

# Building Effective Governments

Achievements and Challenges for  
Results-Based Public Administration  
in Latin America and the Caribbean

Executive Summary

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# Executive Summary

Improving public services, using State resources efficiently, and managing State agencies effectively have been ongoing concerns of Latin American and Caribbean (LAC) governments since the beginning of this century. Government officials are now paying closer attention to the results obtained by their administrations. Citizens are now demanding not only universality but also quality in the services that the State provides (e.g., education, healthcare, and legal services). To meet this growing demand for public sector effectiveness, governments have formulated new laws, created or modified institutions, and implemented innovative management methodologies and instruments.

To analyze countries' institutional capabilities to implement effective, efficient, and transparent public administration, the Inter-American Development Bank (IDB) designed the PRODEV Evaluation Tool (PET) as an instrument for the analysis of management for results in the public sector. Through a focus on managing for development results (MfDR), this instrument analyzes the five pillars of the public policy management cycle:

- Planning
- Budgeting
- Public financial management
- Program and project management
- Monitoring and evaluation

These pillars examine the elements that public sector institutions should implement for their efforts to yield the results that governments offer the citizens. Comparing data obtained from the PET in 2007 and

2013, this publication analyzes the progress made and the current status of implementation of these five pillars by the public sector in 24 LAC countries.<sup>1</sup>

The study shows a positive evolution of institutional capacities to implement MfDR. All of the countries analyzed improved their scores, although to varying degrees. The governments with the lowest scores on the MfDR index in 2007—Belize, Guyana, Jamaica, Nicaragua, Paraguay, and Trinidad and Tobago—have taken significant steps to improve their national public administration systems. Likewise, in recent years, some of the countries with intermediate scores, especially the Dominican Republic, Ecuador, and Peru, have undertaken major reforms and are advancing rapidly. The group of countries with the highest scores—Brazil, Chile, Colombia, and Mexico—have a substantial lead over the rest, display more harmonious development in the five pillars of MfDR, and show sounder know-how in the areas of results-based budgeting and monitoring and evaluation, which tend to be the weakest aspects for most countries in the region.

**TABLE 1 | LAC Countries with the Best Performance in the PET Pillars, 2007–2013**

| <b>Pillars</b>                 | <b>Countries that led in the pillar in 2013 (sorted alphabetically)</b> | <b>Countries that made more progress between 2007 and 2013 (sorted alphabetically)</b> |
|--------------------------------|---|--|
| Results-oriented planning      | Brazil, Colombia, Ecuador, Mexico                                       | Belize, Dominican Republic, Nicaragua, Paraguay,                                       |
| Results-based budgeting        | Brazil, Chile, Mexico, Peru   | Dominican Republic, Honduras, Mexico, Uruguay  |
| Public financial management    | Brazil, Chile, Colombia, Mexico   | Dominican Republic, Ecuador, Guyana, Trinidad and Tobago                               |
| Program and project management | Brazil, Chile, Colombia, Mexico   | Argentina, Ecuador, Mexico, Paraguay   |
| Monitoring and evaluation      | Brazil, Chile, Colombia, Mexico   | Jamaica, Mexico, Peru, Uruguay   |

<sup>1</sup> The countries included in this study are: Argentina, Bahamas, Barbados, Belize, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Mexico, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, and Uruguay.

Governments have undertaken major efforts to improve medium- and long-term national planning capacity, medium-term budgeting, program budgeting, and several financial management instruments. These efforts reflect a desire to gain greater control over public spending and to focus on strategic objectives. Governments have made less progress, however, in the areas of evaluation of spending effectiveness, incentives for achieving institutional objectives, and evaluation systems. If these elements continue to lag behind, they may jeopardize progress in the other areas because they are directly tied to producing and using information on performance to inform decision making—key factors in results-oriented management. In other words, governments are better able to identify the desired results and the resources needed to achieve them, but the effectiveness of the strategies implemented is not known.

An analysis of PET information from the standpoint of efficiency, effectiveness, and transparency in the public sector shows that, in general, countries in the LAC region have made progress in all three of these areas, although more so on optimizing the inputs used to obtain an output (efficiency) than on ensuring that interventions achieve their expected results (effectiveness). Transparency has improved as a result of greater dissemination of information by both the ministries that oversee the sectors and those in charge of cross-sector functions, such as planning and budgeting. Currently, citizens and opinion leaders have access to more information about State actions.

The main conclusions of this publication regarding achievements and remaining challenges in the five pillars of the public policy management cycle are summarized below.

## **Results-Oriented Planning**

The purpose of the MfDR planning system is to define the results that governments hope to achieve. To that end, the methodology proposes that three elements are necessary: (1) institutionalized strategic planning exercises, (2) instruments that make it possible to translate the strategy into annual programming of activities and resources, and (3) mechanisms that incorporate the opinions of the legislative branch and civil society organizations (CSOs) into the strategic plans.

Strategic planning exercises are being consolidated throughout the region. There is a trend toward creating specific regulations to institutionalize the agencies in charge of this function. An increasing number of countries (7 in 2007 and 11 in 2013) are creating joint documents that present national objectives and strategies for the long term (20 years or more), with the aim of

establishing an agenda of public policy priorities that will transcend individual governments.

The operational phase of planning—in which annual resources are allocated, activities are identified, and the people responsible for implementing them are determined—has improved as a result of the incorporation of goals, programs, outcomes, and indicators into medium-term plans. Nonetheless, much remains to be done in terms of coordinating sectoral, territorial, and investment planning with medium-term national planning.

The involvement of political players and CSOs in defining plans is the weakest aspect of this pillar, and no significant progress has been seen over the last five years. In only 7 of the 24 countries studied did the legislative branch of government review the medium-term plan, and its approval was required by law in only 4. Although CSO consultations have become more frequent in recent years and are more prevalent than participation by the legislative body, the procedures to conduct them are rarely institutionalized.

## **Results-Based Budgeting**

Results-based budgeting (also known as budgeting for results, or BfR) is a set of processes and instruments that make it possible to systematically use information about the performance (results) of policies, programs, and projects in the budget cycle, with the aim of maximizing their impact on economic and social development. To implement BfR, the methodology proposes that it is necessary to incorporate five components: a budget structured by programs, projection of medium-term income and expenses, a system for monitoring and evaluating the performance of public spending, incentives for improving effective management, and dissemination of information about the budget and expenditures.

Of these elements, the one that showed the greatest progress was public dissemination of budget-related information. Of the 24 countries studied, 21 currently make budget information available to the public via the Internet, although very few post summaries and documents that would facilitate the public's ability to understand and analyze these technical documents. Another element that has seen considerable progress in recent years is the projection and/or programming of income and expenses in the medium term. Currently, 18 of the 24 countries have an instrument of this kind, but the degree of consolidation varies. The construction of budget schedules, which enables the budget to be formulated on the basis of policies rather than automatic increases as a function of anticipated resources, has also expanded.

Spending effectiveness is assessed through the monitoring and evaluation system. This system is key to the functioning of BfR because it provides the performance information required to maximize the impact of public policy. This component saw little growth during the period under analysis. Very few countries are able to use a mature instrument to analyze the effectiveness and quality of public spending. Likewise, very few countries have implemented mechanisms to provide incentives for institutions and individuals to optimize management and achieve institutional outcomes.

## **Public Financial Management**

Public financial management is the set of administrative instruments of public sector organizations that enable them to generate and deliver resources for the purpose of realizing the government's objectives. This pillar of the methodology encompasses the following areas: (1) budgeting and financial management, (2) the procurement and contract system, and (3) internal and external auditing. Of the five pillars that comprise MfDR, this one obtained the highest score in 2007 and also topped the list in 2013.

With respect to budgeting and financial management, the greatest progress was seen in activities to analyze and mitigate fiscal risk. These activities involve not only direct obligations but also contingent liabilities. There was also substantial progress in implementing integrated financial management systems (IFMSs): the number of countries that now have mature, consolidated systems rose from 8 in 2007 to 12 in 2013.

As for public sector procurement and contracts, the greatest progress is associated with improving the legal and institutional frameworks and increasing the availability of statistical information about the processes carried out. However, the capacity to conduct electronic transactions has seen very little progress, with only seven countries offering electronic systems with this feature.

With respect to public auditing, the main trends observed are an increasing the presence of internal oversight units in central government agencies and responding more effectively to observations made in external audits. Management and performance audits are advancing slowly.

## **Program and Project Management**

Through program and project management, government agencies crystallize the production of goods and services for citizens and in this way create public value, which is the main objective of MfDR. This publication analyzes several

key aspects of the process of program and project management: (1) ex ante project evaluation, (2) sectoral planning capacity, (3) management of the quality of services, and (4) information systems. The analysis focuses on the education, health, infrastructure, and social development sectors.

Ex ante evaluations of investment projects are widespread. However, their coverage is not always adequate, and their use as a criterion for allocating resources is not always ensured. Likewise, reviews of the relevance of projects to the objectives and strategies of medium-term national plans are infrequent.

Sectoral planning is the most consolidated aspect, and preparation of medium-term plans is the area that has seen the most progress in recent years. However, the indicators for management of the quality of goods and services and for sectoral information systems obtained low scores in all countries. This indicates that the capacity to set short- and medium-term goals and objectives has grown, but not the subsequent capacity to execute the plans, meet the objectives, achieve the goals, and obtain the information needed to monitor implementation.

The education and health sectors showed greater progress than infrastructure and social development due to the fact that long-term planning exercises have now been undertaken for several decades, and there tend to be better information systems based on administrative records. Moreover, these sectors have participated the most in efforts to meet the Millennium Development Goals (MDGs), which adopted the results-based management approach.

## Monitoring and Evaluation

Monitoring and evaluation functions are equally essential to results-based management because they provide information about the extent to which results have been achieved and about the impacts that public programs and projects are having on the population at large. This pillar examines closely connected and overlapping systems: (1) statistics, (2) monitoring, and (3) evaluation.

Statistics is the most consolidated and homogeneous system among the countries because its regulatory and institutional frameworks are sounder, and there are international standards for many of its technical processes. Fundamental progress can be seen in terms of the timeliness with which data are now published and the microdata from statistical census and survey operations are made known. These are key inputs for the functioning of monitoring and evaluation systems.



Monitoring systems are more widespread than evaluation systems, but their development is still incipient in most LAC countries. Only 4 of the 24 countries studied have mature institutional performance monitoring systems, and another four have achieved an intermediate level in recent years. The good news is that in some countries a positive trend can be seen toward the creation of institutional units in charge of monitoring systems. These units work under the budget or planning offices, or within the central government offices involved in managing top-priority goals.

Evaluation systems have advanced less than monitoring systems. In 2007, only four LAC countries had evaluation systems, and in 2013 the situation had not changed substantially, although two more countries had undertaken actions to systematically conduct evaluations.

## Recommendations

This publication makes the following recommendations with the aim of further strengthening the focus on results in the public policy management cycle in LAC countries:

- Align laws and regulations with the concepts of results-oriented management, quality of service, and good performance.
- Promote the effective integration of the planning and budgeting systems.
- Establish procedures to incorporate information on performance into the budgeting process.
- Reinforce coherence between strategic planning at the national and sectoral levels and investment planning.
- Strengthen the analysis and management of fiscal risk.
- Promote external oversight agencies' capacity to evaluate results.
- Expand and reinforce strategies for continuous improvement of the quality of services.
- Develop monitoring systems based on performance indicators.
- Build institutional capacity to evaluate policies, programs, and projects through a multi-annual assessment plan.
- Establish procedures to use the performance information produced by monitoring and evaluation systems.



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