

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

PBB – What Benefits For a MoF?

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

| Minor adjustment of program, for example improved information system | Major change in mgment processes e.g. new targeting criteria, new management information systems | Substantial redesign of program or of organizational structure | Institutional relocation of program | Program termination | TOTAL |
|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------|---------------------|-------|
| 24% | 38% | 25% | 5% | 8% | 100% |

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

Australia's M&E System (1987-1997) – Strengths

- Involvement of DoF budget / policy analysts in evaluation planning and major evaluations
- By mid-1990s, Σ 160 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

Australia's M&E System (1987-1997) – Weaknesses

- 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

Lessons for ECA Countries (iii)

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

Lessons for ECA Countries (iii)

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

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