



PEM PAL 2014 BCOP PLENARY MEETING

RESULTS BASED MONITORING AND EVALUATION

March 3-6, 2014, Antalya Turkey

SUMMARY REMARKS BY DAVID SHAND

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General Comments

1. The meeting spent considerable time focusing on the key Results Based Monitoring and Evaluation (RBME) components of

- Strategic planning
- Monitoring
- Evaluation

The meeting discussed their role in RBME, country experiences in developing them and how to develop or do each component better.

2. The meeting has also focussed on four key issues in developing and implementing RBME.
 - The importance of line ministry strategic plans
 - Using the performance information in budgetary decision making, as opposed to merely publishing it
 - Developing appropriate institutional arrangements – ensuring that the respective roles of MOF and other central ministries such as Economy or Planning and of line ministries are clear and complementary
 - Moving beyond monitoring to (in depth) evaluation
3. One pleasing impression from the discussions is the recognition by such a group of senior Ministry of Finance officials at this meeting of the important role line ministries must play in RBME. This is not always recognised.
4. **Strategic planning** by line ministries covering a multi-year period is now a feature in nearly all PEMPAL countries, although in some cases only annual work plans may be prepared. In a number of PEMPAL countries these strategic plans are costed.
5. The challenge is to prepare better strategic plans. Strategic plans must be developed from the “bottom up” reflecting line ministry’s knowledge of issues in both policy development and service delivery. Plans should be strategic, focusing on key issues rather than on everything. They should be “owned” by the line ministry and reflect the way in which it



manages program implementation. At the same time they must be realistic and affordable and linked to the budget and to government policies and priorities. This requires that they articulate with “top down” planning managed by MOF through the budget and MOF or another central ministry (e.g. Ministry of Planning, Ministry of Economy) through the national planning system. This requires a dialogue between line ministries and MOF and other relevant central ministries, who have a legitimate role in over viewing line ministry plans

6. However some countries appear to have too many unrelated strategic documents which make it difficult for line ministries to articulate their strategic plans.
7. There do not seem to be any particular barriers to improving the quality of line ministry strategic plans, except for the need to consult with MOF and other relevant central ministries because of their overview role and in some cases rationalising the number of strategic documents at the national level.
8. **Monitoring** progress through performance indicators is now general practice in PEMPAL countries. However it is clear that the quality of performance indicators may be a problem area and that some PEMPAL countries may have too many indicators. We need a comprehensive suite of indicators – not too few but also not too many. The indicator information should be reliable, timely and cost-effective to produce. They should limit any possible “gaming” and not have possible dysfunctional consequences. They should be “owned” by the line ministry and accepted by MOF and other relevant central ministries, as a result of a strategic planning process discussed above.
9. We should be mindful that “not everything that counts can be measured and not everything that can be measured counts”. Thus performance indicators are just an indication, not a final answer.
10. Most PEMPAL countries introduced program budgeting, although the budgets are still not necessarily being adopted by program classification in all those countries. In addition, not all of those countries have performance indicators, while most of the countries which do have performance indicators indicate that the quality of those measures still needs to be improved. In a number of PEMPAL countries performance indicators are part of the budget dialogue with MOF. However in some cases performance reports are used more in budget implementation reporting than in budget development and the reporting may be to Ministry of Economy rather than MOF.
11. There do not seem to be any particular problems to improving performance indicators, except for the need for consultation between line ministries and MOF and other relevant central ministries. However achieving reliable and timely information may require improvements in management information systems used to capture performance data.



12. It is clear that there are unresolved issues of terminology and understanding of **evaluation**, as opposed to monitoring and the meeting spent considerable time discussing this. Put simply evaluation goes beyond the performance indicators to attempt to determine the reasons for the level of performance – if there are problems are they design or implementation problems or both ? Thus the focus is on using the evaluation results for performance improvement, not simply on “punishment or reward”. The discussions and the pre-meeting survey indicate that not much evaluation is yet done in PEMPAL countries – an also no “in depth evaluation”.
13. Evaluation is a generic concept. It can be done of different things – of organizations and organizational units, of programs or of investment projects. It can be done at different levels of breadth and depth – how much is to be evaluated and at what level of detail. There is thus a whole range of different types of evaluation and much confusion seems to be caused by use of different terminologies such as “reviews”. Put simply a “review” may be a more limited form of evaluation, in scope and depth.
14. Evaluation may require considerable amounts of data and staffing resources. Thus evaluation must be done selectively; not everything can be evaluated at the same time. Because of data and methodological issues (e.g. determining cause-effect relationships) evaluation results are seldom conclusive. Rather they become the basis of a dialogue to determine how performance can be best improved.
15. Based on the meeting discussions and on the pre-meeting survey results there seem to be a number of barriers to evaluation in PEMPAL countries – namely
 - Lack of understanding of the concept
 - Confusion over different levels and types of evaluation
 - Lack of skills and training in evaluation methodology
 - Lack of demand for evaluation information, particularly from the political level.
16. Some time ago OECD developed some suggested good practices in program evaluation. These are
 - Generating (political) support from the top
 - Generating demand for evaluation information at all levels of management
 - Setting realistic expectations of evaluation – it may not provide complete answers
 - Linking evaluation with the budgetary process
 - Locating the evaluation function where it will have greatest impact. This is likely to be in MOF and in the budget and planning units of line ministries. Both MOF and line ministries have a key role to play in evaluation and both central evaluation and self-evaluation are needed.



- Planning evaluations – ensuring that their objectives, scope and information requirements are clearly set out in advance
 - Timing evaluations for maximum impact
 - Ensuring an understandable and relevant evaluation report which clearly communicates the findings
 - Involving key stakeholders – e.g. users, clients and managers of the unit, program or project being evaluated
 - Ensuring an adequate number team members with good evaluation skills
 - Ensuring methodological quality of the evaluation
 - Making and implementing decisions based on the evaluation
17. A key issue for PEMPAL countries in developing the evaluation function is how and where to start. The approach might be
- Establish a small evaluation unit within MOF (within or linked to the Budget Department) with clear terms of reference and legal authority
 - Train staff – using the considerable amount of evaluation training material which is already available
 - Select a small number of pilot subjects where the return is likely to be greatest
 - Proceed cautiously and consult closely with the managers of the organization, program or project being evaluated
 - Consider developing some linkage or partnership with the National Audit Institution where it has already developed an evaluation function
18. Based on presentations and Group discussion it appears that Russia, Albania and Moldova are at the initial stage of performing in-depth evaluations.

Country Presentations

19. The country presentations and the Group discussion topics were selected to highlight the key issues set out in paragraph 2 above.
20. **Turkey's** development of RBME has been an integral part of PFM reforms commenced since 1995. Reflecting a gradual and on-going approach to PFM reform a two year implementation period was provided for the 2003 Public Financial Management and Control Law. A key feature is the role of the Ministry of Development in managing the national planning system, including line ministry strategic plans and the need for close coordination with MOF. While performance information is not directly used in determining budgetary allocations output information (such as student enrolments) is used in the forward planning of budget expenditures. Line ministry performance plans are separate from the budget documents, although it is intended to integrate them.



- 21.** In **Russia** both MOF and Ministry of Economy play key roles in developing RBME. There have been some “false starts” or lack of success of previous RBME initiatives but the new “State Programs” provide the basis for a fresh approach. The 42 State Programs are at a high level of aggregation and cross ministerial boundaries. A system of high level indicators will enable monitoring of progress, including implementation and expenditure rates of progress and achievement of program performance indicators.
- 22.** The system involves a significant amount of self-monitoring through the preparation by the program managers of a narrative report which includes an analysis of factors influencing implementation and results. The narrative reports are coordinated and reviewed by Ministry of Economy and are also reviewed by MOF. This narrative report provides the basis for a dialogue with program managers on implementation and performance. Importantly, it also provides the basis for the development of future in-depth evaluation of programs.
- 23.** **Korea’s** RBME system is part of an ongoing series of PFM reforms commenced in 2000. Line ministries prepare annual performance plans and reports but this information has not been systematically used in budgetary decision making. Rather the emphasis is on evaluation, firstly through periodic reviews by line ministries based on a self-assessment template covering design and planning, management or implementation and results and accountability. These reviews cover about one third of all programs annually and indicate that around one quarter of programs are ineffective. Performance contracts may then be used to improve performance.
- 24.** In addition there is considerable in-depth evaluation using outside experts covering about ten cross-cutting programs each year, linked with the President’s policies and priorities. Managers have early warning of these evaluations so that the necessary information can be available. Programs shown to be ineffective are subject to direct budget cuts, which may be up to 20 percent in any one year. There is thus a direct link between in-depth evaluation and budgetary allocations.
- 25.** The two presentations on **expenditure reviews** focussed on the experiences of the **United Kingdom and Netherlands**, with some discussion also of other OECD country approaches. They indicate that such reviews are a form of quick (say 3-5 months) evaluation focus on achieving expenditure savings and thus may focus on programs, projects, processes or inputs. They may focus on operating expenditures, capital expenditures or transfers. They may also take place on an ad hoc basis outside a formal RBME system.
- 26.** The United Kingdom reviews illustrate the wide range of potential topics. The Netherlands illustrates the key role in MOF in spending reviews, which first commenced in 1982, given the limited incentive for line ministries to identify expenditure reductions. On the other hand line ministries have prime responsibility for in-depth evaluation, as they have the detailed information which is required for each evaluation. Both countries illustrate the need for good



consultation with the line ministry whose expenditure is being reviewed and for sound methodologies for each review.

Other Issues Arising from the Discussions

- 27.** It is noteworthy that in a number of PEMPAL countries the National Audit Institution is taking a lead in evaluation as part of its performance audit function.
- 28.** Country examples indicate the Parliament shows little interest in RBME information, with the exception of Russia (where Parliament is expected to show considerable interest in the results of State Programs) and in Korea and Netherlands. In the case of the Netherlands performance reviews may form an important part of negotiations for the formation of coalition governments.
- 29.** Discussions in the meeting indicated some reservations about giving greater budget flexibility to line ministries and program managers, as part of a “let the managers manage” component of RBME on the basis that it may compromise expenditure control. OECD country experiences suggest that greater budgetary flexibility, including virement and carryovers of under-expenditures, do not compromise expenditure control provided a hard budget constraint can be enforced – involving no budget supplementation during the year and an ongoing reduction in real terms of budget allocations, based on the flexibility that line ministries and program managers have to achieve savings.
- 30.** A final observation concerns World Bank Public Expenditure Reviews (PERs) which have been carried out in many PEMPAL countries, on either the whole public sector or sectors such as agriculture, health etc. They reflect elements of evaluation and expenditure reviews and are undertaken on an ad hoc basis. They may differ between countries based on their scope and depth. Few meeting participants were aware whether a PER had been carried out in their country or if so the content of the PER. This is surprising for such an important World Bank product, which aims to influence the budgetary decisions of the particular country. A study by participants in the meeting of any PER carried out in their country could stimulate thinking by MOF officials of expenditure areas for review or evaluation.