Monitoring and Evaluation (M&E) Systems to Improve Government Performance

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Why Countries Want an M&E System

- To support budget decision-making,
  - i.e. performance-based budgeting (PBB)
  - 3 main types: direct, indirect, presentational

- To support national, sectoral and sub-national planning

- To design policies and programs

- To assist ministries, entities and sub-national governments in their management

- To strengthen accountability relationships
Related Uses of M&E Information

- To clarify government goals
- To set performance targets; customer service standards
- To contract public services to private sector
- Performance contracts; personnel appraisal
- Anti-corruption; measuring “leakage” of government funds
- Civil society oversight of government performance – “voice”
- Etc
Government M&E Systems: Possible Roles of a MoF

1. Manager of the M&E system
2. Stakeholder
3. Initiate evaluations — choice of programs, terms of reference
4. Manage / commission evaluations
5. User of M&E info — for direct, indirect, presentational PBB
6. Funder of evaluations
7. Passive non-user
8. Roadblock
1. Reorient budget process from emphasis on $ to also emphasize results — outputs, outcomes, impacts of spending

2. M&E information provides a new source of options for budget reallocations

3. (M&E) “information is power” — conversely, a danger of information asymmetry if sector ministries only have this information
PBB — Challenges For a MoF to Consider

1. M&E can be costly — who should pay?
2. Requires special skills / expertise to manage an M&E system and to conduct or contract out evaluations
3. Budget timing versus duration of evaluations
4. Need for budget analysts to become discriminating consumers of M&E info
5. Can be difficult to reorient budget analysts from spending to performance
What is “M&E”? 

- Performance indicators – inputs, processes, outputs, outcomes, impacts
- Clarify program logic / results chains
- Rapid evaluations
- Rigorous impact evaluations
- Cost-benefit analysis
- Etc – many tools, methods, approaches
- Main dichotomy is between monitoring (i.e. performance indicators) and evaluation
- Each M&E tool has strengths, costs, limitations
Country Case Study: Chile

- M&E system mainly designed and used by MoF
- Ex ante cost-benefit analysis for investment programs (started by Planning Ministry in 1975)
- 1,550 performance indicators (1994) for all government programs
- “Program evaluations” (1996): desk reviews of logframe: 10-12 each year, take 4-6 months, average cost = $11,000
- Rigorous impact evaluations (2001): 4 each year, take <18 months, average cost = $88,000
- Comprehensive Spending Reviews (2002): desk reviews of all programs in a functional area: 1-2 each year, cost = $48,000
Chile’s M&E System – Strengths (i)

- Performance information used to identify need for evaluations
- Evaluations conducted externally, in fully transparent process, and are highly credible
- All M&E findings reported publicly and sent to Congress
- M&E system closely linked to the budget information needs of MoF
- Performance information used to set targets for ministries – these are largely met
- MoF closely monitors extent of utilization of evaluation findings
Chile’s M&E System – Strengths (ii)

- High utilization of M&E findings by MoF in the budget process and to impose management improvements on ministries, agencies

**Utilization of government evaluations – 2000 to 2006**

<table>
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<tr>
<th>Minor adjustment of program, for example improved information system</th>
<th>Major change in management processes e.g. new targeting criteria, new management information systems</th>
<th>Substantial redesign of program or of organizational structure</th>
<th>Institutional relocation of program</th>
<th>Program termination</th>
<th>TOTAL</th>
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<td>24%</td>
<td>38%</td>
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Chile’s M&E System – Weaknesses

- Unevenness in quality of evaluations – due to cost and time constraints

- Chile probably not spending enough on evaluations: only $750,000 each year compared with total government budget of $20 Billion

- Low utilization – low ‘ownership’ – of MoF’s evaluations by sector ministries
Country Case Study: Australia

- **Context: fiscal crisis**
  - therefore many public sector and budget reforms; autonomy given to line departments, agencies

- **M&E system managed by Dept of Finance (DoF)**

- **Evaluations mandatory – every 3-5 years for every program**

- **Sector departments had to prepare rolling, 3-year plans for evaluations**

- **Broad range of evaluation types — rapid evaluations; formal reviews; cost-benefit analysis; impact evaluations; performance audits; etc**

- Involvement of DoF budget / policy analysts in evaluation planning and major evaluations
- By mid-1990s, Σ160 evaluations underway at any point in time
- Evaluation findings heavily used in budget analysis, policy advice, and also by the Cabinet in its budget decision-making
- High utilization of evaluation findings by sector departments and agencies
- Evaluation was a collaborative endeavor between Finance Department, other central departments, and sector departments

- Uneven quality of evaluations
- Insufficient attention to regular performance information
- Insufficient central support for advanced evaluation training
- An administrative burden on departments was claimed
Australia’s Second Generation M&E System (1997-2006)

Genesis was new conservative government:

- significant reduction in size of civil service
- policy-advising system largely dismantled
- “bureaucratic” rules and central oversight reduced considerably
- evaluation strategy dismantled: evaluation was “deregulated”
- “Performance framework” – emphasis on performance monitoring
Australia’s M&E System (1997-2006)

- New M&E system based on mix of principles, expectations, some requirements
- Emphasized performance reporting to Parliament, both ex ante and ex post
- Evaluation was encouraged — but not required
- DoF was downsized considerably. Its role in providing advice during budget process and for maintaining budget estimates was reduced considerably
Australia’s M&E System (1997-2006): How Successful?

National Audit Office: departments’ reports to Parliament inadequate:

- poor quality data — weak standards, systems
- little use made of targets or benchmarking
- lot of data on government outputs, but little on outcomes
- lack of real analysis of performance information
- Parliamentary committees very unhappy with this inadequate information

OECD (2002): The changes to the M&E system “deprived the Finance Ministry of the information necessary for it to adequately advise the Minister”
Lessons for ECA Countries (i)

Lessons from these 2 countries are consistent with other countries’ experience

1. Key role of powerful champion of M&E
   - ideally centrally-driven, by capable ministry such as a MoF

2. Demand and supply sides both need careful attention

3. On demand side, incentives are key to achieve high utilization
   - in Australia it took several years to achieve cultural change: required strong leadership; focused recruitment / promotion; on-the-job training; staff turnover
Lessons for ECA Countries (ii)

4. Monitoring information (indicators) are useful – but important to have evaluations to understand reasons why performance is good or bad

5. Monitoring information and evaluation findings need careful analysis to be useful
   - requires appropriate skills and staffing

6. On supply side, (i) caveat multiple, competing, uncoordinated systems; (ii) ensure data reliability, credibility
7. Role of structural arrangements to ensure M&E objectivity and quality:

- Who is responsible for planning, conduct and use of evaluations?
- Self-evaluations or independent evaluations?
- Who funds the system? — (a) earmarked budget funds?; (b) costs “absorbed” by ministries?
- Linking M&E information and financial management information systems (FMIS); program budgeting
8. Long-haul effort, requiring patience

9. Limitations of relying on laws, decrees, regulations

10. There are no strong pre-conditions, but success factors include:
    - program budgeting
    - reliable FMIS
    - reliable ministry data systems
    - powerful and capable MoF
    - government Ministers and Cabinet who support evidence-based policy-making
Useful Resource Materials


Useful Resource Materials

  [http://www.oecd.org/document/38/0,3343,en_2649_34119_39921702_1_1_1_1,00.html](http://www.oecd.org/document/38/0,3343,en_2649_34119_39921702_1_1_1_1,00.html)

  [http://www.oecd.org/document/38/0,3343,en_2649_37405_39921702_1_1_1_37405,00.html#B2](http://www.oecd.org/document/38/0,3343,en_2649_37405_39921702_1_1_1_37405,00.html#B2)


- World Bank website on Building Government M&E Systems:  