Time limit contributory Employment and Support Allowance for those in the Work Related Activity Group to one year, to improve work incentives while protecting the most severely disabled and those with the lowest incomes, saving £2 billion a year by 2014-15;
- Take a radical new approach to tackling benefit fraud and error, working across departments, to ensure that significant reductions in illegitimate welfare payments are realised across both DWP and HMRC.

Spending Review – UK 4

	£ million			
	2011-12	2012-13	2013-14	2014-15
Welfare measures³	320	2,555	5,990	7,040
<i>Contributory Employment and Support Allowance: time limit for those in the Work Related Activity Group to one year</i>	0	1,025	1,530	2,010
<i>Housing Benefit: increase age limit for shared room rate from 25 to 35</i>	0	130	225	215
<i>Total household benefit payments capped on the basis of average take-home pay for working households</i>	0	0	225	270
<i>Disability Living Allowance: remove mobility component for claimants in residential care</i>	0	60	130	135
<i>Savings Credit: freeze maximum award for four years from 2011-12</i>	165	215	260	330
<i>Support for Mortgage Interest: extend temporary changes to waiting period and capital limit until January 2012</i>	-70	-20	0	0
<i>Cold Weather Payments: increase rate permanently to £25 from November 2010</i>	-50	-50	-50	-50
<i>Council Tax Benefit: 10% reduction in expenditure and localisation</i>	0	0	485	490
<i>Child Benefit: remove from families with a higher rate taxpayer from January 2013</i>	0	590	2,420	2,500
<i>Working Tax Credit: freeze in the basic and 30 hour elements for three years from 2011-12</i>	195	415	575	625
<i>Working Tax Credit: reduce payable costs through childcare element from 80% to 70% restoring 2006 rate</i>	270	320	350	385
<i>Child Tax Credit: increase the child element by £30 in 2011 and £50 in 2012</i>	-190	-510	-545	-560
<i>Working Tax Credit: increase working hours requirement for couples with children to 24 hours</i>	0	380	385	390

Spending Reviews- More Examples from the OECD

	Netherlands	Canada	Australia	Denmark	United Kingdom	France
Spending review process name	Comprehensive Expenditure Review (CER)	Strategic and Operating Review (SOR)	Comprehensive Expenditure Review (CER)	Special Studies	Comprehensive Spending Review (CSR)	Révision Générale des Politiques Publiques (RGPP)
Last round	2010	2011	2008–10	2011–12	2010	2010–11
Fiscal policy context	Fiscal consolidation	Fiscal consolidation	Fiscal consolidation	Fiscal consolidation	Fiscal consolidation	Unclear
Coverage	Selective	Comprehensive	Comprehensive	Selective	Comprehensive	Comprehensive
Main objective	Reduce aggregate spending	Reduce aggregate spending	Reduce aggregate spending	Reduce aggregate spending	Reduce aggregate spending	Reduce aggregate spending
Performance improvement	No	Yes	No	No	Yes	Yes
Savings targets	Yes	Yes	No	Yes	No	Yes
Ex ante choice of review topics	Cabinet	n.a.	Cabinet committee	Cabinet committee	n.a.	n.a.
Identification of savings options	Joint task forces	Spending ministries	Spending ministries MOF	Joint task forces	Spending ministries MOF	MOF
Use of performance indicators	Yes	Yes	Yes	Yes	Yes	Yes

Part 3

MONITORING AND EVALUATION

Result Based Monitoring and Evaluation

Monitoring and Evaluation are complementary processes

Monitoring

- Continuous process of collecting and analyzing information to understand how well a project, program or policy is performing against expected results
- Reliance on regular reporting of financial and non-financial information
 - Ongoing Program Management
 - “Course Correction”
 - Accountability

Evaluation

- In depth assessment of an ongoing or completed intervention to determine its relevance, efficiency, effectiveness, impact and sustainability
- In contrast to spending review, evaluations are typically more concerned with program impact (as opposed to cost savings)
 - Determine Effectiveness
 - Inform Policy and Program Design
 - Accountability

Different Expectations

Different clients of performance systems have different expectations

Cabinet

- Set key objectives and policy priorities for the government
- Align budget to these priorities
- Deliver on “Promises”

Ministry of Finance

- “Doing more with less”
- Mediate and reconcile sectoral/program demands within budget constraint
- Ensure public resources are generating results

Line Ministries

- Internal Management to ensure delivery of services and results
- Provide incentives for efficient use of resources, including by front line service providers (hospitals, schools, tax administration etc.)

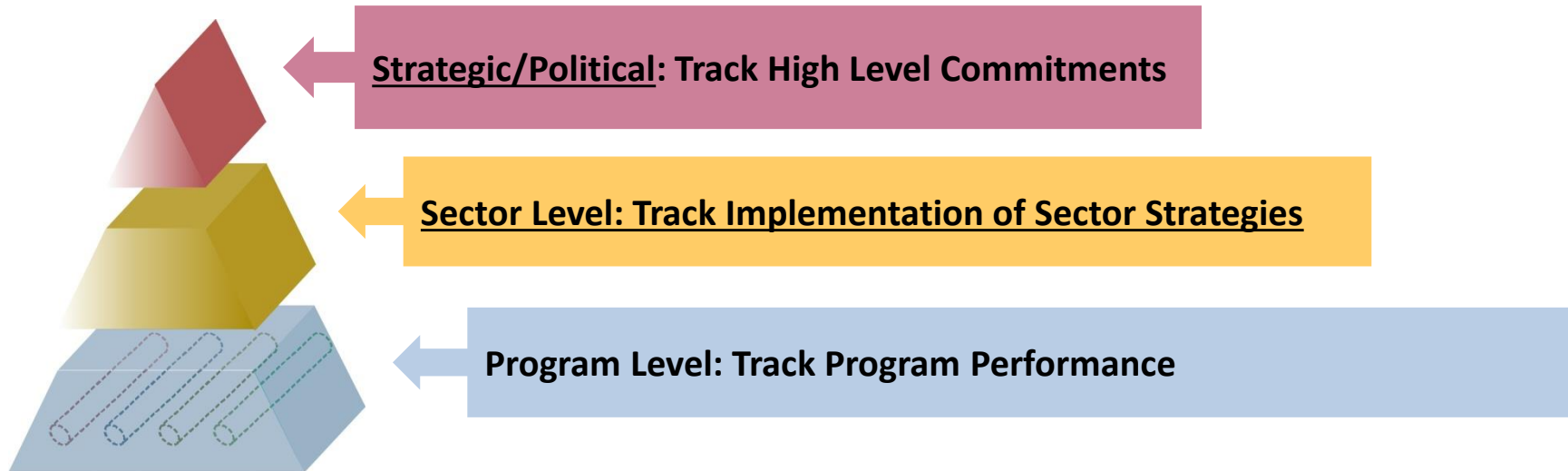
Legislature

- Performing budget oversight, ensuring efficient use of resources
- Demonstrating results to constituencies

Citizens

- Selected focus on areas, such as league tables in service areas, e.g. school exam scores, hospital treatment waiting lists etc.

Monitoring Systems



- Government Wide Performance Monitoring increasingly common across OECD and Emerging Market Economies
 - Canada, UK, South Africa, Colombia, Albania
- Institutional arrangements vary
 - Ministry of Finance
 - Centre of Government
- ICT enabled data collection
- Ensuring focus and avoid proliferation of indicators
 - UK reduced the number of KPIs from >300 in 1998 to <30 in 2010
 - Delivery Unit to ensure accountability
- Tailoring of information to needs

Ensuring Focus – Delivery Unit

- Unit based at the PMO, with direct support of the PM
- Staffed by 40-50 Civil Servants but headed by a high profile outsider
- Remit to deliver on 30 key Public Service Agreements (in Health, Education, Criminal Justice and Transport)
- Clear and ambitious targets for key services (embodied in 30 Public Service Agreements (PSAs)). Ministers held personally accountable for PSAs.
- Delivery Unit offered expertise and methodology. Worked with departments to agree 'trajectories' to meet PSAs.
- Defined appropriate indicators by which to judge success
- Replicated in: Indonesia, Malaysia, Romania

Ensuring Focus – Delivery Unit

Prime Ministers' Delivery Unit DELIVERY REPORT

Dept	July 2004	Assessment Criteria				Overall Judgement	Rank (out of 21)
		Degree of challenge	Quality of planning, implementation and performance management	Capacity to drive progress	Stage of Delivery	Likelihood of Delivery	
A	PSA 1	L	G	G	3	G	= 1
B	PSA 2	L	G	AG	2	G	= 1
C	PSA 3	H	AG	AG	3	G	3
D	PSA 4	H	G	AG	3	AG	4
A	PSA 5	VH	G	AG	2	AG	5
B	PSA 6	H	AG	AG	3	AG	6
C	PSA 7	H	AG	AG	2	AG	= 7
D	PSA 8	H	AG	AG	3	AG	= 7
A	PSA 9	H	AG	AG	2	AG	= 7
B	PSA 10	VH	AG	AG	2	AG	= 10
C	PSA 11	VH	AG	AG	2	AG	= 10
D	PSA 12	H	AR	AG	3	AG	12
A	PSA 13	VH	AR	AG	2	AR	13
B	PSA 14	VH	AG	AR	2	AR	= 14
C	PSA 15	VH	AG	AR	2	AR	= 14
D	PSA 16	VH	AR	AR	2	AR	= 16
A	PSA 17	VH	AR	AR	2	AR	= 16
B	PSA 18	H	AG	AR	3	R	= 18
C	PSA 19	H	AG	AR	2	R	= 18
D	PSA 20	VH	AG	AR	3	R	20
A	PSA 21	VH	R	R	2	R	21

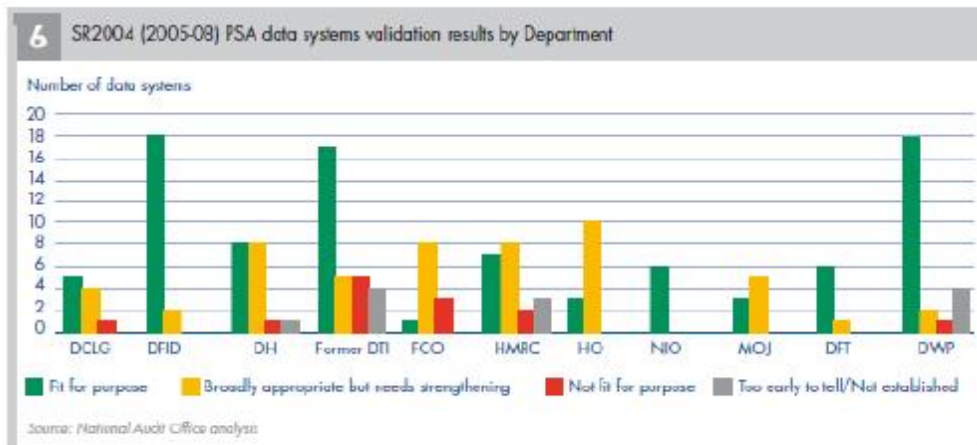
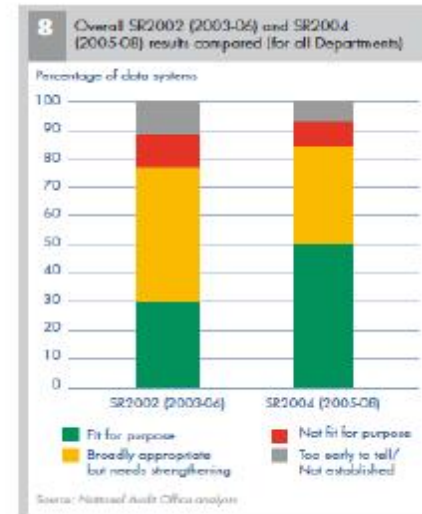
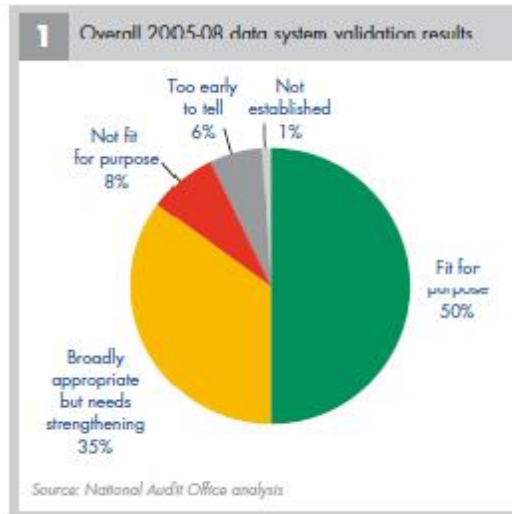
Types of Evaluations

- Evaluations typically aim to assess how well a program performs
- Part of Program Cycle
 - Selection of Program
 - Reliance on External Support – Researchers, Consultants
- Different Types
 - Process Evaluations: Assessment of program activities, goals, administrative processes and use of resources to measure whether program milestones and deliverables are on schedule (building on monitoring systems)
 - Cost/Benefits and Cost Effectiveness Evaluations: Assessment of whether the benefits achieved by the program are worth the costs
 - Impact evaluations: Assessment to discern the impact of the program from all other confounding effects
 - Increasing trend to use of randomized controlled trials (RCT) in impact evaluation
 - Randomized Assignment of Program “Treatment”
 - Comparison to control group (similar in all observable characteristics)
 - Examples from Health, Education and Labor Market Policies

Performance Audits

- Performance auditing is now an established feature of SAI work in OECD countries
- SAIs are well placed to contribute to performance improvement, but this requires big changes in approach and shift of resources
- Lack of expertise in technical areas and budget are constraints on performance audit
- SAI coverage may include evaluation of Performance Budgeting across Government (e.g. Australia NAO assessment of the use of performance information, UK review of data supporting PSAs, GAO review of PART program)

Performance Audits



NOTES

- 1 MOJ was formerly DCA.
- 2 DTI's PSAs have transferred to BERR and DIUS.
- 3 Appendix 3 contains results for individual data systems.

Summing up

- Performance agenda continues to be important
 - There is good evidence that focusing on performance can (but does not always) lead to better results
- Shift in focus towards utilization of performance information
 - Performance Budgeting cannot replace in depth program evaluation and policy analysis
- Use of different tools to achieve different objectives
 - Budget Analysis and Spending Reviews
 - Monitoring
 - Evaluation
- Fostering a Performance Dialogue - The most productive use of performance information is to contribute to a purposeful dialogue between central units (PM, MOF) and budget users on how resource allocation and utilization can be enhanced.
- A credible system for feedback, premised on problem-solving rather than rewards and punishment is critical to performance
- Selectivity in the application of tools to avoid overloading the system